



International Salvage Union
Annual Review 2019

“Many ISU members have diversified their offering but one part of their work remains critical and that is care for the environment which is socially and politically more important than ever.”



International Salvage Union Annual Review 2019



Welcome to the International Salvage Union's Annual Review for 2019. Given the stature of all our previous presidents, I am very honoured to have taken the role of president of the ISU which is the global voice of the world's professional marine

salvage contractors. And I should like to thank Charo Coll for her leadership of our association and the industry during her time as president.

During 2019 we continued with our work to re-position the salvage industry, showing that we recognise that there have been challenges and changes on both the demand and supply side of our industry. I think it is worth repeating the core purpose which we defined for ISU:

To be the credible, trusted and unified global voice of its members who facilitate world trade by providing marine services which save life, protect the environment, mitigate risk and reduce loss.

We also produced a new visual identity for ISU and that was rolled out during the year across our own materials and also to all categories of ISU member.

We also conducted research to get a better understanding of what our stakeholders think of the ISU itself and the salvage industry. A wide ranging survey was conducted with respondents from the insurance, salvage, shipowning and professional services communities. We wanted the survey to be international but with a high concentration of shipping related services in Europe, it represented about half of the respondents but the rest were split evenly between the rest of the world; Asia, the Middle East, Africa and the Americas.

The results were positive. The overall satisfaction that respondents have with the ISU was, according to the experts, high at 7.44 out of a maximum score of 10. The results also showed that ISU is considered credible and trustworthy; is thought to participate in appropriate forums and that it promotes the industry and has an international outlook and provides networking opportunities.

For the overall perception of the professional salvage industry, the highest scores were for the industry being: competent; reliable and safe which was encouraging. But of course, we must guard against complacency and there is always more that can be done to improve.

Publishing the results of the survey demonstrates our openness and, of course, transparency and cooperation between the parties is essential both at industry level and

in operations, particularly in the high pressure setting of emergency response. And the focus must always be on supporting the client, the shipowner, who must be aligned with their property insurers and liability insurers to create the best conditions for the contractors to use their skill and experience to prevent disaster.

The financial statistics for the industry can be seen on page 10 of this Review. They are broadly consistent with the previous year but market pressure has caused contraction. This review is for 2019 but in early 2020, we have seen the sad demise of ISU member Ardent and it means that, over the last few years, the famous names of Titan, Mammoet and Svitzer have all disappeared from marine salvage. Time will tell whether the capacity of the industry remains adequate to provide the professional global response capability that is relied upon to mitigate further exposure.

Many ISU members have diversified their offering but one part of their work remains critical and that is care for the environment which is socially and politically more important than ever. Shipowners must respond properly if their vessel threatens pollution and professional salvors are the world's foremost resource in protecting the marine environment. This is demonstrated most clearly in our pollution prevention statistics which are published on page 11 of this Review.

As well as their environmental contribution, ISU members are also excellent project managers and wreck removal continues to be a substantial part of the industry. The sums of money and financial risks are huge and we therefore support the trend for the tendering process to be more rigorous and transparent and we recognise that risk needs to be considered in a methodical way; both during the tender and execution phase. It will drive up performance all round if the process is transparent, fair and ethical. This is an area for further high level discussion and we must ensure there remains a competitive set of contractors able and willing to bid for this kind of work.

I hope you find this review a useful document and thank you for your ongoing interest in the ISU and the salvage industry. I am looking forward to continuing to lead the association for the next 18 months in the hope that our members and other parties can work together cooperatively in the service of our clients, helping them to reduce risk and mitigate loss.



Richard Janssen
President, International Salvage Union.

EXECUTIVE COMMITTEE REPORT

The International Salvage Union is a company limited by guarantee (not for profit) incorporated in England. It acts as the trade association for marine salvors globally and its principal activity has been the provision of services to its marine salvage company members.

The ISU is governed by a President, supported by a vice-President and an Executive Committee made up of senior managers from the member companies and which meets four times a year. There is an annual meeting to which all full members are invited. Day to day business is conducted by the secretariat consisting of a Secretary General, supported by the Communications Adviser, Legal Adviser and Finance and Administration Assistant. The ISU operates from an office in the City of London.

OFFICERS

President (to September 2019)
Charo Coll,
Boluda, Spain

Vice President (to September 2019)
Richard Janssen,
Smit Salvage, The Netherlands

President (from September 2019)
Richard Janssen,
Smit Salvage, The Netherlands

Vice President (from September 2019,
and resigned November 2019)
Peter Pietka, *Ardent, USA*

Nick Sloane, *Resolve Marine, USA*
(from December 2019)

EXECUTIVE COMMITTEE

Charo Coll, *Boluda, Spain*
Richard Janssen, *Smit Salvage, The Netherlands*
Li Jianping, *China Rescue and Salvage, China*
Leendert Muller, *Multiship, The Netherlands*
Corrado Neri, *Fratelli Neri, Italy (resigned December 2019)*
Peter Pietka, *Ardent, USA (resigned December 2019)*
Matthias Reinartz, *Ultratug, Chile (resigned December 2019)*
Sukekazu Shimonishi, *Nippon Salvage, Japan*
Nick Sloane, *Resolve Marine, USA*

SECRETARIAT

Secretary General
Roger Evans

Legal Adviser
Rob Wallis

Communications Adviser
James Herbert

Administrative and Finance Assistant
Ciara McGarry

Members of the ISU Executive Committee take questions at the AGM 2019 in London
(left - right: Peter Pietka, Matthias Reinartz, Richard Janssen, Charo Coll, Leendert Muller).



ISU ABBREVIATED ACCOUNTS

Statement of Income and Retained Earnings Year ended 31 December 2019

	2019	2018
	£	£
Turnover	412,141	430,582
Gross profit	<u>412,141</u>	<u>430,582</u>
Administrative expenses	440,467	516,962
Revenue relating to the 2018 AGM	(34,096)	-
Operating profit	<u>5,770</u>	<u>(86,380)</u>
Other interest receivable and similar income	440	48
Profit before taxation	<u>6,210</u>	<u>(86,332)</u>
Tax on profit	-	-
Profit for the financial year and total comprehensive income	<u>6,210</u>	<u>(86,332)</u>
Retained earnings at the start of the year	<u>165,439</u>	<u>251,771</u>
Retained earnings at the end of the year	<u>171,649</u>	<u>165,439</u>

All activities of the company are from continuing operations

Statement of Financial Position at 31 December 2019

	2019	2018
	£	£
Fixed assets		
Tangible assets	2,293	2,293
Current assets		
Debtors	158,962	92,387
Cash at bank and in hand	186,919	275,358
	<u>345,881</u>	<u>367,745</u>
Creditors: amounts falling due within one year	<u>45,071</u>	<u>73,914</u>
Net current assets	<u>300,801</u>	<u>293,831</u>
Total assets less current liabilities	<u>302,334</u>	<u>296,124</u>
Net assets	<u>302,334</u>	<u>296,124</u>
Capital and reserves		
Other reserves	130,685	130,685
Profit and loss account	171,649	165,439
Members' funds	<u>302,334</u>	<u>296,124</u>

SECRETARY GENERAL'S REPORT

2019 saw Richard Janssen of Smit Salvage take over as ISU president from Ms Charo Coll and, as Richard notes in his introduction, we continued to deliver our strategic plan underpinned by our intention to re-position the industry. As part of this we undertook in the first half of the year an ISU and salvage industry perception survey which provided a valuable insight both from members of the ISU and external stakeholders into how we are perceived by the maritime industry in which we operate. The results were largely positive.

2019 has been another challenging year for the salvage industry and for ISU members with weak revenues, especially from Lloyd's Open Form casualties which numbered just 35 cases. A small increase in non-LOF cases and stronger wreck removal figures than the previous year brought up the overall total revenue and these are shown in our annual statistics on page 10 of this review.

Unfortunately, two ISU Members have left the association and indicated the reason was the difficult market conditions as well as focussing more on non-salvage business activities. In addition, sadly, we lost Peter Pietka as ISU vice president on his resignation from Ardent in November but we were very pleased to have a strong replacement in Nick Sloane of Resolve Marine.

At the close of the year, therefore, we had 50 full Members drawn from 31 different countries. We have maintained our Associate Membership at 76 but as we have a few applications pending, we hope this will grow in 2020. Our Affiliate Membership did not change and was maintained at 13.

Ciara McGarry, our finance and administration assistant, reviewed and thoroughly updated our members' contact details during the year which was required for our new accounting and invoicing system as well as for our main contact lists.

Financially, the ISU maintained its strong position as a well-funded organisation with a robust balance sheet which is demonstrated by the summary accounts which are published on page 5 of this review.

The Associate Members' Day in March attracted over 200 delegates and was held, again, in the impressive Merchant Taylors' Hall in London. The opening address was delivered by Nusrat Ghani MP the UK Shipping Minister who described her vision for the shipping industry and the importance of maintaining a strong and professional salvage sector as an integral of the international maritime business.

The biennial Special Casualty Representatives' Forum, which is a one-day seminar jointly promoted by the International Group of P&I Clubs (IG) and ISU, was also held this year the day after Associate Members' Day and also at the Merchant Taylors' Hall in London. It was well attended and the programme was well received by the

SCRs, IG members, consultants and salvors who mostly comprised the audience.

The Annual General Meeting of the ISU was held in September in London with Ardent as hosts. The opening reception was held in the Swiss-Re building, better known as the Gherkin, for 180 special invitees from the London and wider maritime market and as well as the ISU members and partners attending the AGM.

The AGM itself was well attended with 62 member representatives present for the formal business of the ISU; an update on the new strategic direction; an overview of the ISU opinion survey results and an open forum discussion with Executive Committee members as panellists on the current economics of the salvage industry. The members found this a positive and useful new item to be repeated. The AGM was also provided with an excellent case study presentation by Stephan Hennig the UK Secretary of State's Representative for Maritime Salvage and Intervention.

At the conclusion of the meeting, the out-going president Charo Coll officially handed over to Richard Janssen to start his two-year tenure.

The ISU Salvage sub-Committee met three times during the year under the chairmanship of Eline Muller of Multtraship. The other committee members are representatives from Smit Salvage, Ardent, Resolve Marine Group, Nippon Salvage, Five Oceans Salvage and Donjon Marine. This committee continued its valuable work on industry issues, providing excellent support and recommendations to the ISU Executive Committee.

ISU attended various meetings at the International Maritime Organisation (IMO) in line with its consultative status, which it has held since 1979. There was specific involvement again this year with regard to the European Union "Places of Refuge" Guidelines which have now been submitted to the IMO Maritime Safety Committee with a more definitive, revised wording to assist with IMO adoption of them as a world-wide standard.

We continued our role on the assessment panel for the IMO's Annual Award for Exceptional Bravery at Sea and the award ceremony was attended by ISU President, Richard Janssen, immediate past-President, Charo Coll

and Roger Evans. We also expect there will be further involvement with IMO on the issue of autonomous and unmanned vessels.



Roger Evans
Secretary General

LEGAL ADVISER'S REPORT

2019 saw the conclusion of work leading to the publication at the beginning of 2020 of revised editions of the Lloyd's Open Form Salvage contract (LOF 2020) and the associated procedural Lloyd's Salvage Arbitration Clauses (LSAC). The amendments to LOF are a small change to provide greater clarification of "deemed performance" and a new reference to agreements that amend or vary the provisions of the LOF. This reflects the agreement reached in 2018 that there should not be any side agreements or amendments to LOF but, if there are, their existence must be notified to Lloyd's and the parties to the LOF. However, it is clear that amendments to LOF which have the effect of reducing the reward paid to a salvor do not come from contractors but are imposed by owners or their insurers.

LSAC 2020 is an amalgamation into one document of the previous Lloyd's Procedural Clauses and Lloyd's Salvage Arbitration Clauses. The grammar and wording have been simplified to make the clauses clearer and easier to implement.

The main changes relate to Special Cargo Provisions (Clause 14); contractor's Special Right to Terminate (Clause 19) and the Fixed Cost Arbitration Procedure (FCAP) (Clause 15).

FCAP has been addressed with specific encouragement for it to be used in any case irrespective of whether the security demand is in excess of a new higher limit of US\$ 2 million. This should be welcomed but depends on the parties agreeing to the quicker and more streamlined process involving shorter submissions, fewer documents and relatively low fixed costs for fees of lawyers and arbitrators. It remains to be seen whether this process will be taken up.

In line with the five year cycle, the composition of the LOF Arbitrators Panel was reviewed and the successful applicants were Elizabeth Blackburn QC; Lionel Persey QC; Simon Kverndal QC and Vasanti Selvaratnam QC. Jeremy Russell QC remains the Appeal Arbitrator.

More generally, Lloyd's and others continue with efforts to promote LOF and to dispel "myths" about the contract and in support of this initiative, ISU participated at an event with this aim at the London Underwriters Association. There continues to be concern about the erosion of the principle of "encouragement" in salvage awards and that salvage capacity internationally might be compromised.

Quantitative Risk Assessment in wreck removal tendering has continued to be discussed throughout the year. The ISU is fully engaged with representatives of the International Group of P&I Clubs (IG) on this issue and is driven by a desire to ensure that the tendering process is fair and that there remains a competitive market for wreck removal work with a range of contractors able and willing to bid for jobs.

"Lloyd's and others continue with efforts to promote LOF and to dispel "myths" about the contract."

There is an ongoing review of the ISU and IG SCOPIC Code of Practice which dates from 2005 and other SCOPIC matters included the SCOPIC ISU5 security wording. This permits the Club to refuse to give increased security and to void initial security where there is an amendment to LOF that does not meet with its approval. There is no time limit on Club approval or otherwise to any such amendment.

In a SCOPIC-related matter, the case of the Renos reached the UK Supreme Court which published its decision in June 2019. Overturning the previous decisions of the first instance Court and Court of Appeal, it has ruled that SCOPIC costs cannot be included in the calculation required to assess a constructive total loss (CTL) under the Institute Time Clauses Hulls (1/10/83). This is a welcome decision for salvors to remove any concerns of the London market that by agreeing LOF with SCOPIC incorporated, this would increase their liability to pay CTL claims.

Plans on the part of BIMCO are underway to revise TOWCON and TOWHIRE 2008 and a sub-committee including the ISU is working on these important and popular contracts.



Rob Wallis
Legal Adviser

COMMUNICATIONS ADVISER'S REPORT



James Herbert
Communications Adviser

works to build relationships with organisations like Lloyd's; the International Group of leading P&I Clubs and the International Union of Marine Insurance.

ISU has a policy of being open and transparent, sharing information and policy with others and negotiating on important matters in a constructive way. In 2019, it conducted an opinion survey about perceptions of the industry and the headline results are on page 12 of this review. ISU promotes an open forum discussion among members at its annual meeting which informs the priorities and work of the secretariat during the year.

Members of the ISU leadership team regularly participate in industry conferences giving papers and joining expert panels. In 2019 the secretary general and president spoke at the Asian Marine

The International Salvage Union communicates effectively with its members and other stakeholders in the marine industries. It is proud of its status as the voice of the global marine salvage community and is formally recognised by the International Maritime Organisation. It also

Casualty Forum in Singapore and ISU was well represented at the Salvage and Wreck Conference in London. The ISU's Secretary General notes in his report the success of the annual ISU's own Associate Members' Day Conference.

“ISU is open and transparent, sharing information and policy and negotiating on important matters in a constructive way.”

ISU produces a professional quarterly newsletter, Salvage World, reporting the corporate and operational news of the ISU and its full members as well as news from its associate and affiliate members and the wider shipping industry. ISU also maintains a website that is a source of information about the ISU and the marine salvage industry and is developing its social media presence.

ISU maintained contact with key journalists and editors and encouraged reporters to attend ISU events as well as providing articles to shipping media and dealing professionally with enquiries about the industry.

ISU also rolled out its refreshed visual identity in 2019 with new logos specific to the ISU and the different categories of members. A new look for PowerPoint presentations and the Salvage World newsletter have also been created, graphics of which are shown below.



“ISU members provide services around the world”



2019 SALVAGE INDUSTRY STATISTICS

- Gross revenue for ISU members - US\$ 482 million (2018, US\$ 409 million)
- Activity levels - 216 services (2018, 234 services)
- Lloyd's Open Form at very low levels - 35 cases (2018, 55) and LOF revenue at historic low of US\$ 49 million (2018, US\$ 104 million)
- Wreck removal income - US\$ 284 million from 101 services (2018 - US\$ 208 million from 71 services)

Revenue in 2019 from operations conducted under contracts other than LOF (commercial terms) was US\$ 131 million – up from US\$ 75 million the previous year. Average revenue from non-LOF contracts was therefore US\$ 723,000 per case.

Wreck removal income is a major source of income for members of

The 2019 ISU statistics are broadly comparable with the previous year. Gross income has increased but the numbers are still below the levels of several years ago when annual income was typically more than US\$ 700 million driven by large scale wreck removals. It shows the economic pressures on the industry but ISU members have confidence that they provide critical services for ship owners and insurers - protecting the environment, reducing risk, mitigating loss, and keeping trade moving. They are however concerned about the sustainability of their businesses and the model on which their services are historically being compensated.

The 2019 ISU statistics show that there were 35 Lloyd's Open Form (LOF) cases for ISU members generating income of US\$ 49 million. It compares with 55 cases worth US\$ 104 million in 2018. Average income from each LOF case in 2019 was US\$ 1.4 million representing 10% of the average LOF salvaged value.

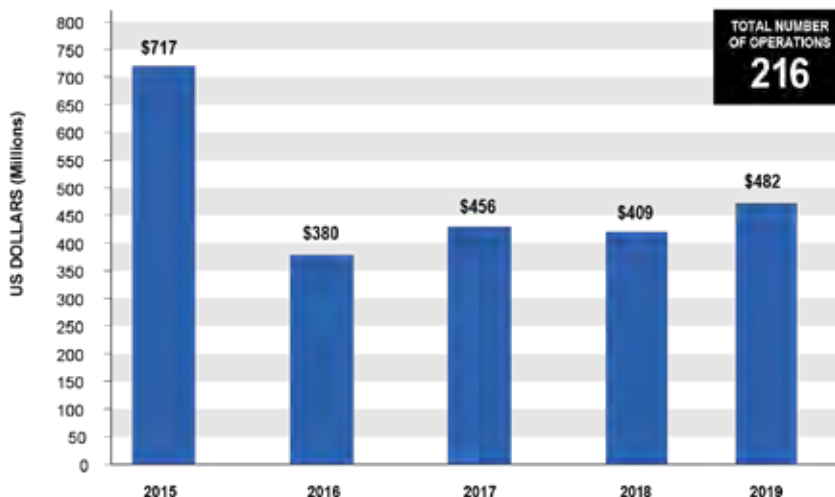
Revenue from LOF cases represented 27% of all "dry" salvage (emergency response) revenue and LOF cases accounted for 16% of all "dry" salvage cases in 2019. SCOPIC revenue at US\$ 17 million was the lowest since 2001.

the ISU. In 2019, 101 operations were reported with a gross income of US\$ 284 million – 59% of total income.

Market conditions have caused contraction of the industry which has lost some famous names in the past few years. The ISU position is that it is essential that there remains global provision of a professional salvage capability so that owners, insurers and wider society can have confidence that marine casualties will be safely and cleanly managed by contractors with the right skills, experience, people and equipment.

The ISU statistics are collected from all ISU members by a professional third party, which aggregates and analyses them. The statistics do not include the revenues of non-ISU members but are the only formal measure of the state of the marine salvage industry. The statistics are for income received in the relevant year but that can include revenue relating to services provided in previous years and therefore there is an element of "lag". The statistics are for gross revenues from which all of the salvors' costs must be met.

Gross revenues from all sources



ENVIRONMENTAL PROTECTION

Attitudes to the natural world have changed dramatically in recent years and the environment is at the centre of political and business decision making. It is essential that there continues to be global provision of expert salvage services to respond to maritime emergencies. In most cases, it is only the members of the ISU who have the experience and equipment to make those interventions and prevent environmental catastrophes.

Members of the ISU provided 214 services to vessels carrying 2,308,756 tonnes of potentially polluting cargo and fuel during operations in 2019 demonstrating the importance of ISU members' role in protecting the marine environment.

The 2019 numbers show a decrease from 2018's total of 3.2 million tonnes. The decrease is accounted for by the 2018 numbers having an unusually large amount of crude oil. One or two VLCC cases can have a significant impact on the overall numbers. Crude oil in 2019 was 400,000 tonnes the equivalent in 2018 was 978,000 tonnes.

Cargoes of refined oil products also fell in 2019 to 278,046 compared with 324,988 in 2019. The number of containers involved in ISU members' services in 2019 was also down to 25,799 TEU, the 2018 figure was 59,874 TEU. The number of containers in cases in 2019 equates to 386,985 tonnes (allowing a nominal 15 tonnes per TEU).

Bulk cargoes increased to 961,061 tonnes in 2019. This category includes products such as coal, scrap steel, grains, soya and cement.

A number of bulk cargoes are not included as potential pollutants and ISU members also provided services to bulkers carrying 229,731 tonnes of non-hazardous dry bulk – mainly metal ores.

Bunker fuel remains remarkably consistent at 115,811 tonnes compared with 111,796 tonnes the previous year. A number of services noted within the total did not record the quantity of bunkers on the vessel or the cargo type.



Salvage diver working to remove fuel from a sunken vessel

Not all of these potential pollutants were at risk of going into the sea - some cases will have had limited danger but many others will have carried a real risk of substantial environmental damage.

Of the 214 services provided by ISU members in 2019, variants of wreck removal contracts were used in 19 services; Lloyd's Open Form – 28 services (in total, 29 LOFs were reported to Lloyd's in 2019). Towage contracts accounted for 36 services; Japanese Form – 8 services; Fixed Price and Lump Sum – 12 services; Day Rate – 73 services and other contracts were used in 31 services. The Turkish Form was used in 7 services.

In the period 1994 to end-2019, ISU members have provided services to casualty vessels carrying 33,728,360 tonnes of potential pollutants, an average of more than one million tonnes per year.

2019 ISU POLLUTION PREVENTION SURVEY RESULTS (tonnes)		
	2019	2018
Number of services	214	224
Bunker fuel	115,811	111,796
Crude oil	400,000	978,000
Refined oil products	278,046	324,988
Chemicals	70,944	127,885
Bulk polluting/hazardous	961,061	743,100
TEU - tonnes equivalent	386,985	898,110
	(25,799 TEU)	(59,874 TEU)
Other pollutants	95,909	29,349
Totals	2,308,756	3,213,228

*TEU@nominal 15 tonnes/TEU)

STAKEHOLDER OPINION SURVEY

ISU carried out professional market research in 2019 to better understand stakeholders' opinions of it as an association and the perception of the salvage industry. It followed the strategy work in 2018 which underpinned the ISU's intention to re-position the industry in the context of the current business and operating environment.

The results of the survey show that "overall satisfaction" with ISU was 7.44 out of a maximum score of 10.

The survey was international and had more than 100 respondents from among shipowners, P&I Clubs, ISU members and associates. Some property insurers participated but not as many as hoped for.

The responses showed that ISU is considered credible and trustworthy; is thought to participate in appropriate forums and that it promotes the industry, has an international outlook and provides networking opportunities.

For the overall perception of the professional salvage industry - as opposed to ISU - the highest scores were for the industry being competent, reliable and safe.

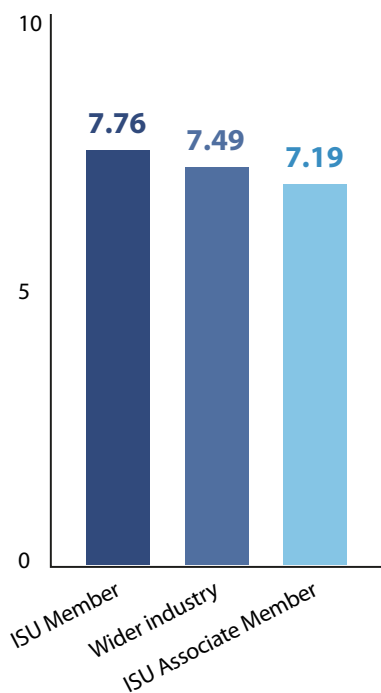
There were some lower scores, though still not poor, for professional salvors being trustworthy and providing value for money.

The survey was commissioned following work last year to "re-position" the industry to face the realities of the current business environment.

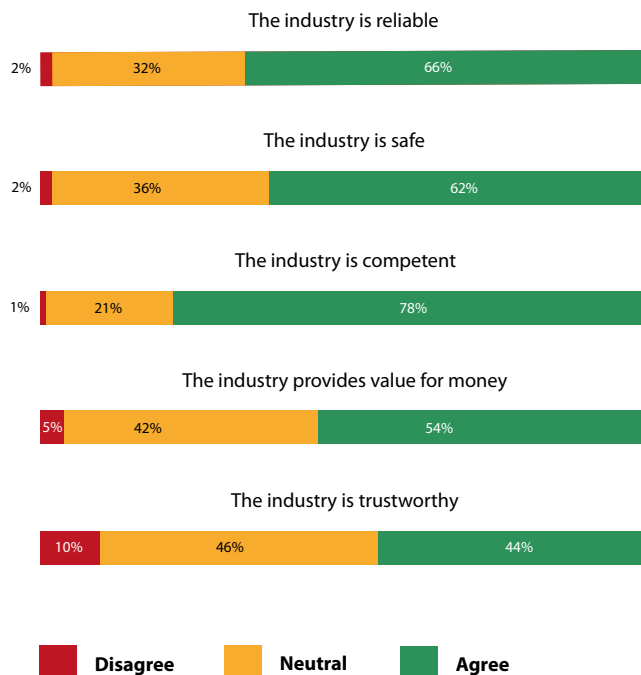
ISU is committed to promote the value of its members who enable world trade by providing services which save life, protect the environment, mitigate risk and reduce loss. ISU wants to position its members as part of the owners and underwriter's "risk mitigation chain".

ISU's interpretation of the results suggests that it needs to increase its interaction with owners and insurers about how salvors can support them. Part of the re-positioning of the industry is to recognise that many ISU members have chosen to diversify and offer other services in addition to their salvage work. ISU is committed to making the case for the "high standards and technical excellence of the professional salvor – the members of ISU."

Overall satisfaction with ISU (10 = max)



Perceptions of the salvage industry







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