

13 July 1999

TO ALL MEMBERS

Dear Sirs

AMENDMENT TO LLOYD'S OPEN FORM - SPECIAL COMPENSATION P & I CLAUSE (SCOPIC)

An international conference in 1989 agreed a new salvage convention which made a profound change to the nature of salvage. The previous convention of 1910 had been based on the traditional principle of 'no cure - no pay'. Liability for salvage awards was covered pro-rata by Hull and Cargo Underwriters in proportion to the respective salvaged values and the Clubs were not involved. The fear under the earlier Convention was that Salvors might hesitate to attempt a salvage where the risk of failure and the costs likely to be incurred were great.

The intention of the 1989 Salvage Convention is to encourage Salvors to act decisively in all such cases involving a threat to the environment. The principal salvage award continues to be based on the 'no cure - no pay' principle, but takes into account 'the skill and efforts of the Salvors in preventing or minimising damage to the environment', as well as the traditional factors of salvaged value, danger, out-of-pocket expenses, success, time, and skill. This basic 'no cure - no pay' award is dealt with under Article 13. The Salvage Convention also provides a safety net where the Salvor has worked on a ship or cargo which threaten damage to the environment, and has failed to earn under Article 13 an award sufficient to cover his expenses. In such circumstances, he is entitled to Special Compensation under Article 14, based upon the cost of personnel and equipment used and out-of-pocket expenses incurred, to the extent that they exceed any Article 13 award. In addition, if he has prevented or minimised environmental damage, the Article 14 award is subject to an uplift of 30%-100%. The Hull and Cargo Underwriters continue to pay Article 13 awards, even if these are increased because of environmental factors, but Article 14 awards are covered by P&I. The Convention entered into force in 1996 but had already been introduced into LOF 1990 and LOF 1995, so most contractual salvages have been governed by it for some time.

There have been a number of problems with the working of Articles 13 and 14, some of which have concerned Shipowners and the Clubs and others have concerned Salvors. The Clubs have been worried that the safety net gives the Salvors an incentive to prolong the work as much as possible. This in turn allows the Hull Underwriters to delay the decision whether the ship will be accepted as a constructive total loss with little that the Club or the Shipowner can do to control the situation. Salvors have been concerned that Article 14 only applies if there is a threat to the environment, which has to be proved, and that Article 14 is not relevant outside coastal or inland waters or areas adjacent thereto.

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Thus there is a geographical restriction. The Salvors are also concerned by a decision of the English Courts (the *Nagasaki Spirit*) that the rates for equipment and personnel should not include any element of profit. Profit is represented by the uplift which only applies if damage to the environment is minimised or prevented. All these issues have led to arbitrations involving Article 14 being long and expensive, the costs generally being for the account of the Shipowners and the Clubs.

Negotiations took place, initially between the International Salvage Union (ISU) and the Clubs, but subsequently including Property Underwriters, with a view to agreeing a simplified framework for Special Compensation which would promote fast response to casualties but reduce the potential for legal disputes and discourage the uncontrolled accruing of expense. As a result of these discussions, the SCOPIC Clause has been developed as an alternative to Article 14 for dealing with Special Compensation (Para 1 of SCOPIC Clause). The idea is that for a trial period of two years the SCOPIC Clause will be incorporated by reference into LOF's signed between ISU Salvors and Shipowners entered in International Group Clubs, and the Clubs will recommend Members to contract on these terms. If the trial period shows that the scheme works satisfactorily, then LOF will be formally amended. The main changes resulting from the use of SCOPIC are as follows:

- (i) The Salvor has the option to invoke the special provisions of the SCOPIC Clause, by notice to the Shipowner, at any time of his choosing, regardless of the circumstances. He does not have to prove environmental threat and no geographical restriction applies (Para 2). The assessment of the SCOPIC remuneration commences from the time of the notice. Prior to such invocation, salvage is undertaken on a 'no cure - no pay' basis without any safety net. This contrasts with the current Article 14 provisions under which calculation of Special Compensation commences from the start of the salvage operation.
- (ii) The Shipowner must provide security in an amount of US\$3m within two working days of the Salvor invoking the SCOPIC remuneration provisions. If at any time thereafter the Shipowner considers this excessive or the Salvor thinks it is too little, either party is entitled to require the other to reduce or increase the security. If the Shipowner does not provide security within the two working days, the Salvor can withdraw from the provisions of the SCOPIC Clause and revert to his rights under Article 14 (Para 3).
- (iii) Rates. SCOPIC remuneration is based on time and materials, plus an uplift in all cases of 25%. The Clubs have reached agreement with the ISU on rates for tugs, personnel and equipment (Appendix A). Charges for portable equipment are to be capped at 1.875 x the replacement cost of the equipment inclusive of the 25% uplift. If the Salvor has to contract-in equipment and the price exceeds the applicable tariff rates then the Salvor is entitled to the contracted-in price plus an uplift of 10% on the tariff rates, or the tariff rate plus 25%, whichever is the greater. It is impossible to tell whether these SCOPIC rates are higher or lower than the Article 14 rates, because the latter vary depending on the historical "idle time" of each individual piece of equipment.
- (iv) Salvage services will continue to be assessed in accordance with Article 13, even if the Salvor invokes the SCOPIC Clause. SCOPIC remuneration will be payable only to the extent that it exceeds the total Article 13 Award (Para 6). If the Salvor has invoked the SCOPIC Clause unnecessarily, so that the Article 13 award is greater than the SCOPIC remuneration, then the Article 13 award will be discounted

by 25% of the difference between it and the amount of the SCOPIC remuneration that would have been assessed had the SCOPIC provisions been invoked on the first day of the services (Para 7). If there is no potential Article 13 award then the undisputed amount of SCOPIC remuneration is to be paid by the Shipowner within one month of the presentation of the claim. If there is a claim for an Article 13 award, then 75% of the amount by which the assessed SCOPIC remuneration exceeds the total Article 13 security should be paid by the Shipowner within one month (Para 8).

- (v) The Salvor can terminate the services if he reasonably anticipates that the total cost of past and future services will exceed the value of the property capable of being salvaged plus his SCOPIC remuneration. Shipowners can terminate the SCOPIC agreement subject to 5 days' notice (Para 9).
- (vi) The Shipowner has the right to send on board a casualty representative (SCR) (Para 11) and Hull and Cargo Underwriters each have the right to send on board one special hull and one special cargo representative (Para 12). The SCR will be selected from a panel appointed by a committee made up of three representatives from the International Group, three representatives from ISU, three representatives from The International Union of Marine Insurers and three representatives from the International Chamber of Shipping. The salvage master shall send daily reports to both Lloyd's and the Shipowner until the SCR arrives on site, and after that only to the SCR. The SCR can disagree with the daily salvage report and prepare a dissenting report. If the SCR issues a dissenting report, then the initial payment by the Shipowners shall be based only on what the SCR considers the appropriate equipment or procedures until any dispute is resolved (Appendix B).
- (vii) A non-binding Code of Practice has been agreed between the ISU and the International Group. The Clubs confirm that although they expect to provide security for SCOPIC, it is not automatic.

The advantages for Shipowners and Clubs in the new SCOPIC provisions are as follows:

1. There should be little need for arbitrations in future on special compensation awards. The problem areas (environmental threat, geographical restriction, tug rates, and uplift) have all been settled, so litigation and attendant legal costs should be minimised.
2. Owners/Clubs have much more control or at least knowledge over what happens during salvage and particularly the accruing of expense.
3. The Shipowners' right to terminate under Clause 9 of SCOPIC is clearer than the right under Clause 4 of LOF.
4. The uplift is capped at 25%.

The disadvantages for Shipowners/Clubs are as follows:

1. The Salvors may recover more by way of the agreed tug rates than they would under Article 14, but this is not certain because of the different utilisation factors.
2. Shipowners/Clubs have given up the environmental threat and geographical restriction defences.

The advantages for Salvors are as follows:

1. It is no longer necessary for Salvors to prove environmental threat and to overcome any geographical restriction defence.
2. Salvors will be paid profitable rates for tugs, so long as they are utilised efficiently.
3. Cash flow problems will be eased.
4. Security is more certain.

The disadvantages for Salvors are:

1. Salvors can never recover more than a 25% uplift.
2. There is a risk that the Owner terminates.

The new proposals have been endorsed by all the Clubs in the International Group for a trial period of two years and they have also been endorsed by the ISU, and UK Property Underwriters. Overseas Property Underwriters have been kept advised and have not objected.

The Managers enclose:

1. SCOPIC Clause B final draft 24.2.99
2. Appendix A B tariff.
3. Appendix B B SCR Provision.
4. Appendix C B Special Representatives.

It is recommended that SCOPIC be incorporated into all LOF contracts signed from 1 August 1999, in the following words: "It is agreed that the SCOPIC Clause is incorporated into this contract".

If any Members wish to put forward names for possible inclusion in the SCR panel, they are invited to write to the Managers, for the attention of Paul Hinton.

Yours faithfully
A BILBROUGH & CO LTD
(MANAGERS)

SCOPIC CLAUSE

1. General

This SCOPIC clause is supplementary to a Lloyd's Form Salvage Agreement "No Cure - No Pay" 1995 ("Main Agreement"). The definitions in the Main Agreement are incorporated into this SCOPIC clause. If the SCOPIC clause is inconsistent with any provisions of the Main Agreement or inconsistent with the law applicable hereto, the SCOPIC clause, once invoked under Clause 2 hereof, shall override such other provisions to the extent necessary to give business efficacy to the agreement. Subject to the provisions of Clause 4 hereof, the method of assessing Special Compensation under Convention Article 14 as incorporated into the Main Agreement ("Article 14") shall be substituted by the method of assessment set out hereinafter. For the purposes of liens and time limits the services hereunder will be treated in the same manner as salvage.

2. Invoking the SCOPIC Clause

The Contractor shall have the option to invoke by written notice to the owners of the vessel the SCOPIC clause set out hereafter at any time of his choosing regardless of the circumstances and, in particular, regardless of whether or not there is a "threat of damage to the environment". The assessment of SCOPIC remuneration shall commence from the time the written notice is given to the owners of the vessel and services rendered before the said written notice shall not be remunerated under this SCOPIC clause at all but in accordance with Convention Article 13 as incorporated into the Main Agreement Article 13.

3. Security for SCOPIC Remuneration

- (i) The owners of the vessel shall provide to the Contractor within 2 working days (excluding Saturdays and Sundays and holidays usually observed at Lloyd's) after receiving written notice from the contractor invoking the SCOPIC clause, a bank guarantee or P&I Club letter (hereinafter called "the Initial Security") in a form reasonably satisfactory to the Contractor providing security for his claim for SCOPIC remuneration in the sum of US\$3 million, inclusive of interest and costs.
- (ii) If, at any time after the provision of the Initial Security the owners of the vessel reasonably assess the SCOPIC remuneration plus interest and costs due hereunder to be less than the security in place, the owners of the vessel shall be entitled to require the Contractor to reduce the security to a reasonable sum and the Contractor shall be obliged to do so once a reasonable sum has been agreed.
- (iii) If at any time after the provision of the Initial Security the Contractor reasonably assesses the SCOPIC remuneration plus interest and costs due hereunder to be greater than the security in place, the Contractor shall be entitled to require the owners of the vessel to increase the security to a reasonable sum and the owners of the vessel shall be obliged to do so once a reasonable sum has been agreed.
- (iv) In the absence of agreement, any dispute concerning the proposed Guarantor, the form of the security or the amount of any reduction or increase in the security in place shall be resolved by the Arbitrator.

4. Withdrawal

If the owners of the vessel do not provide the Initial Security within the said 2 working days, the Contractor, at his option, and on giving notice to the owners of the vessel, shall be entitled to withdraw from all the provisions of the SCOPIC clause and revert to his rights under the Main Agreement including Article 14 which shall apply as if the SCOPIC clause had not existed.

5. Tariff Rates

- (i) SCOPIC remuneration shall mean the total of the tariff rates of personnel; tugs and other craft; portable salvage equipment; out of pocket expenses; and bonus due.
- (ii) SCOPIC remuneration in respect of all personnel; tugs and other craft; and portable salvage equipment shall be assessed on a time and materials basis in accordance with the Tariff set out in Appendix "A". This tariff will apply until reviewed and amended by the SCR Committee in accordance with Appendix B(1)(b). The tariff rates which will be used to calculate SCOPIC remuneration are those in force at the time the salvage services take place.
- (iii) "Out of pocket" expenses shall mean all those monies reasonably paid by or for and on behalf of the Contractor to any third party and in particular includes the hire of men, tugs, other craft and equipment used and other expenses reasonably necessary for the operation. They will be agreed at cost, PROVIDED THAT:
 - (a) If the expenses relate to the hire of men, tugs, other craft and equipment from another ISU member or their affiliate(s), the amount due will be calculated on the tariff rates set out in Appendix "A" regardless of the actual cost.
 - (b) If men, tugs, other craft and equipment are hired from any party who is not an ISU member and the hire rate is greater than the tariff rates referred to in Appendix "A" the actual cost will be allowed in full, subject to the Shipowner's Casualty Representative ("SCR") being satisfied that in the particular circumstances of the case, it was reasonable for the Contractor to hire such items at that cost. If a SCR is not appointed or if there is a dispute, then the Arbitrator shall decide whether the expense was reasonable in all the circumstances.
- (iv) In addition to the rates set out above, the Contractor shall be entitled to a standard bonus of 25% of those rates except that if the out of pocket expenses described in sub-paragraph 5(iii)(b) exceed the applicable tariff rates in Appendix "A" the Contractor shall be entitled to a bonus such that he shall receive in total
 - (a) The actual cost of such men, tugs, other craft and equipment plus 10% of the tariff rate, or
 - (b) The tariff rate for such men, tugs, other craft and equipment plus 25% of the tariff rate whichever is the greater.

6. Article 13 Award

- (i) The salvage services under the main agreement shall continue to be assessed in accordance with Article 13, even if the Contractor has invoked the SCOPIC clause. SCOPIC remuneration as assessed under Clause 5 above will be

payable only by the owners of the vessel and only to the extent that it exceeds the total Article 13 Award payable by all salvaged interests (including cargo, bunkers, lubricating oil and stores) after currency adjustment but before interest and costs even if the Article 13 award or any part of it is not recovered.

- (ii) The salvage award under Article 13 shall not be diminished by reason of the exception to the principle of “No Cure - No Pay” in the form of SCOPIC remuneration.

7. Discount

If the SCOPIC clause is invoked under Clause 2 hereof and the Article 13 Award or settlement (after currency adjustment but before interest and costs) under the Main Agreement is greater than the assessed SCOPIC remuneration then, notwithstanding the actual date on which the SCOPIC remuneration provisions were invoked, the said Article 13 Award or settlement shall be discounted by 25% of the difference between the said Article 13 Award or settlement and the amount of SCOPIC remuneration that would have been assessed had the SCOPIC remuneration provisions been invoked on the first day of the services.

8. Payment of SCOPIC Remuneration

- (i) The date for payment of any SCOPIC remuneration which may be due hereunder will vary according to the circumstances.
 - (a) If there is no potential salvage award within the meaning of Article 13 as incorporated into the Main Agreement then, subject to Appendix B(5)(c)(iv), the undisputed amount of SCOPIC remuneration due hereunder will be paid by the owners of the vessel within 1 month of the presentation of the claim. Interest on sums due will accrue from the date of termination of the services until the date of payment at US prime rate plus 1%.
 - (b) If there is a claim for an Article 13 salvage award as well as a claim for SCOPIC remuneration, subject to Appendix B(5)(c)(iv), 75% of the amount by which the assessed SCOPIC remuneration exceeds the total Article 13 security demanded from ship and cargo will be paid by the owners of the vessel within 1 month and any undisputed balance paid when the Article 13 salvage award has been assessed and falls due. Interest will accrue from the date of termination of the services until the date of payment at the US prime rate plus 1%.
- (ii) The Contractor hereby agrees to give an indemnity in a form acceptable to the owners of the vessel in respect of any overpayment in the event that the SCOPIC remuneration due ultimately proves to be less than the sum paid on account.

9. Termination

- (i) The Contractor shall be entitled to terminate the services hereunder by written notice to owners of the vessel with a copy to the SCR (if any) and any Special Representative appointed if he reasonably anticipates that the total cost of his services to date and the services that will be needed to fulfil his obligations hereunder to the property (calculated by means of the tariff rate but before the bonus conferred by Clause 5(iii) hereof) will exceed the sum of:-
 - (a) The value of the property capable of being salvaged; and
 - (b) All sums to which he will be entitled as SCOPIC remuneration.

- (ii) The owners of the vessel may at any time terminate the obligation to pay SCOPIC remuneration after the SCOPIC clause has been invoked under Clause 2 hereof provided that the Contractor shall be entitled to at least 5 clear days' notice of such termination. In the event of such termination the assessment of SCOPIC remuneration shall take into account all monies due under the tariff rates set out in Appendix A hereof including time for demobilisation to the extent that such time did reasonably exceed the 5 days' notice of termination.
- (iii) The provision to terminate the SCOPIC contract contained in Clause 9(i) and 9(ii) above shall only apply if the Contractor is not restrained from demobilising his equipment by Government, Local or Port Authorities or any other officially recognised body having jurisdiction over the area where the services are being rendered.

10. Duties of Contractor

The duties and liabilities of the Contractor shall remain the same as under the Main Agreement, namely to use his best endeavours to save the vessel and property thereon and in so doing to prevent or minimise damage to the environment.

11. Shipowner=s Casualty Representative (“SCR”)

Once this SCOPIC clause has been invoked in accordance with Clause 2 hereof the owners of the vessel may at their sole option appoint an SCR to attend the salvage operation in accordance with the terms and conditions set out in Appendix B.

12. Special Representatives

At any time after the SCOPIC clause has been invoked the Hull and Machinery underwriter (or, if more than one, the lead underwriter) and one owner or underwriter of all or part of any cargo on board the vessel may each appoint one special representative (hereinafter called respectively the “Special Hull Representative” and the “Special Cargo Representative” and collectively called the “Special Representatives”) at the sole expense of the appointor to attend the casualty to observe and report upon the salvage operation on the terms and conditions set out in Appendix C hereof. Such Special Representatives shall be technical men and not practising lawyers.

13. Pollution Prevention

The assessment of SCOPIC remuneration shall include the prevention of pollution as well as the removal of pollution in the immediate vicinity of the vessel insofar as this is necessary for the proper execution of the salvage but not otherwise.

14. General Average

SCOPIC remuneration shall not be a General Average expense to the extent that it exceeds the Article 13 award; any liability to pay such SCOPIC remuneration shall be that of the Shipowner alone and no claim whether direct, indirect, by way of indemnity or recourse or otherwise relating to SCOPIC remuneration in excess of the Article 13 award shall be made in General Average or under the vessel's Hull and Machinery Policy by the owners of the vessel.

- 15. Any dispute arising out of this SCOPIC clause or the operations thereunder shall be referred to Arbitration as provided for under the Main Agreement.

APPENDIX A

1 PERSONNEL

- (a) The daily tariff rate, or pro rata for part thereof, for personnel reasonably engaged on the contract, including any necessary time in proceeding to and returning from the casualty, shall be as follows:

Office administration, including communications	US\$1,000
Salvage Master	US\$1,500
Naval Architect or Salvage Officer/Engineer	US\$1,250
Assistant Salvage Officer/Engineer	US\$1,000
Diving Supervisor	US\$1,000
Diver	US\$750
Salvage Foreman	US\$750
Riggers, Fitters, Equipment Operators	US\$600
Specialist Advisors B Fire Fighters, Chemicals, Pollution Control	US\$1,000

- (b) The crews of tugs, and other craft, normally aboard that tug or craft for the purpose of its customary work are included in the tariff rate for that tug or craft but when, because of the nature and/or location of the services to be rendered, it is a legal requirement for an additional crew member or members to be aboard the tug or craft, the cost of such additional crew will be paid.
- (c) The rates for any personnel not set out above shall be agreed with the SCR or, failing agreement, be determined by the Arbitrator.

2 TUGS AND OTHER CRAFT

- (a) (i) Tugs, which shall include salvage tugs, harbour tugs, anchor handling tugs, coastal/ocean towing tugs, off-shore support craft, and any other work boat in excess of 500 b.h.p., shall be charged at the following rates, exclusive of fuel or lubricating oil, for each day, or pro rata for part thereof, that they are engaged in the service, including proceeding to and from the casualty, on the basis of their certificated b.h.p.:
- | | |
|--|----------|
| For each b.h.p. up to 5,000 b.h.p. | US\$2.00 |
| For each b.h.p. between 5,001 & 10,000 b.h.p. | US\$1.50 |
| For each b.h.p. between 10,001 & 20,000 b.h.p. | US\$1.00 |
| For each b.h.p. over 20,000 b.h.p. | US\$0.50 |
- (ii) Any tug which has aboard certified fire fighting equipment shall, in addition to the above rates, be paid:
US\$500 per day, or pro rata for part thereof, if equipped with Fi Fi 0.5
US\$1,000 per day, or pro rata for part thereof, if equipped with Fi Fi 1.0
for that period in which the tug is engaged in firefighting necessitating the use of the certified fire fighting equipment.
- (iii) Any tug which is certified as "Ice Class" shall, in addition to the above, be paid US\$1,000 per day, or pro rata for part thereof, when forcing or breaking ice during the course of services including proceeding to and returning from the casualty.
- (b) Any launch or work boat of less than 500 b.h.p. shall, exclusive of fuel and lubricating oil, be charged at a rate of US\$3.00 for each b.h.p.
- (c) Any other craft, not falling within the above definitions, shall be charged out at a market rate for that craft, exclusive of fuel and lubricating oil, such rate to be agreed with the SCR or, failing agreement, determined by the Arbitrator.

- (d) All fuel and lubricating oil consumed during the services shall be paid at cost.
- (e) For the avoidance of doubt, the above rates shall include all equipment normally aboard the tug or craft but shall not include any portable salvage equipment that may be aboard the tug or craft and such equipment, if used, shall be charged in accordance with the rates for portable salvage equipment. The SCR shall confirm that such equipment was used and required for the salvage services.

3 PORTABLE SALVAGE EQUIPMENT

- (a) The daily tariff, or pro rata for part thereof, for all portable salvage equipment reasonably used during the services, including any time necessary for mobilisation and demobilisation, shall be as follows:

			<u>Rate B US\$</u>
Generators			
Up to 50 kW			60
51 to 100 kW			125
101 to 300 kW			200
Over 301 kW			350
Distribution Boards			
Up to 50 kW			60
51 to 100 kW			125
101 to 300 kW			200
Over 301 kW			350
Compressors			
High Pressure			100
185 Cfm			150
600 Cfm			250
1200 Cfm			400
Air Manifold			10
Blower; 1,500m ³ /min.			850
Pumping Equipment			
Air	2"		75
Diesel	2"		50
	4"		90
	6"		120
Electrical Submersible	2"		50
	4"		150
	6"		500
Hydraulic	6"		600
	8"		1,000
Hoses			
Air Hose	: "	per 30 metres or 100 feet	20
	2"	per 30 metres or 100 feet	40
Layflat	2"	per 6 metres or 20 feet	10
	4"	per 6 metres or 20 feet	15
	6"	per 6 metres or 20 feet	20
Rigid	2"	per 6 metres or 20 feet	15
	4"	per 6 metres or 20 feet	20
	6"	per 6 metres or 20 feet	25
	8"	per 6 metres or 20 feet	30

Appendix A - Page 3

Fenders

Yokohama	1.00m. x 2.00m.	75
	2.50m. x 5.50m.	150
	3.50m. x 6.50m.	250
Low Pressure Inflatable	3 metres	70
	6 metres	70
	9 metres	150
	12 metres	250
	16 metres	250

Welding & Cutting Equipment

Bolt Gun		300
Gas Detector		100
Hot Tap Machine, including supporting equipment		1,000
Oxy-acetylene Surface Cutting Gear		25
Underwater Cutting Gear		50
Underwater Welding Kit		50
250 Amp Welder		150
400 Amp Welder		200

Pollution Control Equipment

Oil Boom, 24", per 10 metres		30
Oil Boom, 36", per 10 metres		100
Oil Boom, 48", per 10 metres		195

Portable Inert Gas Systems

1,000m;/hour		1,200
1,500m;/hour		1,400

Diving Equipment

Decompression Chamber, 2 man, including compressor		500
4 man, including compressor		700
Hot Water Diving Assembly	250	
Underwater Magnets		20
Underwater Drill		20
Shallow Water Dive Spread	225	

Lighting Systems

Lighting String, per 50 feet		25
Light Tower		50
Underwater Lighting System, 1,000 watts		75

Winches

Up to 20 tons, including 50 metres of wire		200
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Shackles

Up to 50 tonnes		10
51 to 100 tonnes		20
101 to 200 tonnes		30
Over 200 tonnes		50

Protective Clothing

Breathing Gear		50
Hazardous Environment Suit	100	

Appendix A - Page 4

Storage Equipment

10' Container	25
20' Container	40

Miscellaneous Equipment

Air Bags,	less than 5 tons lift	40
	5 to 15 tons lift	200
Air Lift	4"	100
	6"	200
	8"	300
Air Tugger, up to 3 tons		75
Ballast/Fuel Oil Storage Bins, 50,000 litres		100
Chain Saw		20
Damage Stability Computer and Software		250
Echo Sounder, portable		25
Extension Ladder		20
Hydraulic Jack, up to 100 tons		75
Hydraulic Powerpack		75
Pressure washer,	water	250
	steam	450
Rigging Package,	heavy	400
	light	200
Rock,	Drill	50
	Splitter	400
Steel Saw		20
Tirfors, up to 5 tonnes		10
Thermal Imaging Camera		250
Tool Package, per set		175
Ventilation Package		20
VHF Radio		10
Z Boat, including outboard	up to 14 feet	200
	over 14 feet	350

- (b) Any portable salvage equipment used but not set out above shall be charged at a rate to be agreed with the SCR or, failing agreement, determined by the Arbitrator.
- (c) The total charge for each item of portable salvage equipment, owned by the contractor, shall not exceed its replacement cost multiplied by 1.5.
- (d) The replacement cost of any portable salvage equipment lost or destroyed during the services shall be paid provided that the total of the replacement cost and daily cost of an individual item does not exceed its replacement cost multiplied by 1.5.
- (e) All consumables such as welding rods, boiler suits, small ropes etc. shall be charged at cost plus 10%.

APPENDIX B

- 1 (a) The SCR shall be selected from a panel (the “SCR Panel”) appointed by a Committee (the “SCR Committee”) comprising of representatives appointed by the following:
 - 3 representatives from the International Group of P and I Clubs
 - 3 representatives from the ISU
 - 3 representatives from the IUMI
 - 3 representatives from the International Chamber of Shipping
- (b) The SCR Committee shall be responsible for an annual review of the tariff rates as set out in Appendix A.
- (c) The SCR Committee shall meet once a year in London to review, confirm, reconfirm or remove SCR Panel members.
- (d) Any individual may be proposed for membership of the SCR Panel by any member of the SCR Committee and shall be accepted for inclusion on the SCR Panel unless at least four votes are cast against his inclusion.
- (e) The SCR Committee shall also set and approve the rates of remuneration for the SCRs for the next year.
- (f) Members of the SCR Committee shall serve without compensation.
- (g) The SCR Committee’s meetings and business shall be organised and administered by the Salvage Arbitration Branch of the Committee of Lloyd’s (hereinafter called “Lloyd’s”) who will keep the current list of SCR Panel members and make it available to any person with a bona fide interest.
- (h) The SCR Committee shall be entitled to decide its own administrative rules as to procedural matters (such as quorums, the identity and power of the Chairman etc.).
- 2 The primary duty of the SCR shall be the same as the Contractor, namely to use his best endeavours to assist in the salvage of the vessel and the property thereon and in so doing to prevent and minimise damage to the environment.
- 3 The Salvage Master shall at all times remain in overall charge of the operation, make all final decisions as to what he thinks is best and remain responsible for the operation.
- 4 The SCR shall be entitled to be kept informed by or on behalf of the Salvage Master or (if none) the principal contractors’ representative on site (hereinafter called “the Salvage Master”). The Salvage Master shall consult with the SCR during the operation if circumstances allow and the SCR, once on site, shall be entitled to offer the Salvage Master advice.
- 5 (a) Once the SCOPIC clause is invoked the Salvage Master shall send daily reports (hereinafter called the “Daily Salvage Reports”) setting out:-
 - the salvage plan (followed by any changes thereto as they arise)
 - the condition of the casualty and the surrounding area (followed by any changes thereto as they arise)
 - the progress of the operation
 - the personnel, equipment, tugs and other craft used in the operation that day.

Appendix B - Page 2

- (b) Pending the arrival of the SCR on site the Daily Salvage Reports shall be sent to Lloyd's and the owners of the vessel. Once the SCR has been appointed and is on site the Daily Salvage Reports shall be delivered to him.
- (c) The SCR shall upon receipt of each Daily Salvage Report:-
 - (i) Transmit a copy of the Daily Salvage Report by the quickest method reasonably available to Lloyd's, the owners of the vessel, their liability insurers and (if any) to the Special Hull Representative and Special Cargo Representative (appointed under Clause 12 of the SCOPIC clause and Appendix C) if they are on site; and if a Special Hull Representative is not on site the SCR shall likewise send copies of the Daily Salvage Reports direct to the leading Hull Underwriter or his agent (if known to the SCR) and if a Special Cargo Representative is not on site the SCR shall likewise send copies of the Daily Salvage Reports to such cargo underwriters or their agent or agents as are known to the SCR (hereinafter in this Appendix B such Hull and Cargo property underwriters shall be called "Known Property Underwriters").
 - (ii) If circumstances reasonably permit consult with the Salvage Master and, if satisfied, endorse his Daily Salvage Report, or
 - (iii) If not satisfied with the Daily Salvage Report, prepare a dissenting report setting out any objection or contrary view and deliver it to the Salvage Master and transmit it to Lloyd's, the owners of the vessel, their liability insurers and to any Special Representatives (appointed under Clause 12 of the SCOPIC clause and Appendix C) or, if one or both Special Representatives has not been appointed, to the appropriate Known Property Underwriter.
 - (iv) If the SCR gives a dissenting report to the Salvage Master in accordance with Appendix B(5)(c)(iii) to the SCOPIC clause, any initial payment due for SCOPIC remuneration shall be at the tariff rate applicable to what is in the SCR's view the appropriate equipment or procedure until any dispute is resolved by agreement or arbitration.
- (d) Upon receipt of the Daily Salvage Reports and any dissenting reports of the SCR, Lloyd's shall distribute upon request the said reports to any parties to this contract and any of their property insurers of whom they are notified (hereinafter called "the Interested Persons") and to the vessel's liability insurers.
- (e) As soon as reasonably possible after the Salvage services terminate the SCR shall issue a report (hereinafter call the "SCR's Final Salvage Report") setting out:
 - The facts and circumstances of the casualty and the salvage operation insofar as they are known to him.
 - The tugs, personnel and equipment employed by the Contractor in performing the operation.
 - A calculation of the SCOPIC remuneration to which the contractor may be entitled by virtue of this SCOPIC clause.

The SCR's Final Salvage Report shall be sent to the owners of the vessel and their liability insurers and to Lloyd's who shall forthwith distribute it to the Interested Persons.

- 6 The owners of the vessel shall be primarily responsible for paying the fees and expenses of the SCR. The Arbitrator shall have jurisdiction to apportion the fees and expenses of the SCR and include them in his award under the Main Agreement and, in doing so, shall have regard to the principles set out in any market agreement in force from time to time.

APPENDIX C

The Special Representatives

- 1 The Salvage Master, the owners of the vessel and the SCR shall co-operate with the Special Representatives and shall permit them to have full access to the vessel to observe the salvage operation and to inspect such of the ship's documents as are relevant to the salvage operation.
- 2 The Special Representative shall have the right to be informed of all material facts concerning the salvage operation as the circumstances reasonably allow.
- 3 If an SCR has been appointed the SCR shall keep the Special Representatives (if any and if circumstances permit) fully informed and shall consult with the said Special Representatives. The Special Representatives shall also be entitled to receive a copy of the Daily Salvage Reports direct from the Salvage Master or, if appointed, from the SCR.
- 4 The appointment of any Special Representatives shall not affect any right that the respondent ship and cargo interests may have (whether or not they have appointed a Special Representative) to send other experts or surveyors to the vessel to survey ship or cargo and inspect the ship's documentation or for any other lawful purpose.
- 5 If an SCR or Special Representative is appointed the Contractor shall be entitled to limit access to any surveyor or representative (other than the said SCR and Special Representative or Representatives) if he reasonably feels their presence will substantially impede or endanger the salvage operation.