The 1989 Salvage Convention and the protection of the environment – should the actual compromise continue?

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Abstract

The salvage law regime is mainly set forth in the 1989 Salvage Convention that is complemented by a series of private initiatives of the salvage industry. The most discussed issue from the point of view of amending the actual international regulation is whether the salvage operations are in fact able to protect the environment. The salvage industry has initiated proposals in order to amend the 1989 Salvage Convention. In this context, it is important to bear in mind that no other international maritime salvage convention has previously taken into consideration the problem of the protection of the environment. From this perspective the actual regulation represents a fundamental change. Alongside with traditional subjects of salvage, protection of the environment was recognized by the 1989 Salvage Convention not as an independent subject but related to the salvage of the ship and its cargoes. Two articles, namely Article 13 (b) which refers to an “enhanced award for the salvor” and respectively, Article 14 deemed as “a safety net” were special designed to encourage the salvor to intervene in circumstances where damages to environment occurs. The Salvage Industry has advanced a proposal for the Convention’s revision meant to reflect in a more adequate way the importance of the salvage services’ contribution to the environmental protection. It is often reminded that this Convention is a result of the so called “Montreal Compromise” agreed by the Comite Maritime International in 1981, which has balanced the interests of all actors involved in the maritime salvage. Starting from this aspect, the purpose of the hereby paper is to analyze the Convention’s text parallel to proposals for its revision.

Keywords: environmental salvage; damage to the environment; the safety net; SCOPIC clause; the 1989 salvage convention.

JEL Classification: K 32; K 33

1. Introduction

The actual legal provisions relating to salvage were set out in the 1989 Salvage Convention, being the direct resultant of marine pollution casualties with a huge impact on environment such as Amoco Cadiz or Torey Canyon. The basis of the Convention is represented by “Montreal Compromise”, a package of carefully negotiated measures, by means of which ship owners and cargo owners have accepted to increase their liability in order to prevent pollution. This solution was

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adopted to the detriment of so called “liability salvage”, a concept by which an award for the prevention of the environmental salvage was envisaged irrespective if the property was in fact salved or not\(^4\).

In the essence this is what the salvors are now pursuing by initiating an alteration of the Convention’s provisions. The arguments are covering various aspects with a view to a reality which is entirely different from the conditions existent when the Convention was drawn up. The environment is now the most important factor in every salvage case after human life salvage and dictates the way in which the salvage operations are performed\(^5\).

The intervention for the ship’s salvage is now exposing the salvor to a potential criminal liability for pollution incidents arising out from salvage operations\(^6\). The lack of a sufficient remuneration for the investments necessary in salvage industry is among the motives for which the Salvage Industry Union (ISU) has initiated an approach for amendment of the Convention\(^7\).

2. Damage to the environment – its definition and its problems

According to the Convention’s present legal provisions, the damage produced to the environment means “substantial physical damage to human health or to marine life or resources in coastal or inland waters or areas adjacent thereto, caused by pollution, contamination, fire, explosion or similar major incidents\(^8\).”

The proposed amendments to Article I(d) are taking into consideration three aspects: first, the geographical scope of the Convention; second, the interpretation of the term “substantial” and last, the possibility to include the particular case of losing containers into the sea in the wording “similar major incidents”.

Regarding the first aspect, the extension of the geographical domain of application, where environmental damages may occur, was proposed in order to include the Economic Exclusive Zone to be in line with the vast majority of the international conventions concerning pollution such as the 1992 Civil Liability Convention (1992 CLC), Hazardous and Noxious Substances by Sea Convention (HNS Convention) or Bunker Convention\(^9\). Alternatively, a proposal was advanced by which no geographical limitation should exist or the wording “wherever such may occur” should be introduced in the actual provisions\(^10\).

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\(^4\) Hurst, Hugh, *op.cit.*, p. 500.
\(^8\) Article I (d), International Convention on Salvage.
The 1989 Convention, does not apply to pollution incidents in high seas. At the moment, if a pollution incident takes place in high seas, there is no inducement for the salvors to intervene in the absence of an agreement with the shipowner’s liability insurers which guarantees them the cover of the expenses incurred, that would have been granted to them under special compensation provided by Article 14, if the Convention had been applicable\textsuperscript{11}.

The majority of Maritime Law Associations favoured the extension of the geographical scope “to the exclusive economic zone established in accordance with international law, or, if a Contracting State has not established such a zone, in an area beyond and adjacent to the territorial sea of that State determined by that State, in accordance with the international law and extending not more than 200 nautical miles from the baselines from which the breadth of its territorial sea is measured”\textsuperscript{12}.

When proposals for amended article I(d) took place, it was stressed that, where parties had entered a Lloyds Open Form contract, the SCOPIC clause removes the geographic restriction that otherwise applies to the Convention\textsuperscript{13}.

As to the legal requirement that the physical damage “must be substantial” many State delegations recognised that the word could cause interpretation difficulties\textsuperscript{14}. Nevertheless, the majority of the delegations supported its retention because it was considered that the courts were well able to interpret the word satisfactorily\textsuperscript{15}.

Another issue open to debates was whatever dangers to navigation such as the loss of containers at sea would be covered by “or similar major incidents”.

The loss of containers at sea may present risks for the environment depending on circumstances. However, it has been considered that it’s difficult that all incidents giving rise to perils for navigation (such as loss of containers), in the absence of other perils, are able to comply with the requirement that damages must be substantial\textsuperscript{16}. Under these circumstances the definition was not widened.

3. Duty to prevent or minimize damage to the environment but not as a distinct salvage operation

Article 8 deals with the duties of the salvors, master and ship owner. The shipowner’s main obligation, as noticed, is to save the property in danger\textsuperscript{17}. The

\textsuperscript{12} Hetherington, Stuart, Chami, Diego, op. cit, p. 246.
\textsuperscript{13} Ibidem, p. 237; Hurst, Hugh, op. cit., p. 505.
\textsuperscript{15} Ibidem.
\textsuperscript{16} Ibidem, p. 208.
protection of the marine environment comes in the course of the salvage operations concerning the ship and its cargo. There are not two distinct operations, but ones which are connected by the “due care” necessary in performing the duty specified by the Convention. Its provisions are very clear in this respect, “in performing the duty specified in subparagraph (a) (the salvor - n.n.), to exercise due care to prevent or minimize damage to the environment.”

One of the main critics to the Article 8 was that it was considered inadequate to provide for in a private law convention duties imposing the primacy to be given to the public interest. This interest may require that the ship and its cargo to be sacrificed.

The fact that protection of the environment operations is subordinated to the property salvage may lead to unwanted consequences. Under these circumstances, the salvors would not have any inducement to intervene when a vessel and its cargo of low value are in danger and implicitly to continue the operations for the salvage of the environment.

Last but not least, when the vessel or other property has been brought to a place of safety, its master or the owner of other goods should accept their delivery, when reasonably requested by the salvor to do so.

The expression “place of safety” remains unclear especially in relation with the vessel. It was suggested that where a vessel needs temporary repairs and must be towed to this purpose to another place, the vessel could not be considered as being in a place of safety and the salvor’s request for its delivery acceptance would be considered as unreasonable. Salvage services must continue until the place where temporary repairs may be executed.

4. The salvage reward

The Salvage Award is based on the underlying “no cure no pay” principle, meaning that in the absence of a useful result there will be no award for the salvors. According to the traditional principles of the salvage law, it is capped to the value of the salved property – the vessel, its cargo and the freight.

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18 Ibidem.
20 Article 8 paragraf 1 (b), 1989 International Salvage Convention.
22 Ibidem.
24 Article 8 paragraph 2 (c), 1989 International Salvage Convention.
26 Ibidem.
The criteria for fixing the award are listed in Article 13. In addition, it is worth pointing out that Article 13 (b) refers to the “skill and efforts of the salvors in preventing or minimizing damage to the environment”.

The International Salvage Union is interested in the revision of the actual law because the salvage award even in circumstances in which it may be enhanced under Article 13 (b), being limited to the salved value of the property, it is deemed to be inadequate as against the efforts made by the salvors. Therefore International Salvage Union advanced a proposal to remove Article 13 (b) and include that in a new Article 14 providing for an environmental award.

This would have the effect of removing of any element of sharing in the protection of the environment as between property and liability underwriters. The Marine Property Underwriters mainly cover the damages to property but due to Article 13(b) they are obliged to pay also for the measures to mitigate the pollution and other liabilities such as removing the bunkers and the placement of the oil booms which are insured by the International Group of P&I Clubs.

In other words, in the present form of the 1989 Salvage Convention, the Hull and Cargo Underwriters are paying for losses they do not insure. Thereafter, the proposal of the maritime property underwriters would be that the measures taken to mitigate the shipowner’s liability against third parties to be paid by the Governments or the liability insurers, i.e. the P&I Clubs, since they have a benefit from such measures being taken.

The payment of the award shall be made by all of the vessel, freight and cargo interests. It was suggested that amendments should be made in container ships cases, in that the vessel only should be responsible for the payment of claims (and therefore would be responsible for the provision of security) subject to a right of recourse against the other interests for their respective shares.

One of the arguments in favour of change was that in cases where containerships are involved, it is impossible for the salvor to identify and obtain guaranties from each interested parties within a reasonable period of time while detention of the property is for the most part impossible.

The current system has not suffered amendments despite the fact that such possibility is provided for by article 13(2). It stipulates that “a State Party may in its national law provide that the payment of a reward has to be made by one of these

30 Hetherington, Stuart, Chami, Diego, op.cit., p. 233.
31 Hurst, Hugh, op.cit., p. 507.
33 Hetherington, Stuart, Chami, Diego, op.cit., p. 233.
34 Gooding, Nicholas, op. cit., p. 470.
interests, subject to a right of recourse of this interest against the other interests for their respective shares”.

5. The “safety net”

The salvor shall be entitled to a special compensation if he has carried out salvage operations in respect of a vessel which by itself or its cargo has threatened damage to the environment\(^{38}\). The Special compensation shall be paid by the liability insurers, in other words, the ship alone\(^{39}\).

The Article 14 is a “safety net” for the salvors, since although no reward is recovered under this article, it ensures, at least that the salvors may recover their expenses\(^{40}\). The principle “no cure no pay” is no longer applicable, in that when the salvor takes steps for protecting the environment, he shall be entitled to recoup the expenses even if there is no success in salvage of the property in danger\(^{41}\).

The Special compensation shall be awarded only if such compensation is greater than any reward recoverable by the salvor under Article 13\(^{42}\).

The Article 14 does not imply any element of profit\(^{43}\). What the salvor may recoup it is only the out-of-pocket expenses reasonably incurred in the salvage operation and a fair rate for equipment and personnel used in the salvage operation\(^{44}\). Nevertheless, the special compensation payable by the owner to the salvor may be increased up to a maximum of 30 per cent of the expenses incurred by the salvor if the salvor by his salvage operations has prevented or minimized damage to the environment\(^{45}\). Hereinafter, the tribunal may increase such special compensation further, but in no event with more than 100 per cent of the expenses incurred by the salvor\(^{46}\). The acceptance by all commercial parties of the two enhancements mentioned above was the result of the Montreal Compromise\(^{47}\).

From the perspective of the Salvage industry, two major issues are related to the application of the Article 14. Firstly, the salvors must demonstrate that they have prevented or minimised damages to the environment or threatened damage to the environment\(^{48}\). Secondly, that the salvors’ expenses under Article 14 do not contain any element of profit\(^{49}\). The amendment of the Article 14 was the most

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38 Article 14, 1989 International Salvage Convention.
41 Mandaraka-Sheppard, Aleka, op. cit., p. 553.
42 Article 14 paragraph (4), 1989 International Salvage Convention.
43 Mandaraka-Sheppard, Aleka, op. cit., p.553.
46 Ibidem.
48 Hurst, Hugh, op. cit., p. 501.
49 Ibidem.
contentious part of the reform of the 1989 Convention and it is known as the proposal for an Environmental Award\textsuperscript{50}.

6. Special compensation p & i clause (SCOPIC clause)

The Salvage industry has sought practical solutions outside the legal frame provided by the Convention. The International Salvage Union and the International Group of P&I Clubs had conceived an alternative system for the calculation of the Special Compensation under the form of SCOPIC, clause that may be incorporated in the salvage contract drawn up under Lloyds Open Form Salvage Agreement\textsuperscript{51}. In this way, the difficulties associated with the calculation of a fair rate could be overcome, the unwanted perspective of long period of times in which the salvors would be without employment or the difficulty of adding a percentage of the overheads being solved too\textsuperscript{52}.

In contrast, SCOPIC puts into place a more realistic system for the calculation of the remuneration, which is based on pre-agreed rates for the vessels, personnel and equipment\textsuperscript{53}. The remuneration under SCOPIC does not depend on the existence of any threat to environment nor it is restricted to a specific area of the sea or a jurisdictional space\textsuperscript{54}. The shipowner alone bears the obligation to pay the remuneration under SCOPIC and only to the extent it exceeds the reward provided for by Article 13 under the 1989 Convention\textsuperscript{55}.

The introduction of SCOPIC clause has improved significantly the assessment mechanism of special compensation as compared with Article 14 of the 1989 Salvage Convention\textsuperscript{56}. What is considered to be a minus by the salvage industry is the fact that SCOPIC clause, similar to Article 14, is not a method of remuneration for the salvors but methods of compensation when a salvage reward cannot be awarded in order to cover salvage costs\textsuperscript{57}.

7. The environmental salvages

The International Salvage Union has put forward the concept of environmental salvage, separate and distinct from that for salving property\textsuperscript{58}. To achieve on this way a reward that acknowledges the environmental benefit conferred

\textsuperscript{51} Berlingieri, Francesco, \textit{op.cit.}, p. 115.
\textsuperscript{52} Ibidem.
\textsuperscript{53} Mandaraka-Sheppard, Aleka, \textit{op.cit.}, p. 556.
\textsuperscript{55} Ibidem.
\textsuperscript{56} Busch, Todd, \textit{Fair reward for protecting the environment – The salvor’s perspective}, in „Comite Maritime International Yearbook” 2010 Annuaire, p. 494.
\textsuperscript{57} Ibidem.
\textsuperscript{58} Hurst, Hugh, \textit{op.cit.}, p. 503.
by the salvor could be attainable by amending the articles 1, 13 and 14 of the 1989 Salvage Convention\textsuperscript{59}.

In accordance with the proposal, the reward under Article 13 shall continue to exist in the current form with one difference; the provision providing for the enhancement of award for measures taken to prevent pollution will be removed\textsuperscript{60}. The revised Article 14 shall include an Environmental Award that may be capped in the same way as the salvage reward but based on criteria which are no longer the value of the vessel and the cargoes carried\textsuperscript{61}. It was suggested that, under the revised Article 14, the Environmental Award shall not exceed the amount of the shipowner’s limitation fund as it is provided in the international conventions concerning pollution\textsuperscript{62}. Alternatively, it would be possible that the Environmental Award should be limited to a figure calculated in accordance with the tonnage of the vessel\textsuperscript{63}.

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The Environmental Award shall be payable in full in addition to the salvage reward and it will not be a top up reward of Article 13, as it currently appears in accordance with Article 14 / SCOPIC\textsuperscript{64}.

There is a number of difficulties associated with the proposal. Among others, the salvors shall be obliged to demonstrate that there has been a substantial threat of damage to the environment, the extent to which they have prevented the damages and last but not least, it will be problematic to quantify the benefit conferred by the salvors\textsuperscript{65}. It was stressed that there will be difficulties in assessing the extent to which the environmental damage has been prevented, and that “the proposal was trying to assess something hypothetical”\textsuperscript{66}.

Moreover, the proposal for amending the Articles 13 and 14 would alter the foundation of the 1989 Salvage Convention\textsuperscript{67}. Its prime objective would no longer be to save property but the amount of pollution that salvors prevented\textsuperscript{68}.

As it has been noted, the proposal contained in the revised Article 14 is nothing more than an attempt to revive the concept of “liability salvage” which was previous rejected two times in favour of the Montreal compromise\textsuperscript{69}.

The proposal for the introduction of an Environmental Award could not be materialised, at least temporarily, because of the opposition of the Maritime Law Associations’ majority\textsuperscript{70}.

\textsuperscript{59} Busch, Todd, \textit{op.cit.}, p. 498.
\textsuperscript{61} Hurst, Hugh, \textit{op.cit.}, p. 507.
\textsuperscript{63} Gooding, Nicholas, \textit{op.cit.}, p. 475.
\textsuperscript{64} Ibidem, p. 476.
\textsuperscript{65} Hurst, Hugh, \textit{op.cit.}, p. 508.
\textsuperscript{66} Hetherington, Stuart, Chami, Diego, \textit{op.cit.}, p. 244.
\textsuperscript{67} Khosla, Kiran, Salvage Convention review – Salvors’ proposals for environmental salvage award, in „Comite Maritime International Yearbook 2013 Annuaire, p. 262.
\textsuperscript{68} Ibidem.
\textsuperscript{69} Hurst, Hugh, \textit{op.cit.}, p. 508.
\textsuperscript{70} Hetherington, Stuart, Chami, Diego, \textit{op.cit.}, pp. 244-245.
8. Conclusions

Salvage operations have changed a lot since the adoption of the Salvage Convention, for more than thirty years. In fact, for all parties involved, the reality is more different. The salvage operation’s expenses have increased. Criminal liability for pollution was established in UE and in the majority of the national legislations while salvors are directly exposed. The environment became after the salvage of life the most important factor in maritime salvage. Altogether the risks the salvors are facing have increased and the benefits, in the view of the salvage industry do not match the efforts made. In this context, proposals for amending the 1989 Salvage Convention have been put forward by the salvage industry through the agency of the International Maritime Committee.

The establishment of an Environmental Award should mirror the enhanced expenses for pollution prevention. The other issues proposed for amendment, such as the geographical scope or the parties’ obligations, are also encompassed by the salvage operations for environment protection.

The current maritime law of salvage is working on the foundation of the “1982 Montreal Compromise”. This mechanism is based on “no cure no pay” principle and also on the incentive of gaining an enhanced reward under Article 13 when salvors are preventing or minimising damage to the environment.

The terms in which the 1989 Salvage Convention was drafted, ensures also that whenever there is a threat of damage to the environment, the salvors shall recoup at least their expenses. The SCOPIC clause is the best proof of cooperation between shipowners, salvors and the International Group of P&I Clubs for balancing the interest of all parties involved. To amend the Convention will imply to disarticulate all its functioning mechanism. That’s why solutions should be instead sought outside the Convention’s framework and not by changing it. To what extent it would be possible to accommodate the interests of the salvors, remains an open question in this way.

Bibliography


