



GENERAL AVERAGE AND THE LARGE CONTAINER SHIP

Paul Silver - Director

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The story so far – a case study



CASE STUDY

- Voyage from Asia to Europe
- 8 Consortium members
- 3173 Containers = 5171 TEU





Forum.c

Bulle

HYUNDAI

HA 22
HYUNDAI MERSURA
1111

After the position had stabilised!



GENERAL AVERAGE

Action for the common safety

- Sacrifice of ship and cargo
- Lloyds Open Form (LOF) salvage
- Port of refuge expenses
- Transshipment expenses
- Forwarding expenses

4th April

- GA declaration notice distributed to cargo.

11th

- Owners provide ISU2 to salvors to enable landed cargo to be transhipped.

17th

- Berthed at Salalah.

19th

- Discharge of 2249 intact containers completed, leaving burnt out containers on board.

20th April/

- All cargo forwarded on four transshipping

20th May

vessels including damaged cargo.

CASE STUDY

- All cargo (including Total Losses)
 - 1808 ocean Bills of Lading
 - 4436 interests (3173 Containers/5171 TEU)
- Delivered cargo:
 - 203 groupage containers
 - 403 cash deposits collected
 - Sound value US\$145m or US\$45,370/TEU

Now and the future



“EMMA MAERSK” - 400
meters long, 13 000 Containers

EXPOSURES

- US\$1 billion cargo is possible
- Known risks for container ships (e.g mis-declaration of cargo)
- Limitations in salvage equipment

APL PANAMA



EXPOSURES

- US\$1 billion cargo is possible
- Known risks for container ships (e.g mis-declaration of cargo)
- Limitations in salvage equipment
- Port facilities
- Limited dry dock repair facilities
- 10-15,000 tons of bunkers on board

COMMERCIAL CONCERNS

Dealing with 10,000 interests:-

Property - Speed of delivery

Insurers - Aggregation of risks/cost

Salvors - Costs/time to collect

All - Rational, equitable and
commercial system

MANAGING CASUALTIES

- No easy solutions
- Status quo – pay as you go under the LOF and general average models

INSURANCE OPTIONS

Owners/operators pay:

- 100% of general average and salvage under hull & machinery policy absorption clause.
- special covers supplementing h & m absorption clause.
- special covers by charterers / slot – charterers

But in the economic climate of 2009?

DON'T PANIC!

- Lloyd' Open Form and General Average has worked and does work
- Collection of security can be done, but our maximum to date is 5,900 TEU
- Degree of difficulty determined by circumstances as well as size

BUT:

- marine community could consider improvements in the current system

CUT OUT LOWER VALUED CARGO

Value all cargo - US\$437m

Number of interests - 3,084

Omit < \$30k interests

Value - US\$421m

Interests - 1,900

Lose 1,100 interests and US\$16m from fund.

On 2% they would have paid US\$320,000

Remainder pay US\$167 each extra.

CUT OUT LOWER VALUED CARGO (2)

- Saves some actual costs and unquantifiable aggravation
- But at present open to attack at arbitration
- Could this be achieved through LOF contract

SALVORS

- Amount of LOF security
 - Too little - exposure for salvors
 - Too much - creates aggravation
 - abandonment of cargo
 - commercially damaging
- The values problem – how much is the cargo worth?
- Should they be entitled to uplift of 30% within say 30 days of first demand?

CONTAINER OPERATORS

Post casualty clash of interests and separate representation for consortium members.

Common contingency plans:

- Responsibility for holding/releasing cargo
- Providing ISU2
- Port of refuge costs etc.

CONSOLIDATORS

At present

- Responsibility to provide security rests with individual parcels undertakings on case by case basis

Future

- Insure and pay for their customer's salvage liability?
(Another insurers' opportunity)

GENERAL AVERAGE - THE LARGE CONTAINER SHIP

- Increased exposures
- General average can cope
- Exercise insurance options
- Lose the low values
- Re-consider contractual background
- More planning together



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LE RENDEZ-VOUS DE L'ASSURANCE TRANSPORTS

Cannes
28th and 29th April 2009



CESAM



LE
RENDEZ-VOUS
DE CANNES

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