

# Association of Average Adjusters

## Sub-Committee Report on Rule VI of the York-Antwerp Rules, 2004

### Preliminary Information

The following extract from the Minutes of the meeting of the Committee of Management held on 12<sup>th</sup> October 2004 was advised to this sub-committee: -

#### ***York Antwerp Rules 2004.***

*The Chairman reported that some concern was emerging as to the interpretation of rule VI. He further reported that AIDE had invited the Association to work together to examine these possible problems. However, the proposed schedule by AIDE was not thought to be sufficiently speedy and accordingly the Chairman invited the formation of a sub-committee to consider these issues and proposed requesting Richard Cornah to act as convenor of such a sub-committee to include Ian Tucker and at least one other.*

*The Chairman also reported that the US Association had passed a probationary rule of practice concerning Rule VI and GA interest. He had discussed this with the American Association on his recent visit to attend the Annual General Meeting and Seminar of the Association and would pursue these discussions.*

The Chairman subsequently issued the following Brief to this sub-committee on the 12<sup>th</sup> November, viz.,

### ISSUE

*Does Rule VI apply to contract towage or similar services (“in the nature of salvage”) ?*

*Are there any other potential difficulties in the practical application of the revised rule ?*

*The sub-Committee should use its discretion in seeking the views of Fellows and may care to liaise with the working party established by AIDE via Geoffrey Hudson.*

*A discussion paper, if not a final report, should be made available to the Chairman by 31<sup>st</sup> January 2005.*

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## REPORT

For ease of reference, the respective Rules VI of the 1994 and the 2004 York-Antwerp Rules, read as follows:-

### ***York Antwerp Rules, 1994 – Rule VI Salvage Remuneration***

- (a) *Expenditure incurred by the parties to the adventure in the nature of salvage, whether under contract or otherwise, shall be allowed in general average provided that the salvage operations were carried out for the purpose of preserving from peril the property involved in the common maritime adventure.*

*Expenditure allowed in general average shall include any salvage remuneration in which the skill and efforts of the salvors in preventing or minimizing damage to the environment such as is referred to in Art. 13 paragraph 1 (b) of the International Convention on Salvage, 1989 have been taken into account.*

- (b) *Special compensation payable to a salvor by the shipowner under Art.14 of the said Convention to the extent specified in paragraph 4 of that Article or under any other provision similar in substance shall not be allowed in general average.*

### ***York Antwerp Rules, 2004 – Rule VI Salvage Remuneration***

- (a) *Salvage payments, including interest thereon and legal fees associated with such payments, shall lie where they fall and shall not be allowed in General Average, save only that if one party to the salvage shall have paid all or any of the proportion of salvage (including interest and legal fees) due from another party (calculated on the basis of salvaged values and not General Average contributory values), the unpaid contribution to salvage due from that other party shall be credited in the adjustment to the party that has paid it, and debited to the party on whose behalf the payment was made.*

- (b) *Salvage payments referred to in paragraph (a) above shall include any salvage remuneration in which the skill and efforts of the salvors in preventing or minimising damage to the environment such as is referred to in Art. 13 paragraph 1(b) of the International Convention on Salvage 1989 have been taken into account.*

- (c) *Special compensation payable to a salvor by the ship owner under Art.14 of the said Convention to the extent specified in paragraph 4 of that Article or under any other provision similar in substance (such as SCOPIC) shall not be allowed in general average and shall not be considered a salvage payment as referred to in paragraph (a) of this Rule.*

The York-Antwerp Rules, 2004 are the latest set of rules that the CMI, the official ‘custodian’ of the York-Antwerp Rules, propose be adopted by incorporation into contracts of affreightment to govern the adjustment of general average.

The 2004 Rules were voted in by the CMI May / June 2004 Vancouver Conference (Plenary Session) as a new set of rules. Richard Cornah, in his July 2004 Commentary, that appears on the AAA web-site, reports:-

*“It was agreed at the Vancouver conference, in both the International sub-committee and Plenary sessions, that the new Rules should be given the title of “York-Antwerp Rules 2004” to make it clear that these were not simply an amendment to or modification of the 1994 Rules (as happened with the 1990 amendment of the 1974 Rules in respect of Rule VI). Where*

*contracts of affreightment such as Congenbill 1994 refer to “York-Antwerp Rules 1994 or any subsequent modification thereof...” The 1994 Rules will remain applicable.”*

It is perhaps unfortunate therefore, that, at the Plenary Session of the CMI June 2004 Conference, the language of the Resolution adopting the 2004 Rules referred, with approval to, “...*the amendments which have been made to the York Antwerp Rules 1994.*”

Accepting that the York-Antwerp Rules 2004 stand to be interpreted as a new set of Rules, the first difference in wording to be noted between the ‘old’ 1994 Rule VI and the ‘new’ 2004 Rule VI is the fact that the latter Rule refers to “*salvage payments*” and makes clear that these ‘payments’ are not to be allowed in general average. Whereas the earlier 1994 Rule VI (a), (1<sup>st</sup> paragraph), did not use this quoted wording but, in contrast, it referred to the nature of ‘salvage remuneration’ that can be allowed in general average, viz., “*Expenditure incurred by the parties to the adventure in the nature of salvage, whether under contract or otherwise, shall be allowed in general average provided that the salvage operations were carried out for the purpose of preserving from peril the property involved in the common maritime adventure.*”

The 1994 Rule VI (a), (1<sup>st</sup> paragraph), therefore, contains a definition of ‘salvage remuneration’ that is admissible in general average. But how are “*salvage payments*” as referred to in the 2004 Rule VI (a) to be defined ? The 2004 Rule VI (b) refers to “*salvage payments referred to in paragraph (a)...*” as including any salvage remuneration incurred in preventing or minimising damage to the environment, but not to the parameters of the term.

If, as envisaged in the first question posed by the Chairman, a shipowner contracts on a daily basis with a towage company to refloat a grounded vessel, with cargo on board, for the common safety, does the amount paid fall within the term “*salvage payments*” ?

Before dealing with this question, we refer again to Richard Cornah’s Commentary and his advice that the IUMI proposal (to the Vancouver Conference) to revise the wording used in the 1994 Rule VI, for the purpose of formulating a new Rule VI, was based on their view that the re-distribution of salvage was not necessary and gave rise to additional expenses. The arguments for and against change were set out in the IUMI Working Party Report to the Conference. Richard explains further in his Commentary that the majority of the (voting) delegates at Vancouver favoured the exclusion of salvage from general average; the new wording used in the 2004 Rule VI is the result.

Thus the expressed intention of the Vancouver Conference with regard to the exclusion of salvage from general average is clear.

We return now to the question posed earlier – Does Rule VI apply to contract towage or similar services (“in the nature of salvage”) ? The reason why this question is being raised is because there is not a clear definition in the wording of the 2004 Rule VI of the term “*salvage payments*”, as used at the beginning of sub-paragraph (a). Some parties may seek to argue that whilst the 2004 Rules are a complete new code, nevertheless, because the 2004 Rule VI simply replaces the 1994 Rule VI, the term “*salvage payments*” means “*expenditure incurred by the parties to the adventure in the nature of salvage whether under contract or*

*otherwise.....*" as it appears in the 1994 version. However is this really the intention of the revised rule ?

We noted that the use of the wording, "*Salvage payments, including interest thereon and legal fees associated with such payments....*", in a 'new' Rule VI was proposed as early as an IUMI G.A. Drafting Working Group Report issued in September 1999, possibly it was mooted even earlier.

It is unclear from the other reports issued, via the AAA, concerning the proposed revision of the Rules and in the 'lead up' to the Vancouver Conference, why IUMI chose to replace the broad definition of 'Salvage Remuneration' as it appears in the opening wording of the 1974 Rule VI and the 1994 Rule VI (a), with the term, "*salvage payments*".

The importance of the question is made relevant by the reference in his Commentary, by Richard Cornah, that alone amongst the maritime nations, the U.K. treated salvage and general average separately (until brought 'in to line' with other maritime nations under an AAA Rule of Practice in 1942).

Having regard to the 'international dimension' of IUMI and the CMI Vancouver Conference, and the fact that other countries do not distinguish between general average and salvage in the same way as does English law, it is possible that the need to retain the 'old' definition of 'Salvage Remuneration', in accordance with the two previous sets of Rules, was not regarded as necessary; but this is conjecture. The clear intention of the Vancouver Conference, as indicated by their rejection of the status quo, is to avoid duplication of an existing apportionment of salvage remuneration by re-apportionment in the general average statement.

However, the fact is that where one party to the adventure, usually the shipowner, contracts tug services that preserve from peril the property involved, the mechanism for apportionment of that expenditure over the values of the property at risk of the other parties, is usually found in the provision for general average in the contract of carriage, i.e., upon termination of the adventure. In the absence of a contractual provision agreed by all of the parties to the adventure and inserted into the contract (for towage) in order to apportion the value of those services upon their termination, allowance in general average is the only contractual means by which the shipowner can obtain re-imburement from the other interests who benefit.

We have re-read the CMI Working Group Report on General Average dated the 7<sup>th</sup> March 2003. In the section headed – Re-distribution of Salvage Charges (Section 6) – the recommendation for excluding salvage from a future Rule is concerned only with salvage remuneration for which there is already provision for distribution between the salvaged interests, independent of the general average provision, viz.,

#### Quote

*The rule that salvage remuneration shall be allowed in General Average is criticised on the following grounds:*

- *In most jurisdictions, salvage charges are only payable to the salvors by each of the salvaged interests; i.e. ship owners are not responsible for the cargo's share,*

*cargo owners not for other cargo's or the ship's share. (Footnote – See Article 13.2 of the International Convention on Salvage, 1989). Therefore, the salvage remuneration is already distributed between the parties and a (new) distribution via the General Average is not necessary.*

- *Redistribution by General Average adjustment disturbs separate settlements between the salvor and / or the owners of a salvaged interest, because the latter does not obtain a final solution, as his share of all the remuneration paid by all parties may eventually be fixed at a different amount.*

### Unquote

It is to be observed that under the new Rule VI is mentioned the exclusion (also) from general average of interest (on salvage payments) and associated legal fees. It is accepted practice that these two heads of expenditure are within the definition of salvage remuneration as appears in both the 1974 Rule VI and the 1994 Rule VI (a). However, by limiting the exclusion from general average in the 2004 Rule VI to, “*salvage payments, including interest thereon and legal fees associated with such payments*”, it appears to us that IUMI and therefore, the Vancouver Conference, have chosen to limit the exclusion to salvage remuneration for which there is already provision for apportionment upon termination of the salvage service, other than in general average.

Whether IUMI and, therefore, the Vancouver Conference deliberately rejected using the definition of salvage remuneration as it appears in the 1974 and 1994 Rules VI we simply do not know. Nevertheless, we discern from the papers distributed by the CMI prior to the Vancouver Conference that the proponents for the change were not exercised about contract towage in the way that they were about what they termed ‘salvage payments’, because contract towage is almost certain to have been paid (in full) in the first instance by one party to the adventure. Admitting it in general average, therefore, is the first (and only) opportunity to apportion it. There is no duplication of work that has already engaged the attention of a salvage arbitration or negotiations between lawyers. There is no (additional) expense of ‘unpicking’ something, simply to re-apportion it in a (sometimes slightly) different way.

We conclude, therefore, that the answer to the first question (page 1) asked of us in our Brief, is that the term “*salvage payments*” should not extend to ‘contract towage or similar services’.

This conclusion immediately brings us to the second of the Chairman’s questions posed above - Are there any other potential difficulties in the practical application of the revised rule ? One difficulty that arises from our conclusion is – how does one define the limits of “*salvage payments*” in Rule VI of the 2004 Rules for the purpose of its interpretation ? A second difficulty, of practical importance, then arises – assuming a definition of “*salvage payments*” can be formulated, how is it to be applied ?

Although the CMI have published on their web-site what they refer to as a summary of the amendments made to the (existing) York-Antwerp Rules, we do not find this particularly helpful; please refer to our further comment below on page 6.

We venture to propose therefore, that a new Rule of Practice is required to give guidance on what the AAA regards as the correct interpretation of the term “*salvage payments*” in Rule VI of the York-Antwerp Rules, 2004. We suggest that “*salvage payments*” may be defined as – “payments made in respect of salvage services and for which there is contractual and / or legal provision for apportionment and payment between the salvaged interests upon termination of the salvage services, independent of the York-Antwerp Rules”. If our proposal for a new Rule of Practice were to be adopted by the Association, we would regard support from the Market, in particular from cargo underwriters, as essential to avoid potential conflicts between general average interests arguing over what is, or is not, within the term “*salvage payments*”.

By reason of us concluding that contract towage is not within the new Rule VI, the further question arises – how is such expenditure admissible under the York-Antwerp Rules, 2004, if at all ? Providing that the service for which the expenditure was incurred satisfies the criteria laid down in Rule A for its designation as a general average act, we conclude that allowance can correctly be made under this Rule.

The question arose in discussion, whether, because the signing of an LOF Form of Salvage Agreement is usually demonstrated to be a general average act (- see for example, the principle enunciated in *Australian Coastal Shipping Commission v. Green*), does this revision of Rule VI somehow undermine the whole of the general average situation ? It is concluded, however, that the exclusion from general average by the new Rule VI of “*salvage payments*” does not exclude, per se, the allowance of sacrifices and other expenditure from general average where they are admissible under any other numbered or lettered Rules, identified by example in the previous paragraph, but subject always to the Rule of Interpretation and which has remained unchanged in the 2004 Rules. Please refer also to our further comment regarding Rule VIII on page 11.

Moving on to the question of whether there are any other potential difficulties in the practical application of the revised Rule VI, it appears from the brief commentary on the changes that is posted on the CMI web-site, even they have difficulties in determining the correct interpretation of the new Rule VI, when they state:-

#### Quote

*Rule VI has been amended to exclude the allowance of salvage from G.A., except in cases where one party to the salvage has paid all or any of the proportion of salvage due from another party.*

#### Unquote

The relevant wording in Rule VI(a) reads:-

*“....., save only that if one party to the salvage shall have paid all or any of the proportion of salvage (including interest and legal fees) due from another party (calculated on the basis of salvaged values and not General Average contributory values), the unpaid contribution to salvage due from that other party shall be credited in the adjustment to the party that has paid it, and debited to the party on whose behalf the payment was made”*

Possibly, like us, the CMI struggle in understanding the intention of the words – “*save only*” – in the third sentence of the new Rule VI (a). If, it’s meaning is to refer to an exception, as when Anthony speaks of Brutus in Julius Caesar, Act V,

“This is the noblest Roman of them all.  
All the conspirators, save only he,  
did that they did in envy of Caesar;”

then one would expect that what follows is intended to qualify the disallowance in general average of salvage payments which has gone before. Yet, if there is a qualification it appears to be very limited, in the sense which Richard Cornah calls purely an accounting transaction; suggesting to us that the words “*save only*” would be understood better in this context if they are interpreted as having the meaning – ‘however’.

With some hesitation, we conclude that “*salvage payments*” paid by one party on behalf of another and on the basis of salvaged values, are not allowable in general average; we vacillate between being comforted and worried that the very custodians of the Rules may see things differently, at least according to their web-site.

In support of our conclusion we point out that:-

- a) the wording refers only to crediting and debiting (in the adjustment) the unpaid salvage contributions due from one party to another. It does not state that such contributions to salvage shall be allowed in general average.
- b) In all the other Rules where admittance of an expense (or sacrifice) in general average is indicated, there is positive wording within the Rule that either it shall be made good or allowed in general average.
- c) The arguments against inclusion in general average of such contributions to salvage were made clear in the CMI Working Group Report on General Average and the wording of the new Rule is the wording proposed by IUMI in support of their argument against allowance of such contributions in general average.
- d) Richard Cornah in his Commentary states, “*The extent to which salvage is re-admitted when paid by one party on behalf of others is on very limited terms. It is purely an accounting transaction, so that credit is given without the amount being considered as General Average.*”
- e) As is pointed out in the extract from the Minutes of the meeting of the AAA Committee of Management on page 1 of this Report, the U.S. Association of Average Adjusters has passed a probationary Rule of Practice concerning Rule VI and general average interest. However, on reading this probationary Rule of Practice it is evident that it is the U.S. Association’s conclusion that the above-quoted section of the new Rule VI is not to be interpreted as allowing contributions to salvage, paid by one party to the adventure on behalf of another, to be allowed in general average.

The probationary Rule of Practice passed by the U.S. Association, subsequent to the Vancouver Conference, reads as follows:-

Quote

*XXII SALVAGE SETTLEMENTS UNDER YORK-ANTWERP RULES 2004 – ALLOWANCE FOR INTEREST*

*When the adjustment is subject to the York Antwerp Rules 2004 and includes, applying the provisions of Rule VI (a) of those Rules, contributions to salvage paid by one party to the adventure on behalf of another party to the adventure as well as on its own behalf, the provisions of Rule XXI of the Rules will apply to the paying party's salvage payments, as if they were General Average expenditure.*

Unquote

As indicated above, by use of the wording, “*as if they were General Average expenditure*”, the U.S. Association clearly accept that Rule VI is not to be interpreted as admitting unpaid salvage contributions in general average.

Whilst one may sympathise with a shipowner who, under certain jurisdictions, e.g., that of the Netherlands, may be required to pay the salvage in full in the first instance and, therefore, will be out-of-pocket until re-imbursed by the other salvaged interests, either under the general average adjustment or earlier, we envisage that cargo interests may not accept an adjustment prepared in accordance with the U.S. Association's probationary Rule of Practice, for the reason that the allowance is beyond what is contemplated by the new Rule. This intention to impose an adjusting practice by allowing general average interest on unpaid salvage contributions ignores the potentially greater inequity, already highlighted, that contract towage incurred by one party to the maritime adventure and which preserves property from a common peril, risks slipping through the equitable net that is general average, if steps are not taken to define the term “*salvage payments*” in Rule VI.

Although in the Preliminary Information given on page 1, it is stated in the extract from the Minutes of the meeting of the AAA Committee of Management that the Chairman would pursue discussions with the U.S. Association, we are not aware that any further discussion has taken place on the subject of their probationary Rule of Practice; for example, it would be helpful to know if U.S. cargo underwriters are supportive of this action. It seems to us that if there is justification, in equity, for the allowance of general average interest on salvage contributions for the period that they remain unpaid, those cargo underwriters from the London Market who were present at the Vancouver Conference, should be contacted to determine whether, in the light of the action now taken by the U.S. Association, they are sympathetic to the intention of the Americans' probationary Rule of Practice. Although the CMI Working Group Report on General Average stated that the problem of one party being out-of-pocket was recognised in the wording proposed by IUMI, adopted as the new Rule VI, this recognition extends only to an accounting exercise under the general average adjustment and not to allowance of general average interest.

Although not necessarily to be seen as a potential difficulty in the practical application of the revised Rule VI, our attention has been drawn in various papers we have sighted to the differences between application of the earlier York-Antwerp Rules and the 2004 Rules to the calculation of general average contributory values. Without wishing to make this Report longer than is necessary, we consider it is appropriate to give a practical example of these differences. It has been remarked elsewhere that by reason of the exclusion from general average of “salvage payments” in the 2004 Rule VI, a ‘windfall’ is created in the apportionment of salvage to those parties who previously would have had to contribute to salvage (allowed in general average) and where all or a part of their property at risk had been made good. However, we do not regard it as part of our brief to comment on whether or not the changes made to the Rules are equitable. Some of the changes (and their affect) introduced by the new Rule VI can be demonstrated by the following example:-

**Example**

LOF Salvage	1,400,000
Ship’s general average sacrifice	500,000
Ship’s general average expenditure	<u>100,000</u>
	<u>2,000,000</u>
Ship’s sound value	<u>1,000,000</u>
Ship’s scrap value	<u>600,000</u>
Cargo - commercial invoice value	<u>1,000,000</u>

General Average per York-Antwerp Rules 1994

Contributory Values

General Average

<u>Ship</u> (scrap value)	600,000			
Add: made good	<u>500,000</u>			
	1,100,000	ppn	1,047,619	(52.38 %)
<u>Cargo</u>	<u>1,000,000</u>	ppn	<u>952,381</u>	(47.62 %)
	<u>2,100,000</u>		<u>2,000,000</u>	

**Example** (continued)

Apportionment of Salvage (in circumstances where the York-Antwerp Rules 2004 apply)

<u>Ship's salvaged value</u>			<u>Salvage</u>	
Sound value	1,000,000			
Less: damage	<u>500,000</u>			
	<u>500,000</u>			
Ship's salvaged value (scrap)	600,000	ppn.	525,000	(37.50 %)
Cargo's salvaged value	<u>1,000,000</u>	ppn.	<u>875,000</u>	(62.50 %)
	<u>1,600,000</u>		<u>1,400,000</u>	

General Average per York-Antwerp Rules 2004

<u>Contributory Values</u>			<u>General Average</u>	<u>Salvage</u>	<u>Total</u>
<u>Ship</u> (scrap value)	600,000				
Add: made good	<u>500,000</u>				
	1,100,000				
Less: salvage payment	<u>525,000</u>				(50.89 %)
	575,000	ppn	492,857	525,000	1,017,857
<u>Cargo</u>	1,000,000				
Less: salvage payment	<u>875,000</u>				(49.11 %)
	<u>125,000</u>	<u>125,000</u>	ppn	<u>107,143</u>	<u>875,000</u>
	<u>700,000</u>	<u>600,000</u>		<u>1,400,000</u>	<u>2,000,000</u>

Support for the principle of the reduction of Ship's contributory value to a figure below her scrap value in the apportionment of the General Average per the 2004 Rules, is to be found in Paragraph 17.78 of Lowndes & Rudolf (12<sup>th</sup> Edition).

We do not regard the 'revised' sub-paragraphs (b) and (c) of Rule VI of the 2004 Rules as requiring of comment nor of providing any particular difficulties of practical application,

except, possibly, with regard to payment of the fees and disbursements of Special Casualty Representatives (SCR) and where the Scopic Clause has been invoked by the Contractor under a Lloyd's Open Form. A Code of Practice between the International Group of P. & I. Clubs and London Market Property Underwriters provides that 50% of such fees, etc. be paid by Liability Underwriters and Property Underwriters, respectively. The Code of Practice calls for the 50% due from Property Underwriters to be apportioned according to the salved values of insured property.

We do perceive a potential 'knock on' affect (from the revised Rule VI), to Rule VIII of the 2004 Rules and which has remained unchanged (apart from one minor alteration) from its 1994 version. The new Rule reads:-

Quote

***York Antwerp Rules, 2004 – Rule VIII Expenses Lightening a Ship When Ashore, and Consequent Damage***

*When a ship is ashore and cargo and ship's fuel and stores or any of them are discharged as a general average act, the extra cost of lightening, lighter hire and reshipping (if incurred), and any loss or damage to the property involved in the common maritime adventure in consequence thereof, shall be allowed as general average.*

Unquote

There is a potential conflict, in circumstances where, for example, a LOF salvage takes place, between the positive allowances in general average contemplated in Rule VIII above and the fact that "salvage payments" per Rule VI (of the 2004 Rules) are required to lie where they fall and not be allowed in general average.

We conclude that when a ship is ashore and cargo and ship's fuel and stores or any of them are discharged as part of a salvage operation, i.e., for which "salvage payments" per Rule VI are due, any lightening, lighter hire and reshipping expenses for which there is separate provision for payment between the salved interests, independent of the York-Antwerp Rules, shall not be allowable as general average because Rule VI positively excludes "salvage payments" from allowance in general average. On the other hand, should any extra costs of lightening, lighter hire and reshipping be incurred by the shipowner (or another party to the adventure) in respect of which there is no separate provision for payment between the parties, independent of the York-Antwerp Rules, we would expect these extra costs to be allowed in general average under Rule VIII of the 2004 Rules.

For completeness, we add that there is no reason why any loss or damage sustained to the property involved in the common maritime adventure, in consequence of any of the operations contemplated by Rule VIII, shall not be allowed as general average, since general average sacrificial loss or damage is not excluded from allowance by Rule VI.

In summary, our conclusions and recommendations are that:-

- Interpretation of the term “salvage payments” in Rule VI of the York-Antwerp Rules, 2004 should not extend to contract towage or similar services.
- A new AAA Rule of Practice is required to define the term “salvage payments”; it is proposed that they be defined as - “payments made in respect of salvage services and for which there is contractual and / or legal provision for apportionment and payment between the salvaged interests upon termination of the salvage services, independent of the York-Antwerp Rules”.
- Support from the Insurance Market and cargo underwriters in London in particular, be sought for the above proposal, to avoid potential conflicts that may arise between general average interests if definitive guidance from a new Rule of Practice is not in place.
- In the light of the probationary Rule of Practice introduced by the U.S. Association of Average Adjusters concerning the allowance of interest (per Rule XXI) on contributions to “salvage payments” made by one party to the adventure on behalf of another, that soundings be taken from cargo underwriters in London as to whether, in principle, they are supportive of this action.

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This sub-committee, being mindful of the Chairman’s initial proposal that Richard Cornah act as its convenor by reason of his vast knowledge of the reasons behind the latest changes to the York-Antwerp Rules, referred this Report, in draft form, to him before its issue. Richard is in agreement with our interpretation of the extent of the term “salvage payments” in Rule VI and recommends that the Association make this known generally to the shipping and insurance worlds at large.

In addition, with regard to the present position reached by AIDE in its consideration of the issues that we have been asked to address, Geoffrey Hudson informs us that the preliminary task of circularising the AIDE Members with his report of what transpired at the Vancouver Conference and reviewing their feedback is complete. He advises also that the AIDE Executive Commission is now in the process of determining the composition of a working group to review Rule VI of the York-Antwerp Rules, 2004 and the questions for it to address. We understand it is intended that this working group will report to the next AIDE Members’ meeting scheduled for October 2005. Geoffrey Hudson has kindly offered to act as a conduit of information between AIDE and the Association in their respective reviews of Rule VI.

(Signed)

B J Ashby

P O Rowland

R I Tucker

January 2005