



Introduction to

General Average

Your Facilitator

- Yim Choong Chow is a trainer, success coach, management consultant and author. His interests are in soft skills revolving around leadership, management, selling, negotiation, service delivery, interpersonal communication, performance improvement and success strategies.
- Yim is the Executive Director of Puncak Jupiter Management Services Sdn Bhd (*Pjms*) - a company he established in 2001 after a long and illustrious career in a major international shipping company where he held, inter alia, the position of Managing Director.
- His hobbies include martial art, gardening, trekking, and writing. Yim holds a third degree black belt in Karate, has trekked to the Everest Base Camp and is the author of 5 books.
- *Pjms* offers customized training solutions, consultation services & one-on-one coaching to help clients in especially the Shipping, Forwarding, Logistics & Port sectors drive & accelerate performance improvement.

- Some of the clients who regularly use *Pjms* expertise include
 - ❖ DHL
 - ❖ Evergreen
 - ❖ Jardine Shipping Services
 - ❖ Johor Port
 - ❖ Mitsui OSK
 - ❖ Northport
 - ❖ NYK
 - ❖ OVCL
 - ❖ PDZ Lines
 - ❖ PTP
 - ❖ Sea Consortium
 - ❖ Tri-Mode Services



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General Average

- G.A. is an unwritten, non statutory international maritime law which is universally recognized & applied.
- Practiced since time immemorial.
- Based on the principle that **vessel** and goods are parties to the same venture and **share** exposure to the same perils, which may require **sacrifice** or the incurring of **extraordinary expenses** on the part of **one** for the benefit of the **whole venture**

General Average – 10 Criteria to Qualify

- Extraordinary in nature
 - Normal expense or damage is excluded
- Voluntarily
- Deliberately
 - Accidental damage (particular average) is excluded
- Reasonably incurred
- In time of general peril
 - where the whole venture (cargo and ship) is threatened

General Average – 10 Criteria to Qualify

- For the common safety
 - Expenses aimed at saving only part of the venture is excluded
- Of a maritime venture
 - GA is unique to maritime
- The danger must be real
 - Imagined danger does not qualify
- The danger must be imminent
 - Expenses foreseeing and avoiding danger does not qualify
- Must succeed in saving some part of the venture
 - Otherwise nothing is left to contribute

General Average -10 Criteria To Qualify

- Each of these criteria is essential
 - If one is missing, the sacrifice or expense involved is not allowable
- G.A. is the process by which those parties to the venture, whose interests have been **sacrificed** or who have incurred extra expense, are proportionately recompensed by the contribution of those whose interest have been saved
- Example:
 - Cargo jettison to lighten a grounded vessel in order to refloat
 - Water damage to goods to put off fire
 - Essential repair to complete voyage

General Average

- Average Adjusters
 - Appointed to assist the process & calculate the contribution from each interest
 - Vessel, containers, goods and bunkers will contribute according to their salved value

General Average

- Before cargo is released...
 - Merchant to sign an Average Bond (A promise to pay)
 - Underwriter to provide Average Guarantee
 - Or Cash Deposit
 - Bank Guarantee
 - If cargo is uninsured,

Salvage

- A vessel in distress may receive assistance from a third party to save the adventure.
 - Towage of distressed vessel to a place of safety
 - Assistance in putting off a fire
 - Other services valuable to the vessel and its cargo
- In such cases, the party rendering assistance is entitled to claim Salvage from the vessel and its cargo once it has completed valuable service and it is entitled to exercise a lien on vessel and cargo for its Salvage reward

Salvage

- Salvage is usually undertaken subject to LOF 95
 - Lloyd's Open Form of Salvage Agreement 1995
- LOF 95 is 'No Cure – No Pay'
 - Salvor only gets paid if he succeeds in saving the vessel and its cargo (or part thereof)
- If LOF 95 is used, security for Salvage, usually in addition to separate security for GA, must be lodged with Lloyd's of London by an appointed Cargo Insurer

General Average & Salvage – Essential Difference

- GA involves voluntary sacrifice or expenses by a party to the venture

Whereas...

- Salvage involves assistance by a third party independent of the contract to the venture in order to save it (or part thereof) in time of peril