



News Release for immediate use

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ISU statistics for 2017 show show the salvage industry continues to experience weak revenues

ISU today published its annual statistics for 2017:

- Gross revenue for ISU members - US\$ 456 million
- Revenues up 20% on 2016
- Number of LOF cases is up but LOF revenue and average LOF income down
- SCOPIC revenue at an all time low
- Wreck removal income - US\$ 264 million, 58% of total income
- The industry continues to be active, continues to invest and continues to mitigate loss for ship owners and insurers.

The statistics show that the industry has recovered slightly from the low point of 2016 but revenues are not approaching the levels of 2013, 2014 and 2015 when annual income was more than US\$ 700 million.

The total number of “dry” salvage services (emergency response as opposed to wreck removal) in 2017 was 251. In 2016 there were 306 operations – but that was the highest number for nearly 20 years.

The statistics provide the only published measure of the state of the marine salvage industry. The statistics are collected confidentially from all ISU members, aggregated and analysed by a third party. They do not include the revenues of non-ISU members. The statistics are for income received in the relevant year but that can include revenue from services provided in previous years. The statistics are for gross revenues from which all of the salvors’ costs must be met.

Revenue from Lloyd's Open Form (LOF) cases in 2017 was US\$ 54 million which is the lowest since 1999 and continues the downward trend of LOF. Revenue from SCOPIC was US\$ 20 million – down from some US\$ 60 million the previous year and the lowest annual SCOPIC revenue since SCOPIC was introduced in 1999.

The number of LOF cases that realised revenue in 2017 for ISU members was 46 - an increase on the 34 cases in 2016. However, with the increase in cases and decrease in LOF revenues it means the average revenue from each LOF case, including SCOPIC revenue, has fallen and was US\$ 1.6 million, down from US\$ 3.9 million the previous year.

The total of LOF salvaged values was nearly US\$ 1 billion and the average LOF salvaged value was US\$ 21 million. It means that the average income (excluding SCOPIC payments) for each LOF case - both settlements and arbitrators' awards - was 5.6% of the salvaged value, the lowest on record.

Revenue from LOF cases represented 31% of all “dry” salvage revenue and LOF cases accounted for 18% of all “dry” salvage cases in 2017. Ten years ago, LOF revenue represented more than 70% of “dry” salvage income and 34% of cases. Both numbers confirm the continuing decline in the financial significance of LOF over the past few years.

At the same time, revenue in 2017 from operations conducted under contracts other than LOF was US\$ 119 million – up from US\$ 75 million the previous year. Average revenue from non-LOF contracts was therefore US\$ 580,000 per case. It reflects the continuing trend for commercial contracts to be used in place of LOF.

Wreck removal income has grown during the past decade and remains an important source of income for members of the ISU. In 2017, 120 operations produced income of US\$ 264 million – 58% of total income. It is an increase from US\$ 172 million in 2016.

Commenting on the statistics, ISU President, Ms Charo Coll, said: “The 2017 ISU statistics again show the variability of our industry. Yes, the total revenue of US\$ 456 million was an increase on the previous year but that is still far from the US\$ 717 of two years ago - more than 30% down.

“Nevertheless the industry continues to be active, continues to invest and continues to be effective in helping to mitigate loss for ship owners and insurers but, at the same time, ISU members are also experiencing financial hardship.

“The forces of competition may be making salvors undertake cases for lower returns and there may be pressure from owners and insurers to drive down costs. LOF

revenue is much reduced and a contributing factor could be the increased use of “side agreements”. It is ISU’s understanding that these are used to reduce LOF awards and settlements.

“It is vital for world trade that there is a well resourced and capable marine salvage industry available to save life, protect the environment and save property and we encourage the shipping industry to support its professional salvage providers.”

Ends

Graphics follow

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