
HOT TOPICS Archives

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General Average

Vessels on the high seas are subject to the General Average concept, which dates back to the ancient mariners. Under these terms, not only are ocean carriers not liable for loss or damage to cargo, but the cargo owner is actually responsible, in part, for the cargo of others, as well as the ship itself. General Average arises when a sacrifice or expenditure is intentionally made or incurred in time of peril by one of the parties to the adventure, not for his own benefit, but for the benefit of all concerned in the enterprise, including the ship, cargo, and freight. The classic example of a General Average sacrifice is jettison to lighten a stranded vessel. Jettison is the throwing overboard of cargo or ship's material, equipment or stores. Most General Averages are caused by stranding, fires, collisions or when a vessel is engaging in salvage assistance or putting into a port of refuge due to an accident during the voyage.

When General Average is declared, the owners of the vessel and cargo are required to absorb a proportionate share of the loss to compensate the owner of the vessel and/or cargo that was singled out for the sacrifice. All participants in the maritime adventure contribute to offset the losses incurred, at an amount set forth by the average adjusters. The object of a General Average adjustment is to place the parties to the adventure in the same positions regardless of which of them initially sustained the loss or incurred the expenditure. The basis for General Average adjustment is customarily established in the contract of affreightment, which usually states that adjustment will be made according to the rules of a certain port, or if that port or country lacks jurisdiction, according to the "York-Antwerp Rules".

The potential financial loss from General Average exemplifies the importance of cargo insurance. Without "All Risks" or FPA cargo insurance, cargo owners would be forced to post a cash deposit with the vessel owner to have the cargo released. This deposit would likely be tied up for two or more years until the General Average adjustment is completed. Every shipper should have cargo insurance, even if they think their cargo is not a value worth covering. The liability for General Average makes purchasing cargo insurance an essential business decision.

Article contributed by Sheila Skipper, Regional Vice President, Roanoke Trade Services, Inc. Houston, TX

Vessel Casualties

We thought you might be interested in a sampling of major shipping casualties reported in the first quarter of this year.

January 2 Tiksy; general cargo; hull cracked in heavy swell and sank in Black Sea.

January 7 J Marion Sky; bulk carrier; reported collision with MV Industrial Century and subsequently sank.

January 10 Saratoga; refrigerated cargo; had fire in engine room, superstructure and holds 3 & 4. Fire extinguished by port firefighters same day.

January 10 Grand Arabella; Flooding; Vessel sank.

January 11 Halgafelli; refrigerated cargo; vessel grounded, refloated herself, drifted, listed, sank.

January 20 Yu Tai No 6; general cargo; sank

January 24 Al Jazya; roro; water ingress through ventilation shafts in bad weather. Sank in high winds.

January 27 Phoenix Seven; general cargo; grounded off Taiwan, developed heavy list and sank.

January 27 Rui Da; general cargo; took water and sank.

January 27 Yiaw Yang; general cargo; developed 15° list to starboard, number 1 / 2 holds flooded, experienced engine failure, subsequently sank.

January 31 OOCL America; containership; sustained heavy weather damage and lost 300 containers over board.

February 3 Sea-Land Pacific; containership; reported losing in excess of 20 containers over board in heavy weather during transit.

February 14 Zafir; general cargo; In collision with passenger vessel and sank.

February 17 Thor Emilie; general cargo; had explosion and fire in engine room and sank immediately.

February 21 Hoorbai II; general cargo; vessel sank during cyclone Eline.

February 21 Lam Son 4; general cargo; In collision with container vessel and subsequently sank.

February 21 Lina Star; general cargo; had water ingress into engine room while anchored.

February 23 Vestkyst; general cargo; started taking water and sank.

March 1 Hualien No 1; general cargo; reported missing near Taiwan Strait.

March 4 Iugo; general cargo; developed 30° list, taken in tow by tugs bound for Rotterdam. List increased to 90° and vessel sank.

March 6 Aurora; roro; lightly grounded.

March 15 Lake Champlain; bulk carrier; contacted the pier while berthing, sustained extensive hull damage.

March 15 Yin Hai 18; general cargo; in collision with mv Lin Hai, had ingress of water into cargo hold and sank.

March 19 Ana Mercedes; general cargo; reported taking water, then sank.

Casualty data provided compliments of Informa Publishing Group Ltd. United Kingdom