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October 2008

The MARITIME EXECUTIVE

INTELLECTUAL CAPITAL FOR EXECUTIVES



George E. Wittich
(Immediate Past President, ASA)

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(ASA Secretary/Treasurer)

American

Salvage

Association

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AMERICAN SALVAGE ASSOCIATION

(ASA) ROLLS UP
ITS SLEEVES

SALVAGING GOODWILL
FOR THE GREATER GOOD



ASA

MAREX CASE STUDY

By Joseph Keefe



It is a safe bet that all maritime executives hope that they never have to employ a professional salvage contractor. Less certain, although still likely, is the possibility that they will have to do just that, at some time or another. Ensuring that marine operators get what they pay for in such unfortunate circumstances was, at one time, not a very high priority for anyone: regulators, operators or perhaps even the salvage community itself. That metric has changed significantly in the last eight years, and the emergence of the American Salvage Association (ASA) as an industry force is the primary reason why.



Titan Salvage crews work on the stern of the wood chip ship *New Carissa* near North Bend, Ore., on June 26, 2008, in the early stages of Titan's salvage project. Oregon awarded Titan Salvage the \$16.4-million contract to remove the stern of the ship after it went aground in the surf off the North Spit in February 1999. Titan used two of its jack-up barges, a unique cable car set-up to carry the crew from the beach to the barges 1,000 feet away and a crew of about 20 to cut away the wreck piece by piece during the summer. Work was expected to be finished by October.

ASA

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The fierce competition that once solely defined American salvors still exists, but today that energy has been refocused for another purpose as well. ASA President John Witte (Donjon Marine Co., Inc.) explains, "Previous to the creation of the ASA, there were many marine salvors who were almost sworn enemies that would never sit in the same room together much less work together. Now, I am amazed at our collective ability to discuss common issues that impact the entire marine community, and collaborate on projects to effect a more efficient and overall successful operation for the owner, underwriter and impacted marine environment. The real initial challenge, however, was to create an organization that is as effective as we are today on a relatively modest budget." Today, 16 ASA member companies work in unison to change the image of the salvage industry and the landscape of their regulatory environment. Along the way, the call to enhance the greater good has been a hallmark of those efforts.

ORIGINS: UNLIKELY ALLIES, EFFECTIVE PARTNERSHIP

Started in 2000 by just nine member companies, ASA is based loosely on the concept created by the International Salvage Union.

Originally construed as a trade organization representing the interests of the U.S. and North American salvage communities, the effort has grown to be much more than that. The expanded platform allows ASA members to discuss common issues and concerns and, more importantly, have a common voice when dealing with the ever-changing Regulatory Landscape.

As the Coast Guard first started evaluating salvage capabilities in the United States in the OPA-90 era (initially through the findings of the Volpe Study), U.S. salvors came to the conclusion that it would make sense to band together as an association to have a voice in this evaluation process. In support of the needs of the group that was tasked to gather the information which ultimately became the Volpe Study, the U.S. salvage community was asked by the Coast Guard, and then the Navy and other regulatory players, to participate in discussions on the future of the salvage industry over the next 10 to 15 years as a result of the impact of OPA-90.

As fierce competitors in a relatively small sector of the maritime world, the salvage community initially found itself competing with well-funded organizations for regulatory and legislative attention. Separately, they knew it would be impossible to get much traction for their point-of-view against paid lobbyists and



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Above: Cougar Ace. Below: New Flame.

multimillion dollar PR budgets. Today, and largely due to the hands-on participation of the membership, ASA, in the absence of big dollars, often gets the job done on sweat equity alone.

MISSIONS: HOW AND WHY

Job 1 for today's domestic salvage community is the ultimate passage of specific modifications to the Oil Pollution Act of 1990 (OPA 90). John Witte adds, "This initiative is not financially driven, but instead one which helps to clarify in the eyes of the Federal, State and Local government the criteria which better defines a Professional Salvor." Part of that equation is contained in 13 specific criteria that the Coast Guard developed and the ASA is pushing to have ratified within the structure of OPA 90. Witte remains optimistic about the process and says, "These were modifications that were supposed to have been implemented as many as 10 years ago. The information that we are being given today is that these modifications are in the final steps of implementation—hopefully over the course of the next six to nine months."

Although OPA 90 requires operators to identify a salvor and firefighter to respond in the event of a casualty, as many as 270 contractors are presently named as salvors and firefighters in various Vessel Response Plans (VRPs). It is the position of ASA's 16 primary member companies that, absent the pending modifications to OPA 90, regulators and operators alike can't really know what they are getting. ASA's Immediate Past President George Wittich insists, "It's a matter of putting some teeth into the regulations. We're not talking about making this a "good ole boys' club" that only certain players can participate in. But given the way that the regulations are being shaped to be promulgated there will be a number of criteria that the responsible party has to consider in selecting their salvor. This puts some onus on the responsible party to name a qualified professional in this role, or risk elevated liability down the road."

The ASA and the American salvage community, want first and



foremost to be recognized as part of the cure and not part of the problem. This includes what ASA leadership characterizes as being "mainstreamed into the response community." Another early issue that cemented this coalition's sense of purpose was the effort to get the salvage master formally into the incident command system. In the old incident command system, the salvage effort and the salvage master were almost excluded from the picture. That old philosophy is slowly changing – and Hurricane Katrina highlighted the value of the new way of thinking.

Today, the efforts of ASA extend into a hundred different hot-button issues, one of which is the question of liability as it applies to the salvage end of the operation. Unlike oil spill contractors, who enjoy immunity to follow-on liabilities that happen as a result of their best efforts to mitigate a situation, salvors find themselves in a gray area that they are vigorously trying to change. John Witte explains, "The concern is, can salvors be indemnified outside the purview of federal OPA laws? Local and state jurisdictions can vary, especially on the West Coast where there is a much more militant view of what a salvor's or responder's liabilities should be while involved in a response. We don't feel that we should be punished for something that we didn't create."

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SALVAGE: MORE THAN LLOYD'S OPEN FORM

Today, salvage is a little bit like oil spill response work. Much like oil spill companies that sit on large inventories of remediation equipment waiting for the spill that may never happen, professional salvors maintain the same 24/7 readiness. In the absence of any significant salvage business over a prolonged period of time, each of these companies is forced to do something else in order to keep the lights on. How they get that done, across the wide expanse of different companies, is also part of the story.

Donjon Marine Co., Inc., for example, remains well diversified along maritime lines and provides, in addition to salvage and wreck removal services, full-service dredging, marine heavy lift and transportation services. It even operates a significant scrap and recycling operation. American Marine Corporation fills the gaps by doing marine construction, dredging, diving and marine transportation. In contrast, Titan, a Crowley Company, only does wreck removal and salvage. But, adds Mauricio Garrido, Titan's Managing Director for the Americas, "Being a part of Crowley, their services span a wide range of transportation and logistics businesses. In the case of Titan, in order to be profitable, we've had to go global. So we've had to define a way to be competitive

not only in the States but all over the world."

Global Diving & Salvage, Inc. takes still another tack on remaining profitable. Tim Beaver, President of Global Diving, insists, "We use our ancillary businesses, which are underwater construction, oil spill response, environmental services and ship husbandry, to maintain and improve our position as a salvor. And we work as a sub-contract specialty contractor to most of the members of ASA in instances where services that they are not necessarily geared up for – such as saturation diving, things of that nature – are required."

Although salvage revenues for most ASA players represent a smaller percentage of total revenues than one would think, the other marine activities are important for the training required to make sure that ASA member companies are well-versed in the business of salvage. Clearly, the diversified nature of ASA member business models is a key component of the staying power necessary to the demanding world of salvage. In a profession where every job is different, the path to becoming a "salvage master" is not a clear career choice for most mariners. John Witte agrees: "This is one of the big issues that we are all facing right now, no question about it. And it's not just ASA-specific. The number of



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people that want to go offshore in a marine environment is decreasing. But in the end, in order to find and make a salvage master, you have to find someone who is willing and interested. This is a business which requires a true commitment to be successful.”

REAL LIFE: REAL VALUE

Most people have (at least in their own minds) a clear picture of what “salvage” entails. That perspective may or may not reflect the realities of today’s salvage efforts. ASA’s leadership, on the other hand, weighed on some of the most memorable events to shape the world of salvage in the recent past. Their reflections were telling:



John Witte, Donjon Marine: “From my perspective, it has to be the Hurricanes Katrina/Rita salvage response. Donjon was onsite as lead contractor for the Federal Salvage Response. We did a lot of good work, far away from our homes and families, with a lot of good people. During my first flight into New Orleans, which was three days after Katrina hit, I was shocked at the scope of the mass destruction. We came in just a few days after the storm and left seven months later. My participation in this response was satisfying, not only from a financial perspective, but also from being able to say, ‘You know what? We really did something good here. I’ll always remember this.’”



George Wittich, American Marine Corporation, Inc.: “In my mind, it has to be the work I managed with a team of extremely capable and experienced individuals at the World Trade Center recovery and debris-removal project. This encompassed all aspects of being a salvor, spanning from dynamic management – throwing together operations literally overnight, the logistical aspects of mobilizing over 50 vessels in short order – to the emotional aspect of working on that particular job. Four separate barge ports were set up, and we brought in floating cranes, tugs and barges to load and transport two million tons of mangled steel and debris. When we completed that job in just eight months – a job that was expected to take two-and-a-half years – making things up as we went along, well, that was a once-in-a-lifetime experience that I wish I hadn’t had to do. Having done it, I’m very proud of it.”



Mauricio Garrido, Titan, A Crowley Company: “The Jacob Luckenbach job in San Francisco back in 2002 was important because it highlighted the value of the salvage industry in pollution prevention and damage mitigation. That situation went on for years and they couldn’t figure out where the oil was coming from, affecting all sorts of marine wildlife. Finally they determined that the source of the oil was a sunken ship. There was no funding available so the Coast Guard stepped in to fund the job from the Pollution Fund. Titan took the job, and subcontracted in two other ASA members -- Crowley and Global Diving – and it was a total success. We got all of the recoverable oil out of the wreck. And I think this was a turning point in highlighting ASA’s value in the field of environmental protection.”



Tim Beaver, Global Diving: “Our biggest salvage operation that we’ve ever been involved in was a little different than most. It was related to Hurricane Ivan. We were brought in to provide saturation diving services in 300 feet of water. We

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had to tear down and remove four drilling platforms that had collapsed. At the time, it was considered to be the largest salvage operation ever undertaken in the Gulf of Mexico. We eventually recovered over 4,000 tons of metal debris, capped more than 56 wells and essentially worked 24/7 for over two years. The important thing to recognize here is that we got that job because we were salvors, not because we were divers. We addressed the job as salvors – salvors that used diving to get to the job site. We also had zero lost-time injuries during that very dangerous operation.”

SALVAGE FOR THE GREATER GOOD: EDUCATING INDUSTRY, REGULATORS AND ENVIRONMENTALISTS

ASA outreach extends well beyond simple lobbying and self-serving initiatives. This can often take the form of coordinated response to the regulatory issues facing industry. But when people talk about companies coming together for a common goal, there are (sometimes) fears of collusion or price-fixing. In the case of ASA, however, John Witte says nothing could be further from the truth: “The maritime industry benefits from the efforts of the ASA to help mold sensible regulations and the pooling of knowledge and resources for the greater good. The need for an intelligent approach to the list of ever-growing regulatory requirements is what brought us together and continues to keep us that way.

The only way to ensure a safe and practical working environment is to continue to participate in the regulatory process.”

One of the more visible manifestations of ASA’s efforts involves a Quality Partnership action team with the United States Coast Guard. Meetings take place three to four times annually for the purpose of discussing issues that might impact the salvage industry. ASA also reaches out to the U.S. Navy and NOAA as well as to other marine industry organizations. ASA President John Witte adds, “Our goals include trying to promote participation and communication across the broad spectrum of maritime industries.”

Another ASA outreach effort involves a proposal to identify and remove the threat posed by the pollutants remaining aboard the myriad of sunken wrecks along the U.S. coastline. In the focus of ASA members are as many as 7,000 sunken and “at-risk” vessels. Recognized by NOAA through its research over the years, these vessels contain oil and represent potential pollution problems. ASA, in conjunction with many others, felt that it was an important project that would provide real dividends to the United States.

After NOAA identifies the wrecks most likely to cause a spill in the short term, it is hoped that a pilot project will evolve. Eventually, the intent is to go out for competitive bids and then remediate the hulls before they have the opportunity to spill. The effort

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has become a particular passion for John Witte. He adds enthusiastically, “The challenge is to find out how to fund it and then do the job in the most effective manner possible. We’re hoping to have the first pilot project underway in the spring of 2009. It is exciting for us, and it is a very worthy project.” To those who would characterize the effort as one which is largely self-serving, Witte responds, “Let’s remember that this is a true team effort between the public and private sectors to recognize a problem and then solve it in a cost-effective manner, for the greater good.”

MAINSTREAMING THE SALVAGE EFFORT

As ASA works to educate the public, its customers and the regulatory regimes as to the true nature of the salvage game, the temptation to get sidetracked is omnipresent. Offers from cable television “reality” shows to highlight the dangers of salvage abound. The Association has turned down every one of these offers. Too much effort has gone into “mainstreaming” the salvage community into the formal response protocol than to let it slip away with images of an offshore cowboy atmosphere.

Indeed, the success of salvage responses to the Katrina aftermath and the incidents of 9/11 have had a positive impact on the sometimes misunderstood salvage industry – so much so that regulators often come to ASA in advance and include its membership in pre-disaster planning. This includes participation – often at the insistence of organizations such as the U.S. Navy and Coast Guard – in disaster response drills.

In the case of Katrina, Coast Guard New Orleans actually called ASA and asked it to respond and to fly someone down to Alexandria, Louisiana for the Incident Command meeting. ASA Vice President Mauricio Garrido explains, “I ended up spending several weeks there and, as a result, the salvage aspect of the response came together in a unique way. When the Navy came in with Donjon in the lead, it set the tone for what was to be an event of historical importance. A lot of credit has to go to the Coast Guard, who had the foresight to pick up the phone and say, ‘Hey, we need the ASA here.’ It was not something that was in any of those plans. Clearly, it was a good call.”

Trying to change the image of a business is sometimes anything but easy. Some will always cling to the so-called “sexy” image of the salvor rescuing the distressed vessel and then taking it under tow using the Lloyd’s Open Form. But the perception of salvage operators in the role of “pirates” is clearly on the way out – and with good reason.

It’s still a work in progress. But with the U.S. response community now more clearly focused on getting it right the first time, American salvage operators have now found their spot at the grownups’ table. That’s a good thing for everybody: customers, regulators, citizens and, yes, the American Salvage Association.

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