

Martin Eilertsen

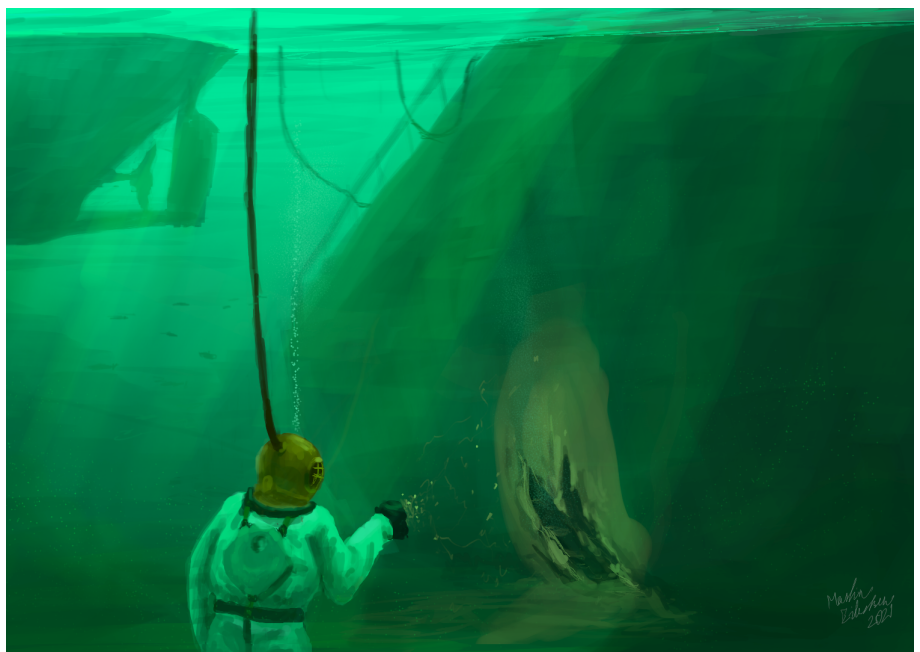
Salvors under Pressure

The International Salvage Union and Norsk
Bjergningskompani A/S during the Interwar Era

Master's thesis in Lektorutdanning i historie for trinn 8-13

Supervisor: Thomas Brandt

May 2021



Martin Eilertsen, own work

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Kunnskap for en bedre verden

Preface

Ever get the feeling that the moment you have learned about something, it suddenly pops up everywhere? I knew very little to nothing about maritime salvage before writing this thesis. When I had finally learned something about salvage, two major shipping accidents happened. One was the ship that blocked the Suez Canal, and the other listed outside Ålesund. Both cases involved salvage companies included in this thesis, perhaps making my thesis suddenly more relevant. Perhaps.

With a father in shipping, a grandfather who was an engineer on ship, and having grown up looking at the large, grey vessels passing in and out of Haakonsværn, maritime history almost seemed like a natural choice. Though my sea legs have rarely been stretched, except for the odd Color Line trip, ships have always fascinated me. Then again, so have many other machines, but growing up near the sea might have made ships extra special. After dropping out of cybernetic engineering, and started studying history instead, I wanted to mix technology and history. Shipping, in my opinion, provided this opportunity.

I would like to thank my parents for supporting me throughout my education, and for helping me to keep my bearings. I would also like to thank my fellow “lektor” students, because even though we have not seen each other that much throughout the COVID-19 pandemic (yes, it had to be mentioned), I have really appreciated the few moments we have. And importantly, many thanks to my supervisor on this thesis, Thomas Brandt, who has given me detailed and helpful feedback, often on very short notice. His suggestions and ideas gave fresh perspectives and helped motivate my writing. Considering my ability to postpone important student activities, that was no small task.

When we first started looking for a subject, I wanted to write about something “maritime, and within technology, perhaps some environmental issues as well”. Very broad indeed, and I was a bit worried that I was in over my head. With the help of Gard Paulsen, and his expertise on maritime history, we managed to land on salvage as a possible subject, and here we are. So, again, many thanks to both Brandt and Paulsen for their invaluable assistance in salvaging my thesis and making the sailing smoother. Since Lånekassen no longer supports me financially, and a teacher’s wage being what it is, I would rather not pay a salvage reward. I hope my gratitude is sufficient.

Contents

1.0 Salvors, Owners, and Underwriters.....	1
1.1 Scope and thesis statement	2
2.0 Methods and Sources	5
2.1 Sources.....	5
2.2 Professional relevance	9
3.0 Background	11
3.1 Norwegian and international shipping in the 1920s and 1930s.....	11
3.2 Inter-war era business practices - cartels and cooperation	13
4.0 Salvage, salvors and salvage laws	19
4.1 Salvage Laws and the Definitions of Salvage	19
4.2 The Actors and Lloyd’s Open Form.....	23
4.3 Salvage operations during the interwar era	29
5.0 The ISU, the Market, Cooperation, and the Threat of Obsolescence.....	33
5.1 The start of the International Salvage Union.....	33
5.2 Changes to the LOF: The appeal clause	37
5.3 Economic fluctuations and salvage rewards.....	41
5.4 The Question of Internal Competition.....	49
5.5 Technology and the Human Factor: A Benefit or a Hazard?	54
6.0 Beyond the interwar era	59
7.0 Summary and conclusions.....	63
7.1 Defining the interwar International Salvage Union.....	63
7.2 The role of Norsk Bjergningskompani	64
7.3 Riding the waves of economic fluctuations.....	65
7.4 New technologies and increased availability.....	66
7.5 Closing thoughts, the search for “normality”, and “don’t mention the war!”	66
Bibliography.....	69

Archive material	69
Legal documents	69
Newspaper articles	69
Encyclopedia and Websites	69
Books and Articles.....	71

1.0 Salvors, Owners, and Underwriters

Accidents happen. And when they happen at sea, some of the first to arrive are the tugs and trawlers of the salvage companies. In late March during the year this thesis was written, the 400 metre, 220,000 tonnes container vessel, Ever Given, blocked the Suez Canal after getting wedged across the canal when it ran aground. The result was a week-long salvage operation involving around 800 people. The salvage companies involved were Smit and Svitzer, both of whom have long traditions in salvage and are, incidentally, actors in this thesis.^{1 2} Salvage companies exist in a mostly privatized and seemingly highly competitive environment, where one could get the impression that salvage is a “war of tugs”. However, many of the salvage companies and their benefactors are organized in the *International Salvage Union* (ISU). The ISU has its roots in the late 1800s and early 1900s, and this thesis will investigate the ISU and salvage companies during the interwar era.

The competitive nature of the salvage companies was seemingly very direct, either through fighting for territory, racing each other to a ship in distress, trying to negotiate local monopolies, and so on. All this despite seemingly being underpaid for each job. During the interwar era, the general business practices of European companies worked somewhat different from today, using unions and cartels to legally, or illegally, gain an edge in the market economy.

By the interwar era, Norway already had long traditions as a seafaring nation and had by then a large portion of its economy based on maritime trade, thus also making salvage activity an important part of Norwegian maritime and economic history. Moreover, with many ships come large insurance values. Salvage companies could save the insurance companies some financial strain should they be able to save the ships and their cargo, or at least some of it, in the case of accidents. The interactions between underwriters, salvors and shipowners are interesting on their own, because how much should salvors expect to earn from saving a ship’s cargo, how much are shipowners willing to pay, and how much should insurance companies be expected to pay the salvors for having saved them money? In addition, there is also the likelihood of shipowners expecting to earn more from insurance if the ship sinks than

¹ BBC. (04.04.2021). Suez Canal traffic jam caused by stuck ship Ever Given ‘cleared’. Retrieved from <https://www.bbc.com/news/world-middle-east-56625680>.

² Hand, M. & Labrut, M. (30.03.2021). “We pulled it off!” – Salvors celebrate re-floating of Ever Given. *Seatrade Maritime News*. Retrieved from <https://www.seatrade-maritime.com/casualty/we-pulled-it-salvors-celebrate-re-floating-ever-given>.

having a damaged, but floating, ship that must be repaired. The salvor has not always been viewed favourably, as the former president of the *American Salvage Association*, John A. Witte Jr., wrote in an article about his early years as a professional salvor: “As a teenager, who was more concerned with excitement of the work, I failed to realize that being called a pirate was neither a flattering portrayal nor one most marine professionals wanted to be compared to.”³

1.1 Scope and thesis statement

The interwar era saw an increase in international cooperation, changes in international standards on marine transport, new maritime technologies, and large economic fluctuations. In this thesis, I will analyse the attempted balance of competition and cooperation between ISU-members in response to the changes of the interwar era and explain the inner workings of the organisation during the interwar and post-war periods through a case study. A discussion of types of trusts, cartels, and unions, both maritime and others, and the mechanisms regulating them will therefore also be used for explanatory purposes and comparison. The interwar era is also a period where the market several times went through prolonged booms and crashes, which affected maritime trade and market prices on ships and goods. This will be used to see how the change in prices affected the salvage industry and the salvage reward system, and how the salvage companies and the ISU reacted to these fluctuations.

Moreover, new laws and regulations affecting international trusts, cartels, and unions also started appearing during the interwar era. Though not as common or strict as they would become after World War II, they were still present. Domestic laws on international trade and protectionism could also affect the salvage industry.

Other changes in the maritime industry during the interwar era was the changing and developing technologies, especially within propulsion and communication. The new technologies allowed ships to be less affected by, or dependent on, the weather and allowing them to send distress signals faster and over longer distances. As time went on, the new systems would become more affordable and increasingly common, strengthening their effect within the maritime sectors, potentially reducing the number of ships in distress.

³ Witte, J.A. (2008). Changing the marine salvor image. *Marine Log*, 113(9): 52

Today, the ISU is a global operation with members, including associates and affiliates, in most parts of the world. However, during the interwar period, the members were European salvage companies, so my scope will mostly be limited to Europe. I will also look briefly at the development of the salvage industry and the ISU in the years after the Second World War. The Second World War and the salvage companies is an interesting case in itself. For example, seeing how the different salvage companies worked during the war, whether it is in the interest of business and collaboration or how the salvage industry would function during wartime, can be topics on their own. However, since the market elements I am looking at were inhibited or functioned differently during the war, the ISU being temporarily dissolved between 1938 and 1948, and a total number of salvage operations that far exceeded the European normal, I will not discuss salvage during World War II in detail. Also, since 1926 was the year of the first ISU annual meeting, the time period this thesis is mainly concerned with is 1926 to 1938. Years outside this time period are used for context by showing the continuation of certain challenges and topics from the interwar era.

The ISU has left no archival record public or digitally available, and the COVID-19 pandemic restrictions have prevented further research in other archives than those situated in Norway or available online. However, through the archives of the Norwegian salvage company, and founding member of the ISU, *Norsk Bjergningskompani*, I had access to a sufficient amount of archive material for the purposes and matters of interest of this thesis. The sources will be discussed further in the next chapter.

Norsk Bjergningskompani A/S will be the case studied in this thesis, and the ISU will be researched through this case. The sources on this company are limited, and so are the sources on salvage companies in general during the interwar era. Yet, the interwar era was an interesting time for Norwegian salvage companies because the ever-increasing size of the Norwegian merchant fleet, the technological developments that would make the fleet one of the world's most advanced, and the new international standards that followed. After World War I, the salvage companies no longer had to deal with mines and torpedoes, but fluctuations in the international market and a decreasing tonnage of ships in distress. Seeing how this affected the work of *Norsk Bjergningskompani* and the ISU domestically and, in their international relations, are subjects that will be explored. The interwar era was also a time of modernization for the European, and maybe particularly the Norwegian, merchant fleets. Seeing how the salvage companies adapted to and adopted the new technologies will also be discussed.

Summarized, the research questions then are: How did the ISU manage the cooperation in the salvage industry, and to what extent? Secondly, how did fluctuations in the market affect prices, and in turn the salvage companies, and how did they respond? Lastly, how did changing and new technologies affect the salvage industry, and how did salvage companies, such as *Norsk Bjergningskompani*, adopt the then modern technologies in their sector?

Before the research questions are discussed, the sources will be presented. Then, a presentation of the interwar business practices, such as cartels and conferences, as well as general interwar shipping, followed by a presentation on interwar salvage, salvage laws, and important actors in the salvage industry. The other half of the thesis will discuss the research questions in the order presented above, before a short presentation of the post-World War II continuation of these issues. Lastly, the discussion will be summarized and concluded.

2.0 Methods and Sources

By far most of this thesis is a qualitative study on both primary and secondary sources. The sources that have been used will be presented in this chapter. Because salvage also touches into the economic themes, some sources have been digitalized, and then analysed quantitatively while using the qualitative sources as a basis. Another issue which will be presented in this chapter is the professional relevance for the “Lektor” program based on the Norwegian curriculums for secondary and high schools.

2.1 Sources

After *Norsk Bjergningskompani* was dissolved in the late 1970s to early 1980s, they left an archival record, now in *Statsarkivet* in Bergen, the city where their main office was situated. In this thesis, records of correspondence between the salvage company and the *International Salvage Union* (ISU) have been used to further understand the inner workings of the salvage industry, and how the salvage companies cooperated within the ISU. The archival records also contain records of meetings, accounting and resolutions, as well as personal notes and memorandums. Some of these documents contain rules, or drafts, regulating competition between members. English is used as the main language in most of the records, along with certain documents in Danish, Norwegian, German and French. Some of the documents show signs of degradation, and much of it was not archived in chronological order, or even sorted. For example, one of the ISU folders concerns the years from the 1920s to 1938 and the 1960s, whilst a different folder contains ISU files from the years 1948 to 1960. In addition, one of the original merger companies making up *Norsk Bjergningskompani*, *A/S Salvator*, lost much of their archive in the great city fire of Bergen in 1916. The historical works written on *A/S Salvator* before 1916 are therefore largely based on oral accounts.⁴ It is possible to find dates of certain events, such as the age of the ISU, in the archives.

I have not found or searched through the interwar archives of the ISU themselves, nor am I sure a common ISU archive from that era exists. A good place to start here could be in Rigsarkivet in Copenhagen, since they have ISU documents from *Svitzers Bjergnings-Enteprise*, the company that started the *ISU of Copenhagen*, which was the forerunner to the ISU. These documents are available in the Danish National Archives (Rigsarkivet).⁵

⁴ Thorbjørnsen, K. (1941). *Av Bjergningsvesenets historie. 1.: Fra oldtid til nutid*: 99

⁵ Rigsarkivet n.d., link:

https://www.sa.dk/daisy/fysiske_enheder_detaljer?a=&b=&c=international+salvage+union&d=1&e=2016&f=&

However, the records from *Norsk Bjergningskompani*'s archives were comprehensive on their own. A possible issue that can be caused by being limited to only one company's archive could be that they only recorded documents relevant to their own company, thus limiting the scope of the archive. However, much of the material used in thesis, such as records of meetings, rules, and circular letters are likely to exist in the archives of any member, and in the potential archive of the union itself. In addition, *Norsk Bjergningskompani* seems to have been an active member as evidenced by the documents sent to, or was available, for most members. They also had close ties to *Svitzers* and was one of the founding members of the ISU. Moreover, *Norsk Bjergningskompani* was the case studied in this thesis, so an added focus on their archive seemed relevant. The accessibility of the archives of *Norsk Bjergningskompani* was also a reason for focusing on their business and using them as a case, since travelling was advised against during the COVID-19 pandemic. With more archives, it would be possible to compare their contents, allowing for a more in-depth analysis of each member of the ISU and what they chose to keep in their records, or even a study on how they chose to organize their archives.

Many of the archived folders are sorted under "miscellaneous" and some folders can contain much more than what their labels describe. Even folders not labelled as miscellaneous can contain documents not fitting the folders description or timespan. For example, a ledger containing meeting protocols also contains cut-outs of old adverts. In addition, certain materials have dates that are outside the timespan written on the box. Such as documents from 1926 being in a box with documents from 1931 to 1964. An employee at the archive remarked after processing my order that the files should have been archived more thoroughly, but the archive had not gotten that far yet. The unorganized archive material also made finding any particular document challenging. However, it also made it possible to find a use for material that I may otherwise have considered uninteresting by description alone and find "hidden gems".

In the maritime museum, *Bergen Sjøfartsmuseum*, documents, pictures and other material artefacts from *Norsk Bjergningskompani* can be found. Many of the pictures have been

g=&h=&ngid=&ngnid=&heid=5156722&henid=5156722&epid=5156722&faid=11&meid=14672280&m2rid=14672281&side=1&sort=&dir=&gsc=&int=&ep=&es=&ed= , or search for "International Salvage Union" in the archives.

digitalized and are accessible through *Digitalt museum*.⁶ Some of the pictures can work as references, though dates and locations are not always known. The museum also has a short summary of the company's history on their website.

Regarding secondary sources, it has been difficult finding literature on salvage during the inter-war period. Research on inter-war shipping has seemingly mostly been directed towards general business practices, technology and trading. Literature specifically concerned with salvage focus more on the current challenges facing the industry, such as SCOPIC 1989⁷, which was meant to create a system for rewarding salvors for mitigating pollution, and other laws and amendments meant to encourage salvage companies to limit the environmental impact of shipping accidents. This is an interesting topic on its own, but it is difficult to contribute with any new perspectives, since it has already been so widely discussed. Other types of literature discuss the origins of the current laws on salvage, be it in ancient Roman or 17th century English law, which provides a perspective on the long-standing legal traditions in the salvage industry.

Between 1941 and 1946, *Norsk Bjergningskompani A/S* published a book series called *Av Bjergningsvesenets historie (The History of the Salvage Company)*, written by Kr. Thorbjørnsen.^{8 9 10} It was released in three volumes, where each has their own timespan and topics of interest. The books are themselves structured chronologically, though the volumes can overlap with each other, and they discuss issues ranging from rewards on contracts to which sea-creatures one should avoid while diving. The books have also compressed several decades of administrative issues and personal experiences into a few hundred pages and uses a lot of space on individual salvage operations. Nevertheless, the volumes do give an insight into what *Norsk Bjergningskompani* wanted to include in their company history book, and what issues they felt were still present at the time the books were written. This also means that the books can function as primary sources on the salvage company's experiences and

⁶ Digitalt museum. (2020). Samling lysbilder i glass fra Norsk Bjergningskompani A/S. Retrieved from <https://digitaltmuseum.no/021018540060/samling-lysbilder-i-glass-fra-norsk-bjergningskompani-a-s>. Last accessed 14.12.2020.

⁷ For more info, see International Maritime Organization (n.d.), *International Convention on Salvage*, Retrieved from <https://www.imo.org/en/About/Conventions/Pages/International-Convention-on-Salvage.aspx>

⁸ Thorbjørnsen 1941

⁹ Thorbjørnsen, K. (1943). *Av Bjergningsvesenets historie. 2.: Norsk Bjergningskompani A/S 1912-1928: krigsår og krisetid*.

¹⁰ Thorbjørnsen, K. (1946). *Av Bjergningsvesenets historie. 3 A: Norsk Bjergningskompani A/S.: 1912-1938 Norsk bjergningskompani A.S (det eldre): havarihistorie 1912-1928. Norsk bjergningskompani A.S (det nye) 1929-1938*.

interpretations from a 1930s and 1940s perspective. In addition, they include stories and accounts from the salvage industry, which provides certain examples of the experiences and culture of those involved. The book also includes what can be described as a colourful language, making it seem like a type of celebration of the salvors' work, so it is doubtfully a neutral representation of the salvage industry.¹¹ Some of the stories presented are also not sourced, so there is some uncertainty to their accuracy. However, after researching the archives for a while, it is quite clear that Thorbjørnsen and I have used much of the same archival records.

Other companies in a similar business, towage, also have their own history books. In my case, I used *Bukser og Bergning: 75 år*, which was a book published around the company's 75th anniversary of the salvage company of the same name.¹² The same company bore the name *Lægterkompaniet (The Barge Company)* during the interwar era.

To explain the background on *Lloyd's* and *Lloyd's Open Form*, corporate history from *Lloyd's* and the *International Salvage Union* has been used, mostly due to lack of alternative sources. Only the ISU has provided an author, Michael Buckley, a partner at the marine service and insurance firm Waltons & Morse LLP.^{13 14} It was not visible whether these articles have been peer reviewed or gone through a publishing process, and they are likely not neutral or independent sources. However, for the purposes of providing some general background information on these organizations and the LOF, the articles are sufficient. Aware of possible limitations, these articles have been used sparingly in this thesis. The articles are well structured though, and they can provide a more personal view on the topics of salvage and salvage contracts.

Much of the salvage companies' own corporate history have been described, at least up to a certain point. And modern research has been concerned with salvage and the environment.¹⁵ However, a broader economic and technological perspective on the salvage companies during the interwar era is lacking. The book series rarely mentions the ISU, apart from concerning the economic issues in the salvage industry in 1933, despite *Norsk Bjergningskompani* being a

¹¹ Recommend Thorbjørnsen 1943: 205 and onwards for examples of descriptions of salvage operations

¹² Bakka jr., D. (1992). *Bukser og Bjergning: 75 år*.

¹³ Buckley, M. (n.d.). The origins of Lloyd's Form. Retrieved from <https://www.marine-salvage.com/overview/the-origins-of-lloyds-form/>. Last accessed 04.05.2021.

¹⁴ Bloomberg (n.d.) Waltons & Morse LLP. Retrieved from <https://www.bloomberg.com/profile/company/1432647D:LN>. Last accessed 04.05.2021.

¹⁵ See Wiberg, E. (2005). *Tanker Disasters* chapter 2, and Kerr, M. (1990). International Law on Salvage 1989: How It Came to Be, *The International and Comparative Law Quarterly*, 39(3), 530-556.

seemingly active and opinionated member, according to the archival records. This also presents the opportunity to see what position the Norwegian member had in the union, and how they contributed. In addition, these books were released by the salvage company themselves, thus providing an opportunity to bring an outside perspective on the history of *Norsk Bjergningskompani* and the ISU.

To gain knowledge on cartels and business cooperation, I mostly turned to research articles and articles from encyclopaedias. Encyclopædia Britannica presents short descriptions of the practices and mentions discussions on how they have been interpreted by business and legal historians. Moreover, Jeffrey Fear's article on cartels, included in *The Oxford Handbook of Business History*, provide a more in-depth discussion of cartels and other forms of corporate cooperation. Other articles, which will be mentioned as they appear in the thesis, look at the duration of contractual cartel agreements and maritime cartels. One of the authors on maritime cartels, William Sjostrom, was also referenced in Fear's article.¹⁶ With regards to knowledge on Norwegian shipping, both the technological and economic aspects, Andersen & Collett's book *Anchor and Balance: Det norske Veritas 1864-1989* was used.

The archives also contain records from accounting and economic information on *Norsk Bjergningskompani*, which have been digitized for use in this thesis. This was done by first adding all the information into a sheet in Microsoft Excel, before importing it into the statistics software, Stata MP (version 16). The data was used in a quantitative study with the use of graphs and simple linear regression, and qualitative information was used as a basis for discussing the results.

2.2 Professional relevance

While writing a thesis in history, it is difficult to not use any of the methods or skills in the curriculum for history in Norwegian schools. Some notable mentions here are the ability to “identify and assess historical material of different kinds and origins as sources, and utilize it in [their] own historical representations.”¹⁷ This is a major part of the work that went in to this thesis, and the sources I used consisted of both primary material from archives and secondary material in the form of books, articles, etc.

¹⁶ Jones, G. & Zeitlin, J. (Ed.). (2008). *The Oxford Handbook of Business History*: 291

¹⁷ Utdanningsdirektoratet (2009). *Læreplan i historie (HIS1-02)*. Retrieved from <https://www.udir.no/kl06/HIS1-02/Hele/Kompetansemaal/etter-vg3-studieforberevende-utdanningsprogram>

Even though interwar economy and technology is not among the main themes of the curriculum, it does touch upon some aspects within interwar ideology and post-World War II economy.¹⁸ The interwar ideologies form part of the background in my thesis, and an understanding of inter-war economy might help in acquiring a better understanding of the post-World War II economy as well.

As a student in the “lektor” program, I also have a second subject, English, which is also my second language. In the English curriculum, sources are important, and students are supposed to be able to “use different sources in a critical and accountable way.”¹⁹ Besides, writing my thesis in English is a good way to practice my second subject.

¹⁸ Utdanningsdirektoratet 2009

¹⁹ Utdanningsdirektoratet (2020). *Læreplan i engelsk* (ENG1-04). Retrieved from <https://www.udir.no/lk20/eng01-04/kompetansemaal-og-vurdering/kv6>

3.0 Background

Before salvage is explained, it can be beneficial to explain the general background by presenting certain business practices during the interwar era, both within the maritime sector and in general. This chapter will first explain the economic and technologic developments in Norwegian and international maritime trade. Then the definition of cartels and other forms of cooperation will be explained. Not because the ISU necessarily was a cartel, but because it can make sense to compare their practices to those that existed within cartels and other forms of cooperation. The common nature of cartels and market self-regulation during the interwar era also means that these explanations can help to contextualize the business world that surrounded the ISU and the salvage companies.

3.1 Norwegian and international shipping in the 1920s and 1930s

During World War I, The Norwegian merchant fleet had lost 50 percent of the total fleet, some of the heaviest losses of all the merchant fleets.²⁰ After World War I, there had been an international economic boom. In Norway, this was further spurred on by the government's economic policies, where they increased wages and prices. Investors invested in new ships, financing them mostly through loans. In addition, the demand for imports increased. Due to the lack of a similar growth in exports, the imports far exceeded exports. When the international high conjuncture turned, the trade balance was not in Norway's favour. The result was that the prices on exports fell faster than the prices on imports, and imports decreased. By 1921, one third of Norway's merchant ships were inactive.²¹ And, according to Stugu, by 1932, only one quarter of the Norwegian fleet was active.²²

The Post-World War I crisis and the international economic crisis had a severe negative impact on the Norwegian shipping industry, which relied heavily on international export. However, throughout the 1930s, when the world economy slowly improved, the Norwegian shipping experienced a growth rate far beyond the international average – between 1923 and 1939, the international fleet grew by ten percent whilst the Norwegian fleet doubled in size. Within the same timeframe, the Norwegian fleet would eventually account for one fifth of the total world shipping tonnage and supply half of Norway's export income.²³ The steamship

²⁰ Andersen, H. W. & Collett, J. P. (1989). *Anchor and Balance: Det norske Veritas 1864-1989*: 84

²¹ Sandvik, P. T. (2018). *Nasjonens velstand: Norges økonomiske historie 1800-1940*: 176-177

²² Stugu, O. S. (2011). *Norsk historie etter 1905*: 71

²³ Stugu 2011: 71

had accounted for more than seventy percent of the Norwegian fleet between 1910 and 1930.²⁴ Heavy investments in modernization meant that sixty-two percent of the Norwegian fleet ran on diesel, as opposed to sail and steam, by the end of the 1930s.²⁵ Andersen and Collett has further explained the transition to diesel. Though expensive to build, and its adoption having been slowed down by the war, diesel became the cheapest alternative for large ships in the 1930s.²⁶ Another development in Norwegian shipping at the time was the transition to oil transport. Between 1914 and 1939, oil went from 0.4 percent to 40 percent of the total transport tonnage.²⁷

In addition to a growing Norwegian merchant fleet, British dominance of the oceans decreased during the interwar era. Between 1919 and 1939, British shipping's position in the world declined from 34 percent of the world total to 26.1 percent.²⁸ S. G. Sturmeay writes in his book on the history of British shipping that part of this decline can be attributed to a shipping industry that expected the post-war years to be a repetition of the pre-war years, in addition to a sense of superiority. Foreign competitors could also offer lower prices, and they were often subsidized. The British also lagged behind the Scandinavian countries in the technology department, and a large portion of their tramp ships²⁹ still ran on steam in 1939.³⁰

There were also changes in how administration and organization of shipping functioned. In Norway during the 1930s, the passenger liner companies became organized in more sophisticated ways, where holding companies would own several different firms who each owned one or several ships. Consequently, the companies needed a larger administrative branch, but they also became financially stronger and able to survive losses during the first years of operation, in turn allowing for more long-term planning.³¹

Shipping went through several developments during the interwar era, both technologically and administrative. Propulsion moved more towards steam and internal combustion, and the new way companies were organized meant that they could invest more and grow larger. In addition, Britain started to lose their dominance on the seas. Though they continued as one of

²⁴ Andersen & Collett 1989: 94

²⁵ Stugu 2011: 71

²⁶ Andersen & Collett 1989: 94-95

²⁷ Andersen & Collett 1989: 96

²⁸ Sturmeay, S. G. (2010). *Research in Maritime History no. 42: British Shipping and World Competition*: 53

²⁹ **Tramp ship**: one of two types of merchant ships, where the other is the ocean liner. It operates without a regular schedule, and it goes where required to deliver its cargo. A common type of tramp ship is the bulk carrier (bulk: most non-liquid cargo). (Encyclopædia Britannica 2016)

³⁰ Sturmeay 2010: 79-82

³¹ Andersen & Collett 1989: 96-97

the major European seafaring nations during the interwar era as well, other nations would also become more competitive.

3.2 Inter-war era business practices - cartels and cooperation

Considering the ISU is a union of several different companies, it can be useful to look at the union in the perspective of a cartel, of which there were many in Europe during the inter-war era.³² This chapter will discuss how cartels operated, provide a background for discussing ISU's form of cooperation, and if it makes sense to compare the ISU to a cartel. The chapter also looks at cartels in general, and not shipping cartels specifically. This is to get an idea of how common cartels were in Europe during that time, and how laws restricting their practices was not yet developed. In addition, the chapter also provides a general background and context for how business practices were during the European interwar era.

A paper written by Valerie Y. Suslow explores contracts within cartels and their duration, but also contains general information on cartels during the inter-war era. The paper defines cartels as “overt formal agreements to restrict production and raise prices”.³³ In this thesis, I will be using a less strict definition, and look more into general agreements and cooperation between companies who wanted to gain a competitive edge. As stated by Jeffrey Fear: “business historians have shown the varied effects and services provided by cartels (quality standards, technology transfers, or risk management) that extend beyond the conspiratorial motivation to raise prices.”³⁴ The purpose of cartels is to regulate competition, not abolish it. This was seen during much of the 20th century as a way of letting industries and the market self-manage. That said, the cartels mostly protected the interests of producers, and not the consumers.³⁵

It is difficult to find a single explanation for the impact and inner workings of cartels. Today, the distinction between whether an association is legitimate, or an illegal cartel, is not obvious. The standards a contractual cartel sets for their members can involve quality standards, safety regulations, environmental standards, and labour regulations. Though not

³² Suslow, V. Y. (2005). Cartel contract duration: empirical evidence from inter-war international cartels. *Industrial and Corporate Change*, 14(5), 705-744: 708

³³ Suslow 2005: 706

³⁴ Jones & Zeitlin 2008: 268

³⁵ Jones & Zeitlin 2008: 269

necessarily through cartels, many industrial standards started as voluntary standards within the industry before they became public regulations.³⁶

The intention behind the creation of cartels were also varied, and rarely ended with the creation of a monopoly. Why some cartels succeeded is also difficult to explain, because so many other cartels failed. Where one cartel would dissolve after one year, a different cartel in the same industry could last for decades. One explanation for the success of certain cartels is that the danger of price wars within certain industries, especially against a dominant member company, often strengthened the cartels durability. Another explanation, provided by the German cartel director, Siegfried Tschierschky in 1903, stated that cartels can be more sustainable if they do not disregard the consumer. In addition, cartels can lower prices to secure profits in the long run.³⁷

It was not uncommon for cartels during the inter-war period to be formed through contracts. Before World War II, few countries had antitrust laws, and they usually accepted the existence of cartels. Still, the cartels had some limitations. They could not themselves legally enforce their members to adhere to their agreements and relied upon the other members to enforce if necessary. Additionally, because the cartels were organized internationally, they did not have a common court they could appeal to.³⁸ The counterparts to the voluntary private cartels are state-managed cartels or war-time forced cartelization.³⁹ This thesis will, however, not focus on non-private cartels and cartels during wartime, since they would operate under a different set of rules and influences, and the time-periods in question are mostly outside periods of war in Europe.

An article by W. Sjostrom's looked at a phenomenon in shipping which was somewhat reminiscent of cartels. In liner shipping, a similar concept to, or type of, cartels existed. Shipping lines who operated on certain routes could be part of organizations known as *conferences*.⁴⁰ Conferences originated in the mid-1870s, after substantial developments in steam engines. Previously, shipping had relied on sail ships, which were dependent on weather and trade winds, and their services likewise. When steam powered ships could offer these services instead, they could do so on a regular, scheduled basis, in other words, act as

³⁶ Jones & Zeitlin 2008: 273

³⁷ Jones & Zeitlin 2008: 270-271

³⁸ Suslow 2005: 708-709

³⁹ Jones & Zeitlin 2008: 271

⁴⁰ Sjostrom, W. (2004). Ocean Shipping Cartels: A Survey. *Review of Network Economies*, 3(2), 107-134. <https://doi.org/10.2202/1446-9022.1046>: 108

liners. The liner industry started organizing themselves in conferences, allowing them to fix rates.⁴¹ In 2001, conferences were still common. An example being the Far East Freight Conference, which had a 60 % share of the European-Far East trade route.⁴²

There is no consensus on how or why conferences became so widespread. According to Sjoström, they often seem to be recognized by economists as cartels or destructive competition. They also seem to be favoured by smaller liners companies and opposed by larger companies, both before World War I and during the 1990s.⁴³ However, they were not highly monopolistic or inflexible, and they have also been described as one of the more robust types of cartels, if they can be defined as such.⁴⁴

Like cartels, the conferences also use contracts. There are primarily two types of contracts, dual rate, and deferred rebate. A dual rate contract is when the shipper signs a contract to deal exclusively with a conference and in turn receives lower rates, thus making it cheaper for the shipper to transport their goods through one conference instead of several. A deferred rebate contract is when the shipper deals exclusively with the conference for an agreed period of time, often around six months, and receives a rebate on a proportion of the freight bill.⁴⁵ Deferred rebate can be viewed as a type of loyalty contract, where the user, or shipper, pays the full shipping rate to a conference, only uses that conference's services for six months to earn a discount or rebate, which will be paid out at the end of a *second* six-month loyalty contract. If the shipper works with a different conference during the second six-month contract or breaks the terms of the contract in any other way, they risk losing the rebate.⁴⁶ In the US, the deferred rebate contract became illegal after the 1916 Shipping Act.⁴⁷

It is still unclear whether conferences should be identified as cartels, but arguments on the issue date back at least as far as 1921, where it was feared that they could act as monopolies.⁴⁸ Encyclopedia Britannica writes in their article on ships and shipping that even though conferences have been accused of creating monopolies and restrain competition, the general consensus is that no combination of conferences can force unreasonable rates. In addition, they are seen as a way to protect shipping companies with high quality ships and staff from

⁴¹ Sjoström 2004: 110-111

⁴² Sjoström 2004: 108

⁴³ Sjoström 2004: 112

⁴⁴ Jones & Zeitlin 2008: 276

⁴⁵ Sjoström 2004: 121

⁴⁶ Ship Inspection (n.d.). Deferred rebate. Retrieved from <http://shipinspection.eu/deferred-rebate/>

⁴⁷ Sjoström 2004: 121

⁴⁸ Sjoström 2004: 113

competition from casual ships that provide occasional transport at lower rates.⁴⁹ Similarly, cartels' durability seems to be related to the number of objectives and joint services they had in addition to, or instead of, fixing rates.⁵⁰ In that way, conferences and cartels do have in common that they have been used to guarantee certain standards of quality among members. So, cartels and conferences have been compared to each other. However, the question of whether conferences are a form of cartel or not does not have a straightforward answer, and scholars do not seem to agree. In economic laws, they have been treated differently. Where cartels are largely illegal in Europe, conferences still exist. Like previously mentioned, they seem to have been evaluated as more of a benefit to the quality of maritime trade than as causes of destructive competition.

As mentioned, for most of the inter-war era, cartels could operate legally, but some restrictions would appear after the 1920s. First, Britain passed a resolution in 1930, requiring "notification, registration, and publication of cartel agreements".⁵¹ Second, other European countries followed in the mid-1930s, except for France, who did not pass any laws to restrict cartel activity until after World War II.⁵² Thus, cartels could operate overtly and legally throughout most of the inter-war era. In fact, of the 71 cartels analysed by Suslow, both in Europe and the United States, only 13 were terminated because of antitrust indictments, whereas 27 were terminated due to the onset World War II.⁵³ It is unclear whether any of these were shipping cartels, since the paper only distinguishes between certain types of materials produced by the cartels.⁵⁴ A paper by Bertilorenzi looks at aluminium cartels during the same period. Italy and Germany, who were under fascist and Nazi rule respectively by the early to mid-1930s, had by 1936 enforced national price fixing and banned exports of certain goods, consequently limiting the cartels' control.⁵⁵ However, that did not mean that they disappeared in authoritarian regimes, nor did they always follow trends in geo-politics. Both the International Steel Cartel and the International Potash Syndicate was built on Franco-German cooperation within the industries.⁵⁶ Neither did the regulation remove cartels

⁴⁹ Ship operation (2020b). In *Encyclopædia Britannica*. Retrieved from <https://www.britannica.com/technology/ship/Ship-operation>

⁵⁰ Jones & Zeitlin 2008: 287

⁵¹ Suslow 2005: 709, see footnote in article

⁵² Ibid.

⁵³ Suslow 2005: 713

⁵⁴ Suslow 2005: 716, contains full overview of variables used in paper.

⁵⁵ Bertilorenzi, M. (2014). Business, finance, and politics: the rise and fall of international aluminium cartels, 1914-1945. *Business History*, 56(2), 236-269. <http://dx.doi.org/10.1080/00076791.2013.771337>: 251

⁵⁶ Jones & Zeitlin 2008: 278

completely.⁵⁷ A simplified summary can be that the cartels peaked in the 1930s, but reappeared strongly after World War II, before gradually disappearing towards the 1980s.⁵⁸

Summarized, cartels were common in Europe during the inter-war era, and there were few laws restricting their practices. In shipping, conferences were able to fix rates, but there is no consensus whether they can be defined as cartels or not. Britain was first to impose certain rules, and other European nations soon followed. Autocratic rule, with export restrictions and national price fixing, as well as the onset of World War II seemed to be the largest factors for the limitation and regulation of cartels before their post-war reappearance, despite the same regimes also frequently using cartels.

⁵⁷ Jones & Zeitlin 2008: 275

⁵⁸ Jones & Zeitlin 2008: 275

4.0 Salvage, salvors and salvage laws

With its long legal traditions, salvage has existed for hundreds of years. Though the laws have been changed and amended, the general essence is still present, where anyone who saves ship and cargo is entitled to a fraction of its value as a reward. Understanding these principles, the organizations involved, and how salvage was obtained, will provide a basis for the cases studied in this thesis. So, this chapter will explain what salvage has been, and how its laws and definitions have changed throughout history. Secondly, *Lloyd's of London* and the *International Salvage Union*, which were two important organizations in salvage legislation and salvor representation during the interwar era, will be presented. Following their introduction, the common salvage contract *Lloyd's Open Form* will be explained. Then, the case used in this thesis, *Norsk Bjergningskompani*, will be introduced. Lastly, some of the roles and practices during an interwar era salvage operation will be summarized.

4.1 Salvage Laws and the Definitions of Salvage

In today's legislation, salvage and insurance are closely linked, and the relationship between insurance and salvage laws was explained in an essay by the writer Evan Calder Williams. He refers to Fernand Braudel's studies on the Mediterranean during the age of Philip II (16th century). Braudel concluded that year-round shipping became possible because of the development and spread of insurance laws, instead of advances in naval technology. Insurance laws meant shipping companies could take more risks, despite having more wrecks. It also gave underwriters the right to salvage anything sellable from the wrecks. Williams points out that during this time, "salvage" was not what was sellable from wreck, but a payment granted to those who prevented the ship from sinking. In English common law, this payment usually only covered the time and labour of the sailors who prevented the disaster.⁵⁹ This definition of salvage has developed.

A more current definition of "salvage" can be found in Encyclopædia Britannica. According to their definition, salvage is any ship or cargo rescued, and would otherwise have been lost, is considered salvage according to maritime law. There is no specific law requiring the rescuer to act as a salvor, but the general duty of any ship is to assist ships in distress. The ship in distress can refuse the salvage operation if the owner of the ship, or his agent, is

⁵⁹ Williams E. C. (2015). Salvage. *Journal of American Studies*, 49(4), 845-859.
<https://doi.org/10.1017/S0021875815001735>: 845-847

onboard at the time of distress. In the case of a derelict or abandoned ship (or cargo), anyone can claim the salvage. However, the cargo of the salvaged ship will not be given to the salvor but can be claimed by the owner at any time after paying a salvage fee. In any case, the salvor is entitled to a reward set by a local judicial custom.⁶⁰ In William's example, this was the English common law.

Salvage operations can also be performed under contract, usually by professional salvors. Most often, professional salvors under contract are not entitled to a reward unless the salvage operation succeeds.⁶¹ The most widely used contract today is Lloyd's Open Form (LOF).⁶² In Norway, the earliest known example of a salvage contract is related to a salvage operation of a Dutch ship that had grounded on Jæren in 1619. A member of the local authorities enlisted the help of a local sailor and trader. The member of the local authorities would pay for all expenses in exchange for one third of the salvage, excluding the crew's clothing and the large quantities of coins assumed to be on-board.⁶³

The article by Britannica is based on the more modern definition and legislations of salvage, which also has a long history. As stated in an article by G. F. Steckley on the seventeenth century origins of salvage law, maritime codes on salvage can be traced back to Roman principles and English feudal law. A couple of examples of laws here is the recognition of shipwrecks and derelicts as still belonging to their original owners if claimed, as well as salvors being paid a fraction of the cost of the salvage depending on risk and effort.⁶⁴ In England, this law can be traced back to Sir Richard Lloyd (not to be confused with Edward Lloyd, namesake of Lloyd's) while he served as a Admiralty judge surrogate in the late 1670s. Judges before 1670, during the time late-Stuart and Cromwellian rule, had a set reward which granted the salvor half of what was salvaged.⁶⁵ So, at least in England, the contours of the current law on salvage and the one used during the inter-war period can be traced back to the late 17th century.

⁶⁰ Salvage. (2020a). In *Encyclopædia Britannica*. Retrieved from <https://academic.eb.com/levels/collegiate/article/salvage/65160>

⁶¹ Encyclopædia Britannica 2020a

⁶² International Salvage Union. (b) (n.d.). The legal framework for salvage operators and the 1989 Salvage Convention. Retrieved from <https://www.marine-salvage.com/legal-framework/>. Last accessed 11.11.2020.

⁶³ Thorbjørnsen 1941: 88-89

⁶⁴ Steckley, G. F. (2014). The Seventeenth-Century Origins of Modern Salvage Law. *The Journal of Legal History*, 35(3), 209-230. <https://doi.org/10.1080/01440365.2014.962286>: 210

⁶⁵ Steckley 2014: 216

In Norway before 1900, a slightly different approach was used. Salvage after a shipwreck would be handled after a local inquiry and settlement by state officials in a process known as *bergingsforretning*. The settlement would be based on the state officials own observations, interrogation of the ship's crew and the populace in the vicinity of the shipwreck, as well as investigations done by local authorities. The process would be recorded in journals and sent to the central authorities, who would then decide whether the salvage should be auctioned off or returned to the owner. Laws used in this process can be traced back as far as Christian IV's Norwegian Law of 1687.⁶⁶

In the early 1900s, a common set of international rules and regulations was drafted. It was signed on September 23 1910, in Brussels by representatives of 25 powers, including Norway.⁶⁷ The full name of the convention was the *Convention for the Unification of Certain Rules of Law regarding Assistance and Salvage at Sea*. The same day, the *Convention for the Unification of Certain Rules of Law regarding Collisions at Sea*, was also signed.⁶⁸ In the *Assistance and Salvage at Sea* convention, the salvor was guaranteed a fraction of the value of the salvaged materials and a remuneration for the services. However, the total salvage reward could not exceed the value of the salvaged materials. Therefore, if nothing was salvaged, there would be no reward, which became colloquially known as “no cure – no pay”.^{69 70}

Salvage laws also go beyond assistance from other ships. They also take into consideration salvage rewards to people onboard the ship being salvaged. Thorbjørnsen published in 1951 a book on salvage contracts and laws. There he discussed cases salvage operations where the salvaging has been undertaken by people onboard. The crew of a ship was not entitled to a salvage reward as long as they were listed as or hired to crew or operate the ship. It was, however, not uncommon for professional salvors to hire crewmembers on the ship being salvaged to assist with the salvaging operation in exchange for an hourly wage. Passengers,

⁶⁶ Hermanstad, S. D. (2018). bergingsforretning. In *Store norske leksikon*. Retrieved from <https://snl.no/bergingsforretning>

⁶⁷ Signed by Germany, Argentine, Austria, Hungary, Belgium, Brazil, Chile, Cuba, Denmark, Spain, United States, France, Great Britain, Greece, Italy, Japan, Mexico, Nicaragua, Norway, Holland, Portugal, Romania, Russia, Sweden, and Uruguay. (The Conventions of Maritime Law. (1912). *The American Journal of International Law*, 6(2), 488-491. doi:10.2307/2187469: 488)

⁶⁸ The American Journal of International Law (1912)

⁶⁹ Assistance and Salvage at Sea (1910). *Library of Congress, 37 Stat. 1685; Treaty Series 576*. Retrieved from <https://www.loc.gov/law/help/us-treaties/bevans/m-ust000001-0780.pdf>.

⁷⁰ No cure, no pay (2018). In *Store norske leksikon*. Retrieved from https://snl.no/no_cure%2C_no_pay

on the other hand, were not obligated to assist in the salvage operation and could therefore be entitled to a salvage reward.⁷¹

In addition to a set of unified laws, each country may have their own salvage laws and courts, and the salvage laws do provide room for interpretation, so the outcome of each case may vary, and legal technicalities may arise. For example, an English sail ship, *The Florence*, drifted out of control during a storm in the Bay of Biscay. Her crew was ordered to abandon ship and was brought to Spain. While being shipped back to England, they ran into *The Florence*, and parts of the crew boarded and brought the ship back to port. They were awarded a salvage reward by an English court. In another case, a Norwegian ship, *Czar*, ran aground at Jylland. The crew was ordered by the captain to seek shelter for the night. Three days later, the crew returned and boarded the ship after a professional salvor had agreed to a salvage operation. While being towed, the cable snapped, in addition the salvage tug had to return to port to refuel, leaving *Czar* to drift. *Czar*'s crew managed to bring the ship under control and to a Norwegian port. The Norwegian courts, however, denied their claim to a salvage reward since they had been crewmembers throughout the operation.⁷² So when someone is technically "crew" could be decided by the courts. The difference in outcome in these examples might be that the English courts did no longer consider the crew of *The Florence* as crew since they had switched ships and could thus have left *The Florence* on the ocean when they, by chance, passed her. In contrast, the Norwegian sailors were still considered crew even though they were told to evacuate for a day. Moreover, the salvage rewards were a result of dynamic negotiations which could differ between cases. In turn, the remuneration rewarded, and who received the reward, could be different even for similar cases.

In case of contractual towing, the operators of the tug were not entitled to a salvage reward because they work under a different contract, or towing contract. Thus, there was legal a distinction between a towing operation as part of a salvage operation and towing as a service. However, should there be an accident during the tow, the operators of the tug could be rewarded a salvage award if they assisted in saving the ship. That is, of course, if it was not proven to be negligence on the part of the tug that caused the accident in the first place.⁷³

⁷¹ Thorbjørnsen K. (1951). *No Cure – No Pay: Og andre hovedemner i bjergningsretten*: 180-182

⁷² Thorbjørnsen 1951: 180-181

⁷³ Thorbjørnsen 1951: 184-185

Summarized, salvage has a long history, and some of its principles date back to the time of the Roman empire. Many countries have at some point had their own version of these principles, but the bottom line was that anyone could be rewarded for saving ship and cargo. These principles were unified in the 1910 Brussels convention, which was signed by 25 powers, and provides the basis for the principle “no cure – no pay”. Still, how these laws were enacted could still differ between nations, and it was ultimately up to the courts and arbitrators to decide what was fair remuneration for the salvor.

4.2 The Actors and Lloyd’s Open Form

When introducing the actors in salvage during the interwar era, *Lloyd’s* and the ISU are good places to start. *Lloyd’s*, because they were involved in many of the current contracts and legislations on salvage. The *International Salvage Union*, because they represented, and still represent, the interests of a growing number of salvage companies, often against the interests of *Lloyd’s* underwriters and other underwriters. Their introduction will be short, as their role will become clearer throughout this thesis. Secondly, perhaps the most common salvage contract: Lloyd’s Open Form, which was frequently used by the members of the *International Salvage Union*, will be introduced. Lastly, there will be an introduction of the case used for this thesis, *Norsk Bjergningskompani*.

Lloyd’s of London - A syndicate of underwriters

Now a corporate organization housing several insurance providers and syndicates, *Lloyd’s of London*, or simply *Lloyd’s*, was originally a coffee house named after its owner, Edward Lloyd. According to their own corporate history, during the late 1600s, entrepreneurs and merchants would visit the coffee house to gain maritime intelligence and get the latest shipping news. *Lloyd’s* was also a place where individuals could get marine insurance, and it would continue to grow as a meeting point for marine insurance providers. During the 1700s, *Lloyd’s Coffee House* would gain a reputation as a gambling den, which many deemed unfortunate. This led to the creation of a new *Lloyd’s* coffee house by a breakaway group who no longer wanted to be associated with the “old” *Lloyd’s* coffee house. The new *Lloyd’s* gained a reputation as a professional insurance provider, and their naval intelligence gained them the protection of the Admiralty. In 1811, *Lloyd’s Agency* was established, their reputation increased, and subscriber count grew. After a monopoly bill was passed in Britain

in 1824, *Lloyd's* lost their monopoly and shortly after lost ground to competitors. *Lloyd's* would in the coming years start releasing the journal *Lloyd's List* and created stricter rules for its members. By 1870, *Lloyd's* started gaining a competitive edge by housing larger syndicates than their competitors. Moreover, in 1871, Parliament passed the first Lloyd's Act, making it illegal for insurance providers to sign a *Lloyd's* policy unless they were approved as an underwriter of *Lloyd's of London*.⁷⁴

Later, *Lloyd's* expanded to America, and would start providing insurance in other areas than marine insurance. During the 1906 earthquake in San Francisco, the corporation was large enough to pay all policyholders in the city for the damages.⁷⁵ *Lloyd's* had a resurgence in members during the interwar era, going from 631 members in 1913 to 1,882, in 1938.⁷⁶

To clarify, *Lloyd's* is not an insurance company in itself, but rather it houses several insurance companies and underwriters, as well as their syndicates. Or as their own definition states: "Individually, we are underwriters; collectively, we are Lloyd's."⁷⁷ Also, the salvage companies throughout Europe did have cases with several other underwriters, and had their cases arbitrated by many different courts. However, *Lloyd's* underwriters were among the most frequently mentioned underwriters in ISU documents.

The International Salvage Union (ISU)

Despite being a large, multi-national organization today, it has been difficult to find out exactly when and why the ISU, at least in its original form, was established. According to an article on their own website, they were active at least as early as the 1890s under the name *The International Salvage Union of Copenhagen*.⁷⁸ Though, they had their first annual meeting under the name *The International Salvage Union* on the 30 November 1926, where nine salvage companies were represented, including director Morten Beyer of *Norsk Bjergningskompagni A/S*.⁷⁹

⁷⁴ Lloyd's of London (n.d.). Corporate history. Retrieved from <https://www.lloyds.com/about-lloyds/history/corporate-history>. Last accessed 25.11.2020.

⁷⁵ Lloyd's of London n.d.

⁷⁶ Hodgson, G. (1986). *Lloyd's of London: A Reputation at Risk*: 114

⁷⁷ Hodgson 1986: 76

⁷⁸ Buckley 2020

⁷⁹ ISU (1926) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, URL: <https://www.digitalarkivet.no/db60048087000540>, p. 129.

By the time of writing this thesis, the ISU does not have a corporate history available like *Lloyd's*, but they do have a web page on their current status. Today they have 55 salvage companies registered as members. In addition, they have several associate members, consisting of law firms, insurance companies, consultants, national response organisations, and so on. They also regularly hold meetings with shipowners' organisations such as INTERTANKO (for owners of tankers) and BIMCO (for shipowners worldwide).⁸⁰

The role of the ISU in legislation and as an organization during the interwar era will be explained more thoroughly throughout the thesis.

Lloyd's Open Form

As mentioned, salvors under contract were legally not entitled to a salvage reward unless the operation was successful, and this notion was also present in the title of the contract *Lloyd's Standard Form of Salvage Agreement*, "no cure, no pay", more commonly referred to as *Lloyd's Open Form* (LOF).⁸¹ In this section, I will explain the history and principles of the LOF, as well as some of ISU's views and influences on the form, from its origins to beyond the interwar era.

The origins of the LOF, according to the ISU, can be traced back to 1890s and the early 1900s. Salvors had also before the LOF operated with a lump sum contract. However, Masters sailing in the Dardanelles and Black Sea regions had complaints about current contracts, where they felt pressured into paying salvors an excessive amount after a salvage operation. In response, Lloyd's Committee sent a representative to the Black Sea to negotiate with the most prominent salvor in the area. They agreed on keeping the lump sum contract, but arbitrators from Lloyd's could raise or lower the payment if they deemed necessary to do so.⁸²

Meanwhile, the underwriters were concerned about the availability of salvors and what terms salvage assistance could be granted. They asked *Lloyd's Committee* to establish their own salvage operation. *Lloyd's* rejected the proposal on the grounds that their constitution does not allow them to act as salvage contractors. Therefore, *Lloyd's* approached other salvors, among them the *International Salvage Union of Copenhagen*, then consisting of *A/S E.Z. Svitzer*, the

⁸⁰ International Salvage Union (n.d.) (a). Introduction. Retrieved from <https://www.marine-salvage.com/overview/introduction/>. Last accessed 15.12.2020.

⁸¹ ISU (1963) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 539-542

⁸² Buckley 2020

Neptun company, and *Nordischer Bergungs* of Hamburg. They were unable to reach an agreement. However, the *General Shipowner's Society*⁸³ supported arbitration, and they wanted a universal salvage agreement. Therefore, *Lloyd's* started drafting a salvage contract. The first was ready and approved by the Committee in 1891 and negotiations with salvors began. The contract had to go through several drafts and amendments before the *ISU of Copenhagen* would accept it, even though it was mostly accepted by other salvors by 1892. Among the disputes with the *ISU of Copenhagen* was the question of who should appoint arbitrators, transparency of the arbitration process, and whether they should operate by a fixed price. During that time, the arbitrator had based the reward solely on the documents received, and the salvors could not view the evidence, so little is known about the arbitration process prior to 1907.⁸⁴

Lloyd's and the ISU did not reach an agreement until 1907, and they agreed that the reward should be decided by arbitration unless the parties involved managed to agree on a price. In addition, all parties were granted access to the evidence and share their views on the arbitration process. Drafting started and the first LOF was published in January 1908.⁸⁵

When a ship was in distress and had to be salvaged, the salvors and the captain had to agree on the percentage and amount the contractor's remuneration should be. *Lloyd's* Open Form is meant to be signed prior to the completion of the salvage operation, as indicated by the blank areas in the form, where the captain and salvors were supposed to add the information, such as the contractor's remuneration, on which they have agreed should the operation be successful.⁸⁶ However, the salvage reward itself is not decided by contract on the ship. By the signing of *Lloyd's* form, the salvor is legally obligated to a salvage reward, which is then set by arbitration after the salvage operation.⁸⁷ There were also instances and tasks where the salvor was not entitled to a salvage reward, such as obligatory rescue operations, for example saving crew and passengers.⁸⁸ No cure – no pay was also open to negotiation. If the costs of saving a ship and its cargo exceeds the possible salvage reward, then the shipowner and salvor could agree on a minimum reward to pay for the operation. There was also the possibility of

⁸³ I do not have much information on this association, but they were active in British maritime legislation during the 1800s. Mentioned in an article when talking about legislation in the 1860s. (Kendall, W. R., Boykin, N. & Heller, N. A. (2011). The Law of General Average: Possible Consequences of a Resurgence of Acts of Piracy. *Transportation Journal*, 50(2), 218-225.: 221)

⁸⁴ Buckley 2020

⁸⁵ Buckley 2020

⁸⁶ *Lloyd's* (1949) in SAB, Norsk Bjergningskompani, 7/L0023: International Salvage Union, 1946-1961.

⁸⁷ Thorbjørnsen (1951): 152

⁸⁸ Thorbjørnsen (1951): 172-173

unknown travel costs. An example could be cases where the salvors are hired to look for an abandoned ship whose exact whereabouts were unknown, potentially leading to increased travel costs for the salvage ship. Then the operation could be a partially no cure – no pay agreement, since the salvors could still be compensated for travel despite not finding the ship.⁸⁹

There was also the case of salvor negligence or misconduct in the contract. To what degree a salvor could be convicted of misconduct depended on the skill level the salvor could be expected to possess in the first place. Therefore, the treatment of misconduct cases was different depending on the salvor being a fisher, a merchant, a professional salvor, or any other sailor. Contracts were also a part of misconduct cases, which means that courts could deny accusations of misconduct resulting in a loss if the salvor was not a professional salvor and not contractually obligated to save the ship and cargo. By 1951, when Thorbjørnsen published his book on salvage laws, there had been no recorded cases in Norwegian courts of a professional salvor being convicted of misconduct resulting in no salvage reward.⁹⁰

In a 1963 booklet, the ISU sought to explain the LOF to its members from the point of view of an “an authority on the subject”⁹¹. The identity or profession of this authority was not explained further. Although the booklet is from 1963, and beyond my scope, the booklet can help to explain some general principles of the LOF. According to the booklet, the LOF contains a list of rules and agreements, and its purpose is to provide a fair settlement for salvage awards. Additionally, as the booklet explained, the LOF is necessary for professional salvors and their networks to continue their work, and thus making sure that sailors in distress did not have to rely on “incidental “amateur assistance””. Another reason was that the professional salvors are more likely to use the salvage awards to invest in salvage equipment.⁹² Both of these points can be included into how certain organizations could have several objectives members had to meet, regardless of the organization being a cartel or not. Contractual memberships often required a company to meet a certain standard of quality, and many industrial standards started out as voluntary standards within the industry.⁹³ The ISU could here have tried to remind their members of what their objectives were, and what traits

⁸⁹ Thorbjørnsen (1951): 168

⁹⁰ Thorbjørnsen (1951): 174-175

⁹¹ ISU (1963) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 540

⁹² ISU (1963) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 539-542

⁹³ Jones & Zeitlin 2008: 73

that were intended to differentiate them from salvors outside the union. In addition, this could have been ISU's arguments for the importance of professional salvors.

The reward provided for salvage services was decided by an *Arbitrator* appointed by the Committee of Lloyd's of London. When the booklet was written, all the arbitrators selected by Lloyd's were lawyers. The form could be signed both before or after the salvage service had been provided, and either case would result in a "no cure, no pay"-agreement.⁹⁴ Despite some distrust within the ISU and its members, they had, during the Stockholm conference in 1962, emphasised that "no cure, no pay" was still the best solution for the salvage companies.⁹⁵

Norsk Bjergningskompagni A/S

Founded in 1912, the Norwegian salvage company, *Norsk Bjergningskompani* was a merger between three salvage companies, *Nordenfjeldske dykkerselskab*, *Vestenfjeldske (A/S Salvator)*, and *Moss Værft, Bjergnings- og Dykker Co.*⁹⁶ They had already in 1905 agreed to cooperate to ease competition between each other and make themselves more competitive on the foreign market. Like many other salvage companies, they agreed on the rules governed by the principle "No cure – no pay", which were rules accepted by most underwriters at that time.⁹⁷

Competition with *Em. Svitzers Bergningsenterprise* in Copenhagen was especially hard on the Norwegian salvage companies. *Svitzer's* had undertaken several salvage operations in Norwegian waters. Additionally, they had between 1903 and 1908 made deals with other local salvage companies along the Norwegian coast, allowing them to station two of their own boats in Norway. In response, the *Nordenfjeldske*, *Salvator*, and *Moss* salvage companies pooled their funds into a new boat, which they sent into Danish waters. Competition sharpened, and in one case it was reported that the captain of a British ship that had grounded held an auction onboard to decide who got the contract, selling to the lowest bidder. *Svitzer's* won the auction by agreeing on a NOK 50 salvage fee on a salvage operation that would cost

⁹⁴ ISU (1963) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 539-542

⁹⁵ Lloyd's List (16.06.1962) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, s. 840

URL: <https://www.digitalarkivet.no/db60048087000840>

⁹⁶ Digitalt museum 2020.

⁹⁷ Thorbjørnsen 1941: 140

them NOK 1000 to complete. The Danish venture cost the Norwegian salvage companies more than they could afford to invest. *Moss* salvage company, who had taken over the ship in Danish waters, was told to prepare for a merger with *Svitzer's* or go bankrupt. The Norwegians withdrew from Danish waters in 1911, and *Svitzer's* ended its salvage operations in Norwegian waters after the merger and establishment of *Norsk Bjergningskompani* in 1912.⁹⁸

After a string of economic problems during the 1920s, *Norsk Bjergningskompani* was heading towards liquidation in 1928. However, a group of businessmen from Bergen, Kristofer Lehmkuhl, Fredrik Odfjell, Albert Vedeler, and Ole Friele, were interested in reconstructing the company. They negotiated with the company's largest creditor, Centralbanken, and acquired the entire fleet. By their request, the company's headquarters was moved to Bergen.⁹⁹

The book describing these events, *Av Bjergningsvesenets historie. I.*, does not mention the *International Salvage Union of Copenhagen* in this part, despite *Svitzer's* being one of its few members at that time, and Norway being closely situated to its two other members. I will get back to *Svitzer's* and the ISU in the main part of the thesis.

4.3 Salvage operations during the interwar era

“We live in the age of specialization.” was how Thorbjørnsen described life on a salvage vessel during the interwar era and World War II. The salvage boats themselves and their crew and equipment all had their own specialized purpose. The master of the salvage ship was responsible for the salvage operations and made the necessary decisions. He had often been educated within and risen through the ranks of the merchant marine before being hired by a salvage company. Since what salvage companies earned, and what owners and underwriters saved, was dependent on the success of the operation, they relied on experienced people in leading roles. In addition to navigation, the master was responsible for filling out forms and tracking his ship's earnings.¹⁰⁰

When a salvage ship arrived at the location of a stricken vessel, they first had to consult the crew. The master of the ship in distress could sign the LOF, demand a different contract, or

⁹⁸ Thorbjørnsen 1941: 141-144

⁹⁹ Digitalt museum 2020.

¹⁰⁰ Thorbjørnsen 1943: 190

refuse the salvage operation altogether. If the crew was missing, they had to search for lifeboats or other signs of the whereabouts of the crew.¹⁰¹

Divers were an important part of many salvage operations, as they could assess the damage of a ship below the waterline, even when it was completely submerged.¹⁰² Indeed, two of the companies that merged into *Norsk Bjergningskompani* were former diving companies. The diver, wearing a pressurized suit and helmet, would walk along the seabed, and the rest of the salvage vessel's crew could follow his movements by following the stream of bubbles emitted from his helmet.¹⁰³ A grounded ship's hull had to first be checked for external holes and ruptures, which then had to be waterproofed before the steam powered pumps could start draining the stricken vessel.^{104 105}

If the ship was partly or fully submerged, but still deemed salvageable, it would be raised by positioning two ships or barges on either side of the submerged vessel. The two ships would be locked in parallel to each other by logs, and cables would be attached to the sunken vessel. A partially submerged ship could be waterproofed by divers, and then raised by pumping the water out. Alternatively, if the hull was strong enough, the water could be forced out with compressed air. If the vessel was too deep to be pumped clear of water, it had to be first raised by cables.¹⁰⁶

When the ship had been raised, the cargo had been obtained, or both, it had to be transported to an agreed location. This agreement was between the salvor and the master of the stricken vessel, either through contract or during the salvage operation. The LOF allowed this information to be added in the contract before signing.¹⁰⁷ Failing to properly secure the ship before transport, could lead to the ship again taking in water and sinking at a deeper part of the sea.¹⁰⁸ However, if everything went well, the ship would reach the agreed location, whereby it could be held as security by the salvor until the salvage reward, which would be set by the courts or arbitrators, was paid.^{109 110} Whether the salvor would be satisfied with the

¹⁰¹ Thorbjørnsen 1943: 190

¹⁰² Thorbjørnsen 1943: 190-192

¹⁰³ Thorbjørnsen 1943: 213

¹⁰⁴ Thorbjørnsen 1943: 190-192

¹⁰⁵ Thorbjørnsen 1943: 213

¹⁰⁶ Thorbjørnsen 1946: 221-223

¹⁰⁷ ISU (1963) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 444-445

¹⁰⁸ Thorbjørnsen 1943: 192

¹⁰⁹ ISU (1963) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 444-445

¹¹⁰ The right to a maritime lien on salvaged goods until the salvage reward is paid also applies to any professional or amateur salvor, regardless of the presence of a salvage contract. (Healy, N. J. (n.d.). Maritime

remuneration granted for the efforts was not guaranteed, and during the 1920s and 1930s, many such cases would appear. Throughout the next chapter, the salvors experiences and reactions to the interwar issues will be discussed in more detail.

Law. In *Encyclopædia Britannica*. Retrieved from <https://www.britannica.com/topic/maritime-law/Limitation-of-liability>)

5.0 The ISU, the Market, Cooperation, and the Threat of Obsolescence

Risk is a two-way system. At least for an industry which profits from it. The salvage industry and the underwriters had at least that in common. However, where the underwriters required the perception of risk, the salvors needed a more practical result. And in turn, the salvors could help mitigate the risk the underwriters took while insuring by providing salvage. This chapter will present and discuss certain interwar themes and factors that affected the salvage industry and were frequent topics on *Norsk Bjergningskompani*'s and the ISU's agenda. First, the origins of the ISU will be introduced, together with a discussion of why it was created. Secondly, an example of how the ISU could influence *Lloyd's* and the LOF will be discussed. Thirdly, the thesis will look at how the salvage companies and the ISU experienced the market fluctuations of the 1920s and 1930s. Then, the thesis will look at how the ISU cooperated and what type of cooperation it was. Lastly, the impact of the new technologies, training, and business practices on the salvage industry, and their subsequent result of mitigating risk will be discussed.

5.1 The start of the International Salvage Union

According to the archives, the ISU had their first annual meeting in Copenhagen on the 30th of November 1926. During this meeting director Otto Hecksher of *Es. Z. Svitzer's Salvage Company*, Copenhagen, said that he had tried to unite the salvors for several years. The purpose, he stated, was to create a stronger body to protect salvors' interests against the underwriters' interests.¹¹¹

During the second annual the meeting of the ISU in August 1927, the name "*The International Salvage Union*" was adopted. In addition, during the same meeting, Otto Hecksher was unanimously elected as the first president of the ISU. The president's role in the ISU was to act on behalf of the salvors and could contact *Lloyd's* and the underwriters under the joint name *the salvors*.¹¹² The annual contingent was set at £20 or £30, resulting in a total of £200. However, if the contingent was deemed to be excessive in certain years, it would not be collected.¹¹³

¹¹¹ ISU (1926) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 129-130

¹¹² ISU (1926) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 122

¹¹³ ISU (1926) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 125

So, why did salvors deem it necessary to create a union to unite against the interests of underwriters? In retrospect, as the salvors stated in a 1936 speech dedicated to Hecksher's memory after his passing, and the union's ten-year anniversary, the formation of the ISU was "originally intended as direct action against Lloyd's Standard Form of Salvage Agreement..."¹¹⁴ From the salvors point of view, as presented during their first meeting in 1926, by saving ships, they saved the underwriters from having to pay large insurance claims, and the salvors were left with an insufficient share of this value. In other words, the salvors were unhappy with the rates set by *Lloyd's* arbitrators, whom they most frequently dealt with.¹¹⁵ Sometimes salvors would earn nothing or be left with expenses after a successful salvage job and arbitration. The problem then, the way they saw it, lay with the process of arbitration, the time lag between successful salvage operation and the owner and underwriter agreeing on a fixed value of the cargo, and with Lloyd's Form (The LOF) itself.¹¹⁶ During the meeting, it was also pointed out that the arbitrators could be appointed by both Lloyd's and the salvors, who would together appoint an Umpire, or judge. If the arbitrators could not agree on an Umpire, he would be appointed by Lloyd's.¹¹⁷ So, the salvors might have sensed a form of power imbalance between them and the underwriters. In addition, the unstable economy of the 1920s and parts of the 1930s would affect the salvage companies negatively by decreasing salvage rewards.

The Post-World War I economic growth had started to turn already in 1920. For Norwegian shipping, the end of the war had led to a decrease in revenue for the merchant fleet.¹¹⁸ Market prices on ships and wares went down, thus decreasing the income for the salvage companies. For example, Thorbjørnsen writes that a 7,500-ton steam vessel could be purchased for £ 259,000 at the start of 1920, but a similar vessel would cost £ 105,000 by the end of the year. By 1922, the same vessel was worth £ 60,000. To the salvors, that meant less money per ton salvaged.¹¹⁹ In a book celebrating 75 years in business, the Oslo-based towing company, *Bukser og bjergning (Lægterkompaniet* in 1920), writes about similar observations of economic problems within the shipping industry. By the summer of 1921, only half of the Norwegian merchant fleet was in use, leading to increased competition among towage companies around Oslo harbor. *Lægterkompaniet* did not experience economic problems themselves due to a

¹¹⁴ ISU (1936) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 23

¹¹⁵ ISU (1926) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 129-130

¹¹⁶ ISU (1926) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 130-131

¹¹⁷ ISU (1926) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 133

¹¹⁸ Stugu 2011: 63

¹¹⁹ Thorbjørnsen 1943: 79-80

strong capital, and “large and influential owners.” At the time, both the president of *Den Norske Amerikalinje* (The Norwegian America Line) and *Norske Afrika & Australialinje* (Norwegian Africa and Australia Line) were represented at the board of directors in *Lægterkompaniet*. So, two of the company’s largest users were represented at the board.¹²⁰

However, the ISU was not the first attempt at cooperation within the salvage industry. *Svitzers*, also under Hecksher, and *Norsk Bjergningskompani* had already been members of the Scandinavian *Mediterranean Union* (In Norwegian: Middelhavsunionen). In 1889, *Nordischer Bergungs-Verein* of Hamburg, *Aktiebolaget Neptun* of Stockholm, and *Svitzers Bjergnings-Enterprise* of Copenhagen agreed to deploy a total of eight ships, spread across several ports in the Mediterranean. The German member, *Nordischer*, would leave the union as World War I began, but the rest of the union was still active during the war. After the war, the *Mediterranean Union* decided they needed more ships. Therefore, in 1919, they asked *Norsk Bjergningskompani* to join. They accepted, and in addition agreed to join the forming of the *Suez Union* together with the same salvage companies.¹²¹ Both unions would lead to a net loss for *Norsk Bjergningskompani*, who in 1922 accumulated a deficit of NOK 368,000, and would consequently leave the union on July 22 1923. *Neptun* followed in 1932.¹²²

Svitzers therefore already had experience with creating unions, and *Norsk Bjergningskompani* in joining them. There was also some overlap between the Mediterranean Union and the ISU for the Danish and Swedish members, so several unions coexisted. Also, salvage companies cooperating was not novel. Indeed, *Norsk Bjergningskompani* was the result of a merger, allowing them to compete against larger companies. However, the ISU seemed to be more an attempt at unifying all salvors to protect their interests against those of the owners and underwriters, instead of just pooling their resources against larger competitors.

A compilation of the members of the ISU of the interwar era also shows a limited geographic scope. Apart from the salvage company in Gibraltar, almost all the members were situated in and along the coastal regions around the Baltic Sea and the North Atlantic. Though, as previously mentioned, some of the salvage companies were also active in the Mediterranean Ocean.

¹²⁰ Bakka 1992: 16-17

¹²¹ Thorbjørnsen 1943: 50-52

¹²² Thorbjørnsen 1943: 74-75

Members ^{123 124 125}	Years active (pre-WWII)	Directors/representatives	Comments
<i>Norsk Bjergningskompani A/S</i> , Oslo (1926-1929), Bergen (1929-)	1926-1938	Morten Beyer (1926-1938)	
<i>Em. Z. Svitzer's Salvage Company</i> , Copenhagen	1926-1938	Cpt. Otto Hecksher (1926-1929), C. E. Silvferberg (1930-1936) ¹²⁶	Both acted as President of the ISU
<i>The Gothenburg Towage & Salvage Co. Ltd.</i> , Gothenburg	1926-1938	K. Malmborg	
<i>Bergnings- & Dykeri-Aktiebolaget "Neptun"</i> , Stockholm	1926-1938	E. Brodin (1926-1932) ¹²⁷ , Erik Brodin (son) (1932-1936)	
<i>The Finnish Salvage Company "Neptun" Ltd.</i> , Helsingfors	1926-1938	Oscar Sandström (1926-1934) ¹²⁸	
<i>The Baltic Salvage Association or Baltischer Bergungs-Verein</i> , Reval	1926-1938	Cpt. Woldemar Horst (1926)	
<i>M. H. Bland & Company, Ltd.</i> , Gibraltar	1926-1938	George Gaggero (1926-)	
<i>The Ocean Salvage & Towage Company</i> , London	1926-1936	B. Thomas	
<i>Nordischer Bergungs-Verein</i> (1926), <i>Deutscher Reederei-Verein</i> (1928-), Hamburg	1926-1938	H. F. Dahlström (1926-1936)	Company changed name in 1926
<i>Bugsier- Reederei- & Bergungs-A/G</i> , Hamburg	1928-1938	Julius Pohl and Behrend Schumann	

¹²³ ISU (1936) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 18-23

¹²⁴ ISU (1926) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 129

¹²⁵ ISU (1928) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 108

¹²⁶ ISU (1930) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 218

¹²⁷ ISU (1932) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 75

¹²⁸ ISU (1932) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 50

<i>L. Smit & Co.'s Internationale Sleepdienst</i> , Rotterdam	1932-1938	Murk Lels ¹²⁹	
<i>Union de Remorquage & de Sauvetage</i> , Antwerp	1934-1938	Ch. Damaye (-1936) ¹³⁰	
<i>Compagnie de Remorquage & de Sauvetage "Les Abeilles"</i> , Le Havre	1934-1938	Fred. G. Gerling (-1936) and A. Letzer	
<i>Societe Generale de Remorquage & de Travaux Maritimes</i> , Marseilles	1935-1938	Mr. Chambon ¹³¹	

Table 1: Members of the ISU and their directors. Limited to 1929-1938. Information extracted mostly from meeting records.

Summarized, the ISU was created to organize salvors to protect their interests against the interests of the underwriters, or other parties that signed the LOF or set rewards. Despite the arbitration results usually being acceptable for both parties, the general consensus among the ISU members seemed to be that the total revenue from salvage was insufficient. In addition, the ISU could also make it easier to negotiate with Lloyd's to amend the LOF. However, the economy of the 1920s could also have played a part, since it made every salvage operation less profitable. Lastly, unions among salvors were not new and could potentially be used to compete with larger salvage companies.

5.2 Changes to the LOF: The appeal clause

How could the salvors assure a more favourable arbitration procedure? One solution to this problem was discussed during the 1926 annual meeting of the ISU, which was the creation of a court of appeal. Before 1926, a salvage reward could not be appealed, even if *Lloyd's Committee*, those who appointed arbitrators, agreed that the salvors had been underpaid for a successful salvage operation. The *Lloyd's Committee* added an appeal clause to the LOF giving either party, be it salvor, owner or underwriter, the possibility of renegotiating the rewarded percentage of the salvaged values.¹³² The ISU had recognized the danger of too many cases being appealed and had therefore intended the appeal clause to only be used in extreme cases, for example in larger salvage operations where the salvage reward could be clearly

¹²⁹ ISU (1932) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 75

¹³⁰ ISU (1932) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 50

¹³¹ ISU (1932) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 39

¹³² ISU (1926) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 131

deemed unjust.¹³³ An appeal could go both ways, either lowering or raising the salvage reward, which could in turn decrease or increase the amount the owner or underwriter had to pay. So, the process was not without risk for any party that filed for an appeal.

Indeed, working with the new clause was easier said than done. During the next annual meeting, in 1927, the president of the ISU said that the appeal clause had been used in many smaller cases where either party had been unhappy with the original outcome, where either the salvor meant the salvage reward was set too low or the other party meant it was set too high. Overuse of the appeal instance in smaller cases was not the intention of the clause.¹³⁴ In addition, several members of the ISU had experienced having their original reward reduced due to an appeal. Therefore, they had a discussion whether they should go back to the old form. But, as Julius Pohl of *Bugsier-, Reederei- und Bergungs-A/G*, Hamburg, pointed out: the captains of the ships in distress could refuse to sign the old form if they knew about the new form. Pohl asked the president of what they should do if that happened. The President, Captain Hecksher, answered: “Let them stand.” Pohl agreed if they were alone but said competitors “are always prepared to sign anything.”¹³⁵

Additionally, H.F. Dahlström of *Deutscher Rhederei-Verein*, Hamburg, said that *Lloyd's* might not even let them operate with two contracts. Another proposition was then to agree that no member of the ISU would sign the contract containing the appeal clause, even when competing for the same salvage operation. However, there are other arbitration courts than *Lloyd's* of London, so the other member could choose to sign with, for example, the Danish arbitration court instead. That would leave the first member at a disadvantage and without a contract.¹³⁶ In the case of *Norsk Bjergningskompani*, local arbitration was not uncommon. According to *Av Bjergningsvesenets Historie*, of the 284 total cases in the period 1929 to 1938, only 16 cases were settled through *Lloyd's* arbitration or other instances in London, whereas 37 cases were taken to Norwegian arbitration courts. The rest of the salvage rewards were either set before the salvage operation or settled afterwards with owners and underwriters.¹³⁷

In response to the members' concerns on local arbitration, Pohl suggested simply stating to *Lloyd's* that they disliked the new form, since it had not cost them too much thus far. The

¹³³ ISU (1927) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 111

¹³⁴ ISU (1927) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 111

¹³⁵ ISU (1927) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 113

¹³⁶ ISU (1927) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 114-115.

¹³⁷ Thorbjørnsen 1946: 148

president then pointed to two larger cases which had cost them £50,000 due to a minority of the underwriters being unhappy. In addition, the larger cases were necessary for the salvage companies to survive. A vote resulted in a 4 against 3 in favour of only using the old form as opposed to letting the salvors choose between the two. The three votes in favour of using both forms consisted of two votes from president Hecksher of *Svitzers*, also representing an absent salvor from Gibraltar during this meeting, and Beyer of *Norsk Bjergningskompani*. The opposing votes were from Brodin and Sandström of *Neptun*, representing their Stockholm and Helsingfors branches respectively, Pohl of *Bugsier- und Bergungs* of Hamburg, and Thomas of *Ocean Salvage & Towage Co.* of London.¹³⁸ The president's vote seemed to be motivated by the fact that the appeal clause was something he had worked to achieve for three years, and he feared that telling *Lloyd's* to revert to the old form would weaken the ISU's standing as a consequence. He eventually agreed to tell *Lloyd's* that he personally wished to keep the new form, but he did not have majority support within the union. The salvors gave him permission to act on their behalf and re-elected him as president.¹³⁹

During the next annual meeting, in 1930, it became apparent that *Lloyd's* would not accept the use of the previous contract and would only accept the contract containing the appeal clause.¹⁴⁰

The appeal clause was only one example of what the ISU could discuss during their meetings, but it does show some of the methods they were willing to use to protect the union's interests. However, it also shows that there was not always consensus on what these interests were. Nevertheless, the salvors were in a situation where the interests of the underwriters and owners had to be met. Changes to the LOF could affect the salvors' business negatively but not necessarily on an equal basis, as evidenced by the 4 against 3 voting result. The personal experiences of the salvage companies are clearly present and can influence their opinions, despite it being unclear how representative their experiences are. Additionally, the meeting also shows that the ISU was, to some degree, capable of making *Lloyd's* amend the LOF, even in the early days of the union. However, they were limited by *Lloyd's* willingness to accept these changes, and competitors outside the ISU could challenge the union's ability to enforce the laws and amendments the union deemed beneficial.

¹³⁸ ISU (1927) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 115-116.

¹³⁹ ISU (1927) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 117-118.

¹⁴⁰ ISU (1927) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 94.

The voting also shows some other signs of differing interests, or even relationships. Excluding the salvage company from Gibraltar of whom Hecksher voted on behalf, only *Norsk Bjergningskompani* and *Svitzers* voted for using the new LOF with the appeal clause. It does not seem to be a Scandinavian alliance, considering the Swedish and Finnish *Neptun* company voted against. It seems there was a special relationship between the Norwegian and Danish company. Despite early competition, when *Norsk Bjergningskompani* was inactive due to economic problems, *Svitzers* was allowed by the Norwegian Ministry of Foreign Affairs to station boats along the Norwegian coast for three months. When *Norsk Bjergningskompani* was back in service, *Svitzers* withdrew their boats.¹⁴¹ *Svitzers* is also one of the most frequently mentioned salvage companies in *Norsk Bjergningskompani*'s history books.¹⁴² ¹⁴³ In addition, they had cooperated before. This might also be natural, since they were so closely situated, and were thus the primary competitor or partner.

The differing votes might also be influenced by how often each company's cases ended with arbitration by the Lloyd's Committee. As mentioned, of the 284 salvage cases that *Norsk Bjergningskompani* completed between 1929 and 1938, 16 were arbitrated by Lloyd's or a different London arbitrator, and only three of those cases ended in an appeal.¹⁴⁴ As Thorbjørnsen wrote, Norwegian masters frequently resisted signing the LOF, and they "always wish for something different from which the rest of the world agrees."¹⁴⁵ If most cases were arbitrated by other courts and instances, there could be less risk in changing the LOF. Still, *Av Bjergningsvesenets Historie* frequently mentions the "no cure – no pay" contract¹⁴⁶, so one can assume that cases that could not be arbitrated locally could eventually be arbitrated by *Lloyd's*. *Svitzer* also primarily used the "no cure – no pay" contract in their operations.¹⁴⁷ Unfortunately, it was not specified whether the "no cure – no pay" contracts used by *Svitzer* and *Norsk Bjergningskompani* were *Lloyd's* contracts. And whether the "rest of the world" agreed on the LOF, as Thorbjørnsen seemingly implied, could not be confirmed. Information on the other members of the ISU was hard to come by, and COVID-19 travel restrictions prevented research in their archives. However, judging from how often it was discussed during ISU meetings and seemingly being the only contract mentioned by name, the

¹⁴¹ Thorbjørnsen 1943: 105-106

¹⁴² Thorbjørnsen 1943: 279-280, register

¹⁴³ Thorbjørnsen 1946: 317, register

¹⁴⁴ Thorbjørnsen 1946: 148

¹⁴⁵ Thorbjørnsen 1943: 190

¹⁴⁶ For example, in Thorbjørnsen 1943: 225, where the "famous no cure – no pay contract" was mentioned.

¹⁴⁷ Jensen, L. A. (1948). *Danske Virksomheder XXXIII: A/S Em. Z. Svitzers Bjergnings-Enterprise (Et redningskorps på havet): Skildringer for ungdommen.*: 10-11

LOF was still very common and generally important to the members, despite the lack of information on *how* important.

Regardless, the appeal clause would stay in the LOF. During the annual ISU meeting in 1936, after Hecksher passed away, the previously mentioned speech to his memory addressed the appeal clause. The clause was described during the speech as still controversial but important.¹⁴⁸ Furthermore, during the meeting, members had said that the settlements had in general seemed more favourable after the addition of the clause, but it was too early to form an exact opinion.¹⁴⁹ So, even though the ISU could influence Lloyd's to make changes to protect the salvors interests, the members of the union did not always agree on what these interests were. Still, there were few signs of distrust between the salvors, and they seemed to be willing to compromise to respect the majority vote within the union.

5.3 Economic fluctuations and salvage rewards

The salvage reward was often based on a percentage of the market value of the ship and cargo. Thus, the salvage reward could decrease when the market struggled. This was pointed out in a letter to the ISU Executive Committee from Beyer of Norsk Bjergningselskap in 1933, a year when the company had gained a deficit of NOK 170,000.¹⁵⁰ What he wanted to address was that the Underwriter's premiums were based on the insured value, but the salvage rewards would be based on the market value of the salvage. Thus, salvage rewards could fluctuate with market prices, while premiums would stay constant. In addition, repair shops would base their prices on the cost of materials, not the ship's market value. Therefore, in Beyers view, only the salvage companies bore the consequences of a ship being unsellable.¹⁵¹ Of course, the owners would also struggle if they could not sell their ships, and many did, but in this context, he only referred to underwriters, repair shops, and salvage companies. He might also not have considered the owners stance because their ships most likely had insurance, so even if they could not sell ships to reduce the size of their fleet, they could be compensated for damaged or lost ships.

¹⁴⁸ ISU (1936) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 24.

¹⁴⁹ ISU (1936) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 32.

¹⁵⁰ Thorbjørnsen 1946: 154

¹⁵¹ Norsk Bjergningskompani (1933) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 175-176.

During a different time of low market prices on ships, a letter dated 14 November 1931 was sent from Hamburg by *Bugsier-, Reederei- und Bergungs-A/G* to the ISU and forwarded to several members. The company informed the ISU that the underwriters would keep the insured values way above market prices to ensure high premiums. As an example, they claimed that a ship with a market value of £ 5000 could be insured for as much as £ 20,000. Again, the argument was the difference between market value and insured value, but also the depreciation of the pound, which is the currency Lloyd's would have used to pay salvage rewards. The salvage company's view was that "it would only be justified if in these abnormal times the arbitrators would be instructed especially by the Committee of Lloyd's, when fixing the values that the insured sum [sic] must be taken as basis,..."¹⁵² According to Beyer, a steamer that had stranded on the Norwegian coast had been insured for NOK 600,000, but appraised for only NOK 60,000.¹⁵³ In other words, according to the salvors, during abnormal times, the insured value should be taken into consideration by the arbitrators when they set the salvage reward.

Av Bjergningsvesenets Historie 3 further explains the issue of insurance values versus market values. As previously mentioned, the arbitrators would usually base the remuneration on the ship's market value, but it could also be based on the insured value through a special agreement. Naturally, as the book states, one could ask the question: "why did the salvage companies not insist on having this in contract form before commencing the salvage operation?"¹⁵⁴ The author of the book says that this is firstly because it could cause delays that would risk the distressed ship being lost. Secondly, the salvors wanted to uphold the goodwill of the insurance companies, and none of the parties wanted to go back to the time before arbitration and open contracts. The open contract was meant to provide security for both salvors and underwriters, and it usually provided satisfactory results for both parties during "normal times" but not always.¹⁵⁵

In addition, each member's experiences with the underwriters were different. Some had received "ex gratia"¹⁵⁶ payments from the underwriters, mostly in cases where the alternative to a successful salvage operation had been a total loss and a large insurance claim. Several

¹⁵² Norsk Bjergningskompani (1931) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 213-215.

¹⁵³ ISU (1932) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 81

¹⁵⁴ Thorbjørnsen 1946: 156

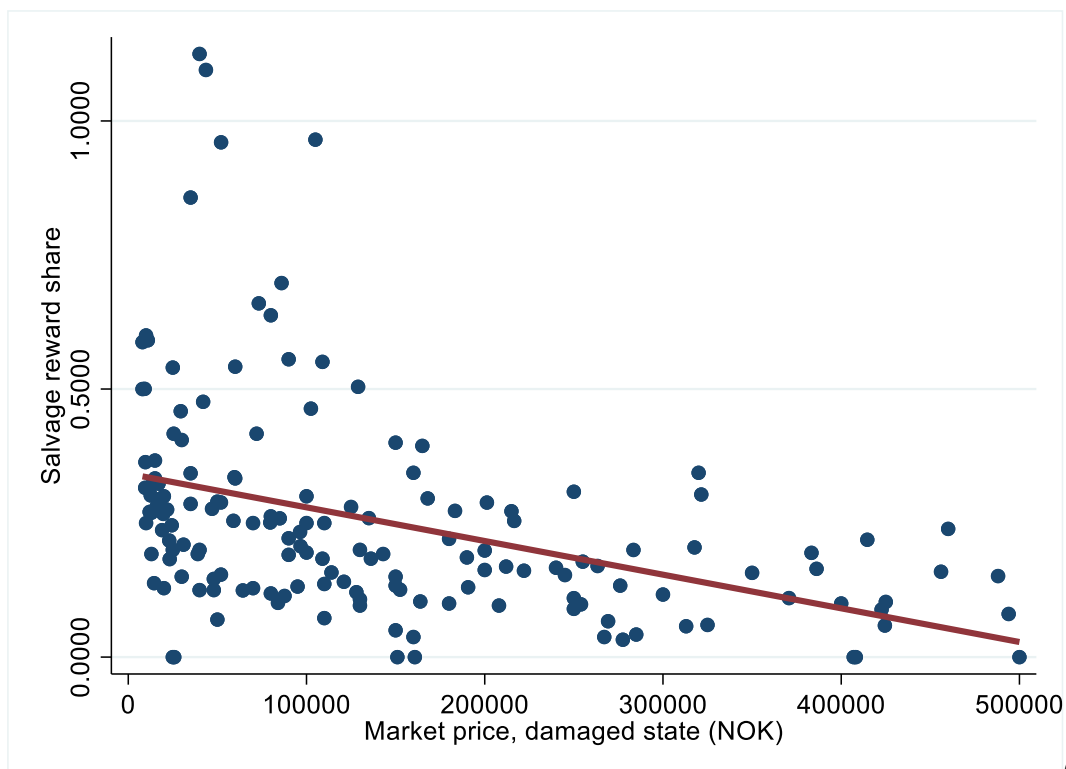
¹⁵⁵ Thorbjørnsen 1946: 156

¹⁵⁶ "By favour", voluntary payment.

members also expressed satisfaction with the LOF, and the President said the salvors “must be careful not to do anything which would be against us when times alter.” To which another member responded: “Lloyd’s contract is good, but it’s made for ordinary times. We are suffering from extraordinary times which justify extraordinary measures.”¹⁵⁷ To the salvors, the problem was not the LOF itself, but that certain ships were no longer worth salvaging, despite their high insurance values.

For reference, *Norsk Bjergningskompani*’s earnings on large cases for the years 1929-1938 does show a slightly negative correlation between appraised value of a ship and the share of that value rewarded (see *Graph 1*). Unfortunately, the economic records do not always contain the appraised value, so the graph only shows a select number of cases (177 of 285), and in some cases only the ship or cargo has been appraised. Therefore, its accuracy can be limited, depending on how much the missing values would have skewed the results. Also, it may not be universal for all salvage companies. Still, it can indicate that increased percentages were more common if the market price of a ship was low, meaning that underwriters or owners would indeed have been willing to pay extra in certain cases when the market prices were low. Another factor could be that certain ships were large, but had low market prices, thus the agreed remuneration for the salvors could amount to a higher percentage since larger ships often required more resources to salvage. However, in most cases, the salvage reward amounted to 40 percent or less than the appraised value of the ship and cargo, according to the data.

¹⁵⁷ ISU (1932) in SAB, *Norsk Bjergningskompani*, 7/L0022: International Salvage Union, 1931-1964, p. 83-84



Graph 1:

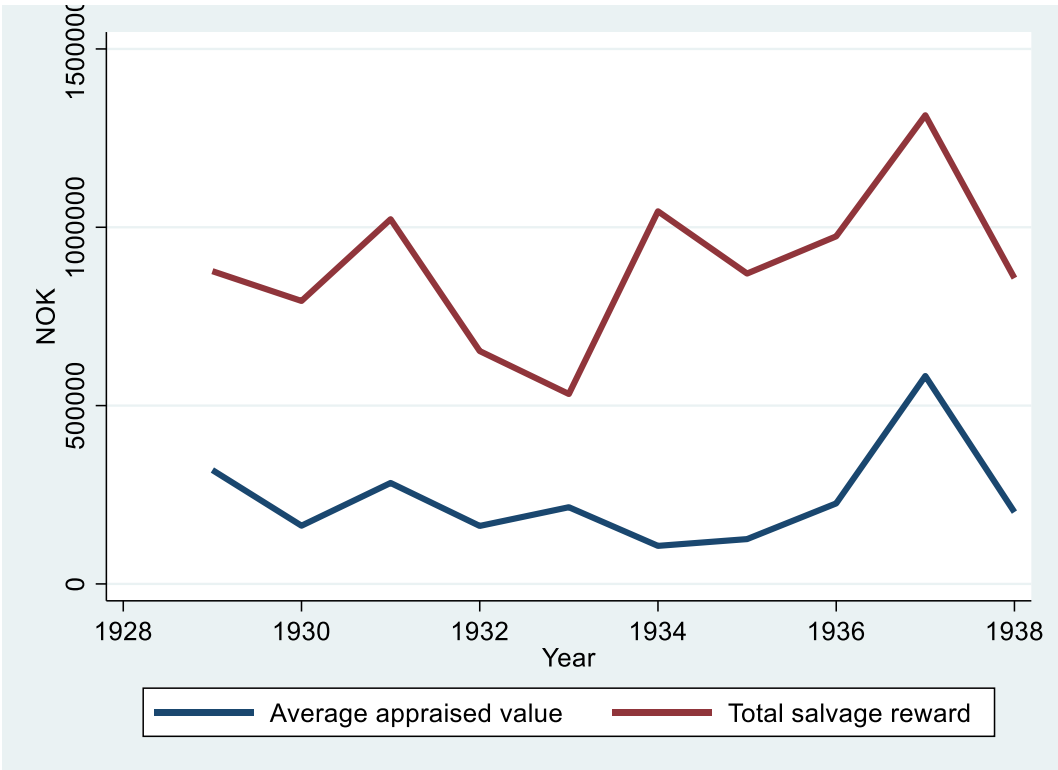
Scatter plot of salvage reward shares plotted against market prices for damaged ships, larger jobs only. Red line based on linear regression showing the average decrease in salvage reward percentages as appraised values increased. Norsk Bjergningskompani. Years included: 1929-1938.¹⁵⁸

1933 may also have been a year outside what was considered normal. Beyer had written a letter to the Executive Committee of the ISU the same year, where he described his concerns about the low market prices and salvage rewards. Low salvage rewards could increase the risk associated with investing in new boats and equipment.¹⁵⁹ Again looking at *Norsk Bjergningskompani's* earnings, there was a drop in the sum from salvage rewards around 1933. A graph showing their total salvage rewards together with the average appraisal value does indicate that 1933 was a year when salvage rewards were low. However, there is no indication of the average market value of a ship being lower. This might be because of the missing values on ships and cargo previously mentioned, which could skew the average in any direction. The lack of certain data is also why the mean has been calculated instead of the

¹⁵⁸ Norsk Bjergningskompani (n.d. involves expenses from 1929-1938) in SAB, Norsk Bjergningskompani, 7/L0016: Diverse Statistikk, 1929-1941.

¹⁵⁹ Norsk Bjergningskompani (1933) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 176.

sum, as the sum could be less representative. However, the graph does show the volatility of the total earnings from salvage rewards, which could be very different from year to year, thus indicating that salvage had an unpredictable income pattern.



Graph 2:

Time-series of average appraised value and total salvage reward per year (larger jobs only). Norsk Bjergningskompani. Years: 1929-1938.¹⁶⁰

¹⁶⁰ Norsk Bjergningskompani (n.d. involves expenses from 1929-1938) in SAB, Norsk Bjergningskompani, 7/L0016: Diverse Statistikk, 1929-1941.

Year	Number of salvaged ships	Appraised value, avg. (NOK)	Tonnage avg.	Salvage reward percentage, avg. (percent)	Salvage rewards, sum (NOK)
1929	16	319,414.49	1999.75	22.70	876,902.50
1930	26	163,339.51	2216.81	26.67	793,436.46
1931	26	283,181.72	2009.83	34.11	1,022,592.00
1932	28	162,670.19	1038.57	16.83	653,005.13
1933	28	215,138.52	679.07	31.36	532,507.25
1934	29	106,773.75	1426.14	43.23	1,044,801.00
1935	34	125,751.43	876.65	30.76	870,283.50
1936	28	225,778.95	1578.11	22.32	974,595.75
1937	32	340,105.39	1826.03	19.08	1,314,072.90
1938	28	201,456.85	1115.59	16.40	857,473.25 ¹⁶¹

*Table 2: Number of ships, appraised value (mean), tonnage (mean), salvage reward percentage (mean), and salvage rewards (sum), per year. Monetary values not adjusted for inflation. Large jobs only. Norsk Bjergningskompani. Years: 1929-1938.*¹⁶²

In response to low income, Beyer wanted the ISU to motivate the underwriters to increase the rates. He writes: “I do not wish to threaten the underwriters – at least not yet – but I do think we ought to remember, that if the members of the union stick together, we have the means to carry something through...”¹⁶³ His suggestion was to have all the ISU members to lay up their fleet for three to six months. That way, as he put it: “...I feel sure, that owners and underwriters would get the right impression of the indispensability of our companies.”¹⁶⁴ In that regard, he also urged the salvors of the ISU to cooperate and decrease competition.¹⁶⁵ The Executive Committee of the ISU agreed with Beyer that the current conditions could have serious repercussions for the salvage companies. The problem, as they described it, was

¹⁶¹ Thorbjørnsen 1946: 147. My values had some discrepancies when compared to Thorbjørnsen’s table. Most differences were small and might be due to slight calculation errors or different numbers. Discrepancies from 1938 (where I originally got NOK 420,482) was likely be due to missing salvage rewards from the archive material used in the analysis. Several cases might still have been undergoing arbitration in 1938.

¹⁶² Norsk Bjergningskompani (n.d. involves expenses from 1929-1938) in SAB, Norsk Bjergningskompani, 7/L0016: Diverse Statistikk, 1929-1941.

¹⁶³ Norsk Bjergningskompani (1933) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 176.

¹⁶⁴ Norsk Bjergningskompani (1933) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 176.

¹⁶⁵ Norsk Bjergningskompani (1933) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 175-176.

indeed that market values were too low. Even with salvage rewards based on high percentages, the sums were insufficient to act as remuneration for the salvors.¹⁶⁶ This meant that salvage operations were likely to cost more than the earnings from the salvage rewards. According to the President, salvage had been an unprofitable business for several years. Consequently, there was a unanimous decision that the President would collect information from the salvage companies to create a report which would be presented to the underwriters.¹⁶⁷ However, the prospect of seizing all salvage operations to put pressure on *Lloyd's* was not discussed.

The lack of discussion on such a drastic step could indicate differing dependencies on *Lloyd's* among members. Indeed, in the period 1930-1934, the only year where *Norsk Bjergningskompani's* cases were arbitrated by *Lloyd's* was in 1931, where they earned about NOK 492,000. So, despite *Lloyd's* arbitration being uncommon for the company, it still amounted to a sizeable portion of their income that year.¹⁶⁸ However, laying up their fleet would likely not just affect underwriters in London, but also in the rest of Europe. Beyer's remarks on the indispensability of the salvage companies do somewhat mirror those of an influential figure in Norwegian politics. Ivar Lykke, the Norwegian prime minister in 1933, was a member of the board of directors at *Norsk Bjergningskompani*. Lykke had expressed his concern for the salvage industry during an interview in the newspaper, *Bergens Aftenblad*, where he said that "the detriment to the salvage industry is that all values for the ships that are subject to salvage or assistance have sunk, and that it has not yet occurred to those who have the largest interest in the company's continued existence, which significance a first-class salvage company has..."¹⁶⁹

The economic problems of 1933 were not a new experience for the *Norsk Bjergningskompani*. *Av Bjergningsvesenets Historie 2* contains a list of earnings in the years preceding the liquidation of *Norsk Bjergningskompani* in 1928. Between 1917 and 1918, the company had a profit of about NOK 200,000-300,000, sharply increasing to almost NOK 1,7 million between 1915 and 1918. The increase in profits is likely due to more salvage operations during World War I. The post-World War I market boom is visible in the over NOK 900,000 profit for 1919. However, for the next eight years, four of them had a deficit, and the income fluctuated

¹⁶⁶ ISU (1933) in SAB, *Norsk Bjergningskompani*, 7/L0022: International Salvage Union, 1931-1964, p. 177.

¹⁶⁷ ISU (1933) in SAB, *Norsk Bjergningskompani*, 7/L0022: International Salvage Union, 1931-1964, p. 178.

¹⁶⁸ *Norsk Bjergningskompani* (1935) in SAB, *Norsk Bjergningskompani*, 7/L0022: International Salvage Union, 1931-1964, p. 142-147.

¹⁶⁹ Thorbjørnsen 1946: 153, own translation

from deficits of about NOK 800,000 and profits of NOK 480,000. The total profits for those years were only about NOK 115,000, which in turn led to increasing debts.¹⁷⁰

Going back to 1933, looking at the Norsk Bjergningskompani's expenses for that year, there was not an increase in expenses from the preceding year. In fact, the expenses had been quite steady at about NOK 700,000-800,000 between 1930-1933. However, the amount of those expenses allocated to classification, repair, and maintenance had decreased from just above NOK 112,000 to just below NOK 42,000. Still, the number of salvage cases had increased from 1932 to 1933, from 58 to 72 cases. The number of major jobs had remained constant, and the number of minor jobs had increased, yet the total tonnage had decreased from about 29,000 tons to 19,000 tons. Looking at their total salvage reward from their major operations¹⁷¹, the total amounts to just above NOK 500,000. In 1934, the total tonnage would more than double from the previous year, but their expenses would also increase by NOK 200,000 to almost NOK 1,000,000, in large part because of an increase in extra expenses from salvage operations. Their total salvage reward for major cases also increased to about NOK 1,000,000.¹⁷² Summarized, their expenses were very close to their income on major cases. This seems to coincide somewhat with what Beyer wrote in his letter. Despite the rise in cases, the total tonnage could go down, indicating that the jobs were becoming smaller (see *Table 2*). The statistics do not list the total income for minor cases and transport. However, if major cases were their main source of income from salvage, it would leave little room for major investments.

Beyer was unable to attend the next annual meeting, in Scheveningen on 21 July 1934, due to ill health. However, his aforementioned letter and the resulting meeting was a topic of discussion. The salvage companies had spoken to influential figures in European shipping, such as Odfjell, and expressed their concerns to the underwriters. The president stated that they could not live on the underwriters' sympathy, nor could they live without it. In some cases, the salvage companies had received payments above the salvage rewards, but this was not the case with all the underwriters.¹⁷³ That said, the underwriters had their own set of challenges. A ship could be salvaged but later be declared a total loss. Then the underwriters would have to pay both the salvage reward and the insurance money for the ship. During the

¹⁷⁰ Thorbjørnsen 1943: 76-78

¹⁷¹ The statistics I looked at only included salvage rewards from major cases.

¹⁷² Norsk Bjergningskompani (n.d. involves expenses from 1929-1942) in SAB, Norsk Bjergningskompani, 7/L0016: Diverse Statistikk, 1929-1941.

¹⁷³ ISU (1934) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 50-60

meeting, it was pointed out that there had been cases where this happened. Sometimes, a ship would only be insured for total loss. On that topic, Dahlstrøm, of *Deutscher Reederei-Verein*, Hamburg, referred to his experience with trawlers in the Baltic with only a total loss insurance. When requiring assistance, they would contact other trawlers to avoid engaging with salvage companies, because their insurance did not cover salvage, only total loss.¹⁷⁴

Summarized, salvage rewards were impacted by the market economy. Using the early 1930s as a case, the low resale values for ships and cargo led to salvage rewards decreasing with them, thus making it difficult to profit on salvage. The salvage companies frequently requested the usage of insurance prices as a partial basis for salvage rewards, and there were cases where that was taken into account when the salvage reward was arbitrated. However, having it as a part of the LOF was not considered a viable option, since it was not a general concern when market prices on ships and cargo were normal. It also seems it was because they did not want to provoke the underwriters needlessly. The members had different experiences with the underwriters, and some had received payments from the underwriters well above the remuneration expected from the market value alone. However, they did not seem to favour “ex gratia” payments as a solution in the long run, and they wanted to refrain from making too many changes. Again, in case the economic situation in Europe went back to normal.

Then again, what was “normal” according to the salvors? The salvage companies often referred to the ongoing absence of “normal times” and that insurance prices should only be considered during times of abnormality. So, it could simply mean that normal times were when the insured value was closer to the market price of the ship.

5.4 The Question of Internal Competition

The official rules of the ISU from around 1938 included a list of objectives for the association. One of these are “1. To unite Salvors in order to consider, when desirable, take joint action on any matters affecting the Salvage Industry.”¹⁷⁵ An example of this could be their choice to disregard the new LOF because of the appeal clause, as discussed in a previous chapter. Regarding the question of competition, the ISU also had the objective “4. To take steps, when found desirable, in order to minimize and regulate competition among its

¹⁷⁴ ISU (1934) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 60-61

¹⁷⁵ ISU (n.d. appears after a letter from 1938) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 13.

members”¹⁷⁶ What both of these objectives seem to have in common is regulation. The 1st objective can be used to unite salvors to regulate the industry, and the 4th objective’s purpose is to regulate competition between members. However, there might be a slight paradox here as well. By regulating competition, they seemingly did not have the intention of abolishing competition. Yet, the members were also supposed to take joint action in certain cases, despite the existence of internal competition. When, and for whom, was joint action “found desirable” and could it be regulated? The ISU did have unions within the union, whose purpose was to make smaller companies more competitive against larger companies, such as the Mediterranean Union.

Already after the World War I, salvage companies had experienced intense competition. The British *Ocean Salvage Company* of London had been part of the admiralty during the war but was privatized in 1919. The value of their shares had by 1920 reached an equivalent of NOK 16 million. They expanded to the Mediterranean, where *Norsk Bjergningskompani* was already present, and had been since joining the Mediterranean Union in 1919.¹⁷⁷ According to stories from crewmembers stationed in the Mediterranean, the engines on the Norwegian salvage ships were continuously kept warm, and they could be ready to leave within ten minutes of the telegraph receiving a distress call. If the British tugs had not shown any response to the distress call, stealth was required. The Norwegian ship would send a crewmember to crawl along the deck to raise the anchor and release the ropes, while other crewmembers would have a conversation on deck to serve as a distraction. At night, they would lead chasing British tugs in the wrong the direction, turn of the lights, and then turn their ship in the direction of the distress call. By 1922, *Ocean Salvage Company* had to write off an equivalent of NOK 14.5 million, almost deciding to liquidate their shares. However, the Mediterranean Union’s venture had by 1923 also stopped turning a profit, leading to *Norsk Bjergningskompani* leaving the union the same year.¹⁷⁸ So, intense competition could lead to salvage being unprofitable for any salvage company involved.

Julius Pohl said in his opening speech on the annual meeting in 1928 that “all-round confidence and harmonious cooperation”¹⁷⁹ were necessary for the ISU to function, despite

¹⁷⁶ ISU (n.d. appears after a letter dated 1938) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 13.

¹⁷⁷ Thorbjørnsen 1943: 50-51

¹⁷⁸ Thorbjørnsen 1943: 70-71

¹⁷⁹ ISU (1928) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 109.

them being “competitors on certain occasions”.¹⁸⁰ So it seems the ISU was trying to find a balance between cooperation and competition, and that they were not a cartel in the strictest definition of the word, i.e., price fixing and so on. Either way, since they still had competitors and few members, it seems unlikely they could function as a cartel during the 1920s and early 1930s. But, as already pointed out, they did have an influence on Lloyd’s form. As for their competitors, they were sometimes mentioned in meetings in the ISU. However, they are not mentioned by name, so it could just have been smaller, local companies, or boats acting as salvors on an ad-hoc basis. Either way, they were many enough to cause some concern within the ISU.

Cooperation is not just reinforced by business interests, but also by social networks. Almost every annual meeting in the ISU recorded in the archives had a social programme, often consisting of lunch, dinner, and sightseeing, as well as a separate programme for the spouses of the member representatives. Social networks do get some attention in studies on cartels and cooperation within industries. The cooperation within the international petroleum cartel of 1928-1938 was enhanced by a mutual interest in hunting and fishing. Moreover, in the year 2000, golf courses were deemed as facilitators of collusion by the US Department of Justice.¹⁸¹ However, an annual lunch and dinner between meetings might not be attempts of collusion as much as they might also just be signs of common courtesy. Outside the annual meetings and a few extraordinary meetings of the ISU, there did not seem to be too much interaction between the members, apart from sporadic letters, telegrams, and phone calls. Then again, it is uncertain how much of their social ventures were recorded. A quote on the benefits of social interaction can be found in a speech on the ISU’s annual meeting in 1936, celebrating the union’s ten-year anniversary, does seem to give it some credit though: “Another and perhaps equally valuable advantage is derived from the social intercourse, establishing and fortifying a personal acquaintance and friendship amongst the Leaders of the important Salvage Concerns, and giving them an opportunity of exchanging their views on all matters of common interest.”¹⁸²

Looking at *Norsk Bjergningssselskap*’s correspondance with the ISU and other salvors, it is possible to gain an understanding of how they viewed competition within the ISU. In the letter Beyer, of *Norsk Bjergningskompani*, sent to the ISU Executive Committee in 1933. He

¹⁸⁰ ISU (1928) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 109.

¹⁸¹ Jones & Zeitlin 2008: 286

¹⁸² ISU (1936) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 28.

wrote that competition among members in their respective home waters would only weaken the position of the association. The reason for the letter was that he feared salvage companies were unable to earn enough money to sustain themselves, even less to invest in new boats.¹⁸³ The letter led to the Executive Committee holding a meeting in May the same year. They did not discuss the possibility of halting their services, but instead agreed to collect information from the members and presenting their findings to the underwriters.¹⁸⁴

So, what if a member chose to ignore the ISU's restrictions on competition? Members could be expelled during a general meeting with a two-thirds majority vote from the other members.¹⁸⁵ As stated earlier with regards to cartels, danger of price wars strengthened the durability of cartels because stronger parties could out-compete smaller members. Even though the ISU was not a cartel, the same dynamic might apply. The members frequently spoke of regulating, or avoiding competition between members, so they likely viewed competition as damaging to their companies, thus making the risk of expulsion a possible problem, and therefore the rules somewhat enforceable. However, since no member was expelled during the interwar era, there is no way of comparing a company's success during and after being a member of the ISU. For a salvage company to become a member, they needed to address the President, then receive unanimous approval from the Executive Committee of the ISU.¹⁸⁶ Since there are no specific rules regarding previous members, one can assume that the same rules for new members also applied for old members.

Trying to compare this type of cooperation to cartels also has its limiting factors since the ISU was not trying to conquer markets. The competition seems to be largely based on territory, as the salvors' form of competition was more direct, in the sense that it entailed racing each other to the scene of an accident. The salvage company to have their contract signed by master of the vessel in distress, would also be the company that could earn the salvage reward. The master of the ship in distress would likely only be presented with a choice if more than one salvage company simultaneously unless he requested the assistance of a specific salvage company.

Then, what would happen if the master of a ship in distress signed two salvage contracts with two different salvage companies? One example of such a case was when the master of a ship

¹⁸³ Norsk Bjergningskompani (1933) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 175-176.

¹⁸⁴ ISU (1933) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 177-179.

¹⁸⁵ ISU (1933) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 13-14.

¹⁸⁶ ISU (1933) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 13-14.

in distress in Gibraltar had signed a salvage contract with one salvage company before signing an LOF with a government salvage company. The ISU contacted *Lloyd's* on the matter, and the response was that both salvage companies were entitled to a salvage reward. However, *Lloyd's* experience on the matter was that the first salvor was usually treated more liberally by the arbitrators, and each reward was based on the merits of each salvor. To the ISU, this was an unsatisfactory response, because it would make it difficult to complete any job alone, even when they did not require assistance, and thus making it less likely to be entitled to an entire salvage reward. The President suggested backing out if a second salvage contract was signed. However, the other members protested since that would breach the salvor's contractual obligations to the ship and cargo. Neither would the ISU limit a master to only sign one contract, because that would prevent him from signing a contract with a professional salvor if he was unhappy with the services of the first salvor.¹⁸⁷

The question of several salvors being involved in the same salvage operation was also present after World War II. By then, some of the ISU members had expanded their area of influence, and there were concerns of the seas being "too crowded". During the annual meeting in 1950, an ongoing territorial dispute between *Svitzer*, represented by Captain Kiaer, and *Smit*, represented by Murk Lels, after a towing operation near Suez. Lels was adamant that competition should be avoided, since the underwriters profit from their competition. However, they were unable to reach an agreement during the meeting, as they were unable to agree on any strict rules regarding territory. Kiaer wanted a distinction between towing and salvage, for example that "towing tugs" should not interfere with "stranded" vessels. A problem here was that the stranded vessel might not be in a position to make such a distinction.¹⁸⁸

The question of internal competition was, in theory, an important part of the ISU, however, in practice, it was not always easy to avoid competition in any circumstance, nor was it easy to define the definition of "when necessary". Cooperation between salvors had existed before the ISU, however then the purpose was more to strengthen a few salvage companies against other competitors by pooling resources. These forms of cooperation also coexisted with the ISU, and there was no noticeable opposition against these unions within the union. Despite the lack of clear rules, the members did not have any ongoing issues during their interwar meetings, and only one company would leave the union before World War II. The ISU could enforce the

¹⁸⁷ ISU (1930) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 102-103.

¹⁸⁸ ISU (1950) in SAB, Norsk Bjergningskompani, 7/L0023: International Salvage Union, 1946-1961.

rules by excluding members through a vote, however this did not happen during the interwar era. It was not before after World War II, territorial disputes between members became an issue.

5.5 Technology and the Human Factor: A Benefit or a Hazard?

Not only an era of economic fluctuations, during the inter-war era, sail ships were being replaced by steamships, and steamships were being replaced by motor vessels. In addition, wireless communication and radio became more common on ships sailing the Atlantic and Mediterranean oceans, and the salvage companies made use of diving equipment and wireless communication in their work. Although technology was not high on the agenda of the ISU, it was a recurring theme. One reason may be that technology did not seem to always be in their favour. Cynical it may seem, technology could reduce number of accidents, thus leaving fewer jobs for the salvage companies. During the annual ISU meeting in 1936, when commenting on wireless communication allowing ships in distress to call for assistance from sisterships and other ships from the same company, thus avoiding the salvage companies, Ch. Damaye of *Compagnie de Remorquage & de Sauvetage*, Antwerpen stated: “It is true that we are truly the victims of progress!”¹⁸⁹

Reliable and fast communication over long distances has been an important factor in ship safety for a long time. Since the late 1800s, the wireless telegraph had allowed ships to send messages to other Ship Radio Stations (SRS) and to Coastal Radio Stations (CRS) on land at distances surpassing 50 km. The first distress signal for saving life was sent in 1899 from a ship to a CRS to report the grounding of a German steamer near Dover. Standardized distress signals were introduced in 1909, and the *Titanic* became in 1912 one of the first ships in distress to send an ‘SOS’. The usage of maritime radiocommunication grew in scale, and by 1912, 327 CRS and 1,924 SRS were available for public use. Radiotelephony soon followed, and the distress signal ‘MAYDAY’ was adopted in 1927. Radiotelegraphy received yet more standardized messages with different meanings, such as ‘XXX’ (urgency) and ‘TTT’ (security) in addition to the already established ‘SOS’ (distress).¹⁹⁰ In salvage, communication technology was used frequently, not only for receiving distress calls, but also for tackling the

¹⁸⁹ Norsk Bjergningskompani (1936) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 37.

¹⁹⁰ Ilcev, S. D. (2018). The development of maritime radio communications. *The International Journal of Maritime History*, 30(3), 536-543. <https://doi.org/10.1177/0843871418784240>: 541-542

long list of contacts to whom telegrams had to be sent during a salvage operation. Owners, agents, and underwriters were informed of accidents occurring with their ships, as well as local ports and lighthouses in the vicinity. In addition, there are descriptions of radiotelephony being used by the captains of salvage vessels to hire personnel and equipment to assist during a salvage operation.¹⁹¹

However, rapidly developing technology was not the only change occurring during the inter-war years. During the annual meeting in 1933, the President looks back at his 35 years in the salvage industry. According to him, grounded fishing vessels had been an important source of income for covering daily expenses. Narrow and shallow waters with sailing vessels would cause steam vessels to run aground while trying to avoid the sailing vessels. Skippers would then have difficulties contacting his owners and underwriters, and their bargaining abilities were frequently inhibited due to inebriation. The President knew of cases where other vessels would demand a disproportionate payment from the grounded skipper for bringing a telegram ashore. Whether salvors also took advantage of the situation or not, he could not answer, but he said it could explain why the salvors' activities were "looked upon with a certain suspicion".¹⁹² By 1933, according to the President, the standards on both crew and communication had changed. Sailing vessels were almost completely gone, and the increased values of ships and more education led to increasingly better trained navigation and engineering officers, thus reducing the number of accidents.¹⁹³ Therefore, technology was only part of the explanation, in addition to specialization and education.

As mentioned previously in the chapter on the technological development of Norwegian shipping, diesel made larger ships less expensive. So, could technology then make larger ships more common? And was the potential increase in tonnage per ship high enough to offset the decrease in salvage rewards due to fewer salvage operations? According to an archived post-World War II document from the ISU titled *Outlook for the Salvage Companies in relation to improved safety at sea as a result of modern navigational aids*, the total tonnage of ships lost or broken up had steadily started to decrease before the war. This trend also continued after the war. However, the decrease in the number of ships lost was higher than the total tonnage lost before the war, which must mean that the ships involved in accidents were,

¹⁹¹ Thorbjørnsen 1943:213

¹⁹² Norsk Bjergningskompani (1936) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 62-63.

¹⁹³ Norsk Bjergningskompani (1936) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 62.

on average, larger. A table containing the total tonnage lost and the number of ships lost in the timespan 1936-1939 and 1946-1949 was included.¹⁹⁴ Dividing the total tonnage on the number of ships gives the average mass of the ships. The result was that the tonnage lost per ship did not increase noticeably after the war. Therefore, using the numbers from this document, it is difficult to say whether salvaged ships became larger. Besides, a sample size of eight years, where World War II interrupts the table, might not be enough to get an accurate representation of a trend in the first place.

Though it is difficult to see a trend in such a short time span, the comments from the ISU points to a change in the locations and when salvage operations took place. The North Atlantic and the Bay of Biscay were renowned for being dangerous waters, especially during winter. After World War II, there were barely any ships in distress in these areas, according to the ISU. The President of the ISU believed the reason was improved navigational aids, higher standards on ships, and improved meteorological services.¹⁹⁵ Furthermore, the President had remarked during the annual ISU meeting of 1936 that it was still more efficient to have three smaller steamers compared to one large steamer, as accidents often happened simultaneously, and it would make it easier to spread the salvage resources over a larger area. The smaller tramp ships of 2000-3000 tonnes were becoming a rarer occurrence, and the goods they carried were being taken over by larger liners, which rarely had accidents.¹⁹⁶ So, since the salvors still preferred smaller salvage vessels, despite the increase in ship sizes, could also mean that large ships rarely had accidents overall, thus also decreasing the total number of accidents. In addition, several smaller salvage tugs would make the fleet more flexible if they worked on several contracts at once.

There was also a connection between the higher standards, improvement in navigational aids, and better communication. The salvors had started international cooperation in parallel with the rest of the European shipping industry. Especially two major international agreements on shipping came out of this increase in international cooperation. The first one was “The Safety of Life at Sea” (SOLAS), in 1929, which included rules and recommendations on ship navigation and communication. In addition, it included rules on safety equipment and measures to prevent fires. The second agreement was the “International Load Line

¹⁹⁴ ISU (n.d., last year analyzed: 1949) in SAB, Norsk Bjergningskompani, 7/L0023: International Salvage Union, 1946-1961.

¹⁹⁵ ISU (n.d., last year analyzed: 1949) in SAB, Norsk Bjergningskompani, 7/L0023: International Salvage Union, 1946-1961.

¹⁹⁶ ISU (1936) in SAB, Norsk Bjergningskompani, 7/L0022: International Salvage Union, 1931-1964, p. 35-37.

Convention”, which set international standards for the maximum depth the hull of a ship was allowed to be submerged as a result of the weight of its cargo.¹⁹⁷ So, technology was increasingly becoming a part of legislation, and ship safety was becoming an international concern.

For *Norsk Bjergningskompani* this change in legislation must have been noticeable in their own home waters. As the number of Norwegian tankers increased, the Norwegian classification society, *Det norske Veritas*, was quick to accept the rules on load lines. Classification societies were normally conservative and slow to implement new rules. However, the rapid increase in tanker trade also increased the speed at which rules were implemented.¹⁹⁸ Very few tankers owned by Norwegian shipowners were bought second-hand, and over 86 percent of the tanker tonnage consisted of newly constructed ships.¹⁹⁹ Thus many of the new ships in Norwegian waters would have been under a new safety regime, and with a valuable cargo which could lead to less risky behaviour at sea.

A sidenote here could be that today, over 80 percent of marine accidents are caused by human error, as shown by accident investigations since the 1970s.²⁰⁰ Sometimes new technologies might even be the cause. When radar started appearing on ships after World War II, the accident rate slightly increased due to the few ships with radar assuming other could not see them in dense fog and would thus not speed up or make sudden course changes. Even as radar became more common, navigators would still assume the other ships were without radar, leading to ships with radars crashing into each other while trying to prevent collision. Lack of training was established to be the major cause of these accidents.²⁰¹ The new interwar technologies presented in this chapter were mostly related to communication, and not accident prevention. Thus, using what we know about accidents today, what caused less salvage could be related to better education in ship navigation and operation, rules and standards meant to mitigate risk, and communication that could bypass the salvage companies. In addition, international cooperation in other parts of the maritime industry, other than salvage, created a set of standardized rules and regulations meant to increase ship safety, both before and after potential accidents.

¹⁹⁷ Andersen & Collett 1989: 93-94

¹⁹⁸ Andersen & Collett 1989: 94

¹⁹⁹ Tenold, S. (2008). Norway's Interwar Tanker Expansion – A Reappraisal. *Scandinavian Economic History Review*, 55(3), 244-261, <https://doi.org/10.1080/03585520701768719>: 251

²⁰⁰ Perrow, C. (1999). *Normal Accidents: Living with High-Risk Technologies.*: 207 and 224

²⁰¹ Perrow 1999: 206

6.0 Beyond the interwar era

The ISU and *Norsk Bjergningskompani* continued well beyond World War II, and so did many of the issues they had faced, in addition to new challenges. But before that, a ten-year long hiatus for the ISU followed because of the war. However, *Norsk Bjergningskompani* remained active during the war. These activities have their own problems and questions, which I will not explore in detail here. For example, the salvage companies' role during the German occupation, post-World War II nationalization of salvage, or general issues that were starting to appear on the ISU's radar. This chapter will provide a short summary of some the activities *Norsk Bjergningskompani* and the ISU had during, and shortly after, World War II.

About a year before World War II started in Europe, the ISU became inactive, cancelling all meetings by 1938, and wrote that they hoped "an European war can be avoided..."²⁰².

However, World War II commenced, but many of the salvage companies stayed active, including *Norsk Bjergningskompani* during the German occupation of Norway. According to a ledger containing earnings and expenses from the 1930s to 1940, the tugs *Draugen* and *Ulla* towed the German naval ship *Altmark* out of the Jøssingfjord to Sandefjord after it ran aground during an attack from British naval ships on 1 March 1940, just before the war would reach Norway. During the attack, the ledger states, the British navy "removed some British prisoners of war" from the *Altmark*.²⁰³ In a folder containing earnings from the 1930s, a document shows salvage fees from shortly before and after the German invasion of Norway on the 9 April 1940. According to a page on salvage fees from 1 January to 9 April, the *Altmark* cost about NOK 12,000 to salvage and had a salvage reward of NOK 25,000, leading to a net salvage earning of just below NOK 13,000.²⁰⁴

Norsk Bjergningskompani continued their salvage activities during the German occupation of Norway. The Norwegian civil administration during the occupation (Administrasjonsrådet) stated in a letter, dated 12 July 1940, that *Norsk Bjergningskompani A/S* was allowed to run as they did before the occupation. However, the German government claimed the right to decide the order of the salvage operations. According to *Norsk Bjergningskompani*, this had not been a problem thus far. In addition, they had been able to create a salvage contract during

²⁰² ISU (1938) in SAB, *Norsk Bjergningskompani*, 7/L0022: International Salvage Union, 1931-1964, p. 3.

²⁰³ *Norsk Bjergningskompani* (1940) in SAB, *Norsk Bjergningskompani*, 1/L0002: Møteprotokoll for generalforsamling og direksjon/styre, 1929-1940.

²⁰⁴ *Norsk Bjergningskompani* (1940) in SAB, *Norsk Bjergningskompani*, 7/L0016: Diverse statistikk, 1929-1942.

the occupation. They also wished to continue their business and hoped that the “honored” Administrasjonsråd agreed.²⁰⁵

After World War II, and the end of German occupation, *Norsk Bjergningskompani* was investigated after the war by the Department of Economic Treason (Avdelingen for økonomisk landssvik), a post-World War II section of the Norwegian Police department. They were acquitted of all charges in May 1948.²⁰⁶

The same year, the ISU had its first meeting since the cancellation of the 1938 annual meeting. The 1948 General Meeting of the ISU contained no special statement about the period 1938-1948, “because nothing of interest had occurred.”²⁰⁷ Despite an uneventful decade, the meeting discussed the status of the German member, *Messrs. Bugsier-Reederei - und Bergungs-A/G* of Hamburg. The President, then Murk Lels of the *L. Smit & Co's Internationale Sleepdienst* of Rotterdam, had first considered evicting the German member, but had re-considered due to him feeling it would be unwise, “seeing the present constellation of Europe”.²⁰⁸ The other members agreed, and the *Messrs. Bugsier's* membership was retained. There is mention of a small discussion, but the document does not expand on what the discussion contained.²⁰⁹

The post-World War II issues for the salvage companies somewhat mirror those during the interwar era. The number of salvage cases was still decreasing, in part due to technological developments within ship navigation.²¹⁰ However, in 1950, it was agreed that salvage contracts could be made official through wireless transmission, thus preventing other salvors from claiming the contract, so the ISU did take advantage of certain aspects of the new technologies.²¹¹ In addition to technological developments, other issues were also present. The problem of sisterships taking over jobs was still discussed during meetings. Furthermore, nationalisation of salvage was also a concern. A Canadian member of the ISU had lost jobs to the US Coast Guard when they got too close to the American border.²¹² So the salvage

²⁰⁵ Norsk Bjergningskompani (1940) in SAB, Norsk Bjergningskompani, 1/L0002: Møteprotokoll for generalforsamling og direksjon/styre, 1929-1940.

²⁰⁶ Norsk Bjergningskompani (1948) in SAB, Norsk Bjergningskompani, 1/L0002: Møteprotokoll for generalforsamling og direksjon/styre, 1929-1940.

²⁰⁷ ISU (1948) in SAB, Norsk Bjergningskompani, 7/L0023: International Salvage Union, 1946-1961.

²⁰⁸ ISU (1948) in SAB, Norsk Bjergningskompani, 7/L0023: International Salvage Union, 1946-1961.

²⁰⁹ ISU (1948) in SAB, Norsk Bjergningskompani, 7/L0023: International Salvage Union, 1946-1961.

²¹⁰ ISU (1950) in SAB, Norsk Bjergningskompani, 7/L0023: International Salvage Union, 1946-1961.

²¹¹ ISU (1950) in SAB, Norsk Bjergningskompani, 7/L0023: International Salvage Union, 1946-1961.

²¹² ISU (1950) in SAB, Norsk Bjergningskompani, 7/L0023: International Salvage Union, 1946-1961.

companies did not just have to compete with each other, but also with governments and the merchant companies themselves.

The ISU decided during the meeting that they would approach the *Committee of Lloyd's*, and that they would continue using the LOF instead of daily rates.²¹³ So, certain aspects remained constant, and the LOF survived the changes in the salvage industry.

The question regarding the possibility of several salvage companies being on the same salvage operation was also present after World War II, but this time with the added variable of them all being members of the ISU. During their annual meeting in 1950, they discussed the possibility of united representation during the arbitration. There were pros and cons to this solution. Several members preferred individual councils, however other members feared individual representation would lead to members belittling the efforts of other members involved in the same salvage operation in order to maximize their share. The members agreed on united representation “if possible” but not as a rule.²¹⁴

The post-World War II era in salvage was very much a continuation of the interwar issues the salvage companies experienced. The technological developments continued, new safety standards were set, and the smaller merchant vessels were being taken over by liners.

The increased ship sizes would also make salvage more expensive throughout the post-World War II era, and accidents became relatively rarer. In consequence, many of the professional salvage companies would go bankrupt. Also, with the introduction of supertankers, or VLCCs, salvors would hesitate to salvage such ships, as it was difficult to earn salvage on the ship and oil spills. In the case of the Torrey Canyon disaster in 1967, the British government, chose to bomb the grounded ship and burn its cargo to contain the oil spill, thus leading to a “no cure”-situation for the salvors engaged, and in consequence no salvage reward.²¹⁵

²¹³ ISU (1950) in SAB, Norsk Bjergningskompani, 7/L0023: International Salvage Union, 1946-1961.

²¹⁴ ISU (1950) in SAB, Norsk Bjergningskompani, 7/L0023: International Salvage Union, 1946-1961.

²¹⁵ Kerr, M. (1990). The International Convention on Salvage 1989: How It Came to Be. *The International and Comparative Law Quarterly*, 39(3): 532-533

7.0 Summary and conclusions

Salvage fits within several historical themes, be it within law, economy, or technology, and salvage is in turn influenced by these factors. This last chapter will summarize these themes and conclude on how they influenced the salvage industry and the ISU during the interwar era, with *Norsk Bjergningskompani* as the case. First, there will be a summary of what the ISU was during this era. Secondly, *Norsk Bjergningskompani*'s role will be explained, before explaining the impact the economic fluctuations had on the salvage industry. The role of technology and education will also be summarized and explained. Lastly, some personal thoughts on the research will be presented and discussed. These chapters also include elements from outside the interwar era to provide added context and to show a continuation of the issues presented during this thesis. Any conclusion must take into account the absence of a full ISU archive, still the material does provide enough context to make certain assumptions as to what was most likely given the present collection of information.

7.1 Defining the interwar International Salvage Union

The International Salvage Unions was, according to themselves, created to protect their members against the interests of shipowners and underwriters, and due to dissatisfaction with the LOF. It was created in Europe during an era of economic instability and cartels being widespread. Because rates were not set by the union, but by arbitrators from Lloyd's, they were unable to fix salvage prices. Neither did they have a regular, scheduled service, like a conference. However, the union did argue that they could guarantee a certain standard on salvage, at least after World War II.

Despite *Norsk Bjergningskompani*'s suggestion that they should lay up their fleet to put pressure on Lloyd's, joint action was uncommon. However, they did seem to value cooperation and avoiding competition. So summarized, it seems like their way of getting their interests through was dialogue with owners and underwriters, in addition to avoiding competition amongst members, which was accomplished by having territories in which each member could operate without unwanted interference from other members.

In a sense, the ISU almost has more in common with an interest-organization than being an attempt at collusion. They already had unions meant to give them a competitive edge, such as the Scandinavian and German *Mediterranean Union*, and they were accepted within the ISU. The ISU was not so much an attempt at pooling resources as it was an attempt at avoiding

competition altogether, at least within their own territories. And together, they wanted to push through changes that would, in result, affect the entire salvage industry, not just for the members, intentional or not.

Competition in the ISU could be regulated through exclusion of members whom, according to popular vote, did not abide by the rules. The reason they gave for regulating conflict was that they had a greater chance of having their interests heard, and that the underwriters could profit from the salvors' competition. That said, the members did have different experiences with the underwriters, where some were positive, and some were negative. So, the ISU's view on them was not wholly unfavourable. It was more akin to a recognition of differing professional interests.

7.2 The role of Norsk Bjergningskompani

From the first meeting, *Norsk Bjergningskompani* had been a member of the new ISU, and was one of its founding members. They were closely situated to the company that had started the old *ISU of Copenhagen, Svitzers*, so it may have been beneficial to cooperate, especially since Beyer of *Norsk Bjergningskompani* had frequently lobbied for less competition between members of the union.

Norsk Bjergningskompani during the interwar era had most of their salvage rewards set by local arbitration through agreements with owners and underwriters or through local courts. So, arbitration through Lloyd's was likely not their main concern. However, they did use Lloyd's Open Form, so in the case of disagreements, the salvage reward could end up being arbitrated by *Lloyd's*. Though that seemed to only be an issue in a small minority of cases. Still, the total salvage rewards through *Lloyd's* could still be a sizeable portion of their total income for a year, such as in 1931. Also, to their dismay, Norwegian masters were, according to them, less likely to sign the LOF, so local arbitration seemed to be favoured by default.

Norsk Bjergningskompani was very involved in trying to solve the economic issues that arose in the salvage industry around 1933, suggesting that the salvors should lay up their fleet for six months to put pressure on *Lloyd's*. The other members did not discuss going that far but were willing to arrange a joint representation before *Lloyd's*. Beyer could have used a hyperbole when he suggested a strike, however his remarks did somewhat mirror the Norwegian prime minister's remarks on the indispensability of the salvage companies. The company did have influential figures in politics and economy at the board of directors, so that

may have given them an extra sense of security. In addition, Norwegian shipping was hit hard by the economic issues of the 1930s, so a dependence on local arbitration, and thus less dependence on *Lloyd's*, may have made *Norsk Bjergningskompani* more willing, compared to other ISU members, to take drastic steps to influence *Lloyd's* decisions.

7.3 Riding the waves of economic fluctuations

Considering salvage rates were usually a share of the resale value of ship and cargo, the economic fluctuations of the interwar era had a profound effect on the salvage companies' income. Despite Norway doing relatively well compared to other European countries during the economic crisis of the early 1930s, the shipping industry struggled. In turn, *Norsk Bjergningskompani* also seems to have struggled somewhat towards 1933, and had already almost gone bankrupt in 1929. The ISU also noticed a decrease in their income from salvage, who during their meetings made it seem like they were discussing the future of the salvage industry as a whole. Still, the total income on salvage seemed to fluctuate in general for *Norsk Bjergningskompani*, so even though it was tied to market prices, it was also based on how many ships that were in distress at any given year, and if the ships were at all salvageable. In addition, the total tonnage also had an influenced salvage rewards, so a decrease in average tonnage could decrease the total salvage rewards, despite the number salvage jobs staying constant.

During the interwar era, salvage became less profitable, and the European salvage industry showed little signs growing. Despite this, or maybe because of it, the ISU's member count increased from eight to eleven. This might seem natural, since if the salvage industry was struggling, more salvage companies might have seen some benefit in joining an organization meant to increase salvage rates and remuneration.

The economic issues were also likely to increase the underwriter's willingness to increase their salvage rates or provide "ex gratia" payments, at least according to statistics on *Norsk Bjergningskompani's* salvage rewards. According to the salvors, such increased payments were more likely to happen if the alternative to a salvage operation had been the total loss of a ship, and thus saving the underwriters from a large insurance claim. This shows that there was a dynamic relationship between the salvors and underwriters, and that salvage rewards could be modified to an extraordinary percentage if it was deemed fair to do so.

7.4 New technologies and increased availability

As the maritime technologies developed, ships became faster, safer, and capable of contacting ships and land over ever-increasing distances. To the salvage companies, this presented a few challenges. The number of ships in distress decreased, and so did the total tonnage. In addition, the wireless telegraph and radio allowed ships in distress to contact sister ships or ships from the same company, thus bypassing the salvage companies.

In Norway, the increased prevalence of diesel engines meant that bigger ships became cheaper. However, on a European basis, it is difficult to find a noticeable increase in average tonnage per ship in distress. According to the discussions on the annual meetings, the medium sized tramp ships were now being replaced by larger liners with better trained crew and were generally less prone to accidents.

Judging from the salvors comments on income, it was difficult to invest in new salvage ships. So, if they needed bigger ships to salvage ships of higher tonnage, it could be difficult to accumulate the funds necessary to make such an investment. The salvors also seemed to prefer smaller tugs spread over a larger area instead of having one or few larger salvage ships, because that would make for a more flexible fleet capable of doing several salvage operations at once.

In conclusion, the new technologies, regulations, and business models seemed to make matters more difficult for the salvors, since the number of accidents decreased, and the ships in distress could bypass the salvage companies altogether by receiving assistance from sister ships or other ships from the same company. In addition, assistance from nationalized actors, such as coastguards were becoming more common, especially after World War II.

7.5 Closing thoughts, the search for “normality”, and “don’t mention the war!”

When the salvors thought of the possibility of using insurance premiums as an argument for increasing the salvage rewards, as referred to in chapter 5.4, both Thorbjørnsen, in his book, and Dahlström in his letter stated that doing so would not be necessary during “normal times”. This leaves the question: What did the salvors consider normal?

When discussing the decrease in salvage operations due to technological developments, the President of the ISU referred to his pre-World War I career in salvage, where there was seemingly a steady supply of minor jobs that could support the salvors’ careers. However,

radio technology and engines on ships were becoming increasingly common. So much so that the absence of at least a wireless telegraph would seem abnormal. Also, the business practices of putting more value into each ship and in hiring highly educated crew, and thus increasing the survivability of the ship, were also becoming increasingly more common. I do not think the salvors expected such developments to disappear, however, they did discuss asking for increased compensation to help them survive the changes.

The sense of normality might therefore be more within the realm of economy. However, what would be a normal economic state during the interwar era? World War I had damaged the European economy, and though some nations experienced a high conjuncture following the war, it was short-lived. It may have been these economic issues that spurred on the creation of the ISU in the first place. Especially Norway had a hard time during the 1920s after a high conjuncture, which makes it harder to define what Thorbjørnsen considered normal, especially since Norway barely had time to recover before the 1929 economic collapse, and the subsequent decrease in shipping. When the European nations had started to recover, the aforementioned developments in technology, legislation, and within business practices had become increasingly common. Strangely, the abnormal years almost seem to outnumber the normal years, so “normal” might have been more of a description of a desired state than a word for what was most common.

Regarding European politics, it was rarely discussed during the meetings of the ISU, so it is difficult to gain an understanding of their views on that topic. The interwar economic issues seemed to be of most concern for the salvors. Also, during the meetings shortly after World War II, the discussions regarding the war are finished quickly and with minimal records, so there might have been certain reservations against mentioning the war and recording their discussions on it. They had considered evicting the German members after the war but quickly decided against it. Since the many of the members were from nations that were on opposing sides during both world wars, not wanting to discuss it further might just be normal.

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