



INTERNATIONAL  
OIL POLLUTION  
COMPENSATION  
FUND

EXECUTIVE COMMITTEE  
48th session  
Agenda item 3

FUND/EXC.48/2/Add.2  
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## SEA EMPRESS INCIDENT

Note by the Director

### 1 Introduction

Wales Tourist Board has requested that the IOPC Fund should contribute £500,000 towards a marketing campaign intended to offset the decline of tourism caused by the *Sea Empress* incident. Wales Tourist Board is funded by the United Kingdom Government and has statutory responsibility for developing and promoting tourism in Wales.

### 2 IOPC Fund's criteria for admissibility of claims to prevent or minimise pure economic loss

2.1 The IOPC Fund has previously considered whether costs of measures to prevent or minimise pure economic loss could qualify for compensation.

2.2 The Assembly endorsed the position taken by the 7th Intersessional Working Group (documents FUND.A.17/35, paragraph 26.8 and FUND/A.17/23) that measures to prevent or minimise pure economic loss which would fall within the definition of "pollution damage" as interpreted by the IOPC Fund should be considered as preventive measures, provided they fulfilled the following requirements:

- the costs of the proposed measures were reasonable;
- the costs of the measures were not disproportionate to the further damage or loss which they were intended to mitigate;
- the measures were appropriate and offered a reasonable prospect of being successful; and
- in the case of a marketing campaign, the measures related to actual targeted markets.

2.3 The 7th Intersessional Working Group also discussed whether claims of this type should not be accepted by the IOPC Fund until the activities had been carried out and the results could be assessed, or whether the Fund should agree to pay for a proposed programme of such activities. It was noted that the Executive Committee had decided that, in principle, the IOPC Fund should not consider such claims until the activities had been carried out. The Working Group took note of the fact that the claimant in many cases did not have sufficient economic resources to carry out such activities unless the IOPC Fund made funds available and that in respect of one incident the Executive Committee had authorised the Director to make advance payments for marketing campaigns up to a certain maximum amount. It was noted by the Working Group that the Executive Committee had decided that the IOPC Fund should take a cautious approach in respect of advance payments and that the Fund should not take the role of the claimant's bankers. (document FUND/A.17/23, paragraph 7.2.43). As already mentioned, the Report of the Working Group was endorsed by the Assembly.

### **3 Wales Tourist Board proposal for a cost effective Tourism Marketing Campaign**

Wales Tourist Board has stated that the tourism industry in Pembrokeshire generates approximately £200 million per year. The Tourist Board has also stated that the media images of substantial slicks of oil in the sea, oil-coated wildlife and heavily polluted tourist beaches remain vivid. The Board has maintained that to offset the effects of these images on tourism, and claims for economic loss from tourist businesses, a closely-targeted marketing campaign is required. The Board has stated that there had been a most serious and abrupt cessation of enquiries and that bookings appeared to have dropped to a quarter since the Sea Empress grounding. It has also argued that a successful marketing campaign would rebuild the tourist image as quickly as possible, minimise the economic damage to the tourist industry and minimise the level of compensation claims arising from a loss of business. The Board has mentioned that a number of media initiatives have already taken place and that it needs support for a major reassurance campaign which should be launched as soon as it is certain that the beaches and other tourist attractions are free from oil. Without a major reassurance campaign there is likely, in the Board's view, to be a significant decline in the level of tourism, with a loss of income of the order of £15 million in the local Pembrokeshire economy, some of which will be subject to compensation claims. Wales Tourist Board has stated that a marketing campaign such as the one outlined below could offset a decline in tourism, with benefit for the IOPC Fund.

### **4 Budget for the proposed campaign**

Wales Tourist Board has outlined the proposed marketing campaign as follows:

- | <u>Immediate Action</u> |  |
|-------------------------|--|
| (a)                     | Bring travel/feature writers from all United Kingdom broadsheet and tabloid newspapers to Pembrokeshire to view beaches and inland areas. 25 newspapers at @ £200 per day. <span style="float: right;">£5 000</span>   |
| (b)                     | Sponsor Western Mail/South Wales West Wales tourism supplement to appear before Easter. The South Wales area covered by the Western Mail/Echo represents an important short break, self catering and day visit market for West Wales. <span style="float: right;">£10,000</span> |
| (c)                     | Mailing of 'reassurance flyer' to those who have requested and received the Pembrokeshire, Ceredigion, Swansea/Gower and Carmarthenshire brochures from the Board's January-March 1996 Advertising/Direct Marketing Campaign: <span style="float: right;">£20 000</span>         |
| (d)                     | Retention of a crisis management consultant. <span style="float: right;">£10 000</span>  |

(e)	Retention of authoritative scientist for third party endorsement campaign.	£5 000
	<u>Long term action</u>	
(a)	Produce video news release for satellite and/or hard copy distribution. Distribution in target European markets (including United Kingdom), selected USA cities, Canada, Australia/New Zealand, Japan and South Africa.	£50 000
(b)	Target travel writers and media representatives from all overseas target markets for visits to Wales during May through September 1996. An average of 10 media representatives from each of 12 target markets would be invited as individuals and in groups.	£250 000
(c)	Update existing United Kingdom advertising/direct marketing budget during May-October 1996 and January-March 1997. The majority of the advertising images and messages would remain as for the existing pan Wales product, but opportunities would be explored for co-ordinating oil related advertising campaigns for the trade by the Board's regional tourism company.	£100 000
(d)	Launch Green Seas initiative on 1st May 1996 to highlight our target of 50 Blue Flag beaches by 2000 update planned activity.	£50 000
(e)	Selective TV and radio work in the United Kingdom targeting holiday and leisure programmes with syndicated material.	<u>£50 000</u>
	Total for immediate and long term action	£550 000

## **5 Director's considerations**

5.1 The Director agrees that it might be appropriate for Wales Tourist Board to take measures to reduce the effects of the Sea Empress incident on the tourism industry.

5.2 Since Wales Tourist Board's request was received only on 15 April 1996 the Director has not been able to examine, together with the IOPC Fund experts, whether the proposed measures fulfill the criteria for admissibility referred to in paragraph 2.2 above, in particular whether they are appropriate and would have a reasonable prospect of being successful. In any event it appears that many of the items included in the proposed campaign do not relate to actual targeted markets, but are of a general nature. For this reason the Director believes that cost of carrying out some elements of the marketing plan as presented would not form the basis of an admissible claim.

5.3 If Wales Tourist Board were to develop the plan further, the Director would be prepared to discuss with the Board on a without prejudice basis, and with the assistance of the IOPC Fund's experts, whether and to what extent any measure which the Board may wish to take could be considered as fulfilling the criteria for admissibility referred to in paragraph 2.2 above.

5.4 It should be noted that the Executive Committee has taken the view that in principle the IOPC Fund should not consider claims for marketing activities until the activities have been carried out.

**6 Action to be taken by the Executive Committee**

The Executive Committee is invited to:

- (a) take note of the information contained in this document; and
  - (b) give the Director such instructions in respect of the request made by Wales Tourist Board that the IOPC Fund should contribute to a tourism marketing campaign.
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