

The UK P&I Club and its partnership with the Brazilian shipping community



This page: Sergio Buarque de Holanda
Front cover: The ITAPAGE featured here
carried the Brazilian Olympic team to
the 1932 Olympics in Los Angeles
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The UK P&I Club and its partnership with the Brazilian shipping community

This booklet sets out the history of, and some notable events in, the remarkable and long-standing relationship between the Brazilian shipping community and the UK P&I Club.

The UK Club itself was founded in 1869 by British shipowners with like-minded interests in the provision of insurance for collision and other Protection & Indemnity risks. During the 20th century, the Club broadened its membership base, and developed into a P&I insurer of internationally based shipowners.

The Brazilian shipowning community has played a key role in the successful development of the Club for more than 60 years.



Presidente Washington Luis

First members

The first Brazilian member, Companhia Comercio e Navegacao (“CCN”), appears in the Club records in 1948. CCN was established in 1905, and together with Companhia de Navegacao Lloyd Brasileiro (est 1890) and Companhia Nacional de Navegacao Costeira (est 1891), formed a Brazilian triumvirate of shipping lines that grew to dominate the national shipping market in the 1920s and 1930s, in response to the huge expansion of Brazil’s industrialisation and shipment of cement, iron & steel, paper & cellulose, rubber, chemicals and refrigerated products.

Companhia Nacional de Navegacao Costeira, which joined the Club in 1962, was founded in 1882 by Portuguese immigrants, themselves descended from shipowners, and which operated originally under the name of Lage & Irmaos. The company was known famously to own and operate ships whose names all began with *ITA-*, originating in the Tupi-Guarani language. Until 1920, all the ships’ captains were British nationals. In 1934, the Brazilian Olympic team travelled to the Los Angeles games on board ITAPAGE. The Brazilian ex-President *Itamar* Franco has said that he was born onboard a Costeira ship, and appropriately named in recognition of the fact. In November of 1966, by Federal Decree, the Costeira fleet was incorporated into Lloyd Brasileiro.



Presidente Dutra

Growing participation

The 1950s and 1960s saw 13 Brazilian shipowners and operators entering ships in the UK Club for P&I insurance risks, in the following order:

- 1948** – Companhia Comercio e Navegacao
- 1951** – Companhia Naviera Shell-Mex Brasil
- 1951** – Royal Mail Lines
- 1952** – Conselho Nacional do Petroleo, CNP (Petrobras/Fronape)
- 1952** – Brasilmar Meridional de Navegacao Ltda
- 1952** – Rio de Janeiro Tramway Light Power
- 1953** – Urbano Gern e Filhos
- 1953** – Mag Navegacao Comercio
- 1954** – Navebras
- 1957** – Navegacao Petrolifera Ltda
- 1960** – Intercontinental Cebini (time chartered ships)
- 1962** – Companhia Nacional de Navegacao Costeira
- 1967** – Hamburg Sud (do Brasil)

Founding laws in Brazil’s energy transport

In the meantime, Brazil was taking steps to establish and develop its oil industry. On the 13th March 1949, under Law #650 and sanctioned by President Eurico Gaspar Dutra, funds were made available to the Conselho Nacional do Petroleo (“CNP”), with the purpose of building a refinery in Sao Paulo, and for the acquisition of ships. The first tanker to join this programme (ex VENUS) was acquired in Sweden, re-named PRESIDENTE DUTRA and transferred to the Brazilian flag in December 1949.



Fronape Headquarters

The following year, Frota Nacional de Petroleiros (“FRONAPE”) was created for “the transportation of petroleum and its derivatives throughout the country and abroad”, by Decree #28.050 signed by President Getulio Vargas in April 1950. A restructuring of FRONAPE, whose operational control henceforth would fall under the jurisdiction of CNP, was approved by President Vargas in November 1952, by Decree #31.775.

Under the government of President Vargas, and with the support of both the ruling and opposition parties in Congress, the monopoly for prospecting, working, refining and transporting petroleum and its products, and for gases of whatsoever nature, was established by Law #2.004 of 3 October 1953. This Law also established that these monopoly rights would be exercised by the CNP, as the guiding and supervising agency, and by PETROBRAS as the executive entity. Consequently, the assets of Fronape passed into the ownership and control of Petrobras.

First tankers

In the meantime, the first Brazilian tanker had been entered in the UK P&I Club, on a fixed premium basis, in 1951 by Companhia Naviera Shell-Mex Brasil.

1952 saw the start of a 60 year partnership with Petrobras/Fronape/Transpetro, with the first of many tankers entered in the Club by the CNP. The ships entered in the Club were originally insured on a fixed single premium basis and the cover included a relatively low limit of liability. The placing of this business was originally undertaken by brokers, L. Hammond & Co, which subsequently changed to Willis Faber & Dumas. By 1956, the Fronape fleet consisted of 25 ships, combining a gross tonnage of 225,000 GT, all of which were entered in the Club. The fleet continued to grow during the 1950s, and by December 1960 the fleet consisted of 38 ships, exceeding 500,000 GT.

In 1961, a feasibility study was undertaken by Fronape, which aimed at transforming it into Fronagra (Frota Nacional de Graneis – a national bulk carrier fleet). However, due to the resignation of the Janio Quadros government, the implementation of this study was not realised. It was, however, the seed from which the Docenave dry cargo shipping division grew, forming part of Companhia Vale do Rio Doce (“CVRD”), known today as Vale.



Early days

Collision liabilities

The Fronape tanker fleet entry in the UK P&I Club proceeded without serious incident until 1964, when there was a very serious collision at sea, just outside Rio de Janeiro, involving Fronape's PRESIDENTE WINCESLAU and another Brazilian ship, ANNA NERY, some of whose crew were killed. The ANNA NERY was a passenger ship, owned by Costeira, and which was also entered in the UK Club. A representative of the Club managers, Mr Michael Miller, travelled to Rio in February 1965, with the purpose of resolving the collision liability issues.

Air travel in 1965 was not as technologically advanced as it is today, but nevertheless the recent introduction of specially adapted Boeing 707s meant that it was possible to travel non-stop from Paris to Rio. The Fronape managers gave Mr Miller, their first visitor from the Club, a warm and friendly reception and which formed the foundation for regular Club visits to this day. With the increasing ease of air travel between Europe and Brazil, a decision was taken by Fronape to work directly in partnership with the Club, and the broker's future advisory role was limited to hull & machinery matters.

The move to mutuality

Commensurate with the low cost of fixed premiums came the relatively limited third party liability cover. However, the general cost of third party liability claims was rising fast, as the



Carmopolis



Mr Waclaw Fedorowicz

PRESIDENTE WINCESLAU collision had shown. Well respected local professionals, such as Rio based Average & Claims Adjuster, Mr Waclaw Fedorowicz, advised the Fronape insurance manager, Mr Armando da Silva, to consider very seriously the risk of whether they were underinsured. Mr Miller's visit gave him the opportunity to explain that very much higher limits of insurance could be obtained by an entry on mutual terms, and this carried with it the obligation to pay not only advance but also supplementary calls as well. This course did not recommend itself to Fronape in 1965 and there the matter rested for the moment.

In addition, Mr da Silva and Mr Fedorowicz were greatly concerned about the bidding, or tendering, system for all forms of insurance which was being introduced by the Instituto de Reasseguros do Brasil ("IRB") and was being extended to P&I insurance as well. From the Club's perspective, Mr Miller explained that this annual tendering method was quite unsuitable for membership of a P&I Club, since the shipowners were the shareholding "mutual"

owners of the Club, which provided insurance without a profit to its Members. This system of mutual ownership would be unmanageable if shipowners changed their Club every year as the bidding system envisaged.

Nevertheless, it was necessary for Brazilian shipowners to comply with the bidding system for a number of years until, in 1970, when it was possible to persuade Colonel Pretti and Mr Avila of the IRB that P&I should be excluded from the bidding procedure. At the same time, it was possible for Fronape to enter their ships on mutual terms, and Fronape became, for the first time, a full Member of the UK P&I Association. A number of factors were important in this decision.

Beginnings of environmental liability

There was a tendency in the shipping industry to build VLCCs even before the closure of the Suez Canal in June 1967. Because of the greatly increased length of the cargo laden voyage from the Persian Gulf round the Cape of Good Hope to Europe and North America, it became more economical to use VLCCs and many were built, so much so that they have become symbolic for the carriage of crude oil. This in turn meant that, with a serious accident, such as a collision or stranding, a much increased volume of crude oil was likely to escape and cause serious pollution and environmental damage.

In fact, such a casualty occurred in 1967, when the US owned tanker TORREY CANYON went aground on the Scilly Islands, located in the English Channel, and caused serious pollution of the coastlines of the United Kingdom and France. The costs of cleaning up the pollution were very high for those times, and every shipowner, and in particular the owners of VLCCs, and their natural successors ULCCs, had ample reason to seek the reassurance that their insurance cover would respond to those costs, should a similar accident occur to them. Full mutual Members of the Club had that reassurance.

In 1966 the "QUERERA" gave an example of a trivial error, that any human being is prone to make, that can lead to catastrophic consequences, indeed tragedies. The ship, which was brand new and one of the first tankers to be built in Brazil, was berthing in the Madre de Dios Terminal near Bahia, when the order was given by the bridge to stop the engines from full ahead and to go to full astern. This is an order which is common enough in berthing manoeuvres, and should have given no difficulty. The M.A.N. engines, also built in Brazil, had a peculiarity of their own which was noted in the instruction booklet, that in case of such a manoeuvre, the engine must first be stopped using compressed air and only then set into the astern position; failure to follow this procedure would result in their jamming in the half-ahead position.



Felipe Camarao

They did so on this occasion and could not be stopped. The chief engineer tried to turn off the injection valves but, as they were red-hot with use, they refused to turn. The ship ploughed into the dock, killing seven men, and cut through the lines leading to the storage tanks ashore. Fearful that the ship had cut through the lines behind the non-return valves, the shore engineers turned off the valves at the foot of each tank and are thought to have prevented the tanks emptying their contents into the harbour waters. Even so, some oil did escape into the water. It was estimated that the costs of repair would exceed \$3m, but it was possible to settle all the claims for about half this amount.

A costly cup of coffee

A further example, of the need for increased limits of P&I cover, was recalled by Janusz Fedorowicz, an average adjuster practicing in the Brazilian market for many decades. In 1972, the tragic collision took place between the HORTA BARBOSA and the SEA STAR. The South Korean tanker SEA STAR was on a voyage from Ras Tanura, Saudi Arabia to Rio de Janeiro, Brazil when it collided with the Brazilian tanker HORTA BARBOSA in the Gulf of Oman, off the Indian Ocean on 19th December 1972, and exploded, killing twelve crew members. Both vessels caught fire but while the HORTA BARBOSA was extinguished within a day, the SEA STAR continued to burn. After a series of explosions, the SEA STAR sank five days after the collision, resulting in the spillage of approximately 115,000 tonnes of crude oil. The case, the largest to be heard by the Admiralty Court in London at that time, decided that 75% of the blame for the collision lay with SEA STAR. The HORTA BARBOSA incurred 25% of the blame, solely due to the fact that its own crewman on lookout duty had gone below to wake up his relief. He had passed by the galley to enjoy a coffee on his way back to the bridge, and it was whilst he was in the galley that the collision occurred. The Club reimbursed \$2,029,822 to Fronape in respect of its 25% share of responsibility for the collision, which must make this one of the most expensive cups of coffee in maritime history.

Growing membership

In 1977, Global Transporte Oceanico joined the UK Club, entering CAMACARI in May 1977, and ALAMOA in January 1978. Both ships were newly built chemical / products carriers. Global, a subsidiary of the Lachmann group, was in 1977 managed by the late Mr Laurits Lachmann. Capt Jorge Pontual of broking house, Casel, was a close personal friend of Mr Lachmann and would often be available to give informal but professional advice. After his retirement, Ms Ana Lucia Milliet, of Lloyd Paulista, was appointed to the broker role.

In 1978, Flumar Transportes Fluvial, a subsidiary of the Louis Dreyfus group at that time, joined the UK Club. The first ship, JACARANDA, a chemical/ products tanker, was entered in February 1978, through the local broker, Aldebaran, represented by Dra Maria Helena Carbone.

In 1981, Marpetrol, a company in the offshore supply business and represented by Mr Charles Tang, entered a fleet of nine offshore craft in the UK Club.

Brazil's first Club Board Director

In 1983, the UK Club was honoured by the election to its Board of Directors of its first Brazilian director, Admiral Telmo Dutro de Rezende. A full chronology of the UK Club's Brazilian directors can be found in the timeline located at the end of this booklet. The senior Club manager at that time, and closely involved in the Brazilian market for many years, was Rex Palmer.

In 1998, Petrobras Transportes SA (TRANSPETRO) was established, in accordance with Act no. 9.478/1997, and assumed control and responsibility for the national fleet, as well as terminals and pipelines, in a corporate restructuring process.

Expansion of Brazilian shipping

In 2004, Dr Sergio Machado, President of Transpetro, announced an ambitious project ("Promef") for 49 new ships to be built entirely in Brazilian shipyards, with the dual aims of fleet expansion to meet future demand, and the inauguration of a new era for Brazilian shipbuilding.

In December 2009 and December 2010 respectively, Petrobras authorised two programmes ("EBN1" & "EBN2") for the construction and 15 year charter of 39 ships, also to be entirely built in Brazil, with ownership by Brazilian shipowners. The first of these ships is due to be delivered in October 2012, and the balance 2012-2017. After the tendering process

was completed, contracts were signed with Kingfish, Global, Pancoast, Delima, Sao Miguel, Elcano & BrasGax.

In November 2011, Transpetro started taking delivery of its new ships constructed under the Promef project. The first 3 ships, CELSO FURTADO, JOAO CANDIDO and SERGIO BUARQUE DE HOLANDA were entered in the UK Club.

In February 2012, Vale joined the UK Club, entering 3 ships, ORE CAUE, ORE GUIBA and ORE PARATI, with a combined tonnage of 409,251 GT. Vale's own plans include the expansion of their considerable fleet to 63 owned ships by the mid-point of 2013.

A prosperous mutual future

As of August 2012, the Brazilian tonnage entered in the UK P&I Club stood at 53 ships totalling 2,000,303 GT.

The 1920s and 1930s witnessed the expansion of the Lloyd Brasileiro, C.N.N. Costeira, and Companhia Comercio e Navegacao shipping companies to meet the surging industrialisation and consequent demand for ships in Brazil. In a distinct echo of that period, there is no doubt that 2012 heralds the renaissance of the Brazilian shipbuilding and shipowning industries, supported by the discovery of additional and substantial offshore oil reserves, a booming commodities export market, and an orderly and supportive economic and political environment. The UK Club is proud to continue to play its supporting role in the development of this very Brazilian success story.



Dom João

Key dates in the history of the UK P&I Club in Brazil

1948: Companhia Comercio e Navegacao becomes the first Brazilian member of the UK Club.

1951: Companhia Naviera Shell-Mex Brasil enter the first Brazilian tanker in the Club.

1952: CNP, the predecessor of Petrobras/ Fronape, enters the first of many tankers in the Club.

1965: first visit to Brazil by a Club manager, Mr Michael Miller.

1970: Fronape becomes for the first time a full Member of the Club.

1974: Mr Michael Miller introduces Mr Hugh Wodehouse from the Club.

1977: Global Transporte Oceanico joined the UK Club, entering CAMACARI in May 1977, and ALAMOA in January 1978. Capt Jorge Pontual of

broking house, Casel, acted as personal adviser to Mr Lachmann. After Capt Pontual's retirement, Ms Ana Lucia Milliet, of Lloyd Paulista, was appointed as broker.

1978: Flumar Transportes Fluvial, a subsidiary of the Louis Dreyfus group at that time, joins the UK Club through the local broker, Aldebaran, represented by Dra Maria Helena Carbone.

1981: Offshore supply company Marpetrol, represented by Mr Charles Tang, enters a fleet of offshore craft in the UK Club.

1983: Admiral Telmo Dutro de Rezende, President of Petrobras, becomes the first Brazilian director to be elected to the board of directors of the UK Club.

1985: Sr Vardilei Pessoa Santos assumes responsibility as Fronape's risk manager. Mr Hugh Wodehouse introduces Mr Lance Hebert from the Club.



Delivery of Jose Bonifacio at Kure, Japan by IHI on 24 January 1974

1986: Admiral Maximiano Fonseca, Director of Petrobras, is elected Club director.

1989: Admiral Telmo Reifschneider, Superintendent of Fronape, is elected Club director.

1992: The Club board of directors meets in Brazil, at the Intercontinental hotel, Sao Conrado, RJ. Dr Eugenio Koslinski, Superintendent of Fronape, is elected as a Club director.

1995: Cmt Ronaldo Machado, Superintendent of Fronape, is elected as a Club director. Cmt Ronaldo, was well known for his long service aboard JOSE BONIFACIO, amongst other Fronape ships, and was a “father figure” to many of the Fronape officers who served under his command.

1999: Dr Kensaku Saito, Director of Transpetro, is elected as Club director.

2004: Dr Agenor Cesar Junqueira Leite, Director of Transpetro, is elected as a Club director, in which capacity he still serves today.

2011- 2012: Transpetro begins taking takes delivery of its new ships, constructed under the Promef project. The first three ships, CELSO FURTADO, JOAO CANDIDO and SERGIO BUARQUE DE HOLANDA are entered in the UK Club.

2012: Vale joins the UK Club entering 3 ships, ORE CAUE, ORE GUIBA and ORE PARATI.

UK Club's Brazilian Directors

Admiral Telmo Dutro de Rezende

17 October 1983 – 9 January 1986

Admiral Maimiano Fonseca

13 October 1986 – 16 October 1989

Admiral T B Reifschneider

16 October 1989 – 6 January 1992

Dr Eugenio Koslinski

12 October 1992 – 28 September 1995

Cmt. Ronaldo Machado

23 October 1995 – 8 July 1999

Dr Kensaku Saito

25 October 1999 – 8 July 2004

Eng Agenor Cesar Junqueira Leite

25 October 2004



The ITAPAGE featured here carried the Brazilian Olympic team to the 1932 Olympics in Los Angeles
Courtesy of Mitchell Library, State Library of NSW, Australia – PXE 722/1839

CMT Ronaldo Machado on the bridge
of the Jose Bonifacio





CMT Ronaldo Machado (in command), Chief Officer Charles Franca de Araujo e Silva and First Officer Luiz Carlos Duarte (helmsman), on the bridge of the Jose Bonifacio



Jose Bonifacio at San Sebastiao 1980