

Britannia 

150

*one hundred & fifty years*

THE BRITANNIA STEAM SHIP INSURANCE ASSOCIATION LIMITED

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# THE CHAIRMAN'S INTRODUCTION

Sir David Thomson, Bt., Britannia's Chairman, celebrates the one hundred and fiftieth anniversary of the Association.

'The past is a foreign country: they do things differently there.'

There is a definite resonance to those words. They make you stop and think – probably because they reinforce the feeling that we all have, at times, that the past is inaccessible and difficult to understand. But is it true, do you think? Were things done so differently one hundred, or even one hundred and fifty years ago?

Most successful organisations, like Britannia, have one eye on the present and the other eye on the future: there is actually little time to spend reflecting on our past. But the occasion of our 150th anniversary is surely different. There are very few companies in the world that can boast such a long and successful history. It seems only right, therefore, that we should take a moment or two to reflect on the origins and development of the Association. After all, describing where we have come from is not a bad way of putting into context our achievements: where we see ourselves now and where we think we might be going in the future. So, in this magazine, published specially to mark this unique event, we have decided to take a good look at our past, provide an overview of our present and cast an eye towards our future.

In order to render the last century and a half a little less inaccessible, we have been dusting off some of the oldest files in our archives and calling on those with specialist knowledge, or good memories and a few stories handed down, to create a brief history of the Association in both words and pictures. It has been a fascinating process and, if many of the documents are a bit dry (and so beautifully handwritten that they are often difficult to read), they can still teach us a lot.

Looking back through the Minutes of the early Committee meetings, for example, we see the Committee considering claims that are practically identical to those we consider today – festering cargoes, collisions, strandings, personal injury and death. And the various causes of these claims, along with the inevitable consequences, also appear to be about the same – equipment failure, inadequate maintenance, poor stowage and errors of judgment. Sometimes, one is left wondering whether today's technological advances, sophisticated management systems and endless regulations have actually succeeded in changing anything at all!

## 'The past is a foreign country: they do things differently there.'

(L P Hartley, *The Go Between* 1953)

A sense of continuity is also to be found in the people and companies that have shaped our business over the years. The article on the history of the Committee demonstrates admirably how certain Members, large and small, have supported this Association over many, many years. Our oldest current Member is ExxonMobil. Anglo-American Oil, a company that changed its name to Esso Petroleum in 1951, and then to ExxonMobil in 1999, entered the Association on 20 February 1901. They have, therefore, been loyal Members for 104 years. You only have to read the section on our exclusive Correspondent in Spain to understand how long and rewarding has been our relationship with the Spanish shipowning community. And this year, too, my own family celebrates a double anniversary: the first Thomson became a Director seventy years ago, in 1935, and I became a Director forty years ago, in 1965.

But the longest association of all rests, of course, with our Managers, Tindall Riley, and in particular with their founding family, the Rileys. It was only with the retirement of John Riley, in 1998, that that extraordinary family link was severed. We are deeply grateful to him for providing the fascinating article about the history of the Association. The article is peppered with personal reminiscences, bringing those early days to life in a way that no professional historian could match.

Perhaps an equally striking theme, referred to in many of the articles, is the world's faith in mutuality. Shipowners and their clubs have fought hard to preserve the mutual system, and so far, at least, they have managed to persuade everyone else that they have been right to do so. In my view, they have achieved this because mutuality and the pooling arrangements of the International Group are in everyone's best interests. Collectively, the clubs

provide levels of cover and a degree of security that would be impossible to replicate in the open market. Many international conventions rely on the existence of very high levels of insurance: the fact that this is provided by the International Group Pool and its reinsurers makes the mutual system as important to claimants as it is to shipowners. It is perhaps ironic, however, that probably one of the greatest challenges that faces P&I clubs over the coming years is the level of cover that they are now being asked to guarantee under a flurry of new conventions being promulgated at the IMO.

The strength of the Association today is a testament to the efforts and achievements of all those who have either belonged to or worked for the Association in the past. It is a pleasure to be able to look at the Association today and say that it is as strong as it has ever been. The Association is well financed, has a dedicated Committee, can boast a first class membership and is highly regarded in the industry. Through the Managers, Britannia provides its membership with the highest levels of service. All in all, it is a very positive story.

There can, however, be no resting on our laurels. As I said at the beginning of this introduction, the Association's eyes must always be focussed on the present and the future. The Committee's role has evolved greatly over the last five years and this will be a continuous process. Increased regulation and the burgeoning demands of running a large mutual insurance company will inevitably require even greater levels of corporate governance. As long as these changes do not stifle our business or change the spirit of the organisation, they are to be welcomed. It is my firm belief that realistic standards of transparency and solvency, commonly applied, are a benefit to us all.

So where does all this take us? What can we learn from the past that might help us to weather all of the challenges and difficulties that we will inevitably face in the future?

The answer, I think, is simply this: that the success of the Association (and indeed of the whole mutual system) rests, where it has always rested, with its Members. It is their support and their belief in its benefits that will ensure its future. As long as the advantages of the club system are appreciated by the world's shipowners, and as long as they are satisfied that the clubs are being efficiently and professionally managed, I am certain that they will be prepared to fight for their development and preservation.

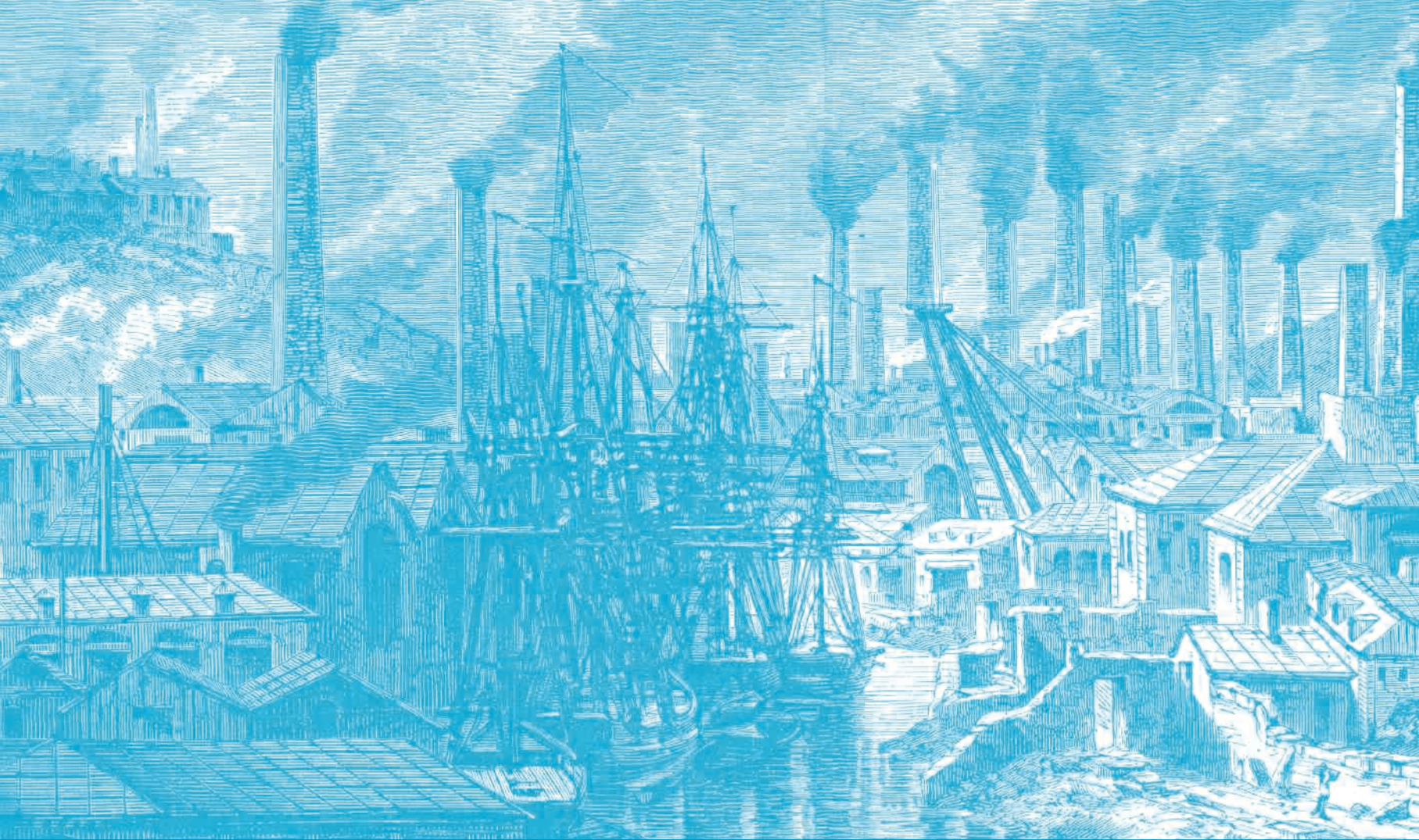
It is difficult, in any sector, to keep everyone on side all of the time, and the prospect of short-term gains can sometimes cause some to waiver. But with strong leadership and a robust International Group pulling together to achieve common objectives, I believe that Britannia can look forward with confidence to its 300th anniversary in 2155!

I send you all my best wishes for a successful and prosperous anniversary year.



THE PAST





# 'It was the best of times, it was the worst of times...'

(Charles Dickens, *A Tale Of Two Cities* 1859)

We are very grateful to Steven Hazelwood of Ince & Co, London, for this fascinating account of the legal environment that created the need for P&I clubs and saw them flourish during the second half of the 19th century. Steven Hazelwood is a Partner with Ince, where he has worked for 25 years. He is the author of *P&I Clubs – Law and Practice* (LLP – Lloyd's Shipping Law Library), now in its third edition.

At the time that the title words were penned, the Industrial Revolution was going full steam ahead. Traditional local cottage industries were giving way to factory mass manufacturing. This was an age of scientific, technological and geographical discovery and development. The Industrial Revolution brought forth the best of innovations and the worst of innovations; and it provided the raw materials out of which the modern shipowners' P&I clubs were forged.

Before the mid-19th century, shipowners had little need of protection and indemnity insurance. Those brave seafarers who went to sea in small wooden boats were activated by the lure of the sea rather than agitated by the laws of the sea; buffeted and battered by the elements rather than by enactments. Those halcyon days ended with the industrial, social and

legal upheavals of the 19th century. Amid the industrialisation, there was also an emerging social conscience as evidenced by the polemics of the writer Charles Dickens and others. As the new factories were mass producing new machinery, the legislature and the courts were mass producing new laws.

Sail was giving way to steam, wood to steel, individual owners were becoming corporations. Foreign trade was vigorous. The increasing size, complexity and values of ships and their cargoes accounted for a corresponding increase in the potential liabilities faced by shipowners.

The Marine Insurance Act of 1745 prohibited shipowners from insuring their ships for sums in excess of their value. This did not create any problems

while a shipowner's liabilities were essentially limited to the value of his vessel. However, after the Marine Insurance Act, there followed a rapid increase in both the size and the scope of the owners' liabilities, going well beyond the values of such vessels.

In 1836, Lord Chief Justice Denham decided in *De Vaux v Salvador* that, under the old SG policy, Lloyd's hull underwriters were not liable for claims arising from damage done to another ship in consequence of a collision. The eventual response from the traditional marine market was grudgingly to offer cover under what became known as the Running Down Clause (RDC), but for only three-fourths of such liabilities and expenses and leaving completely uncovered liability in respect of loss of life, personal injury and damage to fixed and floating objects. Such cover was, due to the



statute of 1745, limited to the value of the insured vessel, leaving owners of small, low value vessels to fund excess liabilities in the event of striking larger and higher value vessels.

With liability for loss of life thus left uninsured, there followed in 1846 one of Lord Campbell's Acts (the Fatal Accidents Act of 1846) which widened the scope for such liabilities by enabling dependants to claim damages for the death of relatives caused by negligence. Until this Act, English law had proceeded with the impeccable logic that in order to commence a legal action it was necessary for the claimant to be alive – dead people could not sue. Such a rule meant that it was cheaper to injure mortally than to maim. After the Fatal Accidents Act, families could sue in respect of fatal injuries not only to ship crew members but also to others and this was at a time when British ships were full of emigrants to Australia and the New World.

One year after Lord Campbell's Act, a statute was enacted which allowed harbour and dock authorities to recover for damage done to docks and port works without proof of fault or negligence (the Harbours Docks and Piers Clauses Act 1847); a liability excluded from the indemnity provided under the RDC.

In an attempt to alleviate the burden upon British shipowners, a Limitation of Liability statute was enacted in 1854, but this Act assumed that all ships

were worth £15 per ton, whereas many were worth less. As a result, shipowners still found themselves facing claims in excess of the values of their own vessels and for which no insurance was available.

This was the year that Dickens published *Hard Times*, a critique of Victorian England in which utilitarianism and a 'factory mentality' sought to turn men into machines; those very machines, of course, that were causing death and personal injuries in factories, on roads, on rail and at sea. The litigation that inevitably followed these accidents was largely responsible for developing the tort of negligence and the concept of vicarious liability. Parliament, for its part, reacted with social legislation.

For example, the Employers Liability Act of 1880 destroyed, in certain cases, the employers' defence of common employment and marked the first of a line of statutes providing for payment by employers (which was eventually extended to shipowners) to workmen (eventually to include seamen) for injuries suffered in the course of their employment. As further evidence of an expanding social conscience, in 1897 and 1906 came Workmen's Compensation Acts providing for employers (shipowners) to pay compensation to injured employees (crew).

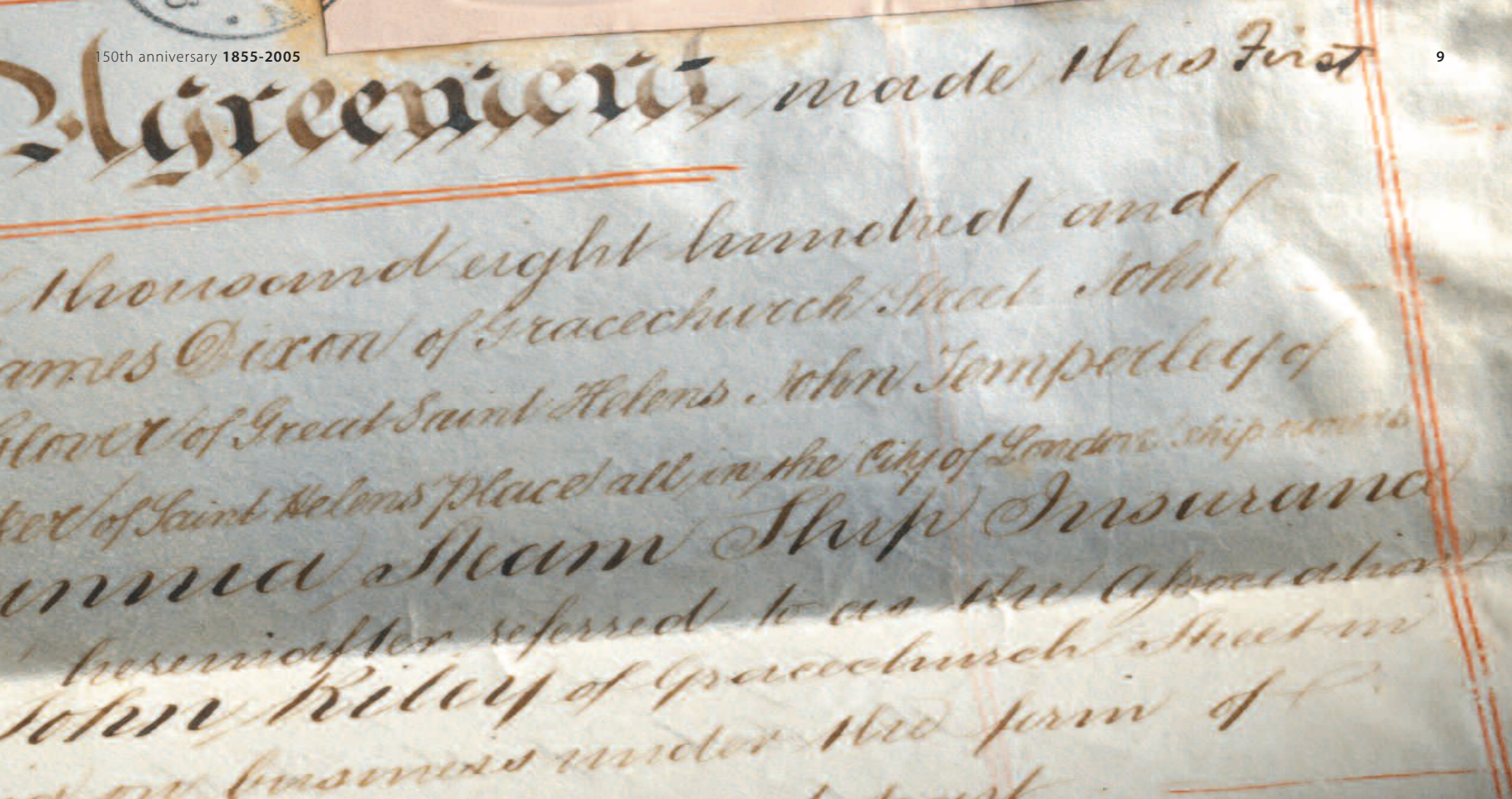
This new legislation and the early developments in the law of negligence were not specifically directed towards shipowners but aimed at the increasing

number of deaths and personal injuries sustained in operating the new machinery in heavy industry and in the construction and running of the expanding railways. Shipowners became caught up in these developments, being employers of men and vicariously liable for the acts of their crews.

Threatened by potentially enormous liabilities and a largely unresponsive insurance market, the shipowners of the mid-19th century sought shelter in groups for mutual support. Their forefathers of a century earlier had done the same in the face of an inadequate hull insurance market. In the coastal towns of England and in London, shipowners had taken matters into their own hands and formed local friendly hull clubs to mutually insure their hull risks.

At that time, these hull clubs were actually entering a period of decline. However, they provided a ready framework for mutual support, and the system suggested itself to the troubled shipowner of the 19th century as being the most effective and economical means of protecting himself from liabilities that were otherwise uninsurable. Old hull clubs were thus converted into 'protecting clubs'.

Some historians of marine insurance would have us believe that the origins of the protection clubs is to be found in the decision in *De Vaux v Salvador* and in the refusal of the proprietary market to cover four-fourths of collision liabilities. In fact, a number of the old hull



clubs were already mutually insuring full collision liabilities as part of their hull cover even before this court ruling and before the formation of the first protection club. They were doing so only up to the value of the insured vessel and with dubious legality (the legality of liability insurance was raised by the Solicitor General in *Delanoy v Robson* (1814) and by Lloyd's underwriters upon the introduction of the RDC). The uncovered one-fourth collision liability was one of the liabilities covered by the new protecting clubs – but what really moved shipowners to convert hull clubs into protecting clubs was the excess liabilities above the value of available insurance in respect of all liabilities. It was this extra or excess amount, together with liabilities for loss of life and personal injury, that really inspired shipowners to form the early protecting clubs.

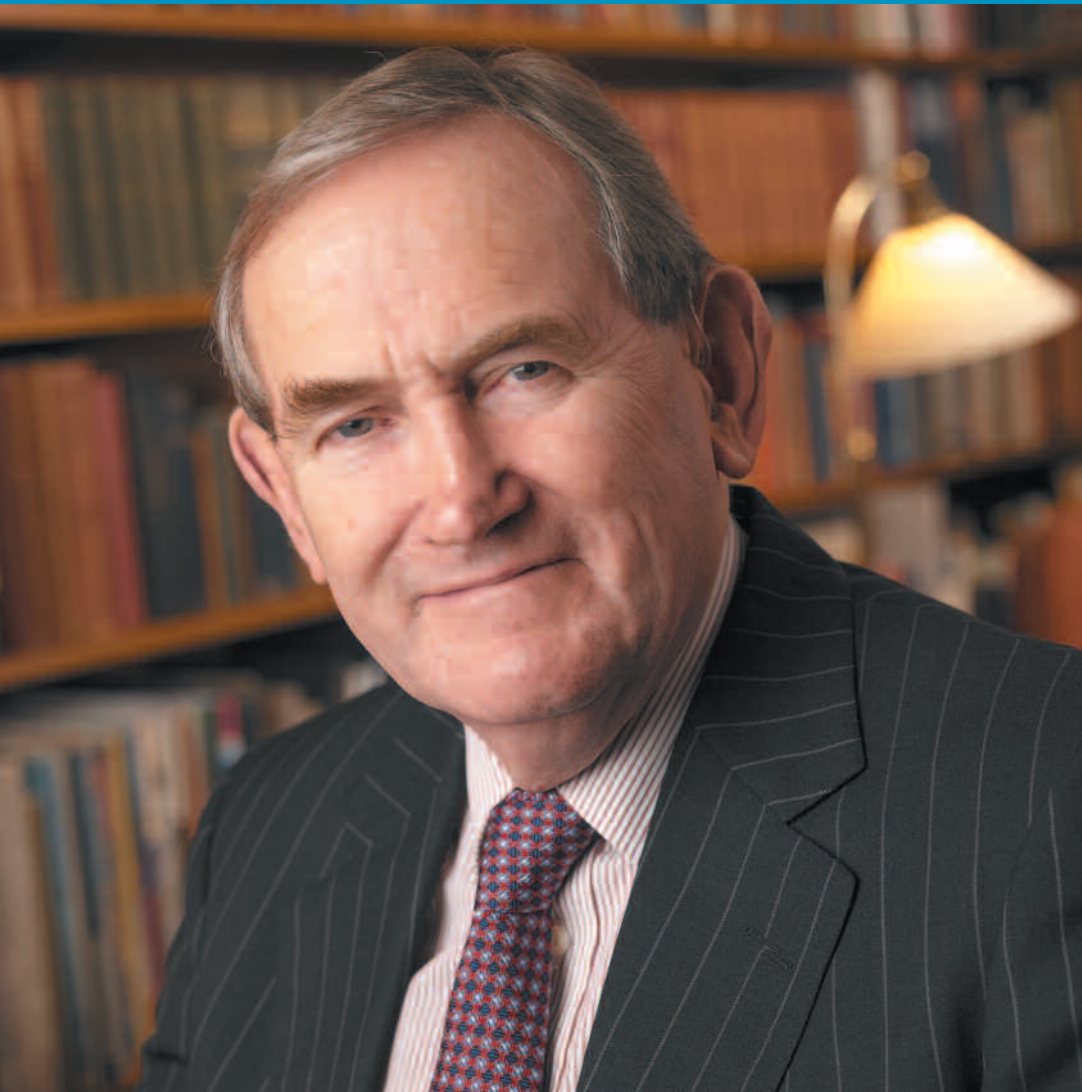
Protecting (or protection) clubs not only drew their inspiration and many of their practices from the hull clubs, the hull clubs were the ancestors of the protection clubs. The family link can be traced through Mr Peter Tindall, a shipowner and insurance broker, and his cousin and brother-in-law, John Riley, who managed a number of hull clubs established between 1849 and 1876. The partnership of Peter Tindall, Riley and Co formed the first protection club which commenced operations in London on 1 May 1855 – the same day as the Merchant Shipping Act 1854 (allowing limitation of liability for the first time in the case of death) became effective. This was the

forerunner of the Britannia Steam Ship Insurance Association. From an early call-sheet, it seems that the Club paid its first loss of life claim in 1870.

Cargo claims were not a serious concern to the 19th-century shipowner. Simple bills of lading containing exemption clauses provided a bias in favour of carriers of cargoes against shippers and receivers. How things have changed! Indeed, the earliest copy of Britannia's Rules to have survived, dated 1866, indicates that the cargo risk was covered by the Club. Then, in 1870, a vessel called the *Westenhope* was lost off the coast of South Africa. The vessel was loaded with a cargo bound for Cape Town, but proceeded instead to Port Elizabeth, thereby committing a deviation. The ship and cargo were lost due to what would have been an excluded peril. In consequence of the deviation, the court decided that the shipowner was not protected by the exceptions in the contract of carriage and found the owner liable for the full value of the cargo. Shortly after this occurrence another vessel, the *Emily*, was lost – together with her cargo – consequent upon stranding, and the cargo owners recovered their full losses from the shipowner on the ground that this was a loss, not by the excluded risk of perils of the seas, but by negligent navigation which was not an excluded peril at that time. A further consequence of these decisions seems to have been that the claims were not covered by the shipowners' liability insurers either.

Shocked by the implications of these events, shipowners suggested to their protection clubs the creation of an indemnity class designed to cover them against such cargo liabilities. A new class was created and in the case of Tindall, Riley's Club, indemnity cover was added to shipowners' protection from 1886. So it was that the 'P' was joined by the 'I'.

It was the changes in the law in the 19th century that brought the P&I Clubs into being and the subsequent growth and development of the clubs has largely been shaped by developments in the law. As the liabilities to which shipowners are exposed have continued to increase in scope and size, so have the P&I Clubs grown and developed to protect and indemnify their members.



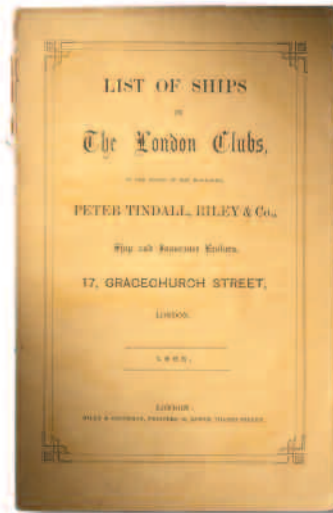
We are very grateful to John Riley for this personal account of the history and development of Britannia. John Riley was the senior partner of Tindall, Riley & Co from 1993 until 1998

# The Britannia Steam Ship Insurance Association: A Concise History

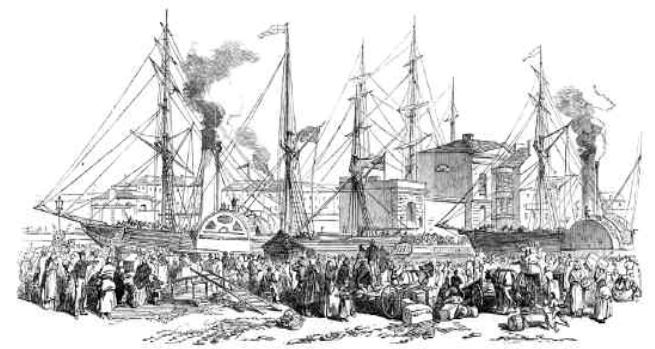
Reflections on the Formation and Development of The Britannia P&I Club



Peter Tindall, Riley and Co's first office at 17 Gracechurch Street



The London Clubs' 1865 Rule Book



Emigrants leaving for the New World

It may seem strange that a member of a family who had for many years been farmers in the East Riding of Yorkshire should conceive the idea of forming the first shipowners' protection club. But John Riley was the youngest son in a family of 14 children of whom three were shipowners, either directly or through marriage. It was not unusual for families living close to the North East coast of England in the middle of the 19th century to become involved in some way in the rapid growth in maritime trade. John Riley had also seen his much older sister emigrate to Canada and would have heard about that maritime adventure and been keenly aware of the huge numbers who were moving by sea to the New World to seek their fame and fortune.

John Riley's nephew also emigrated to Canada and he met his future wife en route. After marriage, they decided to make their home in Winnipeg, where he founded Canada's first life assurance company. The company's first policy was his. He lived to be 93 and was fond of boasting that he was the best risk that the company had ever had! So it was that this enormously numerous and diverse farming family became part of the massive expansion of trade and emigration that characterised the 19th century. They had looked for and found new and promising horizons beyond the East Riding of Yorkshire.

Although farming seems to have been John Riley's first ambition, the family farms had already been taken over by his two elder brothers. He therefore decided to go to London and stay with his sister while he looked for a suitable farm to buy. John's sister was married to their cousin, Peter Tindall, whose family were shipowners and brokers. John Riley never purchased a farm because he soon became actively involved in the Tindall family business. In 1849, they began working closely together, though their firm, Peter Tindall, Riley & Co, was not formally established until some years later.

At that time, many of the mutual hull clubs, formed by shipowners because of discontent with the price and scope of cover provided by commercial underwriters, were in decline. The Bubble Act of 1719 (promulgated as a result of the South Sea Bubble scandal) had restricted the writing of marine insurance to two chartered companies – the Royal Assurance Corporation and the London Assurance Corporation, and, of course, to individual underwriters at Lloyd's. It was this monopoly that led shipowners to 'do their own thing' and form mutuals. The hull clubs were mainly, though not exclusively, located in the North East of England, and primarily covered ships engaged in the coal transport trade. Nevertheless, despite the decline in their fortunes, Peter Tindall, Riley & Co went on to form and manage no less than 14 separate mutuals, collectively known as The London Clubs. Each would have consisted of shipowners who, through their knowledge of each other, felt sufficiently comfortable to share the cost of claims.

On 1 May 1855, Peter Tindall, Riley & Co started the management of the first protection club. Called The Shipowners' Mutual Protection Society, it was created specifically to respond to shipowners' concerns about their uninsured liabilities following the passing of the Merchant Shipping Act of 1854, which came into force on that day. The Shipowners' Mutual Protection Society may, initially, have covered just sailing ships.

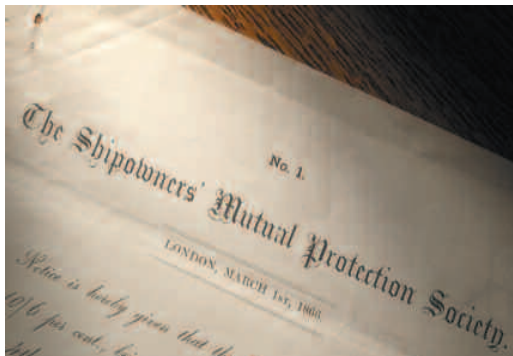
In 1871, the firm became managers of another new hull club exclusively for iron steamships. This Club was called The Britannia Steam Ship Insurance Association. From this point, the developments in the various Clubs were many and various – and quite difficult to disentangle. However, we know that in 1873, The Shipowners' Mutual Protection Society divided its ships into two Classes, one for sailing ships and the other for steam ships. In 1875, certain decisions of the courts raised doubts about the legality of all marine

mutuals and so, in 1876, in order to overcome these difficulties, Britannia was incorporated as a company limited by guarantee. Its business was divided into three Classes. Class 1 was for Hull and Machinery Risks and Class 2 was for Freight Risks. Steam ships were transferred from The Shipowners' Mutual Protection Society (leaving that Club with sailing ships only) to Britannia to form Class 3 for Protection Risks. In 1886, Class 3 was separated into two Divisions: one entitled Protection and the other, Indemnity. Each Division was rated separately, giving Members the choice of entering one or both of the Classes. Britannia's P&I risks are still known as Class 3 risks, even today.

Peter Tindall died in 1857, and the management of Britannia and The London Clubs was carried on by John Riley until he retired in 1898, having been joined by his nephew, E J Riley, in 1876. Other members of the family later joined the firm, and the management of Britannia remains with Tindall Riley to this day.

From the start, Britannia has been governed by a Committee drawn from its leading Members. Originally they met weekly to discuss and approve claims; little time was devoted to general matters, as the day-to-day operations were delegated to the Managers. Although today the Committee meets only three times a year, it is closely involved – together with various sub-committees – in a variety of important matters relating to the governance of the Club and, unlike the past, relatively little time is spent on the approval of claims. This is described in greater detail in the article about the history and development of the Committee.

At an early stage, the Managers established close but informal relations with the Managers of other Clubs. The senior individuals in these management firms would discuss problems, often over lunch, and this proved to be an effective way of sharing and exchanging views on shipowners' liability matters.



On 1 May 1855, Peter Tindall, Riley & Co started the management of The Shipowners' Mutual Protection Society



The Fatal Accidents Act of 1846 – one of Lord Campbell's Acts



In 1871 Peter Tindall, Riley & Co became managers of a new Club called The Britannia Steam Ship Insurance Association

Questions of common interest were the subject of correspondence amongst all the Clubs, which often continued for many months. The views expressed became a useful source of information and opinion for future reference. Club Managers also became actively involved in representing the interests of shipowners throughout the world in the development of laws and regulations through bodies such as the Comité Maritime International and, more recently, the International Maritime Organisation.

Although much has been written about the particular liabilities that concerned shipowners in the mid-19th century, they arose principally through new laws reflecting changing social attitudes. The Fatal Accidents Act of 1846 was introduced in response to a number of serious railway accidents. John Riley would have recalled the railway that passed through the family farm. The train could be requested to stop there by giving hand signals at a small raised platform. There are no recorded accidents resulting from this practice! The Act introduced the right for a family to bring an action to recover damages, following death resulting from a wrongful or negligent act. However, this provision did not apply only to railway companies, and shipowners realised that they faced huge potential liabilities as owners of vessels packed with passengers. For example, in the five years following the introduction of this Act, over a million emigrants left Ireland for the New World. Many others sailed to Australia. John Riley would have been aware of the hazardous nature of the journeys across the North Atlantic undertaken by several members of his family.

At the time The Shipowners' Mutual Protection Society was being formed, it was common for hull policies to cover collision liabilities in full. However, with the advent of steamships, underwriters became concerned by the increase in the number of collisions, which they attributed to a lack of experience in

operating the new ships. They reacted by restricting cover to three-fourths of the risk. The Clubs responded by providing protection for the remaining one-fourth.

Then there was the problem of the cargo risk. In the early and mid-19th century, shipowners often carried their own cargoes. However, as this practice became increasingly rare, a clear separation began to develop between the interests of ship and cargo. This, in turn, led to an increasing number of cases where the cargo underwriters sought to recover their losses from the shipowner. The shipowners, in self-defence, tried to protect themselves by inserting exception clauses in their bills of lading. The Shipowners' Mutual Protection Society, and probably other protection clubs based in London, were offering indemnity (cargo) cover in 1866 (and probably earlier), but the risks were not considered to be very onerous. It was only when a number of court decisions held that the shipowner could not always rely on these bill of lading exceptions that shipowners became really worried about cargo liabilities. This was referred to at the time as the 'shipowners' nightmare', and led to the establishment, in 1876, of the first separate Indemnity Class by the forerunner of the North of England Club.

In the early years of the Club, calls were made to fund individual claims, but subsequently a standard advance call per ton was set for each Division, payable in instalments, and subject to a final call when the outcome of the policy year was assessed. It may come as a surprise to know that, until 1959, when the Protection and Indemnity Divisions were finally amalgamated, there had effectively been no real underwriting, as each Member paid the same call. How times have changed!

After the Second World War, the disparity in the size and types of ships increased, and tonnage was no longer considered to be a fair measure of the liability

First Chairman	J D Hopper	1855 – 1872
Second Chairman	J B Walker	1872 – 1895
Third Chairman	J Glover	1895 – 1898
Fourth Chairman	E Pembroke	1899 – 1911
Fifth Chairman	D W Stobart	1911 – 1922
Sixth Chairman	Sir E W Glover, Bt	1922 – 1934
Seventh Chairman	J D Stobart	1934 – 1957
Eighth Chairman	J C Radcliffe	1957 – 1963
Ninth Chairman	W B Allan	1963 – 1966
Tenth Chairman	A D Pelly	1966 – 1986
Eleventh Chairman	Sir F D D Thomson, Bt	1986

List of Chairmen of The Shipowners' Mutual Protection Society and The Britannia Steam Ship Insurance Association Limited



The *Grandcamp* explodes in 1947



In 1967 the *Torrey Canyon* went aground off the coast of Cornwall

risk. General cargo ships brought more cargo claims and often had more crew members than larger bulk carriers. Tankers were being built with tonnages far in excess of dry cargo ships. A solution was sought by establishing a 'contributing' tonnage on which calls were paid. However, it soon became clear that to achieve an equitable distribution of costs between different types of ships and trades, each Member would have to be rated separately with an adjustment made for the individual claims record.

A major development in the history of mutual P&I insurance took place in 1899, when Britannia and five other Clubs entered into a Pooling Agreement to share claims in excess of £10,000. These Clubs were known as the London Group – the forerunner of the current International Group, which has 13 members. Britannia reinsured the Gard Club into the Pool on either side of the Second World War. The Japan Club had a similar arrangement that lasted for 21 years, from 1968 to 1989. The International Group today covers over 90% of the world's ocean-going fleet.

Significant maritime casualties continued to influence legislation and impact directly on the cover offered by Clubs throughout the 20th century. In April 1947, a fire broke out on a ship called the *Grandcamp* while she was loading a cargo of ammonium nitrate at a berth in Texas City, Alabama. The fire drew a large crowd of spectators to the berth. The ship exploded creating a huge fireball which blew a plane out of the sky, killed 300 people and injured over 3,000. The fireball ignited a nearby chemical plant, some grain elevators and an oil refinery two miles away. An ammunition-laden freighter exploded and destroyed an adjacent Liberty ship.

Although the *Grandcamp* was not entered in a P&I Club, this horrific incident alerted shipowners and their Clubs to the potentially catastrophic size of their

liability exposures, and shortly after, the London Group took the decision to purchase reinsurance protection from Lloyd's against any claim which exceeded £250,000. This was the start of the reinsurance contract which today provides cover to Clubs in the International Group Pool for claims up to US\$2 billion.

Then, in the 1960s, a Taiwanese ship exploded in a US port causing considerable damage – even if rather less than that caused by the *Grandcamp*. The owner was, however, only covered for liabilities up to the insured value of the ship, and the claims greatly exceeded that figure. This greatly concerned shipowners in Hong Kong and Taiwan, and drew their attention to the importance of having adequate liability insurance. Britannia's Asian membership developed steadily from that point. In 1965, Britannia appointed its first Chinese Committee member. Today, Asian shipowners account for just over 50% of Britannia's entered tonnage.

In the winter of 1967, the *Torrey Canyon*, carrying a full cargo of crude oil for discharge at a refinery in South Wales, went aground off the coast of Cornwall spilling large quantities of oil. Although the *Torrey Canyon* was not insured by a P&I Club, the incident caused some concern about the extent of a shipowner's liability for oil pollution damage. The Clubs did not specifically cover the risk, though legally enforceable claims would have been covered under the Rule dealing with damage to harbours and docks. This incident was also notable for the fact that the British Prime Minister overflew the wreck in an aircraft which fired rockets in a futile attempt to set the oil alight. This only resulted in an even greater escape of oil. The *Torrey Canyon* provided an early example, repeated only too often since, of how large sums of money could be wasted on ineffective measures to combat an oil spill. However, this incident was to have a major impact on shipowners' liabilities and led to the first conventions dealing with oil pollution – namely CLC 1969 and FC 1971.



1950s stock market



The Exxon Valdez grounded in Alaska in 1989



Tindall Riley today

The major oil companies felt that they could not wait for the CLC and FC conventions to come into force and decided, immediately, to assume voluntary responsibility for oil spills. TOVALOP – an agreement to accept liability for the costs of cleaning up an oil spill – was duly established. After some considerable heart-searching, the Clubs agreed to cover the risk. Towards the end of the 1980s, there was hope that the US would also ratify the CLC and FC conventions. However, that possibility was completely excluded when the *Exxon Valdez* grounded in Alaska in 1989. An oil spill involving the world's largest company, on one of the world's most environmentally sensitive coastlines, pushed the expectations of claimants into the stratosphere. P&I costs increased sharply, particularly for tankers, and shipowners were fortunate to have a strong and resilient insurance structure in place to weather the storm.

Finally, mention should be made of the cover provided by Clubs in respect of claims 'incident to the business of shipowning' – often referred to as the Omnibus Rule. This head of cover is unique and is a true reflection of the mutual character of P&I Clubs. It first appeared in Britannia's Rule Book in 1904 under the Indemnity Division of cover. It stated that:

*'A Member shall also be indemnified against any other claim or loss incident to the business of shipowning, which, in the sole discretion of the Committee, ought to be covered by this Division...'*

It must have been adopted at the same time by all the Clubs party to the Pooling Agreement. This Rule, more than any other, demonstrates the clear confidence that the Pooling Clubs must have had in each other's judgment as to what should, and what should not, be covered. The Rule survives – and is often used – to this day.

After the Second World War, the character of Britannia began to change significantly. Members were increasingly drawn from outside the UK, and the tonnage began to grow. The days when the Members knew each other and shared broadly the same risks were passing. The debate about how much money the Club should hold in advance of paying claims was overtaken by a realisation that reserves were necessary to achieve stable and predictable insurance costs. Investment became an important consideration, and Britannia was one of the first Clubs, in the 1950s, to move part of its funds, then totalling about US\$4 million, into the stock market. At that time the Club only had about 2 million entered tons. This was to grow to 10 million by 1971, 30 million by 1977, and close to 100 million today with funds of US\$700 million.

Could John Riley and the shipowners who subscribed to the formation of the first Protection Club 150 years ago ever have foreseen how successful the concept would become? One cannot be sure. A mutual with specialist managers, formed and run by shipowners has, however, shown itself to be a particularly well-suited method of insuring shipowners' long-tail liabilities. In a rapidly changing and competitive world, all Clubs must continue to provide a service that allows them to be distinguished clearly from ordinary commercial insurers. The large and diverse membership makes this a more challenging task than it was in the past. There is a need to come to terms with increasing regulation, not least by the competition authorities, which could undermine the cohesion of the International Group – one of the great strengths of the Club system. Nevertheless, there is good reason to be confident of the future. The mutual system has served shipowners well and has prospered through periods of great change. In this, our 150th anniversary year, Britannia and its Managers can be justly proud of their place in history.





# The Britannia Committee

We look at the developing role of Britannia's Committee over the last 150 years

The earliest Rule Book to have survived dates from 1865. Actually, it is not really a Rule Book at all – just a list of ships – but it indicates that Britannia's Committee then consisted of seven Directors, all of whom were shipowners and all of whom were British. By 1880, the total number of Directors had not increased, but the Committee now comprised five shipowners and two Managers. It is unclear why the Managers were suddenly introduced to the Committee. Perhaps it made it easier to achieve a quorum at their meetings! Indeed, at least one Manager was on the Committee until 1920, by which time the number of shipowner Directors had risen to 14. Then, in 1921, the Manager Directors mysteriously vanish – not to return until 2004, 83 years later.

The earliest surviving Minutes from a Committee meeting are dated 12 July 1911. In those days, meetings took place almost every week in the City of London, though there is evidence that, in the earliest years, some meetings were held in Sunderland and Newcastle as many Members had their offices in those cities. Indeed, the 1865 Rule Book refers to Tindall, Riley & Co having offices in London and Sunderland. The 1911 Minutes are handwritten on one sheet of paper and make no reference to who was present or where

the meeting was held: though the next week's Minutes state that the previous week's meeting failed to achieve a quorum! Given the 12.30 start, we may assume that the meetings ran into lunch.

The bulk of the work undertaken by the Committee seems to have involved the passing of claims (which are divided into claims under and claims over £20 (about US\$38)) and the signing of cheques. The Minutes were taken by the Managers and, from August 1912, were typed up in draft for approval at the next meeting. Once approved, they were handwritten into large, leather-bound volumes that can still be found in the Managers' library. This practice continued until May 1968. From 1912, a little more detail of the subjects discussed is provided. The first detailed summary of the state of the Association appears in February 1913, when it is recorded that there were 108 Members, owning 482 steamers with a total gross tonnage of 770,739 tons. We are told that during the 1912 policy year, 55 ships had been sold and nine wrecked. 68 ships had been newly entered. This is quite a high turnover. Given Britannia's current owned entry, the number of ships wrecked would equate today to approximately 49 total losses in a single policy year!

In 1920, the first non-British company was represented on the Committee by Ernest Plisson, Esq of Plisson Steam Navigation, Paris. In the same year, however, this company was taken over by D'Orbigny who were also headquartered in Paris – though Mr Plisson remained on the Committee until 1925. In 1926, D'Orbigny was asked to provide a Director and they nominated Mr M Capelle. He served the Committee almost continuously for 40 years. Unfortunately the War, and the consequent damage inflicted on his company, prevented his attendance at any meetings from 1940 until December 1951. Mr Capelle, although French, was something of an Anglophile, and he used to keep a bowler hat in the left-luggage office of Liverpool Street station. Having arrived from France, he would proceed first to collect his hat before attending any meetings. Remarkably, it remained at the left-luggage office, unscathed, until he was able to return to collect it in 1951. He was succeeded in 1968 by his son-in-law, Jean Corpet. Jean Corpet served for 20 years, only retiring in 1986.

In September 1921, the time of the Committee meetings was moved back to 2.15 or 3.00; so, either lunch was shared before the meeting, or it was skipped altogether. In 1935, D S Eulkar of Scindia

Steamship, India, was elected a Director – the first non-European – and he started a tradition of having at least one Director from India that continues, unbroken, to this day.

The basic format of considering claims (in ever-increasing detail) was to continue for the next 50 years. Finances first start to be mentioned in any detail in the 1930s; but it is only in June 1965 that the issue of the Association’s investments merited a detailed report. Up until the late 1950s, the Association’s investments had been entirely in gilts. The decision was then taken, however, to move into equities with funds managed by two merchant banks – Samuel Montagu and Kleinworts. By this time, the Committee was only meeting every four weeks.

1965 is also notable because Sir David Thomson, the Association’s current Chairman, joined the Committee in January of that year. A member of his family has served on the Committee since 1935, and his father, Sir Douglas Thomson, had been a Director from 1941 until 1965. Indeed, looking through the lists of Directors for each year, it is the sense of continuity, rather than change, that is most striking.

In 1972, the first investment managers (Gartmore) were appointed, and they reported quarterly to the whole Committee until the formation of the Investment Sub-Committee. Reports to the whole Committee by the Association’s investment advisers continue to this day, but they now only take place on an annual basis.

In October 1974, the first Committee meeting was held outside the UK – in Bilbao, Spain. This marked the 75th anniversary of the entry of the first Spanish shipowner and was a clear reflection of the changes that had taken place in the profile of the Club and, with it, the Committee membership. In 1974, of the 17 Directors listed, three were from Spain, one from Montreal, one from Hong Kong, one from Taipei and one from Paris.

In 1974, Mr RT Riley became a Director, having been nominated by C P Ships of Montreal. By coincidence, he was directly related to the Managers. He attended the 1976 Committee meeting which was held in Hong Kong, together with a reception for local owners. The style of the Agendas and Minutes changed noticeably during the 1970s and, if one ignores the hand-drawn bar charts, they start to resemble much more the documents produced today. The one-page Minutes produced in 1911 have now been transformed into a detailed series of reports running to over 30 pages.

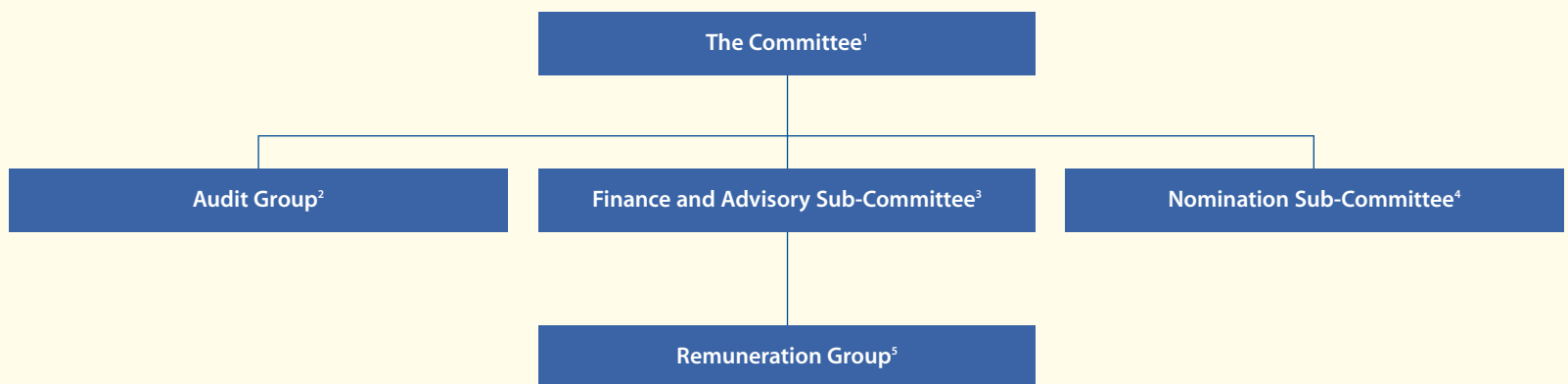
In 1975, largely as a result of the distances travelled by some of the Directors, the number of meetings was reduced to just six a year, the Club’s financial year was altered to finish on 20 February (in line with the policy year) and the AGM was moved from February to July. It was also agreed that the times of the meetings should (once again) be at 11.30, to be ‘followed’, of course, by lunch.

The 1980s saw the establishment of the Investment Sub-Committee. The complexity of the Association’s business grew throughout this period, and by the new millennium it was clear that a radical rethink of the Committee structure was required. Corporate Governance now became a key issue and, in January 2001, a Financial and Advisory Sub-Committee (FASC) was created; to be followed by an Audit Committee and a Nomination Sub-Committee in January 2002.

Today, there are 26 Directors: 23 are shipowners, one is an insurance expert and, for the first time in 84 years, two are again drawn from the Managers. The profile of the shipowner Directors is truly international, broadly representing the geographical areas from which the Club’s membership is drawn. The annual number of Committee meetings has reduced to three – though the FASC meets independently four times a year. Arguably, the responsibility that rests on the shoulders of the Directors is more onerous than ever, and the Association relies on the commitment they are prepared to make in overseeing its continued development and success. Committee meetings are dominated by matters relating to finance and by matters of principle relating to insurance and the shipping industry. The job of reviewing claims is now largely the responsibility of the Managers and is no longer central to the Directors’ work.

It is inevitable that this process will continue in the future, and it will be fascinating to look back in another 25 years and reflect on the further changes that, by then, will be history.

## Britannia organisation chart



- 1 Up to 30 Directors
- 2 4 members of the Committee
- 3 10 members of the Committee
- 4 The Chairman plus 2 members of the FASC and the Chairman or Chief Executive of the Managers
- 5 4 members of the FASC



## Plus ça change, plus c'est la même chose!

A routine case considered by the Committee, prior to the introduction of the Hague Rules, in the early 1920s

This claim, concerning a steamer called the *Pena Cabarga* (1,701 gt), was first reported to the Committee in October 1920. The facts are interesting because they demonstrate so perfectly how little has changed over the last 85 years.

The *Pena Cabarga* loaded a cargo of wine in casks from Valencia to Bordeaux in September 1919 (a case of coals to Newcastle, one might think). No details of the ownership of this steamer are provided in the Committee report, but research has shown it to have been built on the Clyde in 1897 for a Spanish owner called Santanderina. The ship experienced heavy weather, many of the casks broke, and much of the wine was lost. It emerged that the casks had been stowed in five and six tiers, instead of the four tiers laid down in the French Stowage Regulations. The Bordeaux Tribunal surveyor determined that two-thirds of the damage was attributable to poor stowage and one-third to 'perils of the sea' – an exception for which the shipowner was not liable under the bill of lading. The Consignees brought a claim for 426,000 French francs (about US\$16,500) before the Bordeaux Tribunal. The shipowner's lawyer

advised contesting liability on the basis that they were not liable for the negligence of either the Captain or the Spanish stevedores in stowing the ship. He acknowledged that there was a jurisdiction clause in the bill of lading stipulating that claims should be brought before the Spanish Tribunal at Barcelona, but recommended against this. It appeared, therefore, that owner's liability (if any) was restricted to two-thirds of the claim – about 284,000 French francs (about US\$11,000).

The Committee decided to follow the lawyer's advice and contest the claim, even to the Court of Appeal, if necessary. But there was a sting in the tail, because they also decided that if judgment was given against the shipowners, recovery from the Club would be reduced by 20%, in accordance with Rule 25 (of the 1919 Rules), which stated that:

*'The Committee shall have power to make a deduction of not exceeding twenty percent from any claim... if they shall be of the opinion that the Member has not taken such steps to protect his interests as he (should) have done...'*

In April 1921, the claim is referred to again. Not only were the shipowners protesting at the 20% deduction, but the shipowners had lost in the Bordeaux Tribunal. An appeal was lodged and 180,000 French francs were purchased to hedge the currency risk.

Fortunately, however, in February 1922, it was reported that the appeal had been successful and the Association only had to look to its funds for the lawyer's fee of almost 25,000 French francs (about US\$970). A good result for the shipowner. However, the amount of the fee was obviously not well received by the Committee because in February 1922, a question was asked as to whether it was 'the practice for French legal charges to be based upon the amount at stake and the result obtained' rather than the amount of work actually involved. The lawyer's explanation of how his fee was calculated was considered in April 1922, though nothing is said about the contents of his letter or the feelings of the Committee. Presumably, the explanation was accepted (albeit through gritted teeth) because there is no further mention of the case!

## Britannia: A Symbol of Unity

Many people ask why the Club is called Britannia and who is the woman featured in the company seal. This article provides a brief explanation

In 1707, England, Scotland and Wales were united under one crown (Queen Anne) and one government (Westminster) following the Act of Union. Anxious quickly to consolidate this important political event, both queen and government started to search for a national symbol, embodying the spirit of the union. They came up with the figure of Britannia.

Britannia was conceived as a classical figure and was called after the Roman name for the province of Britain. Her appearance was, more or less, that of a Roman goddess – tall, beautiful, stately and heroic. To lend an air of dignity (and to keep the incessant English rain off) she was given a helmet; this is the helmet that now forms such a distinctive part of the Club's logo. In her left hand she carried a trident, borrowed from Neptune, as a symbol of the sea; on her right side rested a shield, emblazoned with the flag of the new union; and for companionship she was given a lion, usually of rather docile appearance. To ensure that Britannia became well known and quickly accepted by the whole of Great Britain, her image was transferred to the back of all copper coinage; the sovereign (king or queen) remained on the front.

The figure of a woman had appeared on brass coins in Roman Britain, although no one is certain about that lady's identity. Presumably she was a goddess. In the early 18th century, however, it was decided that the copper Britannia should have a real, live model. She was found in a noted beauty of the day – Frances Teresa Stuart, later the Duchess of Richmond. She had an interesting life, was particularly fond of animals and left legacies in her will for people to look after her many cats. The renowned diarist Samuel Pepys said of the new coinage:

*'At my goldsmith's did observe the King's new medal, where, in little, there is Mrs Stewart's face as well done as ever I saw anything in my whole life, I think: and a pretty thing it is that he should choose her face to represent Britannia by.'*

Predictably, with such impressive backing and such an attractive model, Britannia was quickly taken to the heart of the nation. As a symbol of virtue and an embodiment of unity, she was employed by poets, cartoonists, satirists and playwrights. Perhaps the most famous example of this is to be found in a play by the Scot, James Thomson. Performed in London in 1740, it contained a song that, for a time at least, became a sort of second national anthem: *Rule Britannia, Britannia Rules the Waves*.

Being an island people, the British have always seen themselves as peculiarly bound to the sea. For centuries it was both a source of income and a defence against unfriendly neighbours. It is therefore hardly surprising that, when Britain was building up a large navy and merchant fleet to trade with the East, Britannia's image should become inextricably linked with the sea. On 19th-century coinage, Britannia sat with the sea in the background, a lighthouse to her left and a three-masted tallship to her right.

Britannia is still to be found on British coinage, appearing now on the back of the 50 pence piece. It is to be regretted that the sea has vanished from the background and it is noticeable that her robes are rather more revealing: a sign, perhaps, of the times.

In 1871, therefore, when the Rileys were looking for a name for their new protection Club, Britannia must have seemed an obvious choice. There was nothing prosaic about Britannia; she was a handsome woman, the embodiment of a nation, mistress of the sea and, above all, a great symbol of unity.



Britannia's current corporate mark launched in 2000



Late 19th century Britannia in Arms



Blockley's British Isles March a 'descriptive piece introducing...admired national melodies'.

**Right** The model for Britannia, Frances Stuart, painted by Lely.



# Making Modern Shipping: Making the Modern World

## A Concise History of Modern Commercial Shipping

Dr Oliver Walton, the author of this article, is an eminent maritime historian who has written numerous articles for a number of academic maritime journals. He specialises in the social history of the 19th century and, in 2000, won the prestigious Julian Corbett Prize in Modern Naval History, presented by the National Maritime Museum and the Institute of Historical Research.

### Introduction

The shipping industry has changed greatly since the early 19th century, and those changes have contributed in great measure to the creation of the world as we know it today. In shaping the modern world, shipping has also altered the place of the maritime sphere in relation to modern society.

This story cannot be told with a conventional account of technological developments or a chronicle of the fate of firms, but requires a more analytical and argumentative approach. For all the technical changes and the rise and fall of companies and trades, the shipping industry has been characterised by many strong continuities. The essential purposes of shipping have remained twofold: to connect economies and to make a profit for the owners. To that end ships have made use of their speed and capacity. Owners have attempted to keep their ships and cargoes safe so as to ensure a return on their investments. And ships have belonged to people who have themselves belonged to specific places and societies. Examination of these themes brings not only insight into the operation and development of the shipping industry, but also its impact upon the modern world.

### Connection

Every industry has changed and thus contributed to the making of the modern world. Only shipping, however, can claim to have been at its very heart. Shipping has carried over 90% of international trade. It carried the huge migration of people to the European colonies and to North America. It was crucial to the development of virtually all other industries, linking resources, production and markets around the globe. Railways, lorries and aeroplanes competed, but the capacity and speed of shipping ensured that it remained the transport of choice for most long-distance trades. Indeed, it was shipping that transported the locomotives and lorries around the world and took them where they were needed.

The expansion of maritime trade transformed the world's trade networks, connecting the local trade systems of the world together. The growth of the European empires in the 19th century was a crucial factor. Shipping carried resources to industrialising economies and brought goods back to the developing colonies. It also connected the world's agricultural economies, allowing the year-round supply of grain, frozen meat and refrigerated fruit to hungry urban populations.

Shipping was also part of the changing balance of economic power. The period from 1850 to 2000 saw the early stages of a shift in the economic centre of gravity from the North Atlantic to the Pacific Ocean.



1840 *Archimedes* the first deep-sea voyage by a screw ship

Our timeline illustrates the significant developments in shipping over the last 183 years

1822 *Aaron Manby* probably the first iron ship to be built

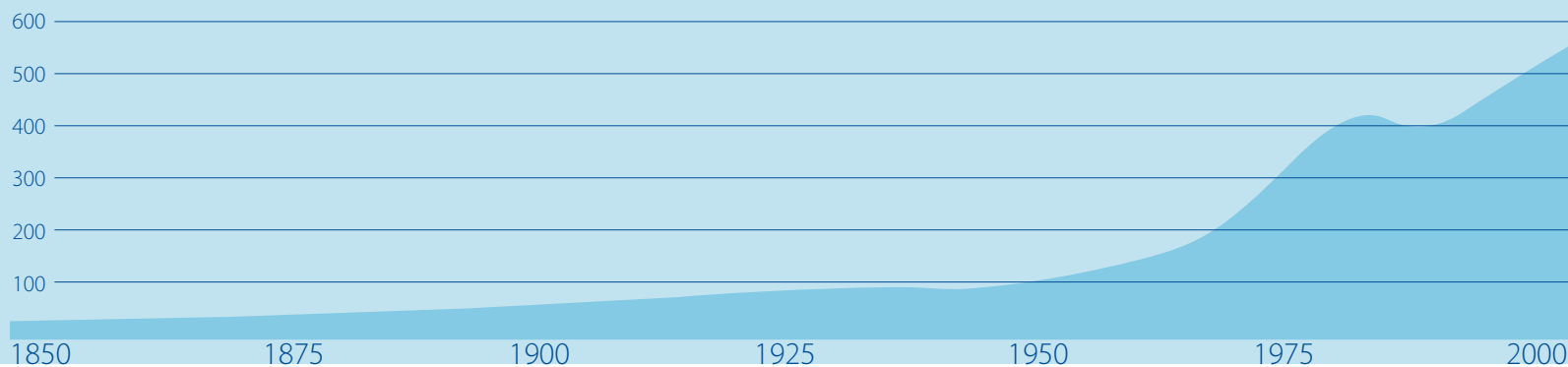
1837 *Sirius* the first steam service across the Atlantic

1845 *India* the first wooden steamer to carry cargo round the Cape of Good Hope

1849 Repeal of the British Navigation Laws

1854 Merchant Shipping Act

## The world's merchant fleet (million gt)



British dominance in the 19th century was overwhelming. Over half of all international trade was carried in British bottoms, and an even greater proportion of ships were built there. From the late 19th century other countries including France, Germany, the US, Japan and Norway began to build up their merchant fleets.

The strains of the Second World War broke British maritime dominance, and the glut of American-built Liberty ships dented the British shipbuilding industry. The postwar world order was reflected in the maritime strength of the USSR and the US – but there were others too. Japan, benefiting from 'late development effect', rapidly assumed Britain's mantle as the prime maritime nation, leading ship construction from 1956 and ownership by 1969. Norwegian and Greek shipping prospered with favourable regulations and dynamic brokering sectors, demonstrating that, in the modern world, maritime strength and great power status were no longer necessarily connected.

rates rose even faster. Fortunes were made, and fleets expanded. On the other hand, every major war was followed by a slump in the world economy. Demand fell, and the shipping industry was saddled with large numbers of expensive ships constructed during the war. Whenever the disastrous combination of expensive ships and low freight rates occurred, many companies were brought to their knees. This was true even during the 1920s and 1980s when the global economy was expanding.

A consequence of the volatility of freight rates was that bold entrepreneurs bought cheap ships during the downturns, while the more cautious were careful not to overextend during the boom years. Tramp shipping set out to exploit the fluctuations, while liners and contracted bulk carriers sought to even them out.



1860 Twin screws first employed

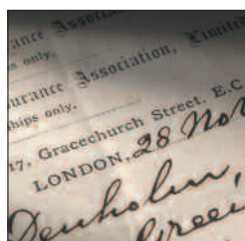
### Profit

The growth of the shipping industry was closely related to the fortunes of the global economy. However, the profitability of the industry was more complex. It was determined by the interplay of two markets: the market for ships and the market for the transport they provided. Furthermore, profitability was affected by the inelasticity of supply in both markets, which led to extreme volatility (though not as extreme as for the shipbuilding industry). This meant that the fortunes of the shipping industry marched slightly out of step with the world's economy. It also meant that booms and busts in shipping were spectacular – and had long legacies.

Wars, in particular, were both good and bad for the industry. Demand for shipping rose rapidly. In World War One, for instance, demand rose by 25%; freight



1869 The Suez Canal opens and the *Cutty Sark* is built



1855 Establishment of The Shipowners' Mutual Protection Society by Peter Tindall and John Riley

1862 *Nineveh* the first full cargo of oil (2,888 barrels) is shipped across the Atlantic



1863 The Siemens-Martin process of steel production developed

1864 First recorded appointment of a Club Correspondent (A Duncan/H Vassallo)

## For all that propulsion systems have been iconic in our conception of historical change, speed has rarely been the industry's sole preoccupation

From 1875, shipping lines tried to fix prices through conferences. They, even more than tramp operators, chose to compete in terms of their service: speed, capacity and security.

### Speed

For all that propulsion systems have been iconic in our conception of historical change, speed has rarely been the industry's sole preoccupation. The shifts from sail to steam, and from steam to diesel, profoundly affected shipping, but focusing on them as 'revolutions' or moments of change actually makes harder a rounded understanding of speed in the historical development of the industry.

Some key increases in speed were not even related to propulsion. Improvements in the quality and dissemination of navigational information reduced voyage times, while advances in cargo handling, even before containerisation, reduced time spent in port. Communications increased in speed, allowing more efficient direction of shipping resources. This had already begun by the mid-19th century as telegraph lines linked Britain to Europe, America and eventually Asia, allowing transmission of market data and information between shippers, brokers and managers. The advent of first radio, and then satellite-borne telephony and the internet brought an end to the time when ships would wait off rendezvous points,

such as Falmouth, to receive orders for the delivery of their cargoes. Other incremental gains were made throughout the period with the improved understanding of hydrodynamics and better hull lines.

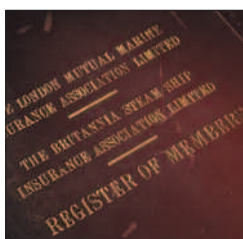
Furthermore, the costs of speed had to be balanced against its benefits in terms of efficiency and competitiveness. The introduction of steam power, for example, was inhibited by economic factors. Early steamers were paddle-driven, with concomitant technical problems. They were expensive capital investments, liable to frequent breakdowns, and they consumed huge quantities of fuel, which tied their operational range to a relatively small but growing number of coaling stations. They were also manpower-intensive. The unreliability and limited range of the engines meant that, throughout the 19th century, almost all deep-sea steamers made use of auxiliary sail power: therefore two crews were needed. Such cost implications meant that the expansion of steam tonnage was gradual and initially restricted to high value/low volume trades such as mails and passengers. Sail remained competitive in the bulk trades well into the 20th century, especially when carrying the vast quantities of coal needed to sustain the world's steam fleets. Sail benefited from low capital and running costs compared with steam. For this reason, many advances in naval architecture were of benefit to both sail and steam.

Until screw propulsion had been understood in the 1840s and the triple expansion engine had been invented in the 1870s, steam was not competitive across a wide field of trades. Following their introduction, power and efficiency rose dramatically. The majority of British merchant tonnage was steam-powered by the 1880s, and other countries followed over the ensuing decades. The American and Greek fleets only reached a similar stage in the early 1900s.

Just as steamers captured the passenger and mail trades in the 19th century, so technological advances elsewhere altered the competitive field of transport. The expansion of railway networks from the 1830s, and then the commercial development of the automobile in the early 20th century, facilitated the economic development and integration of inland areas such as North America, Africa and Siberia. The



**1886** *Gluckauf* this ship is considered the first modern tanker: oil carried right out to shell; cofferdams at each end of cargo section; cargo pumps for loading/discharging



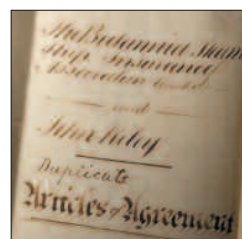
**1871** The Britannia Steam Ship Insurance Association is established



**1874** *Propontis* the first deep-sea commercial steamer is fitted with triple expansion engine



**1875** First liner conference agrees prices for Europe to Calcutta



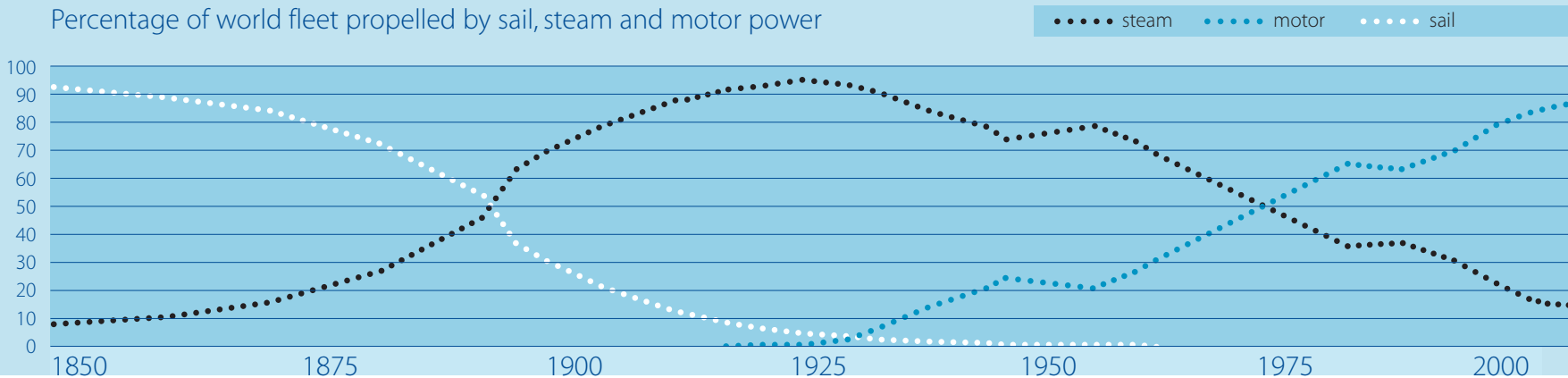
**1876** Britannia incorporated as a company limited by guarantee



**1884** *Elderslie* the first refrigerated ship is built



## Percentage of world fleet propelled by sail, steam and motor power



rapid growth of commercial airlines after the Second World War was to eclipse the role of shipping in transporting the high value/low volume trades referred to above, but the same equations of cost-versus-speed were also to leave shipping dominant in carrying general and bulk cargoes.

At other times, speed has been subordinated to different objectives. During the two world wars, the warring parties placed greater emphasis on the ease and speed with which ships were constructed rather than their speed through the water. In the mid-1970s and early 1980s, during the oil embargoes, high fuel costs dictated the design of a new generation of low-speed diesel engines to reduce the greatest single marginal cost – fuel. Inventions from the triple expansion engine to the turbocharger added only slightly to speed but hugely to power and efficiency.

The need for speed has not been a constant factor. The global reach of agricultural trades, through advances in refrigeration techniques for example, reduced the fluctuations in freight prices for perishable commodities and seasonal goods such as agricultural produce. On the other hand, in the 1960s, the Japanese just-in-time industrial system created demand for the high-speed transportation of industrial resources and components.

Propulsion developments also allowed savings in manpower. The use of powdered coal and then fuel oil lowered the numbers of stokers or firemen necessary. As reliability increased, fewer engineers were needed; with electrical and electronic automatic controls, manning requirements were reduced yet further. By the end of the 20th century, the merchant ship had come a long way from the wooden world of the 19th century, having only a handful of crew.

### Capacity

Along with speed, an increase in the sheer capacity of ships made for the most obvious change in the industry. In the mid-19th century, sailing ships of under 300 tons were considered perfectly capable of deep-sea voyages, whilst the late 20th century witnessed the construction of large bulk carriers and tankers of over 1,000 times that tonnage.

The principal concerns for naval architects were how to prevent hogging and sagging, that is to prevent large and long ships from bending in the middle, with either the bow and stern, or the midships, sinking – perhaps causing the ship to tear apart. Iron was used in increasing quantity to add strength to wooden ships during the mid-19th century, but relatively few all-metal ships were built until the Siemens-Martin process was able to produce steel with sufficient



1894 Charles Parsons demonstrates the steam turbine



1911 *Mauretania* radio direction finding equipment is fitted with a range of up to 200 miles

Improvements in speed and reliability also stimulated new business models. In the 19th century, steam powered the first liner services: scheduled voyages were underpinned by the spread of standardised timekeeping based on Greenwich. Sailing vessels, by contrast, were always at the mercy of the weather. This reliability fostered the development of contracted bulk carrier services and, in the 20th century, promoted the vertical integration of land-based industrial concerns in an attempt to secure their supply chains.

1899 First cost-sharing Pool between six P&I Clubs, including Britannia

1901 Anglo-American Oil (later ExxonMobil) becomes a Member of Britannia

1907 Henry Ford begins production of the Model T car

1908 *Paul Paix* the first ship to employ Isherwood system of longitudinal framing. Dr Anschutz (Germany) builds the first gyrocompass.

## Typical sizes of oil tankers

*Gluckauf*  
1886  
2,704 tons

*Narragansett*  
1903  
12,800 tons

*Krossfonn*  
1935  
14,225 tons

*Universe Apollo*  
1959  
114,365 tons



consistency and quality in the 1860s. As well as stiffening ships, the use of iron (and then steel) also saved space, with steel allowing about 50% more capacity per registered ton than wood. Shipbuilders gradually incorporated many incremental improvements, but some key steps stand out, such as the Isherwood system of longitudinal framing, introduced in 1908, and adopted by over 2,000 ships by 1936, mainly larger ships and tankers.

Large ships have always had problems in reaching smaller ports, or berths in river estuaries. This was alleviated to some degree by the use of lighters while the ocean vessel was moored a mile or so out to sea, and this approach was used from the late 20th century to allow the larger supertankers to approach the shallow waters of some of the west European oil terminals or to pass through the Suez Canal. The long-term result of the increase in size was the atrophy of smaller ports, and the migration of port facilities

downstream and into deeper waters, and away from the close connections with the commercial centres of the cities that had spawned them. Ports also had to invest in dredging vessels to deepen and maintain access to their facilities if they were to remain competitive.

The economies of scale achieved by constructing larger ships also had to be balanced with extra manpower costs, greater unloading time and limited access to ports and narrow seaways. Brunel's *Great Eastern*, launched in 1858, was, at 32,000 tons, not equalled in size for another 50 years; but her high capital and running costs, and the difficulty in finding enough cargo for a profitable voyage, meant that she was soon withdrawn from cargo service and turned over to the historically even more important task of laying trans-oceanic telegraph cables. The largest vessels of the late 20th century served mainly in the Pacific, where deeper ports and greater distances allowed the exploitation of their economies of scale, rather than in the more congested and shallower European and North Atlantic waters.

The most significant limitations on size were brought about by the opening of the world's two great canals, Suez in 1869 and Panama in 1914, which gave rise to a new nomenclature of Suezmax and Panamax size classifications. The extra distance entailed in sailing around Africa (up to 6,000 miles) or South America (up to 9,000 miles) was a powerful incentive to build ships in conformity with the capacities of those canals, if the

ship's intended service life was not to be limited to only one ocean. Only with the closure of the Suez Canal in the 1960s and the rise in oil prices in the mid-1970s did it become viable to build vessels of a greater size.

The limitations imposed by the cost of manpower were incrementally reduced by numerous technical improvements. The most important of these were concerned with the handling of cargo. These developments also reduced the time spent by ships in port, which in the first half of the 20th century was often up to 50% of the time.

Throughout the period, there were continual experiments in the size and design of holds, hatches and lifting gear to expedite the loading and unloading of cargo. Many tramp ships used large unencumbered holds and extensive 'tweendecks for maximum flexibility in their capacity for cargoes – howsoever packed. In the first half of the 20th century, new technology permitted watertight rolling hatches for faster access, and flush deck hatches allowed the use of forklift trucks. Wider hatches were introduced from the 1920s to reduce the amount of horizontal movement needed in the hold. This was the limit of innovation in the general cargo trades until the advent of ro-ro ships and unitisation in pallets and containers in the 1960s. Unitisation permitted savings in labour costs of over 60% and slashed handling times, contributing decisively to both the volume and velocity of the circulation of goods.



1914 Panama Canal opens  
World War One

1912 *Selandia* the first diesel ship is built  
Exhaust driven turbocharger is developed

1920 *Fullagar* the first ship built using electric welding



1921 *G Harrison Smith* the first ore/oil combination carrier is built

1925 First turbocharged diesel engines (2,000 hp) installed into two German ships

1929 Wall Street Crash sparks off the Great Depression

*Batillus*  
1976  
553,662 tons



*Bloom Lake*  
1991  
281,794 tons



For ships employed in bulk trades, improvements happened earlier and were more continuous. In addition to changes to hatch covers, the late 19th century saw the first self-unloading systems: hopper holds with conveyor belts or deck cranes to carry the cargo up and out of the holds. In 1925, the *Svealand* was able to load iron ore at Cruz Grande in Chile in two hours, and unload at Baltimore in twenty hours, thus allowing her to spend 325 days a year at sea.

Experimentation into the handling of specific cargoes led to the development of specialist ships and related port facilities. Hence the first tanker, *Vaderland* (built in 1872), never operated as such, as she was only able to load case oil (palletised oil barrels). The 1880s saw the introduction of refrigerated ships and the first effective oil tankers, whilst the first heavy lift vessels and specialist chemical and wine tankers were not to be built until the interwar years.

**Security**

The shipping industry has become considerably safer over the last 150 years, largely due to a mixture of technical, scientific, political and regulatory factors. Improvements in naval architecture that made ships stronger also made them safer. Whilst the inherent buoyancy of wood made timber ships hard to sink even when damaged, the ductile strength of steel made ships more resilient in collision, and more likely to bend than break. Double bottoms gave an extra layer of protection. Propulsion systems became more reliable, whilst radio and satellite communication systems offered a better way of calling for help in emergencies.

Our knowledge of the oceans improved dramatically, especially as the British Admiralty began systematically to chart the seas during the 19th century. Other observers collated expertise and published sailing directions highlighting hazards. The development of the gyrocompass at last solved the problem of using a compass in a vessel made of ferrous metal. In the second half of the 20th century, radar offered a way to observe and monitor threats that might have been invisible to a lookout. The introduction of highly accurate hyperbolic navigational systems and GPS has made for such precision that, ironically, some say that they may now encourage over-reliance upon instrumentation at the expense of the certainties of the naked eye and chartwork.

Such developments have contributed greatly to the increasing safety standards of shipping, but the real engine behind the adoption of best practice and of good maintenance of ships was the system of insurance ratings. It proved to be so potent that the Lloyd's term 'A1' has even entered the broader English language. By the 1860s, all the major maritime countries had their own classification societies; the rise of Japan was reflected in the foundation of the Nippon Kaiji Kyokai in 1899, and other countries have followed in the 20th century. Networks of agents supplied information to help match ships to cargoes, but they also reported on the condition and equipment of ships. Rising premiums could make a significant impact upon the profitability of a ship; conversely, good management was rewarded with low insurance bills.

Shipping was an area that saw the growing intervention of the state, a development which was crucial in the homogenisation of nation states around



1931 *Agnita* the first specially designed chemical tanker



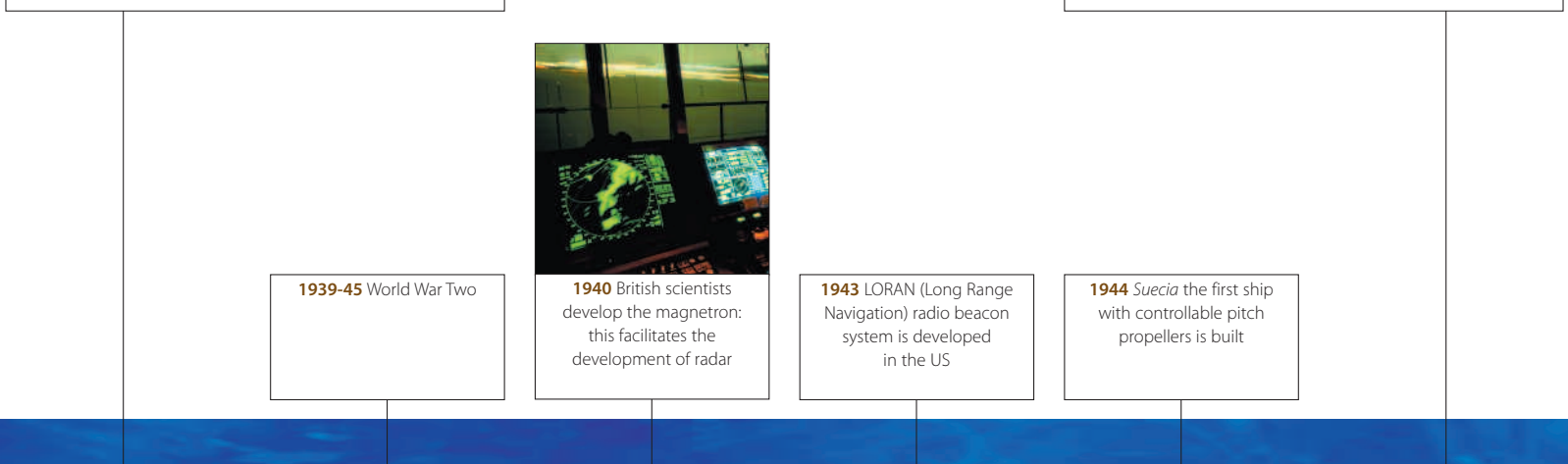
1947 *Grandcamp* explodes in Texas City

1939-45 World War Two

1940 British scientists develop the magnetron: this facilitates the development of radar

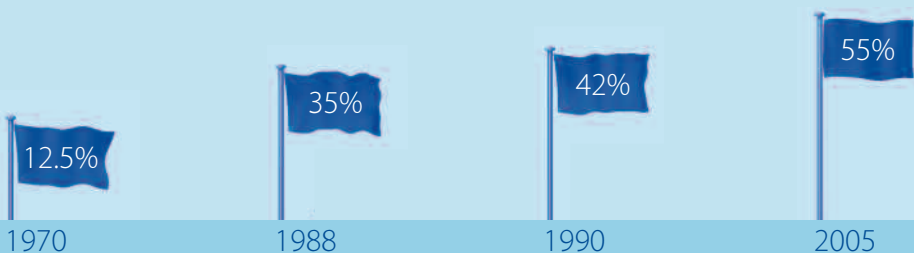
1943 LORAN (Long Range Navigation) radio beacon system is developed in the US

1944 *Suecia* the first ship with controllable pitch propellers is built



## Open registry

Proportion of world tonnage



the world. Shipping was also subject to the same impulses in social reform that affected civilian land-based society. This resulted in a growth in safety regulations, such as Samuel Plimsoll's successful campaign for the introduction of loading lines for British ships in the 1870s. The British Royal Navy, for their part, took the lead in the suppression of piracy across the world. Throughout the world, states increasingly saw value in investing in the maritime world. The modern period saw the spread of buoyage, networks of lighthouses and lightships, and coastguard services. States also continued to protect their shipping in wartime, organising convoys and underwriting insurance against losses to the enemy.

### Identity

The years since the end of the Second World War have seen developments in the shipping industry that constituted key steps in the creation of the post-colonial, or even post-modern, world. Identities have become more arbitrary, capable of invention and re-invention at will, with a consequent erosion of the national sovereignty of states.

Individual states continue to make unilateral regulations, such as the insistence of the US that all tankers using American ports should be fitted with double bottoms – hopefully, to prevent a repeat of the *Exxon Valdez* disaster. However, the greatest impulse to regulate since 1945 has come at the international level through the auspices of the United Nations. The origins of the International Maritime Organisation (IMO) lay in the aftermath of the *Titanic* disaster in 1912, but it gained its real influence after

1945, issuing codes for tonnage measurement, safety and the prevention of pollution. The International Labour Organisation has promulgated conventions on minimum working conditions in merchant vessels, whilst the United Nations Conference on Trade and Development has issued directives to encourage the economic growth of poorer countries.

The declining relevance of national sovereignty has also been reflected in the growing use of open registries and quasi-open registries. Where once the national fleet was a source of patriotic pride, from the 1960s the use of flags of convenience has increased rapidly. Smaller and poorer countries, such as the Bahamas and Liberia, have been able to offer favourable tax and regulatory regimes, and shipping firms have sought ways of paring their costs further. Single ship companies, registered under a flag of convenience, managed from a different country, with owners of yet a further nationality, are now commonplace.

This is a far cry from the protectionist concepts of seapower that had developed in the 19th century and which were still dominant between the two world wars. Fleets were cast as symbols of national virility, the means to world power status, with companies like Cunard and HAPAG competing for the laurels of the Blue Riband.



1957 *Cutty Sark* opens to the public in dry-dock



1965 *Naess Norseman* the first operationally successful OBO is built



1959 Amalgamation of the Protection and Indemnity divisions of Britannia

1960 The first oil/bulk/ore carrier is built  
*Santa Eliana* the first container ship enters international trade

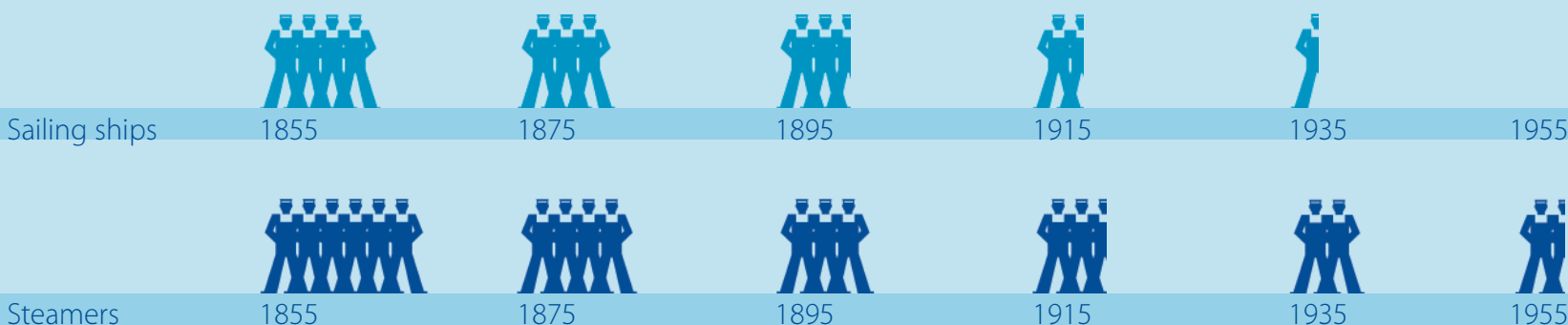


1967 *Torrey Canyon* wrecked off Cornwall



1968 IMO Load Line Convention

## Number of seamen per 100 tons on British registered merchant ships



But, looked at another way, the erosion of national identities in the merchant shipping industry is merely a reflection of the industry's international character. Shipping companies straddle political and economic divides as they connect states and industries. Seafarers are – and always were – a breed apart, semi-foreign to their home societies, even when they were seen as their most patriotic emblems.

### Shipping and Society

The sheer scale of change in the last century and a half is bewildering; a merchant seaman of the 1850s would struggle to grasp not just the operation of a late 20th century container ship, but also the corporate structures and regulatory frameworks in which he would work – let alone the expansion and specialisation of global trade. He might also be lonely. Not simply because crew sizes have plummeted at the same time as ships have become larger, but also because maritime society in general has become smaller and less connected to land-based society.

These changes in maritime society are a direct result of the changes that have taken place in the areas of speed, capacity and identity. Improvements in propulsion systems have allowed the numbers of shipboard crew to be cut. The use of specialist ships and the unitisation of general cargo has slashed the numbers of dockyard workers needed to load and unload ships. Where ports were once the centre of

major cities, now they employ only a small proportion of the population. The growth in the size of most ships and the use of specialised terminals have served to move ports downstream away from their original city locations. And then of course, the erosion of the national identity of fleets has had the effect of further reducing the connection between society afloat and ashore.

More subtly and profoundly, the acceleration and vastly increased capacity in the transport of goods has led, paradoxically, to a cultural disconnection between supply and demand, and allowed the role of shipping to be taken for granted by consumers. The scale of trade defeats the common imagination. In the 19th century, labels such as 'Sheffield Steel' or a 'Bengal Stripe' betrayed a good's origin and helped the role of shipping to be grasped by the consumer. By the late 20th century, the facility with which goods were distributed allowed components to be sourced from disparate locations and production to be outsourced. The complexity of the modern economy is thereby hidden inside the homogeneity of a ship full of containers. Refrigerated ships have contributed to the cultural disconnection between field and table, with fruit and meat available all year round.

### Conclusion

The history of the major changes that have taken place in shipping over the last 150 years is intertwined with the history of the world. It is much more than the story of technological revolutions; it encompasses economics, commerce, society and culture. Shipping has connected more and more people, and more and more economies. Shipping firms have been able to profit from this growth, though they have had to remain wary of the wild fluctuations in profits that characterise the industry. The transport of goods by sea has accelerated and increased in capacity, and it has become safer. Shipping has also been at the forefront of the creation of the post-colonial world. It is a great irony that all these factors should, ultimately, have had the effect of removing the shipping industry ever further from the rest of society.



1989 Exxon Valdez wrecked off Alaska



1969 IMO Tonnage Measurement



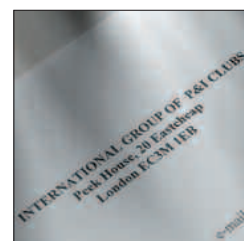
1973 IMO Prevention of Pollution from Ships (MARPOL)



1975 Suez Canal reopens



1980 IMO Safety of Life at Sea (SOLAS)



1981 International Group Secretariat established



## The Last Great China Tea Clipper

Capt Simon Waite was born in Sarawak. Educated in England he went to sea in 1955, serving with Shell, Esso and Townsend Thoresen Car Ferries. In 1989, he exchanged the sea for a dry-dock, becoming Master of the *Cutty Sark* and Superintendent of 20 other historical vessels. He retired in 2002. His son works for Tindall Riley.

The *Cutty Sark* is surely one of the most famous and best-loved ships in the world. With her sleek lines and remarkable history, she has captured both the hearts and minds of successive generations. Today, she sits in a dry-dock in Greenwich, visited by thousands of people every year, and but a short distance from Britannia's registered office near London Bridge. She is also a survivor, being the only remaining tea clipper in the world. Tea clippers were a class of sailing ship that was never produced in any great numbers and whose life in the tea trade with China was comparatively short.

Until the repeal of the Navigation Laws, which required cargoes coming in and out of Britain to be carried in British ships, and a change in the Tonnage Rules, British owners had little incentive to build fast ships. They faced no real competition. However, in 1849 (the year that Messrs Tindall and Riley started their first hull club), the old laws were finally repealed. The effect was almost immediate, for on 3 December 1850 an American ship, the *Oriental*, arrived in London with a cargo of 1,600 tons of tea from China, after a passage of just 97 days. The extraordinary speed of her crossing caused consternation among London shipowners. British designers and builders were soon producing 'extreme' clippers to compete with the Americans.

The Tea Races captured the imagination of the public and largely, I think, because of the preservation of the *Cutty Sark*, that interest has never waned. Yet the Tea Races themselves only lasted for a little over a quarter of a century because, in 1869, the Suez Canal was opened, allowing steamers to compete in the trade. In a mere seven years, the great clippers were ousted.

The *Cutty Sark* was built for the London-based Scottish shipowner John Willis in the year that the Canal was opened, with the express intention of beating the *Thermopylae*, owned by Aberdeen White Star Line and reputed to be the fastest ship afloat. The two ships only ever competed directly with one another in the Tea Race of 1872, when they left Shanghai on the same tide. Unfortunately, disaster struck the *Cutty Sark* when she lost her rudder off the Cape of Good Hope

in a gale. At that point, she had been 400 miles ahead of her rival. Captain Moodie, her Master, hove the ship to and jury-built a new rudder in a single week – a quite magnificent feat of seamanship. Robert Willis, the owner's brother and a passenger aboard, wanted Moodie to take the ship to Cape Town for permanent repairs, but Moodie refused and sailed on to London, arriving only seven days after his rival, the *Thermopylae*. Some writers have mocked Willis for wanting to put into Cape Town, but it should be remembered that Willis owned 24 shares in the ship and he would have felt naturally cautious.

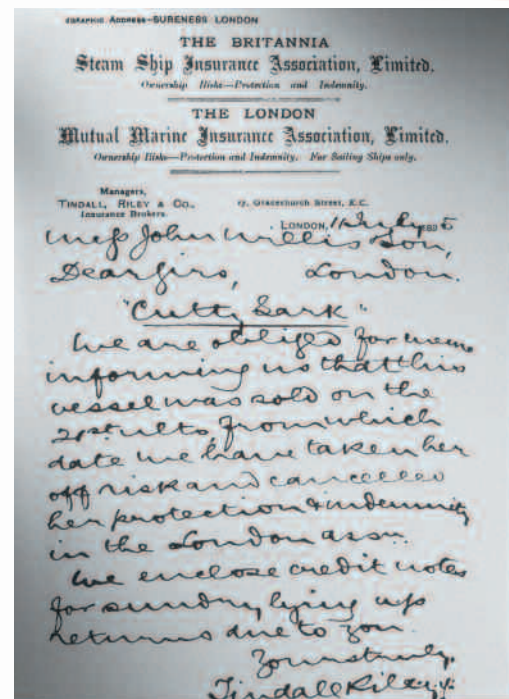
Between 1877 and 1882 the ship served in the general tramp trade, after which she worked transporting Australian wool until she was sold to the Portuguese in 1895. Renamed the *Ferreira*, she spent the next 27 years sailing from Portugal to South America, the US Gulf and East Africa. She proved a successful ship, but her career was not uneventful. In 1909, she was driven ashore in Pensacola during a hurricane, she lost her rudder in 1915, and in 1916 she was partially dismantled. After the latter incident she was rigged as a barquentine, due to the shortages of spars and other materials during the First World War. A photograph taken of her during a refit in London in 1922 shows a dirty, battered, rather tired old ship in need of a great deal of attention. Only her lines provide a real hint of her breeding.

Fortunately, while on her way back to Portugal after the refit, she was driven into Falmouth by a storm. There, she was spotted by a Cornish seaman, Captain Wilfred Dowman. He had fallen in love with her in 1894 when, as an apprentice on another ship, he had seen her fly past under full sail. He bought her for £3,750 from the Portuguese and set about a full restoration. When completed, she was moored in Falmouth and used as a stationary training ship. Following Captain Dowman's death, his widow gave the ship to the Incorporated Thames Nautical Training College in 1939, to be used as a tender to another training ship – *HMS Worcester*.

During the Second World War, little maintenance was undertaken and the ship deteriorated badly. In fact, the position was so bad that a plan was hatched to take the old ship to sea and scuttle her. Fortunately, Prince Philip and Mr Frank Carr (the Director of the National Maritime Museum in Greenwich) were determined that such a remarkable ship should not face such an ignominious end, and they formed a

fundraising committee to save, preserve and display the *Cutty Sark*. So it was that she came to rest in a purpose-built dry-dock in Greenwich. In 1957, the ship was finally opened to the public by the Queen.

Today, her future is again uncertain. After 135 years, her wrought iron frame is deteriorating badly and The *Cutty Sark* Trust has put in a bid for £26 million to the Heritage Lottery Fund to restore the ship and provide her with some shoreside facilities so as to ensure her future viability. She is visited – and loved – by hundreds of thousands of visitors each year and we are naturally all anxious that she should continue to inspire and thrill people in the future.





Britannia's 'Register of Members' was compiled by hand until 1976. Thereafter it was computerised. The Register indicates that John Willis & Son, the owners of the *Cutty Sark*, became Members on 2 July 1884, and it seems likely that the *Cutty Sark* entered the Association on the same date. The letter that appears left shows that the *Cutty Sark* went off risk on 21 June 1895. The *Cutty Sark* was technically entered in the London Mutual Marine Insurance Association, a Club for sailing ships only. This Club was also managed by Peter Tindall, Riley and Co.

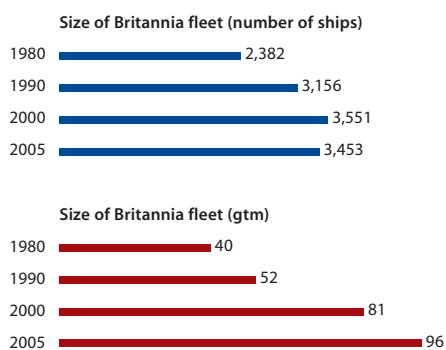
THE PRESENT





# BRITANNIA TODAY

It has been a recurring theme of this publication that, although much has changed since those early days when Britannia was first incorporated in 1876, much has remained the same.



The table above shows that, although there was an increase of 140% in the total entered tonnage between 1980 and 2005, the number of entered ships went up by only 45%.

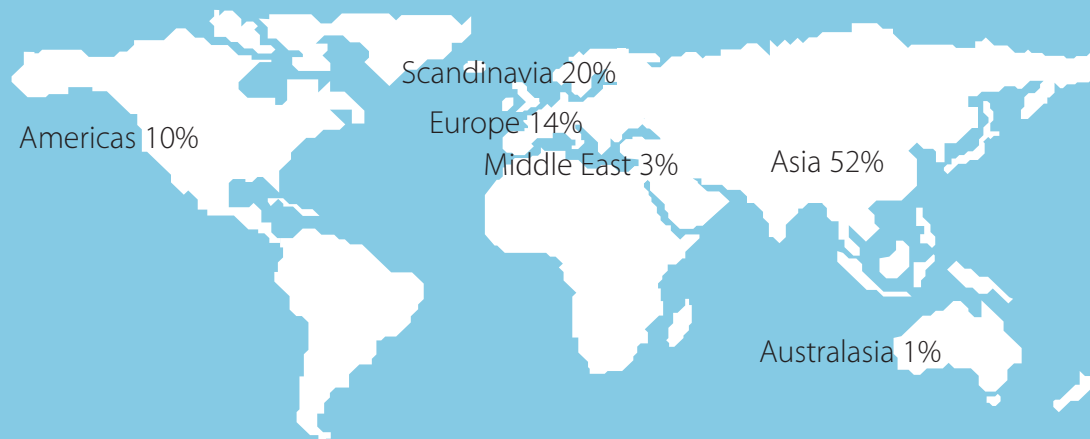
So, although Britannia is now a mutual insurance association of shipowners from throughout the world, and not just from Britain, the company is still registered in the UK and is still in the nature of a company limited by guarantee. The areas of business in which the Association engages are fundamentally the same; indeed, the areas of cover are still referred to by their original designations – so, Class 3 is P&I cover, Class 4 is War Risks and Class 6 is Freight, Demurrage and Defence. Classes 1 (Hull), 2 (Freight Risks) and 5 (Strikes) fell by the wayside many years ago.

Britannia is still a mutual, non-profit-making association, run by a Committee of Directors, a significant majority of whom are elected from the membership; and Britannia is still pooling exceptionally large claims with other P&I Clubs, though the number has grown from six (in 1899) to 13 (in 2005). Together, these 13 Clubs cover over 90% of the world's merchant fleet. The Association is still managed by Tindall Riley.

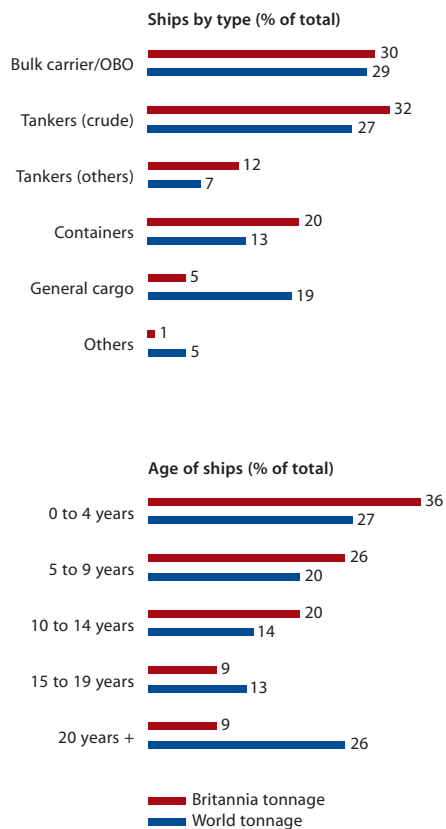
If there has been change, it has been in the size of the Club, which has increased radically over the years.

When Britannia was founded, the Club had 250 Members, 500 ships and a total entered tonnage of 244,000 gross tons (albeit calculated in a completely different fashion). Today, although the number of Members is similar, the total tonnage (owned and chartered) stands at just over 96 million gross tonnes. Over the last 30 years, this pattern of growth has been consistent and Britannia is now the third largest Club in the International Group. Part of this growth is of course attributable to the increasing average size of ships in the world's fleet.

Today, Britannia enjoys a significant presence in Asia, with just over 50% of the membership located in China (Hong Kong), Japan, Korea, Singapore, Malaysia, Taiwan, Korea and Indonesia. However, over the last 10 years, the proportion of European and Scandinavian tonnage has been growing consistently, with the entry of new fleets from Norway, Denmark, Germany, Italy, Greece and Poland. There is, therefore, a truly international and balanced portfolio of Members. Britain, which once provided the entire membership, now accounts for just 2% of the total entered fleet.



Britannia entered tonnage by area of management 20 February 2004 - Class 3



Above all, Britannia can be proud of the quality of its membership: many of the finest shipowners in the world enter their ships in the Club. And although a large number of these owners are household names, operating sizeable fleets and some of the world's largest ships, many others are small, family-owned companies located outside major cities and with a long tradition of owning smaller vessels. This diversity is important and it is one of the most striking features of the mutual system that such an apparently diverse group can so easily be integrated into the same Club. This is also reflected, to a certain extent, in the composition of the Committee, with a number of Directors being drawn from relatively small Members.

Quality of management and quality of ship and crew are clearly key considerations when accepting a new Member. They are also key factors when assessing existing Members. Today, about 60% of the Club's tonnage is under 10 years old – a figure that compares very favourably with the world profile, as the chart on the left demonstrates:

The quality of Britannia's membership is founded on a rigorous underwriting policy, supported by an active risk management programme. Even in 1855, the

Managers must have employed selective criteria for accepting and renewing Members. Then, as now, new Members must bring benefits to existing Members and their risk profile must be broadly similar. Assessment, however, does not just take place at the time of entry. Operating difficulties and economic pressures can occasionally lead to compromised standards, rendering that first-class Member of 10 years ago today's greatest risk. For this reason, the Association undertakes a carefully structured risk management programme. Ship condition surveys are regularly conducted by specialist, independent surveyors, located in the major ports of the world. Ships to be inspected are chosen by reference to criteria such as Port State Control Detention lists, IACS transfer of Class data and the Association's own claims experience. From time to time, routine surveys are conducted on specific ship types, or ships of a certain age.

The increasing separation of ship ownership from direct employment of the crew – a phenomenon referred to in Dr Oliver Walton's article – has also prompted the Association to undertake an assessment of the third-party crew-supply market, principally in the Philippines, India and China.





Apart from the size of the Club and the quality of its membership, two further key aspects can be used to evaluate Britannia today – the state of its finances and the quality of the service provided by its Managers.

The cornerstone of the Club's financial strength has always been disciplined underwriting – referred to above. This has ensured consistently strong underwriting results; indeed, the Club's estimated total call has not been exceeded in over 30 years. The underlying principle of ensuring an adequate call income and maintaining healthy reserves has proved a consistent recipe for success.

In 2003, call and premium income for the first time exceeded US\$200 million and the Club's strong reserves are evidenced by the excellent 157% solvency ratio (expressed as: funds as a multiple of net outstanding claims). Any unexpected volatility in the Association's underwriting result is protected by the reinsurance arrangement with the Bermuda-based reinsurer, Boudicca. This reinsurer provides equivalent protection to that formerly provided by the Association's General Reserve. Otherwise, Britannia takes no whole account reinsurance of claims within its retention, believing instead that the maintenance

of adequate reserves is the best way to achieve stable and cost-effective insurance for its Members. Britannia has consistently been rated as one of the most financially secure Clubs. It is currently accorded an Api rating by S&P.

The administration and management costs of running Britannia are kept under constant control and are vetted by the Committee. The Association can boast one of the lowest Average Expense Ratios in the International Group – an indication of the efficiency with which the Club is run.

As Managers, Tindall Riley are committed to providing the highest possible service to the membership of Britannia in every area of the Club's activities. Their experience – both in managing the Club and in helping shipowners, occasionally during some of their darkest hours – stretches back the full 150 years. The relationship that they have developed and fostered with the membership has been instrumental in giving the Club its character and style. Today, the Managers, of course, continue to provide underwriting services and handle Members' claims, but their work is much more extensive than it ever was in the late 19th century.

The underwriting department issues all Certificates of Entry, oil pollution certification and mortgage undertakings. They also arrange extra commercial insurances, where necessary, to ensure that Members have adequate cover for their operations. By the very nature of their activities, the Managers are in possession of a considerable body of useful information relating to future maritime legislation, claims trends, training aids and safety issues. To keep Members advised and abreast of these developments, the Managers issue regular publications, such as *Risk Watch*, *Britannia News*, *Britannia News Summary* and various bulletins and circulars.

As well as organising the Committee Meetings every year, the Managers arrange two Forums – one in Europe and one in Asia. Members are joined at these events by the Association's exclusive Correspondents and are briefed by the Managers on call decisions taken by the Committee at their October Meeting. The Forums also cover investments, Rule changes, reinsurance, pooling and other topical matters. Once a year, the Managers organise a Training Week. Held in the Managers' offices, this is designed to give delegates a deeper understanding of the main elements of mutual P&I cover and the workings of the Club.



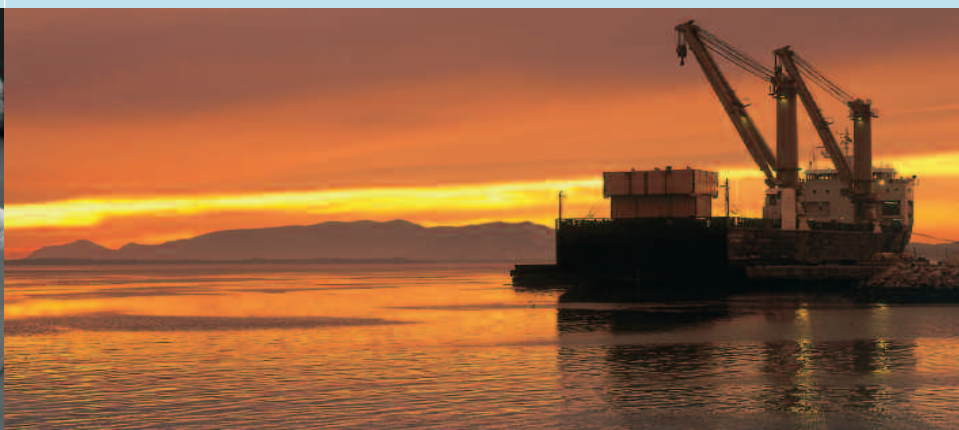


## Strength, Quality and Service

In 2002, the Managers set up a Service Sub-Committee to evaluate the service they provide and to identify areas where it might be enhanced. It consists of directors from the claims, underwriting and risk management sections. Tindall Riley is totally committed to ensuring the highest levels of service in all areas of its work, believing that to most Members, this aspect is as important as the cost of their insurance.

Britannia's objective is to provide a strong membership with a high-quality service at low cost. The Club is determined to maintain its position at the forefront of the P&I insurance industry, believing that this is best achieved by applying the basic principles that have proved so effective in the past – selective, prudent underwriting and a conservative investment policy.

- A high-quality membership selected from the world's leading shipowners
- A thorough understanding of Members' businesses backed by a realistic risk management programme
- Prudent underwriting leading to unrivalled predictability of insurance cost
- The application of legal, marine and commercial expertise in the active management of claims so as to minimise Members' ultimate liabilities
- A successful investment policy that has made a substantial contribution to the reduction of Members' costs
- A worldwide network of correspondents, including many who are exclusive to Britannia, providing assistance to Members on all aspects of P&I
- A highly motivated management team that keeps close control of all aspects of the business
- Financial strength, underpinned by assets of more than US\$700 million





# The International Group and its Secretariat

We have looked elsewhere in this magazine at the origins of the International Group. In this article, Mr Lloyd Watkins, Secretary to the International Group, describes the day-to-day work of the Secretariat and explains how it supports the crucial – but largely unseen – work of the International Group.

The International Group's origins date back to 1899 when six British Clubs joined together to form a cost-sharing Pool. Now, over 100 years later, the International Group has grown to 13 P&I Clubs (only three of which are registered in the UK), covering over 90% of the world's ocean-going tonnage; there is a Constitution defining the objects of the Group and an Agreement (the International Group Agreement – or IGA, as it is commonly known) that regulates the way in which the Clubs compete with each other; and claims are pooled in accordance with the provisions of the International Group Pooling Agreement, a contract running to almost 100 pages.

Much of the Group's development has taken place over the last 30 years. In the 1960s, the Group only met formally once a year, in September. From 1970, however, the number of meetings increased to four or five a year, and the range of topics began to widen considerably. Oil pollution, insured values, limitation and container liabilities suddenly began to appear on the Agenda as regular items – together with the first mention of scrutiny by the EEC (now the EU). The subjects discussed look eerily familiar, don't they?

The first Group Constitution was agreed on 8 December 1981. On that date, the Group obtained a registered office (in the offices of the West of England P&I Club) and my appointment was confirmed as the Group's first formally appointed Secretary and Executive Officer.

The Constitution has changed little over the intervening years and the latest version (dated 20 February 1993) re-states the Group's key objectives:

'...to afford opportunities for the discussion and consideration of matters of interest to members of the Group... and to shipowners and others insured by members of the Group...;

'...to monitor and review the scope and operation of the IGA, the Pooling Agreement and other agreements relating to areas of mutual interest to the Group...;

'...to promote the interests of the Group and of shipowners and others insured by members of the Group by representation to other organisations, governments or inter-governmental organisations; and

'...to maintain consultative status with the International Maritime Organisation...'

Many shipowners talk of the Group and the Pool as if they were virtually the same thing. This is not surprising, perhaps, since all of the Clubs that are signatories to the IGA are also signatories to the Pooling Agreement. The IGA is the cement that holds the Pool together and, without it, the Pool would inevitably fracture and collapse.

However, the Group is much more than just a mechanism for sharing large claims and purchasing reinsurance – just as the Secretariat is more than just a group of people employed to administer the Pool!

As the objectives quoted above indicate, monitoring and reviewing the IGA and the Pooling Agreement only represent a part of the work undertaken by the Group and its Secretariat. The bulk of the work relates to the work of the Group at the IMO, administering the numerous Sub-Committees and Working Groups that exist to review matters of common interest, and express views (both orally and in the form of written submissions) on maritime issues to other government and non-governmental organisations. Before describing this work in a bit more detail, however, it is probably worth explaining the structure of the Group and how it is administered.

Every year, at the Annual General Meeting (AGM), the Members of the Group elect a Panel of five representatives. Their job is to oversee the work of the Secretariat and perform all treasury functions on behalf of the Group. The Group has a Chairman, who is elected for a term of three years. The Chairman, the Panel members, the Secretary and the Executive Officer (who may be one and the same person), comprise the officers of the International Group. The Group meets formally three times a year, with the AGM taking place in November, and each of the 13 Clubs is accorded one vote.

Unquestionably, these Group meetings are important events. A wide variety of topics is discussed, ranging from the Group budget to matters affecting cover for claims, levels of retention, the Group reinsurance contract, legislative developments (and, in particular, proposed new conventions) and designated reserves. The Group also receives reports from the many standing and ad hoc Sub-Committees and ad-hoc Working Groups dealing with various Group issues. The Sub-Committees are formed from appropriate representatives drawn from all of the Clubs, and the sheer volume of work that they undertake is remarkable, as can be seen from the following list of Sub-Committees and some of the Working Groups:

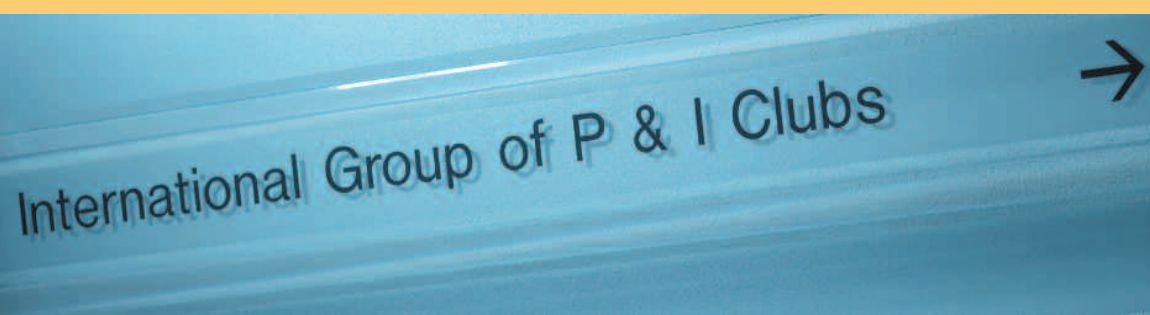
<b>Group Sub-Committees</b>
Accounting Standards Sub-Committee
Amicus Briefs
Bills of Lading
Capital Adequacy
Claims Co-operation
Claims Database
Claims Made
Co-assured
Compulsory Third Party Liability Insurance
Confirmation of Entry
EU Sub-Committee
FMC: FUT and Non-Performance Guarantees
General Average
Information Technology
Maritime Security
New York Produce Exchange Agreement
Occupational Diseases
Personal Injury Sub-Committee
Pilotage
Pollution
Pooling Agreement
Production Operations/Specialist Craft
Regulatory Affairs
Reinsurance
Representation (Correspondents)
Salvage
Ships' Standards
War Risks P&I
<b>Working Groups</b>
Calcium Hypochlorite
CLC/Fund Revision
Collaboration with Commercial Insurers
Detention of Seafarers
Discretionary Claims
Money Laundering
Panama Canal Authority
Passenger Cover
Regulatory Affairs FSA
Reinsurance Strategy Working Group
US Representation
US Terrorism Insurance
VRP Contracts
Equasis
Designated Reserves
Ship Technical Committee

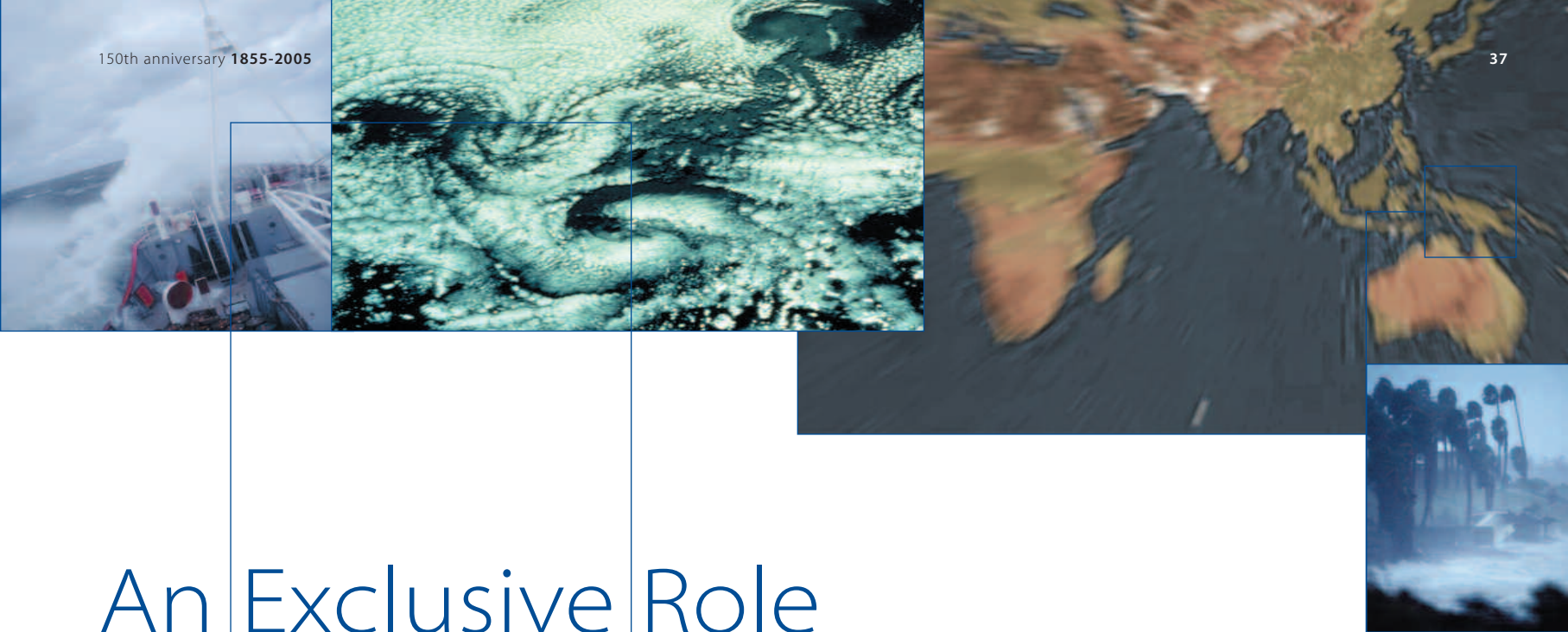
Another key purpose of the Group is to provide input to the International Maritime Organisation (IMO), where it enjoys observer status. The Group has an important part to play where new conventions are being promulgated through the IMO. A considerable amount of time is spent in explaining to IMO committees and to government representatives the insurance implications of many new proposals. Currently, for example, the Group is heavily involved in the proposed revision of the CLC/Fund regime as well as the implementation of the Protocol to the Athens Convention.

All of this work requires the diligent support of a secretariat. Currently, the Secretariat employs three executives (including me) and a secretary. We arrange meetings, take and distribute minutes, undertake research and provide information to the Sub-Committees and Working Groups. We also represent the Group at inter-governmental meetings, for example, IMO, UNCTAD, Uncitral and the EU Commission as well as with individual governments.

Very occasionally, as when the status of the IGA was under the scrutiny of the European Commission, our work at the Secretariat assumes a high profile and is widely reported in the press. However, for most of the time, we work unobtrusively in the background, supporting and, I hope, strengthening the work of the Group.

It is difficult to see how any system, other than the mutual Club system, could possibly support such an organisation. Britannia's commitment to the Group, and the considerable contribution of its Managers, should help to secure its immediate future – and, with any luck, the next 150 years as well!





# An Exclusive Role

We take a look at the contribution made to our business by our Correspondents and explain the special role played by our Exclusive Correspondents.

On a stormy November night in the winter of 1996, a car carrier (entered in Britannia) developed engine trouble off Papua New Guinea. An onshore wind was blowing at almost gale force, and the ship found itself in very real danger of being driven onto the nearby rocky coast. The Master radioed the authorities in the nearest large port and asked for assistance. The harbour master told him that he only had one tug available – and he could not spare that because it was needed for an incoming ship. ‘By the way,’ he added for good measure, ‘even if you get here, I can’t let you in: I don’t have a free berth.’

In desperation, the Master turned to the Club’s Correspondent in Port Moresby. The Correspondent immediately telephoned the harbour master, but received the same unhelpful replies. He called the major tug companies and discovered that the nearest suitable tug was a full 12 hours steaming away. Things were starting to look bleak.

While our Correspondent was scratching his head and looking for a few ideas, he received a call from the owner of a large tug, who said he was confident that he could make it to the stricken ship in about three hours – possibly less. The Correspondent, encouraged but more than a little curious, pressed for details. The tug’s owner became increasingly evasive as the conversation progressed and it was obvious that he was reluctant to describe his tug in any detail. After 10 minutes or so, the truth came out. There was a tug and it was, indeed, very large. Theoretically, it was also very powerful, but it had been built in 1922, was out of class and had not actually been to sea for over 10 years. The Correspondent replaced the telephone. It was a case of ‘back to the drawing board’.

Then, our Correspondent had a much-needed stroke of luck. A friend put him in touch with a local enterprise run by a church mission. They owned a small ferry and a vessel described as a landing craft. It was far from clear why the church had a landing craft – or what they used it for – but now was not the time to ask such questions. After a great deal of persuasion and some hard bargaining, agreement was finally reached with the church authorities. The Master of the ferry was contacted, and all the passengers that had just finished boarding were summarily ordered back ashore (without their luggage). He cast off and set out in search of the car carrier.

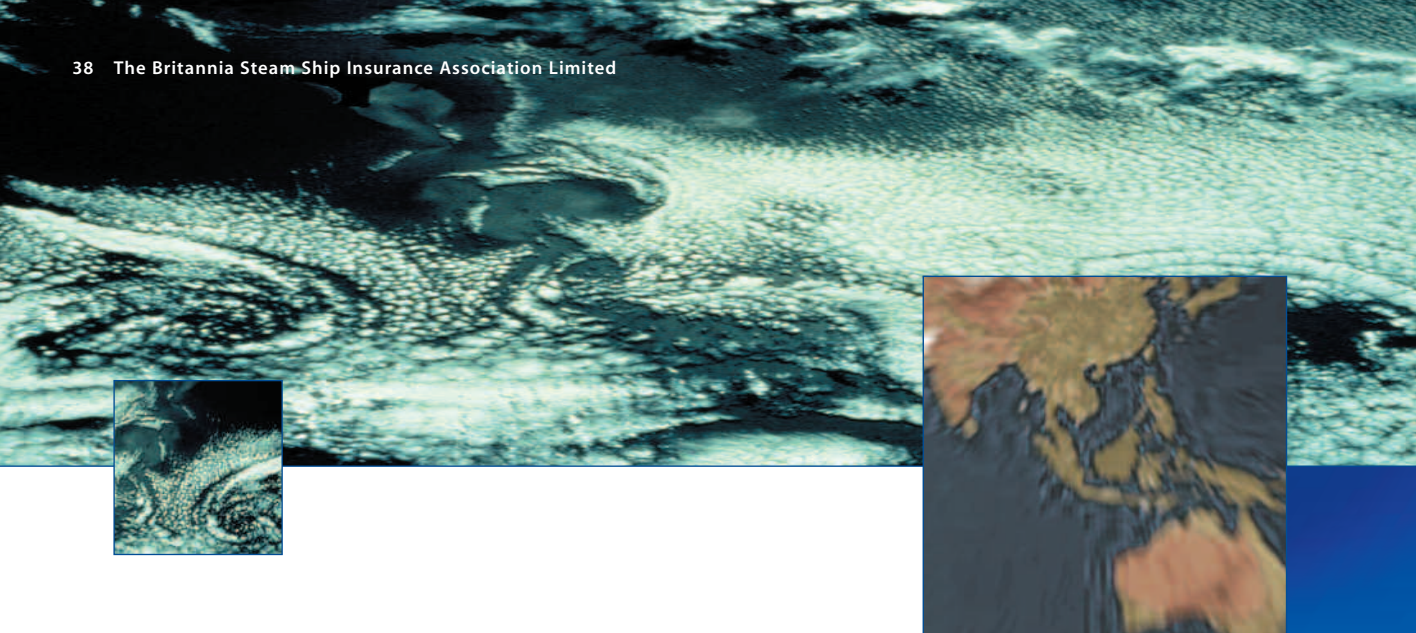
It was after midnight when the ferry finally reached the stricken ship and managed to get a line connected, despite the appalling conditions. It broke after only half an hour. Another line was rigged up and our intrepid little ferry again began tugging at the car carrier in an effort to maintain the ship’s position. She managed to keep this up all night. At first light, the ferry was joined by the landing craft and the two of them, pulling in tandem for all that they were worth, succeeded in keeping the car carrier from drifting onto the nearby coast. The entire enterprise was little short of a miracle.

The next day the wind dropped; the car carrier restarted her engines, and the Club Correspondent applied himself to the task of persuading the harbour master to change his mind. The ship limped back to the safety of the port where a berth was finally found. A real disaster had been narrowly averted.

The Club is not involved in many cases offering such drama, but the story neatly highlights the qualities that the Club looks for in a Correspondent: initiative, local knowledge, experience and dedication. Club Correspondents work round the clock – providing the eyes and ears of the Club whenever and wherever they are needed to protect our Members’ interests. Individually and collectively, they provide a remarkable service to Club Members, safeguarding their interests in over 140 countries and 390 ports worldwide.

Our network of Correspondents, exclusive and non-exclusive, is an indispensable part of the service we provide to Members. They are usually the first on the scene, ready to look after the Master and crew, evaluate the situation and, where possible, suggest practical solutions. Good communications, cooperation with all parties involved and expectation management are just some of the many skills that are required.

Britannia’s first printed list of Correspondents (or representatives as they were then called) appeared in the 1921 Rule Book: the list contained less than 100 names in as many ports. You may be surprised to learn, however, that 15 of those firms are still listed by the Club today. The roll of honour is as follows:



### List of Representatives

Correspondents who were listed in 1921 and are still listed today

Port	Correspondent
Ancona	Humbert Kane
Balboa	Panama Agencies Co
Bergen	J Martens (now Martens Services A/S)
Bremen	J&K Brons
Brisbane	Thynne & McCartney
Colon	Panama Agencies Co
Halifax, NSW	Pickford & Black Ltd
Hamburg	Claas W Brons
Hull	McAusland & Turner
Lisbon	Pinto Basto & Co
Newcastle, NSW	Sparke & Millard (now Sparke Helmore)
Oporto	Pinto Basto & Co
Panama	Panama Agencies Co
Piraeus	Georges Rediadis (now Deucalion Rediadis & Sons)
Salonica	J Nehama & Co (now G Nehama & Co)
Valletta	A Duncan & Co (became H Vassallo)

H Vassallo of Valletta must bear the privilege, however, of being our oldest recorded Correspondents. Mr C Bugeja, on a visit to the Managers in 1995, brought with him a copy of a letter dated 18 June 1864, addressed to Addison Duncan (the previous name of H Vassallo), which reads as follows:

*Dear Sir,*

*We have today received your letter of the 10th Inst and in reply beg today that, in consequence of the death of Mr Peter Bingham, of the firm of Messrs Dalzel and Gingele, with whom we lately corresponded we will, with pleasure, correspond with you, in future, upon the business of ships, insured in our Clubs, that may put into Malta, and we will thank you to keep us fully advised of everything that may affect the Underwriters for whom we act.*

*Yours truly,*

*Peter Tindall, Riley Co*

Our Correspondents are not agents, in the strict sense of that word, because they have no formal agency contract. They are merely listed by the Club in the Rule Book, having agreed to assist Members, when requested, on a case by case basis. The relationship is, therefore, essentially personal; based largely on loyalty and trust.

Britannia's Correspondents vary considerably as to size and type. Some are dedicated solely to P&I work; others, largely because of their remote location, survive principally as ship's agents; some (mainly in the US) are maritime law firms, capable of handling complex oil spills; others boast few formal qualifications – just years of experience.

A handful of these Correspondents, however, enjoy a somewhat different status and perform a rather more extensive role. These are Britannia's exclusive Correspondents. Exclusive Correspondents are not listed for any other Clubs; they work only for Britannia and provide representation in those areas where the Club has a concentration of business. In a way, they could better be described as 'Super-Correspondents', because they are called upon to do everything that an ordinary Correspondent does while, additionally, providing a specialised service to those Members located within their country or region.

They are the face of Britannia in their local shipping communities. They assist and explain, interpret and translate whenever they are needed. With unrivalled experience of their regions and an intimate knowledge of the local membership, they help us in London to understand local needs, local concerns and local problems. Reciprocally, their training with the Club over many years and their experience of the shipping industry in its widest possible sense helps them to explain to the membership the intricacies of difficult claims and the importance of wider issues facing the whole P&I scene.

Times may have changed over the last 150 years, but the role of the correspondent remains an integral and indispensable part of who we are and what we do. Their work and dedication, persistence and expertise are admired and appreciated by shipowners and Club managers alike. They are the friend in need that is a friend indeed.



# Britannia's Exclusive Correspondents

A series of profiles



## 1 Chiang Marine Services Co Ltd – Taipei

The 1970s saw a substantial growth in the Taiwanese fleet and Britannia's entry grew with it. In 1981, it was therefore decided to appoint Capt Mike Chiang as the Club's Exclusive Correspondent. Based in Taipei, Capt Chiang was well known to the Managers through their relationship with China Union Lines. He had been at sea with that company for 14 years – four of those as Master. When he founded Chiang Marine Services (CMS), there were just three staff (including Capt Chiang). Initially, CMS only provided a claims service for Britannia's Taiwanese Members, but after a few years, CMS took over the full role of P&I Correspondent. They now handle claims and related matters in Taiwan for all Britannia's Members. By the end of 2004, the number of staff had risen to 10 – including Mr Kenny Chiang, Capt Chiang's son, who plays a key role in the business.

## 2 Cornes P&I Co Ltd – Tokyo and Kobe

Cornes & Co is an old company with a venerable history almost as long as Britannia's. It was formed in Yokohama in 1861, by Frederick Cornes (born in Macclesfield, England, in 1837) and his partner William Aspinall. The company was originally known as Aspinall, Cornes & Company and its main business was the export of silk and green tea. By 1868, however, their activities had expanded and in this year they were appointed agents for Lloyd's of London.

The relationship with Britannia did not begin until 1953, when Cornes & Co were appointed as Correspondents in both Kobe and Yokohama. The listing in Tokyo finally appeared in 1974. Mr M Yagiu, who headed the P&I section and worked for Cornes from 1962 until 2001, was given the Order of the British Empire (OBE) by the Queen in 1998.

In 1994, it was decided to create a separate company; though this is still in the full ownership of Cornes & Co. Today, Cornes P&I Co Ltd is headed up by Mr Y Tajima in Tokyo and Mr M Ida in Kobe. They employ a total of 16 staff in both offices and look after all of Britannia's business in Japan.

## 3 Correduria General Maritima SL – Bilbao and Madrid

In 1899, the *Cobetas* became the first foreign-flagged vessel to be entered in Britannia. Owned by a company based in Bilbao, she was entered through the offices of Harris & Dixon in Bilbao. Many ships followed – including, in 1900, a ship called the *Marte*. The *Marte* was commanded by Capt Santos Lachiondo, the great-grandfather of Britannia's current representative in Spain. When he came ashore, he joined Harris & Dixon – and when Harris & Dixon decided to close their office in Bilbao, Capt Lachiondo opened his own, under the name Correduria. Since that time, Britannia has covered around 90% of the Spanish-owned or controlled fleet.

To celebrate the centenary of Britannia's involvement in Spain (in 1999), a two-day Conference was organised in the magnificent surroundings of the Guggenheim Museum, Bilbao. Bilbao was no stranger to Britannia meetings, having hosted the first Committee meeting ever to be held outside London in 1974.

Mr Jon Lachiondo in Bilbao and Mr Imanol Basterretxea in Madrid look after the Members and deal with their enquiries, ably assisted by their two long-standing secretaries, Miss Carmen Miranda and Mrs Susana Franco.

## 4 P&I Bros – Seoul and Busan

By the early 1980s, Britannia's entered tonnage in Korea had increased significantly. In order to ensure a dedicated service for our growing Korean membership, it was decided that it would be appropriate to appoint an Exclusive Correspondent. In 1984, Y K Park – who was working for our listed Correspondent, Eastern Shipping – was asked to set up an office. This he did, with the full agreement of Eastern Shipping, and his brother opened an office in Busan. They called the business P&I Bros! The two offices now employ a total of four staff.

## 5 Pandisea – Singapore

Pandisea was set up in April 1998 to meet the growth in shipping in South East Asia. As well as looking after Members in Singapore, the office also handles and oversees claims arising in the region involving Britannia Members, especially in Malaysia where they work in association with our local port Correspondents.

The office is staffed by a team of six, and is headed by Jaya Prakash, a lawyer who has had many years of experience in active legal practice in shipping and maritime law. Capt Hamdam Osman has had command experience and, subsequently, many years in dealing with commercial shipping and chartering. Laurence Corray is a trained lawyer who, prior to joining Pandisea, worked in cargo insurance. Dorothy Peters and John Lee add to the claims team, and they are supported in the administration and accounts functions by Masnah Beran.

## 6 Sureness Marine Services – Hong Kong

In 1963, Alister Inglis was appointed as Britannia's General Representative in Hong Kong and was listed jointly as a Correspondent. By February 1990, business had grown to the point where it was necessary to change the arrangements, and a new company was duly established by him and Mr H L Ming, called Sureness Marine Services (SMS). SMS has been Britannia's exclusive Correspondent in Hong Kong since that date.

SMS went through difficult times in 1997 and 1998 with the sad demise of Alister Inglis and Mr Ming in consecutive years. Fortunately, however, they had organised the day-to-day running of the office well, and their successors were able smoothly to effect the transition of management. Today, the office has responsibility for assisting Members in Hong Kong and also in mainland China. The volume of work at SMS has increased considerably in recent years – largely as a result of the considerable growth in the Chinese economy. SMS now has a staff of eight, headed by Mr Stephen Luk and Capt C K Kai.

1855

{ fairness and equality in underwriting

in praise of

# Mutual

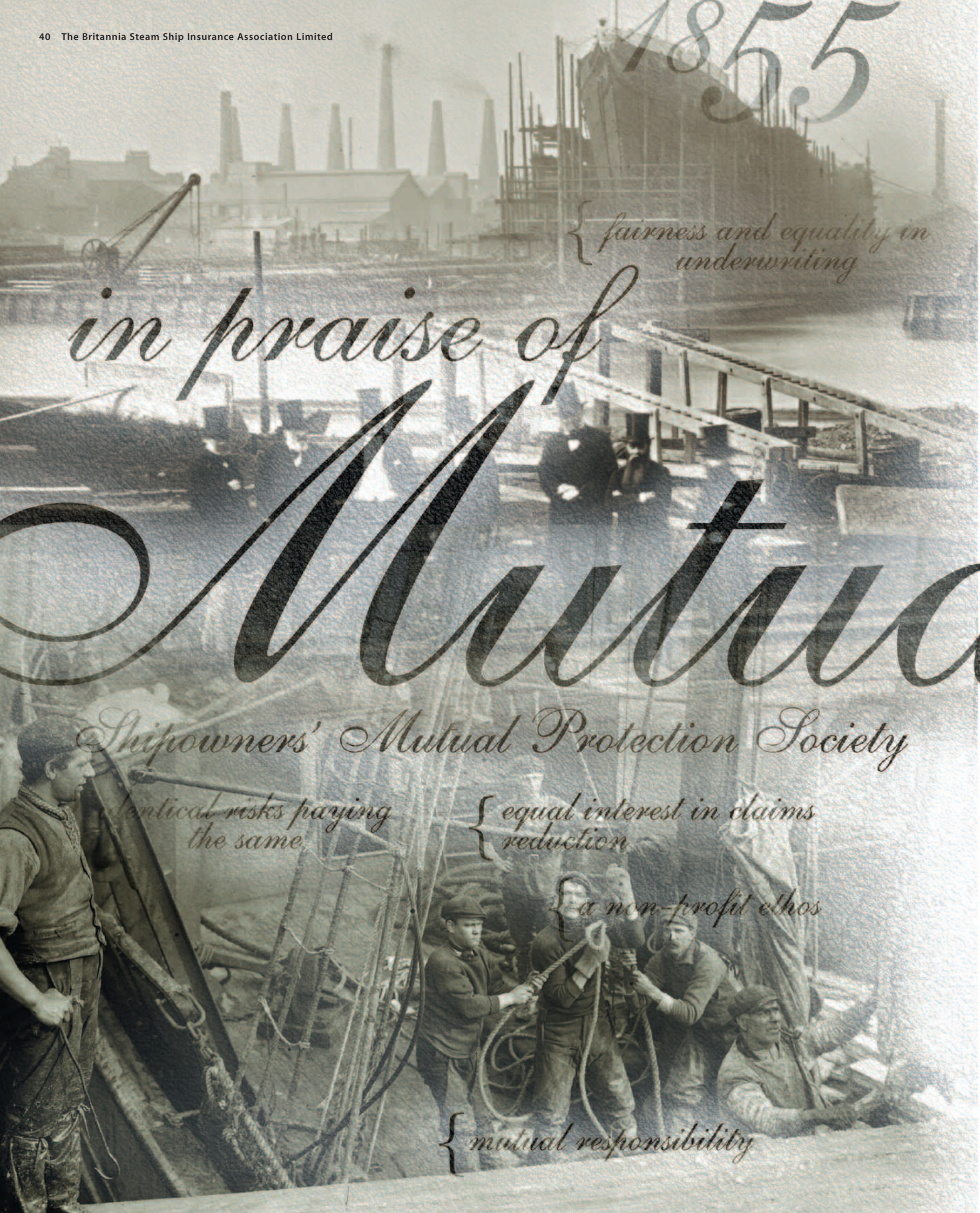
Shipowners' Mutual Protection Society

{ identical risks paying the same

{ equal interest in claims reduction

{ a non-profit ethos

{ mutual responsibility



Michael Grey, who wrote the following article, needs no introduction. He is a columnist, leader writer and former Editor of *Lloyd's List*. He has written about the marine industry for some 35 years, after a 12-year career at sea in the Australasian trades with the Port Line. He is a non-executive director of Spinnaker Consulting Ltd.

A club, it was once said (almost certainly by somebody who did not belong to such an establishment), 'is created by Englishmen in order to deny entrance to others'. Well, that's a bit unfair. More charitable souls will suggest that the club as an institution is best described as a gathering place of mutual interests – and that definition is just as applicable to a golf club as it is to a tennis club; or even a nightclub, for that matter.

It is a definition that fits the inhabitants of the Protection and Indemnity world admirably. People like to 'belong' – it's a very human and not dishonourable trait.

Nobody wants to be lonely, 'out on a limb', and most of us can understand that the chorus is heard further than the voice of the solo performer. Moreover, mutuality is a lovely word and the principle of mutuality – of 'being in this together' – suggests a certain nobility of purpose, the very antithesis of selfish individualism. Mutuality, illuminated by the principle of protection rather than profit, has galvanised many fine causes and inspired gatherings of people throughout history.

In our maritime context, mutuality implies shared interests, joint enterprises and common ambitions, a notion that was well understood by the mid-Victorians who inhabited the exciting world of shipping when this concept first arrived on the maritime scene. Societies and institutions for the furtherance of engineering and science, for medicine and geography, thrived, as they had never done before, in the heat of an industrial revolution and a fast-growing middle class.

The time was ripe for mutuality. The world was shrinking, populations were on the move; the British Empire – like it or not – was the greatest trade generator the world had ever seen. Ships were the very vehicle of international progress, whether it was the sailing brigs that fuelled the industries of London with Northumbrian

coal, the North Atlantic packets which were populating North America, or the big sailing ships which worked their way around the southern capes to the Orient and Australasia.

But in the maritime world, in the middle of the 19th century, a revolution was under way, one that would eventually see the steamship reign supreme and the last canvas furlled on the commercial sailing vessels, whose line stretched unbroken into prehistory. In those days, when shipowners met, the discussion revolved around the superiority of screws over paddles, the supposed reliability of steamships over sail and, much as today, the difficulty of obtaining prime seamen. Sailing technology was old technology, a relic of a conservative world. You only have to read Dr Oliver Walton's article in this publication to understand the impact and scale of these changes.

The revolution that was to see the incorporation of engines and iron, along with more sophisticated equipment than that carried aboard wooden sailing ships, inadvertently left shipowners exposed and led indirectly to the arrival of mutual insurance. For although wind-driven ships were, as they always had been, risky ventures, and shipwreck was a constant companion to the 19th-century windship sailor, values were low and the risks well understood. Steamships, by contrast, were appallingly expensive and, for some reason, appeared terribly prone to collision. Shipowners and nautical men pondered long and hard about this but came to the conclusion that while sailing ships tacked back and forth at the mercy of the wind, a steamship would take the shortest distance between two points, inevitably meeting another coming in the reciprocal direction!

There is a curious contemporary parallel: a 21st-century rise in collisions apparently caused by ships navigating with the extraordinary precision vouchsafed by satellites, with every vessel following the same computer-generated 'optimum' course, and navigators sometimes reluctant to look out of the windows.

Such an encounter in 1855 would hit a shipowner very hard in the pocket, not least because hull insurance obtained from the Lloyd's underwriters (who had shrewdly detected this worrying trend in steam-assisted collisions) covered only three-quarters of the collision damage. Also, not entirely unlike today, shipowners were suffering under new liabilities heaped upon them by the regulators; in this case, the British Board of Trade, which had inflicted the 1854 Merchant Shipping Act upon them, bringing with it third party loss of life and injury liabilities. Steven Hazelwood illuminated those issues excellently in his article earlier in the publication. People facing these financial challenges did not need to be alone.

Mutual insurance and the development of the P&I Clubs were a sensible reaction of supremely practical people, who saw the advantages of a common approach to the problems they individually faced. They began with owners who tended to operate the same sorts of ships in the same type of trades, who probably knew each other socially, even though they were competitors; but, from the start, the principles of a non-profit-making enterprise and equity in underwriting were established. This was genuine mutuality and it has stood the test of time.

There are certain features of the modern shipping industry which might appear old-fashioned and traditional, perhaps open to criticism, by radicals who know only half the story, but even they will concede that, after deep reflection, it is nigh impossible to come up with anything better than mutual insurance.

The ability of the P&I Club to adjust to changing technology and circumstances has been one of its great benefits for members. Shipping is supposed to be staid and conservative in comparison with other industries. Well, this conservative industry

has during the past 25 years produced 8,000 teu containerships, 135,000 cu.m. LNG ships, 6,000 car capacity vehicle carriers, 60,000 ton passenger ferries, freight ro-ros capable of taking 7km of freight off the roads, double hulled VLCCs, 50-knot ferries, 2,500 passenger cruise ships, 100,000 hp diesels, propulsion machinery three times as economical as that of 1975, deep ocean technology, semi-submersibles, wave piercers, barge carriers, and that's for starters. We have had the age of the supertanker and the superspill. Whole new technologies have been taken to sea by the industry, but they have caused few ripples in this mutual system which has taken them all in its stride. Mutuality – non-profit-making, its members under a mutual responsibility to contribute to the damages which may be suffered by their association through its obligations to insure any one of its members – is something that has stood the test of time.

Nothing if not adaptable, mutuality has had to cope with huge changes in values and societal attitudes, moving into an era where there is an absolute intolerance of accident, a culture of blaming and a gradual move towards criminalisation of those involved. Doubtless it will adjust, as it always has.

And over the years, mutuals like Britannia have had to adjust to the extraordinary changes that have taken place to the 'geography' of shipping. In those mid-Victorian days, when The Shipowners Mutual Protection Society was formed, most of the world atlas was coloured red and the red ensign was the predominant flag in practically every port. Today, the club serves a global industry in which just over half of its Members are located in Asia. Only about 2% of the membership is UK based. Is that an anachronism? It manages to serve this global membership base, simply because it delivers what the membership needs; providing expertise whenever it is needed. The location of the managers, it could be argued, has, through excellent worldwide communications, become almost immaterial.

It is worth thinking about the practical advantages of club membership, and this expertise comes high on the list. Not even a very large individual member can possibly hope to have the breadth of experience and knowledge that comes from the combined fleet of the club's membership. And while the club has experts available in every field that could be required, from the members themselves comes the experience of operating ships, day by day, year in, year out. You cannot replicate this experience, only share it, but from this experience will come the answers. The individual member finds himself plugged in to a global network of correspondents – the sensors of the club – first on the spot when they are needed, and the conduit to the necessary expertise. Whatever happens, the club is there to help, no matter what the problem, in whatever part of the world the ship happens to be.

It is a commercial difficulty, with a very doubtful clause in a charter party – expert legal interpretation is on the way. There is an issue of cargo care or product purity – technical expertise is on hand. There is some extraordinary accident aboard – once again, the club will help humanely, and protect the member. Your problem might seem unique and insoluble, but there is a man or woman that the Club can lay hold of to make your problem seem commonplace. Protector, defender, helper, possibly even a powerful lobby when regulatory changes are in the wind, or injustices are discovered, a club has today become an all-purpose 'Mr Fixit'



equal interest in claims reduction

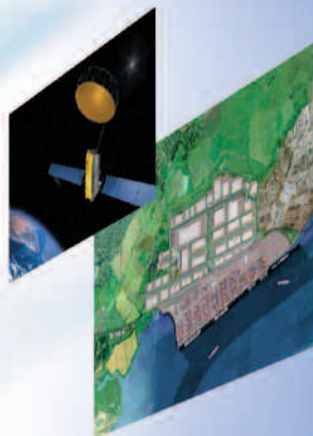
in praise of

mutual

Mutuality provides a channel from the world of practical shipping to its regulatory and commercial backcloth. The clubs are involved if regulations look like commercially discommoding the shipping industry. They participate in the development of new charter parties and clauses, and guide the industry in their use. They help to produce better regulations and fairer documents. Founded on the principle of equity, they are one of equity's staunchest champions.

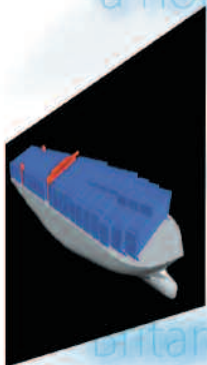
Mutuality works, not least because it is on the side of the angels. For years, politicians and those with limited knowledge of the industry have complained about the inability of the various links in what they like to call the 'quality chain' to run the substandard ship out of town. Commercial underwriters, brought up from their mother's knees on the premise that their sole duty was to take more in premiums than they pay out in claims, tend to get rather fed up with this preaching.

2005



a non-profit ethos

identical risks paying the same



Britannia



insurance



The mutuals, on the other hand, can point to risk reduction and accident prevention programmes, their professional surveyors assessing members' ships and investigating accidents. They can point to the patient learning of lessons from accident trends and the energetic promulgation of these lessons to members. They can also indicate a leadership role in claims reduction and marine safety research.

But above all, they can emphasise the way in which the members are empowered and encouraged to undertake their own preventive measures as they are informed about accidents and accident trends. They have an equal interest in claims reduction, because this will be reflected in their own contributions. They themselves want the club to be successful. It is a sort of self-interest that makes sense.

Goodness knows what the founding fathers of the club that has become the Britannia would have thought, if they could have seen what their enthusiasm and energy produced between a few friends in 1855 has now become. They would scarcely even have begun to guess at the changes to the shipping world, its size and variety, its complexity and sophistication. But I also think that, given supernatural powers to leap 150 years on, they would have discovered a surprising amount that is consistent with their own definitions of mutuality – fairness and equity in underwriting; identical risks paying the same; a non-profit ethos.

Members on the same side. Shared problems. Joint solutions.

'We're still in this together!' – they may conclude.





A postscript by Roger Grover  
Chairman, Tindall Riley (Britannia) Limited

# The Next One Hundred and Fifty Years

'The future is a foreign country:  
they will do things differently there.'

I wonder if that is right – will they do things differently in the future? What does the future hold for Britannia and the International Group of P&I Clubs? Is it conceivable that the Association will still be doing business as a mutual insurer in another 150 years?

It would be interesting to know what John Riley or Peter Tindall would have said, if they had been asked about the future of their new P&I Club in 1855. Would they have predicted a future of sustained growth lasting over 150 years? It is quite possible that they would have; after all, in the mid-19th century, Britain's economy was growing at an unprecedented rate, their other businesses had proved successful and they apparently had every reason to feel confident of the future. Why might their new Club not last for 300 years, or more?

If they could join in our celebrations this year, they would almost certainly be amazed by the extraordinary technical developments that have taken place since 1855: they cannot possibly have conceived of instant communication throughout the world, ships of over 100,000 gt, commercial flights to every corner of the earth, satellite navigation, containerisation and computerisation. It would all seem quite bewildering. Yet their biggest surprise might not lie in the progress achieved but rather in the lack of it. They would surely be shocked to discover that, despite all these remarkable developments and sophisticated technical aids, ships still manage to lose their way and run

aground, damage their cargoes and collide in open waters. Looked at from that perspective, little might seem to have changed. Indeed, John Riley and Peter Tindall might easily take the view that, on balance, we are doing virtually the same things as they were; it is just that we are doing them in a different way.

So, if the present is similar to the past, is it possible that the future will turn out to be similar to the present? Much depends, of course, on the survival of the mutual system. If it were to fail or be regulated out of existence, the industry would change radically and for the worse. Apart from being more expensive, levels of service would almost certainly decline as a result of the need to deliver shareholder value. It is actually questionable whether cover would be available for the level and scope of liabilities contemplated under some of the draft conventions now circulating at the IMO. In short, it is arguable that the loss of the mutual system would not just be bad for shipowners, it would actually be bad for everyone else as well.

As the Chairman commented in his introduction, the survival of the International Group and its Pooling arrangements will depend primarily on continued support from shipowners and a pragmatic, common-sense approach by regulators. It should not be forgotten, however, that much of the responsibility for fostering and maintaining that support lies with individual Club Managers. Policy is, of course, the preserve of the Committee, but implementing policy

on a day-to-day basis rests with Club Managers and it is on their skills and professionalism that the system must ultimately rely. The work undertaken by the International Group Secretariat and the numerous Group Sub-Committees is admirable testimony to the ability of Group Club Managers to work together for the common benefit of shipowners. It is vital that we all continue to foster and maintain that spirit of cooperation.

Tindall Riley is proud of the role that it has played in the success of Britannia and proud that it, too, is celebrating its 150th anniversary this year. On behalf of the Managers, I should like to thank the Club's Members, the Correspondents, lawyers, experts and many supporters who have shown such confidence in us over the years. We can assure you all that we shall do our utmost to provide the Association with the highest level of service in the years to come.

# A DIP INTO THE FUTURE

What will the shipping industry be like in, say, 25 years' time? What can we all do to help the industry improve its image and make it safer? Will climate change radically alter trading patterns? To try to gauge what the future might hold for us all, we decided to ask a cross-section of the industry where they think the shipping industry is going – and where, ideally, they would like it to go. We are deeply grateful to the many people who took the time and effort to respond to our questions. Their answers make fascinating reading.

To start the process, we asked Drewry Shipping Consultants three questions. Mr Nigel Gardiner, the Managing Director, kindly provided the replies:

**Do you think that oil will still be the principal source of power for vessels over the next 25 years?**

Yes. We believe that most ocean-going vessels will continue to use oil as the major source of fuel for the foreseeable future. LNG carriers will be an exception. They will be equipped with reliquefaction plants, allowing use of a dual fuel system (gas and fuel oil).

NOx (oxides of nitrogen) emission limits prescribed by Marpol Annex VI will be a challenge for existing vessels. Steam (coal/oil burning) powered ships will have the hardest task, but various design modifications are now coming onto the market, and it is generally felt that most owners will achieve compliance by the 2010 due date.

SOx (oxides of sulphur) presents different problems, affecting engine builders, bunker suppliers and lubricant manufacturers. Research is currently under way to develop machinery and equipment that are capable of handling heavy residual fuels. Lubricant manufacturers are trying to develop a new brand of lubricants, with different additives, in order to compensate for the necessary reduction in the sulphur content. Again, coal burning ships will find SOx control the hardest. Gas turbines use jet fuel, so SOx control is not an issue.

There has been one nuclear-powered commercial vessel. The vessel was a commercial failure as the energy cost was far more expensive than ordinary fossil fuels. Even if this cost could be radically reduced, there will always be the fear of radiation leaks – either through poor maintenance or an accident. The threat of a terrorist attack would be ever-present.

Wind power has been tested on small coastal bulk ships without success, largely because the sail area has proved insufficient to move the vessels – let alone provide sufficient speed. However, if the price of oil were to rise to, say, US\$70 or 80 per barrel (in today's terms), it is possible that small coastal vessels, using aluminium foils and computer controlled sails, may come back into vogue.



**Do you think that, in 25 years, ships will have changed radically or that we will be using the oceans differently?**

Basic ship design will not change radically. However, high-speed coastal services will become more common in coastal and short-range feeder services. This is already happening to some extent in Japan.

Cross-Atlantic passenger services on high-speed ferries may achieve one-way trips in 3.5 days.

Fleet growth in the foreseeable future is expected to continue at around 2% per annum. Hence, there will be a greater number of ships in 25 years. The oceans will be even busier.

Coastal wind, fish and wave farms will become more evident as the world tries to achieve the objectives of the Kyoto declaration.

Deep ocean/earth faults may be used for dumping waste. The theory has already been tested: and there will inevitably be a need for deep-water exploration for oil and minerals.



For I dipt into the future,  
far as human eye could see,  
Saw the Vision of the world,  
and all the wonder that would be...

Alfred, Lord Tennyson – from *The Lord of Burleigh* 1842



### In 25 years, how large do you think the largest container ship ever to have been built will be?

At one point, it was considered impossible to exceed 8,000 teu, a myth that has now been broken. 10,000 teu ships (and above) are now being considered. Subject to an optimum service speed of 25 knots, the principal limiting factors are:

- the size of the propeller and aperture of the stern frame;
- the size of the stern tube bearing;
- the size of the thrust bearing; and
- the number and size of the intermediate bearings.

Dual slow speed engines have been considered, but the 'A' frame has proved the weak link. However, engineering imagination has never been shackled and we believe that solutions to these problems will be found.

Drewry has conducted extensive research into the economics of various container ship sizes and has concluded that the likely maximum container ship size will be around 12,500 teu. Such vessels, however, will be deployed on a highly selective basis. The primary reason for this is that even larger and/or deeper-drafted vessels have a severely reduced choice of ports they can enter. This reduces flexibility and even cuts access to certain markets altogether. Container ship size will remain a delicate balance between the desire for economies of scale and the desire for flexibility.

Building on the theme of ocean usage we had raised in our second question, and inspired by a recent eight-nation conference on the future of the Arctic, we asked Mr Roger Day of our Vancouver Correspondent, Shipowners Assurance Management, to summarise the issues:

### Is it possible that, in the foreseeable future, the North-West Passage leading from the Atlantic to the Pacific could be opened to commercial traffic?

It depends on whom you believe. Those of the scientific community engaged in studying climate change, its extent, its effects and the reasons for global warming (there at least appears to be consensus that the Earth is warming) hold widely varying opinions on all three counts.

One effect, however, upon which most seem to agree, is that over the past 50 years or so, ice fields in the Arctic Ocean have retreated northward, and the ice has thinned. If these observed effects continue at their present rate, then it is highly likely that the North-West Passage will become as readily navigable as is, already, the Northern Sea Route 'over the top of Russia'. That 'if' is important because there are a number of scientists who foresee a somewhat different scenario unfolding.

It is possible that global warming could lead to a reduction in the salinity of the two major oceans, as ice fields, glaciers and ice caps melt. That would, in turn, lead to the interruption of Earth's great heat exchangers – those ocean currents that transport tropical warmth to the, currently, temperate northern latitudes. Some researchers believe it has happened more than once within the past 20,000 years or so and could easily happen again. More startling is the fact that the same research seems to suggest that such changes happen extraordinarily rapidly – over a matter of only a decade or so. The outcome would be a spreading southward of the polar ice, a Siberian climate for Europe and, of course, the complete blockage of the Arctic Ocean to all forms of marine transport, other than perhaps sub-surface craft.

Assuming that the worst does happen – that the ice fields continue to retreat and the Arctic becomes navigable – then weather conditions in the North-West Passage are likely to remain almost as severe as they are at present; there would just be less and thinner ice. It's not likely that, within the next 25 years or so, any merchant ship will be able to navigate the Passage as easily as she now navigates the Mediterranean Sea. Commercial vessels will likely be dedicated fleets of ice-strengthened, specially equipped vessels with equally dedicated crews who will have to be well equipped and well trained.





We went to a number of people to see how they thought the industry's safety record might be improved:

**Given your area of business and field of expertise, if you could effect one change that you think would improve maritime safety and/or reduce the number of claims (hull and P&I), what would that change be?**

If ships' crews rigged pilot ladders properly, as per SOLAS (there's a poster on how to do it on every ship), then it would annually save several deaths and many serious injuries. Pilots come on board to help ships and their crews – why kill or maim people who are there to help?

*(Mr Nick Cutmore, Secretary General, The International Maritime Pilots' Association)*

Provide ships' officers with digital cameras to ensure that contemporaneous evidence is always available. *(Mr Jeremy J Thomas, Constant & Constant, London)*

Structure onboard tasks and record keeping to 'aircraft-like' levels.

*(Mr Jamie Neill, Ausship, Sydney)*

The principle of ship's responsibility ending at the manifold or ship's rail (in respect of liquid cargoes) is not followed in our part of the world. All judgments are based on shore tank figures, which are considered more accurate by the Judges. This practice has to be changed by all means.

*(Capt Syed Shahrukh Abbas, James Finlay PLC, Karachi)*

...change how people are educated. Education should not just be academic but practical which can be utilised on a job basis.

*(Mr Selim Bilgisin, Vitsan Mumessillik ve Ticaret As, Istanbul)*

Stringent international and national control of flag of convenience registries, their practices and their ships. *(Prof William Tetley QC, McGill University, Montreal)*

Invent an efficient OWS system that easily accomplishes the job that it was intended to do! *(Mr Mike Chalos, Fowler, Rodriguez, Chalos, New York)*

Shipowners should make determined efforts to ascertain the real (not necessarily the apparent or obvious) cause of the error and make sure that all of their sea-going and land-based staff learn from the results.

*(Mr Roger Day, Shipowners Assurance Management, Vancouver)*

You need to change the attitude of senior management regarding risk assessment and the implementation of risk management systems so that they approach it in a systematic and comprehensive way. The future of the shipping industry will depend on a reinforcement of collective responsibility, preventing and controlling risks, in order to promote real safety and the image of a quality industry.

*(Dr Aleka Mandaraka-Sheppard, Head of the Shipping Law Unit at University College London and founder of ORA Maritime Risk Management Ltd, London)*

We then went to many of our Members and asked them a series of more general questions about the future of the industry. It is impossible to list each and every answer received – because there were so many – but here are some of the replies, together with a summary of what the others said:

**Do you think that, in 25 years, the number of crew on ocean-going ships will have fallen below 10?**

Very few Members answered 'yes' to this question. The vision of the vast tanker, or bulk carrier, wending its way across the oceans with only a handful of men (or women) was, generally, not considered feasible – or even advisable.

Technically it is feasible, manned by a Master, three deck officers, two engineers, one cook, one messman and an extra hand, providing the vessel is highly automated. Additional shiphands can be despatched for mooring and unmooring. Hold cleaning and ship maintenance can be left to shore labourers and riding crew. But overall, it might not make economic sense. Hence, we think it is unlikely.

*(Mr C C Young, Teh-Hu, Hong Kong)*

There will always have to be a minimum number of staff on board to cater for the necessary tasks to be done. In the 70s, when automation caused reduced crews, visions were voiced that ships could sail with very few crew members, that maintenance could be done by travelling squads and mooring crews would meet the vessel in port. Very few of these fantasies have proved workable.

*(Mr John Solberg, Kristian Gerhard Jebsen, Bergen)*

Pirates should be watched by crews rather than machinery.

*(Mr Y Kayano, Toko Kaiun, Tokyo)*

My answer is short and simple – No.

*(Mr Toralf Soreness, Odfjell ASA, Bergen)*

Though it is technically possible... I do not believe it will be done. In my company we only operate chemical carriers, which are very work-intensive – especially with regard to the cargo operations, tank cleaning and preparation for the next voyage.

*(Mr Harald Nesse, Jo Tankers, Bergen)*

Not a chance!

*(Mr Martyn Black – Saudi Aramco, Dhahran)*

Time present and time past  
Are both perhaps present in time future,  
And time future contained in time past.

T S Eliot (1888-1965) *Four Quartets: Burnt Norton*

Leading on from that theme, we wondered whether the profile of crews might change; so we asked:

**Do you think that, in 25 years, the number of women going to sea will have increased?**

There was quite a variety of opinion here. Some said that there would be no increase at all (the life is too unattractive), and others thought that any increase would only be slight. However, a number were much more positive:

It is certain that more women will go to sea. *(Mr S Masuda, NYK, Tokyo)*

Difficult question, so I asked our Chief Marine Superintendent for his assistance and he answered 'Yes'. Ladies nowadays are now stronger, physically and psychologically. *(Ms Helena Rawka, Polish Steamship, Szczecin)*

...control rooms will no longer be occupied by men only. Catastrophes might be reduced under the command of women who are used to be more careful than men. *(Mr C Y Lau, Wah Kwong Shipping, Hong Kong)*

There is a possibility due to a shortage of men willing to go to sea, as they may no longer find it challenging. *(Ms Jenny Ng, Aurora Tankers, Kuala Lumpur)*

Yes. In fact one major Japanese company – one of the big three – is about to commence a trial scheme. *(Mr Hamada, TMM, Tokyo)*

We believe that it will not be a problem for women to work on vessels. We foresee that there should be more women in future. *(Ms Debbie Yang, Sincere Industry Corporation, Taiwan)*

**And what about flags of convenience? Do owners think that they will still exist in 25 years, or will they have had their day?**

**Do you think that flags of convenience will still exist in 25 years?**

The first answer is interesting because it picks up on a theme that runs through Dr Oliver Walton's article. Other opinions were completely mixed:

Shipping is linked to globalisation because its business is made in a global economy, therefore it is inevitable that flags of convenience (better to use the term Free Registers in order to improve shipping's image) will exist in 25 years. *(Mr Gonzalo Rodriguez, ERSHIP, S A, Madrid)*

In my view, the structure itself may be changed, with Open Registry ships employing crews of convenience, as suggested by Lawyer Shimoyamada. *(Mr Y Kikuchi, Hokusho Shipping Co Ltd, Kobe)*

Yes, but some less 'qualified' flags might fade out. *(Mr T Murakami, Kotoku Kaiun, Kinoura)*

Flags of convenience might even increase. *(Dr Frank Lu, Yang Ming Lines, Taiwan)*

I think so. Many smaller countries might take the opportunity to earn foreign dollars. *(Mr I K Tan, PIL, Singapore)*

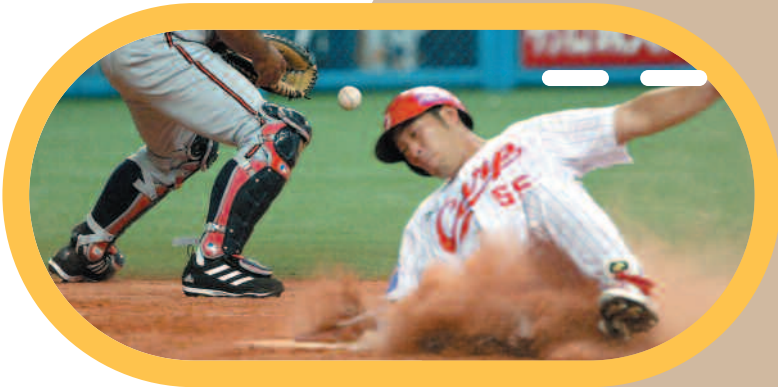
No. We think there will be no difference between the national flag and the flag of convenience. *(Capt W K Cheung, Tai Chong Cheang Steamship, Singapore)*

Yes. *(Mr K J Park, Korea Marine Transport Co, Seoul)*

The number of flags of convenience will be reduced to a handful, running a responsible maritime administration... Registries need to be registered. *(Mr Alan Chan, Petroships, Singapore)*

They will exist, but run the risk of being considered by owners as flags of 'inconvenience'. *(Mr V Valentis, Konkar Shipping, Athens)*





Next, we asked Members what they thought the shipping industry might do in order to improve its image. The answers range from ingenious to amusing:

**Is there one thing that you think the shipping industry could do over the next 5-10 years in order to improve its image?**

Several replies focussed again on the basic thesis set out in Dr Walton's article:

It is a shame that it is only the big casualties that reach the public's attention. For these people, there is not the sense of seamasters and seafarers with a great responsibility, carrying cargo safely all over the world... Who will tell them?  
*(Mr Gonzalo Rodriguez, ERSHIP, S A, Madrid)*

Public relations to advertise the fact that cargo ships are necessary... to sustain economies. This may help because people have less chance to see ships.  
*(Mr Y Kayano, Toko Kaiun, Tokyo)*

The ship is the window where the image is created. The shipping industry at large must show the world that they take safety, environmental and human issues seriously... The pros of seaborne transport must be better demonstrated to the public. One cannot lead a Western consumer life without it.  
*(Mr Toralf Soreness, Odfjell ASA, Bergen)*

The shipping industry needs to emphasise the importance of transparency, quality and professionalism in all areas of management... Achieving this will contribute greatly to improving the industry's image.  
*(Mr Espen S Westre, Knutsen OAS Shipping, Haugesund)*

Shipping companies and operators should establish a worldwide union and, in a certain period of the year, have a strike all over the world, just to prove that without shipping companies/operators, the world's economy would stop everywhere. This would make people realise what a crucial role shipping plays. Of course, 'safety' in every field should be the top priority.  
*(Mr W Tanudjaja, PT Berlian Laju Tanker, Jakarta)*

Reform the old-fashioned documentation system and abolish bills of lading.  
*(SK Shipping, Seoul)*

Shipping needs better to communicate its vital role... being now one of the most reliable, safe and ecologically friendly industries.  
*(Mr V Valentis, Konkar Shipping, Athens)*

...we have to emphasise the importance of the role of the shipping industry with a loud voice.  
*(Mr M Fujita, Shinwa Kaiun, Tokyo)*

All the shipping industry has to do is design, build and operate ships that don't rust, go wrong, spew smoke, oil or other pollutants, whilst being pristine to look at, arrive on time and cost far less than they do today.  
*(Mr Martyn Black – Saudi Aramco, Dhahran)*

Focus on communication, human resources and safety!  
*(Ms Helle Lehmann, TORM, Copenhagen)*

The shipping industry's image is not so good? *(Mr S Banjo, Fuyo Kaiun, Osaka)*

Cutting adrift the substandard... *(Ms Sarah Wong, IMC Shipping, Singapore)*

The safety of the vessel is the most important factor. There is too much adverse publicity on vessel casualties that do not reflect well on the shipping industry. With fewer accidents, the image will improve significantly and that would encourage people to go to sea. By comparison, pilots of aircraft are held in high esteem.  
*(Mr I K Tan, PIL, Singapore)*

Get the industry to fund a professional baseball team. *(Anonymous, Japan)*

Perform, perform and perform again.  
*(Mr Antonio J Valdes, ConocoPhillips Marine, Houston)*

All that the shipping industry should concentrate on is kicking out substandard vessels. *(Mr J Y Sung, STX Pan Ocean, Seoul)*

The shipping industry's image is always tarnished whenever the media broadcast a major incident – such as a fire on a cruise ship, a vessel sinking and causing oil pollution, or a sinking in the Channel with a cargo of cars – only to be followed by other vessels running over the wreck. In my opinion, the only way to combat this is to conduct a media campaign – principally via television documentaries – explaining the many positive aspects of shipping. The thrust of the campaign should be that the vast majority of ships go about their everyday business without any incidents whatsoever. The general public need to appreciate that, without this form of transport, our world would not be as it is today. You could then show them the raw materials from which everyday items are made ie a bauxite mine and a finished car; a picture of a banana plantation on the Windward Islands and a hand of bananas sitting on the shelf in the supermarket; an oil well and a petrol pump. You could then show them pictures of the vessels – bulkers and oil tankers – that carry those raw products followed by pictures of the container ships that carry the finished products to their respective markets. You could emphasise the fact that security has now been upgraded significantly; how they are producing cleaner engines and new types of antifouling in order to protect the environment. The general emphasis, therefore, should be on how essential ships and shipping are today in providing the lifestyle to which we are all now accustomed. *(Mr David Tyler, Andrew Weir Shipping, London)*

**...and on a tangent, what can companies do to ensure that their image is maintained, even after a major casualty?**

A Public Relations Consultant provided the answer:

All shipping organisations, including national shipowners' associations, should do more to urge their members to train their executives in media/communications skills in the context of casualty response. It is too late to train anyone after the emergency has arisen. *(Mr Tony Redding, TRS Reprise, UK)*

## The past has revealed to me the structure of the future.

Pierre Teilhard de Chardin (1881-1955) *Letters from a Traveller*

We went to a considerable number of public bodies, private associations and non-governmental organisations to ask them the following question:

**Given your current aims and objectives, hopes and aspirations, if you could achieve just one objective in the field of shipping, or shipping law, over the next 5-10 years, what would that one objective be?**

It is disappointing that only three people felt inclined to answer this question. Replies from Greenpeace and the ITF, for example, are still keenly awaited. A special thanks, therefore, to the three brave souls who were willing to put their heads above the parapet.

To see the new ILO consolidated convention on the welfare of seafarers widely ratified so that the dignity of seafarers is upheld. Shipping companies would then benefit from a loyal workforce, bringing positive changes for safety at sea and leading to public respect for the industry.

*(Revd Canon Bill Christianson, The Mission To Seafarers, London and worldwide)*

It is the view of the International Salvage Union that the IMO should set a new priority: the adoption of international guidelines on casualty management. In late 2003, the IMO adopted the Places of Refuge Guidelines. The ISU believes that these guidelines should now be broadened to include all aspects of casualty management. This would promote an integrated response...

*(Mr Hans van Rooij, President, International Salvage Union, London)*

The practice of maritime law would be greatly enhanced if the remuneration for lawyers brought the greatest returns for prompt solutions rather than the greatest rewards to those who simply take the longest to resolve a problem.

*(Mr James Wilson, Ince & Co, London)*

We asked two eminent journalists a question regarding matters rather closer to home:

**Over the next 5-10 years, what do you consider will be the greatest challenge for the mutual P&I system?**

The system must continue jealously to guard its very basis – its mutuality. It will mean taking great care with introducing reinsurance arrangements into the mix. While links with outside insurers are essential, the Clubs must monitor how far this dilutes mutuality. A difficult balance, as liability regimes strengthen and claims volatility increases. *(Mr James Brewer, Insurance Editor, Lloyd's List)*

The customer is always right may not be such a good axiom for a P&I club. Expectations rise relentlessly, but it is not shipowners' demands that provide the greatest impetus. The never-ending foremost challenge for P&I clubs is to adequately, fairly and positively respond to their non-customers, the community. *(Mr Jim Mulrenan, Tradewinds, London)*

And finally, leading on from the above, we asked Britannia's Chairman, Sir David Thomson, perhaps the most sensitive question of all:

**Do you think that the mutual P&I system has a long-term future ?**

As I said in my introduction, the mutual P&I system ought to exist for as long as shipowners are determined that it should. The Clubs play a crucial role in the shipping industry and it is difficult to imagine any alternative system working better. The International Group – and its supporters – have an ongoing task educating and convincing the relevant regulatory authorities that the IGA is critical to the Pool, and that the benefits of the Pool far outweigh the constraints imposed by the IGA. If we succeed in this, then I am confident that the system will flourish for as long as there are ships to be insured!





'...for there is nothing mysterious to a seaman unless it be the sea itself, which is the mistress of his existence and as inscrutable as Destiny.' Joseph Conrad (1857-1924)

Born of Polish parents, Joseph Conrad grew up in Poland and Russia. He is considered to be one of the greatest novelists and prose stylists in English literature. Conrad went to sea in 1874, joining an English merchant ship in 1878. Towards the end of that year, he served on board the *Duke of Sutherland*, a sailing ship owned by John I Jacobs & Co. The ship was entered in the London Association for hull risks (managed by Peter Tindall, Riley & Co). In 1884, he became a master mariner as well as a British citizen. In 1885, he served as second mate on the *Tilkhurst*, a sailing ship owned by William R Price & Co and also entered in the London Association for hull risks. Retiring from the merchant fleet in 1894, he began his career as a novelist. Remarkably, all of his novels are written in English, an acquired language. His notable early works include *Lord Jim* (1900), *Heart of Darkness* (1902) (from which the above quotation is taken), and *Typhoon* (1903). The novels *Nostromo* (1904), *The Secret Agent* (1907), *Under Western Eyes* (1911), and *Chance* (1913) are regarded by many as Conrad's greatest works.

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