

# on line

with ivaran

No. 3/88

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Steady as she goes.



## **Ships and life**

Ships have always held the fascination of people connected with international trade and transport. Ships have forever attracted the attention of travellers as well as movers of cargoes of all kinds. The glamorous ocean passenger liners in Transatlantic, Transpacific, Far Eastern as well as in major North/South trades have exuded an aura no other piece of steel, wood and fabric has been able to match. Conversely, our modern airliners are but efficient, non-descript craft bringing us from one part of the world to another in a matter of hours – and leave us at Point of destination in a quivering state of fatigue, and with our souls still trying to catch up with our stressed and strained bodies. Yet, those airliners managed to kill off regular ocean passenger travel – at least for a few decades.

To make up for lingering dreams of ocean travel, cruise ships started to emerge – taking people on a tour of pleasant places for one or two weeks, with main emphasis on shipboard luxury and pleasures. A cruise is no longer a feature limited to the affluent. Ordinary people as well may afford a cruise from time to time. Retired people find cruises both rewarding and rejuvenating.

In particular, a ship carrying both passengers and cargo holds a special significance, carrying out several meaningful jobs at the same time. While passengers enjoy passage, relaxing and «recharging their batteries», products find their way from one country to another. In addition, the international aspect of the entire operation leads to better understanding and respect for others – a feature much needed today as it was in the past.

A strange fact seems to emerge from all types of shipping: People seldom seem to get lastingly rich from such activities. For a while, the going may be good. Then,

suddenly, the trade seems to dry up. Imports and exports vary outside the control of the transporter. Yet, his ships are bound to keep up service in a hope of early recovery. Or – political interference sets in, pulling the rug under the hapless liner operator. Such developments have caused transporters by the score. Come and go in this particular trade in the post World War II period. A few, such as Ivaran Lines, manage to survive through dogged perseverance and the application of new techniques and combinations. Others stay in business through costly governmental subsidies or cargo preference regulations. Thus, even hard-nosed politicians seem to be trapped in the magic of ship operation.

Why are governments willing to hand out hard earned taxpayers' money year after year for naught? Already the Romans seem to have sensed the strangeness of shipping by coining a phrase which has retained actuality ever since: NAVIGARE NECESSE EST, VIVERE NON EST NECESSE. Let us hope that the cost of navigation of fleets of inefficient liners may ruin neither governments nor individuals.

Another basic term from the field of science also seems to apply: SURVIVAL OF THE FITTEST. This no doubt implies that if success makes an operator lax and overconfident, he will no longer be among the fittest and will therefore not be able to survive.

Consequently, our best wish for the future fate of liner operators in general and for Ivaran Lines in particular will be: May your success be modest enough to keep you ever fit for the battle of survival. And may your ships long navigate the oceans.

And may we all keep enjoying the strange fascination of ships as long as we live.



# maritime policy bin

## U.S. MERCHANT MARINE

### Living proof and dying patient testify that rigid regulations never work

A cover story by Philip Gold in *INSIGHT* of June 6 th, 1988, plainly sets forth the plight of the U.S. Merchant Marine AD 1988. He aptly uses captions like U.S. Flotilla Dead in the Water, The Merchant Marine drags a Federal Anchor, An Aging Fleet Rapidly Losing Merchant-ability.

Those who profess to know, state that the reasons for the dwindling and tumbling from a top position at the close of World War II to an eighth position or worse in forty years, are many. We quote – High Wages, Recalcitrant Unions, Shortsighted Management, Excessive Dependence on Government Subsidies, Obsolete Technologies, Sheer Exhaustion.

But it should also be noted that potent U.S. industrial and commercial grouping have long hence fled the U.S. Flag to swell the fleets under Liberian, Panamanian (no longer popular), Bahamas etc. flags.

While the U.S. flag fleet sinks further into oblivion, discussions are carried out on Capitol Hill, in trade fora, in banquets and in market places on how to turn the tide.

Based on the writer's 30-year background in U.S. Liner trades, and with the advantage of now being far removed from the present din of discussion, some comments and suggestions relating to the problem shall be offered. They will be based on the following main points:

- USA is a world leading trading nation,
- 90 % of USA's foreign trade moves by sea,
- Ocean transport is an international industry, not a domestic issue.
- USA indisputably needs effective control over a top efficient fleet in peace as in war.
- Subsidies and cargo preferences are like crutches, good for the short pull, but disastrous on a lasting basis.
- A tight rein of regulatory guidelines deprives management of mobility needed to cope with new situations and challenges.
- Enforce the principle that anti-trust and other necessary regulatory measures be implemented likewise for ships of all flags in US trades.
- Require that US Military transport contracts be limited to such carriers that jointly sponsor the operation of American shipyards needed for maintenance work and standby shipbuilding capacity.
- Blacklist from US trades ships of nations who improperly tamper with a free flow of foreign trade, a basic need to USA and all other nations depending on international trade and transport.

The current situation and trend for the U.S. Merchant Marine give living evidence of the consequences of subsidies, flag preferences and heavy handed, slow moving regulations. If the U.S. flag fleet is not already bankrupt, it is because of artificial respiration measures and a reluctance to take the case to bankruptcy court. Granted, there are exceptions, but that is normally part of any complex situation. Those who make good against heavy odds, will be found everywhere, but they are too few to carry the overall battle.

What would I do if the next President of United States asked for my advice on how to forge a healthy and properly sized U.S. Merchant Marine? I believe my recommendations would rest on the following basic points –

- The creation of a US International Shipregister (USIS), similar to those of Norway and Denmark.
- By Law or Decree establish that manning and handling of USIS ships are outside the scope of domestic labor unions. Alternatively, come to lasting terms with such unions on an acceptable agreement to render USIS ships fully competitive on a global basis.

With a USIS and other similar international registries in operation, there will no longer be a need for flags of convenience which are difficult to control effectively, and which offer havens for shady operators who prey on reputable ocean transporters. Operating costs would stay on par with those of competitive registries. Most importantly: USIS-registered ships would stay under firm US control in time of crisis and war. With a US based management honed by international competition and free to move in tune with developments, USIS ships would stay top competitive in liner as well as in bulk, tank and specialist trades. In such an atmosphere US Importers as well as Exporters would draw the full benefits of low costs and a high degree of efficiency, factors that will serve to enhance the foreign trade of USA.

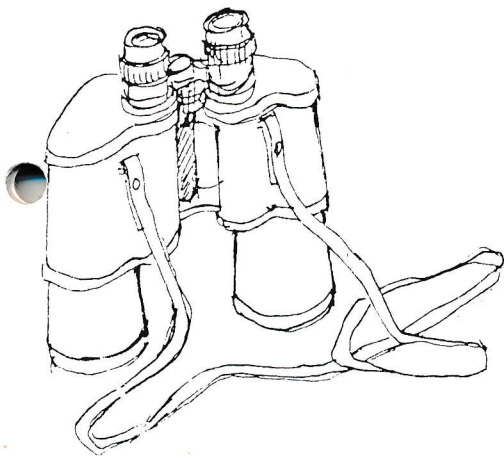
What about the American Seaman? Well, he is by now almost a relic, largely ready for retirement. However, with high-tech ships and demands of top competence among officers and specialists, American seamen filling such needs will continue to have a market at sea. With a vast increase of USIS ships, the need for expert US seamen will rapidly increase. Such is the experience

gained in Norway after but one year of Norwegian International Ship-register – NIS – operation.

With such a trend already established, it is surprising that a move as outlined above is not already on foot in USA. If it is, it should be made public quickly, as it needs some public mental grooming.

Speaking as a Norwegian, it may seem like sheer folly to advocate the development of a forceful, efficient American Merchant Marine. It is'nt. Sound competition is one of the most valuable factors in bringing international trade to a new high. If United States, EEC, Japan and Norway lead the way and offer other aspiring nations free access to international trade on equal terms, we will all be better off.

OGH



## Argentina –

### A True North/South partnership

As the Argentine Government has had the courage and farsightedness to start developing its national airline AEROLINEAS ARGENTINAS – AA – into an efficient, modern air transport company by agreeing to a partnership with Scandinavian Airlines System – SAS –, tempers are flaring in Argentina.

In order to summarize the situation we quote below an article in the August 19th issue of *The Review of the River Plate*.

The great news on the State-owned company front was undoubtedly the announcement that on August 11th. an agreement had been reached between Scandinavian Airlines System (SAS) and Aerolineas Argentinas (AA) whereby SAS would pay 204 M. U\$S for 40 per cent of AA shares, subject to board agreements within each company, planned for August 22nd. and, after ratification by the Executive Power, final approval by the Argentine Congress.

It is, of course, far too soon to believe either that this marks the beginning of a new era in the structure and management of AA or, even less, of State Companies in general.

Already the usual voices of protest have been heard repeating the same familiar arguments against any such move or against the other organisation concerned, and even the President of AA Horacio Domingorena has joined these.

Minister of Public Works and Services Rodolfo Terragno, in his characteristically straightforward manner replied to this surprising move of Domingorena by declaring

that if the latter did not agree with the procedure he should not have signed the «letter of intent» that initiated the negotiations. 'Perhaps he did so believing that this was something that would never actually be brought to fruition!' said Terragno on at least two public occasions, adding on the second in reply to a question that Domingorena must resign. The AA president, who has asked to see President Alfonsin, refused to present his resignation to anyone other than Alfonsin himself, by whom he was appointed.

Domingorena, to some extent following a line of argument well trodden by peronist senator Eduardo Menem, claims that the agreement signed between SAS and AA 'lacks transparency,' demanding a 'crystal clear' procedure of public of private tender for part of the AA shares. He has also referred to a supposed error of interpretation of the privatisation law, the fact that AA 'did not participate in any way in the privatisation negotiations between the government and SAS' and to his disagreement with the valuation of the company in which he believes that the price did not take into account the routes served by AA or the latter's 'total operability' – whatever that may mean. He has also been reported as stating that the payment terms for the 204 M. U\$S are far too lenient, with only 20 m. U\$S down (sic!) 'which is less that the Ezeiza Duty Free Shop is worth.'

Not to be outdone, four of the six unions involved in AA issued a communiqué to the effect that the agreement was prejudicial to the company and its employees because it 'ignores laws still extant, not following the Senate Committee on Transport recommendations that the price should be determined by the National Valuations Tribunal.' The unions, whilst agreeing with Domingorena as to the lack of 'transpar-

Cont. on p. 21

## Ouro Preto's Carmo Museum of Sacred Art – part of Heritage of Mankind Image

A museum with eight thousand pieces of sacred art from the baroque periods of the 17th, 18th and 19th centuries, located in the historic town of Ouro Preto, in the state of Minas Gerais, declared a part of the Heritage of Mankind by UNESCO, is not an ordinary museum. In addition to its location and its holdings, the Carmo Museum of Sacred Art is an independent and dynamic institution which does not limit itself to exhibiting the treasures in its collection. It is always seeking to broaden its contacts with the community and to give an educational twist to its activities.

The museum is housed in two small buildings, one dating from 1753 and the other from 1831. On exhibit is only a small part of the vast holdings of the parish of Nossa Senhora do Pilar, which embraces 23 churches and religious sites. Part of the exhibition is always changing, and the pieces on permanent exhibition are returned to their original churches for special religious celebrations which have a centuries old tradition.

Among the collections are some veritable artistic treasures, such as the saints carved by the crippled hands of sculptor Antônio Francisco Lisboa, 'O Aleijadinho' (the little cripple), the outstanding Brazilian exponent of Baroque art, and paintings by Manoel da Costa Ataíde, 'Mestre Ataíde', the most representative painter of the Rococo period. Both were native sons of the state of Minas Gerais at the end of the



A work attributed to "Aleijadinho"

18th and beginning of the 19th centuries.

They busied themselves with adorning the Catholic churches, generally erected under the patronage of Portuguese colonists.

Since its opening in May 1986, the Museum of Sacred Art has been directed by its originator, Father José Feliciano Simões, who has guided the parish of Nossa Senhora do Pilar for 25 years. The restoration of the former Novitiate building of the Convent of the Venerable Third Order of Nossa Senhora do Pilar, which is now the Museum, was undertaken with the cooperation of large companies, but now the museum receives no outside funds. Father Simões, using only the money from admissions, has succeeded in promoting traveling expositions, historical research and has even mounted a small restoration shop.

One of the major objectives of the museums in to make the town of Ouro Preto aware of the artistic wealth of the historic town. This is the motive behind the traveling exposition and the use of centuries-old

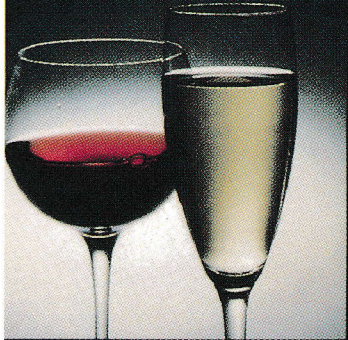
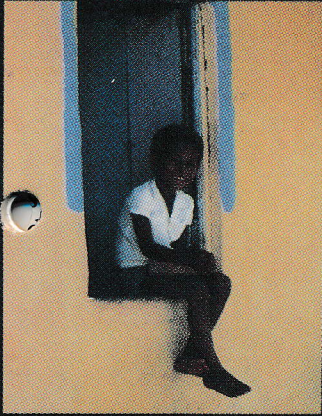
objects in church festivals and processions. The work of educating the community is complemented by the detailed information that accompanies each museum piece on exhibition, thus providing visitors with a better understanding and appreciation of the artist, his work and his times.

The museum is divided into five main exhibition rooms, each one with its own characteristics. The Altar Room exhibits some pieces used in the liturgy since the Middle Ages, such as chalices, candlesticks, missals, and altar stones. The explanatory information points out that sacred art received an impulse beginning the 16th century as a reaction of the Counter Reformation.

Another museum room – Nossa Senhora do Pilar Room – exhibits staffs, crosses and torches carried in procession in former times, as well as paintings, religious furnishings and liturgical objects from various periods. The Treasure Room contains the most valuable part of the collection. Here are found religious paintings (including those attributed to Mestre Ataíde), liturgical objects of silver, wood and bronze, and images carved by 'O Aleijadinho'.

The Statuary Room presents popular images, many of them rustic, honoring various saints. There are a number of curious pieces, such as the 'Santos de roca', wooden images which were dressed up with wigs and garments as an expression of the homage of the faithful; or the 'Santos de pau oco', carved from wood and hollowed out, to be used during the gold and diamond rush for smuggling the riches past the inspectors sent by the Portuguese crown. The last of the five exhibition rooms is dedicated to temporary exhibitions on a variety of themes, artist or periods, all connected with sacred art, with the history of Ouro Preto, or with artists from Ouro Preto or Minas Gerais.

# An Adventure, Not Just Another Cruise.



**The M/V Americana.  
World's Most Luxurious Passenger/Container Ship.**

# A New Dimension In Travel.



Travel aboard a cargo ship has always been an exciting and exotic adventure. With M/V Americana, the most luxurious passenger/container ship the world has ever seen, we've made it even more exciting. Designed and built for Ivaran Lines, a Norwegian company that has been carrying passengers since 1925, the Americana is both a high tech container vessel and a luxury liner that can accommodate one hundred passengers in the tradition of a grand European hotel.

Sailing between the eastern coasts of the United States and South America, the Americana gives its passengers an opportunity to visit ports that are still among the best kept secrets of the travel world. As our guest on this exciting cruise, you'll enjoy a round of daily shipboard activities that are all the more enjoyable because they are never crowded.

The Sun Deck, with its swimming pool, whirlpool and Sun Spot bar, is the hub of daytime activities. Here you'll splash in the pool, join in a lively game of shuffleboard, try your hand at trap shooting, jog, stroll or simply take in the sun. And, of course, there are times when you'll do as seafarers have done for centuries, just lean on the rail and watch the eternal sea.

Indoors, there's a well-equipped health club. You can maintain a regular daily workout schedule on modern exercise equipment and then top off your routine with a refreshing sauna or an appointment with our masseuse. The Americana's wood paneled library is one of the most popular gathering spots. It's a luxurious setting for cards and other table games, or for just picking up any of the latest books and magazines.

After an exhilarating day, you may be invited to dine at the Captain's table with the ship's physician and other officers. For the ladies, such an occasion is an ideal opportunity to try our hair dressing salon. Staffed by skilled professionals who know what it takes to keep travelers looking their best, it is open every day for your convenience.

Before and after dinner, you'll find yourself relaxing with new-found friends in the magnificent Neptune Bar & Lounge. Spacious, comfortable and luxuriously furnished, this lively lounge is abuzz with animated conversation against a backdrop of piano music. While you enjoy wines and spirits from around the world, you'll be recounting the day's activities or gazing at the sun

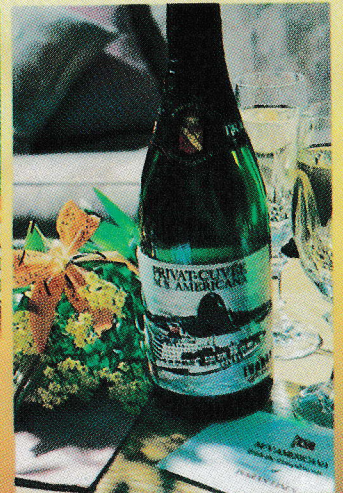
setting beneath the horizon. For a little added excitement, you'll find gaming, including blackjack and slot machines.

Dinner is served in The Buena Vista dining room, aptly named because wrap-around windows afford every diner ocean views.

Interior walls are decorated with original murals specially commissioned by Ivaran for the enjoyment of its passengers. In this delightful setting, you'll enjoy international cuisine worthy of the finest continental hotel dining room. And whenever possible, the Americana's expert chef will stock up on local specialties including the freshest seafood from tropical waters. Whether it's breakfast, lunch, dinner or snack-buffet, you'll find every meal a pleasurable experience.

Ivaran's M/V Americana offers you the unique opportunity to combine the adventure of container ship travel with the luxury and comfort of a magnificent cruise ship. Ivaran also offers you a selection of travel arrangements designed to meet your individual needs. You may "sign on" for the entire voyage to and from South America, or ask your travel agent to arrange an optional Sea-Air package that permits you to customize your vacation.

The crew and staff of Ivaran's M/V Americana invite you to join them for a new dimension in travel. A spectacular voyage aboard the world's most luxurious passenger/container vessel.



**Greetings!**



*Happy Passengers.*



*Central Passenger Stairway.*



*Reception Area – At your service.*





**Your home away  
from Home**

*Living Area in Owner's Suite.*



*Double Cabin - Sleeping Area.*



*Well equipped Double Cabin.*

## Palatial pleasures

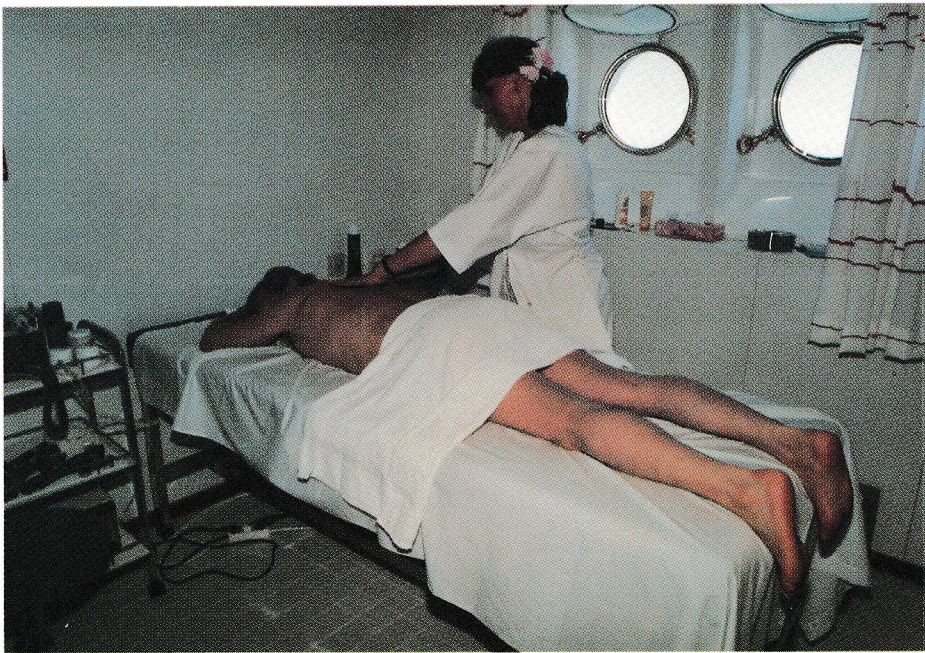
*The best of foods and wines.*



*Buffet awaiting passenger gourmets.*

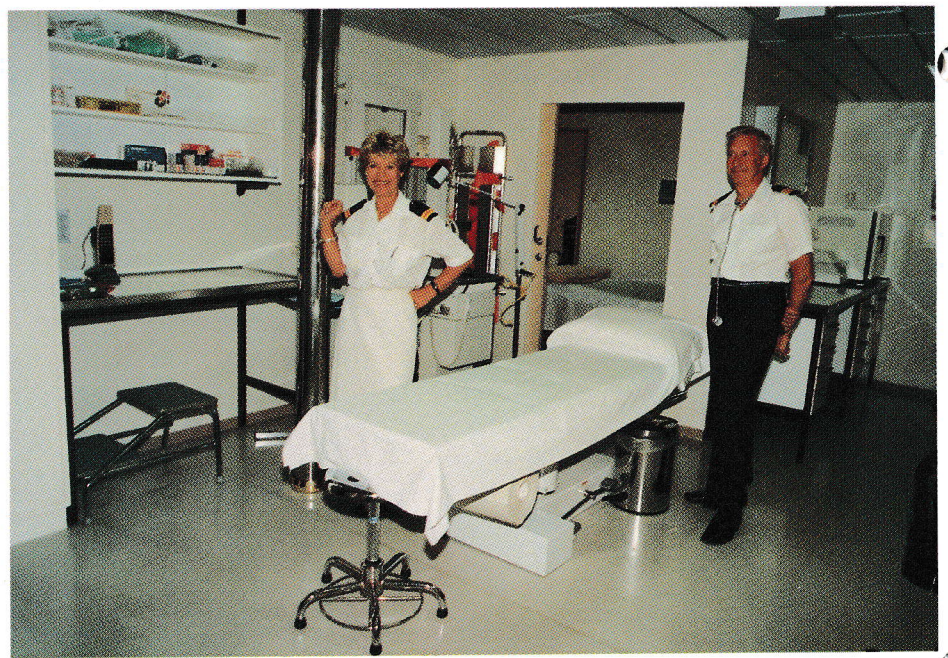


*Dining in style.*



**At your service**

*Masseuse.*



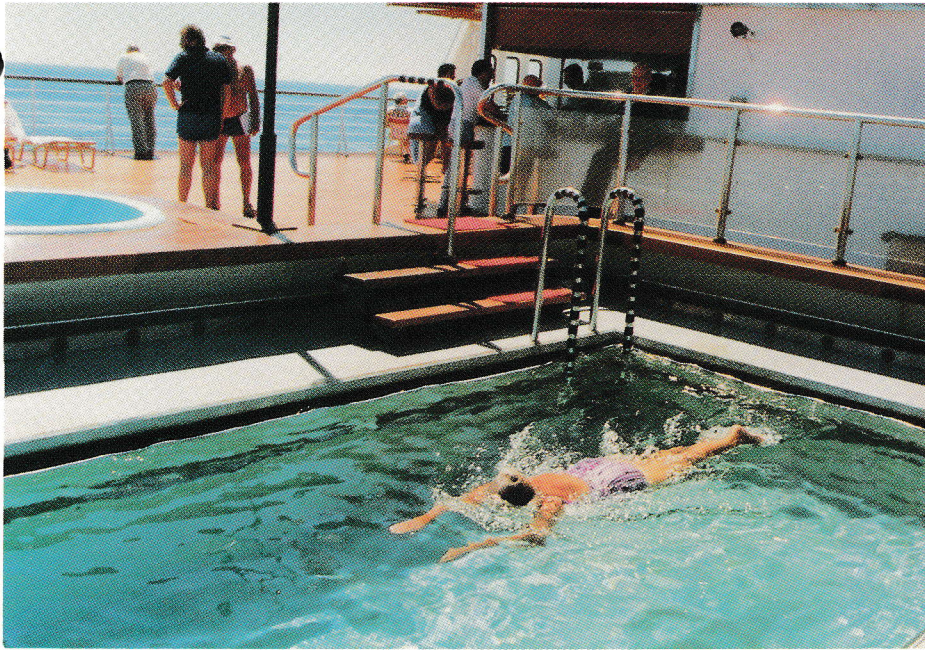
*Medical team.*



*Hairdresser.*

## Recreations

*Trim room for the active ones.*



*Synny Pool.*



*Sauna – some like it hot!*



## Leisure

*Friendly chat.*



*Soaking up sun.*



*Game room and Library.*

**If the sun gets too  
hoot - - -**

*Some seek the shade by the Deck Bar -*



*- or where it may be found -*



*- or inside by the piano.*

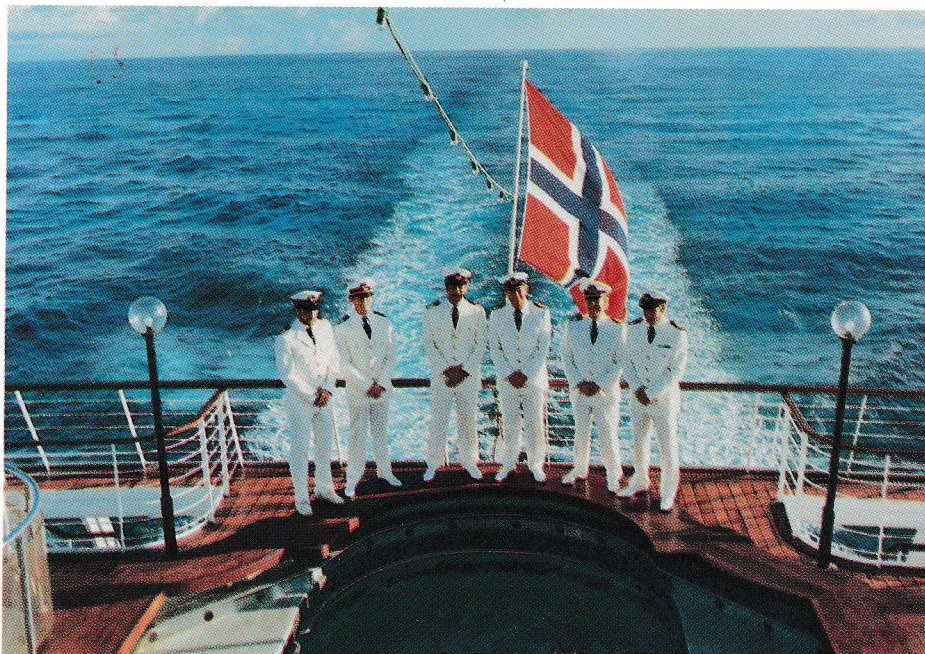


## Roundup

*Taxfree shopping is always fun –*



*– while the ship is ably navigated –*



*– and the team of specially groomed officers makes sure you are always in safe hands.*

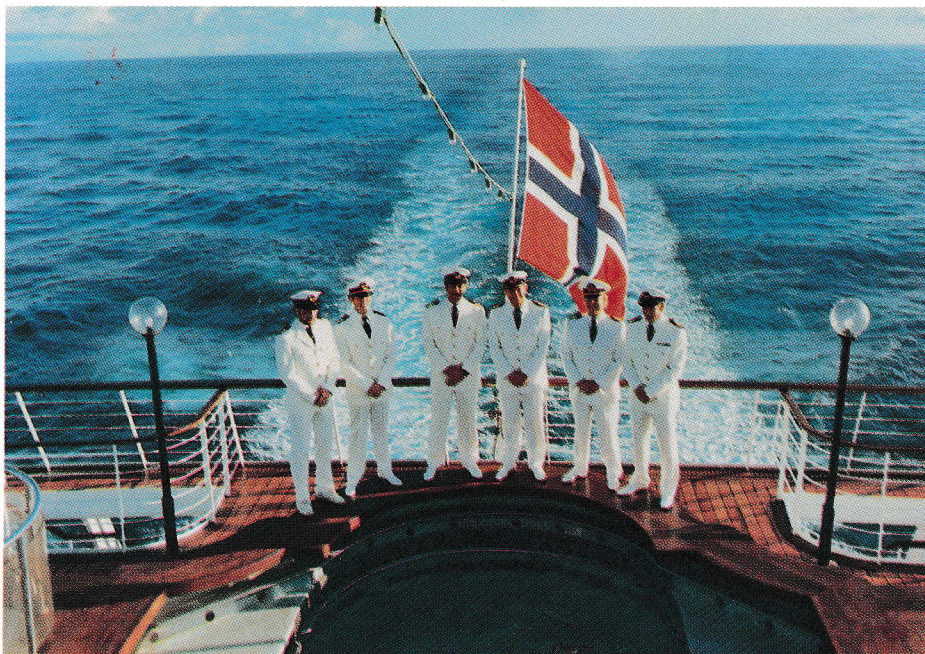


## Roundup

*Taxfree shopping is always fun –*

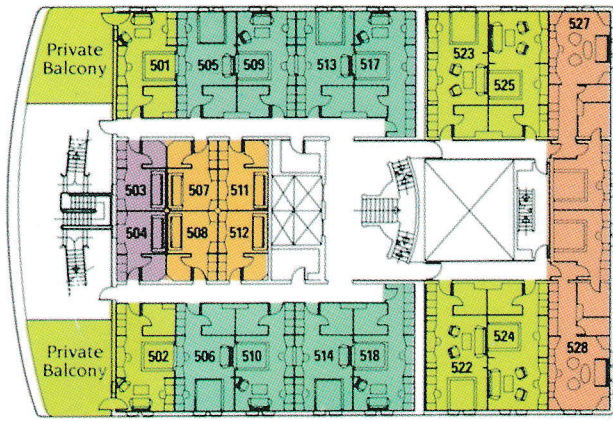


*– while the ship is ably navigated –*

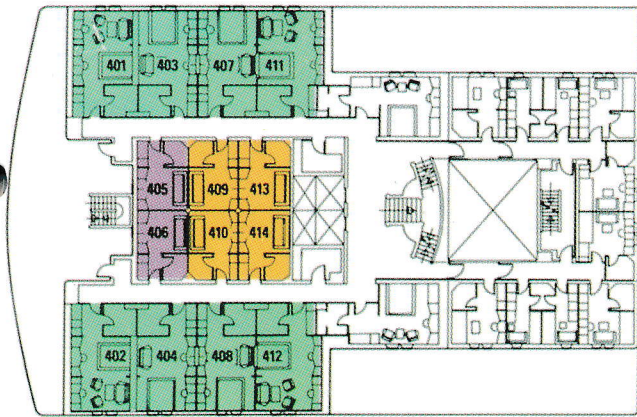


*– and the team of specially groomed officers makes sure you are always in safe hands.*

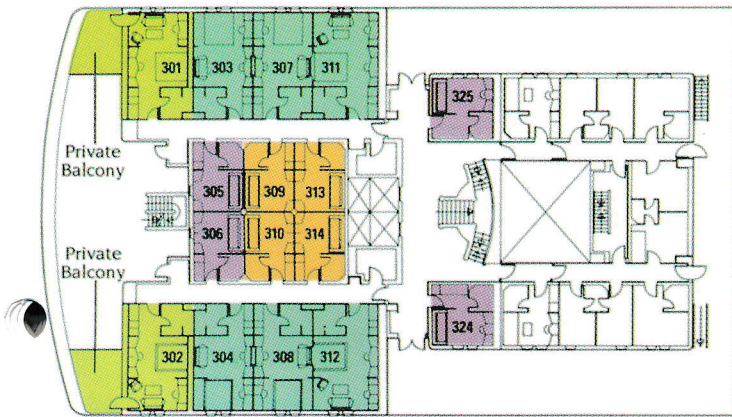




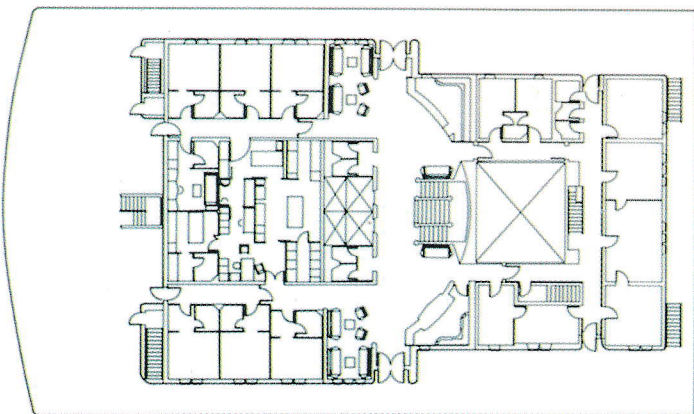
3 Deck



2 Deck

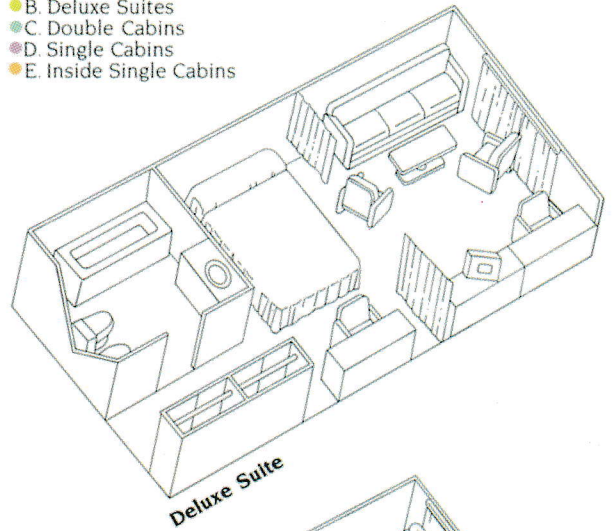


1 Deck

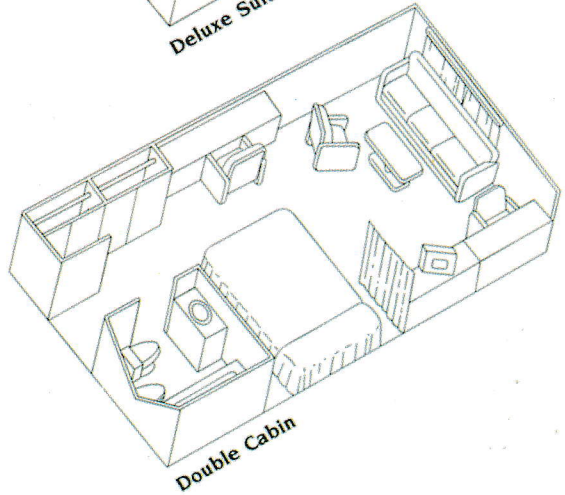


Poop Deck

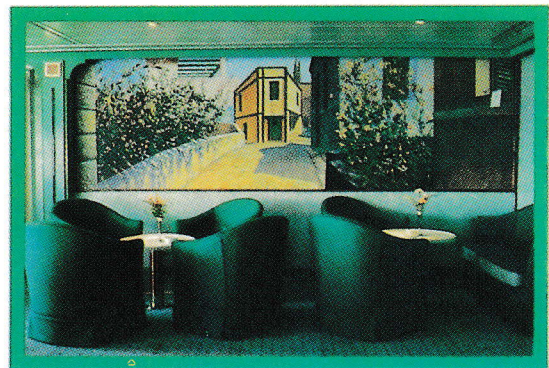
- A. Owner's Suites
- B. Deluxe Suites
- C. Double Cabins
- D. Single Cabins
- E. Inside Single Cabins



Deluxe Suite



Double Cabin



We've designed M/V Americana to serve as your home away from home. All accommodations, regardless of size or location, have television, refrigerator, mini-bar, a safe for valuables and a telephone with worldwide ship-to-shore service. All outside double cabins and suites have a full bath. Inside and single cabins have a bathroom with shower. Some outside cabins have a private patio. Furnishings are tasteful and luxurious. Whether you choose a deluxe suite or a single cabin, you'll find more than ample space for everything, even entertaining. And, of course, maid service is patterned after the service in the finest international hotels.



### SOUTH BOUND

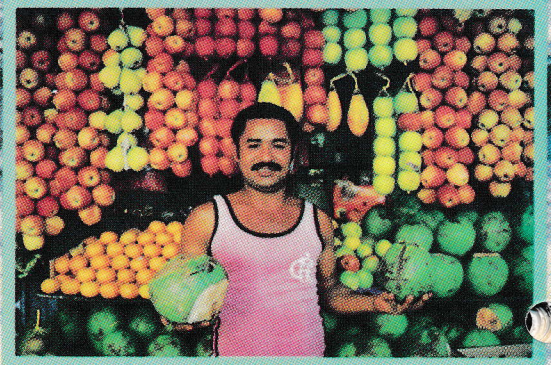
- DAY 1 New York  
 2 at Sea  
 3 one port out of Charleston or Savannah  
 4 Jacksonville  
 5/6 Miami  
 7/16 at Sea  
 17 Rio de Janeiro  
 18/19 Santos  
 20/21 at Sea  
 22/23 Buenos Aires

### NORTH BOUND

- DAY 24 Montevideo  
 25/26 Rio Grande do Sul  
 27/28 one port out of Paranagua or Itajai  
 29/30 Santos  
 31 Rio de Janeiro  
 32 at Sea  
 33/34 one port out of Ilheus or Salvador  
 35 at Sea  
 36/37 Fortaleza  
 38/44 at Sea  
 45 Norfolk  
 46 Baltimore  
 47 Philadelphia  
 48 New York

Ivaran's South America is a land of delightful contrasts. From the noisy, colorful central market of Fortaleza with its jungle herbs, essences and locally grown cashews, to Buenos Aires' Teatro Colon, the world's largest opera house, your voyage is a series of unforgettable experiences. Feast on lobster just plucked from the Atlantic, savor grilled beef gaucho style, sip the Brazilian version of Mexico's Margherita, the Caipirinha (with fiery cachaca instead of tequila) or cool off with ice cold Chope, the delicious draft beer of Brazil. Native products fill the markets and boutiques, providing bargain-hungry visitors an opportunity to buy vicuna wool, gemstones of every size and description, leather goods, silver and some of the world's most exotic handmade dolls.

With Ivaran, you'll see Rio, Buenos Aires and Montevideo in all their cosmopolitan splendor. But you'll also see places not ordinarily visited by tourists, magical ports like Fortaleza, Bahia, Ilheus, Itajai and Rio Grande do Sul. And with the extraordinary accommodations aboard M/V Americana, passengers can not only participate in the pulsing life of these port towns, but also observe them from full-size cabin windows or their own private patios. South America is waiting. Its eastern coast is filled with music and color and a zest for living unmatched by almost anything you may have seen. And Ivaran is ready to take you there in style and comfort.





# agents corner

## Buenos Aires general agency

Buenos Aires, the southern terminus of Ivaran Lines, has always been a key factor in the overall service. We are pleased to bring a report from the ROBINSONS at a special point in their shipping history. We heartily congratulate them on their 50th Anniversary and thank them for splendid and wholehearted agency work during this period.

## New from Agencia Maritima Robinson Sacfi

This year we are celebrating our 50th anniversary which will be on September 29th. On that date in 1938 the founder of our firm, Mr. James A. Robinson, accepted the offer of Ivaran Lines to represent them in the South American River Plate area. Therefore it is thanks to Ivaran that our firm was established and, after fifty years of close and friendly relationship, Ivaran remains our chief concern.

Shortly after the Agency commenced operations, the Second World War broke out and as very few vessels could be spared from the war efforts, the agency went through its worst lean years. Nevertheless the war gave Mr. James Robinson the opportunity to be of service to Norway in supervising and looking after the foodstuff, blankets and clothing which the Norwegian Free Government began to stock in Argentina and Uruguay in order to send to Norway as soon as the war ended as they were sorely needed. In recognition of its efforts Mr. James Robinson was invited to Oslo in 1972 and awarded the SANKT OLAV MEDALJEN which is now



proudly displayed in our office.

As soon as the war was over, world trade was renewed and South American ports, which had been deprived for so many years of automobiles, tools and other industrial products, became congested and Ivaran returned to its service between the United States and South America in earnest.

In 1944 the founder's son, Mr. George A. Robinson joined the company and in 1970 the third generation of the Robinson family, Mr. Andrew G. Robinson, also joined the company, followed some years later by his sister Alejandra S. Robinson, both of whom now run the business. It is due to their efforts that the Agency opened up to other fields of maritime activities such as chartering, bunkering and even shipowning in a small way. Furthermore the agency took the representation of other lines and also started operating tramp vessels calling at all Argentinian ports.

During these fifty years this agency and Ivaran Lines have worked closely to increase the trade and improve the service to clients and we can proudly affirm that . . .

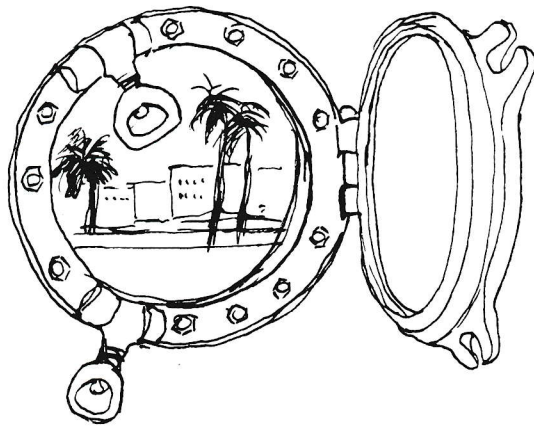
Ivaran is now running the best and most trustworthy service between

Argentina and the United States of America. This has been the result of hard work and tremendous will-power in the face of adversity especially during the time when nationalistic military governments sprang in South America and attacked Ivaran for being a third flag carrier. Fortunately this is now in the past and the future is very promising.

This company now has forty-two employees working in its downtown offices as well as eleven employees working within the port area. The Canvassing Department consists of six employees who keep regular contact with our over five hundred clients, both importers and exporters. The Accounting Department under M. Enzo Botton, consists of nine employees who keep the accounts of our various principals as well as the administration of the office and the development of our Data Processing Department. Operations is divided into two areas, one under Mr. Willen Hamer for Ivaran Service only and the other under Mr. Ian Thurn who handles the vessels of our other principals. We also have a Customs Department under Mr. Carlos Vázquez, a Traffic Department under Mr. Roberto Flores and a Claims Department under Miss Marta Castro.

Chartering, bunkering, sale and purchase are handled by Robinson Fletamentos S.A. which is a brokering firm started in association with Messrs. Lambert Bros. of London and Messrs. A/S Ivarans Rederi of Oslo and its manager is Mr. Ricardo Cazou.

In order to accommodate our growing staff this agency is now enlarging its offices which will occupy the whole of the 8th floor of the building and hopefully this will be ready before the end of this year but unfortunately not for the celebration of our fiftieth anniversary.



## BRAZIL: EMERGING PETROCHEMI- CAL GIANT

### Ten years downstream

Just a decade ago, before the Camaçari petrochemicals complex came on stream, the situation of Brazil's petrochemicals industry was similar to that of the pharmaceuticals industry today: over 80 % of total output was in the hands of multinational companies and a large part of inputs was imported. Today, that situation has reversed. Now 80 % of all petrochemicals output comes from Brazilian-owned companies or joint ventures with foreign companies, according to Geraldo Araújo, vice president of Cofic, the Camaçari industry association and superintendent-director of Polipropileno S.A.

Camaçari, located just outside Salvador in the Northeastern state of Bahia, along with sister industries in the neighboring states of Sergipe, Alagoas and Pernambuco, is responsible for over half the country's production of petrochemicals. The biggest of the country's three complexes (the others are located in São Paulo and Rio Grande do Sul), Camaçari is also responsible for over half the industry's exports, expected to total \$1.5 billion this year.

Total output from the three complexes and support industries amounted to 7.7 million metric tons last year, putting Brazil in seventh place, along with the U.K., among the world's petrochemicals producers. In order to keep its ranking,

the industry must be able to raise the projected \$5 billion necessary to put its national petrochemicals program (PNP) into effect, through which the Brazilian product will be able to maintain competitiveness abroad.

The eight-year PNP, approved by President José Sarney last year, calls for investments in these areas:

- A basic petrochemicals complex to be built in Rio de Janeiro state to supply 450,000 tons of ethylene for second-generation producers. This complex, to absorb about \$820 million, is expected to come on stream in 1994.
- An increase in the São Paulo complex's ethylene output to 440,000 tons. This project will cost about \$35 million.
- Expansion of Rio Grande do Sul state ethylene output to 536,000 tons, a \$33 million investment.
- Expansion of ethylene output at Camaçari to 810,000 tons at an investment of \$400 million. Just over 10 % of this output will be used to supply second-generation plants in Alagoas and Pernambuco.

The remainder of the \$5 billion investment will be channeled into the country's second-generation industry. Though the plan was approved nearly a year ago, it is slow to get under way. Work on the new Rio de Janeiro complex, for example, was supposed to start last January. Even though it is behind schedule, officials believe it will still be able to start operating by 1994.

Though Brazil's petrochemicals industry is young (São Paulo, the oldest of the three complexes, was started just 20 years ago), its technology compares favorably with the best in the world. This sector, together with the paper and pulp industry, could spearhead Brazil's integration into the international economy. Industry officials say that greater competitiveness on the international market presupposes less

rigid government control. But the most important of all, they say, is long-term planning. For Tomaz Katsing Sieh, president of Celanese Brasileira S.A., 'International competitiveness in this type of capital-intensive industry is indispensable. Despite the size of the domestic market, we can't just show up and then disappear as suppliers; we must be able to forecast the extent of exportable surplus at our plants.'

### Triunfo, the newest complex

Pólo Petroquímico do Sul (Pólo Sul), the petrochemicals complex in Triunfo, Rio Grande do Sul, is considered the most modern in the country. As the last plant to begin operating, Pólo Sul has been able to incorporate new technologies and learn from the mistakes of other plants, according to Ruy Lerner, director-superintendent of Copesul, the complex's input supplier.

One factor contributing to Pólo Sul's superiority, said Lerner, is that it has facilities for environmental protection. Another important factor is that it was designed to serve the external market.

The government of Rio Grande do Sul wants to attract investment for third-generation industries, which take petrochemicals processing a step beyond the second generation into sophisticated plastics.

The state government hopes to build special technological facilities necessary for third generation products by providing incentives for investment.

# SPILL-OVER

management, entering into contracts and all negotiations that could involve financial commitments. To increase the capital, approve the accounts, decide upon dividends, fix directors' fees etc. both State and SAS approval will be required. SAS cannot sell, cede, transfer or pledge its shares. However, according to a memorandum discussed in *El Cronista Comercial* matters are actually much more in favour of SAS than might at first be thought, to a large extent because major decisions would require a 70 per cent majority leaving SAS with a virtual power of veto. The report also indicates that SAS would have the right to sell its shares to third parties after 3 years and that apparently SAS would have preference shares. These and other points made could clearly modify the whole picture. Plans include a new 5 star hotel in Buenos Aires, modernisation of airport installations, polar flights over both poles, SAS to sell AA tickets worldwide, computerisation etc. etc. According to the Ministry of Public Works and Services communiqué the objective is to 'convert AA into a leader with growing influence in the southern hemisphere.' Just in time, perhaps, in view of other developments, as a result of which both companies have become vulnerable to competition created by other actual or planned mergers.

To put the matter into perspective, AA has 32 planes, 9,837 employees, 467 m. U\$S 1987 gross revenue with a little over 4 M. passengers handled. SAS has 100 aircraft, 20,479 employees, gross revenues of 3,454 M. U\$S (1987) and handled just over 12.6 M. passengers in the same year.

Reports have indicated a 'book value' of 550 M. U\$S for AA. First Boston Bank is reported as having estimated a value of 650 M. U\$S taking into account both tangible assets and the routes available. The

Morgan Bank on behalf of SAS came to 475 M. U\$S. The World Bank, accepted by both sides to arbitrate, arrived at a figure of 525 M. U\$S.

The 'final' figure was 510 M. U\$S or 204 M. U\$S for 40 per cent with 100 M. U\$S down and two years to pay the rest – the first payment contingent upon board, presidential and congressional approvals. In case SAS wishes to back out after 3 years AA will put 40 per cent of its shares in escrow in a foreign bank with no branches in Argentina.

It would not seem to easy to obtain a candidate for an operation of precisely this nature either by the method adopted or by something more 'transparent'. Should a clear majority shareholding be offered without strings as to the presidency and vice presidency of the board, a greater valuation might clearly be attributed to AA both in view of the changed potential and the greater number of candidates that would be attracted. Matters would also have been changed in AA's favour had the simple step of modifying the laws governing public company shareholdings been faced up to. If Congress declines to change these it must be recognised that privatisation it is not feasible.

The SAS/AA and the Telefónica /ENTel schemes are virtually rather unique ways of dodging the privatisation and demonopolisation issues, presumably to avoid confronting too much opposition. It will be ironical if they fail because somebody complains that the negotiations were not 'transparent.'

Why is SAS an acceptable partner? The reasons are of course many. We shall point to some of the them –

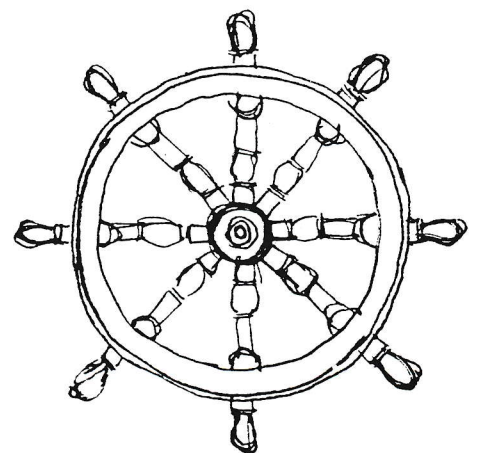
- SAS is a most efficient airline with a global network of services.
- SAS is owned by interests in three Scandinavian countries, Sweden, Denmark and Norway. Thus, it is

not politically tied to any one particular nation.

- SAS is not connected to any of the major powers.
- SAS, although bigger than AA, is still fairly well matched to AA and able to listen to AA needs.
- A substantial synergy effect from cooperative measures may be gained, enhancing the economies of both.

In short, it is evident that both parties stand to gain both operatively and economically from the transaction once it has been fully implemented.

We believe such cooperative schemes make good sense, not only in the air, but could also be put to good use on the shipping sector as a more viable alternative to past and present rigid protectionist schemes which over the years have proven extremely costly and not very productive.



**A/S IVARANS REDERI**

Tollbugt. 11  
P.O.Box 484 Sentrum  
0105 Oslo, Norway  
Telephone: (02) 33 18 30  
Telex NO.: 76727/76734 IVARA N  
Cable Address: IVARAN  
Telecopier: (02) 42 48 25

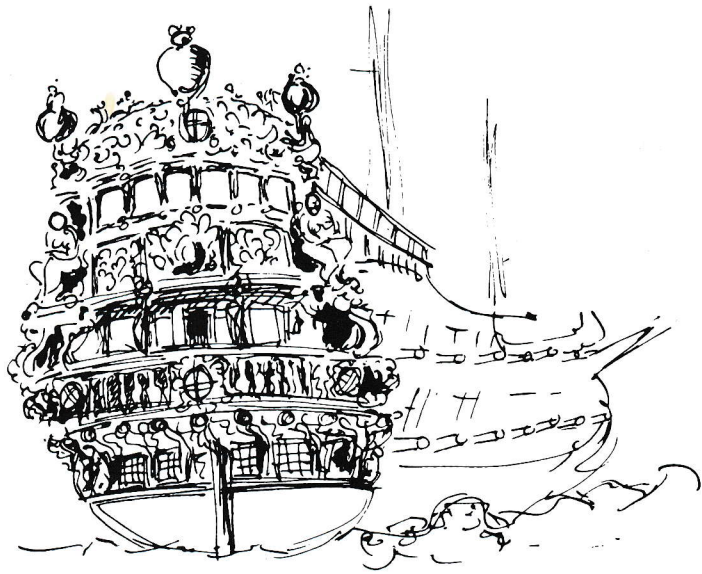
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Telecopier: 212-809 1252

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Cable adress. REPTRANS  
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