Recycling initiative rubbished

GMS, the world’s biggest cash buyer of scrapped vessels, has dismissed a green ship recycling initiative by Italian owner Mauro Balzarini as "highly speculative" and "based on incorrect facts about Indian shipbreaking yards".

Balzarini, chairmain of Siba Ships, recently launched a $300M fund to buy 100-200 old or obsolete dry bulk carriers, so they could be scrapped at environmentally friendly recycling yards for vessels with IMO-approved hazardous material inventories and surveys.

"Buying more than 100 ships, then parking them somewhere while they wait for a buyer to come forward is a highly speculative venture. They may be trying to compete with GMS but we certainly don't see them as a competitor," Anil Sharma, CEO of US-based GMS, told Fairplay.

"Major shippers are sending their ships to be recycled in India because the shipbreaking yards do a good job and the prices are reasonable. Criticising them for poor working practices and the deaths of employees is based on incorrect facts and inaccurate information about the yards," he said.

Sharma’s comments follow a letter, written by GMS’s legal adviser Shashank Agrawal, which Fairplay has seen. In it, Agrawal said: "Ship recycling at Alang [the world’s largest shipbreaking yard] has an enviable safety record among most major labour intensive industries in India, perhaps the world. Maura Balzarini’s statement 'that the tragic number of lives lost on the beaches of India etc where ship demolition remains a blight on the face of shipping’ is fictional. While even one death is too many, hundreds of vessels are scrapped at Alang safely."

Alang is currently recycling 130 vessels and will soon break its 5,000th ship, says Exim news service. In 2008-2009 it recycled 1.94M ldt – 174% more than in 2007-2008. "The world is passing through an economic downturn. In fact, it is the meltdown that has driven more ships to this scrap yard because of the diminishing global trade which has made the cost of under-utilised or idle ships prohibitive," said Exim.

Among owners and investors who’ve contributed to Mauro Balzarini’s fund – known as the Green Recycling Initiative (GRI) – are DryShips chairman George Economou, Netherlands-based Seearland Shipping Management and the Italian brokerage company Banchero Costa. Most of the ships will be recycled at Chinese yards, said Balzarini whose longer-term goal is to build his own recycling facility.

London-based shipbroker Harry Malandreniotis, who has handled more than 400 recycling deals said: "I will be interested to see how GRI can compete with nations like Bangladesh and India. Investors want to see a return on their money and demolition prices are volatile and keep going up and down."

Lawyer and Green Ship Recycling Association member Stephen Drury said: "From the fact that the nations of the Indian sub-continent supported, and are expected to ratify, the convention (IMO convention on Ship Recycling approved in May 2009), I believe that there is every reason to hope and believe that the industry will continue to develop in that part of the world and be able to satisfy the exacting requirements of the convention.”