Activity picks up after Bangladesh extension granted

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High Court allows Chittagong yards to import vessels for scrapping until October — what happens thereafter is still not known

Bitumen Express was reported sold for $522.5 per ldt, or $2.1m. Dietmar Hasenpusch

BREAKERS in all major demolition centres picked up tonnage last week as mixed signals from lawmakers in Bangladesh propped rates up elsewhere in the Indian subcontinent and Asia.

Last Thursday, the High Court in Bangladesh granted an extension until October 12 of an earlier order allowing yards to continue importing scrap ships despite a clampdown on tax and labour and environmental standards.

The ruling asked the government to push ahead with regulations to reform a widely-criticised yet vital sector of the country’s economy.

“The court allowed for importing and dismantling of old ships that ensures the safety and security of both workers and environment,” Captain Salahuddin, an adviser of the Bangladesh Ship Breakers Association was reported as telling Reuters news agency.

“Now the government has more time to do a draft and that has to be submitted to the court and the court will examine it.”

Breakers reacted immediately to the decision with two ship purchases, including Amstec Shipping’s 1983-built, 3,420 ldt chemical tanker Dolphin, bought at $530 per ldt ($1.8m) and the Horsco-controlled, 1985-built, 16,938 ldt bulk carrier Nebel Mercy, which was reported committed on private terms for demolition in Chittagong.

But the positive news was short lived and by today morning leading US-based cash buyer GMS was pointing to cracks in the decision.

According to GMS, the Bangladesh Supreme Court retracted the approval from the High Court on Sunday following an appeal by the Bangladesh Environmental Lawyers Association, which has led the drive to improve standards in Chittagong yards.

The High Court order will now be reviewed in the Supreme Court on July 28.

“The Bangladeshi Shipbreakers Association and other senior lawyers are scheduled to be in attendance at the hearing to ensure the original decision is upheld, but this may mean more delays in a market that has become accustomed to them of late,” GMS said in its weekly report.

Despite the last-minute development, the prospect of Chittagong staying open for business proved a fillip to rivals in India and elsewhere. Faced with the prospect of ships diverting away from their yards, breakers in Alang firmed up their offers and made aggressive pitches.

Indian breakers purchased five ships last week, including one vessel that fetched a premium price because of significant amounts of fuel on board.

The 1982-built, 19,771 ldt bulk carrier Express Power, operated by Greatsouce Shipping, was reported sold for $560 per ldt, or just over $1.1m. The ship had 1000 tonnes of fuel on board.

Liberty Maritime’s 1983-built, 11,349 ldt bulker Handy V achieved the attractive rate of $530 per ldt, or $6.1m, a rate that included 700 tonnes of fuel on board.

Two more bulk carriers sold to India included the 1983-built, 12,590 ldt Le Donna I, operated by Good Faith Shipping and sold for $540 per ldt, or nearly $6.8m, and Babhoun Maritime’s 1976-built, 8,483 ldt Island Express, reported sold for $530 per ldt, or $2m.

In a final deal, the 1982-built, 4,074 ldt asphalt carrier Bitumen Express, operated by Split Ship Management, was reported sold for $522.5 per ldt, or $2.1m.

The rates for this string of vessels were firmer than in previous weeks, but the market optimism was tempered with caution.

“With the Indian market notoriously volatile and the news from Bangladesh regarding BELA’s appeal set to filter through, there may be some form of softening just around the corner as monsoon season persists,” GMS said.

Breakers in neighbouring Pakistan also came back to life last week after a long period on the sidelines. Even so, rates were lacklustre in comparison to India.

A yard in Gadani was reported to have paid $475 per ldt, or $3.8m, for the 7,646 ldt bulk carrier Everest, operated by Everest Shipping.

In Asia, Chinese breakers also strengthened their prices on the initial announcement from Bangladesh, although rates still lagged some way behind those on offer in the Indian subcontinent.

“Chinese breakers remain a force to be reckoned with [and] the market has livened up with many sales being reported to the area,” said London-based Clarkson Research Services in its weekly report. “However, with the Indian buyers offering aggressive rates, and with the reopening of the Bangladesh market, tonnage supply to the Chinese market may be restricted again to local units only.”

A Chinese breaker was reported to have paid $456 per ldt, or nearly $5.7m, for the 1982-built, 12,366 ldt bulk carrier Five Stars Eternal, operated by a company of the same name.

Another bulker, the 1980-built, 11,647 ldt Xiang He 1, operated by Xiang He shipping, was also reported sold for demolition in China at the rate of $465 per ldt, or $5.3m.

Chinese buyers were also behind the purchase of Xinchenggong’s 1980-built, 16,059 ldt liquefied petroleum gas carrier Cheng Gong, which was reported sold for $455 per ldt, or $7.3m.

In a final sale to the Far East, Jieheng Shipping’s 1983-built, 6,970 ldt container ship Hong Ming was reported sold for $457 per ldt, or nearly $3.2m.