Bangladesh breakers' buying spree fails to materialise

- Monday 15 August 2011, 18:15
- by Brian Reyes
- Back to Lloyd's List Asia

Interested in this topic? Set up a custom email alert and we'll tell you everytime we write more like this.

Expectations of yards buying ships for scrap ahead of court extension deadline have not come about

The court extension allowing Chittagong breakers to continue importing scrap ships has not led to the expected hike in sales to Bangladesh, with just one deal reported in the past week.

With a fortnight still to go to the end of the Ramadan fasting period, a sharp increase in activity is unlikely until early September.

Yards were given until October 12 to implement measures to improve labour and environmental standards — a decision that was widely welcomed, but which did little to dispel uncertainty about the long-term future of shipbreaking in Bangladesh.

"This will result in a couple of months of greater certainty for owners and cash buyers, but may mean there is another period of uncertainty when October gets under way," said London-based Clarkson Research Services in its weekly report.

"Part of the conditions under which the courts are allowing imports are that the yards move towards better procedures for protecting workers and the environment.

"Unless there is clear evidence of progress, it is possible the industry could face another legal challenge from the environmental lobby later in the year."

One ship was reported sold for delivery to Chittagong at a rate below prices on offer in nearby India, which has dominated the market for over a year.

The 1982-built, 6,433 Istd bulk carrier Nina A, operated by ATV Shipping, fetched $518 per Istd, or $3.3m, from a Chittagong buyer.

For yet another week, it was left to Indian buyers to pick up the slack, despite a $30 per Istd drop in rates there over the past fortnight.

"Some would probably consider the current drop in levels as a logical correction, as India had soared ahead of all other markets with a sense of unexplained urgency and the drop in prices was an overdue correction at realistic levels," said US-based cash buyer GMS.

"After the pandemonium caused by the crash of 2008, when $100s per Istd tumbled from prices by the week, it is perhaps wise that end-buyers take a breather from the recent boom in activity and monitor the markets for a while before they get back to business."

Despite volatility in rates for scrap ships, underlying steel plate prices remain steady and some deals were reported in the past week or so.

They included the sale of the oldest very large crude carrier in the fleet, the 1975-built, 34,116 Istd Astakos, operated by Arkon Trade and Transport and reported sold at an undisclosed rate, said to be in the region of $550 per Istd.

In another notable deal, the converted 1985-built, 8,113 Istd containership Sino North, operated by Shanghai Vasteast International, was reported sold to an Alang buyer for $540 per Istd, or $4.4m.

The 1981-built, 21,961 Istd bulk carrier Sunrise I, operated by Good Fairs Shipping, was also reported sold for delivery to India at the rate of $526 per Istd, or $11.6m.

Two vessels reported sold at decent rates 'as is' could also end up in India.

The 1992-built, 20,624 Istd tanker United Lady, operated by Marine Management, was reported sold for $552 per Istd, or $11.4m, on an 'as is' basis in Fujairah.

In another similar sale, the 1992-built, 16,822 Istd tanker Samar Spirit, operated by B+H Ocean Carriers, was reported sold for $525 per Istd, or $8.8m, on an 'as is' basis in Singapore.

There were no sales to report to Pakistan, which has been on the sidelines for some weeks now and where business is likely to remain subdued at least until the end of Ramadan.

In the Far East, a Chinese buyer was reported to have paid $455 per Istd, or $3.8m, for Murmansk Shipping's 1978-built, 8,360 Istd bulk carrier Dmitry Pozharskiy.

In general though, Chinese breakers remain eclipsed by yards on the Indian subcontinent that are offering substantially higher rates for all types of tonnage.

"With Bangladesh recently receiving the court extension to import tonnage up to October 12, it may be a bleak few weeks ahead for Chinese buyers, and one in which levels may have to improve in order to stand a chance of competing," GMS said.