Bangladesh import tax rise to stifle scrap rates

- Monday 13 June 2011, 18:21
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Brokers fear Bangladesh dip could spark falling rates across Indian subcontinent

A temporary court reprieve allowing Chittagong breakers to import ships expires on July 7. Bloomberg

THREE more large bulk carriers were sold for scrap last week amid gloomy forecasts that demolition rates in the Indian subcontinent may soon start to soften.

The downtrend sentiment was prompted largely by a negative budget in Bangladesh, which announced a 3% rise in import duty that could drive rates down by as much as $30 per ldt.

The announcement came less than a month before a temporary court reprieve allowing Chittagong breakers to import ships expires on July 7.

It also coincided with the traditional monsoon slowdown in cutting operations.

At least 16 vessels have been beached in Bangladesh in the month to date but interest from Chittagong breakers has waned, as is the case in India too.

Buyers continue to pick at choice units in a saturated market and, despite some strong deals last week, the general sense in the industry is that rates will ease in the coming weeks to around the $500 per ldt level for tankers, somewhat less for dry vessels.

"The question now is whether this negative sentiment from Bangladesh will filter to the rest of the Indian sub-continent," said London-based Clarkson Research Services.

"Furthermore, with the slowdown of cutting in India and Pakistan due to the monsoon now in full flow, the correction to the market many were predicting may be about to arrive."

Recent deals included the 1983-built, 13,297 ldt bulk carrier Hebei Lion, which was reported sold to Bangladesh on private terms.

Indian buyers also secured a large dry unit, the latest in a string of similar deals.

The 1984-built, 18,382 ldt bulk carrier Glory Shenzhen, operated by Sea Star Ships Management, was reported sold for delivery to India at the rate of $547 per ldt, or just over $10m. The price included 1,900 tonnes of bunker fuel on board.

US-based cash buyer GMS reported that as many as 50 capsize bulkers may have been sold for scrap so far this year, smashing the previous record of 24 in 1996.

"This has still, however, been outweighed by the number of new buildings flooding onto the market," GMS said.

"If freight rates see no signs of improving, we wonder just how high this record will go."

A number of other sales to India were also reported last week.

The 1983-built, 3,801 ldt heavy lift carrier Jumbo Challenger, operated by Kahn Scheepvaart, was reported sold to a buyer in Alang for $445 per ldt, or nearly $1.7m.

In another sale slated for delivery to Alang, the 1982-built, 2,689 ldt container ship Emilio I, operated by Rania Marine, was reported sold for $510 per ldt, or nearly $1.4m.

The 1984-built, 9,755 ldt general cargo ship Baltco, operated by Sudo Service Ukraine, was reported sold to an Indian buyer for an undisclosed rate.

No sales were reported to Pakistan, where breakers with well-stocked yards are digesting the glut of recently-purchased tonnage.

Weaker rates in the Indian subcontinent could open up an opportunity for Chinese breakers, who have been steadily closing the gap with their south Asian rivals for some weeks now.

"We may now see the Chinese breakers being more competitive on the back of the Bangladeshi announcement and if price levels suffer throughout the Indian sub-continent as expected," Clarkson’s said.

A Chinese buyer was reported to have bought the 1981-built, 12,753 ldt bulk carrier Ji Mei Long, operated by Jimei Hua Shipping, for $480 per ldt, or $6.1m. The rate included 750 tonnes of bunker fuel on board.