Chinese breakers step up competition for scrap tonnage

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- Back to Lloyd's List Asia

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At least three bulk carriers were reported sold for scrap in the past week as owners continued to face lower freight rates in the dry sector, writes Brian Reyes.

India continued to dominate the demolition market with rates in the high $400s per Ild, somewhat softer than in the past two weeks when prices edged up over the $500 mark.

Chinese breakers also competed aggressively for tonnage, offering rates at the same level as their Indian rivals.

This convergence is rarely seen in the demolition market, with China generally regarded as offering lower prices for ships to be scrapped.

Purchases included an unprecedented rate of $510 per Ild for the 9,700 Ild tanker Champion Adriatic, fetching just under $5m for operator Champion Tankers.

Another recent sale showed how prices in China are now on a par with those available in the Indian subcontinent, opening up more options for owners.

The 1987-built, 22,537 Ild bulk carrier Angelucky, operated by Cosco Shanghai, was reported sold to a Chinese breaker for $475 per Ild, or $10.7m.

US-based Global Marketing Systems, the world’s largest cash buyer, said prices in Alang, India, had been driven north in recent weeks by cash buyer speculation, but that breakers had brought them into check.

“It is the recyclers who have had the last laugh, sticking firm to reasonable and realistic levels all along,” GMS said.

Although high-specialisation vessels can fetch more, bulk carriers are now selling to Alang for around $470 per Ild, with tankers some $20 above that.

Recent deals to India include Bulcom’s 1977-built, 7,578 Ild bulker Challen, reported sold for $488 per Ild, or nearly $3.7m. Another bulker, the 1975-built, 2,994 Ild Island Queen, operated by Island Navigators Management, was reported sold on private terms.

In another sale to Alang, the 1984-built, 7,100 Ild general cargo ship Gamboa was reported sold for $484 per Ild, fetching $3.4m for operator Sudoservice Ukraine.

The 1978-built, 3,726 Ild general cargo ship QSM Dubai, operated by Qawareb Ship Management, was reported sold to India for $488 per Ild, or $1.8m.

One sale last week illustrated the scope for higher-priced deals depending on ship type. Valiant Shipping’s 1986-built, 11,128 Ild Ro-ro ship Carmania Express was reported sold for $515 per Ild, or nearly $5.8m, a rate driven up by the ship’s stainless steel decks.

Several older sales came to light last week, all of them reflecting the slightly stronger levels available late January.

They included Cosco’s 1982-built, 12,449 Ild Brilliant Zhangfeng, which was reported sold to an Indian buyer for $510 per Ild, or $6.2m, and the 1977-built, 7,800 Ild heavy/fuel vessel New Legend Harvest, operated by New Legend, which was reported sold to India for $510 per Ild, or nearly $4m. The 1991-built, 5,150 Ild general cargo ship Arctic Star was also reported sold to an Indian buyer, for $500 per Ild, or nearly $2.6m.

There were no sales to report to Pakistan or to Bangladesh, where the debate over the future of Chittagong yards continued. Yards have been in effect closed for shipbreaking in Bangladesh for nearly a year. In what was likely a well-timed reference to environmental campaigners both within Bangladesh and elsewhere, Hasan Mahmud, the state minister for the environment and forests, complained last week that “a bad genie” was creating problems for the shipbreaking sector.

“It roams in the High Court premises,” he reportedly told a meeting organised by the Chittagong Chamber of Commerce.

“Orders from the High Court are coming one after another. Everybody knows the name of the bad genie and it enjoys a strong backing from foreign countries.”

Mr Mahmud said the government remained committed to establishing safe shipbreaking practices in the industry, which played an important economic role in Bangladesh. He said a new legal framework had been drafted and was being reviewed by the Justice Ministry.

The statements were monitored from outside Bangladesh, where shipowners are hopeful of the sector reopening in the coming months and boosting available capacity and prices.

“The continuation of the problems in the Bangladeshi demolition industry has clearly become an emotive issue, given the extent to which scrap steel contributes to the health of the Bangladesh heavy industrial sector and wider gross domestic product growth,” said London-based Clarkson Research in a market update.

Critics nevertheless remain sceptical and complain that breakers have been slow to implement tighter procedures in the past.

The court, too, remain cautious. Last weekend the High Court ordered a full report on the recent explosion that left four dead in a Chittagong breaker’s yard.

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