Chittagong breakers can import scrap ships until October

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Chittagong breakers have purchased 6.1m dwt in the year to date, says Clarksons. Bloomberg

The Supreme Court in Bangladesh has granted Chittagong breakers an extension to continue importing scrap ships until early October.

The judges had been asked to consider an appeal by green campaigners to overturn an earlier decision by a lower court.

But after weeks of delay in hearing the case, the court opted to uphold the previous ruling and allow the extension until October 12.

This will give Bangladeshi breakers additional time to implement tougher labour and environmental safety rules.

It will also dispel, at least temporarily, lingering uncertainty about the future of that market and enable buyers to get back to business.

"The Supreme Court upheld the decision of the High Court and we will be able to import and dismantle old ships until the extended date," Salahuddin, an advisor for the Bangladesh Ship Breakers’ Association, told Reuters.

Bangladesh was the world leader in demolition activity up until 2009, a year in which Chittagong breakers scrapped a record 9.9m dwt, according to data from Clarkson Research Services.

But that figure fell sharply in 2010 after environmental campaigners took their battle to court and succeeded in temporarily shutting down all shipbreaking activity.

Last year, just 5.1m dwt was scrapped in Bangladesh, though volumes bounced back this year after the yards reopened with a commitment to improve their standards.

According to Clarksons, Chittagong breakers have purchased 6.1m dwt in the year to date.

The delays in resolving the appeal, have dampened the Chittagong market in recent weeks, with few notable sales to report.

With the Ramadan fasting month now under way, the return to full activity could be slower than expected, particularly as most yards have ample stocks of tonnage purchased earlier in the year.

The focus of activity remained on India, although prices there mirrored the uncertainty in global markets and dropped by $20 per ldt last week.

They included the 1983-built, 9,597 ldt car carrier Yohji, operated by Ray Shipping and reported sold to a buyer in Alang for $550 per ldt, or nearly $5,3m.

Seabulk Tankers’ 1975-built, 11,729 ldt chemical tanker Seabulk America was also reported sold to a buyer in Alang on an ‘as is’ basis in Texas for $518 per ldt, or just over $6m.

In general though, volatility in the market prompted a cautious approach from many breakers.

"Many end-buyers chose to wait and watch the direction of the market before committing on new high-priced and high-profile units, as they could easily be looking at a softer market come next week and lower purchasing prices as a result," said US-based cash buyer GMS.

"However, short-term fundamentals appear to be promising, with upcoming Ramadan holidays and an impending Bangladesh reopening sure to fire up the industry once again, despite the wobbles.

"Indeed, perhaps a relative dearth of summer candidates — as owners and brokers head off on holidays intent on leaving business in the background — could leave those available candidates in pole position to receive premiums."

There were no sales to report to Pakistan, which has remained on the sidelines for some weeks now, save for occasional purchases of large tankers, which are particularly favoured there.

A similar situation was evident in China last week, with little activity to report.

Despite efforts by Chinese breakers to improve on their offers, the gap between their rates and those on offer in the Indian subcontinent stands at around $75 per ldt, meaning Far East yards have problems attracting anything but regional tonnage.