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Shiprecycling is hitting its stride - feeding off the dire bulker and boxship markets.

India's ship-demolition players are rubbing their hands with glee at the flood of steel heading for Alang and the prospect of it continuing for at least the next couple of years.

They, along with other breakers, cash buyers and brokers, are benefitting from the rest of the shipping industry's misery.

The slump in the dry-bulk and containership markets has its silver lining. For the past five or so years, the supply of end-of-life ships has been patchy as owners kept tonnage trading on the back of often record earnings.

Now the word "record", along with "hyperbole-like frenzy", is creeping into recycling reports. Even China is flourishing, overshadowed for so long by the Indian subcontinent.

So many ships are being sold for demolition at the moment that one broker, EBM Shipbroking, saw fit this week to issue an interim sales report instead of keeping to its weekly tome.

But it is not so long ago that cash buyers and recyclers were caught out buying high and selling low in a climate of volatile sale-and-purchase (S&P) and steel-plate prices.

Although they now have an opportunity to recoup those losses, some fear that "exhuberance" may lead to some acting irrationally.

"Markets have their own psychology," commented cash-buyer Global Marketing Systems (GMS). "Signing an MOA [memorandum of agreement] at a high price does not mean money in the bank." Several of these players gathered in Dubai this week at a TradeWinds Ship Recycling Forum chaired by Nikos Mikelis, a key International Maritime Organisation (IMO) figure on whose shoulders rests a hefty responsibility.

In May 2009, the finalised draft text of the new IMO International Convention for the Safe and Environmentally Sound Recycling of Ships goes for adoption at a diplomatic conference in Hong Kong. As senior implementation officer, Mikelis has become something of a roving diplomat seeking to explain and develop a consensus among disparate stakeholders.

Evidence to date indicates there is no way the convention will satisfy everyone. Among the detractors are the numerous organisations represented by the NGO Platform on Shipbreaking, campaigning for a ban on the beaching of scrap vessels, and Pravin S Nagarsheth, president since 1991 of the Iron Steel Scrap & Shipbreakers Association of India.

The convention is criticised for going easy on shipowners and making no attempt to end beaching activities, despite Member of the European Parliament Robert Evans describing in graphic detail during the Dubai conference appalling conditions for workers in Bangladesh.

It instead targets raising standards by, for example, providing an inventory of hazardous cargoes on board including a final pre-delivery survey, the monitoring of recycling sites and "shipowners" working with the recycling yards to prepare a recycling plan. Plenty for some, wide of the mark for others.

India and Bangladesh have most of the world's ship-recycling capacity and if they, along with Pakistan, fail to ratify the new IMO convention, which may not be enforced anyway for several years, then it is dead.

Nagarsheth opposes it, arguing it is a cop-out by polluters, the shipowners, and backtracks on previous guidance for all tankers to be delivered gas free.

The owners, through the International Chamber of Shipping, see it very differently.

Nagarsheth claims standards at Alang have already improved substantially after a Supreme Court ruling on the scrapping of the cruiseship Blue Lady. Norway is providing aid to assist Bangladesh.
The fact remains that a combination of the dire bulk markets and expected increase in tankers heading for scrapping this year and next because of the 2010 single-hull phase-out means the shipping industry needs those beaches despite all their drawbacks.

Cash buyers have a vested interest but Tahir Lakhani, managing director of Dubai Trading Agency, acknowledges that "the eyes of the world" will focus increasingly on the sector as volumes grow.

"It is becoming increasingly obvious all the players in the recycling chain will have to take responsibility to improve standards to avoid criticism," he said in Dubai. The fact Lakhani was the conference's principal sponsor indicates a growing acceptance that ship recycling needs to move with the times and some, at least, are prepared to wash its linen in public.

Current freight rates mean that laying up or recycling is now the only realistic option for some vessels, says Lakhani. Good news for cash buyers but, he adds, they and recyclers need continued funding by the banks. It is commodity trading and should be viewed as such, argues Lakhani.

Rival GMS commented in its latest market report: "Without a strong Indian ship-recycling industry, today's shipping markets would be facing challenges of epic proportions." What has been evident in the market recently is increased business in China, where AP Moller-Maersk's Tom Peter Blankestijn says several of its vessels are expected to end their lives this year. He does not expect the boxship market to pick up until mid-2010.

The global project leader for the Danish group's ship-recycling activities is a big supporter of using "green"dockside dismantling in China as opposed to beaching.

He argues that it conforms with the "polluter pays" principal in that AP Moller-Maersk faces a flat service fee, as well as accepting less for its ships because steel prices in China are typically below those in the subcontinent.

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