TMT hikes VLCC demolition price

Shipbreakers may have to push scrap prices to new record highs to get their hands on a VLCC being circulated for sale by Taiwan Maritime Transport (TMT).

A new scrap record was set this week when Bangladeshi shibreakers paid $630 per ldt for a containership but TMT is now putting a value of $700 per ldt on its 239,000-dwt VLCC B Elephant (built 1986).

The company should be encouraged by the reported sale of the 750-teu boxship Kota Berlian (built 1976) by Pacific International Lines to Bangladesh for $630 per ldt, or around $3.8m. The previous record was set last week with the 29,600-dwt tanker Bering Wind (built 1982) fetching $615 per ldt.

Demolition brokers expect the market to increase further, at least in the short term.

TradeWinds understands from scrapping sources that an offer of $680 per ldt for the B Elephant was on the table on Wednesday, although by TradeWinds's press time, it was still unsold.

TMT's UK-office director, Robert Grantham, says the lack of available VLCC tonnage in the scrap market makes a ship like the B Elephant a valuable commodity. "We feel that given the current market, the vessel is worth in excess of $700 per ldt," he said.

This represents a sharp rise in just a few days. Last week, scrap-industry sources said TMT was very close to finalising a deal in the range of $630 per ldt.

The rise in expectations has sparked reaction from the market.

US-based Global Marketing Systems (GMS) says the range of prices coming out of Bangladesh has now entered the phase of "irrational exuberance".

"Such prices, coming out of 'desperation' rather than rational decision making, are generating demolition prices that are even higher than some of the trading offers on the table from conversion/storage buyers," said GMS in its report, which claims that scrap prices in excess of $600 per ldt for VLCCs does not make financial sense.

Grantham says TMT has decided to make the 21-year-old vessel available in the demolition market as it wants to get a lead in the market to secure the best possible price.

"We, like most tanker owners, are moving away from single-hull VLCCs. There are only so many that can be converted into bulk carriers, so we expect that quite a few VLCCs will be sold for scrap in the near future, which will push scrap prices downward. It is good to get in while the prices are still at such record-high levels," Grantham said.

If TMT secures a good price for the B Elephant, which is the oldest VLCC in its fleet, it could pave the way for more of the company's eight single-hull tankers to make a one-way voyage to the breakers' beach.

Bangladesh continues to dominate the demolition arena and a number of ships have been sold for scrapping in Chittagong. The 459,000-cbf reefer Adam (built 1976) is said to have been sold for $590 per ldt, or $4.2m. The 680-teu boxship Isara Bhum (built 1975) has been sold by Regional Container Lines for $590 per ldt, or $3.4m. A slightly higher price of $595 per ldt has been achieved for the 1,000-passengership Zhong Yuan (built 1976). The 12,200-dwt general cargoship Lorcon Mindano (built 1972) has reportedly fetched $550 per ldt, while the 6,000-dwt cargoship Yana (built 1966) netted only $500 per ldt.

Heading for India is the 1,250-passengership Cap Zaman (built 1972), which was sold for an undisclosed price. The ship went "as is" in Turkey.

A price in excess of $600 per ldt has also been secured for the 45,000-dwt tanker WS Challenger (built 1982), which is reported sold to Pakistan by Sharjah-based Warm Seas. The vessel was converted into a double-huller last year. (See also "Scraping premium may be short-lived", page 44."

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