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Ship Recycling Prices, Activity Remain at Historic Highs, say GMS CEO

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Gregory R. Trauthwein has covered the global maritime market for more than 25...

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Dr. Anil Sharma, CEO and founder of GMS, is a dominate player in the world's ship recycling business. MR TV caught up with him in late June 2021 for insights on the pace and direction of ship recycling activity and pricing.

- **Dr. Sharma, to start, can you give us an overview of the ship recycling market as you see it today?**

Thank you, Greg. Let's start with prices because that's the news of the hour. Today we are at about 70% of record numbers in the ship recycling market. In 2008, right



Dr. Anil Sharma, CEO and founder of GMS. Photo courtesy GMS

before the big global economic crash, that's when the (ship scrapping) markets hit all-time record highs in terms of price on a per ton basis at about \$800 per ton. We have reached almost 70% of that, we are now second (today) already. So the question in the market is: have we peaked or are we going to reach 2008 levels?

We are paying a lot of attention to fundamentals, especially in commodities markets.

My personal view: I think we are close to, if not at peak. But when I spoke with you about three months ago, I was at the same opinion and we are about 20% higher since then! These markets are on a tear and totally unprecedented in terms of prices. In terms of facilities, all markets: Turkey, India, Pakistan, Bangladesh, the four major markets are all are doing very well, very active.

- **So specifically, where are you seeing the most activity by vessel type?**

The biggest activity we are seeing (today) is in tankers, but there are still a lot of offshore vessels coming in, too. There are some dry bulkers (coming in) as well, believe it or not, but these are the really old tonnage, ships that are well past 25 years old. When I spoke to you three months ago, we saw the last of the VLCCs

being scrapped. I'm not seeing too many more cruise ships come in, but several vintage LNG carriers are being scrapped right now.

- **I know you referenced it briefly in our opening, but where are we today in terms of prices?**

As I said, we are just earshot of 2008 peaks. You know these are cycles; a spike in 2008, another in 2011 and again in 2014. So you had 2008, three year gap, 2011, three years gap, 2014 and then prices never came back up. So 2008, after that 2011 and 2014, but what we are seeing today is we've gained another 20%, surpassing 2011 and 2014, and approaching that 2008 peak. To us in the ship recycling business, this is quite scary but also exciting.

- **Obviously COVID continues to have a global impact on all industries. Can you give insights on how COVID continues to impact ship recycling: logistically from getting crews and ships in place, and from the perspective of the ship recycling yards themselves?**

Taking your second question first from the ship recycling sector, as you know India is going through tough times. Hopefully, the worst of the second wave seems to be over, but things are still not very good. They are still freezing of flights; we cannot take any Indian crew out of India. The recycling markets are open thankfully, recycling yards are open thankfully. The workers are well protected, so we don't have too many incidents there. But from the perspective of the Indian subcontinent, especially India, it has been sad. The good news is the Indian government announced free vaccines to all citizens, an aggressive campaign, and I hope that is one way of coming back out of this mess. From a logistics perspective, the news is not positive. We still can't change crew in Singapore, China is still shut down. We can't fly any crew in or out, and if a ship has to go into dry dock, that's a real problem, as we can't

send superintendents in to supervise. So from that perspective, COVID is still has a very severe negative impact from both logistics and markets perspective.
