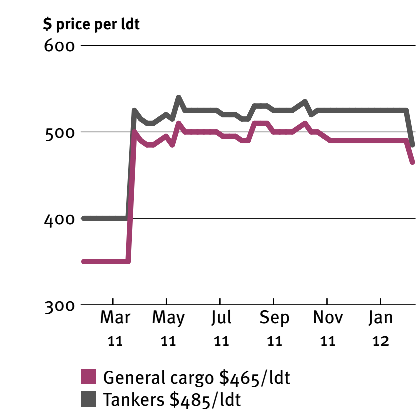
Demolition

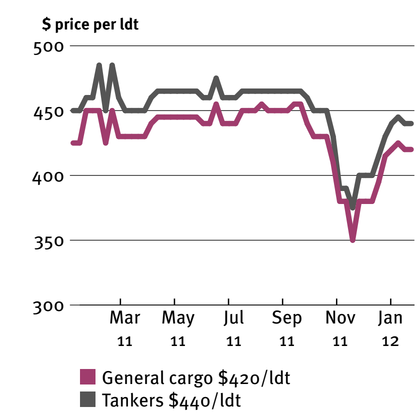
Chittagong breakers appeal against scrap import tax of 5%

BANGLADESH DEMOLITION RATES



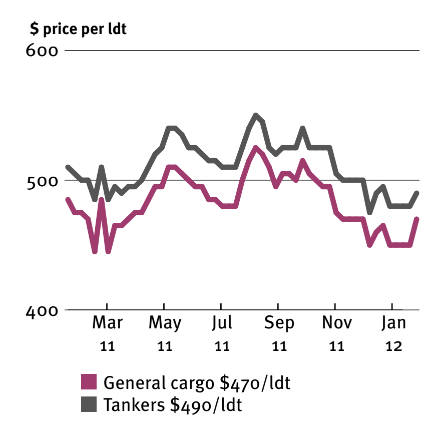
Source: Global Marketing Systems

CHINA DEMOLITION RATES



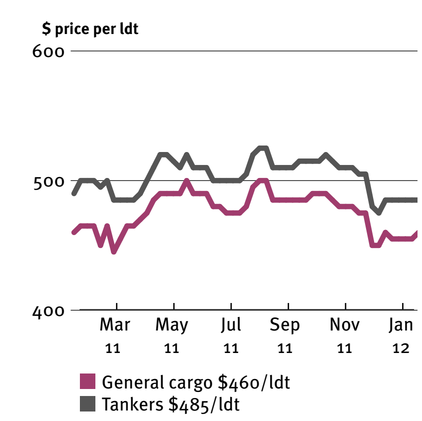
Source: Global Marketing Systems

INDIA DEMOLITION RATES



Source: Global Marketing Systems

PAKISTAN DEMOLITION RATES



Source: Global Marketing Systems

Bangladesh prices could fall by $25 per ldt, which along with reduced access to finance has caused hesitation in local markets

Liz McCarthy

BANGLADESH's shipbreaking industry is appealing against a proposed 5% tax on vessels imported for scrap, the next obstacle for Chittagong yards to tackle after getting the green light to bring in ships following a ban put in place in November 2011.

The impact of a 5% tax on scrap ship imports could see prices for Bangladesh recycling fall by as much $25 per ldt. This has prompted the Bangladesh Ship Breakers Association to lobby for a reduction in the tax to 0.5% of purchase prices, overshadowing the news that the local industry is open.

"With the local recycling industry now receiving its green light to import vessels once again, many would have expected the floodgates to open and the deals to start piling up," cash buyer GMS said in its weekly report.

"However, the reality is that almost no end buyers are willing to commit on the new vessels whilst the pending issue over the 5% import tax remains unresolved."

Combined with limited access to finance, brokers such as Gibson are expecting limited buying activity from Chittagong in the coming weeks.

"Obtaining US dollars is still a significant headache for breakers and this lack of finance will hinder those wishing to open letters of credit," the London-headquartered broker said in its weekly ship recycling report.

Steve Wansell: "The financial markets will ultimately dictate what the future holds for shipbreaking."

Steve Wansell, general manager of cash buyer Mideast Shipping & Trading, explains to Lloyd's List that in contrast to 180-day deferred letters of credit used in the Indian market, in Bangladesh 'sight' LCs are used that require funds to be immediately available.

"There's an underlying problem of a shortage of US dollars in the country. When we sell a ship to the breaker he pays in US dollars via a letter of credit. But because of what's going on in the world at the moment banks are more cautious about who they lend to and there are fewer banks that will take the risk of a Bangladeshi bank," Mr Wansell says.

"This is a central bank issue; the dollars they do have are being prioritised for important things like imports of food etc. So when you go to sell a ship to a breaker, he won't go through the formalities if he hasn't got the support from his bank to say 'yes, we've got the dollars'."

Overall, uncertainty over the global economy and reduced lending is creating a small squeeze in all shipbreaking markets, but his company is still selling to India and Pakistan.

"The financial markets will ultimately dictate what the future holds for the shipbreaking industry. You've just got to be careful at the moment and have your wits about you," he says.

Some cash buyers that had speculatively bought up tonnage to sell on to the Bangladesh market in the anticipation of its reopening had been left holding ships that they were unable to offload at the moment.

GMS even reported that "hasty cash buyers" had seen deals failing after buyers failed to lodge deposits, referring to the example of the 1981-built, 11,101 ldt bulker *Hu Jiang* that last week was reportely sold for delivery to Chittagong for $462 per ldt, or $5.1m.

With Bangladesh out of the picture, Indian breakers had stepped in and taken most of the sales candidates hitting the market.

India had "forced itself into the top position" as scrap prices rose last week on the Rupee strengthening against the US dollar, an improved domestic steel market and the anticipation of Bangladesh reopening, Clarksons reported in its Shipping Intelligence Weekly report.

"However, should the situation not improve in Bangladesh, then the sudden increase in rates seen from the Indian market could potentially tail off again to numbers that are more profitable to the local industry," it said.

GMS reported scrap prices from India of $490 per ldt for tankers and $470 for general cargo vessels, compared to $460-$485 levels in Bangladesh and Pakistan and $420-$440 in China, with the latter set to turn quiet over the next couple of weeks ahead of new year celebrations.

Despite the dip in prices seen since last year, when market fundamentals pushed scrap rates to highs in the mid-$500s, owners are still keen to offload tonnage though.

"We are starting to see an increased amount of old vessels being circulated as candidates, which has all the hallmarks of a very busy year for demolition ahead of us," Gibson's report said.

"This pattern goes some way in proving there is an abundance of vintage units (both wet and dry) still trading which should really be sent for recycling as this huge oversupply of tonnage has no benefit whatsoever to the shipping industry as a whole."

Unfortunately for Pakistan, that Clarksons reports as hungry for tanker tonnage, the latest spikes in very large crude carrier and suezmax spot markets has distracted some owners of older ships from looking to the demolition market.

"With the favoured gas-free conditions (suitable for man entry only as opposed to hot works for India/Bangladesh), the general consensus is that such units will currently find Pakistan as the final destination," its report said. ■

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Sale & Purchase

A fifth wiped off 15-year-old panamax bulker values in one month

DRY BULK asset values took another hit this week as two panamaxes that were up for sale failed to field offers at price levels common only weeks ago, *writes Eric van den Berg*.

Brokers reported that South Korean shipowner Joong Ang Shipping was taking bids for its 1994-built, 70,196 dwt *Eastern Queen* at price levels around $11m, with shipbroker Galbraith's reporting the ship had finally been fixed at $10.9m to an undisclosed party.

Brokers also reported the sale of Japanese Sato Steamship's similar 1995-built, 69,058 dwt *Fair Wind* at a price of $10.5-$10.8m to an undisclosed Greek party.

Both sales are well below reported current valuations of the two Panamaxes, which stood at $11.8m and $12.4m respectively on Monday, according to VesselsValue. The figures paid also represent a 16%-19% decline over the last done deal, the $13.0m sale of the 1994-built, 68,591 dwt *Hellenic Sky*, conducted only a month ago.

With the secondhand business seeing little activity in the run-up to Chinese New Year and with the Baltic Dry Index down to its lowest level seen since January 2009 on Monday, brokers expressed little surprise at the plummeting value of dry bulk tonnage.

According to shipbroker Galbraith's weekly sale and purchase report, brokers' hope is currently focussed on a "considerable upturn when the holidays are over and the Chinese reset import targets."

If this upturn fails to materialise "we have to anticipate further erosion in assets prices across the board," Galbraith's wrote.

Smaller dry bulk tonnage also saw some new depths plumbed. In the handymax sector, for instance, COSCO was reported as having sold its 2000-built, 45,724 dwt *Sea Banian* to an undisclosed Greek party at a price of $14.0m-$14.5m.

The *Sea Banian* is currently valued 10%-14% higer by VesselsValue at $15.9m.

At the end of September last year Sanko Steamship was still able to flog its 1999-built, 50,655 dwt *Sanko Summit* and its sistership the *Sanko Supreme* for $17.5m each, indicating handymax asset values have fallen by almost a fifth in only three months.

Finally, in a deal that gave some hope for the future of the hadysize market, the 1998-built, 29,478 dwt Japanes shipowner Daiichi Chuo is about to sell its 1998-built, 29,478 dwt *Southern Fighter* to an undisclosed party for a price a bit over $12m, according to shipbroker Galbraith's.

This figure is well below the current valuation of $13.3m, but the deal also includes a two-year period-charter contract at a rate of $10,500 per day, at least showing some faith that time charter rates will not fall much further the coming years.

In 2011, time charter rates as reported by the Baltic Exchange, averaged about $10,500 per day. However, they have since fallen as low as $7,679 per day, the latest global time charter average reported on Monday. ■

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Dry Fixtures

TIME CHARTER

Piet (built 2011, 93,183 dwt) delivery Fukuyama 26/31 Jan trip via Hay Point redelivery Taiwan $6,000 daily — charterer not reported

Doric Warrior (built 2010, 93,115 dwt) delivery Amsterdam 17/22 Jan trip via Murmansk redelivery Turkey $10,000 daily — K2 Shipping

Grand Challenger (built 2006, 82,992 dwt) delivery SW Pass 30 Jan/4 Feb trip redelivery Continent int grain $12,500 daily + $265,000 ballast bonus — Windrose

Ulusoy 11 Baumarine relet (built 2011, 79,422 dwt) delivery Gibraltar spot trip via US east coast redelivery China $20,000 daily — Cargill

Newlead Victoria (built 2002, 75,966 dwt) delivery Fangcheng 14/17 Jan trip via Koolan Island redelivery China $7,000 daily — Beibu Gulf

Antonis G.Pappadakis (built 1995, 73,506 dwt) delivery Mobile 23/28 Jan trip redelivery Jorf Lasfar $12,500 daily + $240,000 ballast bonus — Swiss Marine

Armia Krajowa (built 1991, 73,505 dwt) delivery aps Itacoatiara 25/30 Jan trip redelivery Continent $10,250 daily + $175,000 ballast bonus — Windrose

Alpha Happiness (built 1999, 72,893 dwt) delivery aps Balikpapan 18/23 Jan trip redelivery South China $6,500 daily + $125,000 ballast bonus — J.Aron

Heng Shan Hai (built 1998, 72,731 dwt) delivery retro psg Singapore 6 Jan trip via east coast South America redelivery Far East $8,500 daily — Raffles

Jin Run (built 1998, 72,495 dwt) delivery SW Pass 26/31 Jan trip redelivery Singapore-Japan $23,000 daily +$400,000 ballast bonus — Oldendorff

Maria V (built 1987, 69,229 dwt) delivery retro Damietta 13 Jan trip va Black Sea & Red Sea redelivery Port Said $10,000 daily — charterer not reported

Port Dalian (built 2011, 57,000 dwt) delivery Zhoushan spot trip via Indonesia redelivery India $4,000 daily — Isaphia

Nasco Gem (built 2010, 55,085 dwt) delivery US Gulf 22/26 January trip redelivery E.Med approx $18,000 daily — charterer not reported

Lotus (built 2001, 52,416 dwt) delivery Karachi spot trip via west coast India redelivery Japan intention Bauxite $8,000 daily — charterer not reported

Orion Express (built 1998, 47,228 dwt) delivery Rizhao spot trip via Vietnam redelivery China $3,800 daily — Everbright

Ocean Gold (built 2006, 32,317 dwt) delivery aps US Gulf 24/25 Jan trip redelivery Venezuela $12,000 daily — Key Maritime — fixed end last week

Bosphorus Queen (built 1986, 26,842 dwt) delivery aps Recalada 16/17 Jan trip redelivery Spain $15,500 daily — Bunge

ORE

K.Happiness (built 2011) 170,000/10 Dampier/Qingdao 28 Jan/1 Feb $7.70 fio scale/30,000shinc — Rio Tinto — amends 13/01 report of vessel to be nominated, to Rio Tinto

GRAIN

Fengli 8 (built 1994) 55,000/10 hss US Gulf/China 1/10 Feb $51.00 fio 10,000satshex/8,000satshex — STX Pan Ocean

COAL

Vessel to be nominated, 70,000/10 Richards Bay/Brindisi 1/7 Feb $15.00 fio scale/12,000shinc — Cargill