

TRADEWINDS SHIP RECYCLING FORUM

Wirana chief holds out little hope for rates

Freight rates will remain "miserable" even if 30 million dwt-worth of ships are removed from the market by scrapping, claims a leading cash buyer.

Rhakesh Khetan, chief executive of Singapore-based cash buyer Wirana, fears freight rates could remain below 2011 levels.

Last year, up to 44 million dwt was recycled and, although that figure could be beaten in 2012, some 190 million dwt of newbuildings is scheduled for delivery this year, according to shipbroker Clarksons.

Unless surplus capacity is fully absorbed, VLCC rates will not get close to \$25,000 per day "for a very long time", says Khetan.

Speaking during the TradeWinds Ship Recycling Forum in Singapore, Khetan pointed to veteran shipping banks no longer being willing to provide funding, accelerating foreclosures and resulting in the forced sale of vessels across courts in Singapore, India, Bangladesh and even China.

"It is estimated that this year about 26 million dwt of bulkers, 17 million dwt of tankers and about 150,000 teu of container tonnage will go for recycling," said Khetan. "This year may well set new records for demolition numbers."

Without recycling, world fleet growth may have been as high as 20%, instead of 4.4%, adds the Wirana boss.

Since 1983, Khetan says Alang in India has recycled more than 7,000 vessels, generating over 80 million tonnes of steel.

Cash buyers face finance squeeze

The expected deluge of tonnage looks set to put cash buyers under serious pressure.

Geoff Garfield Singapore

Fears have been raised over the ability of cash buyers to cope with the financial pressures placed on them by what is described as a "tsunami" of tonnage being scrapped.

An all-time record number of vessels are expected to be recycled in 2012 and Clarksons broker Darren Lepper is among those worried that cash buyers, the intermediaries between owners and recycling yards, will be financially stretched.

"I am concerned about the number of cash buyers in the market that can withstand the amount of financing they are having to put up," Lepper told the TradeWinds Ship Recycling Forum in Singapore. "There is a big risk and big pressure on the cash buyer now and, with the amount of tonnage we are seeing come through, there are limited cash buyers. This is an



STEVE WANSELL: Sceptical about global recycling capacity Photo: NHST Events

issue we have to be a bit cautious about."

Sale-and-purchase (S&P) broker Harry Malandreniotis, managing director of Headway Management in London, said: "I see a tsunami of ships coming [for recycling]."

He added: "I would place a bet now that by the end of the year we will see \$300 per ldt [versus around \$450 to \$475 per ldt at the

moment]. Can the market take all these [ships]? I don't know."

Lepper, who believes sufficient recycling capacity exists to handle what could be a record year for scrapping, says the question is whether, in a falling market, owners will lay up ships or continue selling.

Mideast Shipping & Trading cash buyer and former banker Steve Wansell highlighted in Singapore the fact that much younger vessels are going for recycling against the backdrop of banks running their shipping books down and no longer supporting owners short on liquidity and cash flow.

No longer are owners successful in securing bridging loans so they can put older vessels through dry-dockings, says Wansell. And he is sceptical about global recycling capacity.

The Mideast general manager describes the first two months of 2012 as "very aggressive" in terms of the volume of ships being sold for demolition at a time when one of the main scrapping countries, Bangladesh, is still embroiled in legal and regulatory issues.

Wansell says cash buyers need to be "very cautious" in the foreseeable future about new regulations that will determine the formal reopening of Bangladeshi

yards, as well as recyclers' access to US dollars so they can buy vessels.

"It is important that when we bring a ship to anchorage, the end-user can perform and pay us," said Wansell.

Although India has around 180 yards, it is "awash with ships". Some 60 to 70 have entered Alang in the past six or seven weeks, Wansell told the forum.

"At the moment we don't have a regulated market place," he said. India and China are operating, Pakistan is an "intermittent" place to sell ships, Bangladesh is a "sort of closed shop" and while there are buyers, they are "restricted".

Meanwhile, Nicholas Dean of cash buyer Dubai Trading Agency (DTA), describes ship scrapping as being in the middle of a "massive feeding frenzy". He says some 50 to 60 ships are waiting at Alang to be beached and more are arriving every day.

The most environmentally positive thing the shipping industry can do is get rid of this older tonnage as fast as possible. And in a reference to global overtonnaging and depressed freight markets, Dean says that without doing so, "half the people in this room will go bankrupt before the end of next year".

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Clash of opinion on banning beaching method

The beaching of ships needs to be improved but not banned, says France's Claude Wohrer.

Wohrer, of the secretariat for the sea in the prime minister's office, highlights the fact that to outlaw the practice would remove 80% of world ship-recycling capacity.

France was at the centre of the controversial scrapping of the aircraft carrier *Clemenceau*, the most high-profile of the so-called ghost ships. It had to be turned back while en route to India because of concerns over toxic materials on board and ended up being recycled in the UK.

Wohrer's views at the TradeWinds Ship recycling Forum in Singapore last week failed to chime with those of Ingvild Jenssen, co-ordinator for the NGO Shipbreaking Platform, a global coalition of environmental and human-rights organisations, which has campaigned for years against beaching.

Jenssen, in respect of an initiative by the Japanese, played down moves to introduce dry docks at Alang, India, for the removal of hazardous materials and areas of hardstanding for lifting equipment.

"I doubt that Alang can look like Turkey because you have a huge tide," said Jenssen.

Turkey's use of a landing method to scrap vessels has earned it a reputation for green recycling and has resulted in it securing contracts from governments and oil majors to dismantle vessels.

Jenssen says the NGO Shipbreaking Platform wants "mechanisms" to move ship recycling away from beaches in the Indian subcontinent to areas, possibly using piers, where cranes can be deployed.

A recycler at the forum, however, argued that countries in South Asia do not have sufficient piers or dry docks that could be switched from other shipping activities and dedicated to scrapping.

Jenssen says cash buyers and owners are "eating cake", not

bread, and that there is enough money in the industry to invest in facilities.

Meanwhile, Rakesh Khetan, chief executive of Singapore-based cash buyer Wirana, says probably less than 10 owners request green recycling of their ships.

Questioned by Tom Peter Blankestijn, managing director of green-recycling company Sea2Cradle, over what steps cash buyers take to live up to the new, higher standards of the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, Khetan replied that cash buyers own vessels for only very short periods, maybe not even a day.

"If they [owners] wish to sell to green-recycling yards then, of course, we help them but there are very few who insist on this," he said.

Lloyd's Register teams up with Sea2Cradle

Classification society Lloyd's Register (LR) has teamed up with ship-recycling supervision outfit Sea2Cradle for the scrapping of vessels in line with the new Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships.

The joint venture is aimed at government-owned tonnage but can also apply to other owners wanting to comply with the convention before it comes into force.

According to LR ship-recycling specialist Robin Townsend, the joint venture will outline what is needed during the recycling process, so that individual vessels meet the requirements of the still-to-be-ratified convention.

This will range from the inventory of hazardous materials through to final survey, the selection of a recycling facility and a ship-recycling plan, and the supervision of dismantling at the yard.

Townsend, who announced the official launch of the joint venture at TradeWinds's Ship Recycling Forum in Singapore, said these processes will be carried out by Sea2Cradle and verified by certification issuer LR.

Tom Peter Blankestijn, managing director of Sea2Cradle, which grew out of the former Maersk Ship Recycling, said that despite being a new company Sea2Cradle's staff has the experience of recycling more than 70 vessels in a safe manner.

"It is not only about paperwork," said Blankestijn. "It is about putting all that is on paper into action."

He added: "As from tomorrow, no more excuses."



PANELLISTS: Ingvild Jenssen (left) of the NGO Shipbreaking Platform and Claude Wohrer of the French prime minister's office



Photos: NHST Events

Portable tank gauging and sampling
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