

Lloyd's List

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Break the silence

IT IS tempting to characterise the European Commission's efforts to make the world safe for shipbreaking as altruistic overreach.

But it is not that simple. At issue is whether the European Union should go ahead and supplement the already workable guidelines set by the International Maritime Organization's Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships with an added garnish of regulation.

Soledad Blanco, an official in the commission's environmental directorate general, said at a conference on Tuesday that European shipowners that dispose of ships outside of EU standards would be penalised.

The commission is proposing to create a list of acceptable breaking yards and penalise those EU owners that send ships for recycling outside the list, even if they sell a ship to another owner and the ship is sent on to a non-EU approved yard within six months. One participant at the conference questioned whether owners will still find a way to circumvent EU regulations under this regime. Ms Blanco emphasised that this is a proposal and still in the works.

At the very least, the proposal shines a light on an issue that has lacked attention as demand for scrapping rises and owners struggle to make ends meet.

The actual ratification of the Hong Kong convention is probably years and years away. Until that day, rules by the EU, provided they are compatible with the goals of the Hong Kong convention, could have the beneficial effect of encouraging speedier ratification. They could also bring owners back into the debate.

Rumble in Rio

GREENPEACE said today it was prepared for war with UN negotiators at the Rio+20 summit over watering down a draft agreement on protecting the world's oceans.

Campaigners argue the document has no teeth and will fail to protect the oceans' eco-systems. Protection of the oceans includes managing oil spills and gas leaks effectively, but also covers ballast water management to stop alien species being transferred between oceans as ships discharge ballast water.

Given the current status of the ballast water management convention, which still has not entered into force, International Maritime Organization bureaucrats can expect some of Greenpeace's renewed ire to be directed squarely at them.

The convention will enter into force 12 months after ratification by 35% of world merchant shipping tonnage. But as of today, 33 countries have agreed to the code, representing only 28% of the global fleet.

Furthermore, concerns were recently raised as to whether the IMO's timetable for equipping vessels with the required ballast water management systems is viable.

The only hope of appeasing these campaigners is if the heads of state, scheduled to join the summit today, at least give the draft oceans document some teeth, even if they are unable to meet all the greens' demands. IMO bureaucrats should therefore expect a busy few days ahead in Rio. ■

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Cash buyers defend their role in ship demolition

Biggest players say they are merely middlemen and do not make huge amounts of money

LIZ MCCARTHY

CASH buyers acting as the intermediary between owners and ship recyclers are trying to dispel the myth that they are making huge amounts of money out of selling end-of-life vessels for demolition.

They say they face the same squeeze on finance availability as everyone else in the shipping industry.

At Informa's annual Ship Recycling conference in London, GMS commercial director Zia Ansari said cash buyers were "not making huge fantastic money" and that the margins were slim.

His comments followed SeazCradle managing director Tom Peter Blankestijn asking a cash buyer panel if they could help the push for improved standards at shipbreaking facilities by putting \$2 aside for every lightweight tonne they sell that could then be invested into yards.

His argument was that money could easily be built up if, for example on every very large crude carrier sold, cash buyers could put aside \$70,000 based on an average 35,000 ldt.

However, Mr Blankestijn, who used to run AP Moller-Maersk's recycling business and is experienced in the Chinese demolition business, was challenged by Mideast Shipping & Trading general manager Steve Wansell, who asked: "How much exactly do you think cash buyers make on a deal?"

The ex-banker-cum-cash buyer batted back misconceptions that they make a \$1m or so on deals, and said on average "it is more like \$5 or \$6 per ldt".

GMS trader Jamie Dalzell added that



Cash buyers make on average \$5 or \$6 per ldt, or even just \$1 per ldt, Informa's annual Ship Recycling conference was told. Bloomberg

sometimes it could be as low as \$1 per ldt or even breakeven, and so it was not possible for cash buyers to build up significant investment funds that alone could change the industry.

The panel pointed to the extreme volatility of demolition rates so far this year as proof that it was difficult to make money at the moment.

A surge in scrapping candidates earlier this year and a combination of financial issues, as well as the onset of the monsoon season, have seen breaker appetite dry up and prices fall \$100 per ldt in the last month.

Considering that once cash buyers have purchased a ship from an end owner they then have to re-sell it to a

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Steve Wansell, Mideast Shipping & Trading

breaking yard, the dramatic drop in prices has seen renegotiations become the norm and some cash buyers have lost money on deals.

All this is happening at a time when there is an increasing volume of ships being marketed for sale for demolition as owners dispose of uneconomic vessels, but there is a limited pool of large cash buyers.

Mr Wansell said that of the 20 cash buyers operating these days, only five or six were large scale, properly structured businesses such as Mideast, GMS and Wirana.

Clarksons' Darren Lepper asked whether buyers felt the pressure of having to put up large deposits during this busy period, as without cash buyers there would be no recycling.

Mr Dalzell said that GMS was trying to focus its business on vessels purchased on a delivered basis as opposed to as is, because it tied up less cash and meant the company was not blocked from buying more vessels.

Buying a ship on a delivered basis involves the cash buyer paying a

10%-30% deposit to the owner, but the latter then sails the vessel to the shipbreaking destination, where the rest of the money is paid.

By comparison, when a ship is bought on an as is basis, the cash buyer takes ownership of the vessel at a given location — perhaps waters off Singapore or the UAE — and pays the owner 100%. The cash buyer then has to reflag, insure and crew the ship on its last voyage.

"The business model is changing all the time," Mr Wansell said, referencing the many moving parts of the business.

Mideast was doing deals with shorter laycans, meaning the period between a sale being committed and the ship being delivered is smaller than in the past, to reduce risk.

"This is not fun and games. The margins are very small in this business and it has become very much about volume." ■

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Kidwell takes the helm at Braemar Shipping

JAMES Kidwell takes over as chief executive of London-listed Braemar Shipping Services today, as previous head Alan Marsh prepares to retire from the board of directors at the end of July, writes Liz McCarthy.

On stepping down, Mr Marsh will return to the sale and purchase desk of Braemar's shipbroking division.

Mr Kidwell was previously group finance director and has worked for the company since 2002. With no replacement yet named, he will continue his finance responsibilities for the time being.

Quentin Soanes will also retire from the board of directors on July 31 following his appointment as chairman of the Baltic Exchange, but will remain responsible for Braemar's technical, logistics and environmental divisions.

Denis Petropoulos — based in Singapore and leading growth in Asia — will remain an executive director and London-based head of sale and purchase Sebastian Davenport-Thomas has been appointed managing director of the company's shipbroking division.

Mr Kidwell told Lloyd's List that he was "thrilled" with his appointment. He will now lead a staff of 920, some 600 working in non-shipbroking divisions. "There isn't going to be a change in strategy, the plan is to develop and grow," he said.

With the shipbroking market facing



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challenging times in a low freight-rate environment, Braemar is "reaping the benefits" of significant investments in non-shipbroking businesses, with the surveying and engineering division showing particularly good returns.

"They are benefiting from more ships and increasing exploration," Mr Kidwell said. Asked whether this meant the company was recruiting to keep up with business demand, he said that Braemar was "always on the lookout for talent in this area".

Another area the company is watching is the shipbroking market which, despite being tough at the moment, does not put Braemar off the prospect of growing.

It remains committed to growing the business in Asia, where the centre of shipping is moving, now basing approximately 100 brokers in the market. However, Mr Kidwell stressed that did not mean Braemar would not be investing in opportunities in London as they arise.

"We may ultimately see generational change in the medium to long term," he said, hinting at potential acquisitions when the heads of smaller shipbroking companies retire and their successors look to merge with larger brokers. "I think that's a possibility."

The last time the company merged with another shipbroker was almost a decade ago when it acquired its Australia business.

The unique selling point of Braemar is that its "reputation and integrity is very strong" with coverage across all major bulk sectors and an international spread of people, he said. The company is excited to have Mr Marsh's expertise back on the sale and purchase desk on a day-to-day basis, after he led the public company for 11 years.

"It is with some sadness that I have decided, as I approach my 63rd birthday, that this is the time to retire from a role that I have much enjoyed. I am confident that James will be an outstanding successor, and I look forward to continuing to contribute to the group's success," Mr Marsh said in a statement released today.

Braemar chairman Graham Hearne said that Mr Kidwell was "a top-class executive" who has the "leadership and expertise to manage our success and manage the next phase of Braemar's growth". ■

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