

SCRAPPING

Letter of credit clampdown derails Bangladesh deals

Access to bank funding triggers Chittagong recycling chaos but one cash buyer claims the market is being manipulated.

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A shortage of dollars in Bangladesh is causing "huge disruption" for the country's ship recycling industry, it is claimed.

The situation is preventing banks issuing letters of credit (LOCs) needed by recyclers to pay for end-of-life ships with the problem blamed for disputes between buyers and sellers, including one involving the 26,700-dwt *Spring Breeze* (built 1984), which has been lying at Chittagong for around a month.

Bangladesh is being referred to as virtually shut for fresh business by some sources with some vessels being diverted to India.

As many as 27 ships are said to have been kept waiting for weeks after arriving in Bangladesh. Some are "as is" ships, where the cash buyer has taken them to the anchorage. At least a couple of others are said to be caught up in renegotiations because they have been delivered by their owners but

the cash buyers have been unable to perform because they rely on LOCs.

Dubai and London-based cash buyer, Mideast Shipping & Trading general manager Steve Wansell confirms the ongoing problems. He says ships should not have continued being sold into Bangladesh when it was known the difficulties existed.

SHORTAGE OF DOLLARS

Wansell said: "The country is facing a shortage of dollars and it is prioritising where it spends them. At the moment, shipbreaking is not the priority."

He says only the occasional ship recycler is managing to establish a LOC with its bank and that the entry of new tonnage into Bangladesh is currently "very limited".

The Hosco-controlled, 269,000-dwt tanker *Sea Glory* is said to have had difficulties delivering into Bangladesh because of LOC problems and has now been diverted to India.

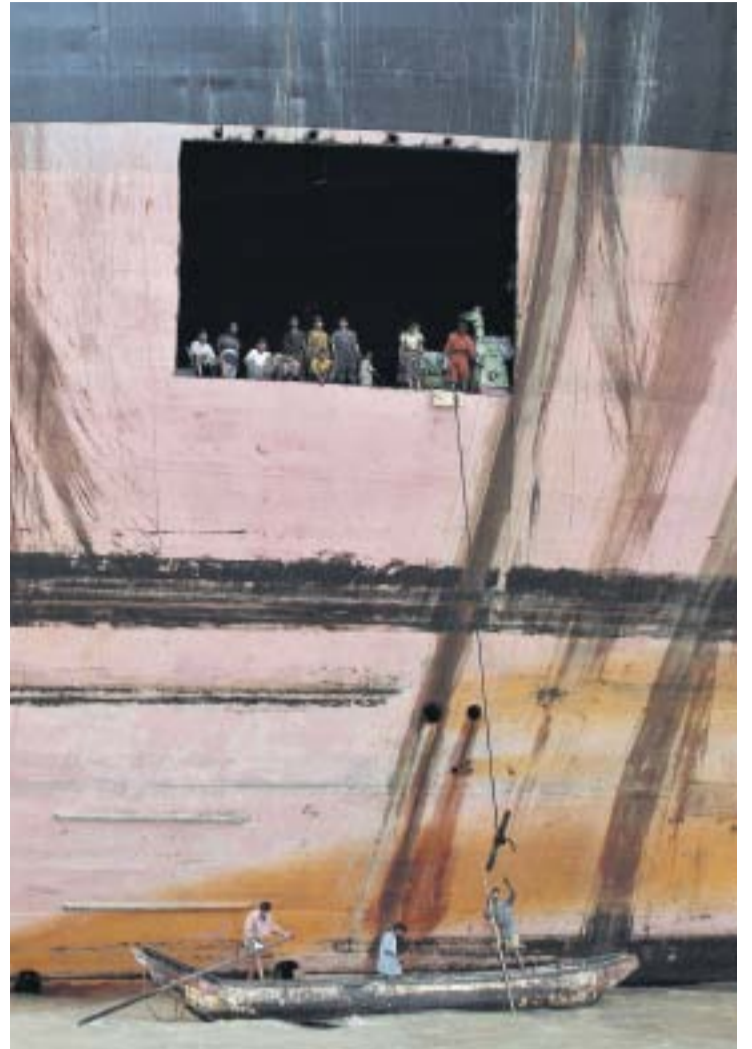
But most controversy has surrounded Pendulum Shipmanagement of Greece's bulker, the *Spring*

Breeze, which was acquired by Mumbai, India-based cash buyer Star Matrix, which paid a 20% deposit and then circulated an email on Tuesday warning others against getting involved in any further sale of the ship. The purchase by Star Matrix for a firm \$425 per ldt was reported by TradeWinds over two months ago but the cash buyer says it has been waiting for the bulker to be delivered.

It turns out that the ship has been delayed by the LOC crisis.

Star Matrix's head of sale-and-purchase (S&P), Siddharth Shah tells TradeWinds that an agreement to sell it on to a recycler in Chittagong turned sour when the cash buyer was unable to open an LOC. He claims the bulker arrived with six tonnes of bunkers on board but suspicions were raised that the owner intended to move it elsewhere when it was discovered that the vessel now had 150 tonnes of fuel.

The cash buyer claims it secured an arrest order but at TradeWinds's press time it had agreed to pay the full \$425 per ldt, as well as certain costs demanded by the owner, and



► **CHITTAGONG:** A shortage of dollars in Bangladesh is causing chaos in the shipbreaking industry. Photo: BLOOMBERG

take the vessel to India for recycling.

Star Matrix, which it was rumoured was trying to renegotiate a lower price with Pendulum, was taking approximately a \$40 per ldt loss on the deal, claims Shah.

The inability of recyclers to access LOCs has caused the whole issue to "snowball".

MANIPULATION ACCUSATIONS

Shah, however, claims that the situation is being manipulated by the recyclers who, he says, come

up with reasons not to beach ships when they have enough tonnage to cut. He claims that breakers have an interest in local banks responsible for opening LOCs and wield a lot of control.

"I know one breaker who is MD [managing director] of a bank," said Shah who argues that LOCs were being used as an excuse to control the Chittagong scrapping market.

It is expected that the shipbreaking plots will open again soon for more vessels, says Shah.

SCRAPPING

Protest strike at Alang called off

Action after three are arrested and charged following fatal fire and explosion.

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A strike at Alang in India, which paralysed the scrapping of ships at Asia's largest recycling site, has been officially called off.

The Ship Recycling Industries Association of India (SRIA) spearheaded the stoppage in protest after Kiran Shipbreaking Co owners Ram Krishna Jain and Vipin Jain were arrested and charged with culpable homicide.

A manager at the yard has also been charged following an ex-

plosion and fire, which killed six workers, while cutting torches were being used on the 18,700-dwt tanker *Union Brave* (built 1983).

The stoppage began last Friday and was expected to drag on into at least next week. However, on Wednesday it was learned that scrapping was to restart.

"I think they have made a protest more than anything," said one cash buyer of the recyclers' action. The longer it went on the more "it was costing them".

The tanker tragedy adds to the death toll at ship demolition yards

in the Indian subcontinent. It was said to have led to a police and shipbreakers' deadlock.

The Indian Express quoted a government official as saying: "It's a stand-off between the police and the businessmen now. They are seeing which of them blinks first."

CHARGES DROPPED

Maninder Pawar, superintendent of police in Bhavnagar district, where Alang is located, told the media that there is "no question" of the culpable homicide charge being dropped. At TradeWinds's

press time there was no information on whether or not a deal had been struck.

Pressure has been exerted to charge the three men with causing death by negligence, which carries a lesser penalty.

Shipbreaking sources say they understand that the authorities in Alang are also being investigated as to whether the *Union Brave* was gas free for man-entry and hotwork at the time of the explosion. This is required under India's stricter rules governing the delivery of ships for recycling.



► **ALANG:** The strike, which began last Friday, has been called off. Photo: SCANPIX

In Pakistan, for example, it is only necessary for vessels to be delivered gas-free for man-entry.

"You wonder whether there are going to be any repercussions for the cash buyer who sold the ship [to the recycler]," one industry source told TradeWinds.



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