

SCRAPPING

Bangladesh is open again — in theory

Geoff Garfield

London

Hopes were raised this week that Bangladesh will soon be open for shipbreaking again after two judges signed the court order allowing the import of vessels.

A large number of ships have built up outside port limits in the expectation that breaking will resume after a 10-month hiatus, which stems from legal challenges by pressure group the Bangladesh Environmental Lawyers Association (BELA).

The Bangladesh High Court agreed on 7 March to resume recycling but it has taken another month for it to be cleared.

At TradeWinds's press time, recyclers, cash buyers and brokers were anxiously awaiting a copy of the new regulations, without which most end buyers have been unwilling to commit to new purchases.

It is understood that at a meeting on Tuesday of the Bangladesh Ship Breakers' Association (BSBA), members agreed unanimously to comply with the regulations.

In theory, Bangladesh is open, comments one broker.

"Let's hope it is for real this time."



BANGLADESH: Return Photo: Scampix

Creditors add to cash-buyer woes

Claims against the original owners can keep ships under arrest even after beaching.

Geoff Garfield

London

Cash buyers and recyclers in the demolition market are increasingly falling victim to the squeeze on credit, according to a lawyer in India.

Shashank Agrawal says some vessels acquired by cash buyers have been under arrest for months because of claims against the ships' original owners.

Creditors such as bunker suppliers have over the past two or three years been quick off the mark to chase down debts.

And when they find the vessels are set for beaching they "start screaming" by seeking arrest orders in court, says Agrawal.

He mentions two vessels acquired by cash buyers that have fallen foul of the current situation.

One has been under arrest for almost three months by the Bombay High Court with a claim of almost \$9m against it for allegedly damaging a container terminal in Myanmar, while another has been held since November 2010.

Creditors, less willing to resolve issues and show tolerance, are tak-



BEACHED: India and Pakistan take different stands as to whether a beached ship can be seized, according to a legal advisor for Wirana Shipping Corp in Singapore.

Photo: Bloomberg News

ing action in the current financial climate for even relatively small amounts, says Agrawal. "They simply attack the ships down here in India, saying they want their money."

The lawyer, previously group legal advisor with Global Marketing Systems (GMS) but now in the same role for another leading cash buyer, Wirana Shipping Corp of Singapore, suspects that owners are not disclosing their movements to creditors until the last minute.

He says another ongoing recycling issue is whether ships can be arrested after they have been beached and cutting has started.

Agrawal adds that the Gujarat High Court in Pakistan would typically not issue an arrest order in such circumstances because the traditional viewpoint is that the

"characteristics" of a ship have changed and it is no longer covered by admiralty jurisdiction.

In contrast, the Indian High Court in Mumbai is of the opinion that claims can be enforced against vessels until the last part is dismantled on the beach.

The situation in Pakistan remains confused, where judges hold conflicting opinions.

Individual cases may have to be decided in the Supreme Courts of individual countries.

Agrawal says he is keen to see arrests barred once a vessel is beached, given that owners can hide from cash buyers' maritime liens or claims.

Unfortunately, he says, the new International Maritime Organisation (IMO) Hong Kong Convention on Ship Recycling does not clarify the situation.



SHASHANK AGRAWAL Photo: Private

He sent a statement to the IMO urging the adoption of a clause stating that once a ship is sold to a cash buyer for recycling it ceases to be a vessel, preventing the enforcement of maritime liens or claims.

Agrawal says there have been instances in the past of ships under arrest on beaches for years, forcing breakers into bankruptcy because they had to continue paying interest to banks.

The lawyer says buyers of vessels intended for scrapping in Bangladesh, which has been at a standstill for 10 months, now face the threat of defaulting if they don't take delivery. The ships need to be converted into cash, he adds.

There is the option of the cash buyer changing title and putting his own crew on board but that throws up issues of insurance and flag.

(First scrap-steel swap trade concluded, page 18.)

Former Eckhardt manager behind new 'green' recycling broker

Geoff Garfield

London

A new ship-recycling broker is emerging from the ashes of failed cash buyer Eckhardt Marine.

Gerd Leopold, the former operations manager, is launching a new venture called Shipbroking & Shiprecycling Services following the liquidation of Eckhardt.

Its aim is to focus on green recycling serving shipowners and other brokers.

Leopold, a former naval officer with experience as a project manager for newbuildings and ship-

repair, says he is co-operating with Henning Gramman, until recently head of recycling at classification society Germanischer Lloyd (GL).

The managing director of the fledgling venture has adopted the slogan "Fair Shiprecycling" — including fair to the environment and workers.

Green recycling was where Eckhardt tried to specialise with supervisory offices in both the north and south of China. Previous clients were Norwegian owners, says Leopold.

Eckhardt went into administration about three months ago and has now been wound up despite, it is understood, interest from some well-known shipowning and broking names to invest in the company.

Leopold, 51, stresses that his venture is in the very early stages and although it is not his intention to act as a cash buyer, he says there is a demand to fill the gap left by his former employers.

He adds that this is partly because the recycling market is dominated by cash buyers from

the Indian subcontinent and feedback suggests that some North European shipowners and brokers would like to deal with someone local. Leopold says his comment should not be interpreted as a criticism of those already in the market.

One of the reasons given for the collapse of Eckhardt is understood to have been the difficulty it faced raising finance to purchase ships for recycling, although the main cause is thought to have been losses incurred when it moved into owning, operating and managing ships. Margins in the highly competitive scrapping business have also been under pressure.

A spokeswoman for insolvency administrator Jens-Soren Schroder tells TradeWinds that there was no possibility Eckhardt, whose roots can be traced back more than 100 years, could continue trading.

Creditors are in the process of filing their claims, although the spokeswoman was unable to confirm the level of debt.

Leopold says three of the 10 employees remaining toward the end have expressed an interest in joining him in his new operation, which is also in the Hamburg area, and are expected to arrive once the first project starts.

He is unaware as to what Eckhardt directors Briac Beilivert and Guenther Werle, who earlier led a management buyout, are now doing.

Leopold says almost a dozen parties were interested in Eckhardt but none were rival cash buyers. Its disappearance from the market was viewed by them as simply one less competitor. Others were possibly dissuaded from investing because of the challenge in raising cash from banks to buy vessels for demolition.

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