

# India's demo yards clean up

Profits and productivity have risen as compliance with the Hong Kong Convention has spread, says Anil Sharma

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London

It comes as no surprise that the biggest cash buyer in ship recycling disputes the claim made by critics that shipbreaking is the world's most dangerous job.

GMS founder and chief executive Anil Sharma has been in the business since the early 1990s, when he bought vessels from the US Maritime Administration on behalf of Indian recyclers.

But, he says, plenty on the waterfront has changed since then, and with the ongoing environmental and safety improvements being made by yards in India, he believes Alang, the hub of ship scrapping in the country, will become 100% "green" in 2020.

"Everyone is motivated to do this," he tells TradeWinds. "It is good for everyone."

It is an argument that unions and environmental lobby groups see somewhat differently.

IndustriALL Global Union, which claims to represent 50 million workers in 140 countries, has launched its Campaign to Clean Up Shipbreaking, which it dubs the world's most dangerous job.

It claims "workers in this industry suffer precarious working conditions, lack training and face serious hazards".

An IndustriALL spokesman says while some of the Indian yards have improved "dramatically", it is not the case in Pakistan, "where we regularly see accidents".

He says: "I don't think we are going to see an across-the-board improvement until the Hong Kong Convention is ratified and there is a global standard. There will always be economic pressures to recycle somewhere else."

**ANIL SHARMA:**  
GMS founder and chief executive at a TradeWinds Ship Recycling Forum in Singapore  
Photo: TradeWinds Events



Negative sentiment comes also from the Brussels-based lobby group NGO Shipbreaking Platform, which only recently highlighted the death of another ship breaker in Bangladesh.

The beach at Chittagong in Bangladesh is too often the scene of casualties, including the death of two workers and several injured after a blast on an Aframax tanker in May. The NGO condemned conditions at the yard as shocking.

But such reports only serve to mask the track record of individ-

ual yards, according to US-educated Sharma. Originating from Bhavnagar in Gujarat, which is also home to Alang, Sharma points to a halving of annual shipbreaking deaths in India since 2014, said to have been recorded by the recycling workers union, the Alang Soshiya Ship Recycling & General Workers' Association (ASSRGWA).

"With the training in India, I hope we reach zero fatalities," says Sharma.

There are about 120 active recycling yards in Alang that are said to employ about 30,000 staff, with

others working in rolling mills and as scrap traders.

The Gujarat Maritime Board claims to have trained many thousands of workers. GMS alone says it is training 12% of the Alang workforce.

Sharma says that when he entered the industry he was surprised at the lack of international guidelines or criteria that could be used to differentiate between good and bad working practice.

"We needed a standard and from day one I have been fighting for it," he claims.

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"When I hired people, I used to ask them: 'Why do you want to work for me? I am supposed to be a criminal based on what you see in the newspapers.'

"I'm supposed to be the bad guy.' Who would want to work in an

## SCALES ARE TILTED IN FAVOUR OF EUROPEAN RECYCLERS, SAYS

Guilty until proven innocent is how the European Union views ship-scraping yards in the Indian subcontinent, claims GMS chief executive Anil Sharma.

"Absolutely" is his response when asked whether Brussels is prejudiced towards subcontinent scrapping. Individual states in Europe are charged with monitoring their own yards for inclusion on Brussels' list of approved facilities for scrapping European-flag tonnage. They are then included if they meet the EU regulation.

But Sharma says yards in southern Asia face "microscopic audits" by the European Commission.

He argues: "It has become a very political thing."

Sharma questions the EU's claim that the approved list can meet demand of EU-flag owners.

"Without India, this EU thing just cannot work," Sharma says.

Peter Koller, European Commission policy officer for waste management in the Environment directorate, told TradeWinds' Ship Recycling Forum in Hong Kong this year that the door remained open for Indian shipbreakers to join the list and the approval process was ongoing.

The European Commission has carried out site inspections on four yards in India and, while some are said to be heading towards approval, further improvements are needed.

The same "substantive requirements" apply for yards both within and outside the EU, say sources in Brussels.

Regarding recyclers in Europe already on the list, Sharma says: "There are some opportunistic people who think they can make some money out of it. Recycling is a business where you are either in it or not and to be in you really need to commit the resources."

Sharma says he still receives proposals, normally from less-developed countries, to assist them in developing a recycling industry.

His advice is to proceed only if they can use the materials domestically, as with India, Bangladesh and Pakistan. Not re-exporting the

steel, as with Europe. "You can't survive on that model," claims Sharma.

Meanwhile, the nature of ship sale deals has changed since he entered the market.

Two decades ago, 100% of vessels were sold on a delivered basis but in more recent times over 50% have been "as is, where is".

Firstly, it is easier for an owner to deliver to a cash buyer at the final discharge port of a charter.

And cash buyers have transitioned to being de facto owners themselves, with inhouse technical, management and financial teams to handle the final voyage to the demolition yard.

A second driver has been EU

regulation of scrapping, with a strong incentive now to reflag if an owner has his own money tied up in a vessel.

Asked about the growing threat of European trading vessels being targeted by prosecutors, Sharma says it is in no one's interest to collude with a seller and breach the law.

He says GMS' compliance department checks every ship entering the market and the background of the owners. The company has become a "very easy target" to criticise.

Sharma also questions the rigidity of the European Ship Recycling Regulation. What happens if a small, EU-flag vessel becomes a

# their act, says GMS boss



**INDIA:** Workers (above) handle hazardous waste at Priya Blue Industries in Gujarat, and (below) a steel plate removed from a ship gets cleaned before further cutting at Shree Ram Vessel Scrap in Alang

Photos: Priya Blue Industries and TradeWinds



## WATERSHED LOOMS FOR RECYCLERS AFTER 15% DROP IN PRICES

Anil Sharma expects a pick-up in recycling activity during the fourth quarter of this year and a potentially busy two or three years ahead.

Currently, the market is depressed with prices continuing to slide.

Sharma says the pending sulphur-emissions cap has so far had little impact on the number of ships scrapped.

But longer term, cleaner fuels could shorten the life of an engine because of lower lubricating capacity, according to the technical managers he has spoken to.

The price spread between compliant and non-compliant fuels will also be a scrapping demand factor, as well as freight market performance.

### MONEY MOVES

One reason fewer ships are currently being torched is because most are generating at least some money, says Sharma.

Driving an upturn in recycling demand could, following the Stellar Daisy casualty, be many more VLOCs, which were converted from VLCCs.

"The Koreans have a lot of these old VLOCs," says Sharma. "That is a relatively easy call to make."

Some older LNG carriers and other tankers, including VLCCs, are also candidates for scrapping, says Sharma, pointing to Bahri's recent sale of two 300,000-dwt vessels, the Watban and Hawtah (both built 1996).

The upcoming two quarters could prove to be a "watershed" for recycling, he says.

Questioned about the ongoing fall in demolition prices, Sharma says the reasons differ across the Indian sub-continent.

In India, it is primarily the price of steel plate that has tumbled, by about 12%.

Pakistan has seen its currency depreciate by almost 18%, although that market has not been very active anyway.

Meanwhile, Bangladesh acquired a lot of tonnage prior to the recent budget and has since been quiet as the monsoon season affected activity.

The shipbreakers' association is lobbying the finance ministry to repeal higher taxes announced in the latest budget.

"The collective result is that prices have fallen by almost 15% in the Indian subcontinent within a period of two months," says Sharma.

industry that pollutes and kills people?"

In India, he was effectively "blacklisted". His efforts to improve standards left him accused of seeking to "close down the industry", Sharma says.

The tide turned four years ago, he says, when the first Indian recyclers — Priya Blue Industries, RL Kalthia Ship Breaking, Leela Ship Recycling and Shree Ram Vessel Scrap — were certified as being compliant with the Hong Kong International Convention for the Safe and Environmentally Sound

Recycling of Ships (Hong Kong Convention).

NGO Shipbreaking Platform has been vocal in challenging the value of such statements of compliance (SoCs).

"Clearly, SoCs do not provide a guarantee that conditions at the yard are safe and environmentally sound," the lobby group says. "Not only are there problems with shipbreaking in the intertidal zone ignored, but it is understood some yards have SoCs without impermeable flooring also in the secondary cutting zone."

"Finally, SoCs are issued to yards where hazardous materials cannot be safely managed downstream — but are instead left to accumulate in small storage facilities onsite."

### 'INCREDIBLE' PROGRESS

IndustriALL's spokesman says the union had no reason to doubt that SoCs issued reflected improvements at the yards, while Sharma insists: "It is incredible the progress that is happening in India." Sharma insists: "It is incredible the progress that is happening in India."

Where there were four yards initially issued with SoCs, or 3% of the total number of yards in Alang, today some 77 yards, or 65%, have been certified as complying.

Until a few years ago, Indian recyclers were wary of "foreigners", especially from Europe, Sharma says. NGOs visited yards claiming they wanted to help but instead put a "different spin" on their stories. Eventually, no visitors were wel-

come but things changed with the Hong Kong Convention. "I felt the people working on the convention wanted to do something sensible," Sharma says.

"They didn't come with a closed mind. It was invaluable for them to see for themselves the issues on the ground."

Sharma says the recycling industry owes a "debt of gratitude" to the Japanese shipowners that pushed for the monitoring of yards, initially by ClassNK, and in the issuing of SoCs, where Italian classification society RINA and the Indian Register of Shipping became involved.

He argues that these classification societies cannot afford to risk ruining their reputations by permitting shoddy monitoring of facilities.

There was every temptation for recyclers to skirt the Hong Kong Convention's "rigorous" documentation and training requirements initially, he says, as it took much longer to recycle vessels.

But fast forward and the feedback is that productivity, quality of work and profits have all improved at those yards that have complied, Sharma says.

"Once people get used to it, they realise this is a good system of recycling vessels. That is why I am optimistic about shiprecycling in India and the progress we have made in 10 years."

Sharma recalls visiting a yard in Bangladesh to find workers eating lunch out of their helmets. Persuading them to wear their helmets, along with shoes, was a

challenge. All their lives they had walked barefoot through their villages.

In Alang, where safety and environmental progress has been faster, it is now the norm for safety procedures to be followed, he claims.

Earlier this year, Nikos Mikellis — a non-executive director of GMS and an architect of the Hong Kong Convention while at the IMO — was recognised by the ASSRGWA for his contribution to workers' safety.

Some 62% of vessels scrapped in India last year were said to be at Hong Kong Convention compliant yards and, so far in 2019, that figure has risen to 78%.

### YARD SALES

Meanwhile, consolidation is sweeping through Alang's yards, with early investors in safe recycling now acquiring more plots, Sharma says.

The Gujarat Maritime Board is said to be currently auctioning off 20 more yards.

Also, the premium charged for "green" recycling has fallen sharply, the GMS chief executive says.

For VLCCs in India, this premium is still about 10% but Sharma says this reflects recyclers' preference for smaller ships to minimise market and interest-rate risks. A large tanker may take at least six or nine months to scrap.

Sharma says for owners of panamax, post-panamax or handymax boxships only about 2% of a vessel's value is sacrificed by using a Hong Kong Convention compliant yard.

## SHARMA

constructive total loss in the Far East or Australia and has to be towed back to Europe for scrapping, he asks? Sharma is aware of one potential case but declined to reveal details.

Options facing such an owner are to sink the ship — "creating more and more environmental damage" — or tow to a lay-up facility in the hope a recycling yard in India is eventually approved by Brussels.

"It isn't just the owner's problem," says Sharma. "It is everyone's problem. I don't care how much the NGO [Shipbreaking Platform] wants to shout from the rooftops. It isn't a sensible regulation."