

**CUTTING BACK:**

Pressure from weak demand is urging owners to scrap all types of ships

Photo: TradeWinds



# GMS eyes scrapping surge despite troublesome times

Demolition volume set to rise as owners scrap old ships during virus crisis

**Max Tingyao Lin**  
London

GMS, a cash buyer of ships for demolition, has forecast more scrapping this year despite shipbreakers facing a difficult operating environment due to the pandemic.

With weak demand due to the Covid-19 crisis, many owners have been keen to demolish their older bulkers, containerships, ro-ros, passengershops and offshore units, according to industry participants.

Figures from GMS show nearly 13.6m dwt of vessels have been scrapped so far this year, compared with 20.9m dwt for the whole of last year.

"We are pretty confident that it's [2020] going to surpass the figures of 2019," GMS trader Vagelis Chatzigiannis said during a webinar last week.

Whether the scrapping volume could climb higher remains to be seen, according to Chatzigiannis. "It's going to depend mostly on the freight markets, which have a detrimental effect on the tonnage being supplied [to the scrapyards]."

Shipbreakers in the Indian subcontinent were closed for much of the second quarter because India, Bangladesh and Pakistan adopted country-wide lockdown measures to control the spread of the coronavirus.

But many recycling yards have come back online since last month as the countries have started to relax their domestic and international travel restrictions.

"I think the worst is behind us. I think we are all learning to cope with this," GMS chief executive Anil Sharma said. "The business is open. Is recycling happening? Yes."

"We started with a lot of capes, a lot of containerships, [and] a lot of VLCCs," Sharma said, adding

**STEELY RESOLVE:**

(Clockwise from right) Anil Sharma, Jamie Dalzell and Vagelis Chatzigiannis

Photos: Fredrik Ekren, Bob Rust and GMS



that many car carriers, ro-ros and offshore units, such as floating production, storage and offloading vessels, were also scrapped.

While tanker recycling volume has been low due to strong earnings earlier this year, Sharma said more vessels in this sector could be demolished later in 2020 or in early 2021.

"All of us are working from home, and we managed to do rea-

sonably well," Sharma said. "We didn't have to lay anybody off. In fact, we are hiring people."

"The volumes, the opportunities that came were stronger ... We've [been] busy buying."

Although still at least 20% lower than the levels seen in early 2020, demolition rates have bottomed-out in some markets in recent weeks.

"Most of us are struggling to pre-

dict the future," Sharma said. "Markets fall easily. Crawling back up is a slow process."

Still, the industry veteran said recycle rates could rise more as many governments are injecting liquidity into their economies through monetary policies.

"Can the prices increase? Yes, they can," Sharma said.

But senior employees at GMS admitted that concluding recycling deals remains difficult amid the pandemic.

South Asian shipbreakers are operating at reduced capacity due to limited labour, and repatriations of crews are challenging due to tight visa policies and travel restrictions across the globe. The three subcontinental countries still require seafarers to be quarantined for 14 days from their last ports of call before disembarking.

Hong Kong became a popular place for vessel deliveries after allowing unrestricted crew changes in June. However, the Chinese port had to tighten restrictions for seafarers this month following a spike in coronavirus infections.

"The most straightforward place we had found was Hong Kong. But there has been a spike in cases there," GMS trader Jamie Dalzell said.

Dalzell said all parties should be "vigilant, cooperative and work together to give safe, responsible, quick and creative solutions" for the transactions to be completed.

His recent experiences include chartering a flight for crew repatriation and following strict health protocols after a captain on a GMS ship tested positive for Covid-19.

"This kind of case, I'm afraid, is going to happen time and again," Dalzell said. "It's a kind of new reality that we are living in."

## WFW warns on scrap sales after Maran ruling

**Adam Corbett**

Lawyers at Watson Farley & Williams (WFW) have warned that a UK High Court's recognition of a negligence claim brought by the widow of a shipbreaker against Maran Tankers has "far reaching implications for the shipping industry".

A High Court judge refused to throw out the widow's negligence claim against Maran Tankers for the death of her husband during the demolition of one of its VLCCs in Bangladesh.

Maran Tankers, part of Greece's Angelicoussis Group, had contended that it was too far removed from the demolition of its 300,000-dwt Maran Centaurus (built 1995) to have responsibility for the man's death.

However, Justice Robert Jay ruled the claim can progress, although he has yet to pass judgment on Maran Tankers' actions.

In a paper on the implications of the ruling, the WFW lawyers said the decision "reinforces the principle that when a ship reaches end of life, shipowner's liability does not necessarily end upon sale".

In assessing whether the claim can progress, the court had to assess whether Maran Tankers had a duty of care for the safety of recycling workers after it sold the ship for demolition through a third party.

The WFW lawyers — partners Nick Walker and Lindsey Keeble, as well as associate Rachael Davidson — pointed out that generally courts have an "increasingly expansive attitude toward potential liability for operations in other jurisdictions".

They also said that the courts have shown they are more willing to scrutinise management and contractual structures that are used to limit liability within shipping.

WFW said there is now a "very real risk of legal liability attaching in circumstances where a company no longer has an interest in the vessel in question".

The WFW lawyers suggested shipowners should attempt to comply as closely as possible with regulation, such as the Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships and the European Ship Recycling Regulation.

"As these standards are measurable and internationally recognised, adherence to them will offer some protection from this sort of claim.

"It may be prudent for those involved in the sale of end-of-life vessels to make explicit reference to meeting these standards in the relevant transaction documents," WFW said.