



## GMS predicts more demolition in 2020 despite tough operating environment

Annual demolition volume set to rise as owners want to scrap old tonnage during the Covid-19 crisis

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By Max Tingyao Lin in London

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



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With weak demand due to the Covid-19 crisis, many owners have been keen to demolish their aged 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 in 2020, compared with 20.9m dwt for the whole of last year.

“We are pretty confident that it’s going to surpass the figures of 2019,” said GMS trader Vagelis Chatzigiannis in a webinar on Thursday.

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].”

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But many recycling facilities have come back online since last month as the countries began 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 VLOCs," said Sharma, adding that many car carriers, ro-ros and offshore units like 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 reasonably well," said Sharma. "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."

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

"Most of us are struggling to predict the future," Sharma said. "Markets fall easily. Coming, 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," the CEO said.

## New, difficult reality

But senior employees at GMS admitted that concluding recycle deals remain difficult amid the ongoing pandemic.



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South Asian shipbreakers are still operating at reduced capacity due to limited labour, and repatriations of crews are still 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 Covid-19

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.” (Copyright)

**GMS Hong Kong Demolition South Asia Coronavirus**

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