



Photo: S. Berger

It seems unlikely that newbuildings will be lined up like unsold cars, but with thousands of newbuildings in the pipeline there is no guarantee

New ships for old

IN GERMANY they have it; in France they have it; in Spain they have it. And now, in his latest budget speech, the UK's Chancellor of the Exchequer announced it. This is the car scrapping scheme where owners of cars more than 10 years old get paid to scrap their vehicles and buy a shiny new one selected from the thousands that are currently clogging up car docks, car parks and fields across the land.

In the rather opaque world of newbuildings, the sight of laid-up shiny new ships, having been cancelled by the buyer and waiting to be sold on by the shipyard, seems unlikely. But with an orderbook for normal ocean-going ves-

sels approaching 9,000, this may become a reality.

It is then that a scrapping scheme springs to mind. According to Lloyd's Register-Fairplay's Sea-Web, there are close to 2,000 tankers, bulkers and dry cargo vessels over 30 years old. When one lowers the sights to 25 years old, the figure is more than 3,300 ships. And the Japanese consider vessels over 20 years old to be 'overaged', so why not put all these in the pot as well? The number of overaged vessels now brings the figure to nearly 5,300 units.

So let's send those to the scrapyards around the world. But there will be an outcry from shipowners.

"This will take away our livelihood," will come the refrain.

But the solution is easily found. There will be a list of unsold newbuildings to replace the scrapped ones. The new ships will be paid for in stages.

The financing arrangements will take the form of a bareboat hire purchase charter with the shipowner as one of the principals and the shipyard, or a bank, as the other principal. The hire will comprise a bareboat element and the purchase element so that the vessel becomes the property of the charterer, in this case the shipowner, at the end of the charter period – perhaps 10 years.

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The shipowner has the advantage of trading a more affordable vessel. The shipyard will not suffer enormous damage from a backlog of cancelled newbuildings and governments will be relieved that one of their flagship industries will not be forced into closure.

One hopes that governments such as the Japanese, Chinese and South Korean will guarantee the scheme since, although there will not be a full and final settlement of the ship's price on completion, there will be a cash flow paid monthly.

With such a disparate group of struggling shipyards involved, there must be a body established to organise the scheme. Who better than the Baltic Exchange? And the scheme would work better if it can tempt out of retirement a shipping professional who is known throughout the industry; someone such as Eric Shawyer or Alan Burgess.

So is this fanciful kite-flying or a workable project? Only time will tell. But if you are on an express train heading at full speed for the buffers, maybe someone should be looking for the brake.

At a glance: week-on-week changes in the major market sectors

Baltic Dry Index	1,786 -5.9%	Baltic Capesize Index	2,348 -7.5%	Baltic Panamax Index	1,523 -12.6%	Baltic Supramax Index	1,427 +2.2%	Baltic Crude Oil	477 -3.8%
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