

# GMS aims for responsible

Global Marketing Systems (GMS) functions at the heart of a recycling trade in which guidelines and legislation are either very young or still under construction. The US-based company is one of the largest players in the field of trading vessels with India. 'Majority of the owners care more about the price, than the environmental issues, so we have to do it', says founder Anil Sharma.

By Gert-Jan van der Have

**A**nil Sharma started buying US and Russian navy vessels for recycling in the early 1990s while he was still a university lecturer; now his company Global Marketing Systems (GMS) is the largest trader in obsolete vessels with India.

Born in India, Mr Sharma (47) left for the USA in 1982 to study for his MBA and Doctorate in Business Administration. Soon after his graduation, he began using his business acumen to trade in ships. The former professor aims to be a 'responsible cash buyer' and is also motivated to help India's ship recycling industry to establish a cleaner image. 'These past years, the Indian ship recycling industry has developed rapidly and does not correspond any more to the old horrific photos you often see, like mothers and children carrying asbestos,'

says the President and CEO of GMS at his headquarters in Cumberland, Maryland, USA.

## Clients around the world

Over the last years, GMS bought approximately 120 ships - including tankers, gas carriers, reefers and container ships. Clients come from all around the world, but the largest proportion of these vessels sail under the Greek flag and are destined to be dismantled in scrap yards in India, Bangladesh and Pakistan. Most are sent to the well-known ship recycling hub of Alang in India.

The objective of the company is to take over complete responsibility for an end-of-life vessel from the ship-owner wherever and whenever he wants through a worldwide network of agents. Mr Sharma explains: 'It could be that an owner with a ship in the Port of Rotterdam asks us to take over a ship. We make an offer, we become the owner of that ship, put a crew on it, fulfil all the regulatory requirements like insurance, and make the voyage to where we believe the ship should go.'

In recent years, the focus of GMS' operations has shifted from simply trading to ship owning and logistics, which accounted for 65% of its business last year. Mr Sharma explains: 'In the beginning, we told owners the prices on offer from the different markets and then they decided where to sail it to; normally, ship-owners used to go where they got the best price. We signed the contract, we put down a deposit which was held in a direct account, the ship arrived at its destination - let's say, in India - and, after clearance by customs, we paid over the money. We sold the ship after that to the recycler and delivered the ship to him.'

## Being responsible

According to Mr Sharma, the difference between a 'good' cash buyer and a 'bad' cash buyer lies in the



taking of full responsibility. 'If you look at some of our competitors, they are often focusing on making a quick buck,' he suggests. His own company, by contrast, not only takes account of the disposal of the vessels but also looks to 'educate' the ship recycling yards as part of its strategy of responsibility. It also places great emphasis on complying with Basel Convention, International Maritime Organisation (IMO) and International Labour Organisation (ILO) guidelines.

Currently, the IMO is working on new guidelines for the 'greener' recycling of ships, including a mandatory instrument providing globally applicable ship recycling regulations for international shipping and for recycling activities. The aim is to complete the instrument in time for its consideration and adoption in 2008-2009. 'I really support these guidelines,' comments Mr Sharma. 'I believe the team working on them and who visited Alang recently is a good team.'

He continues: 'I believe environmental organisations did a great thing with highlighting the pollution issues, but I also believe they went too far in the wrong directions.' Standards have improved greatly over the last decade, he suggests, 'but in the minds of the ship-owners is still the idea that, if you send your ship to the Indian sub-continent, you are killing workers and are destroying the environment.'

According to Mr Sharma, ship-owners are becoming increasingly afraid for their image and are sending their ships to Europe for lower prices, despite the fact that they would like to earn as much money as possible. He believes market interference will not push southern Asia's ship recycling industry to a higher level. 'The best thing would be to give them



Dr Anil Sharma, CEO and founder of Global Marketing Systems.

# vessel trading with India



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the best price they can get and then to take a proportion of it out to invest in proper recycling' he says.

He adds that the structure of incentives and subsidies to recycle ships in Europe is destroying a market where the vessels have much more value, referring specifically to the enormous reuse market in India.

## No real future

Mr Sharma does not see any real future for ship recycling in Europe or the USA. That said, French company Veolia Environnement took the step last month of opening a ship dismantling operation in Bordeaux, France. The site includes a dry dock that will enable large ships to be dismantled. The adjoining area will be used to prepare metals recovered from the dismantling operations which will be sent by water for recycling.

The strength of the world economy over recent years has persuaded many owners to keep their older ships in operation. However, Mr Sharma believes the ship recycling industry will become very busy over the coming years as many vessels are nearing the point of becoming obsolete and the world economy is in decline. For these reasons, he expects GMS to have a large volume of ships to trade in the coming years.

The Asian shipbreaking market remains highly competitive. Bangladesh is currently the largest ship recycling market ahead of India, with just 95 obsolete ships sent to the Alang facility in India last year compared to 295 in 2001. 'This is how business works, but the bad point is that this fierce competition leaves less room for reinvestment within the industry, because the margins with which the recyclers are operating are very, very slim,' explains Mr

## Ship recyclers group together

During an inter-sessional meeting of IMO's working group on ship recycling in Nantes, France, the brand new International Ship Recycling Association (ISRA) hailed itself as the voice of 'green' ship recycling companies.

'Something had to be done to represent ship recycling companies, for instance, at IMO sessions where there is no common voice for ship recyclers,' comments well-known environmental lawyer Bernard Veldhoven who is acting as Secretary of ISRA. 'Ship recycling is a highly unorganised sector, and we don't see any reason for that.'

The association aims to establish itself as a global grouping of responsible ship recyclers. 'This means they have to comply with IMO standards and the Basel Convention,' explains Mr Veldhoven at the ISRA secretariat headquarters in The Hague, Netherlands. Currently, a certification structure is being developed which would be conferred on members via independent inspection agencies. 'Currently, we are applying to receive NGO status which will provide us with the possibility of speaking at IMO sessions,' he adds.

The first companies to apply for ISRA membership include six ship recyclers from Turkey, two from China, one from the Netherlands and one from the USA. At present, there are no member companies from the Indian sub-continent where most of the vessels are being broken. ISRA will look to attract members representing shipbreaking facilities in these developing countries, 'but to obtain a quality certification, these yards must accept ISRA guidelines and be willing to make investments for upgrading their yards to the required level', insists Mr Veldhoven. 'We are very open to accepting them as members. The possibilities for environmentally sound shipbreaking in these countries are enormous.'

Besides acting as the self-styled 'voice of the ship recycling industry', ISRA aims to share knowledge and new ideas in order to raise ship dismantling standards. 'We have instituted three working groups - a standardisation group, an IMO group and a PR group whose objective is to improve the image of the ship recycling industry.'

[www.isra-dis.com](http://www.isra-dis.com)



The ISRA Board, under Chairmanship of Ms Janice Huongon Li (2<sup>nd</sup> from the right) of Zhongxin Ship Recycling & Steel (China)

Sharma, who was born close to Alang. A recent trip by officials from the IMO, ILO, Basel Convention and the European Maritime Safety Agency brought some positive news when they expressed their satisfaction at safety and environmental standards at the Alang recycling hub.

So would Mr Sharma be interested in joining a recycling body such as the recently-launched International Ship Recyclers Association? 'I believe in co-operation,' he says. However, he is concerned that some people may claim that they want to be inclusive but are, in effect, working to promote themselves. 'But if they were to say "these are our membership criteria and we don't care where you are from", then I would say "yes",' he adds. □

*Global Marketing Systems Inc., Cumberland, Maryland, United States,  
Phone: +1 301 759 9240,  
Fax: +1 301 759 .9260,  
E-mail: [gms@gmsinc.net](mailto:gms@gmsinc.net)  
[www.gmsinc.net](http://www.gmsinc.net)*

## ISO 30000 to assist ship recyclers

The International Organization for Standardization (ISO) has launched the first document of a new series of management system standards for the recycling of ships. The new ISO 30000 series, Ship recycling management systems, is designed to support environmental protection and increase the safety of workers, and aims to provide assistance to organisations implementing or improving a ship recycling management system through guidance on the allocation of resources, assignment of responsibilities, and on-going evaluation of practices, procedures and processes.

Captain Charles Piersall, Chairman of the ISO technical committee, says: 'ISO 30000 has been developed to assist stakeholders - large and small - in the uniform implementation of the International Maritime Organization's requirements on ship recycling. The series of standards will increase transparency, facilitate trade, provide a clear reference for industry and constitute a valuable risk assessment tool. These ISO standards can be used by any organisation and for ships of all types and sizes, everywhere, employed in international and domestic trades alike.'

According to the ISO, these standards will be useful to, among others, the ship recycling industry, shipyards, the shipping industries, ship owners, maritime research institutes, maritime technology universities, shipping ministries, navies, labour and environment bodies, port authorities, classification societies and inspection agencies.

Developed with the co-operation of the IMO and other international organisations, ISO 30000 will support and supplement the work of the IMO Conventions, guidelines and regulations, and other requirements to be issued by IMO relating to ship recycling.

The new ISO 30000 series can be obtained from ISO national member institutes or via [www.iso.org](http://www.iso.org)

# Asia's shipbreaking nations fight for ships

After years of declining figures, the ship recycling industry seems set to step out of the grave. According to statistics from the International Maritime Organization (IMO), a base was reached in 2005 when only 361 ships (499 gross tonnage) were sent for recycling - the lowest number since the 325 recorded in 1991. The size of these obsolete vessels was also the lowest in 15 years at an average of 71 000 gross tonnes while the average age of the ships reached an all-time high of 32.7 years. But in 2006, the number of ships dispatched for recycling increased to 386 - still with a low average weight of 65 000 gross tonnes and an advanced average age of 32.6 years.

A factor contributing to these results is the phasing out of the world's single-hull tanker fleet in line with international law. The low volume and the high average age of the ships sent for recycling are explained to a great extent by the particularly buoyant state of the freight market in most shipping sectors, IMO Secretary Dr Nikos Mikelis notes in a statistical overview.

The small number of ships offered for recycling has driven up scrap metal prices, especially because the demand is enormous. In June 2007, scrap yards in Bangladesh - currently the

world's largest shipbreaking nation - paid cargo ship owners US\$ 445 per tonne, and prices have subsequently climbed far higher still.

Currently, there is fierce competition between the largest ship recycling countries of Bangladesh, India and Pakistan. Bangladesh has overtaken India in recent years as the leading shipbreaker owing to its rival's increased regulations as well as its own lower labour and environmental fees, higher prices and excellent geographical position. Bangladesh's steel re-rolling mills are highly dependent on steel from ships, which is the main reason the country offers such competitive prices.

Pakistan's ship recycling industry, which is based mainly around the Gaddani shipbreaking beaches, has received fewer ships than ever in recent years, although media sources reported the beaching of seven single-hull tankers at Gaddani in January 2008. Pakistani shipbreakers' lower prices owe something to the extensive smuggling of scrap metal between Russia and their own country.

The fifth-largest ship recycling nation (after China) is Turkey, but 'this country is mainly attracting smaller European trading ships, whose lower value does not cover economically the costs of the Suez canal transit and of the longer voyage to, say, India,' Mr Mikelis states. □

The report can be downloaded from the IMO website: [www.imo.org](http://www.imo.org)

**Table 3 Recycling statistics**  
(ships > 499 GT)

Year of recycling	Number of ships
2006	386
2005	361
2004	615
2003	874
2002	740
2001	772
2000	706
1999	829
1998	801
1997	735
1996	672
1995	649
1994	694
1993	549
1992	450
1991	325
1990	231
<b>Total</b>	<b>10,389</b>

