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Behind the price tag

19/03/2015

Ship owners and investors need to ask if high prices obtained for the sale of old ships mean health, safety and environmental protection are compromised in breaking yards

In February 2015, German state TV channel ARD/NRD broadcast a program (<http://www.ndr.de/nachrichten/hamburg/Die-Geschichte-der-Nedlloyd-Asia,schiffsverschrottung102.html>) on the shipbreaking practices of German ship owners. The TV program focused on the demolition in Bangladesh of the "Nedlloyd Asia", a ship formerly owned by Danish container shipping company Maersk. The ship had been sold by Maersk to Hamburg-based owners and then chartered back by Maersk until it was sold for breaking to South Asia.

The “Nedlloyd Asia” was owned by a ship fund managed by Hamburg-based company MPC. The fund, “MPC Flottenfonds III”, comprised 14 vessels in total, all of which were formerly owned by Maersk. Maersk held a long-time charter contract with MPC. Finally, last year all 14 ships were beached in India or Bangladesh. As far as the NGO Shipbreaking Platform is aware, none of the ships ended up in a safe and clean recycling yard.

MPC provided its investors with information about the price offering they had received for the old ships. However, no mention was made of the working and environmental conditions met in the yards where the ships would be sent. Such “best” scrap prices can only be obtained if ship owners sell their old vessels to the worst cost-cutting yards, where environmental protection and health and safety measures are routinely ignored. By focusing on making the most profit, MPC had thus no interest in responsible ship recycling.

Maersk’ chartering of the ships was meant to run until 2016. In October 2013, MPC decided to sell the vessels for scrap before the end of charter as demolition had become a more profitable option. The shareholders agreed on 29 November 2013. Meanwhile, the case is pending in the courts in Hamburg, as shareholders feel they were not informed correctly and claim that MPC had not acted in their interest but only for its own profit.

In the NDR program, a private investor says he feels he was not properly informed about the sale, in particular not about the fact that the vessels were sold for scrap in Bangladesh. NDR also interviews shipbreaking workers in Bangladesh. One of them says he has been working in the yards since he was 15, another case of illegal child labour prohibited under Bangladesh and international law. Another worker is quoted as saying that in the 20 years he has worked in shipbreaking, he has carried away the bodies of 20 of his who were killed in accidents caused by shipbreaking. He also lost his father to such an accident.

The NGO Shipbreaking Platform believes that ship-owning companies should feel inspired by the “Guiding Principles on Business and Human Rights” agreed upon by all states in the United Nations in 2011. The UNGPs introduced the principle of due diligence for businesses, which means that companies need to assess human rights, social and environmental risks throughout their value chain, and consequently mitigate and remediate these. Due diligence means that companies also need to assess and address issue which their business partner cause. If applied to the shipbreaking crisis, this means that all companies involved in the ownership and use of a ship, thus benefitting from the vessels, share the responsibility to ensure proper recycling. Every company has to use its leverage on other business stakeholder to allow for solutions to the shipbreaking crisis.

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