

# The boom bypasses Turkey

As ship demolition has boomed elsewhere, Turkey's market share has declined due to higher labour costs and environmental standards, reports **Konstantin Tsolakis**

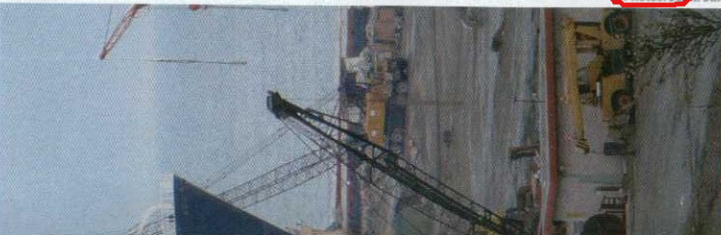
**T**urkey's shipping elite gathered in Istanbul at a Mare Forum event in March to discuss the country's maritime future. On the topic of how its hitherto booming shipbuilding industry could weather the global downturn, a delegate suggested that struggling yards should convert to recycling, because 2009 is predicted to be a record year for scrapping. Yes, an owner imme-

diately replied, that would be ideal, but not only would it take the yards years to acquire the expertise required – not to mention a shift in ethos – but he also noted that recycling in Turkey may only take place at the Aliaga yards.

An hour's drive north of Izmir, Turkey's third largest city and port, Aliaga has been the centre of Turkey's ship dismantling industry since the early 1970s.

According to the Turkish Ship Breaking Association, it was previously based on the shores of the Golden Horn, an inlet of the Bosphorus in Istanbul, where a handful of companies operated with no central or local authority control. The effect ship dismantling was having to the environment of the Golden Horn led to the move to Aliaga, while the subsequent formulation of ship dismantling

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regulation by the government recognised and legalised the industry. There are currently 21 ship dismantling companies operating at Aliaga, in 25 plots.

When *Fairplay* visited Aliaga last year, many of the breaking yards lay idle. At the time, Aliaga yards paid less than half, and at times, less than a third, of what owners of decommissioned ships could command in India and Bangladesh. Less than a year later, in the midst of a financial crisis, the prices offered by Turkish ship recyclers remain significantly lower than those of their counterparts in the Subcontinent.

Nearly as many ships were dismantled in the first quarter of 2009 as in the whole of 2008. According to Dimitris Ayvatoglu of Leyal Ship Recycling – considered the top recycling yard in Aliaga – “Turkey is now receiving more ships, but not as many as one would hope for or expect. Overall, the demolition pie has become much bigger, but unfortunately the Turkish market share has shrunk.”

## Turkey's share of the demolition market has shrunk, despite the scrapping boom

ILO shipbreaking expert David Seligson said Turkey may be the only country out of the top five shipbreaking nations to be an OECD member, but, prior to the credit crunch, Turkey commanded 2% of the global ship breaking market, whereas the other four leading nations – Bangladesh, China, India and Pakistan – held a combined share of 80%.

According to the Turkish Ship Breakers Association, a lot has been done in recent years to ensure that recycling at Aliaga is done in an environmentally sound fashion and that the industry com-

plies with mandatory rules and regulations. In the three decades since recycling began at Aliaga, the association said, not a single work-related illness has been reported.

“It is more expensive to dismantle ships in Turkey because here it is done the proper way,” Ayvatoglu explained. “Firstly, thanks to legal regulations, there is no child or other cheap labour in Turkey. There is an established minimum wage and a requirement for all workers to be registered for social security reasons. There is also a combination of semi-skilled and skilled labour employed, which includes specialised workers with special licensing, such as crane operators and hazardous materials removal experts.”

He added that there were also significant investment and maintenance costs associated with both fixed/mobile infrastructure/equipment for the safety of hazardous materials. Finally, given that

Turkey is more developed than the countries of the Indian Subcontinent and its stricter regulatory framework, the unit price received is lower than that obtained in the Subcontinent.

“Unfortunately, current market forces are penalising our efforts to improve yard conditions,” lamented Ayvatoglu. “The drop in freight rates has led ships to be dismantled in hordes. As a result, new breaking yards are opening without control in the Subcontinent, with some popping up almost overnight and with minimal requirements from the state.”

It was reported earlier this year that in India the number of breaking yards went from a few dozen in 2008, to more than 100 by the beginning of this year. “Consequently, competition in the Subcontinent is so fierce, prices there have increased disproportionately to Turkish ones, further reducing the market share and quality of ships arriving in Turkey,” he concluded. ■

Photos: Seligson