



## Shipbreaking

Four shipping companies were excluded in 2017 because they had disposed of ships to be broken up for scrap on beaches in Bangladesh and Pakistan. This practice, known as *beaching*, is performed under extremely poor working conditions and causes significant environmental pollution. One company was placed under observation for its involvement in the same practice.

Large ships have a normal lifespan of around 25 years, after which their residual value lies in their scrap metal. For large ships, this amounts to anywhere between 5,000 and 40,000 tonnes of steel, whose recovery and reuse makes sense from both a financial and resource point of view, provided that it takes place in a safe and responsible manner. Globally, 1,000 to 1,200 large ships are broken up each year. Almost 80 per cent of the tonnage is broken up on the beaches of Bangladesh, India and Pakistan. The process involves running the vessel aground at high tide on beaches with a significant difference between the high and low-water mark, and then dismantling them *in situ*. Characteristic for beaching, as practised in Bangladesh and Pakistan, is the absence of the fixed installations or infrastructures that would be found at a quayside facility. Because the beached ships rest in sand or mud, access by crane or heavy machinery is not possible, so much of the work is performed manually. The ships are broken up by cutting off large sections which fall to the ground in the tidal zone. These sections are then dragged or carried ashore, where they are cut into smaller pieces and sold for scrap.

Also characteristic for the practice of beaching is that unskilled labourers carry out tasks that are extremely dangerous and hazardous to health, without training, protective equipment or basic safety precautions. The accident rate is extremely high, as are the health risks. In Bangladesh, the use of children to perform dangerous tasks has also been reported. Detailed information on the number of fatalities is not available. In Bangladesh, 1,000 to 2,000 fatal accidents have been reported since the 1990s, but the figures are uncertain. At least 30,000 people work directly in the shipbreaking sector in Bangladesh. In Pakistan, it is estimated that around 15,000 people are directly employed in shipbreaking. In recent years, there have been several major fires aboard ships that were being broken up in Pakistan, with the loss of many lives. How many people have also had their lives shortened as a result of injury or work that is hazardous to their health is difficult to estimate, but it is clearly a substantial number.

The Council on Ethics has attached importance to the continuous, innumerable and serious violations of a number of ILO conventions whose purpose it is to establish minimum standards which safeguard the lives and health of workers. The reported conditions demonstrate an almost total failure to comply with the conventions and to implement minimum standards, and this results in the vast number of accidents and considerable harm to health deriving from these operations. Indeed, one reason why it is possible to operate this business at a low cost is the deliberate use of minimal resources on measures such as protective equipment, training, safety procedures and creating a secure working environment. The Council considers that wide-ranging and serious violations of international health and safety conventions must be deemed to infringe fundamental rights to life and health, the sum of which must be said to constitute a serious breach of fundamental human rights.

In connection with *beaching*, the ships are normally run aground under their own power. They will therefore carry everything an operational vessel has on board, including fuel oil, lubricants and hydraulic oils; asbestos and PCBs. Their hulls are protected by anti-corrosion paint and anti-fouling coatings that may contain lead, cadmium, organic tin compounds, zinc and chromium. In addition, there are often remnants of the products the ship has carried. Without any form of infrastructure or facilities for the collection of pollutants, many of these substances will spill out into the natural environment, since it is not possible to collect waste and pollution that falls into the mud and is later washed out by the tides. In addition, environmental toxins and hazardous substances are able to disperse in an uncontrolled manner because parts are removed from the ships and sold on for reuse.

Environmental damage occurs as a result of failure to comply with both the Basel Convention and national legislation, in that several thousand tonnes of hazardous waste are sent annually to a country that has no infrastructure capable of dealing with it in a safe and sustainable manner. It is precisely this kind of transboundary transport of waste that the

convention is intended to prevent. Given that it nevertheless does take place, the consequences are predictable: Serious pollution and the dispersal of environmentally hazardous substances, which in turn have a negative impact on human health and ecosystems in the area. Although no comprehensive documentation exists with respect to the harm caused, studies have revealed levels of pollution including of heavy metals, that are excessively higher than establishes norms.

A report published by the World Bank in 2010 contains an estimate of the total volume of hazardous waste that will be transported to Bangladesh in connection with shipbreaking in the next 20 years, given that the current scale of the business is maintained. For Bangladesh, this will amount to an estimated 79,000 tonnes of asbestos and 240,000 tonnes of PCB. The country has no infrastructure or receiving apparatus to deal with this kind of waste.

There can scarcely be any doubt that, viewed in isolation, the environmental and working conditions associated with beaching as it is carried out in Bangladesh and Pakistan exceed the threshold for the exclusion of companies from the GPFG. However, these operations are not performed by companies in the GPFG's portfolio. Ownership of the vessel is normally transferred from the shipping company to a so-called cash buyer before it is broken up. When a company sells a ship to a cash buyer, it is at the outset clear that the ship is being sold for the sole purpose of scrapping. Furthermore, both parties are aware that the price agreed depends largely on two factors: the volume of steel in the ship and the cost of dismantling it. The cheapest method of dismantling a ship is by beaching, which is why this process gives the seller the highest price for the vessel concerned.

The Council on Ethics presumes that companies which dispose of ships for scrapping in this way

are fully aware of what will happen to them next. It must also be considered as general knowledge in the shipping industry that environmental and working conditions associated with beaching are extremely poor. That a ship is nevertheless sent for scrapping at the Chittagong beach in Bangladesh or the beaches at Gadani in Pakistan is a consequence of an active choice on the part of the company that owned the vessel to maximise its profit. In the Council's opinion, that company must shoulder an independent responsibility for doing so. There are better ways of dismantling ships that are readily available to the shipowner, but these are more expensive. In the opinion of the Council on Ethics, therefore, there exists a tangible connection between the shipowner's actions and the violation of ethical norms, which is of such a nature as to constitute a complicity under the GPFG's ethical guidelines.

The Council on Ethics has been in contact with a number of shipping companies in connection with its enquiries into this issue. The Council has taken as its starting point those companies which have disposed of several ships for beaching in Bangladesh and Pakistan during the past three years. Following the Council's approach, some companies have made it clear that they will no longer dispose of obsolete ships for the purpose of beaching. The Council has not recommended that these companies be excluded. One company has replied that it will strive to improve its practice in this area. The Council has recommended that this company be placed under observation. The Council has further recommended that those shipping companies which have given no indication of any such improvement be excluded from investment by the GPFG. The Council will re-examine the grounds for exclusion if at the end of four years the company has not sent any ships for *beaching*, or before that time if the company gives notice that it has ceased this practice.