



*Business & Human Rights Resource Centre invited Maersk to respond to the concerns raised in the following Danwatch report and article:*

- [Maersk and the hazardous water](#), Claus Nordahl and Louise Maria Skotte, Danwatch, 13 October 2016.
- [Maersk maintains beaching mantra and choses to ignore facts revealed by Danwatch](#), NGO shipbreaking Platform, 21 October 2016

BHRRC also invited Maersk to respond particularly to whether Maersk intend to only use EU listed ship-recycling facilities once the EU Ship Recycling Regulation is applicable also on a voluntary basis for their ships that are not registered under an EU flag.

**In response, Maersk sent the following statement:**

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**Response to Business and Human Rights Resource Centre**

Thank you for providing us with the opportunity to respond:

We always conduct our business accordingly to the law. When the EU regulation is ready, we will comply with this regulation as well.

Whereas there is no debate about the above question, it is currently debated how to best approach the fact that 70% of all tonnage today is broken at sub-standard beaches and what to do about it.

One option is to set a high standard and wait for things to change by themselves – while hundreds of vessels continue to be dismantled on the beaches of India, Bangladesh and Pakistan – or to act now and begin improving the conditions in yards. We have chosen to no longer stand passively on the other side of the gate of the ship yard but instead engage directly where the majority of ships are dismantled. This is why we have initiated a collaboration with shipyards in India. After just four months of engagement – following decades of inertia and unacceptable practices - we are seeing remarkable improvements which must be difficult for anyone concerned with the workers' rights on environmental pollution to turn their back on.

**Background**

To fully understand the necessity of the work we are doing and the approach we are taking it is important to understand the background of how this industry works and what drives it.



Shipbreaking has become commercial due to the recycling of steel becoming a global commodity in demand. This means that the dismantling and recycling of a ship are recognized as part of the value of the ship, which has evolved into a massive challenge for the shipping industry.

The majority of the world's vessels are sent for recycling where the highest possible price for the steel can be attained. This is in shipyards on the beaches of India, Bangladesh and Pakistan. Here they are typically dismantled under poor working and environmental conditions. The lower standards mean lower costs which enables these yards to offer much lower prices than competing shipyards with much higher standards. The result is clear: In 2015, 74 % of the world's ships were dismantled on these beaches. Neither the industry, global society, the shipyards nor the countries concerned have been able to solve this problem. There is no global regulation and the industry has not been able to regulate itself because both shipyards and shipping companies are in fierce competition in their markets.

In addition to this, there are structural limitations to achieving a sustainable solution. More than half of the world's container fleet today is chartered – or leased, if you will. The owners of these vessels generate their income by renting out ships to the shipping companies. As a ship owner you should however take responsibility for your own ship, also when it is scrapped. Regardless of the standards the shipping companies have as 'leasee' of a vessel, the responsibility for deciding the ship's fate resides with the owner. In Maersk we are thus responsible for ensuring responsible dismantling of our own vessels. This is a responsibility we fully accept.

It becomes more difficult when we divest used vessels. It is common practice that ship owners sell off their vessels when they approach end of life at the highest price; this distances them from irresponsible dismantling, and these vessels end up at sub-standard beaches. To counter this, we have lately taken on an extended responsibility by minimizing the financial incentive for the buyer to scrap older vessels irresponsibly, and if the vessel is effectively ready for scrapping, we will not sell it off at all, but scrap it responsibly ourselves. This is not common practice in the industry.

It is urgent that we find a solution. The problem will become even greater in the coming years with an increasing number of vessels to be recycled globally. Yet, it is not simple. To be successful the solution must be sustainable, and acceptable for the environment, working environment and also commercially. It would be a failure if the shipping companies that assume responsibility then lose their competitiveness and ultimately their existence. The global environment and working environment would gain nothing from that. We must remember that there are countries to whom ship recycling is a significant employer and business.

Until this day we have waited unsuccessfully for seven years for a global agreement on ship recycling. Despite great efforts for universal ratification of the UN's Hong Kong Convention, which was negotiated in the International Maritime Organization (IMO) and which sets global minimum standards within safety and environment.

Meanwhile we recognize and admit that our own contracts from divestments have not always guaranteed the intention of our recycling policy. We have learned from this. We have tightened our procedures and contract requirements while also realizing that the solution does not lie with clever contracts and that it may take a long time for a global agreement to become effective.

Instead, the answer is on the recycling yards in India, Bangladesh and Pakistan. As the world's largest container shipping company we have decided to start in India where we currently find the best yards and hinterland infrastructure. We have requested a number of improvements to the yards that wish to work with us, and we give the yards in Alang in India who want a better future for themselves and their employees a financial incentive to upgrade their work and environmental conditions. The requirements cover not just the Hong Kong Convention, they are enhanced with our own stricter requirements on working conditions and environment. In return, we invest and allocate both internal and external resources to assist shipyards in improving the conditions.

There is a healthy commercial incentive behind this solution. If the ship yards commit to living up to our requirements we will send our vessels for dismantling at a competitive price. This way they can compete with neighboring yards that do not live up to the Hong Kong Convention. We support the yards showing willingness to change and we support their already significant progress. Since sending vessels to Alang for the first time in May, we have seen significant progress in several areas: on the Shree Ram yard, which has received the first two ships from us, 70% of the workers have received intensive training and instructions from the British Lloyds Register Quality Assurance and other qualified organizations. The remaining 30 %, who perform less dangerous tasks, have also received training targeted at their tasks.

Other examples of progress:

- As opposed to practices used elsewhere in the area, the environmental recycling plan means that the majority of the vessel is dismantled on a surface where there is no contact between ship parts and sand or water.
- Use of appropriate personal protective equipment is available and required.
- All workers are paid the minimum wage plus 200% overtime payment and they have a contract—neither of which is the practice of the industry in the area.
- Housing conditions are in line with international standards and offered to the majority of workers, and the yard is in the process of improving the conditions for the remaining workers.

It is an important point that philanthropy does not bring lasting change. The industry will only be rectified if the commercial incentives for improving the conditions are present. This is the strongest instrument we have to inspire other shipyards and shipping companies to follow suit. That Maersk or Europe alone will set high standards for ourselves will not change anything fundamentally because the vast majority of the shipping industry is located outside Europe. What is even worse is that while it doesn't change the situation for the many people working on the beaches of India, Bangladesh and Pakistan, it does however undermine Europe's competitiveness. Therefore, the solution is to create more competition and thereby increased opportunity for responsible ship recycling.

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When we decided to collaborate with shipyards in India we were fully aware of the risk of being criticized for the yards not yet fully observing the rules. We can of course document the main improvements already achieved and we now see that the shipyards' engagement get others to follow. We are beginning negotiations on ship recycling of the next vessels, and have invited a number of yards in Alang that like Shree Ram already follow the Hong Kong Convention and will commit to meeting our standards. Four shipyards have announced that they are ready and have started new investments in improvements impacting hundreds of workers already. We are now for the first time seeing the first signs of a new dynamic play out, where yards begin to compete not only on price, but on social and environmental standards.

We have taken action instead of waiting on the sideline and the results we have achieved in a few months are far more comprehensive and far-reaching than the seven years of waiting for a global agreement. We have not given up and continue to support global initiatives to ensure equal international requirements and conditions for all shipping companies and shipyards. Only global regulation will ensure a definitive stop to the critical conditions that we see today.

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