

Secondhand News

Companies find it hard to find good, well-maintained vessels.

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Searching for a good used boat? You'll need time, patience and perhaps a bit more money than anticipated.

The current market is like the economy. "It's up in some places and down in others," said Bob Beegle, president, **Marcon International Inc.**, Coupeville, Wash., a brokerage that specializes in tugs, barges, pushboats and oilfield vessels worldwide. "Double-skin tank barges, everybody wants one, nobody's got 'em."

And if you find one, be prepared to pay newbuild prices, a sentiment echoed by shoppers for some other types of used equipment. Robust production of petrochemicals, cheap natural gas and crude oil have fueled demand for both inland and coastal tank barges, and customers want newer boats.

"Even single-skin tank barges are rare, because we've already gotten rid of most of them," Beegle said. The equipment's been sold, scrapped or converted to deck barges.

In good times, boats generally are on the market for nine months. "Now, it's rare for a vessel to be on the market for only nine months," Beegle said. But an owner with an "energetic and realistic" price may have his equipment sell sooner rather than later.

GOOD CONDITION AND USED

Ocean Marine Services in Kirkland, Wash., had been looking for a vessel for about 18 months when it found the newest member of its five-vessel OSV fleet. (Purchased through the auspices of Marcon International). The *Titan* is a 167'x40'x13' mini-supply vessel built in 2001 at **Bollinger Shipyards**. "They're very hard to come by for anything that's in the kind of condition" they need, said Joey Willis, Ocean Marine president. The *Titan*, however, was in "excellent condition." For Ocean Marine, a company that primarily services oil and gas operations in Alaska's rough Cook Inlet, used vessels make sense since current day rates don't justify the cost of a newbuild. They have to retrofit the vessels to handle the ice, extreme tides and swift current in the inlet, which has seen an uptick in exploration.

Thoma-Sea Shipbuilders, Houma, La., was working on the *Titan* in July, and Willis said the job includes a repowering from 2,400 hp to 5,000 hp or 6,000 hp.

Signet Maritime Corp. was searching for about a year before it bought eight ocean-class offshore tugs from **Harvey Gulf International Marine**. The tugs have bollard pulls ranging from 75 MT to 153 MT.

"It's hard to find used equipment that's been well maintained," said Joseph Dahl, vice president and general manager, **Signet Shipbuilding & Repair**, Pascagoula, Miss. Signet, which also has built new vessels, does a lot of work with various rig yards and wanted tugs large enough to go offshore.

Signet is adding Tier 3 generators and winch motors to the tugs “to make them a little more environmentally friendly,” he said. The acquisition has helped accelerate Signet’s growth plans. The company now has over 38 ASD tractor and conventional tugs. The combined fleet’s average age is 11.

Adriatic Marine also is building and buying used. Last fall, the Raceland, La.-based company purchased six 205' DP-1 offshore supply vessels from Harvey Gulf for \$72 million. The vessels, built in 2007 by **Master Boat Builders**, were part of Harvey Gulf’s \$460 million purchase of Golden Meadow, La.-based **Abdon Callais Offshore**.

Newer definitely sells. “The offshore vessel business in the U.S. deepwater Gulf of Mexico is growing at lightning speed,” Marcon noted in its spring newsletter. Marcon said there are 103 OSVs on order at U.S. shipyards with new vessels likely to work in the U.S., Brazil, West Africa and “elsewhere at strong rates.”

“Many operators with smaller vessels, built in the last 15 years or less, are also enjoying strong demand and can sell secondhand boats quickly at decent prices,” Marcon said. “The market for vessels over 15 years old though has become even slower.” Usually, 50% to 75% of Marcon’s buyers are foreign. So far this year about 70% have been domestic, though Beegle expects to see about a 50/50 split by year-end. And prices are creeping up. Actual sale prices of all Marcon vessels and barges so far in 2014 averaged 92.25% of asking prices, compared to 87.07% in 2013 and 81.79% in 2012. In 2013, the average price per horsepower for a generic 33-year-old twin screw was \$324.78, down 5.6% from \$344.09 in 2012, Marcon said in its spring newsletter.

“Summertime is traditionally the time when rates pick up, but there’s an oversupply at the moment,” said Brandon Hintz, shipbroker with **Jacque Pierot Jr. & Sons Inc.**, New York, who deals mainly with OSVs.

Buyers exist, “but the rates haven’t improved as many people thought they would.”

Big OSV operators like **Tidewater Inc.** don’t sell to competitors. The company has disposed of “about 140 older, small and less capable vessels during the past three fiscal years,” CEO Jeff Platt said during a recent earnings call. The equipment has mainly gone to marine markets outside of the oilfield or to scrap yards.

One sector of the market that’s holding up is passenger vessels. “In general, the mood has been very good throughout the country,” said Rob McMahon, president of **Pinnacle Marine Corp.**, Stoddard, Wis. This year has been “very productive.” “There are buyers out there. There is financing out there,” he said. The one change he’s noticed as he wraps up his 30th year in the brokerage business is that “you don’t have the number of inquiries you once had. You don’t have people in just the exploratory stages.” There’s also a greater tendency to look at pre-owned now, McMahon said, because the cost of new construction has gone up exponentially.

On the financing front, “there’s more money now than there’s ever been before, but banks have been reluctant to lend,” said Dion Dorizas, managing director, **Commercial Capital BanCorp**, based in Brandon, Fla. “The underwriting guidelines are a little tougher. They’re looking for creditworthy companies with creditworthy officers.”

Some people don’t have a down payment and want 100% financing. “You have to have 30% of the total cost to get 70% financing,” he said. And the most important criteria is that “you’ve got to have a contract.” A few years ago, 20% might have been enough. Now, companies have to show financial strength and have other boats.

Vessels that don’t find a home are either lingering or being scrapped, said Brent Dibner, a maritime industry management consultant at **Dibner Maritime Associates**, Chestnut Hill, Mass.