

Marcon International Summer 2021 Newsletter Offshore & Inland Towing Markets Update

By Marcon Staff

Of the 13,613 vessels and 3,718 barges that Marcon tracked as of May 2021, 5,203 are tugs with 615 officially on the market for sale worldwide, up 81 or 15.17% from one year ago, May 2020, but down eight or 1.28% from May 2016. 93.02% of U.S. and 39.01% of foreign tugboats for sale are direct from Owners. 140 or 22.76% of the tugs worldwide, primarily foreign flagged, were built within the last 10 years, are newbuilding re-sales or currently under construction – compared to 27.07% one year ago and 32.26% five years ago. 84 (13.66%) are over 50 years of age. Ten have no age listed. The oldest tug Marcon currently has listed is a 47' LOA, 320BHP twin screw tug built in 1931 and is located in the Pacific Northwest. This “old lady” is balanced by three newbuildings between 4,050BHP and 5,630BHP scheduled for delivery in 2021. Two newbuildings are azimuthing for delivery to the Far East and Mediterranean and the third is a traditional twin screw tug for delivery to Southeast Asia.

Five years ago, 32.26% of tugs for sale worldwide, primarily foreign flag, were built within the previous 10 years compared to 22.76% today. Five years ago, 11.24% of the tugs on the market were 50+ years old compared to 13.66% today. At that time, Marcon had two tugs older than 75 years available whereas today there are six. The average age of all tugs that Marcon has for sale worldwide today is 17 years, with 2004 average build date, compared to 25 years, 1991 average built, in May 2016. Southeast Asia had the largest selection of tugs listed in 2016 with 131 available (21.0%). This was followed by 123 in the United States (19.7%), 69 in the Mid East (11.1%), Far East 66 (10.6%), 65 in Europe (10.4%), Mediterranean 55 (8.8%), South Pacific 27 (4.3%), 21 Latin America (3.4%), 20 Africa (3.2%), 18 in the Caribbean (2.9%), 14 Canada (2.2%), 8 in Southwest Asia (1.3%) and 6 where location is unknown (1.0%).

Looking at tugs for sale worldwide, conventional twin screw tugs continue to prevail with 397 (64.6%) available. These are followed by 132 azimuthing (21.5%), 56 single-screw (9.1%), 21 Voith Schneider tractors (3.4%) and 9 triple screw (1.5%). As a comparison to demonstrate the continuing trend in propulsion, five years ago 16.5% of the 623 tugs for sale were single screw, 59.4% twin screw, 21.8% azimuthing and 1.4% VS tractor tugs. As we have been watching the past several years, ASD tugs increased their position in the market further reducing conventional twin screws, while single screw tugs have been mostly relegated to nearly zero commercial work, except in certain specific cases. While it is difficult to get a precise figure related to the scrapping rates of tugs, it's not unreasonable to assume that these will be mostly older single and twin screw units. It is noted that in May 2021, Sea-Web reported 1,588 tugs worldwide scuttled, broken up or to be broken up world-wide. This is up 2.77% from May 2020's 1,544. We believe this will increase over the next year as companies are dealing with the economic fallout of the COVID-19 pandemic in various sectors of the market.

Marcon's database shows eight fewer tugs officially for sale than five years ago in May 2016 with largest shifts in the lower horsepower categories. There are 54 fewer tugs are today listed in the 2-3,000HP range with average age increasing from 28 to 32 years. The 3-4,000HP range gained 40 tugs while their average age increased from 22 to 24 years. Under 1,000HP tugs decreased by 20 with a one year decrease in age to 35 years. The 4-5,000HP range increased by 12 tugs with average age rising from 17 to 19 years. Seven more tugs are showing as available in the 7-8,000HP (average age 31 vs 32 now) range, six more 6-7,000HP (average age 17 then vs 16), four fewer 1-2,000HP tugs (average age 30 vs 32 years), three more 5-6,000HP (13 vs 19 years now) and one each more in the 8-9,000HP (average age 25 then and now) and in the over 9,000HP range (average age 23 vs 17 years).

As of the end of June 2021, Marcon was tracking 781 inland river pushboats with 54 officially on the market for sale (36 U.S. flag and 18 foreign flag). Nine of the boats with age listed were built within the last ten years. 27 boats are forty-five years of age or older. The oldest listed was built in 1944, a 76', 1,110BHP vessel in the U.S. Northwest. This is counterbalanced by two 2019-built U.S. flag inland river pushboats, a 56', 1,500BHP located in the U.S. Midwest and a 78', 2,000BHP located in the U.S. Gulf Coast. Marcon also has 10 inland river pushboats listed for charter – six U.S. and four foreign.

The number of inland river push boats officially on the market for sale in total is 54, down 19, or 26.03%, from one year ago in May 2020 and down 12 or 18.18% from May 2016. Composition of horsepower range in the last year has changed with the biggest shifts being 12 fewer 1,000-2,000HP with an average age of 1972 (compared to 1975 one year ago) and nine fewer under 1,000HP (1990 vs. 1980) push boats offered. These decreases align with reports received of older, lower horsepower push boats being scrapped due to lack of work and buyers. Today, we do not have any push boats offered greater than 5,000HP, reflecting that higher horsepower units are working consistently despite the current events. For now, 16.67% of the push boats available are less than 10 years old, up from the 9.59% reported one year ago and from the 9.09% reported five years ago. In looking at overall fleet age and then by U.S.-flagged versus foreign flagged, over the past five years we can see an increase in overall age driven by a significant increase in average age of foreign-flagged push boats with a slight increase in age of U.S.-flagged vessels. Five years ago, the average age of all on the market through Marcon was 37 years, compared to 43 years one year ago and 40 years as of this

report. That is driven mostly by older foreign-flagged vessels going on the market, aging from 24 years in 2016 to 40 years in 2020 then 41 years now. U.S.-flagged push boats went from 39 years old five years ago to 44 years old last year to 38 years old as of this report date.

Marcon has closed nine sales and one charter as of early August 2021 after ending 2020 with 22 sales and charters completed. Many of the 2020 deals were well in the works before the Covid-19 situation developed and oil prices crashed. Throughout most of 2020 and early 2021, the market was extremely slow both domestically and world-wide. We are starting to see a pickup in inquiries as the world is slowly reopening and have multiple sales pending at this time. There is a long way to go. We still see a lot of uncertainty in the market and price reductions for many classes of vessels and barges have not been enough to overcome buyers' hesitancy. Of the ten sales and charters to date in 2021, six were U.S.-flagged tugs, aged 10 to 45 years old, and two were foreign-flagged tugs, aged 22 and 40 years old. Tug condition and specific circumstances of the sale / purchase were driving factors behind each of these sales, and sale price numbers reflected this as there is no discernible pattern when comparing the sold vessels' ages to their respective sales price per BHP. In 2020, we sold a total of seven tugs with average age of 47 years, all U.S.-flagged tugs. As we have been seeing an increase in tug inquiries lately, we are hopeful that a price rebound will emerge as more people are vaccinated, Covid-19 slowly subsides and economies turn around with strong fiscal stimulus. Sales of push boats continue to be few and far between. We currently have several inland river (and ocean) tank barges for sale. Many buyers, across multiple market segments, continue to be stymied by project delays, an uncertain economy and travel restrictions.

While the market challenges of the latter half of 2020 continued into first quarter 2021, improvements were seen in second quarter 2021. These improvements seem to be linked to economies opening back up as more of the population was vaccinated. The USDA reported that barge movements as a whole were up in the second quarter. Kirby, in its second quarter 2021 results, noted improvement in utilization rates in the inland market and some improvement in the coastal market. Transportation channels are still backlogged as there is a significant shortage of workers in all areas, marine, rail and trucking.

Third quarter 2021 has seen decreases in volumes from resurgence in COVID-19 cases, weather events (with the latest being Hurricane Ida) and continuing economic struggles. As in the past when our markets are challenged by macro-environmental events, those companies that are able to quickly adapt are surviving, while those less able to flex to market changes are floundering. We are seeing market consolidation, but these are mainly takeovers or dissolving of companies that were in a weakened position prior to the pandemic. These entities were not strong enough to ride out the extremely rough economic conditions of the past 18 months. It will be interesting to see what the blue and brown water fleets look like in another year. Eventually all down cycles will move upwards. How soon we begin to see the next up cycle depends on many factors, so all we can do for now is to continue to work our way through the challenges of today by focusing on strengths and negating weaknesses.

Reports here: [Push Boat – June 2021](#) & [Tug Boat – May 2021](#)