

Marcon International Summer 2022 Newsletter

Offshore & Inland Towing Markets Update

By Marcon Staff

Marcon has closed 13 sales to date in 2022, after ending 2021 with ten sales and one charter. This aligns with positive sentiment overall. Activity has nearly doubled compared to 2021 (our worst year ever) and it seems we have finally broken out of the Covid-19 overhang. Operating tugs and barges are in short supply both in the US and international market. Across the age spectrum, the lack of inventory on the second-hand market is our biggest challenge as brokers. Inquiries have steadily increased, especially for ocean deck barges. The rise in diesel prices has refocused buyers on fuel efficiency, creating greater demand for lower BHP “right-sized” tugs. Gone are the days of buying or chartering a 6,000BHP tug to do a job that a 4,000BHP tug can do. Inflation in general has driven up prices to maintain and reactivate tugs and barges, driving the prices of units with current certificates higher. We have also seen several examples of engine and other part shortages, pushing some buyers away from taking on laid-up vessels. Higher oil prices have driven marginal demand for offshore towing and barges, hitting an already tight market. Anticipation of wind projects has several owners holding onto various currently under-utilized tugs and barges. Although there is no way to predict the future, it seems we have at least a few decent years ahead, just getting caught up from the work delayed during the pandemic.

The U.S. inland market has been stronger in 2022. Major drivers continue to include supply chain disruptions, the war in Ukraine, general inflationary pressures and high fuel prices. Grain transportation by barge is still running about 10 percent higher than last year for the same period, but declining in recent weeks as international markets expect supplies from Ukraine to resume. In late July when this analysis was originally written, average U.S. diesel fuel prices had recently decreased slightly, but were still up at around \$5.25 per gallon, compared to around \$3.35 per gallon last year (an increase of over 50%). The inland tank barge market is seeing increase utilization and higher rates. Both dry cargo and tank barge operators are facing higher fuel costs and generally high inflationary pressures impacting margins. Operators hope to offset inflated costs against higher rates in the second half of 2022 and into 2023 to restore margins. Supply chain disruptions are expected to continue to gradually improve as the pandemic is further in the rearview mirror. Although demand is strong for inland push boats, second hand supply continues to be very limited. Overall Marcon has seen an increase in activity across several maritime sectors in the first half of 2022, with a limited supply of good second-hand vessels and barges being the primary factor influencing the number of sales.

Of the 13,448 vessels and 3,719 barges that Marcon tracked as of May 2022, 5,198 are tugs with 409 officially on the market for sale worldwide, down 66 or 13.89% from one year ago, May 2021, and down 184 or 31.03% from May 2017. 96.26% of U.S. and 43.71% of foreign tugboats for sale are direct from Owners. 81 or 19.80% of the tugs worldwide, primarily foreign flagged, were built within the last 10 years, are newbuilding re-sales or currently under construction – compared to 29.47% one year ago and 30.69% five years ago. 67 (16.38%) are over 50 years of age. Eleven have no age listed. The oldest tug Marcon currently has listed is a 1940-built 1,950BHP single screw tug located on the U.S. Great Lakes; which is counterbalanced by four 2021 newbuild resales between 1,490BHP and 4,400BHP.

The majority of tugs Marcon tracks for sale as of this report are in the US with 106 tugs officially on the market (vs. 125 one year ago), followed by 71 in Southeast Asia (118), 53 in Europe (64), 52 in the Far East (65), 33 in the Mediterranean (74), 29 in Latin America (43), 17 in the South Pacific (21), Mid-East with 15 (59), 11 in the Caribbean (16), 10 where location unstated (12), 7 in Canada (6) and 5 in Africa (11). Where machinery is known, CAT diesels power 109 or 27% of the tugs listed for sale. This is followed by 63 vessels with EMDs, 46 Cummins, 40 Niigata, 36 Yanmar and 9 each with Daihatsu, Deutz, Mitsubishi and Ruston. 73 tugs are powered by other machinery from Akasaka to Wartsila with one Fairbanks Morse tug on the market.

Five years ago, 30.69% of tugs for sale worldwide, primarily foreign flag, were built within the previous 10 years compared to 19.80% today. Then 11.97% of the tugs on the market were 50+ years old compared to 16.38% today. At that time, Marcon had two tugs older than 75 years compared to six today. The average age of all tugs that Marcon has for sale worldwide today is 30 years, with 1992 average build date, compared to 27 years, 1990 average built, in May 2017. The U.S. had the largest selection of tugs listed in 2017 with 150 available (25.3%), followed by 124 in Southeast Asia (20.9%), 65 in Europe (11.0%), 58 in the Mid East (9.8%), Far East 50 (8.4%), Mediterranean 35 (5.9%), 26 in the South Pacific (4.4%), 25 in Latin America (4.2%), 16 Africa (2.7%), 15 Canada (2.5%), 14 in the Caribbean (2.4%), 9 where location is unknown (1.5%) and 6 in Southwest Asia (1.0%).

Looking at tugs for sale worldwide, conventional twin screw tugs lead with 258 (63.1%) available, followed by 90 azimuthing (22.0%), 43 single-screw (10.5%), 13 Voith Schneider tractors (3.2%) and 5 triple screw (1.2%). This is fairly comparable to five years ago when 15.5% of the 593 tugs for sale were single screw, 60.0% twin screw, 21.4% azimuthing, 2.5% VS tractor and 0.5% triple screw tugs. Bearing in mind that we are focusing on those available for sale, it seems that for the past five years, azimuthing and conventional twin screw tugs have maintained steady positions in the market. Single screw tugs are mostly relegated to nearly

zero commercial work, except in certain specific cases. Available for sale units have dropped considerably with many of those being scrapped due to age and condition. It is noted that in mid-May 2022, Sea-Web reported 2,134 tugs worldwide scuttled, broken up or to be broken up world-wide. This is up 34.38% from May 2021's 1,588. Prior reports tracked the scrapping at around 3%, so this confirms our observations that many companies continue to aggressively scrap excessive tonnage amidst the economic fallout of the COVID 19 pandemic in various sectors of the market.

Marcon's database shows 184 fewer tugs officially for sale than five years ago in May 2017 with largest shifts in the lower horsepower categories. There are 51 fewer tugs are today listed in the 3-4,000HP range with average age increasing from 24 to 29 years. The 2-3,000HP range lost 41 tugs while their average age increased from 28 to 34 years. 29 fewer tugs are listed in the 1-2,000HP range, with average age increasing from 29 to 33 years old. The 4-5,000HP range decreased by 26 tugs with average age rising from 20 to 21 years. There are 22 fewer 5-6,000HP tugs with average age increasing from 16 to 25 years now. The under 1,000HP tugs category decreased by 13 with a five year decrease in age to 36 years. There were minor changes in the higher horsepower ranges as far as number available for sale and average age. In summary, we saw a 31.03% drop in listings, all in the under 6,000HP ranges and average age overall increased by three years.

At the end of June 2022, Marcon was tracking 796 are inland river pushboats with 49 officially on the market for sale (35 U.S. flag and 14 foreign flag). Six of the boats with age listed were built within the last ten years. 21 boats are forty-five years of age or older. The oldest listed was built in 1954, a 73.6', 1,320BHP vessel on the U.S. West Coast. This is counterbalanced by a 2022-built, 72', 2,000BHP vessel located in the U.S. Midwest. Marcon also has nine inland river pushboats listed for charter - seven U.S. and two foreign.

The number of inland river push boats officially on the market for sale in total is 49, down five, or 9.26%, from one year ago in June 2021 and down 42 or 46.15% from May 2017. Composition of horsepower range in the last year has changed with the biggest shifts being five fewer 2,000-3,000HP with average age of 1998 (compared to 1989 in 2021), one more under 1,000HP (1988 vs 1990), one more 1,000-2,000HP (1976 vs 1972), one fewer 3,000-4,000HP (1978 vs 1967) and one less 4,000-5,000HP (2013 vs 1999) push boats offered. This slight decrease in offerings is from a combination of older, lower horsepower push boats being scrapped but also more vessels are going back to work as we are coming out of the past two years of pandemic shutdowns. 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, 12.24% of the push boats available are less than 10 years old, down from 16.67% reported one year ago and from 13.19% 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 that while overall and U.S.-flagged fleet age remained steady, foreign-flagged fleet age increased significantly as older units were placed on the market due to no work amid the global economic crisis. Specifically, the average age of all on the market through Marcon last year and five years ago was 39 and 34 years, respectively, compared to 37 years now. Mostly older foreign-flagged vessels have gone on the market, with average age going from 19 years in 2017 to 41 years now. U.S.-flagged push boats went from 36 years old five years ago to 38 last year to back to 36 years old as June 2022.

Of the 43 vessels listed for sale where engine type is known, 13 are powered with Cummins, followed by nine with CATs, six with EMDs, John Deere, Mitsubishi and other engine types with four each and three with GMs. Most of the inland river pushboats Marcon has listed for sale are located in the U.S. with 35 vessels or 72%; followed by seven or 14% in Europe, five in Latin America and one each in Canada and with "undisclosed" location. While our focus is on the U.S. market, there has been a decline of vessels offered in the U.S. as percentage of all available for sale noted a year ago when it dropped to 65% compared to 81% in 2017, but it has now increased up to 72%. Compared to five years ago, there are fewer push boats available in Europe (17% in 2017 to 14% now) but more in Latin America (2% in 2017 to 10% now).

Full Market Reports here: [Push Boat – June 2022](#) & [Tug Boat – May 2022](#)