Weathering the storm

As cargo operations return to something akin to normal, *Ian Cochran* asked some of the leading tugs and towage players for an assessment of the market today and their main concerns going forward.

The tug and towage market has not been as severely affected by Covid-19 restrictions this year compared with what was seen over the previous two years. 'New normal' precautions and protocols have caused only minor disruptions to projects, according to Sandro Lipani, director of chartering and operations at Italy-based towage company Augustea advised.

Addressing ship towage, Kasper Karlsen, chief operating officer at Svitzer Europe, said that while cargo levels have continued to increase since 2021, China's zero-covid measures earlier this year contributed to a slight dip in trade flows.

These events had some knock-on effects for tugs and towage worldwide, but without clear alignment between trade volumes and the number of jobs. For example, in the UK the total freight throughput at ports increased in the fiscal year March 2021/2022. However, the vessel calls have not always grown as a result, meaning that tug operators have seen only limited uplift in activity, he said.

In this period of worldwide price inflation, tug and barge rates have in turn risen up the commercial agenda. Lipani said that since the middle of last year, Augustea had noted an average rate increase of around 20 percent year-on-year and had also seen more positive effects on the utilisation of the vessels.

Rising rates

Belgium-headquartered transport engineering and lifting group Sarens also owns/operates heavy-duty barges. Kleopatra Kyrimi, group marketing and communications manager, agreed that rates had undoubtedly risen due to rising gas prices and supply chain disruption.

However, Svitzer's Karlsen said that in the ship towage sector, rates had not seen any significant increase, aside from inflationary adjustments, since last year.

A major problem going forward for those active in the tugs and towage sector is the rising cost of fuel. Lipani said that this inflationary problem is having a significant and structural impact on the sector.

"The contracts we use have bunker escalation provisions that might be passed onto the customer. However, we try to mitigate these effects, as our vessels have been built to burn marine gas oil (MGO) and very-low sulphur fuel oil (VLSFO), which replaced IFO 380.

"Unless there are specific regional restrictions to the use of VLSFO [for instance SECA/ECA areas], we try to keep the option to burn a fuel that is generally USD300 per tonne cheaper than MGO.

"With the current geopolitical scenario, we do not expect significant changes in the current fuel price ranges and fluctuation trends throughout next year. The indications received from our suppliers confirm our feelings," he said.

Sarens expects fuel prices to continue rising.

> **Clearly the effects on the [Black Sea] region have been severe, with very little operational demand.**
>
> – Kasper Karlsen, Svitzer Europe

Kyrimi added: "It would be unfair for the client to bear all the cost of the rising fuel prices, but it is impossible for businesses to stay afloat if they shoulder all the weight on their own.

Equitable solutions

"We are looking at equitable solutions so that our clients are not impacted disproportionately, but we certainly have an obligation to our companies to secure their solvency, as we employ over 4,500 people and give work to hundreds of sub-contractors worldwide.

"A realistic approach is the path we have chosen – always putting our clients' interests first but not losing sight of our employees and companies' prosperity," she said.

Kyrimi said that Sarens expects fuel prices to continue rising. "The winter of 2023 will be rough, but at least the operators have had advance warning so that they can prepare to the extent that they are able," she said.

Karlsen agreed that fuel costs are proving burdensome and that the current situation highlights the importance of fuel efficiency for towage operators – not just from an emissions reduction perspective, but to keep fuel costs down and manage rates. "When our fuel prices increase, we naturally need to pass some of that on to our customers, but sometimes this will happen with a delay," he explained.

Commenting on the situation arising from Russia's invasion of Ukraine, Lipani explained that for Augustea, the circumstances forced it to decline transport work from or to Russian ports, both in the Black Sea and the Baltic area. However, he did not rule out transport jobs from or to other countries in those regions.

> **The tugs and towage market has recovered this year while 'new normal' precautions, and protocols have caused only minor disruptions to projects.**
>
> – Sandro Lipani, Augustea

Karlsen explained that Svitzer has operations in Poti, Georgia, but apart from that, no longer works in the Black Sea region having exited along with its parent company, AP Møller-Mærsk.

"Clearly the effects on the region have been severe, with very little operational demand," he said. "Elsewhere, the war has also caused a shift in the types of vessels and the number of calls made at ports. This naturally has a knock-on effect on the tug and tow sector, as the type and number of jobs on offer at each port has altered significantly."

Lipani explained that the hull and machinery insurance companies and underwriters, together with the P&I clubs, are closely monitoring the situation and, now more than ever, it is necessary to thoroughly assess whether transports from or to certain areas are a firm 'no go', or will require significant additional insurance premiums.

On a more positive note, Lipani pointed out that the oil and gas sector had gained pace, although uptick varies from region to region. The recycling market is at a low ebb, however, and Augustea is seeing fewer enquiries for long-distance towage of rigs or old FPSOs.

The downturn in recycling business may be related to the fact that a significant

number of older units have already been scrapped during the past few years, while the market outlook seems positive for the future employment of rigs and drillships currently in lay-up, he believes.

As for the rise in renewable energy projects, he said that most of the fleet is currently busy in supporting engineering, procurement, installation and commissioning (EPIC) contractors for extensive transportation and installation (T&I) campaigns related to offshore wind projects.

"Besides today's positive effects, the renewables industry will unlock a number of future opportunities related to the installation and operations and maintenance of the offshore wind farms, both fixed and floating," he said.

Back on track

He also believes that, in general, projects are back on track following the pandemic. In some cases, Augustea has executed oil and gas-related projects that had been put back for a couple of years. "The new normal that the industry reached with the massive vaccination campaigns and procedures to mitigate Covid-19's effects, as well as the [energy price] boost that energy companies received have effectively minimised risks of delays," he said. "Delays, if any, are now caused by the lack and [high] prices of raw materials and components."

Kyrimi said that Sarens has seen delays, but depending on the market sector, things are getting back on track. However, some projects, due to their contractual clauses, are not affected. In some countries, despite the lockdowns, the construction and industrial sectors remained operational, which meant that projects kept running, suffering only short delays counted in weeks, rather than months or years.

"All in all, there is not a definitive answer [to delays], as depending on where the projects were, we saw different outcomes," she said.

The importance of ships' crew was truly thrust into the limelight during the pandemic, many having no choice but to overcome incredibly demanding working conditions. Thousands of seafarers have since left the sector, compounding an embedded issue facing the sector – a lack of qualified staff.

Lipani said that the lack of a qualified crew determines the success or failure of any operator involved in any shipping sector. Every shipowner/operator has his or her own approach to tackling this issue. Augustea has a group of permanently employed key officers, as well its own ship-manning arm, based in Manila, that has a high retention rate.

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> – Kleopatra Kyrimi, Sarens

Skills shortage

Karlsen agreed that similar to most industries post-pandemic, maritime is experiencing a skills shortage. This has extended to towage operators, especially as safety is so critical in tug operations and requires specialist training.

"In the UK, Brexit has made this even more challenging. Bringing new staff on board and ensuring they go through our rigorous training programmes is the best way to ensure operations keep running safely and smoothly," he explained.

As always, the tug and barge sector faces stiff competition from other types of heavy lift/project cargo vessels. This competition is still severe, Lipani said, except for specific cases, like T&I campaigns, where load out, standby periods offshore and installation sequences still require a tug and barge solution.

Typically these are inter-regional or

Cashman wins ISO certification

In the USA, Cashman Equipment Corp (CEC), an operator of ocean deck barges and marine equipment, has advised *HLPFI* that it has been awarded ISO certification for its systems and processes under ISO 9001:2015. This was issued by Bureau Veritas Certification (BV).

ISO 9001:2015 is a globally recognised quality management standard developed and published by the International Organisation for Standardisation (ISO).

This standard is based on several quality management principles, including a strong customer focus, the motivation and implication of top management, process approach and continual improvement.

"CEC is excited to implement these standards in continuing to provide high quality and reliable marine equipment and transportation solutions to global marine markets," said Samina Mahmood, CEC's QMS coordinator.

Jamie Cashman, CEC president and ceo, added: "Achieving this was accomplished by determination and with a contribution from our global team. We will continue to focus on our key principles to provide exemplary customer service to our existing and new customers who require ISO 9001 certification from their partners."

CEC is headquartered in Massachusetts, USA and owns and operates one of the largest and most diverse fleets of barges, encompassing over 100 vessels, including oceangoing barges, Jones Act compliant barges, inland barges, accommodation barges, etc.

The fleet is positioned worldwide, including Africa, Far East Asia, Mexico, Middle East, the USA and Canada.

cross-regional transports, which require 30/35 days sailing times.

He added that it is to be expected that tug and barge combinations will be, from a purely commercial perspective, a cheaper solution, compared with self-propelled vessels, either deck carriers or semi-submersibles.

However, a cheaper solution might not necessarily influence charterers to adopt a tug and barge solution against a self-propelled vessel, as technical considerations, such as speed, weather restrictions and insurance factors, may have a stronger impact on their decisions than price.

Another positive highlighted by Lipani was that there are a number of infrastructure/dredging projects around the world that are absorbing a sizeable amount of small and shallow draught pontoons, especially in the Middle East.

Sarens' fleet expansion is continuous, so that the clients can benefit from the latest and safest units available.

Mobilisation costs

Problems that can be faced in this niche market sector are the high mobilisation/demobilisation costs of the required units, as well as the lay-up arrangements and costs, he said.

Kyrimi explained that Sarens' barges are used for short, long and stationary work and the company receives orders for all three types on a frequent basis.

For river and canal construction projects, barges are always the 'go to' solution. "The market is looking good, at least for Sarens," she said.

As for the possibility of fleet expansion in today's climate, Lipani said: "We are continuously monitoring the tug and barge market to expand our existing fleet with units that can further strengthen our position in the market.

"We have also two joint ventures in place with strategic partners [Fagioli and Malin Group] with whom we have jointly developed specific assets engaged in exciting projects in civil construction, shipbuilding and renewables.

"Worth noting is that we have recently completed the rebuilding of our AMT Commander – now renamed CD-01 – and owned by Malin Augustea UK, a joint venture formed by Augustea and the Malin Group.

"It will be one of the largest semi-submersible barges in Europe, UK-flagged and based in Scotland. It is already committed to two first-class UK-based shipbuilders to support their construction programmes in the next years and we are sure that it will be a key asset for the booming floating offshore wind sector in the next decade," he said.

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– Sandro Lipani, Augustea

Kyrimi added that Sarens' fleet expansion is continuous, so that the clients can benefit from the latest and safest units available.

In the ship towage sector, Svitzer recently purchased a second-hand tug to support terminal operations in Milford Haven in the UK.

The addition of this tug will free up the Svitzer Ramsey, which will be relocated to London and cater for the expected growth in ship towage on the rivers Thames and Medway. "We continue to look for relevant opportunities to expand and renew our fleet," Karlsen concluded.