Area boat companies look for improvement

SUPPLY BOAT AND crewboat companies perform a vital function in the offshore oil and gas industry both in the Gulf of Mexico and internationally, transporting personnel and a variety of materials to offshore platforms every day.

But those companies, of course, are primarily dependent on the oil and gas industry for business. During the oil slowdown of the past few years, they have seen a decline in business. There are signs of improvement in the oil and gas industry, and in the economy as a whole, but crewboats and supply boats are not nearly as active as they were during the days of high oil bids.

According to Ralph Vacarro, assistant secretary for Gulf Fleet Marine Corp., with offices in Lafayette and Morgan City, there still exists an oversupply of offshore supply vessels. This oversupply must be eliminated before stabilization of rates and utilization can be realized in the Gulf region.

He believes this can only occur if offshore exploratory drilling and field development activity in the U.S. and abroad experiences a substantial increase.

Vacarro adds that record offshore lease sales in 1983 are a good indication that the long term outlook for oil exploration is good. Those sales have already stimulated the company's drilling activity in offshore Louisiana and Texas. But he stresses that having a lease sale does not immediately put boats back to work. There's a time lag between the lease sale and the beginning of the production process, he says.

Supply vessel owners have experienced only slight improvement in utilization and day rates for their equipment, due in part to the severity of oversupply of equipment. The supply boat business was hurt in 1979, 1980 and 1981. Factors contributing to the oversupply problem were, according to Vacarro, overbuilding and the limited partnerships that were created by people who wanted to get an investment tax.

In regard to the latter, he says most of the investors did not get into the industry for profit reasons, and thus they could offer boats at cheap rates — rates that would allow them to break even. "Companies like ours cannot do that," he says.

Equally significant, he says, is the deterioration of the international market for offshore supply vessels. Several supply and crewboat companies with offices in Acadiana and Houma-Morgan City conduct business internationally as well as in the Gulf. As drilling activities decline in the domestic market, the offshore flag vessels are returning to the Gulf of Mexico, further aggravating the oversupply situation. Therefore, any significant improvement in the market for offshore vessels in the U.S. Gulf is tied to improvement in international drilling activity, Vacarro says.

"You have to maintain a presence in the industry, and in order to be competitive you have to maintain a rate that will compare," he says. "Rates are coming along slowly." Because of "the spread of equipment abroad," companies such as Gulf Fleet have been able to sustain steady business. But because demand in the international sector has been so slow, many of the supply boats abroad are not being used, he says.

Other contributing factors included the price of oil and the oil glut, both of which discouraged exploratory activity. "All of that effectively slowed the market down, and we're still trying to recover from it," he says.

He says the road to recovery will be a gradual one, barring the issuance of a foreign exploration permit or other factors that would cause production activities to increase in the Gulf.

A crewboat/supply boat company vice president who asked not to be identified said crewboat activity is "definitely picking up" and that there is a "real soft spot" in the supply boat activity.

He also attributes this to the overbuilding that occurred in the recent past. Even without the slowdown, he says there would have been a slump in the crewboat/supply boat industry in the Gulf. "The investors were looking for a tax advantage," he says.

The survival of the fittest theory did not come into play during the recent slowdown, he says. In the crewboat industry, the companies that should have been weeded out were given a break by the major financial institutions, who did not repossess the boats of those companies, which were collateral. Rather, he says the financial institutions allowed the weaker companies to pay off their loans without interest and principal payments.

As a result, the stronger companies had to lower their rates to stay competitive, and then they ended up with a loss. "If the natural process had taken place, these weaker companies would have been weeded out," he claims.

He said about six companies filed bankruptcy in the Acadiana and Morgan City-Houma area, and some of those filed under Chapter 11 Bankruptcy laws, enabling them to reorganize.

"The whole industry has basically remained intact, but yet the whole industry is facing cash flow problems," he says. Because the "bad companies" are still around, he says most of the crewboat and supply boat companies still are forced to offer "break-even" prices in many cases.

Kenny Nelkin, vice president and co-owner of Candy Boats Inc. of Morgan City says business has picked up since January. He says the oil companies have "opened up their budgets" a little bit, but companies desperate for work have had to sign two-year, one-year or two-year contracts for "ridiculous rates."

Crewboat companies such as Candy have realized where a lot of waste was during the recent past. As a result, he thinks many of the companies that are here today are going to be around for awhile.