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Proprietary Market Research

*This work was done in late 2004 into early 2005 and submitted in May 2005 as part of a larger business plan.*

PortSide has conducted extensive research into the tug and barge industry and the excursion and charter boat industry. All PortSide survey figures below are as of May 25, 2005. We are still receiving responses to our surveys.

The tug and barge industry, known as the towing industry in the marine world, is central to PortSide for several reasons: The tugs will be coming to get the boats supply of weekly groceries at Fairway, and the tug crew will shop at PortSide's retail. The activity of the tugs coming and going will be positioned by PortSide as an attraction and central exhibit of our maritime trail and museum. The towing industry is badly in need of crew and thus will be an eager partner and job source for PortSide's maritime career center.

## **The Towing Industry**

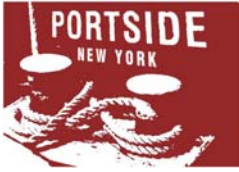
### **What the towing industry does:**

The vessels are involved in docking ships, marine construction (for example all the bridge repairs, pier repairs, tunnel ventilation shaft repairs, moving the FDR), harbor dredging (the largest Army Corps dredging contract in the history of the US with total budget \$3.3 billion), moving fuel products, delivering bulk materials for construction industry, moving container barges, and specialty jobs such as bringing the Rockefeller Christmas tree and the new span for the Third Avenue bridge over the Harlem River.

Additional equipment from outside the area is under contract for local work (especially in dredging and marine construction). Deferred maintenance on much infrastructure is now being addressed meaning that there is a lot of waterfront construction work. Every waterfront revitalization plan also implies waterfront construction, so this sector of the marine industry is booming. The construction boom inland also leads to an increase on the water as bulk construction materials (cement, sand, stone, lumber) arrive by ship and barge. New facilities for cement, sand and stone importing are being built on the New York City waterfront.

### **Towing company Size and Growth:**

The tug and barge sector has been growing for several years. Two tug companies operating in New York went public with IPOs in 2004. All the major companies are building new equipment, even small firms with just two to three boats are growing their fleets. PortSide survey respondents reported that all companies but one had grown in the last five years. Two companies had even doubled their fleet size. Small companies are



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significant to the industry in that firms with six or less boats own 67% of the tugs operating here.

### Overview Of Workboats In Harbor

number of workboat companies in NY harbor	50
number of companies with tugs	36
tugboats in NY Harbor	252
unmanned barges in NY Harbor	722
manned barges in NY Harbor	114
other commercial work/construction boats	56

### Tug Company Size Distribution

# tugs in Co.	4 or less	5 or less	6 or less	Top 5 largest
% of NY Fleet	53%	58%	67%	42%

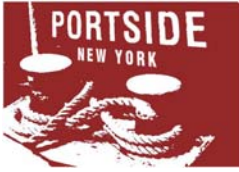
(Five largest tug fleets in descending order Moran, K-Sea, Reinauer, Bouchard, McAllister with 28, 25, 20, 19, and 16 respectively)

Out of the 36 companies owning tugboats, 12 companies had only one or two boats (33% of companies with tugs).

### **Workforce totals and working lifestyle:**

We are still researching workforce numbers in the towing industry but can provide the estimates below. Bear in mind that most tugs have two crews because one crew is off (resting) while the other is working its “hitch.” The average hitch is about two weeks long during which time the crew does not return home or leave the boat for extended lengths of time. Dayboats are the exception; their crew work day shifts, often on demand, and the company may have a few extra personnel to rotate in as crew need a rest or work booms. Most boats, however, require two crews on two hitches, meaning that total on-the-water employees are almost double the number on the water at any one time. Real world salaries of most tug crew are higher than the tug salaries listed as most crew have a part time job or run a small business during their off-boat time. Some towing businesses have seasonal fluctuations. Due to the decline in construction during the cold months, towing of stone products slows in the winter, whereas the movement of fuels soars due to home heating needs. Personnel will often shift from the stone business to the fuel business in the winter.

There are approximately 1,560 onboard crew members on these tugs and barges on any one day. This suggests a total of 3,120 on the water employees. There are related support jobs ashore (maintenance and provisioning, administration and sales) that are not yet counted; but for orientation, consider that one major tug and barge company has some 375 people on the water and 60 ashore. If all firms have a similar ratio, 3,120 on the water employees would yield a total of 3,550 jobs in the towing industry.



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Geographic Distribution of crew

As with above, we are still researching workforce numbers in the towing industry but from survey responses in thus far, we have the following geographic breakdown.

	New York City	New York State	New Jersey	Other States
% crew living within	8.5%	10.7%	14.5%	66.3%

\* New York City employees are not included in the New York State total.

PortSide believes the towing industry is ripe to return to having more local employees. We say this because responses to our survey often say locals are preferred, and also because the high number of out-of-state employees represent a relatively recent historical development.

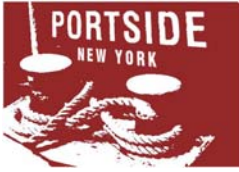
Until 1998-1999, the towing industry in this port employed almost exclusively local (NY, NJ) employees with workforce recruitment characterized by high word of mouth and family referrals. This changed during “the big strike” of 1988-89 when those companies trying to break the union flew in non-union employees, many of them Cajun mariners from the Gulf of Mexico where the marine economy had crashed. Many local old timers left the New York harbor towing business at that point, and the remaining local crew were often bitter. The union, local 333 of the ILA, AFL-CIO has remained weak ever since. The companies themselves now complain about the weak union for not delivering sufficient and qualified crew for their needs, one of the terms of the contract with the union.

PortSide believes the word-of-mouth, father-to-son recruitment pattern was severed as a result of the strike given the departure of so many locals and the resentment of so many who stayed. Now that the marine economy in the Gulf of Mexico has rebounded, local towing companies have not been able to so easily refill their ranks with Cajuns. There is a serious employee crisis in the towing industry here, and the industry has publicly recognized it for several years. This is driving them to consider new solutions, hence their strong interest in PortSide’s proposed career center. Here is a need that PortSide can fill and will target given the high unemployment in Red Hook. We are conducting in-depth interviews with towing companies about what positions are open, how green new employees can be, what sort of training the company provides, and whether local employees are preferred. The answer to the latter is a resounding yes.

Typical Yearly Salary

	Deckhands	Barge crew	Asst. Engineers	Engineers	Mates	Captains
Low	\$26,730	\$40,000	\$52,150	\$55,890	\$55,890	\$62,000
High	\$48,600	\$55,000		\$72,900	\$72,900	\$97,200

(using a mean salary per boat, fleet numbers and 2 crew rotation, estimated total annual payroll is \$150,352,440 for all tugs and barges). Annual incomes are usually higher due to off-boat, part-time jobs held by many.



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These salaries compare favorably with median incomes in Red Hook where even the most prosperous tract in the western section or “the back” has a median family income of \$51,250, while the median income in the tract with public housing is a desperate \$14,131. (See appendix for details)

### **How towing industry shopping dollars will boost Red Hook:**

Hard to say at this point how much the tug crews will spend at PortSide’s proposed retail as we haven’t opened yet. What we can say is given that tug crew salaries are far greater than the median Red Hook salary, attracting these vessels can only help boost basic retail in the neighborhood.

We can certainly estimate the amount the towing industry spends on groceries and therefore calculate the potential benefit of the towing industry to Fairway. The estimated total yearly provisioning for tugs and manned barges in this port is over \$7 million (\$7,542,796). Estimating conservatively that PortSide/Fairway would attract 25% of the tugs, we estimate their annual gross receipts at Fairway would be approximately \$1,850,000.

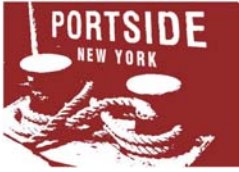
### **The excursion and charter boat industry**

PortSide would like excursion and charter boats to pick up and drop off passengers at our location. Their landing fees will support our infrastructure costs, and their boats will be available for our tours. Their passengers will patronize Fairway, PortSide’s retail and local Red Hook businesses. These boats are envisioned as a major magnet for commercial revitalization as their passengers will transit the neighborhood and shop, dine, and possibly consider buying or renting real estate in the neighborhood. From the public’s point of view, the boats are a recreational amenity, a rare opportunity to get on the water in this area. There are no Brooklyn landings for boats of this type closer than Sheepshead Bay.

### **Definitions of excursion and charter boats work:**

The New York harbor excursion boat industry is generally represented by two types of vessels: charter vessels and tour vessels. Term charter vessels are hired by an individual or group and are underway from any location or for as long as contracted. Tour vessels follow a set seasonal schedule and route from a fixed location. They can also operate as charter vessels outside of their normal schedule.

PortSide has surveyed the excursion and charter boats extensively, we have only begun speaking with the fishing boat fleet and need to poll the larger (and more affordable) headboats which operate out of Sheepshead Bay and City Island.



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**Vessel totals:**

Operating from within the New York harbor area during at least the summer season are 89 excursion vessels, 19 of which are tour vessels and 8 are sailboats. The total available passenger load for the excursion fleet is 25,892 people at any one time. The tour vessels carry 10,249 of those passengers when at maximum capacity. According to PortSide research, only 7 vessels (8% of total fleet), carrying 2,719 passengers at any one time (10.5% of total) are owned or operated from outside the tri-state region.

Brokerage businesses provide contract services between customers and passenger vessel operators to best facilitate special needs. Portside has found ten independent brokerage firms in the New York area, providing services in total that cover the entire fleet (note: large fleets, such as Spirit and Circle Line, have their own sales specialists). From these brokerages, a landing fee for both embarking and disembarking passengers at local piers was established at \$4 - \$7 dollars per foot of vessel depending on timing, location and available amenities. PortSide could handle vessels up to 100' feet in length for landing fees of \$400-\$700 per visit.

**Build it and they will come:**

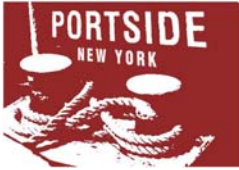
Vessel operators and brokers have stated that viable commercial dockage is not abundant in New York. Two vessel owners and two brokers requested Brooklyn landing locations harbor immediately, which told PortSide that we could have over 100 commercial landings during this summer season were we to have tie-up infrastructure in place.

**Land and water communities out of touch:**

Despite complaining about the lack of dockage, most excursion boat operators or brokers had not been following plans for the "new" Brooklyn waterfront and as a result had not been cultivating or polling the potential Brooklyn market. PortSide can be a valuable matchmaker here.

**Synergy – how dock space and programming support one another:**

The lack of reasonable and viable space for waterfront programs has led to the decline of some Brooklyn-based waterfront groups. One environmentally oriented fishing group stated that the biggest problem for his 800 Brooklyn members was finding a suitable place to run programming including general meetings and a youth fishing program. They were excited by PortSide's proposed hub of activity (fishing vessels at a dock, bait and tackle shop, water related exhibits, talks and classes) and thought this environment would cause the group to rebound. Looking at it from PortSide's vantage point, they had established programs ("Hooked for Life" youth fishing program for example) that they could immediately offer if PortSide provided a venue. In short, PortSide's existence would boost them, and they would immediately provide programs to PortSide.



## APPENDIX

Red Hook Census tract information from Department of City Planning Website

### Tract 57

Median household income, 629 households, \$33,194

Median family income, 403 families, \$34,271

### Tract 55

Median household income, 64 households, \$48,000

Median family income, 30 families, \$51,250

### Tract 85

Median household income, 2,808 households, \$10,500

Median family income, 1,909 families, \$14,131

### Tract 59

Median household income, 355 households, \$22,344

Median family income, 207 families, \$21,733

### Brooklyn

Median household income, \$32,561

Median family income, \$36,295

### New York City

Median household income, \$38,519

Median family income, \$42,235



40° 40' N 74° 01' W