MARITRANS INC /DE/
Form 10-Q
August 13, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

(Mark One)

X Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period ended June 30, 2001

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Transition Period from ---------- to ----------

Commission File Number 1-9063

MARITRANS INC.
(Exact name of registrant as specified in its charter)

DELAWARE	51-0343903
(State or other jurisdiction of incorporation or organization)	(Identification No. I.R.S. Employer)

TWO HARBOUR PLACE
302 KNIGHTS RUN AVENUE
SUITE 1200
TAMPA, FLORIDA 33602
(Address of principal executive offices)
(Zip Code)

(813) 209-0600
Registrant's telephone number, including area code

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such requirements for the past 90 days.

Yes X No

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Common Stock $.01 par value, 10,219,803 shares outstanding as of August 7, 2001

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MARITRANS INC.
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PART I: FINANCIAL INFORMATION

MARITRANS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
($000)

	June 30, 2001 (Unaudited)	December 31, 2000 (Note 1)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 29,834	$ 36,598
Cash and cash equivalents - restricted	4,457	11,400
Trade accounts receivable	9,030	9,505
Other accounts receivable	4,866	4,279
Inventories	2,850	3,182
Deferred income tax benefit	9,176	9,176
Prepaid expenses	2,693	2,067
Total current assets	62,906	76,207
Vessels and equipment	285,350	289,447
Less accumulated depreciation	135,341	133,838
Net vessels and equipment	150,009	155,609
Note receivable	4,431	4,724
Other	4,360	5,820
Total assets	$221,706	$242,360
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Debt due within one year	$ 6,896	$ 7,872
Trade accounts payable	1,156	1,242
Accrued interest	763	1,052
Accrued shipyard costs	7,303	7,971
Accrued wages and benefits	3,132	2,527
Other accrued liabilities	4,562	8,552
Total current liabilities	23,812	29,216
Long-term debt	55,784	67,988
Deferred shipyard costs	10,954	11,956
Other liabilities	3,723	3,757
Deferred income taxes	38,997	38,997
Stockholders' equity	88,436	90,446
Total liabilities and stockholders' equity	$221,706	$242,360

See notes to financial statements.

MARITRANS INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
($000, except per share amounts)

	April 1 to June 30, 2001	April 1 to June 30, 2000
Revenues	$ 31,834	$ 28,053
Costs and expenses:		
Operation expense	16,325	15,797
Maintenance expense	3,780	4,567
General and administrative	1,911	2,016
Depreciation and amortization	4,482	4,308
Total operating expense	26,498	26,688
Operating income	5,336	1,365
Interest expense	(1,392)	(1,580)
Other income	820	376
Income before income taxes	4,764	161
Income tax provision	1,810	85
Net income	$ 2,954	$ 76
Basic earnings per share	$ 0.29	$ 0.01
Diluted earnings per share	$ 0.28	$ 0.01
Dividends declared per share	$ 0.10	$ 0.10

See notes to financial statements.

MARITRANS INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
($000, except per share amounts)

	January 1 to	January 1 to

	June 30, 2001	June 30, 2000
Revenues	$ 63,401	$ 58,724
Costs and expenses:		
Operation expense	32,966	33,975
Maintenance expense	7,488	10,056
General and administrative	3,801	4,105
Depreciation and amortization	8,913	8,557
Total operating expense	53,168	56,693
Operating income	10,233	2,031
Interest expense	(2,987)	(3,313)
Other income, net	1,809	1,391
Income before income taxes	9,055	109
Income tax provision	3,441	100
Net income	$ 5,614	$ 9
Basic earnings per share	$ 0.55	$ 0.00
Diluted earnings per share	$ 0.52	$ 0.00
Dividends declared per share	$ 0.20	$ 0.20

See notes to financial statements.

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MARITRANS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
($000)

	Six Months Ended J	
	2001	2
Cash flows from operating activities:		

Net income	$ 5,614	$
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,913	
Deferred income tax provision	--	
Stock compensation	311	
Changes in receivables, inventories and prepaid expenses	(406)	
Changes in current liabilities, other than debt	(4,427)	
Non-current changes, net	(1,756)	
(Gain) loss on sale of fixed assets	(172)	
	2,463	
Net cash provided by operating activities	8,077	
Cash flows from investing activities:		
Release of cash and cash equivalents - restricted	9,043	
Collections on notes receivable	233	
Cash proceeds from sale of equipment	175	
Purchase of vessels and equipment	(3,177)	
Net cash provided by investing activities	6,274	
Cash flows from financing activities:		
Payment of long-term debt	(13,180)	
Purchase of treasury stock	(5,826)	
Proceeds from exercise of stock options	4	
Dividends declared and paid	(2,113)	
Net cash used in financing activities	(21,115)	(
Net increase (decrease) in cash and cash equivalents	(6,764)	
Cash and cash equivalents at beginning of period	36,598	
Cash and cash equivalents at end of period	$ 29,834	$

See notes to financial statements

MARITRANS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2001

1. Basis of Presentation/Organization

Maritrans Inc. owns Maritrans Operating Partners L.P. ("the Operating Partnership"), Maritrans General Partner Inc., Maritrans Tankers Inc., Maritrans Barge Co., Maritrans Holdings Inc. and other Maritrans entities (collectively, the "Company"). These subsidiaries, directly and indirectly, own and operate oil tankers, tugboats and oceangoing petroleum tank barges principally used in the transportation of oil and related products, along the Gulf and Atlantic coasts.

In the opinion of management, the accompanying condensed consolidated financial statements of Maritrans Inc., which are unaudited (except for the Condensed Consolidated Balance Sheet as of December 31, 2000, which is derived from audited financial statements), include all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial statements of the consolidated entities.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Pursuant to the rules and regulations of the Securities and Exchange Commission, the unaudited condensed consolidated financial statements do not include all of the information and notes normally included with annual financial statements prepared in accordance with generally accepted accounting principles. These financial statements should be read in conjunction with the consolidated historical financial statements and notes thereto included in the Company's Form 10-K for the period ended December 31, 2000.

2. Earnings per Common Share

The following data show the amounts used in computing basic and diluted earnings per share ("EPS"):

	Three Months Ended June 30,		Six
	2001	2000	2001
	(000's)		
Income available to common stockholders used in basic EPS	$ 2,954	$ 76	$ 5,614
Weighted average number of common shares used in basic EPS	10,023	11,018	10,175

Effect of dilutive securities:			
Stock options and restricted shares	537	334	598
Weighted number of common shares and dilutive potential common stock used in diluted EPS	10,560	11,352	10,773

3. Income Taxes

The Company's effective tax rate differs from the federal statutory rate due primarily to state income taxes and certain nondeductible items.

4. Share Buyback Program

On February 9, 1999, the Board of Directors authorized a share buyback program for the acquisition of up to one million shares of the Company's common stock. This amount represented approximately 8 percent of the 12.1 million shares outstanding at the beginning of the program. In February 2000 and again in February 2001, the Board of Directors authorized the acquisition of an additional one million shares in the program. The total authorized shares under the program are three million. As of June 30, 2001, 2,258,700 shares have been repurchased under the plan and were financed from internally generated funds.

5. Impact of Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("Statement 133"). Statement 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. The Company adopted Statement 133 on January 1, 2001, and the effect of adoption was not material to the Company.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Information

Some of the statements in this Form 10-Q (this "10-Q") constitute forward-looking statements under Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements made with respect to present or anticipated utilization, future revenues and customer relationships, capital expenditures, future financings, and other statements regarding matters that are not historical facts, and involve predictions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, growth, performance, earnings per share or achievements to be materially different from any future results, levels of activity, growth, performance, earnings per share or achievements expressed in or implied by such forward-looking statements.

The forward-looking statements included in this 10-Q relate to future events or the Company's future financial performance. In some cases, the reader can identify forward-looking statements by terminology such as "may," "believe," "future," "potential," "estimate," "expect," "intend," "plan," "through," "provide," "meet," "allow," "represent," "result," "seek," "increase," "work," "perform," "make," "continue," "will," "include," or the negative of such terms or comparable terminology. These forward-looking statements inherently involve certain risks and uncertainties, although they are based on the Company's current plans or assessments that are believed to be reasonable as of the date of this 10-Q. Factors that may cause actual results, goals, targets or objectives to differ materially from those contemplated, projected, forecast, estimated, anticipated, planned or budgeted in such forward-looking statements include, among others, the factors outlined in this 10-Q and general financial, economic, environmental and regulatory conditions affecting the oil and marine transportation industry in general. These factors may cause the Company's actual results to differ materially from any forward-looking statement. Given such uncertainties, current or prospective investors are cautioned not to place undue reliance on any such forward-looking statements.

Although the Company believes that the expectations in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance, growth, earnings per share or achievements. However, neither the Company nor any other person assumes responsibility for the accuracy and completeness of such statements. The Company is under no duty to update any of the forward-looking statements after the date of this 10-Q to conform such statements to actual results.

The following discussion should be read in conjunction with the unaudited financial statements and notes thereto included in Part I Item 1 of this Form 10-Q and the audited financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2000 contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

Results of Operations

Three Month Comparison

Revenues of $31.8 million in the second quarter of 2001 increased $3.7 million or 13 percent compared to $28.1 million in the second quarter of 2000. Revenues increased as a result of high utilization and market rates. Vessel utilization, as measured by revenue days divided by calendar days available, increased from 81.5 percent in the second quarter of 2000 to 87.1 percent in the second quarter of 2001. This increase was due primarily to the MARITRANS 244, which was working during the second quarter of 2001 and was out of service in the second quarter of 2000 for its double hull rebuild. The average daily rate was higher than in the comparable period in 2000 as a result of higher market rates, which began late in 2000 and continued through the second quarter of 2001. Barrels of cargo transported increased from 47.5 million in the second quarter of 2000 to 48.9 million in the second quarter of 2001. Looking forward to the third quarter of 2001, the Company expects the market rates will be at a level consistent with the same period in 2000. The OCEAN CITIES went out of service late in the second quarter of 2001 for its double hull rebuild and is expected to return to service late in the fourth quarter. The Company expects this out of service time to decrease utilization and possibly cause a reduction of revenues for the remainder of 2001.

Operating expenses decreased from $26.7 million in the second quarter of 2000 to $26.5 million in the first quarter of 2001, a decrease of $0.2 million or 1 percent. Crew costs increased as a result of a higher volume of seminars and training that took place in 2001 compared to 2000. Due to the increase in utilization discussed in revenue above, port charges and fuel costs increased compared to the same quarter of 2000. Fuel prices also increased 9% over the comparable quarter in 2000. During the second quarter of 2001 but at different non-overlapping times, two of the Company's tankers were under contracts that pass through fuel and other voyage costs directly to the customer, offsetting the above mentioned increases. The tankers were not under the same form of contract in the comparable period of 2000. Overall maintenance expense decreased as a result of the rebuilding of the single-hulled barges to double-hulled barges, which allows certain procedures to be performed while the vessel is in the shipyard for its double-hulling. In the second quarter of 2000, the Company had incurred $0.2 million in relocation costs as a result of moving the corporate headquarters from Philadelphia, PA to Tampa, FL.

Operating income increased as a result of the aforementioned changes in revenue and expenses.

Other income in the second quarter of 2001 includes interest income of $0.6 million and a pre-tax gain of $0.2 million on the sale of a barge. Other income in the second quarter of 2000 included interest income of $1.0 million offset by a pre-tax loss of $0.7 million on the sale of Philadelphia real estate and equipment. Interest income decreased as a result of lower interest rates and a lower cash balance compared to the same period in 2000.

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Net income for the second quarter of 2001 increased compared to the second quarter of 2000 due to the aforementioned changes in revenue and expenses.

Six Month Comparison

Revenues of $63.4 million in the six months ended June 30, 2001 increased compared to $58.7 million in the six months ended June 30, 2000, an increase of $4.7 million or 8 percent. Vessel utilization, as measured by revenue days divided by calendar days available, of 87.4 percent in the six months ended June 30, 2001 remained consistent with the comparable period of 2000 utilization of 86.4 percent. The average daily rate was higher than in the comparable period in 2000 as a result of higher market rates, which began late in 2000 and has continued in the first half of 2001. Barrels of cargo transported decreased from 96.0 million in the six months ended June 30, 2000 to 95.1 million in the six months ended June 30, 2001. Looking forward to the remainder of 2001, the Company believes steady gasoline inventories and distillate demand will cause market rates to be at a level consistent with the second half of 2000, reflecting the continuing strong market. The OCEAN CITIES went out of service late in the second quarter of 2001 for its double hull rebuild and is expected to return to service late in the fourth quarter. The Company expects this out of service time to decrease utilization and possibly cause a reduction of revenues for the remainder of 2001.

Operating expenses decreased from $56.7 million in the six months ended June 30, 2000 to $53.2 million in the six months ended June 30, 2001, a decrease of $3.5 million or 6 percent. Crew costs increased as a result of a higher volume of seminars and training that took place in 2001 compared to 2000. During the first half of 2001 but at different non-overlapping times, two of the Company's tankers were under a contract that passes through fuel and other voyage costs directly to the customer, resulting in a reduction of these expenses. The tankers were not under the same form of contract in the comparable period of 2000. Offsetting this decrease was a 10% increase in fuel prices over the comparable period in 2000. Overall maintenance expense decreased as a result of the rebuilding of the single-hulled barges to double-hulled barges, which allows certain procedures to be performed while the vessel is in the shipyard for its double-hulling. In the first half of 2000, the Company had incurred $0.6 million in relocation costs as a result of moving the corporate headquarters from Philadelphia, PA to Tampa, FL.

Operating income increased as a result of the aforementioned changes in revenue and expenses.

Other income in the six months ended June 30, 2001 includes interest income of $1.6 million and a pre-tax gain of $0.2 million on the sale of a barge. Other income in the six months ended June 30, 2000 included interest income of $2.0 million offset by a pre-tax loss of $0.7 million on the sale of Philadelphia real estate and equipment.

Net income for the six months ended June 30, 2001 increased compared to the six months ended June 30, 2000 due to the aforementioned changes in revenue and expenses.

Liquidity and Capital Resources

For the six months ended June 30, 2001, funds provided by operating activities were sufficient to meet debt service obligations and loan agreement restrictions, to make capital acquisitions and improvements, to allow Maritrans Inc. to pay a dividend of $0.10 per common share in the current quarter, to prepay $6 million of long term debt and to make share repurchases. While dividends have been made quarterly in each of the last three years, there can be no assurance that the dividend will continue. The ratio of total debt to capitalization is .41:1 at June 30, 2001.

Management believes that in 2001, funds provided by operating activities, augmented by financing and investing transactions, will be sufficient to finance operations, anticipated capital expenditures, lease payments and required debt repayments.

On February 9, 1999, the Board of Directors authorized a share buyback program for the acquisition of up to one million shares of the Company's common stock. This amount represented approximately 8 percent of the 12.1 million shares outstanding at that time. In February 2000 and again in February 2001, the Board of Directors authorized the acquisition of an additional one million shares in the program. The total authorized shares under the buyback program are three million. As of June 30, 2001, 2,258,700 shares have been repurchased under the plan and have been financed from internally generated funds. The Company intends to hold the majority of the shares as treasury stock, although some shares will be used for employee compensation plans and others may be used for acquisition currency and/or other corporate purposes.

On August 17, 2000, the Company awarded a contract to rebuild a third large single hull barge, the OCEAN CITIES, to a double hull configuration, which is expected to have a total cost of approximately $15.5 million. As of June 30, 2001, $6.9 million has been paid to the shipyard contractor. The vessel entered the shipyard in the second quarter of 2001 and is expected to return to service late in the fourth quarter of 2001. The Company has and expects to continue the financing of this project from internally generated funds.

Debt Obligations and Borrowing Facility

At June 30, 2001, the Company had $62.7 million in total outstanding debt, secured by mortgages on most of the fixed assets of the Company. The current portion of this debt at June 30, 2001 was $6.9 million.

The Company has a $33 million revolving credit facility with Mellon Bank, N.A. that expires in October 2002. This facility is collateralized by mortgages on the tankers. At June 30, 2001, $22 million was outstanding under this facility.

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Impact of Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("Statement 133"). Statement 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. The Company adopted Statement 133 on January 1, 2001, and the effect of adoption was not material to the Company.

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Part II: OTHER INFORMATION

ITEM 1. Legal Proceedings

In Maritrans Inc., et al v. United States, Maritrans sued the United States in 1996 alleging that the double hull requirement of the Oil Pollution Act of 1990 ("OPA") which requires retirement of Maritrans' fleet of single-hulled barges, is a "taking" under the fifth amendment to the U.S. Constitution. Maritrans is seeking a total of approximately $200 million in compensation for this taking. A trial was held in July 1997 on the preliminary issue of whether Maritrans had a cognizable property interest that could be subject to taking. The Court ruled in favor of Maritrans.

In April 1999, the United States Court of Federal Claims ("the Court") ruled that the case was "ripe" only with respect to vessels that OPA had forced out of service, which would include vessels that Maritrans had sold, scrapped, or rebuilt. A trial was held in January 2001, with respect to eight of the Company's barges that are "ripe". Maritrans alleges that the value of these assets, for which compensation is currently due, is approximately $73 million. The trial concluded on February 13, 2001. A decision is expected from the Court by the end of 2001. If Maritrans prevails, claims for other of the Company's barges will be the subject of future legal proceedings as the vessels are forced from service by OPA.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.7 Employment Agreement as amended and restated effective April 1, 2001, between Maritrans Inc. and Stephen A. Van Dyck

(b) Reports on Form 8-K

No reports on Form 8-K were filed in the quarter ended June 30, 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MARITRANS INC.
(Registrant)

By: /s/ H. William Brown Dated: August 10, 2001

H. William Brown
Chief Financial Officer
(Principal Financial Officer)

By: /s/ Walter T. Bromfield Dated: August 10, 2001

Walter T. Bromfield
Treasurer and Controller
(Principal Accounting Officer)