

# Used HDD Rig Dynamic Matures With Market

by Jeff Griffin ■ Senior Editor



In the years following the telecommunications bust and directional drilling industry recession that followed, there was a glut of good, used horizontal directional drilling (HDD) equipment available at prices that significantly impacted sales of new machines as the industry began to recover.

While many of these machines are back on job sites with new owners who were able to purchase such equipment at bargain prices, there remains a strong demand for used drilling equipment and there is little doubt the supply of used rigs continues to impact sales of new equipment. Indeed, in *Underground Construction's* 8th Annual HDD Survey published last June, more than 50 percent of the respondents said they had recently purchased used HDD equipment, and 54 percent said that they would strongly consider buying a used rig as their next purchase.

One of the most active players in the used HDD market is HDD Broker Inc. which advertises heavily in the print media and on its web site, and sells rigs for private owners, banks and equipment dealers worldwide. A recent check of [www.hddbroker.com](http://www.hddbroker.com) showed 481 drill rigs listed.

*Underground Construction* recently asked HDD Broker's sales and marketing manager Bob Martin for his analysis of the used HDD market and its prospects for the future.

**Underground Construction:** *How do you describe demand for used HDD equipment today?*

**Bob Martin:** "We keep very detailed records of our sales and from our history, we can say with a good degree of certainty that demand for used equipment is staying fairly

constant. Even during the overall slump following 2000, international demand kept the used equipment market moving at a very brisk pace.

"What we are seeing right now is a definite seller's market. Used equipment is beginning to dry up due to the fact that there were not very many new machines manufactured between 2001 and 2003. Good used equipment with low hours is becoming in-

creasingly difficult to locate and is usually priced high as a reflection of demand.

"However, we are already starting to see the beginning of an influx of off-lease machines that were manufactured in 2004 and 2005. These machines are replenishing the rather depleted stock of good machines on the used market. Prices for these units are high, but still considerably cheaper than going with a brand new machine."

## Buying Through a Broker

Purchasing construction equipment through a broker is a process much different than the traditional practices of buying through an equipment distributor. Bob Martin, sales and marketing manager for HDD Broker, explains how buying and selling works through his company.

Most customers approach HDD Broker through its web site, says Martin.

"This is our virtual storefront, a portal through which we bring equipment offerings to people from all around the world," he says. "Customers can browse listings that include summaries of the packages, photos and even videos. Some listings also include detailed inspection reports performed by authorized HDD dealerships. These listings are featured on our site in 'Rock Solid' listings.

"After a customer has selected a few machines that appear suited to his needs, a sales representative works on a one-on-one basis by telephone to narrow the selection down further.

"Once a rig package is selected," Martin continues, "we work between the buyer and the seller as a mediator during the offer and counteroffer process. We work with both parties until an equitable deal is struck that both parties are happy with. From there, a deposit is usually put in place to hold the machine. About 90 percent of our customers then choose to inspect the equipment prior to purchase. This is done either through a personal on-site inspection by the buyer, or through an independent third party. If the inspection comes back satisfactory, the buyer then funds the purchase price of the equipment to HDD Broker where it is held in trust until the finalization of the sales process. We arrange for financing, shipping and fund transfers. We are essentially the focus for all aspects of the transaction."

Martin says HDD Broker has sold thousands of machines in the seven years it has been in business, and he credits the company's success to its understanding of the business, the organization's professional sales and support staff, and history of customer service and following through with its commitments.

## Used HDD Rig

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### *UC: What is driving demand for used HDD equipment?*

**Martin:** "There are a number of reasons, the most obvious being the price of getting set up with a brand new machine. For example, a 36,000-pound new machine from a dealer sells for more than \$250,000 dollars. A two-year old, 36,000-pound machine with under 1,500 hours of use can be obtained for \$150,000. For some people, the warranty and peace of mind in owning a new machine is worth the cost differential; but for others who do not have the willingness or ability to pay that kind of money, used equipment offers a very good alternative that will offer the same performance and capabilities as the new.

"On a related note, new HDD equipment also sees an enormous amount of depreciation very quickly after purchase. You can see in the above example that a two-year old machine effectively depreciated over \$100,000. Most contractors aren't comfortable absorbing that amount of depreciation over such a short time period.

"And a contributing factor is the fact that drilling technology has not essentially changed since the late 90s. There are features that make current machines slightly more productive or easier to use, but the base technology is still the same. For the drillers who are not scared of slightly reduced productivity or comfort, used equipment can offer comparable bottom-line performance for a fraction of the cost of a new machine."

### *UC: What types of work are done by buyers of equipment you list?*

**Martin:** "I would estimate that approximately two thirds of our customers are currently working in the oil and gas or telecom industries, split about evenly between the two."

### *UC: What sizes drill rigs are most in demand?*

**Martin:** "There are currently two size ranges that are in high demand. Machines running between 20,000 and 30,000 pounds of pullback capacity have always been in highest demand, and highest supply, and now is no exception. The real staple machines offered by Vermeer and Ditch Witch, the D24x40A and JT2720 respectively, remain the most popular choices in this size category. As a close second, machines offering pullback between 50,000 and 80,000 pounds are in very high demand right now, fueled by a very-hot international market in the oil and gas industries."

### *UC: What about the future?*

**Martin:** "The general outlook for the future is bright. From an equipment standpoint,

we will soon begin to see the earnest influx of two- to three-year old equipment that is needed to restock the used rig market with late model, low-hour rigs. It will also be interesting to see what the future brings in terms of new machines as well. There are a few companies out there who are bringing cheaper, simpler equipment to the new rig marketplace. This change from the current tendency towards more complex and automated machines may prove to be very interesting to watch."

### *FOR MORE INFORMATION:*

#### **Used HDD Equipment:**

HDD Broker, (866) 960-3331, [hddbroker.com](http://hddbroker.com)