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30 Minutes
With Boysie
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Operator's
Perspective:
Richard M.
Currence, Jr.

Art of Going
Public:
Superior
Offshore

General Boyd E. "Butch" King,
U.S.A. (Ret.)
Chief Executive Officer

A portrait of General Boyd E. "Butch" King, a man with white hair and glasses, wearing a dark suit, white shirt, and blue striped tie. He is smiling slightly.

VT Halter Marine



VT Halter Marine launches the Crowley tug *Resolve*.

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Building on a Legacy and Rebuilding from Adversity

VT Halter's General Boyd E. "Butch" King Retools an Old-Line Shipbuilding Company

Returning VT Halter from adversity and building its three Mississippi yards into a premier mid-tier ship construction company have not been empty promises coming from the likes of General Boyd "Butch" King, the company's Chief Executive Officer. The retired Brigadier General and thirty-five-year veteran of the U.S. Army is not in the habit of failing at much, and his impressive record of managing and improving infrastructure precedes him at VT Halter.

King has a folder which contains two photographs that he likes to pass around for inspection. The first shows an aerial depiction of VT Halter's Pascagoula operation circa spring 2005. The second photograph offers the same aerial view a few days after Hurricane Katrina ripped through the region. It shows total devastation of the yard. Today, looking at the progress of rebuilding since Katrina, it is easy to understand a bit more about King's tenacity and his commitment to build Halter into a

force to be reckoned with in the U.S. shipbuilding industry. As we approached the main operations building, a picnic table was pointed out as the base of operations for King and his executive staff as they rebuilt the shipyard.

VT Halter Marine is a wholly-owned subsidiary of VT Systems, a large multinational firm with four subsidiaries operating in four different industries. VT Systems, Halter's parent, is a wholly-owned subsidiary of ST Engineering, which is based in Singapore. Additionally, VT Systems has established a presence that mirrors ST Engineering, as both firms own aerospace, marine, land-based engineering and electronics companies. VT Halter is VT Systems' marine division in the United States.

The Halter Shipyards have not always had the deep pockets of a global organization to support them, which has allowed them to invest in capital expenditures essential for the



William E. Skinner, Boyd E. "Butch" King, Paul J. Albert

company to survive in the rough-and-tumble world of shipbuilding. In 2001, during a sharp downturn in the market, the predecessor owner, Friede Goldman Halter (FGH), had to file for Chapter 11. VT Systems entered to sal-



VT Halter Marine: a case study

by Joseph Keefe

vage the old-line company as it purchased the majority of the Halter assets, including the shipyards, in a U.S. Bankruptcy Court-sanctioned auction for approximately \$66 million.

The deal was widely hailed as a “win-win” for the creditors and employees, as well as for VT Systems, which had already been searching for a shipbuilding operation in the United States. VT Halter, in the wake of that deal, has not disappointed its parent. Those in the know will tell you that the addition of Butch King as CEO is another key reason the company has returned to prosperity.

Taking Care of Business Means Taking Care of the Employees

It has always been clear to King that labor will be the key to the company’s success. That maxim became painfully evident in the destructive wake of Katrina as the majority of the company’s 1,000 workers found themselves either homeless or displaced. For the VT Halter employees who managed to escape relatively unscathed, the realization came quickly that rebuilding infrastructure was going to be necessary in order to support a normal way of life that had so quickly been taken away from them. King understood that as well.

King remembers vividly that it was one thing to reopen the shipyard again after the hurricane, but getting labor back to work was the real challenge. “In the days following Hurricane Katrina,” he says, “our senior management instructed me to take care of our people. We provided all our employees with a paycheck for the first two weeks after the event and, during the next month, we paid everyone’s medical. In a month and a half, 95 percent of our employees returned.”

King’s experience in the Army of overseeing three U.S. military communities with approximately 50,000 personnel provided him with the tenacity and skills to take charge of VT Halter’s post-Katrina dilemma. First, the company gave financial aid to its employees, which allowed them to remain in the region and become involved in the rebuilding and recovery process not only at the shipyard but within the local community as well. King understood that people coming together and working as a team can overcome hardships by uniting into a powerful force. Soon an entire community began rebuilding at every level. Schools began to reopen; empty concrete slabs were again full of activity, and people had hope once more. The progress was slow at first, but

because companies like VT Halter and people like Butch King believed in the community, progress in the region was soon in full swing.

Managing labor may very well be one of King’s great strengths. To King, human resources are more important than all the high-tech equipment in the world. While he is not a shipbuilder by trade, he is a savvy human resource manager, which may be his greatest attribute. As a senior officer in the U.S. Army in Germany, he was responsible for negotiating workforce reductions with 15 German labor organizations with an absolute minimum of labor unrest. It is his ability to manage large groups of people that is the driving force behind the success at VT Halter Shipyards today.

While the core employees of Halter are loyal, King also uses a lot of contract employees to bridge the gaps in the regional labor pool. As shipwork is cyclical, employing contractors makes perfect sense because the last thing King wants to do is layoff loyal employees. Besides, he points out, contractors move between Houston, South Louisiana and the Gulf Coast shipyards with regularity.

The recent work stoppages at the Northrop Grumman facilities are a stark reminder of the

fragile nature of shipyard work, where time is money. Delays in ship deliveries can mean loss of confidence from prospective customers or worse – going out of business completely. At VT Halter, there is clearly a family atmosphere within the rank-and-file. The monthly crawfish boils in the fabrication shop are well attended by management so that the workers feel a sense of being part of a team. While Halter is a non-union shop, there is a family pride which breeds loyalty amongst co-workers, which goes much deeper than an occasional crawfish boil.

King is not complacent about hiring and retaining quality employees. However, his immediate attention extends beyond the gates of Halter's three facilities to a new steel mill being built in nearby Mobile. "The new steel mill is going to put some pressure on me at first," he admits, "but it's also going to bring a lot of skilled workers to the region. A welder is a welder whether they work at a steel mill or a shipyard." He also acknowledges that the mill will be good for the community at large, which is still in the recovery process.

Rebuilding Smarter

In the weeks that followed Katrina, the VT Halter management team met each day in Pascagoula at the executive picnic table in front of the main operations building. As the insurance money and the capital infusion from VT Systems became available, King and his team brought the three yards back into full production in remarkable time. "After Katrina, and this is important, we were able to deliver the first ATB only 30 days late," he says with pride. "This is truly an accomplishment considering

the regional devastation. The third and fourth units are being built right now and are due to be delivered later this year. Because of various interruptions, our cutting tables were down for five months. Consequently we fell behind on those deliveries.

However, it must be said that, because of our synergies, we were able to continue working on the side-shells at our other yards and were able to bring them back here and begin assembly."

King and his team wanted to get back to making money in the short term while also fulfilling long-term goals and building confidence among clients. Moreover, the team literally began planning for the next disaster by doing such things as raising the height of the electrical equipment in the yards in case of flooding. As hurricane season kicks off, King is focused on preparing and improving the yards in case another storm tears through the region. He is also hoping that these improvements and safeguards will figure into the decision-making process of potential customers.

Positioning the Shipyards With Capital Improvements

Delivering Crowley Marine's articulated tug and barge (ATB) in a timely fashion after Katrina was a good place to start for Halter, says King. "In an instant, we went from thirty-year-old technology to state-of-the-art technol-

ogy as a result of the improvements made after Katrina. That helped us do it," he explains with a bit of satisfaction. In Butch King's world, he has taken a company coming out of bankruptcy and put it on stable ground and was able

VT Halter's financials are not widely known and, in fact, these are closely-guarded numbers. King won't talk dollars but insists that his firm's backlog extends through the end of 2010.

to modernize the yards due to an unparalleled catastrophe. Halter is truly a mythical phoenix-from-the-ashes story.

VT Halter has installed and expanded its launchways, which will allow the company to build barges faster and increase the "return on investment" factor much sooner. The company is installing a new fabrication shop as well. King states with a lot of pride that VT Halter's current capacity is that of the six yards of the previous owner, but admits that the apples-to-oranges comparison is a difficult one.

The VT Halter Way: Three Yards – One Business Plan

VT Halter's financials are not widely known and, in fact, these are closely-guarded numbers. King won't talk dollars but insists that his firm's backlog extends through the end of 2010. With the company at 70 percent capacity on smaller vessels, he expects that the OPA



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90 phaseout boom will most likely hit American yards between 2011 and 2014. While he claims it is impossible to make predictions beyond five years, he is still in high gear preparing for the future.

The small boat market has been the company's bread-and-butter. Offshore support vessels and articulated tugs and barges have been filling its yards. King says the jury is still out on whether the domestic oil transportation industry will build tankers or ATBs to replace the OPA 90-mandated retirements. But he acknowledges Crowley Marine is investing heavily in ATBs and should be far ahead of the curve.

"An articulated tug and barge is as efficient as a traditional tanker, especially along the Gulf Coast," King says. "American yards will build many more of them." Therefore, he is strategically positioning VT Halter to take advantage of the economies of scale of ATB construction. This will allow the mid-tier builders like Halter to compete with the big yards that have traditionally built tankers.

When asked about "modular parts" from places like South Korea, King acknowledges that it's an issue that cannot be avoided. He also says the company has not yet made a decision about using these types of parts.

"We are not involved with this practice now," he says. "We have looked at the possibility of using foreign components in the construction of tankers and car carriers. VT Halter needs to remain competitive, and we will continue to review and consider the matter. The Jones Act needs to remain strong, and we won't contribute to weakening it."

While the company is doing approximately 65 percent commercial and 35 percent government work, King is adamant about not getting back into the repair and conversion business again. King would like the mix of work to be 50-50 between commercial and government. To accomplish this, the company is aggressively bidding on more government contracts, and there has been a major effort to convince the U.S. Coast Guard and the Navy that it is well equipped to meet their requirements.

Halter Moss Point is being equipped to handle military contracts. The yard is already building National Oceanic and Atmospheric Administration

(NOAA) research vessels. And while government contracts are quite different than commercial work due mostly to electronics, King has positioned the yard for military requirements. In fact, he is going to bid on the U.S. Coast Guard's Fast Response Cutter, which, at 160 feet, is perfect for Halter Moss Point.

Mr. King Goes to Washington: Selling the Plan

Unquestionably the ability to negotiate government contracts fits well into King's



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quiver. He will draw on his Army experience to navigate the maze of contracting with the federal government. He also understands that the recent problems with the Deepwater Program and the LCS (Littoral Combat Ship) mess are not going to make the contract process any easier.

Dealing with the federal government requires the ability to speak in MILSPEC ("military specifications") terms. Building ships for the government involves risks, such as fluctuating steel prices or labor costs. "So you have to share these costs with the government," he says, "and focus on the incentives, which the shipyard can control."

While Halter's financial problems are a distant memory, government contracts consider past performance and financial condition. Today, VT Halter has a parent company with deep pockets, and its Gulf yards have two solid years of earnings behind them. Armed with NOAA and U.S. Army contracts, the

company also has a definable track record with the federal government.

Over the past 50 years, VT Halter and its predecessors have delivered more than 2,600 vessels to commercial and government customers in 29 countries. King has been concentrating on short-term issues, but he has a vision of building a highly-regarded, premier group of shipyards on the Gulf Coast of the United States. Along with Bill Skinner and Paul Albert, King has more than luck on his side.

He has synergy, modern facilities and a strong business plan going forward.

King's philosophy is a simple "You are what you are because of what you were." The hurricane season is here once again, but VT Halter has installed safeguards to weather the storms. From a business perspective, the three yards are strategically positioned to meet the needs of their customers; and from the leadership perspective, VT Halter is in good hands.

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