

June 2007

The MARITIME EXECUTIVE

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30 Minutes
With Boysie
Bollinger

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 close-up portrait of General Boyd E. "Butch" King, an older man with white hair, wearing glasses, a dark suit, a white shirt, and a blue and white striped tie. He is smiling slightly and looking towards the camera.

VT Halter Marine



VT Halter Marine launches the Crowley tug *Resolve*.

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Brigadier General Boyd E. "Butch" King, U.S.A. (Ret.) Chief Executive Officer of VT Halter Marine



Getting to Pascagoula, Mississippi to visit Brigadier General Boyd E. "Butch" King, U.S.A. (Ret.) was easier said than done. However, my epic journey is a story for another place and time. The mission at hand was to interview King for the shipbuilding edition of *MarEx*. Today, the VT Halter Shipyards story is one of resurgence and success, and VT Halter and Mr. King are only focused on the future because the past is a distant memory.

King retired from the United States Army in 1998 after more than 35 years of military service in supply, maintenance and transportation. He has had other key jobs since then, most notably as a senior associate with Booz Allen and Hamilton, a major Washington, DC-based consulting firm. He has expert knowledge in integration of the military supply chain from strategic planning through operational

execution to the tactical arena. His Army background in automated systems and their relationship with other Department of Defense (DOD) automated systems is unparalleled anywhere. It is from this foundation that he has brought a new sense of purpose, organization and discipline to VT Halter.

Mr. King's education includes a Master of Business Administration, with a concentration in Logistics, from the Florida Institute of Technology at Virginia's Fort Eustis campus, and a Bachelor of Arts in Psychology from Auburn University in Alabama. He is also a graduate of the Army War College and the Industrial College of the Armed Forces.

In the military, General King initiated a \$3.9 billion improvement program for facilities and equipment in Army overseas deployment. While Director of Logistics and Technology Development for Birmingham Steel Corporation, he negotiated contracts with contracted motor carriers that saved two percent a year on a budget of \$38 million. He developed and implemented "Electronic Data Interchange" with various railroads, which saved the company thousands in additional billings and overcharges for weight discrepancies, and implemented an in-house automated system for the auditing and paying of freight bills, which saved an additional three percent on a budget of \$78 million.

Butch King's ability to manage and implement programs is remarkable. With a four-day notice of an executive order, he transported U.S. Army units by road, rail and inland barge through 33 seaports and 15 airports in order to meet military contingencies. He used the same logistical plan to implement the movement of U.S. Army forces to the Southwest Asian and Balkan theaters.

King is truly a master of negotiations. While still in the Army in Germany, he negotiated with 15 German labor organizations that resulted in a 33 percent worker reduction, in line with an Army mandated drawdown of military personnel, without labor problems. In the aftermath of Hurricane Katrina he drew from his experiences of commanding over 50,000 personnel throughout three military communities to help get VT Halter up and running again, a feat which ultimately impacted the local community as well.

MarEx is certain that our readers will find the forthcoming interview with General King as interesting and refreshing as we did in meeting with him.

MarEx: *Halter Shipyards has undergone serious changes over the years. Can you provide an overview of VT Halter's fifty-year history?*

King: First let me say that VT Halter is a new company with fifty years of experience. Harold Halter began his shipyard by primar-

ily building platform support vessels (PSVs) for the offshore industry. He enjoyed designing vessels, which were in the 185-foot range, and used many of his own PSV designs for clients. Today, we're building offshore support vessels (OSVs) and anchor-handling ships in the 285-foot to 300-foot range. Offshore support vessels are still a major product of the Halter yards. Harold Halter built the business working with both military and commercial clients, and we intend to do the same going forward.

Several years before I joined the company, Halter went through a merger with Friede Goldman and became Friede Goldman Halter. Unfortunately, times were rough in the industry, and the company went bankrupt. VT Systems purchased most of the Halter assets, which became VT Halter Marine. Today, our business plan is to be the premier newbuild competitor instead of focusing on repairs.

Once we had six shipyards, of which three were quite small. Now the decision has been made to do the premium and mid-tier work here in Jackson County. And since I joined the company that's what we've been working on. We're focused on becoming a top engineering and newbuilding company with a great reputation and great people working for us. In keeping with the company's storied past, we bought the rights to all the designs.

MarEx: You mentioned something of importance. VT Halter is going to focus strictly on being a newbuild shipyard. Are you doing any repair work at all?

King: No. We're keeping strictly to new-builds. We are no longer in the repair business, which includes conversions. We determined that newbuilding would be much more profitable. And we are capital-expensing our yards to be more efficient and effective with regard to our newbuilding program.

MarEx: Congratulations. In terms of new-builds, what are the largest vessels that can be built at VT Halter?

King: Approximately 50,000 deadweight tons at our Pascagoula facility. Additionally, we've extended the launchway to about 720 feet in length and 102 feet in width. By our calculations that boils down to approximately a 50,000-deadweight-ton tanker.

MarEx: Isn't that a perfect-size vessel for the domestic Jones Act market?

King: Indeed. Recently, 47,000 deadweight tons seems to be the magic number. Aker Shipyards is building 10 product tankers in Pennsylvania. Of course, we're also looking at the product tanker market. And there is a lot of excitement and growth in the articulated tug and barge (ATB) market. Consequently, we are reviewing those opportunities as well. Additionally, there is some movement towards larger ATBs with tanker like speeds.

MarEx: How many employees does VT Halter have on its payroll? How does this compare to the former Friede Goldman Halter yards?

King: Currently, we have approximately 950 employees in our engineering, administrative and production groups.

MarEx: It is my understanding that the

three yards are doing what the former organization did in six yards. Is that due to the new company being more efficient?

King: Exactly. It is truly exciting to watch the synergies come together. Bill Skinner, Paul Albert and myself are working together to operate the three yards more efficiently and leverage their capabilities.

MarEx: I would like to discuss your background in a little more detail. You have been at Halter since December of 2002 and, as our introduction explained, you have had a very distinguished military career. I am sure our readers would like to hear more about that.

VT Halter Marine
Today we are a cutting-edge production facility with a strong aluminum welding group capable of building aluminum superstructures for ferries and vessels.

Also, include how your military career has positioned you to lead the VT Halter team.

King: I would be delighted to share my background with your readership. I retired from military service in 1998 and went to work for Birmingham Steel in Birmingham, Alabama. On a personal note, one of the primary reasons I went to Birmingham was because my wife was from there and she was diagnosed with ovarian cancer and wanted to spend her last days with her family. So I worked at Birmingham Steel for a couple of years and, eventually, she passed away.

I then went to work for Booz, Allen and Hamilton, a consulting firm based in Washington, DC. In fact, I was in Macedonia, working

with the Macedonian Army on its logistics to become a member of NATO, when the VT Halter job became available. I interviewed for the position, and that's how I ended up in Gulfport.

MarEx: Our condolences on the loss of your wife.

King: Thank you. I appreciate the sentiment.

MarEx: Your background in Macedonia is an interesting part of the story. Compare the task of bringing a fledgling army up to standards versus the organizational logistics at VT Halter. I am sure there is a lot of correlation.

King: Absolutely. Maintenance, supply and repair are essential to any organization.

When I was in the Army, I ran seven repair depots in four countries in Europe. When I was hired by VT Halter, the person who hired me said: "I know you don't know anything about building ships, but you've managed large industrial organizations, so you need to go down there and organize our operations. And you will have shipbuilding people working for you."

MarEx: So would it be fair to say that your military background and organizational skills were the deciding factors in VT Halter's hiring you?

King: Yes. VT Halter understood it was becoming a diverse operation that had just come through some very rough times, and it was looking for someone to pull all the elements together.

MarEx: Are you a West Point graduate?

King: No. I'm afraid I had a different career path. I joined the Army at 19 as a Private and was assigned to Germany. I made Buck Sergeant in Germany in the Infantry. I applied to and was accepted to the Warrant Officer Flight Program and became a helicopter pilot. Eventually, I went to Vietnam and, in Vietnam, I received a direct commission to Second Lieutenant. I flew helicopters for two tours in Vietnam and then came back to the States to continue my career path in the Army.

So, as I like telling people, I'm one of the few people in the Army who has been a Private, a Sergeant, a Warrant Officer, a Commissioned Officer and a General. There are not



too many of us around. My wife, on the other hand, used to say that I could never hold a job.

MarEx: *VT Halter is owned by a foreign company. Where does the company fit into the*

Systems. One of the other anomalies here is that we do some government contracts. So I am under what is called a "special security arrangement." I deal with the parent company

a week, and we keep it fully utilized supporting the three shipyards.

An important element of our operations is that all three yards are within seven miles of each other, and they are all connected by water. We also own a tug and own barges as well. As the Pascagoula yard cuts and fabricates parts, we have the capability of loading the barges and distributing product to the other yards. Pascagoula also performs aluminum welding. Currently, we are building an aluminum superstructure for a National Oceanic and Atmospheric Administration (NOAA) vessel, which is being assembled at Halter Moss Point.

Recently, we were awarded a contract to build ten 185,000-barrel ATBs, and we are building the barges here in Pascagoula. After Katrina, and this is important, we were able to deliver the first ATB only 30 days late. This is truly an accomplishment considering the regional devastation. The third and fourth units are being built right now and are due to

Halter Moss Point is building the NOAA research vessels and we plan to build military vessels there as well.

hierarchy? Do the VT Halter yards have any synergy with the overseas organization? What are the mix and sources of your contracts?

Finally, what is the foreign parent's overriding interest in operating three mid-size shipyards on the U.S. Gulf Coast?

King: VT Systems is a wholly-owned subsidiary of ST Engineering. VT Systems was given a charter to come to the States and establish a presence, which mirrored ST Engineering. ST Engineering is very large and has aerospace, marine, land systems and electronics divisions. VT Systems has the same make-up and owns Mobile Aerospace, which is a repair facility in Mobile, Alabama. VT Halter is their marine division. There is also an electronics division along with various other companies, including a land systems division.

Part of ST Engineering's goal is that it wanted U.S.-based operations in these four divisional areas. And we leverage the ST marine functions in Singapore. We can use them for engineering and ship design. We can utilize their ships of any design, and they send personnel to assist us with our organizational infrastructure and building efficiencies. While we have some synergies, our contracts are for vessels built for the Jones Act trade and we use many of the old Halter designs.

MarEx: *Whom do you report to in the organization?*

King: I report directly to the CEO of VT

and its directors, but I do not interact with the overseas entity due to the "firewall," which allows VT Halter to bid on U.S. government contracts. Furthermore, we are fully authorized by the United States government as a "DOD-approved storage facility" and as an entity which is allowed to bid on U.S. government contracts. The company is structured to invite government investment, but we also protect the sanctity of U.S. government-classified information.

MarEx: *We have already discussed that VT Halter has more than one shipyard and fabrication facility. Provide our readers with an overview of all of them, in terms of capabilities and capacities at each location, and highlight the synergies among them.*

King: As I have said before, we have the three yards: one in Pascagoula, Halter Moss Point and Moss Point Marine. Let's begin with Pascagoula, which is the largest yard. At Pascagoula we can build the largest vessels, and it also maintains a fabrication shop with two cutting tables. It also performs fabrication for all three yards, which allows us to keep the fabrication shop operating twenty hours a day, five days



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be delivered later this year. Because of various interruptions, our cutting tables were down for five months. Consequently, we fell behind on

due to the different requirements and specifications. Government requirements for the military are quite different than they are for

native to the big yards?

King: I believe that VT Halter has done a good job distancing itself from the recent bankruptcy issues. On a related note, recently we won a contract from the Navy to build a vessel called the *TAG M-25*, which is the replacement for the *Cobra Judy*. The vessel is being fitted with new radars and sensors because it is a range instrumentation vessel. There were three yards in competition for the design, and we were selected to build it. Recently, we passed the critical design review and are now preparing for production. We should be cutting steel early next year.

MarEx: *Where does VT Halter stand in obtaining U.S. Coast Guard work?*

King: Our proposal for the Fast Response Cutter is an excellent design crafted by our Singapore affiliate. The U.S. Coast Guard requires a proven hull form to reduce procurement risk. So we're excited about the possibility of being involved with the project.

MarEx: *I believe most in the marine industry have heard about the difficulties surrounding the U.S. Coast Guard's "Deepwater" project. There has been lots of criticism about too much responsibility being given to the contractors, who didn't get the job done right.*

VT Halter Marine

...our company goal is zero accidents. With that being said, our actual record is about 50 percent of the SCA total recordable incident rate, and my goal is to drive that percentage down even further.

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.

I would also like to point out one other thing about the Pascagoula yard. We are the first shipyard to have ever built a pure car/pure truck carrier for the Jones Act trade. This location has allowed the company to get back up to speed after Katrina and, because of that, we're making a lot of capital expenditures here now.

The Halter Moss Point yard is focused on government contracts. We don't think it's wise to mix government and commercial work

commercial. A prime example is electronics. Remember, Halter Moss Point is building the NOAA research vessels and we plan to build military vessels there as well.

MarEx: *What are Halter Moss Point's maximum vessel capacities?*

King: We can build ships up to 400 x 70 feet in Halter Moss Point. We are currently looking at corvette-type ships, something in that range. We have also built a 314-foot logistics support vessel in the yard and want to bid on the U.S. Coast Guard's Fast Response Cutters. These vessels would be perfect because they are approximately 160 feet in length.

MarEx: *Do you think VT Halter is an alter-*

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What are your thoughts on this issue?

King: First let me say that I spend a lot of time in Washington, DC communicating with the "NavSea" people about moving their projects forward on time and to specifications. Based on my Army experience, every time we contracted out the sub-contracting process we got in trouble. With projects of this magnitude there must always be diligent oversight.

When VT Halter deals with contracting parties, including the Navy, we provide a firm, fixed price. They get what they paid for and none of these "cost-plus" deals. I mean you can't get away with these things in the commercial arena. So why is it so prevalent with government contacts? I believe that the government is beginning to recognize that controlling project cost is in the best interest of the taxpayers.

MarEx: We interviewed John F. Lehman in a recent issue of The Maritime Executive, and he spoke about providing incentives to the bidding and building process. Have you ever been



Computer-generated image (left) and actual building of the ship (right).

involved with this type of contract?

King: Yes. We had this type of clause in the Department of Commerce for a NOAA contract. We came right in the middle, more or less, on four NOAA vessels and never received any savings and they didn't have to pay any percentage of cost overruns.

In the current contracts being written, you bid it and you get the audited pricing rate. If you can build the project in fewer hours, you can make more money. Beyond that, it's a fixed price deal.

MarEx: The brown water market for shallow-draft vessels was Halter's bread-and-butter 10 to 15 years ago and perhaps still is. How do you see your business mix going forward?

King: It is our intent to leverage each yard to its maximum capabilities. The Moss Point Marine yard will construct our offshore vessels. Companies are now building 285 to 300-foot offshore vessels and they are a perfect fit for Moss Point Marine. As business in

the Gulf of Mexico increases, our customers are looking at building these types of vessels. I envision a good mix of commercial, government and military work.

In Pascagoula, I envision vessels around 600 feet, whether it's an ATB or a 47,000-dead-weight-ton tanker. Pascagoula is a mid-tier yard. At our other yards, an 80,000-barrel unit is about as low as we want to go, and we are not really into building hopper barges or small inland units. We just can't compete on the pricing of the specialty yards. We are staying with what we do best.

MarEx: Let's talk about shipyard safety. In the marine industry, if safety is not part of the corporate culture you will fail. Explain VT

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Halter's safety programs and, more importantly, what is your company's safety record?

King: Comparing shipyards would be hard to do in terms of what we do and how we do

fully employed. While Katrina was a nightmare to the region, the devastation forced us to buy new equipment and forced us to re-engineer the work flow through the fabrication shop.

MarEx: After Katrina, the government said it was going to spread a lot of federal money around the Gulf Coast shipyards to assist in their recovery. Was your company the beneficiary of any of that money?

King: No. However, we did get some help from NOAA, but it was a small amount of money to assist in the Halter Moss Point recovery. To tell the truth, if any money was given, it went to the big yards and it didn't flow to the mid-tier shipyards. Currently we're dealing with the state to do CAPEX work here in Pascagoula. We will have to guarantee an increase in jobs offered and, perhaps, a few other things. It's certainly not a giveaway program. At this time, our parent company is investing money in the three yards and we have whatever we got out of the insurance.

MarEx: VT Halter is foreign-owned and ST Engineering is traded publicly in the foreign stock markets. Consequently, VT Halter's financials will never be truly known because the company is very closely held, even more so than before. With the bankruptcy behind the organization and a multitude of enhancements to the facilities in the aftermath of Hurricane Katrina, is the company staying busy enough to make returns on investments?

King: While Katrina surely had an impact on our financial progress, we did make money last year and it looks promising for this year.

The company was in a strong recovery from bankruptcy in 2003 and 2004, and we were progressing nicely in 2005 until August 29 when Katrina devastated the region.

MarEx: Modular parts from places like Korea are becoming popular in domestic shipbuilding. According to the federal government and the U.S. Coast Guard, the practice is legal as long as the total parts do not exceed a certain percentage of the vessel's composition. What is VT Halter's policy on the practice of using foreign parts for U.S. shipbuilding?

King: We are not involved with this practice now. 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.

MarEx: Today there is a practice of send-

Envision vessels around 600 feet, whether it's an ATB or a 47,000-deadweight-ton tanker.

it. You are, at this moment, talking to the Corporate Safety Officer for VT Halter, because the buck stops here. Upon arriving in this job, I immediately began discussing safety issues with our safety manager. We established a policy that clearly states if an accident happens, our safety board must review the event to ensure it doesn't happen again. I am in charge of the safety board, and I go to each and every accident site.

We use the Shipbuilder's Council of America (SCA) Safety Program as our benchmark. Furthermore, each quarter we share our safety statistics with them. Obviously, our company goal is zero accidents. With that being said, our actual record is about 50 percent of the SCA total recordable incident rate, and my goal is to drive that percentage down even further.

We have a safety award and we give safety bonuses. Every morning we have a safety meeting before work to stress that safety is everybody's responsibility. In the military, I had a saying, "If you see somebody doing something incorrect or unsafe and you correct them, then you've just set a new safety standard." So I stress safety to our leader men and foremen because they are our safety officers as well.

MarEx: What is being done at VT Halter that separates you from the pack?

King: First, we have a great relationship with ShipConstructor, which provides shipbuilding software. Hurricane Katrina wiped out VT Halter's cutting tables and panel lines. So we had to buy new cutting tables. In an instant, we went from thirty-year-old technology to state-of-the-art technology. Now our engineers can send designs and specifications via Local Area Network directly from the computer aided drawing to the steel cutting tables. Basically, VT Halter has improved efficiency by 35 percent. We are producing more steel products than ever before and enough to keep our three yards

Now our cutting tables are directly inline, and the space in our shops is better utilized in terms of torches and manpower efficiency. Today we are a cutting-edge production facility with a strong aluminum welding group capable of building aluminum superstructures for ferries and vessels.

MarEx: Let's touch on a couple of key management issues. Often a CEO's management style is reflected in the corporate culture. What is your most important achievement at VT Halter?

King: When I joined the company, it was clear that the company was very centralized and decisions were only made at the highest levels of the company. My military background taught me to pick good people and give them authority and responsibility. My management style is to empower people and then ensure that the job is getting done efficiently and

effectively. I think that's my biggest contribution in the short term.

I like an organization where people are responsible. But I am never more than a few people away from the person with a tool in his hand. Finally, "I don't eat my young." If someone drops the ball, I ensure they recognize it and fix the problem, but don't make the same mistake twice. I don't believe in draconian tactics to get things done.



William E. Skinner



Paul J. Albert

ing U.S. flag vessels overseas for incremental repair work, which is about 10 percent of the allowable financial repairs. Critics point out that certain operators, including staunch supporters of the Jones Act, are abusing the system. What is your company's position on this matter?

King: It is absolutely wrong, and the U.S. Coast Guard needs to enforce the Jones Act as it is written. At our Pascagoula and Moss Point Marine facilities, we are building ten 185,000-barrel barges and ten tugs for Crowley Maritime. Crowley is being totally compliant with Jones Act regulations. How can Crowley compete on a level playing field with a company that is re-skinning equipment overseas and then bringing it right back into domestic waters to work directly against them in the Jones Act trade?

MarEx: What is the company's breakdown between commercial and government?

King: Currently, we manage approximately 65 percent commercial and 35 percent government, but we are working hard to achieve a 50-50 split.

MarEx: Today, conditions for shipbuilding

in the United States are better than they have been for a very long time. Building in brown water, offshore and even tankers is robust. What is VT Halter's backlog, and what is your prognostication for the future?

King: I won't talk dollars with you, but we have a backlog of orders to 2010. While we are only at 70 percent capacity in vessels of 400 feet or less, I feel that it is still very healthy. To tell the truth, it is hard to project beyond five years. However, there will be closure to the domestic Oil Pollution Act of 1990 (OPA 90) tanker fleet through 2014. Obviously, the market will settle down a bit, but I do see a robust future for U.S. shipbuilding.

MarEx: What is the future of the Jones Act in your opinion?

King: Jones Act shipbuilding is an important part of the American industrial base. The Act ensures that the country has strong shipbuilding capacity and skilled workers in times of national emergency. There is a lot of turmoil in the world, and I don't

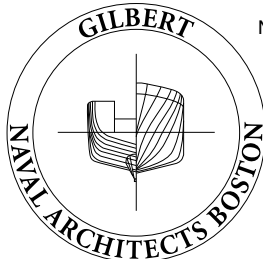
think we should allow those who would like to compromise by doing away with the Jones Act to prevail. This nation needs the Jones Act to survive as the leader of the free world.

MarEx: In terms of skilled labor, has your company had an issue getting workers back to work as they have had to rebuild their own lives?

King: In the days following Hurricane



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I am one of the few people in the Army who has been a Private, a Sergeant, a Warrant Officer, a Commissioned Officer and a General. There are not too many of us around. ”

Katrina, 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.

With regard to Halter employees, I never want to fire anyone. As we rebuilt from Katrina, I used a lot of contract labor. I can pull back from those folks because they are transient and work in different yards as needed. During this period, we were also competing with local, state and federal rebuilding efforts for labor. But the Gulf Coast is coming back, and available labor will remain strong for our local residents and for our shipyards.

MarEx: You have already pointed out various upgrades in your yards due to Hurricane Katrina. Are there any other upgrades or yard projects being planned by your company?

King: Currently, we have an exciting program going on, which I previously mentioned. We are extending the launchway in Pascagoula, and I have a Crowley Maritime barge on it right now. But let me also say that I have enough space on it to build two barges simultaneously, and we have plans to extend them even more to handle three barges at a time.

Right now, we can deliver one barge every seven months approximately, but Bill Skinner and Paul Albert are dedicated to reducing the timeframe down to six months. Reducing the time to build barges is important to compa-

nies like Crowley Maritime. As we increase our launchway capacity, we can move barges along a little faster, and I guarantee that Crowley can get a contract for them. More importantly, we will add to U.S. shipyard capacity. Additionally, we are building a new launchway and fabrication shop at Halter Moss Point.

MarEx: We have discussed many things, not only about your company, but also the state of affairs in U.S. shipbuilding. Please provide us with your final thoughts.

King: First, let me say that U.S. yards are as good as any in the world. What is currently being built is different than what has been built in the past. An articulated tug and barge is as efficient as a traditional tanker, especially along the Gulf Coast. American yards will build many more of them. However, OSG is building traditional tankers, but more for the West Coast oil trades. OSG is building 10 tankers and that is significant. At VT Halter we are facilitating our growth for the ATB-type vessel and mid-sized ships. They are perfect for our mid-tier yards.

MarEx: We appreciate your time and all the best with your shipyards. **MarEx**

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