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Vigorously Vying for Overseas Opportunities



Credit: John Fleck

An increasingly diverse Vigor Industrial looks beyond the domestic malaise in the government and military small boat sectors for the low hanging fruit that awaits elsewhere.

By Joseph Keefe

Leveraging the combined weight of an already considerable manufacturing base and its two newest acquisitions – Kvichak Marine Industries and Oregon Iron Works – Vigor Industrial is quietly eyeing the overseas combat and patrol craft market. Acting not only as a balance against a waning domestic military small boat market, Vigor also sees potentially rich opportunities with Middle East entities who will likely see great need for this type of littoral craft in the future. And, while Vigor hasn't bet the whole store on the effort, the weight of the combined assets represented by Vigor, OIW and Kvichak are fully behind the push.

The acquisition of Kvichak (2015) and before that, Oregon Iron Works (2014) has quietly positioned Vigor to vie in the fiercely competitive government patrol and combat markets, combining the experience of both and the economy of scale of a state-of-the-art metal processing facility in South Seattle. Today, the old OIW and Kvichak are collaborating under the Vigor Banner, sharing design and engineering resources, product development and marketing resources, and each performs production and fabrication support for one another. Kvichak has been around for 35 years and Oregon Iron Works since 1944. Vigor's Executive Vice President of Business Development, Keith





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Whittemore, says without apology, “If you can’t beat ‘em, join em. I always wanted to get into Oregon Iron Works’ market.”

Utilizing bar codes, waterjets and lasers in their south Seattle building, all pre-fabrication work for the small boat line is accomplished. Whittemore says Vigor’s facility is second to none. “There is no other metal processing facility like it in the United States. We scan inventory parts in and out with a barcode system, he said, adding, “Now, production and engineering are all under one roof to tackle these markets.”

But, as the market for government hulls begins to slow here in the United States, it is beginning to pick up

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Keith Whittemore,
Executive VP, Business Development



elsewhere. Nowhere is that more true than in the Middle East, where regional conflicts persist in a half dozen places, and additional hot spots flare daily. As it turns out, Vigor is already there. Whittemore explains, “Vigor Kvichak has been very interested in foreign military markets for many years. The U.S. market share is saturated – there’s only so much market share here to get. Kvichak has a bunch of it, but if we want to expand, then we need to be marketing overseas.”

Foreign Experience = Overseas Opportunities

Vigor is putting its money where its mouth is. Whittemore has been to trade shows all over the Middle East, demonstrating their latest boats and visiting virtually every country in the region in the process. The \$2.5 million boat – a 45’ RB-M ‘Vigilant’ – is based in Bahrain, and at no small cost. Vigor maintains a local captain, a Middle East Manager, and local support for the operation. In place long before Kvi-

chak’s merger with Vigor, Whittemore says that the boat represents their firm commitment to this market.

“We didn’t want to be the carpet baggers with pictures and videos – you have to prove to them what you do. The reason we built our demo boat (Vigilant) is that we wanted to give the boat to the local agencies, and have them tell us how it operated in their missions instead of us telling them how great it would be.” In effect, Vigor Kvichak gives the prospective clients the keys to the boat for two weeks and says, ‘Give it back to us full when you’re done.’ Whittemore told *MarineNews* in May, “Testing our demo boat proved that it works quite well for the missions of the GCC. Kvichak is monitoring over 600 data points – cabin temperature, oil pressure, you name it – on the boat via Intranet, downloading to Seattle regularly to confirm that the boat is operating correctly. We build the right products, and we expect them to work.”

The Middle East has proven to be the perfect – if not excessively brutal

– environment in which to test drive the equipment. Whittemore adds, “It’s hot, it’s sandy – it’s a really vicious environment. For example, in this arena, you need twice the A/C. Standard gaskets not enough, air intakes and paint all have to be carefully considered.”

This isn’t Vigor Kvichak’s first rodeo in the foreign markets; nor is it Oregon Iron Works. Oregon Ironworks (now Vigor) has previously exported to Israel, for example. For its part, the Kvichak side of the equation has been selling oil skimmers all over the world for 25 years. Here at home, the U.S. Navy owns 50 of those skimmers. Beyond these shores, Whittemore says the skimmers are in operation in places like Brazil, Poland, Russia, Australia and Mexico. Whittemore also points to Vigor Kvichak’s experience in the pilot boat markets. “We have export experience – this isn’t something new to us. One of our first significant export projects for Kvichak involved the production and delivery of three 22 meter pilot boats for Dutch pilots in Rotterdam and Amsterdam. These are semi-governmental agencies and for the Dutch to go outside Holland for these hulls – especially the U.S. – was a big deal.” He adds, “We gave them the boat they wanted – not a stock hull or pre-designed form.”

Beyond Kvichak’s success in the

The RB-M Commercial at a glance ...

Designer: Camarc Design	Fuel capacity: 495 gallons	Main engines: (2) MTU series 60 (825 BHP)
LOA: 44’11”(13.6m)	Construction: All-Aluminum	Marine gears: Twin Disc MG5114SC
Beam: 14’7”(4.4m)	Top speed: >40 knots	Waterjets: Rolls Royce
Draft (RFS): 3.0’ (0.9m)	Generator: Kohler 9kW	Generator: Kohler 9kW

skimmer markets, Pilot Boats have also been delivered to the Middle East (Oman), Survey Vessels to South America and Commercial Fishing Vessels to Russia.

While Vigor's efforts in the Middle East have not yet yielded as many sales as we would like, we have learned a lot. For example, the time frame and costs of doing business in the overseas are about three times what they are here in the US. If you are going to play in this market, you better have a lot of patience and significant money to invest." He added, "Some of our products can be sold now, but it will be another year or so for others to come to fruition because the U.S. Navy is our number one customer and absolute priority. When they're happy, then we will deliver to other customers."

Back at Home

Vigor's Kvichak / OIW business plan calls for spreading the business around; with the Vigor/Kvichak model calling for 50% military and 50% commercial production, while the Vigor/OIW model produces 85% military and 15% commercial hulls. The individual markets served are many, including Patrol Vessels, Oil Spill Response vessels, Excursion Vessels, Fast Ferry Boats, Pilot Boats, Hovercrafts and Survey Vessels. "With that business plan," says Whittemore, "We like to operate in 6 or 7 market places, foreign and domestic, using the same style of engineering."

On another front, also contracting to the U.S. Navy, Vigor/OIW's Sealion project is highly secretive, but in a nutshell, the Sealion Craft is a 71' all-aluminum, high-speed planning vessel for littoral operation. Unique features include advanced geometry and precision boundaries for low signature operation. Vigor/OIW has so far delivered two Sealions to the U.S. Navy.



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COMBAT & PATROL CRAFT

While Vigor/OIW is more heavily invested on the military side of the production equation, that's not to say that Kvichak hasn't been active there, as well. For example, and in conjunction with Marinette, Kvichak previously helped deliver 174 RB-M boats to the U.S. Coast Guard. The RB-M

is a pure all weather, patrol, search and rescue vessel. Marinette managed the contract while Kvichak did the design and engineering work. Production of the boats was split between both parties and Whittemore reports, "It was a very successful project for all parties, including the customer."

The Combatant Craft, Medium

The CCM, designed by Michael Peters Yacht Design, replaces another legacy hull in the Navy's tool box, will be used in a variety of roles, mostly probably involving getting special operations troops in and out dangerous environments. Other tasks might entail reconnaissance, anti-terrorism, unconventional warfare and other similar missions. One of the key enhancements of the CCM is its use of shock mitigation seating to better protect its occupants during high speed maneuvers. Early in 2014, Oregon Iron Works was announced as the winner of the CCM contract, and became the sole provider for the 35 boat deal, of which 5 have been so far delivered. According to Whittemore, Vigor has the capability of delivering as many as 10 of these craft annually.

COMBATANT CRAFT MEDIUM Mk1 (CCM)



VESSEL SPECIFICATIONS

DESIGN TEAM:	VIGOR MICHAEL PETERS YACHT DESIGN LEIDOS
BUILDER:	VIGOR, CLACKAMAS, OREGON USA
CONSTRUCTION:	ALUMINUM
LOA (HULL):	60' 7"
BEAM OVERALL:	13' 2"
DRAFT:	3' 5"
FULL LOAD DISPLACEMENT:	59,600LBS
PAYLOAD (4 CREW, 19 PASSENGER, GEAR):	10,000LBS
ENGINES:	(2) MTU 8V2000 M94 1250HP EA @ 2450 RPM
DRIVES:	(2) ZF SEA REX 120S
FUEL CAPACITY:	1360 GALLONS
TOP SPEED:	52 KNOTS
CRUISE SPEED:	40 KNOTS
RANGE (CRUISE), 4' COMBINED SEAS:	600 N. MI.

A Balanced Formula

Comfortable at home selling into both government and commercial sectors, Vigor's business plan also proves that U.S. builders – in niche markets – can compete overseas. Already a proven provider of military grade workboat hulls to domestic governments – municipal and federal alike – Vigor now looks to leverage its considerable foreign export signature in the same markets overseas. As the U.S. market for this kind of hull softens, Vigor's Middle East footprint is just one of many places they have looked to place their hulls outside the country.

As *MarineNews* went to press, the Office of Management and Budget (OMB) completed its review of the draft final rule entitled *Inspection of Towing Vessels*, also known as "Subchapter M." That's nominally good news for shipyards, especially ones in the smaller, workboat space. But, in this challenging climate of low price oil, that relief will take a while to ramp

COMBAT & PATROL CRAFT



up. In the meantime, those yards with a more diverse backlog portfolio are likely to be the best candidates to not only survive the down times, but also prosper in the good to come.

Already experienced in foreign sales, commercial and government alike, Vigor today, leveraging its new-

est boatbuilding acquisitions, is looking to the overseas markets to keep its hand in the game. The effort, balanced against a healthy domestic backlog, is just what Vigor Executive VP of Business Development Keith Whittemore has in mind. So far, it has been a winning strategy.

Vigor Industrial at a Glance ...

Headquarters: Portland, Oregon	2010: Purchased Marine Industries Northwest (MINI) in Tacoma
Employees: 2,500 (+/- 550 in the Kvichak/OIW space)	2011: Purchased Todd Pacific's operations
Business Locations: 12	2012: Acquired Alaska Ship & Drydock in Ketchikan, AK
President: Frank Foti	2014: Acquired Oregon Iron Works
Founded: 1995 (Vigor name established 2000)	2015: Acquired Kvichak Marine Industries

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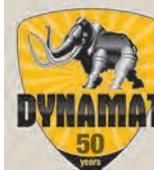
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