

A Bigger Vigor

Vigor Industrial acquires Kvichak Marine Industries.

Vigor Industrial continues to spread its influence in the maritime industry.

**By Bruce Buls,
Technical Editor**

In early March, **Vigor Industrial** and **Kvichak Marine Industries** announced a blockbuster deal: Vigor, the biggest shipyard group in the Pacific Northwest and Alaska, would join forces with Kvichak, the region's top aluminum boat-builder. The result is a maritime industry powerhouse that will aggressively compete for work regionally, nationally and internationally.

For the principals involved, the new combination of facilities, skills and markets is intoxicating.

"It's hard to describe just how happy we are as we're putting this together," said Frank Foti, principal owner and CEO at Portland, Ore.-based Vigor. "The synergies are just crackling between the leaders of Vigor and Kvichak. The energy makes everyone feel like they're 20 again."

At Seattle's Kvichak, the feeling is mutual. "My partners and I are totally excited," said Keith Whittemore, Kvichak president and one of its three founding owners. "We couldn't be happier, we couldn't be more pleased with Frank. I can't imagine any other person we would transition this company to. The companies are a lot alike. I love his style with people, I love his heart, and we feel really good about it. I know he's going to treat our people right."

Just last year Vigor added **Oregon Iron Works**

(OIW) in Clackamas, Ore., to its family of facilities. With Kvichak and OIW, Vigor now has a lot more newbuild capacity to balance the repair work that has been a fundamental business line for all of Vigor's yards. The yards are located in Portland, Seattle, Tacoma, Everett, and Port Angeles, Wash., and Ketchikan and Seward in Alaska. When Foti made his initial foray into the shipyard business in 1995 with the purchase of **Cascade General** on Swan Island in Portland, ship repair was the main business. Now that yard is also building barges and towboats. The Seattle yard, which Vigor purchased from **Todd Pacific** in 2011, is building ferries and a fireboat. At the Ketchikan yard, which had been **Alaska Ship & Drydock**, two new ferries for the state of Alaska are underway, as well as completing a multimillion-dollar repair and refurbishment job on the *LeConte*, an Alaska Marine Highway System ferry.

"Vigor has done a really good job of taking what was a repair-oriented company and moving it to fabrication," said Foti. "There's no particular goal for the split between repair and fabrication. Right now we are more than half newbuilding, but that's a function of this particular year. I think we'll be roughly half and half for quite some time."

OIW does substantial non-marine fabrication in areas as diverse as nuclear containment, hydroelectric, aerospace and transit. It also has an active marine component, primarily building high-speed aluminum military boats, including the new Combatant Craft Medium (CCM) for the U.S. Navy. OIW was awarded the CCM contract last year, beating out **United States Marine**. The contract could be worth as much as \$400 million through 2021.

“Oregon Iron Works also has a really substantial non-marine component, which gives us a volume hedge against needing marine fab,” said Foti. “The repair business also gives us a hedge against needing too much fab and the fab business gives us a hedge against needing too much repair, and all of them allow us to invest in leadership, technical skills, training, treating people right and innovation.”

CROSS-POLLINATION

With the addition of OIW’s skills in highly technical fabrication and systems integration, and now Kvichak’s skills in both production and one-off vessel design and construction, the new combination will “cross-pollinate and improve our genetics,” said Foti.

Cross-pollination is also a term used by Doug Ward, director of shipyard development at **Vigor Alaska**, when describing the corporate culture at Vigor. For years, Ward was part of the management team that built up Alaska Ship & Drydock before it was purchased by Vigor.

“The way things have been work-



With the merger, Kvichak President Keith Whittemore (left) has a lot to talk about.

Bruce Buis



Vigor CEO Frank Foti (pink hardhat) continues to expand his Portland-based company.

Bruce Buis

ing with Vigor, the cross-pollination amongst the yards has been fantastic,” he said. “Having new expertise coming up from the Lower 48 yards and teaching our folks new ways, and with our folks going down there, it’s been a rich learning experience for everybody.”

The Vigor bond also landed the *LeConte* ferry repair job in Ketchikan. Originally the contract was awarded to Vigor’s yard in Portland, but the company got the job transferred to Alaska to facilitate overall workflow. “Workflow is defined as keeping your people continuously employed and effectively using your facilities,” said Foti.

In addition to moving the *LeConte* job to Alaska, Vigor has been bringing Alaskans down to Washington and Oregon to train them and keep them working. “We moved a bunch of people from Ketchikan into Tacoma and Portland for a long period last summer to supplement the workers in those locations. We also took advantage of cross-training opportunities,” said Foti.

Lower 48 workers have also spent time in the Alaska yards. This mobility between facilities not only promotes cross-pollination, but Foti said it provides “much stronger financial security for the shipyard worker, wherever home is.”

Not only does Vigor mix it up with employees from its various facilities, it also mixes and matches union and non-union workers. Seattle and Portland are union shops, Ketchikan and Seward aren’t. Kvichak is non-union while OIW is.

“We don’t worry about that barrier,” said Foti. “We have lots of doors at Vigor and if you want to work through a union arrangement, you can. If you want to work in a non-union arrangement, you can. You can also work cooperatively with someone who’s in the opposite situation, it happens every day here.”

Foti also said that he doesn’t see

any shift of workers from non-union to union or vice versa. “There’s not a huge movement either way. But if you want to make that change, you can probably do it by joining a different company inside Vigor.”

TARGET MARKETS

The Kvichak connection will help Vigor compete in three specific areas.

One is the Alaska fishing industry. “That’s going to be a huge focus for the business, it already has been, they’ve been working on it,” said Whittemore. “That’s one. Two is oil on the North Slope. Shell is still moving forward, and that’s going to create huge opportunities. And then there’s foreign military sales.”

At Kvichak, export sales, both military and commercial, have gained more importance over the past several years. The company just signed a contract for a pair of 62’ **Camarc**-designed pilot boats for the Port of Duqm, Sultanate of Oman. Whittemore has traveled frequently to the Middle East and will certainly continue doing so after the merger. “We don’t know exactly how everything is going to be integrated, but you can count on them being integrated overseas with us,” he said. “Just adding the CCM to our foreign military sales channel is going to be fantastic.”

As with the other acquisitions, there will be no layoffs at Kvichak once it becomes a Vigor subsidiary. All three Kvichak partners will stay with Vigor, and all employees will continue their work. Eventually, the Kvichak and OIW brands will be positioned under the Vigor flag.

Meanwhile, the brainstorming continues in Seattle and Portland.

“Just take a look at all the facilities together and all the talent and what we’re capable of doing together,” said Whittemore. “It’s all pretty darn amazing.”

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