



# Best Buy

**Tug owner uses Wall Street savvy to fine-tune his company.**

Norfolk Tug's niche is the 1,000- to 3,000-hp towing market.

Norfolk Tug Co.

**By KATHY BERGREN SMITH,**  
**CORRESPONDENT**

In 2003 Ed Whitmore bought a small tug company with plans to build it into something more. Sounds like a typical story about someone who's spent his career in the commercial marine industry, then takes over a vessel company of his own. Not this time.

Whitmore spent most of his adult life as a Wall Street executive, working in foreign exchange and derivatives, and later in structured finance.

That all changed four years ago when he returned to his native Virginia and purchased **Norfolk Tug Co.**, which, he said, basically consisted of a good logo, a good location, and a small amount of military towing work in Hampton Roads, Va. The company owned one tug and had a pick-up crew. Since then, Whitmore crafted and is executing a business plan based on providing high

quality, customer driven service in the 1,000- to 3,000-hp towing sector. His belief is that this tug market segment is due for an overhaul.

Whitmore, an avid racing sailor, is the first to admit he knew little about tugs back in '03. "I couldn't have told a gas from a diesel engine." But he did know a thing or two about risk management and making money, and he began applying this knowledge to what he views as just another market.

He began by surrounding himself with tug experts. Then he got rid of the one boat Norfolk Tug owned, began building a fleet of coastal and inland tugs, and instituted a corporate culture that he hoped would attract some of the region's best mariners to operate his fleet.

Early on, Whitmore teamed with industry veteran Paul Horsboll. Horsboll had recently retired from **Moran Towing** where he ran the company's Hamp-

ton Roads tug operation. In addition to a vast knowledge of the local scene, Horsboll brought with him a Rolodex loaded with contacts that every tug owner needs: shipyards, suppliers, technicians, etc. Then Horsboll set about securing towing jobs.

The result is a tug operator that's well positioned as a versatile contract and spot towing company.

"We are located within easy reach to the ocean, the ICW and the Gulf, and we are, of course, in Chesapeake Bay," said Horsboll.

## **GROWTH SPURT**

In 2005, Norfolk Tug made a savvy move by merging with **A1 Towing Inc.** of Hampton Roads. A1 had a good reputation, solid corporate relationships with some of the East Coast's product transporters, and its staff read like a "Who's Who" of Tidewater area tugboating,

bringing familiar names and faces to Whitmore's new company. The merger doubled Norfolk Tug's fleet, and Whitmore began an aggressive modernization program on the boats.

One of the former A1 principals, Brian "Jitterbug" Daniels, took over most of the shipyard duties and took on Whitmore as a willing apprentice.

"Jitterbug is an incredible resource. His knowledge of marine engines, systems and tugs runs very, very deep, and he is well respected by everyone both on the water and in the shipyard," said Whitmore. "I have learned an awful lot from him."

The benefit of starting from scratch is that Norfolk Tug does not have the baggage associated with a legacy company. As one competitor put it, "They have no orphans at their table."

Viewing the Norfolk Tug fleet like an investment portfolio, Whitmore tends to trade boats like a broker trades stocks and bonds.

"The fleet, as a pool, has to earn a return," Whitmore said. "You have to invest carefully across the pool to produce a sustainable return. It is a fine balance."

On the way to assembling the company's current fleet of eight tugs, Whitmore has sold four boats. Nothing is sacred when you are inventing yourself. If a boat no longer fits the pool, it has to go.

The current fleet of seven model-bow tugs and one bay pushboat have a power range of 900 hp to 2,600 hp and are 60'

to 115' in length.

The fleet is broken down into three ocean and near-coastal tugs that work along the East Coast and in the Gulf of Mexico. The 2,600 hp, 94'x28' *Lucky D*, originally built in 1970 at **Quality Shipyard**, was repowered last year with twin **Caterpillar 3512B EPA Tier 1** compliant engines, **Twin Disc 5600** gears and new **John Deere 100-kw** gensets. A new aluminum and fiberglass house gives the boat a 42' height of eye. Wiring was also replaced and electronics upgraded.

The *Lucky D* was acquired through the A1 merger and is an example of Whitmore's philosophy that he "doesn't mind old steel as long as it is good steel."

Recently, Norfolk Tug acquired the 105'x28' *Pathfinder*, a former **Maritans** tug built in 1972 at **Main Iron Works**, and has begun a comprehensive rehab of the vessel — rebuilding engines, replacing electronics, improving stern fendering, and adding a high house. The 115'x32' *Miss Gill*, the third offshore boat in the fleet, will get new Cat 3516s and new gears installed in early 2008 that will increase her horsepower from 2,250 to 2,600.

The three boats in the midrange of the fleet — 1,700-2,000 hp — largely work in Chesapeake Bay and Delaware Bay and near coastal waters tending dredges and moving fuel. The inland pusher *Ellie J*, repowered in 2007 with Cat 3508Bs, and the *Mason Andrews*, spend most of their time moving barges around Hampton Roads.

"We are in a po-

The 2,600-hp *Lucky D* was repowered last year and given a new house with a 42' height of eye.



Kathy Bergren Smith

sition here to serve both a bluewater and a brownwater market," said Horsboll. Currently, he said, more than half the fleet is dedicated to contract work.

#### QUALITY EQUIPMENT

Whitmore feels that there is a demand for the high-quality, low-cost service that Norfolk Tug provides. His belief is that the same kind of scrutiny insurers are giving shipdocking tugs and product carriers is trickling down to the coastwise tows and spot moves that Norfolk Tug provides.

"The days of showing up with junky equipment to tow a fuel barge are over, and that's a good thing. I also think that the same applies and will increasingly apply to other commodities," said Whitmore. Repowering the tugs with fuel efficient, low emission engines and developing a culture of environmentally responsible practices is one of Whitmore's core business priorities.

"Look, I grew up here on the water and manage my company in such a way to respect the waterways," he said. "This isn't just talk for me. It is my way of life. I can't see running a business any other way."

Much of Norfolk Tug's work is subcontracted from larger marine transportation companies.

"We are pretty far down on the food chain. We need to provide a reason to these guys to use us rather than their own boats," said Whitmore, who be-

The current fleet consists of seven tugs and one bay pushboat.



Norfolk Tug Co.

believes that well-maintained boats and high-quality crews offer a viable alternative for his larger customers.

In his office, Whitmore has a white board that he uses regularly to illustrate his points. When describing his business plan for Norfolk Tug, he draws a diagram known to investors as the “efficient frontier.” It’s a curve along two axes — one representing risk and one representing return. At the bottom of

the curve, there is low risk and low return. A careful investor will work his way up the curve to what he considers an acceptable level of risk yielding a sustainable and reasonable return. Whitmore said that by applying the risk management principles he learned on Wall Street, he could safely navigate the company to provide an adequate return.

“I am not foolish enough to believe we are ‘accident-proof,’ but we can con-

trol many factors in this enterprise to manage our risk profile,” he said.

Vessel crewing is one of the biggest items on Whitmore’s chart. It is one thing to build a good landside management and support team, but staffing the fleet with quality mariners is an industrywide problem. For this, Whitmore again turned to his financial background. Starting from scratch, he has been able to create and build a corporate culture at Norfolk Tug, one that he says is based upon mutual respect.

“Good people work for good companies and vice versa,” said Whitmore of his recruiting strategy. He offers a competitive salary and a benefits package more in tune with the larger towing companies. He also offers a chance to be part of his vision.

“You really get the sense that Ed wants to hear what you have to say,” said Mark Steinlein, who joined the company last year, “unlike other companies where you get on the boat and no one wants to hear from you till you get off.”

“Guys like Steinlein and the others have been around for a long time. I would be a fool not to listen to them and what they have to say. We let them exercise their abilities,” Whitmore said.

Another tug veteran, Capt. Steven Briggs, spent 10 years towing in the Hawaiian Islands and, like Whitmore, returned home to Hampton Roads. Briggs had plenty of options when it came to finding a job in Hampton Roads, but he chose Norfolk Tug and is now a captain on the *Pathfinder*.

“What made me go with Norfolk Tug was that they were flexible with my schedule,” said Briggs.

Briggs is also impressed with the commitment to training Norfolk Tug shows to qualified young mariners, like his 22 year-old nephew.

“I want to let these guys know that they are not just getting a job here. They are building a career,” said Whitmore.

Whitmore’s vision for Norfolk Tug is to grow when opportunity within its niche market knocks. This could be done by purchasing more boats if they fit into the portfolio, but more likely it will be through consolidation and mergers.

“I am a deal junkie,” he said.

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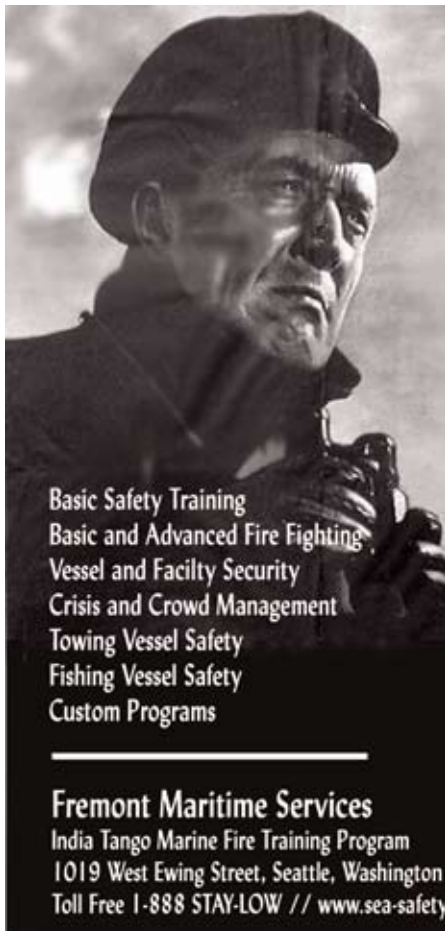
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