

Interviewee: Kenneth Waldorf

Interview: September 25, 2010

OFFSHORE ENERGY CENTER HALL OF FAME

BOEM DEEPWATER GULF OF MEXICO HISTORY PROJECT

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Date: September 25, 2010

Place: Houston, Texas

Interviewer: Tyler Priest

Ethnographic preface: Kenneth Waldorf was raised in southern California, and attended both Berkeley and the U.S. Naval Academy. After graduating, Waldorf went directly to work for Exxon in its marine engineering section, and later with Humble Oil. Waldorf soon moved over to work at the Zapata Corporation, and was elevated to vice president of engineering. Still in his early thirties, Waldorf took on heading up all marine service for Zapata. Zapata sold its marine services group to Tidewater Marine Services in 1992, at a peak of 526 vessels. With that success in hand, Waldorf retired.

File 1

TP: This is an interview with Mr. Kenneth Waldorf for the 2010 Offshore Energy Center Hall of Fame Awards. We're in Houston at the Westin Galleria. Let's start off by just talking a little bit about your background. Where are you from and where did you grow up?

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KW: Well, I was born in Long Beach, California, but my father was a Marine. So when you ask where I'm from, that becomes a difficult answer. I've lived all over on Marine bases. I call California home, but I've lived many other places as well.

TP: I see you went to the U.S. Naval Academy and Berkeley.

KW: Yes.

TP: So you had a marine orientation all your life.

KW: I've been running boats since I was ten years old.

TP: Really? How did you get into this industry?

KW: I was engineering manager at Exxon Marine Department.

TP: You first went to work for Exxon after you got out of school?

KW: Yes. When I left Berkeley, I went straight to Exxon, then Humble Oil and Refining Company. I asked my boss over for a game of pool on Saturday afternoon one day, and I said, "What's my next assignment?"

And he said, "You're going to be branch manager in Bayonne, New Jersey."

And I said, "No, I'm not," and I quit.

So I moved. I got a job as a financial planner or manager at Zapata Corp., and I rewrote the capital budgeting manual there. At that time, Zapata was building rigs, boats, fishing plants, a number of other things, and they needed somebody back in engineering. So I became vice president for engineering, and I was in that job about a year.

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I happened to be seated on the plane next to a guy who was the executive vice president for offshore marine, a number of other divisions, within Zapata. He indicated that he was unhappy with the guy running Zapata Marine Service at the time, and being young and brash at thirty-three years old, I said, "I can do that."

So about two weeks later, he called me, he said, "Okay wise guy, you got the job. Don't mess it up." That was my introduction to the marine service industry.

TP: Who was the executive that you were—

KW: Michael Ness [phonetic].

TP: So you were in charge of marine service for Zapata?

KW: When I went there it was 45 boats. When I left, we had 526. We were the largest company in the world.

TP: So you went there in the mid-seventies, is that right?

KW: Seventy-four.

TP: During the boom there was probably big growth opportunities right when you went, or was the fleet really built up by that point so that they could handle the demand?

KW: Well, we grew the 45-boat fleet up to about 90, I think. That was about 1982, early '82, and the industry just went in the tank. So it became obvious that you can run 90 boats or 100 boats or 200 boats or 300 boats with the same overhead, so we began consolidating the industry and merging companies. I took over as chairman/CEO of Zapata Gulf Marine, which was the combination of Jackson Marine, Gulf Fleet Marine, and Zapata Marine, and then subsequently I bought

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Seahorse and several other companies. So we just kept growing. We had the largest IBM 360 system in the world, keeping track of all those boats and their detailed operating costs. So even in that depression we knew exactly what our operating costs were, our variable cost, fixed cost, and lay-up for operating. So we were always cash-flow-positive in spite of the downturn.

TP: The article you wrote was interesting. You said the market recovery is at least partially fueled by rust.

KW: Yes.

TP: You had an aging fleet that had to be replaced, but sort of limited financial means to do that.

KW: Not just ours; every fleet.

TP: Yes. So it took some creative business sense to do that. What was the range of marine services that you provided?

KW: We had everything from crew boats to the largest pipe haul carriers in the world at that time. Most of our fleet was anchor handling tug supply vessels, but we also had oceangoing tugs and harbor tugs and barges. We were pretty well diversified not only fleet-wise but geographically. The geographic diversity is very important because a large part of our fleet was up and down West Africa, and we always made money in Africa. The barriers to entry in Africa were very high, so it wasn't like people could come in with one or two boats and compete with us.

The logistics of operating in Africa were very difficult because communication, getting people, parts, everything in and out of the country, moving them among our bases up and down the coast from the Ivory Coast all the way down to Angola. And that was pre-telephone, pre-telex, pre-fax, pre-email. We communicated by single sideband radio. At that time it was illegal to have a radio on the shore in Nigeria, so we used marine vessel call signs and just pretended that we were talking to a boat when we were actually talking to our

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shore base. That's how we were moving parts and people and everything to keep it going.

TP: Where was the main activity along the west coast at that time?

KW: We had two bases in Nigeria, but we also had bases in Ivory Coast, Cameroons, Gabon, Congo, what was then Zaire and now part of Congo, Angola.

TP: Shallow-water development and offshore development you were supporting? Africa, you said, was a large part of your business at that point in time?

KW: Yes, and the most profitable.

TP: But you were also pretty active in the Gulf, the Gulf of Mexico, is that right?

KW: Yes. We had a lot of boats in the Gulf, operating out of Harvey_____ in Louisiana, and all across the Gulf Coast. But we also had Mexico, South America, Brazil, San Diego, Alaska, all over Southeast Asia, Dubai, Abu Dhabi.

TP: Who were your main competitors during this period, after the consolidation?

KW: Tidewater and a number of European companies. But between Zapata Gulf Marine and Tidewater, we pretty much dominated.

TP: Tell us a little bit about the evolution of anchor-handling vessels, and the technology, the requirements as you moved to deeper and deeper waters with bigger and bigger equipment.

KW: Well, you've used the right word, evolution. It really wasn't pioneering; it was evolving as the energy companies were looking for resources in deeper and

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deeper water. So the drilling contractors moved from submersible small jack-ups, the larger jack-ups, to semi-submersibles and drill ships as they moved out. So the marine industry had to evolve with larger and more powerful vessels to handle that. So, as you indicated, it's an evolutionary process.

TP: Where were your boats built? Really the large boat building globalized out of the Gulf, I think beginning in the seventies and eighties, to a point where I guess there's been a revival on the Gulf Coast of crew boat building and supply boat building, but it really takes place in foreign shipyards now, right?

KW: I can't speak for now, but then most of our boats were built in the Gulf Coast. But we built some in San Diego at Campbell Shipyard. We built some in Vancouver, Canada, some in Gottenburg, Germany, and then as we acquired boats, you know, in 1980 I bought Offshore Marine out of the U.K.; they were all built in England. So we had boats that had been built around the world, but the vast majority were the Gulf Coast.

TP: Where were they built in the Gulf Coast?

KW: Halter Marine was one of the biggest, and numerous small—

TP: Small builders, yes.

KW: The title of this thing is Pioneering. I was trying to think of what pioneering was done then, and really the only thing that I can accurately apply the word pioneer to was we were the first to lasso and tow icebergs up off Newfoundland, and divert their course from the rigs that were operating there. So that was kind of new.

TP: How do you lasso an iceberg?

KW: Well, you drop your towing wire with a float attached and go around the iceberg and pick up the float, and now you've got the thing lassoed.

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TP: So it really is lassoing.

KW: So you tow it, and even with boats with 90, 100 tons of bollard pole, you're towing an iceberg that may be a tenth or two-tenths of a knot, trying to divert it from hitting a rig. So that was new technology.

TP: Do you have any interesting anecdotes or stories about the many years you spent in this business?

KW: Well, I don't want to steal Bob Scott's thunder, because he asked me that same question. [laughs]

TP: Oh, does he have one to tell on you tonight?

KW: Yes.

TP: But you can tell it to us for the tape. It's not going to steal his thunder from the event.

KW: I guess one of the early things was I had just taken over Zapata Marine Service, and so I was out visiting all our bases and learning the business and learning the people, and I'd been in Nigeria for two weeks. Nigeria is still primitive, but then it was really primitive, and I was really anxious to get out after two weeks in Nigeria, so I got myself on a PanAm plane, and I saw that big U.S. flag on the tail, and thought, this is wonderful.

At that time, in order to go to Angola, you had to go to South Africa, change passports, and use a different passport to go back into Angola. And so I arrived in Johannesburg and they said, "Where's your visa?"

I said, "I don't have a visa."

And they said, "Well, you're going to jail."

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So they put me in jail. I went to bed. About 3:30 in the morning, the jailer came and said, "Your visa is ready. You can go." And inexperienced as I was, I got up and got my visa and left. It turned out that jail cell was the best room I'd had in Africa in two weeks. But now what do I do in Johannesburg at 3:30 in the morning? I was out on the street and nothing open. Anyway, that was a lesson learned.

TP: So you had switch passports to go from South Africa? You mean a U.S. passport, but just a different kind?

KW: Yes, we had to have two passports back in those days.

Another story. Operating out of Cabinda, Angola, we were there when the revolution occurred in 1976 and they tossed the Portuguese out. So there were a number of Portuguese that had to flee the country, but there was no way for them to get out. They were in danger. So at one point we loaded about two hundred of them on the afterdeck of one of the boats, took them out to a place where they could get a Swiss Air flight and get out. You know, they asked if I'd do it, and I said, "Sure." You know, help out. I didn't think any more about it.

About a month later, I was back in my office in Houston, went in to do something on a Saturday morning, sitting on the top of my desk was an elephant's foot with a zebra vanity seat over the top of it, and that was my reward for hauling two hundred people out of Angola. I thought, now, how am I going to walk out of this office with an elephant's foot? [laughter] So, anyway, I had that elephant's foot for years. And how do you get rid of an elephant's foot?

TP: But you don't have it anymore?

KW: No, I don't.

TP: You found someone who could take it.

KW: Well, it finally—the toes started rotting, but that was probably twenty years of—

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TP: What was the most difficult place to operate in or difficult challenge you had with Zapata Marine?

KW: Well, there are a number of them for different reasons. I already described Nigeria. It was very difficult.

The difficulties mostly involved logistics, but then there was also corruption, people stealing fuel, our own employees stealing fuel in concert with oil company employees. At one point, I turned in one of our captains and told Gulf Oil, "Our captain has been colluding with one of your managers and stealing fuel."

TP: Is this in Africa?

KW: Africa. And they promptly fired our boat from the job, and their manager continued on. I thought I was doing the right thing. I still think I was, but I was not rewarded for that.

But dealing in places like Mexico, Brazil, India, it's very difficult to get paid. You submit the invoices and they sit on someone's desk for two or three months. We learned to walk invoices through. And there was always the corruption thing. Throughout India, Indonesia, Mexico, you're always dealing with corrupt people. And under the Foreign Corrupt Practices Act in this country, that makes it extremely difficult.

TP: From people in government or in industry or both?

KW: Both. It's difficult to work around. Plus, I think there's another aspect. Our State Department, the commercial attachés in the State Department do absolutely nothing, in my view, to promote U.S. industry abroad, any industry, in contrast to European commercial attachés that are very aggressive in trying to promote their national companies. So that was another thing to work around.

TP: Especially in probably the North Sea and countries that are former European colonies, but even in the Western Hemisphere.

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KW: Yes.

TP: So you got up to 526 vessels by what point? You started with about 40-some in the mid seventies.

KW: When we sold the company to Tidewater in early '92, we were at our peak, 526. We were actually larger than Tidewater Marine Service-wise, but Tidewater corporately was larger than we. So they were the successful reigning champion in that merger, and that's when I retired.

TP: In '92 you retired. I know the Hall of Fame Committee thought this was overdue to honor anchor-handling vessels. You can't get out there into deep water without someone who can manage these things.

KW: Well, like I said, it was an evolutionary process, not really pioneering.

TP: You know, after so many years of evolution it becomes pioneering. [laughter] Well, do you have anything else you'd like to share before we conclude?

KW: No.

TP: Any other reflections on your career?

KW: Well, I guess there's one other story. When I bought Seahorse Marine, my wife and I were out in California for New Year's. And so New Year's morning, bright and early, I thought, "Well, I'm here. I might as well see some of these boats I bought," because I hadn't seen them all. I typically tried to go around to all the bases, all the boats, meet the people, especially the customers, and say, you know, "Any problems? You're talking to the right guy here." So that was my modus operandi.

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Anyway, I went down to Port Hueneme and there were a couple of Seahorse boats there, and I walked toward the first one and said, "I'm Ken Waldorf. How about showing me around your boat?" to the captain.

And the captain looked at me and he said, "Who are you again and why do you want to look around my boat?"

And there was a seaman sitting in the galley with his face in a bowl of cereal, spooning up cereal, and he looked up and he said, "He's the CEO of the company, you idiot," and he went back to his bowl of cereal. [laughter] So that was amusing. When I went to the other boats, they seemed to know I was coming.

TP: Would they only tell you things that they thought you wanted to hear or did they feel like they could tell you what the problems were?

KW: No, they were not reticent at all. If they had a complaint, they let it be known, as did the customers. I think a large part of running a business involves communication, and so that was direct one-on-one communication with not only the customers, but our managers and the people on the boats, down to the seamen. I would go through and inspect every boat I was on. It was difficult to keep track of that many, but as many as I could get to, I did.

I would write a letter to the entire company once a quarter saying, "This was our goal, this is what we did well, this is what we did not so well. This is where we need to improve," and so they always knew what the mission was, everybody. When you're at sea, those guys read everything. I mean, they read the labels on soup cans. They're consumers of information. So the communication was vital, I think, to our success.

TP: How many employees did you have at your peak?

KW: Probably thirty-five hundred.

TP: After a while you probably didn't spend much time on the boats, but you did inspect them yourself when you had a chance?

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KW: I always spent a lot of time on the boats.

TP: You did? That's good.

KW: Like I said, I've been running boats since I was ten. I like boats.

TP: And you're still running boats now?

KW: Well, my boat was just sunk in Hurricane Ike, so I'm down to a canoe. So I'm low maintenance now. My boat was down at the Lakewood Yacht Club, so I spent a lot of time in Houston on the boat. That was kind of my floating condo. But after three weeks at the bottom of Clear Lake, it was a total loss.

TP: I'm sorry to hear that. Well, again, congratulations on being inducted.

KW: Thank you.

TP: It's a very exclusive club.

KW: I was pleased to hear about it.

TP: So we'll conclude here. I thank you for your time.

[End of interview]