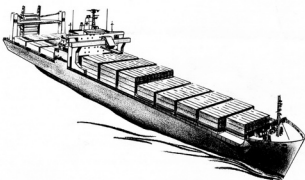


Sun Ship Awarded \$137 Million Contract



ARTIST'S RENDERING OF SUN-DESIGN COMBINATION CONTAINER-ROLL-ON/ROLL-OFF SHIP the

shipyard is building for Waterman Steamship Corporation.

The Quest Has Begun

Sun Ship's QUEST campaign was kicked off on November 22, 1978. The theme of the campaign is the search for ways to improve Sun Ship in the areas of Quality, Efficiency, Safety and Teamwork. The campaign is designed to encourage shipyard employees to contribute in a meaningful way to the improvement of shipyard performance in one of these four areas.

As a means of encouraging employee participation, a series of monthly contests has been established. There are six contests in all. Twenty one cash prizes of \$100 each will be awarded monthly to those employees whose suggestions are judged the winners by a committee of fellow shipyard workers.

Suggestions are not limited to one's own department or division. For example, the employee in the Maintenance Division may offer suggestions with relevance to other areas of the company. The contest is open to all employees except those on the executive roll. Employees may submit as many suggestions as they wish. There will be no holdovers of suggestions for each contest. In other words, if a suggestion is not picked as a winner for a particular contest, it must be re-submitted for another contest to be considered again.

Although not mandatory, employees may submit their suggestions to their immediate supervisor for review and comment. The supervisor's comments will be helpful to the committee in evaluating the suggestions, particularly with regard to their potential value. The judging committee is composed of five shipyard employees. There are three committees, each monitoring two of the six contests. The contests are scheduled in the following manner:

CONTEST	BEGINS	ENDS	AWARDS
#1	11/22/78	12/14/78	12/20/78
#2	12/15/78	1/15/79	1/19/79
#3	1/16/79	2/15/79	2/21/79
#4	2/16/79	3/15/79	3/21/79
#5	3/16/79	4/16/79	4/20/79
#6	4/17/79	5/16/79	5/22/79

In order to be as fair as possible, employees will be competing for cash prizes within their own peer groups. The groups are designated in the following way. There are ten groups, each consisting of a number of departments or a pay-roll. From each of the groups, a specified number of prizes will be allotted each month. It is illustrated below.

GROUP NO.	NO. OF MONTHLY PRIZES
PRIZES	
#1 Machinery Departments 1, 8, 30, 36M, 70	1
#2 Outfitting Departments 28, 31, 65, 67, 68, 69, 76	3
#3 Hull Departments 45, 47, 55, 58, 60, 66, 75	4
#4 Engineering Departments 33, 34, 35, 36	2
#5 Welding Department 59	3
#6 Facilities Departments 33F, 33M, 34M, 73, 74, 81, 84, 95	1
#7 Semi-monthly	2
#8 Secretaries, Clerks, etc. Also Departments 61 and 80	2
#9 Hourly Supervision	2
#10 Drafting, Lifting 49, 87, 97	21

What this break-down means is that there will be four prizes per month awarded to employees from the Hull Division group, three given to the Welding Division and so on as illustrated above. The number of

Sun Shipbuilding signed contracts with Waterman Steamship Corporation and the U.S. Maritime Administration (MARAD) on November 21, 1978 to build two combination container-roll-on/roll-off ships for Waterman Steamship's use in the Gulf Coast to northern Europe trade. The contract also gives Waterman the option for a third and fourth ship.

Contract value of the two 692-ft. vessels is approximately \$137 million, with 49% of the shipbuilding costs being covered by Marad's Construction Differential Subsidy (CDS) program.

The contract calls for delivery of the first of the 23,500 deadweight ton (DWT) vessels during the first half of 1981, with delivery of the remaining ships scheduled to follow at three-month intervals.

Commenting on the new ship construction contract, shipyard president Peter S. Hepp said: "The Waterman ships provide Sun Ship with follow-up work to go with those contracts already in hand and will enable the shipyard to maintain employment at the present level with some minor adjustments.

"During the past year, approximately 1,500 employees were laid off as previous shipbuilding contracts were completed. With shipyard production picking up, we have been able to rehire about 500 so far. The Waterman contract provides us with two full years of backlog at our present employment level."

The current shipyard workforce is approximately 3600.

With the Waterman signing, Sun Ship has now won five new ship construction programs in 1978, worth approximately \$287 million in total value.

The vessels have been designed to carry either 20 ft. or 40 ft. containers as well as highway trailers and other over-the-road transportation equipment. The overall cargo carrying capacity of each vessel has been rated at 1524 TEU's (Twenty-foot Equivalent Unit).

The ships will have completely self-sustaining cargo handling capability with a 30-ton crane for handling container stowage forward of the house. A large rotating ramp to the second deck at the stern will provide access from either the port or starboard side of the vessel for roll-on/roll-off cargo. An internal ramp and cargo elevator will provide access to all roll-on/roll-off spaces. A short ramp for loading roll-on/roll-off cargo on top of the hatch covers will be installed on the main deck.

The ships will also be capable of servicing 60 refrigerated containers or trailers on the main deck.

The propulsion plant will be a modern steam type with geared turbine drive, producing 32,000 shaft horsepower on a single screw. Centralized control will permit regulation of engine speed and direction from the bridge.

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Celebrating Anniversaries



H. ROSENBERG
76-37
45 Years



F. COYLE
59-79
35 Years



D. FOWERGO
47-430
35 Years



W. JUNKERMAN
30-287
25 Years



L. BROOKS
67-182
20 Years



A. COVELESKY
68-134
20 Years

R. HOWARD
36-142
20 Years



A. JENKINS
59-223
20 Years



J. KIRKPATRICK
33-237
20 Years



State Of The

Last month, this column presented the first part of a review of our company's problems and accomplishments in 1978. Sun Ship has been having a difficult year, with layoffs and continuing financial losses. But, we have a number of new programs underway, and I believe we have begun to make progress in turning our company around.

Our strong sales program is bringing in new business, although as I explained in the last column, the extensive design and engineering work that goes into modern ship-building imposes a lag of many months between the signing of a contract and a resulting increase in employment.

In improving our financial condition, we have not made progress yet. We are in the second year of major financial losses—in 1977 we lost about \$40 million—and the figures now available for the first nine months of 1978 show additional losses in excess of \$30 million.

Last month's column stated that our management team was committed to increasing our workforce to at least 4,000 people. To do this, we needed to sell more business, work more productively and improve the effectiveness of our company organization. The first column dealt with our sales effort. Now, I want to talk about our other two important goals: increasing productivity and improving the organization.

Improving Our Productivity

Shipbuilding in the United States is very competitive and there may not be enough business for all U.S. yards to survive. If a shipyard like ours is to win new contracts, provide steady employment and earn a profit, we must work productively. Sun Ship must strive for the highest productivity of any U.S. shipyard. But, we are not there now!

There are three ways of improving productivity that are particularly important to Sun Ship: we can plan and schedule operations more efficiently, we can make capital investments in better equipment and facilities, and we can adopt work rules which provide needed flexibility in assigning people to work.

There is increasing recognition in government, business and labor circles that lagging productivity is one of the serious problems in the United States. I would like to quote from a recent editorial in *Business Week* magazine on October 23, 1978.

"The Carter Administration strategists finally seem to be paying attention to one of the most stubborn and most fundamental problems in the U.S. economy: the persistent lag in the growth of productivity. After four quarters in which output-per-man-hour has grown at an annual rate of less than 1%, the President's inflation czar, Robert S. Strauss, has announced that a task force in the Office of Management & Budget will make a 'full-scale review of all federal programs that affect productivity'."

"In the meantime, there is much that labor and management can do to keep productivity growing. At least part of the drag on output comes from union make-work rules and wasteful labor practices. And still more comes from management indifference and unwillingness to change established ways of doing things. Giant corporations, which account for an increasing proportion of U.S. output, are particularly likely to turn into hidebound bureaucracies that stifle innovation and do everything by the book."

"If business is seriously concerned about the continuing decline in the growth rate of productivity, it can start making changes without waiting for the government to take the initiative."

I couldn't agree more with the general thrust of this editorial, and we at Sun Ship are not going to wait for the government to take the initiative. We are already investing capital and management talent in improving productivity.

For better planning and scheduling, we have developed and are now starting to implement a new work planning system. This system is designed to make sure that the various steps in doing a job are completed in the right order and on time, to ensure that people are assigned most efficiently, and that tools and materials are available when and where they are needed. This system was developed with the help and guidance of the most knowledgeable yard managers and supervisors.

To your benefit as employees, this system will eliminate wasted time and effort. But to have the system work well, we will need your cooperation in giving the system the flexibility it needs to make the most efficient work assignments.

For capital investments in improved equipment and working conditions, money has already been provided by our parent, Sun Company. The first example of new capital investment designed to improve productivity is the \$2.3 million expansion program in 47 Shop. When the new fabrication equipment is in place, our production rate will be doubled, and the improvements in

Company Report

PART II

the building will provide a warmer, more protected place to work.

The efforts we have made to improve the cleanliness and the safety of our shipyard have also contributed to improved productivity. I am particularly proud of the progress being made as a result of our new safety program. Between August 1977 and August 1978, the number of lost time injuries has been reduced by 40 per cent, and minor injuries have been reduced to half.

One part of the new safety program is an experiment to see if greater use of safety belts would help reduce the number of accidents. We also have re-activated or established new union-management safety committees for all major departments. Another development, which I believe is unique to our industry, was the establishment of a union-management committee to cooperate with an outside medical organization, the American Health Foundation, in evaluating the working conditions and the health of welders.

We have set as our first safety goal to reduce the number of lost time injuries by half. We have already taken a major step toward that goal, and we will keep you posted on further progress.

Improving Our Organization

Besides selling more business and working more productively, the third important goal for our company is to improve our effectiveness as a business organization and our abilities as supervisors. Both of these can help increase productivity.

Organizational effectiveness is an area where I can make a direct, personal contribution. As president, I need to know, first hand, about the needs and concerns of employees. Also, I am fully aware of your need to be able to communicate with me. So, I have tried to conduct my office in an open manner. I was glad to meet so many of you on Family Day. I am pleased that around 300 employees had the interest to write to me during our "Time to Take Inventory" campaign, and that another 35 people made appointments to come to my office for a private talk.

Although I encourage you to talk first to your own supervisor about any problems you may have, or suggestions you may want to offer, still my office door will remain open. And I will continue my regular walks through the yard to talk to as many of you as I can.

For our company organization, the changes made this year have significantly increased our effectiveness. We have consolidated and streamlined some functions, and created new functions that were needed.

One of the most important organizational accomplishments of the year was the creation of a Human Resources Division at the vice presidential level. This division has already begun a number of important projects. Both compensation and employee benefits are undergoing thorough and detailed study, and results and recommendations are being presented to shipyard and parent company management. The Hay Job Evaluation System will be installed during 1979 for all exempt jobs, to make sure that employees are paid fairly for the work they do, both with respect to other jobs in the company and with comparable jobs outside.

Finally, to improve the effectiveness of our managers and supervisors, every person in the company who supervises other employees is receiving special training. First line supervisors are attending a specially designed three-day program. Middle and upper management people are attending the supervisory and management courses at Sun Institute, at the parent company headquarters in Radnor, Pa.

1978: The Turnaround Year

I believe this has been a year of progress for Sun Shipbuilding & Dry Dock Company. If we continue to be successful in making our new programs and our new organization work, then 1978 will be remembered as the year we turned the company around.

We began an aggressive marketing program which is beginning to show positive results. Sun Ship has enjoyed a reputation for quality and technical innovation in the past; we are now building a reputation for customer satisfaction in our industry.

We are improving our productivity by better work planning and by capital investments in new equipment. Better productivity will make us more competitive in the marketplace. I particularly urge your cooperation with the new work planning system for more flexible work rules.

We began an upturn in employment which I hope we can continue by building up the backlog to support it.

We are essentially a sound company, with good facilities and a group of employees who continually demonstrate their dedication and ability. If we work together and solve our financial problems, then we will be one of the U.S. shipyards to survive.

Peter S. Hepp

Product Carriers At Halfway Mark

Hulls 676 and 677, the two 30,000 deadweight ton product carriers being built for Sun Transport, Inc., have reached the halfway point in hull construction. 4,500 tons of steel have been erected on each ship. The keels for both vessels were laid in the early part of 1978. Delivery is scheduled for August and November of 1979.

The 612-foot product carriers will transport refined oil products such as gasoline, heating oil and kerosene. This type of vessel is designed to carry six different products at one time. These particular ships will operate in the Gulf and East Coast coastwise trade.

The construction of these vessels brings up some interesting points in the shipyard's history. These vessels are the first product carriers to be built by Sun Ship in many years. Additionally, they are the first diesel powered vessels to be built in this yard since the GLOMAR EXPLORER (Hull 663) which had diesel electric engines. Before this, however, the last Sun-built ship having a diesel engine was the BRANDY-WINE (Hull 232) delivered in 1943. Finally, the construction of the product carriers marks the first time in nearly a decade that this shipyard has constructed a vessel for a member of the Sun family. The last ship built for the parent company was the AMERICA SUN delivered in 1969.

Department of Commerce Comments on Waterman Contract

The two vessels to be constructed by Sun Ship for Waterman Steamship Corporation are the first vessels to be built by this shipyard with federal subsidy money under the Merchant Marine Act of 1970.

Robert J. Blackwell, Assistant Secretary of Commerce for Maritime Affairs, in announcing the award of the Waterman contract to Sun Ship commented, "The true value of this contract extends well beyond the impressive dollar value. It provides an economic lift for the hard-pressed American shipbuilding industry and will sustain thousands of jobs in the Philadelphia area and elsewhere. In addition, it calls for the construction of two ships of a type that fortifies U.S. flag leadership in intermodal shipping and strengthens our national defense capability."

This modern Ro/Ro design, with self-contained stern loading ramp for wheeled vehicles, is particularly well suited for military operations. The ships also will have their own 30-ton container cranes and cargo elevators.

The two ships are scheduled for delivery in April and July 1981, each will require an estimated 1,170 man-years of direct shipyard employment and sustain an equal amount of employment in the marine supply industries. Overall, the shipbuilding contract will provide approximately 4,680 man-years of work in American industry.

Industrial Division Wins Major Contract

Sun's Industrial Products Division has been awarded a contract by Bechtel Power Corporation to fabricate two reactor pressure vessel pedestals for use in the Hope Creek Nuclear Plant located in Salem County, New Jersey. The contract is worth half a million dollars.

The two units are each 26 feet in height, 20 feet in diameter and weigh 30 tons each. They will be made of carbon steel. Items of the contract call for delivery of the first vessel in the spring of 1979. They will be shipped by barge to their ultimate destination.

Bechtel is one of the largest engineering-construction firms in the world. This is Sun's first major contract with the company.

Scholarship Deadline Drawing Near

Any shipyard employee who has a child in the junior year in high school and who is planning to have that child enter college in 1980 should apply now for the annual Sun Ship scholarship. Application forms and additional information about the scholarship may be obtained by contacting Donna Pedrick, Manager-Compensation and Benefits. Applications should be returned by December 18, 1978. Sun Ship awards two four-year scholarships annually to children of shipyard employees. In order to be considered for the 1980 scholarship, the student should have taken the PSAT/NMSQT entrance examination this past October.

Quest - Cont'd. from Page 1

employees in each of the above groups was a factor in determining the number of prizes to be awarded to that group. The ratio of this number is proportion to the entire shipyard population eligible for the contest was the basis for determining the number of prizes.

Suggestions may be deposited in the QUEST collection boxes located conveniently throughout the yard or may be forwarded in the inner-office mail to QUEST. The boxes will be emptied on a regular basis. In case of duplicate suggestions, the first to be received by the QUEST committee is considered for the award. All suggestions become the property of Sun Ship.

The campaign's ultimate objective is maximum employee participation in making Sun Ship a better place to work. The campaign is a part of the present administration's style of open management which encourages employee participation on all levels. After all, who can make better suggestions for improving Sun Ship than the employees who work here?

Absenteeism - The Invisible Barrier to Shipbuilding Success

There is an "invisible force" at work in the shipyard. It can't be seen, it can't be heard, yet its impact on Sun Ship is very real.

Although it is unseen and unheard, it has several readily identifiable and recurring traits that can be measured.

It's most evident in the shipyard on Mondays and Fridays.

It's more prevalent on the second shift than the first shift, and more prevalent on the third shift than the second shift.

It's partial to spring and summer, and it varies significantly at the beginning of a quarter regardless of the time of year.

(For the purposes of this article, the Company's absenteeism rate figures include all those shipyard workers who do not report to work for reasons of sickness and accident, workmen's compensation, military reserve training, jury duty, leave of absence and a death in the family. Absenteeism figures do NOT include people who are on layoff or on vacation.)

It is the intent of this article to not only examine the general pattern of absenteeism within our company, it will also compare Sun Ship's absenteeism with that of its major business competitors, the other U.S. shipyards; as well as describe the immediate effect this problem is having on the yard's production programs and its ultimate effect on the yard's efforts to turn things around rapidly in the face of increasingly stiff competition in the U.S. shipbuilding marketplace.

Absenteeism is not a new problem. It has been a factor in the work place in the past and will undoubtedly continue to be one in the future. What is alarming is the rapid growth of absenteeism over the last few years.

In the past, absenteeism was a manageable problem because it stayed within, what were once considered, tolerable limits.

This is no longer the case. Through August of this year, absenteeism for the shipyard hourly workforce in 1978 was running at a rate of 17.1%. This means that on any given working day a little more than one out of six yard employees will be absent.

In 1968, Sun Ship's absentee rate was 6.9%. Thus, in a little over ten years, the yard's absentee rate has increased by 248%. (The accompanying graph shows the steady increase in absenteeism at Sun Ship over the last 10 years.)

As the graph shows, inordinately high levels of absenteeism for Sun Ship's production workforce is a relatively recent phenomenon. Other claims to the contrary, excessively high absenteeism has not been a Sun Ship way of life.

In 1977, the last full year for which there are complete statistics, the year's 15.4% absentee rate is equivalent to:

- 495 workers being out for the entire year, or
- the entire workforce not showing up for work on 37 of the approximately 250 working days in the average work year.

How does Sun Ship's absentee record compare with those of its major U.S. competitors? Not so favorably. While we don't have the absolute worst absentee record, we're right up there with our 17.1% absentee rate.

The other major U.S. shipyards have absentee rates that, for the most part, fall in the 7% to 10% range. The shipyard with the best employee attendance record has a 5% absentee rate.

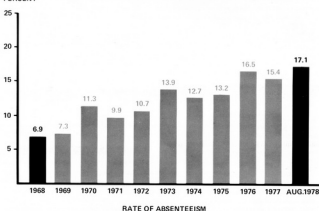
Weather and the general climate in which the shipbuilding takes place apparently have little effect on the rate of absenteeism since the shipyard with the lowest absentee rate (5%) is located in a section of the country that experiences harsher winters than ours; while the shipyard with the highest absentee rate (20%) operates in a region of mild winters and warm summers.

To remain competitive with other U.S. shipyards, our Company is aiming to cut its present 17% absentee rate by up to two-thirds in order to achieve a manageable, more realistic absentee rate of 6% to 7%.

An analysis of the yard's absentee patterns reveals that absenteeism "peaks" on certain days of the week and times of the year.

A look at the absenteeism figures for the first eight months of 1978 shows that Mondays and Fridays, the

PERCENT



RATE OF ABSENTEEISM

days before and after the weekend, were the favorite days for "no shows". There is a decrease on Tuesdays and Wednesdays, with the lowest level of absenteeism occurring on Thursday.

In addition to the daily variations, the absentee rate goes up in the beginning of each quarter and during the spring and summer months.

The time of the working day also produces variations in the absentee rate. A comparison of the three shifts over the course of one year (1975) revealed that the second shift averaged 10% more absenteeism than the first shift; and that the third shift averaged 70% higher absenteeism than the first shift.

Fundamentally, absenteeism is a habit, and with an absentee rate as high as ours it's obviously a bad habit that is affecting this Company's operating health.

"Kicking" the habit will involve changing the attitudes of many who work in the yard including supervisors and hourly workers. Over the last several years, many supervisors have accepted absenteeism as a fact of life in the shipyard and have learned to live with it. Many hourly workers, on the other hand, have come to use it as a routine means of getting some extra "time off" on a scheduled, quarterly basis.

Many shipyard workers, of course, are absent for good and valid reasons. For instance, there are those workers whose illnesses keep them out of work.

Absenteeism is costing Sun Ship a great deal of money. Some of these costs are readily apparent, while others are not so obvious.

Although hourly yard workers are not paid for the time they are absent, there are other personnel costs over and above wages.

One area of personal expense is employee fringe benefits where the meter is always running whether a yard worker is on the job or not. Fringe benefit costs include the employee's hospitalization and dental plans and sickness and compensation.

Although cost estimates can be placed on fringe benefits, there are certain areas where the dollar value of losses resulting from absenteeism is virtually impossible to document, but great in size.

What price tag can be placed on scheduled work disrupted by absenteeism? Disruption costs simply can not be measured.

With absenteeism rampant in the yard, scheduling work—in terms of the numbers of welders, pipefitters, crane operators, etc. needed—becomes a guessing game. For example, a supervisor needs four members of a particular craft for a specific job. He takes into account the absentee rate so he calls in five workers hoping to get the four he needs. If he guesses correctly, fine. If he doesn't, and comes up short, he can hold over workers from the previous shift and pay the

overtime premium; he can reschedule the work for the next day; or he can attempt to do the work in a less efficient manner with a short-handed gang.

If all five workers report to work, he can do the scheduled work with the one additional worker and in the process raise his labor costs for that particular job by 25%.

Either way, the supervisor loses, the Company loses, and each employee ultimately loses as Sun Ship's work becomes less cost-effective as a direct result of absenteeism.

Shipbuilding is an all hands evolution involving a wide range of shipbuilding crafts and skills. If, through absenteeism, one craft must work short-handed, that craft's lack of workers has effectively reduced the productivity of the other crafts working with it. Assigning a dollar figure to losses incurred through this "snowballing" effect is practically impossible. The only certainty is that it is ultimately raising the price of Sun-built products to its customers.

Shipbuilding has always been a highly competitive industry and the present worldwide shipbuilding slump has only served to make it even more competitive as the remaining shipyards fight for a share of the ever decreasing new ship construction business.

As the slump lengthens, the inevitable will happen; the weaker, less competitive shipyards will fall by the wayside. A recent release from Japan confirmed this with the news that plans were being made to close down 37 small shipyards in that country and fold two medium-size yards into larger shipyards.

Only those yards having a significant competitive "edge" will ride out the worldwide shipbuilding slump. Sun Ship fully intends to be one of those yards.

Achieving this competitive edge is the shared responsibility of everyone in the Company. The shipyard is providing us with the facilities needed to turn out quality work in an efficient, productive manner. But what value are these facilities, if we can't get a significant portion of the workforce inside the shipyard's gates to use them?

In the end it all comes down to this: If Sun Ship is ever to achieve a competitive edge, it must kick the absenteeism "habit".

As all of us pitch in and work to turn this company around, we need to address all the areas that are in need of improvement. Not only increasing our backlog of shipbuilding contracts, decreasing our accident rate to the best in the industry, and encouraging and training our supervisors to recognize our employees as a truly valuable resource, but we must also do what we can to reduce the horrendous waste called absenteeism. We hired you because we need you, and when you are absent, we miss you.

Peter S. Hepp's Rally Speech —

November 22, 1978

I have called this rally to announce that yesterday, in Washington, we signed a contract with Waterman for two ships. These ships will provide as a backlog of work through 1980. The total value of the contract comes to nearly \$140 million.

Since last year we laid off a total of 1500 employees. Then starting in August, the contracts we obtained last year enabled us to begin rehiring. So far we have put about 500 people back on the payroll. The work, in hand, including these new ships, will enable us to keep at our present employment level with minor fluctuations for the full year.

This is a major step forward in our program to stabilize our work force and to regain our profitability. I don't know about you, but I have gotten tired about reading in the Sun Company earnings announcements of the continuing losses at Sun Ship. We believe that with these ships we will still not be able to stop talking about losses in 1979. By themselves, these ships do not return us to a profitable employment level. Before we can start talking about adequate profits, we will have to get additional business and get our workforce up another 1000 people. And I can assure you that we are working with due diligence to achieve that result.

This good news is the direct result of an aggressive marketing effort.

The price leader of the industry is Avondale Shipyard in New Orleans. We have priced our product under them . . . taking considerably less profit than Avondale and gambling that we can get our yard productivity up through

- . . . More capital investment,
- . . . Better Planning & Management control,
- . . . And more flexibility in the work force.

The obtaining of this contract is a major triumph for this company and represents the culmination of an enormous amount of work and sacrifice on the part of our marketing, engineering and estimating departments. I am very proud of the work that these groups have done.

In anticipation of this contract, we have already started on the engineering and I would expect that we would see the first steel begin to move through 47 Shop just after mid 1979.

Delivery of the first ship is scheduled for the first quarter of 1981. Follow-on ships will be at three-month intervals.

Waterman also has an option for a 3rd and 4th ship. We will not know for a few months whether they intend to exercise that option.

In addition to this exciting news, I can also tell you that we are actively pursuing some conversion opportunities and some other new ship building opportunities. And I have every expectation that we will get our fair share of those.

It is that additional business which will finally get us into an adequate profitable employment level.

We are also pursuing new Navy construction.

Several months ago we started back into competing for New Navy Construction. We entered a bid for an LSD vessel against major yards already in the business. We did not win, mostly due to our inexperience in competing for this very specialized business. We are now trying again. We have put together an extremely top-notch team and we have joined forces with the best subcontractors in the business. Our bid is due in April 1979, and we will hear whether we won in late 1979. I'm confident that we will win this time!

Part of the consideration in the final decision will be the Navy's opinion of our work on the "El Paso". So far that job is going along smoothly. Keep up the good work!

Getting productivity up through capital investment is evidenced, as you can see, by our program to modernize 47 Shop. The doors are now complete, the new lighting is in place, and the heating is in place.

The second announcement is that at today's Board of Directors meeting we got approval for a new coating building, where our subassemblies can be blasted and coated under controlled conditions. This facility, when complete late next year, will be the best in the U.S. and will cost over \$5MM.

Let me now switch subjects. When I look over about 14 months ago. The management team met and



Shipyard employees listen as Peter S. Hepp announces the awarding of the Waterman contract to Sun, the construction of a new coating building and the initiation of the QUEST campaign. Members of the first and second laid out an extended plan to save Sun Ship and reverse the staggering financial losses.

The first order of priority was clearly to get some orders and build a backlog of at least two years work. That task has been accomplished.

The next order of priority was to turn around the old ways of conducting our business internally. That included:

- the installation of modern management controls,
- to increase the productivity of the company,
- a return to the quality product we were known for, for so many years,
- the development of a team spirit which had been lost in the last few frenzied years.

This second task, our internal upgrading, has started, but it is far from finished.

In order to focus attention on our new internal emphasis, we are going to initiate a new program in an effort to further improve this shipyard's competitiveness.

During the past week you have been seeing signs saying "The Quest needs you" and "The Quest is Begun".

What is our Quest?

Our Quest is to be the number one shipyard in the U.S. and to do that, we have to do four things:

- . . . First, we have to build quality ships;
- . . . Next, we have to be efficient;
- . . . Next, we have to work safely;
- . . . And finally, we must have teamwork.

The first letter of each of the words spells "QUEST".

Let me say just a few words about the importance of each of these elements.

First of all . . . quality. Quality means the best engineered ships. Engineered for reliability and maintenance. Quality means good fit-up, good welding, excellent coatings, fine machinery. Quality means a ship made as well as anyone in the world can make it. Quality means taking pride in everything we do.

Now efficiency. Efficiency is another word for productivity. It means not wasting our resources. Not having to wait for tools. It means not putting in the same scaffold twice. Efficiency means designing our ships in a way that facilitates their production. Efficiency does not mean loss of jobs. It means working smarter, not harder. Efficiency means producing ships at a cost which allows us to get more than our share of the market and to increase our work force beyond anything we have seen since World War II. Efficiency means eliminating paperwork, eliminating waste wherever we find it.

Next . . . safety. Safety is self evident. It means working carefully. It means planning our work so that we have adequate protection. It means thinking before we do something. It means adequate scaffolding. It means adequate safety training for new employees,

shift, as well as the office force, attended the afternoon rally. The rally was held outside the Fab Shop by 6 and 8 ways. In the background at left is one of the two tankers being constructed for Sun Transport.

both formal programs and the buddy system, helping the new worker. It means continuing emphasis on our program which has reduced our accident rate in half and has made this shipyard as safe as the average of all manufacturing in the United States, and has made it twice as safe as the average shipyard.

Finally . . . teamwork. This is the area where we still have much to accomplish. We still have not learned to work together completely as a team. I mean one department working with another as well as working together as manager and employee, as foreman and supervisor, as supervisor and employee. There must be teamwork up and down the line, and teamwork across departments. There is still far too much of people trying to protect their own little area. Teamwork means carefully explaining to our workers what we want accomplished and then letting them find the best way to do it . . . trust. It means treating every employee as a valued human being—with dignity—and as a valuable part of this company. There is no place in this company for people who are not team players. Teamwork means cooperating to make our new planning and work controls function.

In order to try to bring home this "QUEST" idea of working together for quality, efficiency, safety, and teamwork, we are going to run a little contest.

The contest will provide the shipyard's workforce with the opportunity to win cash prizes for those ideas and suggestions designed to improve the shipyard performance in the areas of quality, efficiency, safety and teamwork. Employees entering the contest may submit as many ideas and suggestions as they want. The contest will run for six months. The first cash awards will be presented on December 20, right in time for Christmas. Suggestions will be evaluated on the basis of originality of thought, potential benefit to the company and advancement of the Quest theme. In order to be as fair as possible, employees will be competing for cash prizes within their own peer groups. For example, the Machinery Departments will be grouped together, the Hull Departments will be grouped together. 21 cash prizes of \$100 each will be awarded monthly to those employees whose suggestions are judged winners by a committee of fellow shipyard workers. The judging will be by your peers, not management.

Let me close by saying how proud I am to be associated with Sun Ship. This is a great company, and you are a great group of employees.

We are well on our way to turning this company around. We in management can only do so much.

We can get the sales and provide the tools and organize the tasks. But, in the final analysis, this is your company and where it goes depends on how you do your job.

I know this company will succeed because I know you.

Thank you.

Maintenance Division Begins Educational Program

The Maintenance Division has begun an educational program designed to provide members of the division with broad-range technology required to meet the challenge of a rapidly expanding shipyard. "The ultimate thrust of the program is to provide our people with the necessary skills needed in maintaining and repairing the wide range of equipment used throughout the yard," said Richard Bible, Facilities Manager who heads up the division. "Also, the knowledge will not only make their jobs easier, it should also give them added satisfaction in a job well-done."

The educational program has five areas of study. One area of study is basic to all maintenance crafts while the remaining four are specialized and include mechanics and electronics as well as electrical and pipe-fitting maintenance. Each study area is composed of five to ten individual units.

Each class meets after the first shift on a once-a-week basis for 12 weeks. The class runs approximately one hour in length and will require one additional hour of home study. The first group of units, set to start in January will cover Basic Hydraulics, Basic Shop Math, Blueprint Reading and Introduction to Electricity and Electronics.

Each unit is geared to solving the problems the maintenance employee encounters of the job. "The courses provide useful information because they have been designed to answer the questions our employees have indicated they wanted answered," said Ron Anderson, the program coordinator.

"The course material is the result of suggestions from foremen and supervisors and all other employees within the division."

Each class has an administrator instead of the traditional teacher. "Another point about the program I want to make is that the units are geared to provide useful information, not a series of marks and grades."



Nine members of the Maintenance Division recently received their certificates for completing the division's educational training program. Dick Bible, Facilities Manager, presents the certificate of completion to Bill McNeal (84-75). Other employees who completed the

Mr. Anderson said. "The courses are simply intended to have everyone learn from the material presented as well as from the experiences of the other members of the group. There are no published grades." While there will be the equivalent of a final exam, an employee not scoring satisfactorily will only be required to review the material and take a re-test to successfully complete the course. A certificate is awarded for each unit completed. Attendance is strictly voluntary. To date enrollment totals approximately 80 persons for the units starting in January.

The program is flexible. Units may be modified and added or dropped depending on the maintenance

course are (from left to right) Jim Ryan (79-14), Dominic Pinto (81-183), Joe DiGregorio (83-354), Jim Kelley (84-47), Dave Kavanagh (83-210), Ron Anderson and Leonard Crowers (84-178). Absent from the picture is Bob Knox (33-14).

employee's needs. Unskilled crafts will be encouraged to participate in the "specialized" courses offered with the view to their upgrading their job performance into higher skill levels.

A pilot program was instituted to see how the program would work, and it was judged a success. Members of the maintenance division who completed the pilot program were Leonard Crowers (84-178), Joe DiGregorio (83-354), Dave Kavanagh (83-210), Jim Kelley (84-47), Robert Knox (33-14), William McNeal (84-75), Dominic Pinto (81-183) and Jim Ryan (79-14). Ron Anderson was the unit administrator and certificates of completion were presented by Richard Bible.

Foreman in the Forefront

November is election month. People go to the polls on the second Tuesday of this month and vote for the candidate they feel is best qualified for a particular office. On two occasions, people of the borough of Media felt that Willis Glenn, Sun Ship's Welding Department Foreman, was best qualified to be the borough's Council Vice President and Financial Officer because in 1972 he was elected to that post and in 1976 he was re-elected.

In addition to being a member of the elected body which runs the borough, Willis holds responsibility for preparing the budget and administering it to ensure the community is fiscally sound. Willis estimates he spends about ten hours a week working on financial matters for the borough. "Yes, it's a lot of time," he says. "Now is especially busy because we're preparing the budget for the upcoming year."



Since Willis has been in office, the borough of Media has not raised taxes. One of the things Willis points to with pride is the borough's rescinding of the head tax placed on each resident of the borough over 21 years of age. There was a surplus in the borough's treasury. It was decided to decrease taxes. "We could have reduced the millage, but we felt that the apartment dwellers, who are a significant part of the community, would not have benefited," he said. "The landlords might not pass the millage decrease along to their tenants. But by reducing the head-tax, everyone benefited."

Willis got into politics when he was studying to be a lawyer. During his two years of study, he felt the best way to understand the law was to get involved in the political process. He held a number of appointed posts for some years before running for office. "This gave me on-the-job training as well as textbook learning," he said.

The legal background has given Willis the opportunity to be on several negotiating committees. He was a member of the Media Borough committee which just finished negotiating the 2-year contracts with the municipality's police department and the highway and water division. Willis is also on the shipyard's committee currently performing contract negotiations with Lodge 802 of the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers.

Willis is a well-known figure in Media. He says he knows just about everyone in the borough. He's well known in the shipyard as well. His career at Sun has spanned over a quarter of a century. Willis and Warren

DeLong are the foremen of 59 Department, the welders, and the largest department in the shipyard. 15 out of every 100 employees at Sun Ship are welders. Willis is responsible for all welding done on board the ships; Warren for all the welding done in the shops. The foremen plan the work, make sure it is done in the proper sequence, keep the budget hours in line and keep the yard's welding techniques up with the times.

Willis feels everyone should get involved with the political process, not necessarily by running for an office but by voting. "We can't just stand there and criticize what's going on," he said. "We have to do something. And that something is vote."

Are other members of the Glenn family in politics? Willis's wife Marge, a teacher in Swarthmore, was a committee woman for years, but when Willis ran for office, she felt having two Glens in politics was "logging the scene." His son, Michael, a shipyard employee in the tool room (74 Department), hasn't shown any interest in politics yet. But his daughter, Sue, a 10th grader at Penncrest High School may just get involved in time. "She's interested in everything," says Willis.

Besides being on the Council, Willis is on seven committees within the borough. These committees range from Public Safety to the development of a Police Athletic League in the borough. "Sometimes when I get ready to go to these meetings, my family just waves and says 'see ya!'" he laughs.

Being a Foreman at Sun, on the Borough Council and the various committees are big jobs with lots of work. But then the former Marine is up to it. "I've always had a lot of energy," says Willis.



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