

ANNUAL REPORT

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Todd Shipyards Corporation 1966  
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FIFTY YEARS OF SERVICE  
• TO THE NATION AND THE WORLD •  
**50<sup>th</sup>** Anniversary



**TODD SHIPYARDS CORPORATION**

ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 1966

BUSINESS ADMINISTRATION

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FIFTY YEARS OF SERVICE  
TO THE NATION AND THE WORLD

# 50<sup>th</sup>

## *Anniversary*

**T**he Company filed a Registration Statement with the Securities and Exchange Commission on July 27, 1965. In addition, on August 12, 1965, the securities of the Company consisting of Common Stock of \$20.00 par value per share were approved for listing on the American Stock Exchange where they have been accorded unlisted trading privileges since June 27, 1921.

As this is the initial report to which Securities Exchange Act requirements apply, a brief statement of the nature of the business of your Company is in order.

Todd Shipyards Corporation is engaged in the business of marine construction, conversion and repair, custom industrial fabrication, and the manufacture and marketing of combustion products. These operations are carried on in seven plants located respectively in

Brooklyn, New York; Seattle, Washington; San Francisco and Los Angeles, California; Galveston and Houston, Texas, and New Orleans, Louisiana.

Lester Engineering Company, Cleveland, Ohio, a 99%-owned subsidiary of your Company, is engaged in the business of manufacturing die-casting machinery and plastic molding machinery.

Todd Combustion Limited, London, England, a 77%-owned subsidiary of the Company, is engaged in the manufacture and distribution of combustion equipment for the European market.



ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 1966

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**T O D D   S H I P Y A R D S   C O R P O R A T I O N**

One Broadway, New York, N. Y. 10004

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**TRANSFER AGENT**

Manufacturers Hanover  
Trust Company, New York, N. Y.

**REGISTRAR**

First National City Bank,  
New York, N. Y.

**AUDITORS**

Arthur Young & Company  
New York, N. Y.

**COUNSEL**

Cullen and Dykman,  
Brooklyn, N. Y.

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**The Annual Meeting** of Stockholders will be held on Wednesday, June 15, 1966, at 12 noon, E.D.S.T., at the Auditorium of the Chase Manhattan Bank, One Chase Manhattan Plaza, New York City. You are cordially invited to attend.

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## SIGNIFICANT FACTS

	<u>1966</u>	<u>1965</u>
Sales . . . . .	<b>\$132,933,965</b>	\$100,167,488
Net Income (Loss) . . . . .	<b>3,809,932</b>	(5,488)
Extraordinary Item . . . . .	<b>(825,000)</b>	2,071,377
Net Income (Loss) and Extraordinary Item . . . . .	<b>2,984,932</b>	2,065,889
Dividends Paid . . . . .	<b>1,021,838</b>	1,022,209
Total Taxes . . . . .	<b>6,421,788</b>	4,074,112
Working Capital . . . . .	<b>33,767,039</b>	30,537,941
Current Ratio . . . . .	<b>2.39</b>	2.71
Fixed Assets—Net . . . . .	<b>23,036,802</b>	19,546,972
Stockholders' Equity . . . . .	<b>46,907,957</b>	44,944,863
Number of Shares Outstanding . . . . .	<b>729,884</b>	729,884
Number of Stockholders . . . . .	<b>2,652</b>	2,696

## Data on a Per Share Basis

Net Income (Loss) . . . . .	<b>\$ 5.22</b>	\$ (.01)
Extraordinary Item . . . . .	<b>(1.13)</b>	2.84
Net Income (Loss) and Extraordinary Item . . . . .	<b>4.09</b>	2.83
Dividends Paid . . . . .	<b>1.40</b>	1.40
Total Taxes . . . . .	<b>8.80</b>	5.58
Stockholders' Equity . . . . .	<b>64.27</b>	61.58



## *To the Stockholders:*



JOHN D. REILLY, *Chairman*



JOHN T. GILBRIDE, *President*

This has been a year of achievement for your Company, as indicated by the financial statements in this report. It was also a year of increased confusion and uncertainty for the maritime industry, primarily caused by the lack of a cohesive long-range Government policy. Despite this, increased activities stemming from the Vietnam situation, continued progress in our building program, work derived from shipowners' extensive conversion programs, and sales of Lester Engineering Company for the full year combined to increase sales for the year to \$132,933,965 from \$100,167,488 for the previous year.

Net income for the year amounted to \$3,809,932, equivalent to \$5.22 per share of common stock outstanding at March 31, 1966.

During the year under review, the Hoboken plant was closed as contemplated and as mentioned in our last Annual Report. Costs have been incurred and will continue to be incurred, although in lesser amounts, until disposition or until a productive use is developed for the property. These costs, including estimated future costs, after giving effect to the reduction in federal taxes on income applicable thereto, have been reflected in the statement of income as an extraordinary item in the net amount of \$825,000. During the previous year, the net gain of \$2,071,377 on disposition of fixed assets, principally from the sale of land, was similarly treated as an extraordinary item. After giving effect to these extraordinary items in the respective years, net income for the years ended March 31, 1966 and 1965 was \$2,984,932 or \$4.09 per share and \$2,065,889 or \$2.83 per share, respectively.

Vietnam has created a desperate need for ships to support our fighting men. A substantial part of the shiprepair and conversion work involved has been assigned to the privately-owned shipyards. As a consequence of the Government's peacetime apathy toward the Merchant Marine, the privately-owned yards were ill-prepared in terms of available skilled mechanics to perform the work to meet the required short delivery dates. To alleviate this manpower shortage, intensive employee training programs were set up in the yards of your Company immediately concerned with the problem.

Helpful in work of both an emergency and routine nature is the plant betterment program begun in 1964. This has supplied many modern facilities to expedite operations. Plant betterments include new pier construction, pier and bulkhead rehabilitations, machine tools, welding equipment, building renovations and new structures. During the year, the Company made capital expenditures of \$5,759,193 for such projects, \$4,493,555 of which came from last year's long-term financing.

**Huge ocean-going derrick barge, FOSTER PARKER, built by Houston Division for Brown and Root, Inc., shown here on her first job in the Gulf of Mexico.**



Our contracts for the construction of fourteen Class 1052 destroyer escort vessels at Seattle and Los Angeles are entering the actual production phase, as shown by the photograph on this page.

During the year, we performed many intricate conversion and repair jobs on privately and Government-owned vessels, as well as ordinary voyage and damage repairs, an important part of our day-to-day business.

At Brooklyn, two naval vessels were converted to missile tracking ships by the installation of extensive telemetry and electronic equipment.

At Galveston, conversions of conventional ships to container ships and to self-propelled offshore drilling vessels, all for private customers, were the highlights.

At Seattle, two cargo/container ships were converted to full container ships. In the industrial field, 11 sets of spillway gates, guides and appurtenances were constructed for use at the Wells Dam on the upper Columbia River in Washington; 31 sets of turbine intake gates were manufactured for the John Day Dam in Washington.

At Los Angeles, work was completed on the conversion of a conventional ship to a self-propelled offshore drilling vessel, the third conversion of its kind for the same customer, two having been accomplished at Galveston. After highly successful builder's trials, the second guided missile frigate, DLG 33 (FOX), was delivered to the Navy on May 20, 1966.

At Houston, the facilities installed under the plant betterment program have made the production line method of building barges more effective. New magnetic plate handling, automatic welding, semi-automatic sandblasting facilities and supplementary machines have been installed. The number of repeat orders for barges received from satisfied customers is evidence of the efficient method of construction at this plant.

San Francisco has been the center for the reactivation work generated by Vietnam. This Division has also designed and has near completion a unique floating drilling rig constructed out of two midbodies salvaged from jumboizing jobs performed at this Division several years ago.

The stockholders have been informed of the damage done at the New Orleans Division by Hurricane "Betsy" on September 9 and 10, 1965. The sinking of a large Government-owned dry dock and the length of time required for salvage and repair made it necessary to move a Company-owned dry dock from Houston to New Orleans to alleviate restricted operations which have now been improved.

During the past year, the Nuclear Division continued its work in support of the N/S SAVANNAH, scheduled to arrive at this Division in June for annual overhaul. Additionally, the redesign and modifications to an Experimental Beryllium Oxide Reactor refueling bridge were completed and the equipment was installed at the National Reactor Testing Station in Idaho.

The Lester Engineering Company now has the highest backlog of orders in its history. Because of the increasing use of plastics and the prospects of greater demand for Lester equipment, studies are under way looking to the acquisition of a new site and the construction of a plant designed and equipped to accommodate present and future needs.

Special attention has been given during the year to the manufacture and sale of your Company's line of combustion equipment by both the Products Division and Todd Combustion Limited, the London subsidiary. Expanding markets, particularly in Europe, offer excellent opportunities for profitable operations in the future.



Keel laying of the first destroyer escort at the Seattle Division on October 5, 1965. The keel for the second was laid February 2, 1966. First keel laying at Los Angeles is scheduled for June 1, 1966.

Artist Arthur Beaumont's graphic painting of the DLG 33 (FOX). Vessel built by the Los Angeles Division.



CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year ended March 31	
	1966	1965
SOURCE OF FUNDS:		
Net income (loss) and extraordinary item	\$ 2,984,932	\$ 2,065,889
Expenses not requiring outlay of funds, principally depreciation	1,924,634	1,792,736
	4,909,566	3,858,625
Portion of \$15,000,000 long-term financing allocated during the year	4,493,555	6,685,503
Disposal of fixed assets, net book value	420,591	757,077
Reduction in other noncurrent assets	186,417	522,075
	10,010,129	11,823,280
APPLICATION OF FUNDS:		
Additions and improvements to fixed assets	5,759,193	3,472,112
Acquisition of subsidiary, less working capital acquired	—	1,749,647
Cash dividends to stockholders	1,021,838	1,022,209
Purchase of treasury stock	—	22,574
	6,781,031	6,266,542
	\$ 3,229,098	\$ 5,556,738
INCREASE IN WORKING CAPITAL		





Modernized and up-graded Brooklyn Division with view of the New York skyline.

One of the many Victory ships from the Mothball Fleet reactivated at the Brooklyn Division.



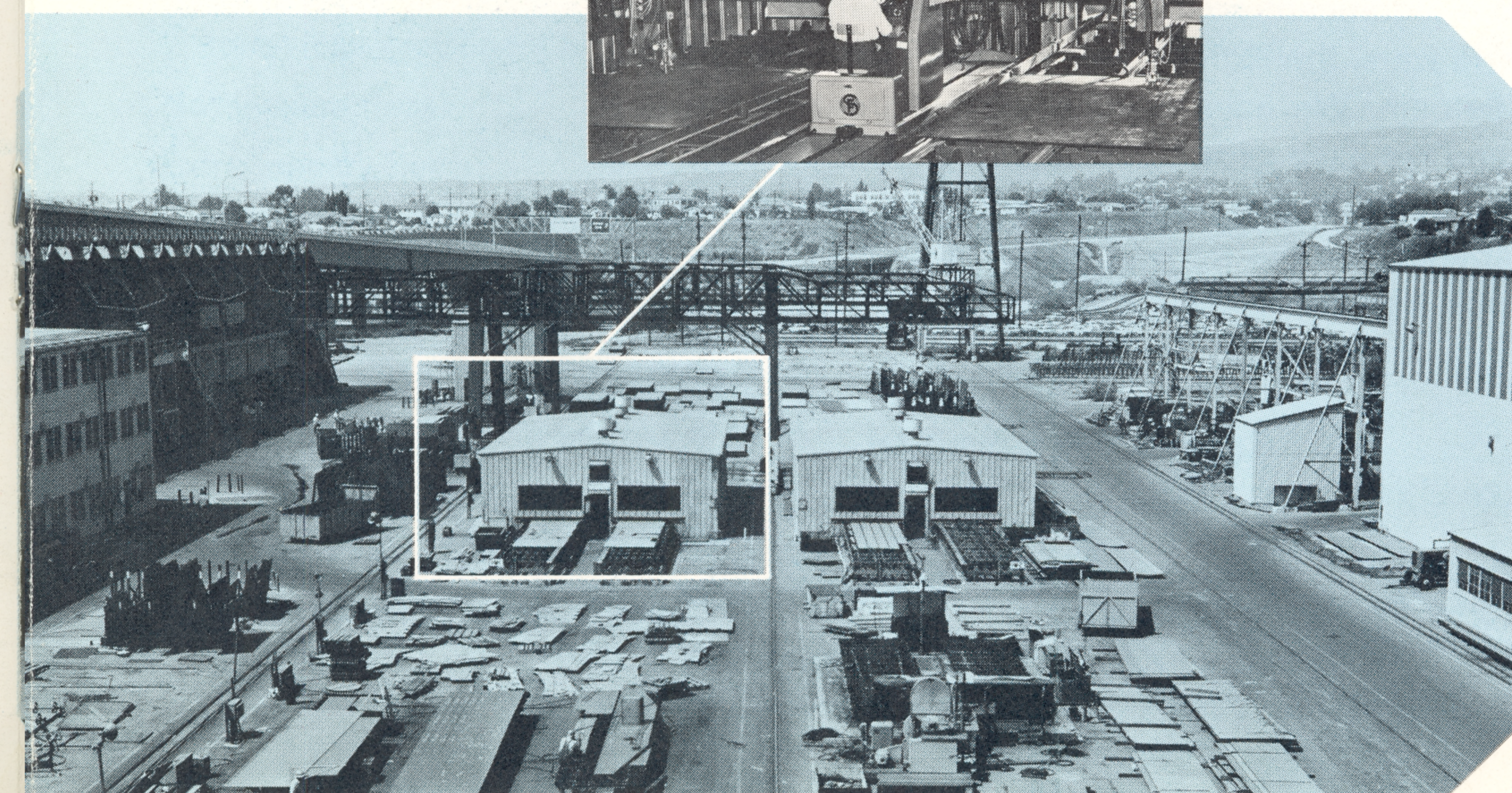
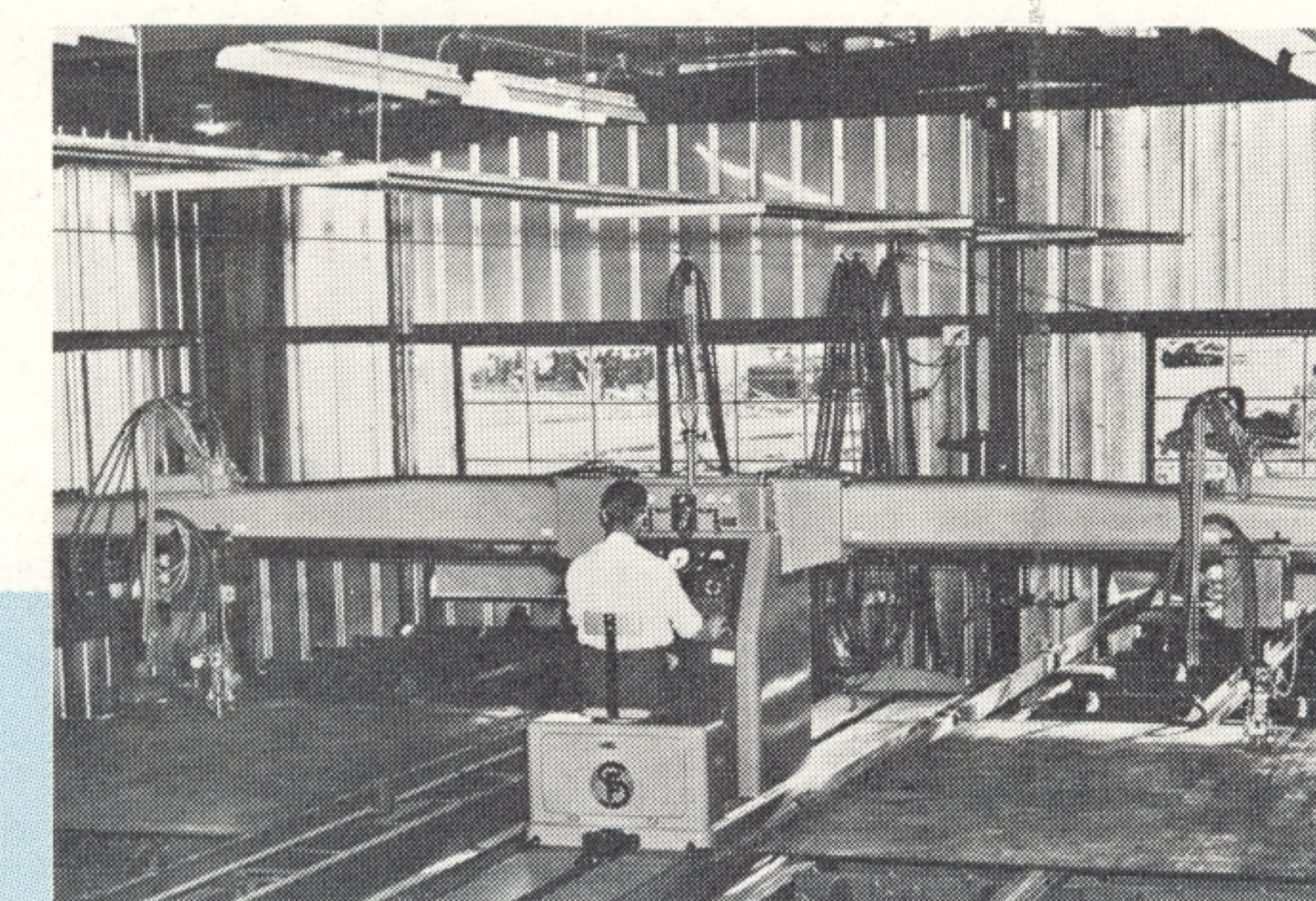
Employee relations on the whole were satisfactory. On the West and Gulf Coasts, contracts with various labor organizations expired during the year and new three-year contracts were negotiated. The increases in labor rates were in line with industry standards and considered to be within the national guide lines. The Seattle Division was the one exception to this generally satisfactory situation. There, a separate bargaining unit of machinists refused to accept an agreement which was satisfactory to all other unions representing employees in the plant and a strike resulted. Employees lost up to three months pay; the Company lost work that was irretrievable; and work already in the yard was seriously disrupted. The strike was finally settled with no significant change in the Company's offer made and agreed to by other unions before it began.

Despite the satisfactory year experienced by the Company, the maritime industries of the United States are seriously and adversely affected by the lack of any Government initiative to halt the decline in the use of American flag ships in worldwide trade and commerce.

Meanwhile, Russia pursues her current plan to dominate the trade routes of the world. In 1965, there were delivered to the Russian Merchant Marine 129 ships totalling 1,162,800 deadweight tons, while only 16 ships totalling 234,500 deadweight tons were constructed for the U.S. flag fleet. The Soviet merchant fleet, by all accounts, will soon surpass ours in tonnage and quality.

Practically every maritime nation in the world, except the United States, is taking measures to protect the national market, paying direct subsidies to shipyards, proffering tax benefits, favorable credit and financing terms and other forms of assistance to stimulate and strengthen its own shipbuilding industry.

There is, however, a growing public awareness that our merchant and naval fleets are in the throes of block obsolescence and that corrective measures are imperative if this country is not to become a third-rate maritime nation within the foreseeable future. In the coming year, decisions by the



Los Angeles Division plate preparation and storage yard showing monopole flame cutting machine buildings with loaded conveyor tables. Plates for all 14 destroyer escort vessels are cut here and those destined for Seattle shipped there via rail. (Inset) Monopole machine being operated.





Fully loaded Sea-Land container ship WACOSTA entering New York harbor on a recent voyage. One of two C2 vessels converted at the Galveston Division.

executive agencies of the Government and the Congress could meaningfully shape the direction and prospects of the industry for years to come.

We remain hopeful that the interest being generated in the plight of the Merchant Marine by all of the news media will result in corrective action or at the very least prevent further deterioration. We believe that if this objective is realized, the volume of shipyard business available should be such that profitable operations can be anticipated.

We shall, of course, continue to explore the possibility of expanding the Company's operations through diversification.

On April 13, 1966, Robert Freebairn, a Director and retired Vice President, passed away after a long illness. Since his retirement he had served as a Consultant for Sales. He was an employee of the Company for over forty-two years and was an able executive. His loss is deeply felt by all who knew him.

This year marks a memorable occasion for, on June 14, 1966, we reach the fiftieth anniversary of the founding of Todd Shipyards Corporation. In these fifty years of service, your Company has experienced many vicissitudes. We are proud of our significant contributions to our nation in peacetime, as well as in two world wars, the Korean war, the Suez crisis, and in the present-day conflict in Vietnam. We have weathered the great depression and several minor ones, and we have grown in size and stature during these fifty years. The facts and figures in this report indicate that your Company is in good position to embark upon the second half of a century of service. With this objective, we look forward to the continued support of our stockholders, employees and customers.

Respectfully submitted,

*John D. Heilger*

CHAIRMAN

*J. T. Gilbride*

PRESIDENT

May 23, 1966





# Consolidated Statement of Income and Retained Earnings

	YEAR ENDED MARCH 31	
	1966	1965
Sales . . . . .	\$132,933,965	\$100,167,488
Operating expenses:		
Labor, material and other expenses . . . . .	119,013,052	94,119,164
Taxes, other than federal taxes on income . . . . .	4,371,788	3,549,112
Depreciation . . . . .	1,808,275	1,722,675
Contributions to retirement and pension plans . . . . .	654,821	479,887
	<u>125,847,936</u>	<u>99,870,838</u>
Profit from operations . . . . .	7,086,029	296,650
Other income (deductions):		
Interest and debt expense, less interest income of \$182,013 and \$87,521, respectively . . . . .	(778,423)	(472,752)
Miscellaneous . . . . .	302,326	70,614
	<u>(476,097)</u>	<u>(402,138)</u>
	6,609,932	(105,488)
Federal taxes on income, excluding amounts applicable to extraordinary items, less investment tax credit of \$315,000 and \$35,000, respectively . .	<u>2,800,000</u>	<u>(100,000)</u>
Net income (loss) . . . . .	3,809,932	(5,488)
Extraordinary items:		
Estimated cost of closing Hoboken plant, less \$750,000 federal tax credit .	(825,000)	—
Gain on disposition of fixed assets, principally from sale of land, less \$625,000 federal taxes . . . . .	<u>—</u>	<u>2,071,377</u>
Net income (loss) and extraordinary item . . . . .	2,984,932	2,065,889
Retained earnings at beginning of year . . . . .	<u>30,552,327</u>	<u>29,508,647</u>
	33,537,259	31,574,536
Dividends paid — \$1.40 per share . . . . .	1,021,838	1,022,209
Retained earnings at end of year . . . . .	<u>\$ 32,515,421</u>	<u>\$ 30,552,327</u>

The accompanying notes are an integral part of this statement.





ASSETS	1966	1965
Current assets:		
Cash . . . . .	\$ 2,271,596	\$ 2,295,614
Accounts and notes receivable, including amounts unbilled of \$13,884,550 and \$9,156,537, respectively:		
U. S. Government . . . . .	11,484,969	6,626,893
Other . . . . .	23,187,645	18,487,049
	34,672,614	25,113,942
Work in progress, less progress billings . . . . .	13,152,441	13,471,210
Materials and supplies, at lower of cost or replacement market . . . . .	6,270,121	5,647,787
Prepaid insurance and other expenses . . . . .	1,649,095	1,890,188
Total current assets . . . . .	58,015,867	48,418,741
Funds — principally certificates of deposit — segregated for plant betterment program . . . . .	3,820,942	8,314,497
Tools and tool parts, at depreciated value . . . . .	1,422,388	1,580,443
Fixed assets, at cost:		
Plant, dry docks and equipment . . . . .	46,136,790	44,452,314
Less accumulated depreciation . . . . .	28,337,897	29,833,751
	17,798,893	14,618,563
Land . . . . .	4,308,290	3,939,134
Leasehold improvements, less amortization . . . . .	929,619	989,275
	23,036,802	19,546,972
Other assets . . . . .	1,160,786	1,240,010
	\$87,456,785	\$79,100,663

LIABILITIES	1966	1965
Current liabilities:		
Notes payable to banks . . . . .	\$ 1,500,000	\$ 3,500,000
Accounts payable . . . . .	16,040,686	10,064,406
Payrolls and vacations . . . . .	3,492,711	2,194,876
Taxes, other than federal taxes on income . . . . .	1,691,396	1,064,616
Federal taxes on income . . . . .	1,524,035	1,056,902
Total current liabilities . . . . .	24,248,828	17,880,800
5½% Notes due 1985, payable \$1,000,000 annually commencing February 1, 1971 . . . . .	15,000,000	15,000,000
Deferred federal taxes on income . . . . .	1,300,000	1,275,000
STOCKHOLDERS' EQUITY		
Common stock, \$20 par value:		
Authorized, 1,000,000 shares		
Issued, 746,709 shares . . . . .	14,934,180	14,934,180
Retained earnings . . . . .	32,515,421	30,552,327
	47,449,601	45,486,507
Less 16,825 shares of common stock held in treasury, at cost . . . . .	541,644	541,644
	46,907,957	44,944,863
	\$87,456,785	\$79,100,663

The accompanying notes are an integral part of this statement.



**NOTES TO FINANCIAL STATEMENTS — March 31, 1966**

**Note 1 — Sales**

Sales consist of the estimated realizable value of work performed under repair and construction contracts, and sales of manufactured products. Profits on short-term repair and construction contracts are recorded upon completion and on contracts requiring a construction period in excess of twelve months on a percentage of completion basis. Full provision is made for

estimated losses on contracts not completed. Work in progress is determined in accordance with this basis.

**Note 2 — Notes due 1985**

The 5½% notes limit the payment of cash dividends and the purchase of the Company's common stock. At March 31, 1966 retained earnings of approximately \$4,050,000 were not subject to this limitation.

*Accountants' Report*

**ARTHUR YOUNG & COMPANY**

277 Park Avenue  
New York, N. Y. 10017

The Board of Directors and Stockholders  
Todd Shipyards Corporation

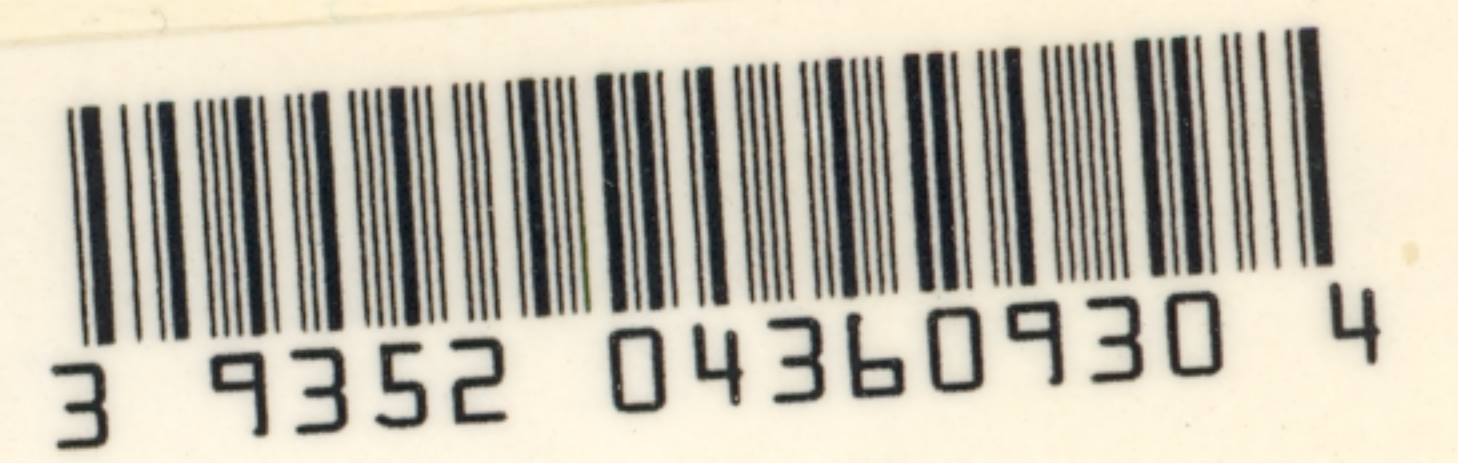
We have examined the accompanying consolidated balance sheet of Todd Shipyards Corporation at March 31, 1966 and the related consolidated statements of income and retained earnings and of source and application of funds on page 5 for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Todd Shipyards Corporation at March 31, 1966 and the consolidated results of operations and source and application of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

May 3, 1966

*Arthur Young & Company*





#### DIRECTORS AND OFFICERS

- \*JOHN D. REILLY  
*Chairman of the Board of Directors*
- \*JOHN T. GILBRIDE  
*President*
- \*JOHN D. REILLY, JR.  
*Executive Vice President*
- \*HARRY G. HILL  
*Executive Vice President and Counsel*
- \*CLIFFORD A. SHELDRAKE  
*Vice President-Finance and Comptroller*
- \*JOHN H. BAKER  
*Vice President-Sales*
- \*ROBERT FREEBAIRN†  
*Retired Vice President*
- HENRY D. OBST  
*Vice President-Industrial Relations*
- J. THOMAS EDGE  
*Treasurer*
- \*EDWIN K. LINEN  
*Secretary*
- LANGDON S. GODDARD  
*Assistant to the President*
- ROBERT J. FARRINGTON  
*Assistant to the President*

\*Directors †Deceased April 13, 1966

#### OPERATING DIVISIONS

##### General Managers

- ANGEL GARATE, Brooklyn  
*Brooklyn, N.Y.*
- BERT L. HALE, New Orleans  
*Algiers, Louisiana*
- RALPH F. ANSELM, Galveston  
*Galveston, Texas*
- LOWRY E. GILBREATH, Houston  
*Houston, Texas*
- CARL M. LIPPINCOTT, Los Angeles  
*San Pedro, California*
- AUSTIN D. SHEAN, San Francisco  
*Alameda, California*
- ROBERT G. ZENER, Seattle  
*Seattle, Washington*
- WILLIAM H. BOHN, Products  
*Brooklyn, N.Y.*

##### Managers

- R. O. MEHANN, Nuclear Division  
*Galveston, Texas*
- L. V. HONSINGER, Shipbuilding  
*New York, N.Y.*

#### SUBSIDIARIES

LESTER ENGINEERING COMPANY  
*Cleveland, Ohio*  
David J. Sloane, *President*

TODD COMBUSTION LIMITED  
*London, England*  
David L. Nicolson, *Chairman*



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