
**“Challenges To Offshore Maritime
Activity In The 21st Century”**

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I AM HONORED TO BE SPEAKING TODAY TO YOUR GROUP.

REST ASSURED THAT I WILL NOT BE DISCUSSING COGSA, THE NEW JASON CLAUSE, THE "BOTH TO BLAME" CLAUSE. IN MY EARLY CAREER I TRIED TO DECIPHER THESE OPAQUE LEGACIES OF ADMIRALTY JURISPRUDENCE, BUT I SOON GAVE UP. I REALIZE THIS IS A SHAMEFUL ADMISSION OF A MEMBER OF THE SOCIETY OF MARITIME ARBITRATORS.

MY THEME TODAY IS CHALLENGES TO THE MARINE INDUSTRY FOR THE 21ST CENTURY. IN PARTICULAR I WANT TO HIGHLIGHT TWO ISSUES: FIRST, THE EFFECTIVE USE OF CAPITAL IN MARITIME BUSINESSES; AND, SECOND, THE APPLICATION OF TECHNOLOGY TO MARITIME ACTIVITY.

I WOULD ALSO LIKE TO SAY A FEW WORDS ABOUT SEACOR AND UPDATE YOU ON THE STATE OF THE ENERGY BUSINESS, NOT ONLY BECAUSE THIS IS AN OPPORTUNITY FOR AN "INFOMERICAL," BUT ALSO BECAUSE IT SERVES TO ILLUSTRATE MY THEMES: EFFICIENT USE OF CAPITAL AND PRODUCTIVITY.

MANY OF YOU KNOW THAT SEACOR OWNS AND OPERATES "WORKBOATS." PERHAPS FEWER AMONG YOU REALIZE THAT WE OWN THE LARGEST COMMERCIAL MARINE OIL SPILL RESPONSE CONTRACTOR IN AMERICA, AND A PROVIDER OF SPILL MANAGEMENT SERVICES. SEACOR ALSO HAS A 30%+ OWNERSHIP, CHILES OFFSHORE, WHICH WENT PUBLIC LAST WEEK AND 65% OF ENERGY LOGISTICS INCORPORATED, A GULF BASED PROVIDER OF

LOGISTICS SERVICES. SEACOR'S PORTFOLIO INCLUDES BARGES AND BULK CARRIERS. FINALLY, SEACOR IS THE LARGEST SHAREHOLDER OF GLOBE WIRELESS, A COMPANY THAT PROVIDES E-MAIL SERVICE TO SHIPS AND MARITIME DESTINATIONS.

SEACOR IS A GLOBAL COMPANY.

WE HAVE ONE OF THE MOST MODERN FLEETS IN OUR INDUSTRY. WE HAVE MANAGED TO UPGRADE OUR ASSET BASE OVER THE LAST TEN YEARS WITHOUT DESTROYING OUR BALANCE SHEET AND WITHOUT RETURNING TO INVESTORS FOR NEW CAPITAL.

WE HAVE TRIED TO USE THE CYCLES IN OUR BUSINESS TO DISPOSE OF ASSETS THAT NO LONGER MEET OUR NEEDS, AND REPLACE THEM WHEN OPPORTUNITIES TO ACQUIRE GOOD VALUE MATERIALIZE. THIS IS NOT ALWAYS EASY.

THE PREPONDERANCE OF SEACOR'S EXPOSURE FOR THE MOMENT IS TO THE GULF OF MEXICO.

OUR DEEP WATER SUPPORT FLEET INCLUDES NOT ONLY OUR ANCHOR HANDLERS BUT ALSO THE LARGEST AND MOST SOPHISTICATED PSV IN THE GULF OF MEXICO, THE SEACOR GLORY. OUR NEW GENERATION CREW BOATS ARE RIGGED TO CARRY BULK CEMENT, CARRY CARGO AT SPEEDS OF UP TO 30 KNOTS, AND OUR MOST ADVANCED VESSELS, SUCH AS THE PHILLIP ALAN MCCALL, ARE FITTED WITH THRUSTERS AND CAPABLE OF OPERATING IN A "DYNAMIC POSITIONING" MODE. OUR LATEST

INNOVATION IS THE INTRODUCTION OF BUSINESS CLASS SEATING TO ENHANCE PASSENGER COMFORT.

SINCE 1997, SEACOR'S FLEET OF ANCHOR HANDLING VESSELS HAS BEEN INVOLVED IN OVER 260 RIG MOVES.

IN 1996 SEACOR ESTABLISHED ENERGY LOGISTICS, INC. WHAT ATTRACTED US WAS THE INEFFICIENCY IN THE GULF OF MEXICO SUPPLY CHAIN. OUR DATA SHOWED THAT APPROXIMATELY \$2.0 BILLION COULD BE SAVED IF THE EXISTING ASSETS USED TO SUPPORT DRILLING AND PRODUCTION COULD BE USED MORE EFFICIENTLY.

OUR MARKET CAPITALIZATION IS JUST SHY (FOR THE MOMENT) OF ONE BILLION DOLLARS AND WE ARE LISTED ON THE NEW YORK STOCK EXCHANGE.

LAST YEAR, BILL O'MALLEY, MY COUNTERPART - FROM BRAND X - ADDRESSED YOUR GROUP. AT THAT TIME THE ENERGY BUSINESS WAS CLAWING BACK FROM A VERY SHORT, BUT SEVERE DOWNTURN. THE PRICE OF CRUDE OIL WAS RECOVERING FROM LEVELS THAT HAD NOT BEEN SEEN IN MANY YEARS, ABOUT \$11.00 PER BARREL. THE PRICE OF NATURAL GAS WAS FLIRTING WITH LEVELS NOT SEEN SINCE 1992, ABOUT \$1.60 PER MILLION CUBIC FEET. COMPANIES SUCH AS OURS HAD MANY IDLE ASSETS.

TODAY THE FUTURE APPEARS AS PROMISING AS IT SEEMED BLEAK IN THE DARK DAYS OF 1999. TO

PARAPHRASE THE POPULAR SONG, WHAT A DIFFERENCE A YEAR MAKES.

THIS MONTH THE PRICE OF OIL REACHED \$37.00 PER BARREL AND THE PRICE OF NATURAL GAS EXCEEDED \$5.00 PER MCF. THERE ARE FEW IDLE ASSETS IN THE HANDS OF SERVICE CONTRACTORS. DRILLING RIGS ARE BUSY; FINDING A WORKBOAT IS ALMOST AS DIFFICULT AS GETTING A RESERVATION IN CAFÉ ANNIE'S ON A SATURDAY NIGHT.

I, FOR ONE, AM RELUCTANT TO HAZARD A GUESS AS TO WHAT THE ENERGY SITUATION WILL BE TWELVE MONTHS HENCE. MY TRACK RECORD AS A FORECASTER IS AT BEST MEDIOCRE. MY ONLY PREDICTION IS THAT PRICES WILL FLUCTUATE.

AS A GENERAL TENDENCY MOST OF US TEND TO PROJECT CURRENT TRENDS INTO THE FUTURE. MY NATURE IS TO LOOK FOR WHAT WILL CAUSE CHANGE. IT IS USUALLY THE UNEXPECTED THAT USUALLY CAUSES A CHANGE IN TREND, THUS IT IS UNLIKELY THAT ANY OF MY NIGHTMARES WILL BE THE UNDOING OF TODAY'S ENERGY PROSPERITY. NEVERTHELESS, WE SHOULD CONSIDER SOME OF THE NEGATIVES THAT COULD CONTRIBUTE TO A REVERSAL OF TODAY'S TRENDS: THE HIGH PRICE OF ENERGY; THE COLLAPSING EURO. BOTH ARE UNSETTLING. ADD TO THE PICTURE A RESTLESS SADAM, A STILL UNSTABLE INDONESIA; RUSSIAN PARANOIA; A SLOWDOWN IN AMERICA. IT IS EASY TO IMAGINE A CHANGE IN THE GLOBAL ECONOMY AND A REDUCED DEMAND FOR ENERGY.

A COMPANY SUCH AS OURS FACES VARIOUS CHALLENGES. OF THE MANY THAT PREOCCUPY ME, THE TWO STRATEGIC ISSUES ARE HOW TO USE CAPITAL PRODUCTIVELY, AND HOW TO POSITION OUR COMPANY TO ACHIEVE GROWTH, PREFERABLY BY SERVING MARKETS THAT HAVE EXPANDING DEMAND.

IN THE MACRO PICTURE SEACOR IS A SO-CALLED "OLD ECONOMY BUSINESS." TO MAKE MATTERS WORSE, WE SERVICE A HIGHLY CYCLICAL INDUSTRY, AND OUR CUSTOMER BASE IS SHRINKING AS OIL COMPANIES CONTINUE TO COMBINE.

THE UNPREDICTABLE NATURE OF THE ENERGY BUSINESS MAKES IT VERY DIFFICULT TO PLAN FOR CONSISTENT GROWTH. AS A CAPTIVE OF CYCLES IT IS DIFFICULT TO GROW EARNINGS. WORSE STILL I HAVE TO ANTICIPATE PERIODS OF SHARP REDUCTION IN ACTIVITY.

THESE CHALLENGES ARE CONUNDRUMS FOR ALL SECTORS OF THE MARINE BUSINESS: OIL TRANSPORT, TANKERS; BULK TRANSPORT; DRY CARGO; CHEMICAL TRANSPORT; AND CONTAINERIZED CARGO. OF COURSE THE MARITIME BUSINESS IS NOT ALONE AS A CYCLICAL INDUSTRY. HOUSING, AUTMOBILES, APPLIANCES, MACHINE TOOLS, CHEMICALS, PULP AND PAPER, AND SEMI-CONDUCTORS ARE INDUSTRIES, AND EVEN INSURANCE, TO NAME A FEW, THAT ARE CYCLICAL.

THERE ARE CYCLICAL INDUSTRIES AND CYCLICAL INDUSTRIES. UNFORTUNATELY MARITIME TRANSPORT AND SERVICES ARE NOT ONLY CYCLICAL, BUT ARE ALSO MATURE. UNLIKE THE DEMAND FOR SEMI-

CONDUCTORS, THE DEMAND FOR MARINE TRANSPORTATION IS NOT GROWING RAPIDLY NOR IS IT A SERVICE THAT IS PERIODICALLY REJUVENATED BY INNOVATION AND TECHNOLOGY.

WORLD TRADE FOR THE MOST PART HAS GROWN CONSISTENTLY DURING THE LATTER PART OF THE TWENTIETH CENTURY, BUT THE RATE OF GROWTH IS SLOW COMPARED TO THE GROWTH RATES IN OTHER INDUSTRIES SUCH AS FINANCIAL SERVICES, INFORMATION TECHNOLOGY, AND HEALTH CARE SERVICES. THE GROWTH IN DEMAND FOR ENERGY IS RATHER PLODDING WHEN COMPARED TO THAT FOR "CHIPS."


SEVERAL YEARS AGO SEACOR'S BOARD OF DIRECTORS DECIDED THAT IN ORDER TO ACHIEVE HIGHER PROFITS AND GROWTH OUR COMPANY HAD TO DIVERSIFY, INVEST IN PRODUCTIVITY, AND SEEK OUT GROWING MARKETS.

SEACOR'S FIRST SIGNFICANT MOVE IN DIVERSIFICATION WAS TO USE PROFITS FROM OUR WORKBOAT BUSINESS TO INVEST IN MODERN, STATE-OF-THE-ART DRILLING RIGS. IN 1997 MOST OF OUR DIRECT COMPETITORS WERE BUILDING NEW BOATS, AND FOCUSED ON ACQUIRING MARKET SHARE. MOST DRILLING CONTRACTORS WERE BUILDING EQUIPMENT TO WORK IN DEEP WATER. SEACOR DECIDED TO FOCUS ON EQUIPMENT THAT COULD DRILL COMPLICATED WELLS ON THE CONTINENTAL SHELF, DELIVER EFFICIENCY IN SUB-SALT WELLS, AND PERFORM 20-50% FASTER THAN A TYPICAL REFURBISHED RIG BUILT IN THE 1970'S OR 1980'S.

OUR MOVE INTO RIGS WAS NOT AN EASY DECISION, NOR WAS IT TAKEN LIGHTLY. THE TENDENCY IN OUR BUSINESS IS FOR BOAT COMPANIES TO BE BOAT COMPANIES AND RIG COMPANIES TO BE RIG COMPANIES. WHILE THERE ARE SEVERAL COMPANIES THAT DO HAVE SOME BOATS ALONG WITH RIGS, THE BALANCE IS CLEARLY WEIGHTED TO RIGS, SO MUCH SO THAT THE MARINE INVESTMENT IS INSIGNIFICANT. WE ARE THE ONLY COMPANY THAT HAS A MEANINGFUL EXPOSURE TO BOTH SECTORS.

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Ultra-Premium Jackup Drilling Rigs



- ❖ Superior leg length, extended cantilever reach:
 - Chiles Columbus* 511 ft.
 - Chiles Magellan* 544 ft.
 - Chiles Tonala (bareboat)* 477 ft. – 70' cantilever reach
- ❖ Three mud pumps; superior hydraulic horsepower, digital controls, state-of-the-art IT communications

18

THE DECIDING FACTOR IN OUR DECISION TO INVEST WAS OUR CONCLUSION THAT MODERN RIGS WOULD BE MORE EFFICIENT.

MANY, IF NOT MOST, OBSERVERS – AND INVESTORS – WHO FOLLOW OUR INDUSTRY, “TYPECAST” DRILLING UNITS BY THE WATER DEPTHS IN WHICH THEY CAN WORK. THIS PREOCCUPATION TENDS TO DIVERT ATTENTION FROM DRILLING EFFICIENCY.

MANY YEARS AGO MY FIRST BOSS TOLD ME, "BETTER BE LUCKY THAN SMART." LOOKING BACK THE DEPRESSION OF 1999 STILL IS VIVID IN MY MEMORY. I HAVE TO CONFESS TO CONSIDERABLE SELF-DOUBT IN SPRING OF 1999 AS D-DAY, "DELIVERY DATE" DREW NEAR.

BY MAY OPEC'S DECISION TO CUT PRODUCTION NUDGED UP THE PRICE OF OIL. AFTER A YEAR OF VIRTUALLY NO DRILLING FOR GAS IN NORTH AMERICA INVENTORIES BEGAN TO DECLINE. IT BECAME APPARENT WITH EACH WEEK THAT PRODUCTION OF GAS FROM EXISTING WELLS WAS FALLING OFF.

THE VALUE OF PRODUCTIVITY IS APPARENT FROM THE FOLLOWING SLIDES.

THE CHILES COLUMBUS RECENTLY COMPLETED A WELL THAT FOUR OTHER RIGS PREVIOUSLY ATTEMPTED WITH NO SUCCESS.

EVEN MORE STRIKING IS THE SUCCESS OF THE CHILES MAGELLAN IN COMPLETING A SUB-SALT WELL FOR BHP IN ALMOST ONE-HALF THE TIME ALLOTTED, THEREBY EARNING A LARGE INCENTIVE BONUS FOR THE CREW AND THE COMPANY. AS YOU CAN SEE, THE CHARTERER SAVED ALMOST \$8 MILLION DOLLARS.

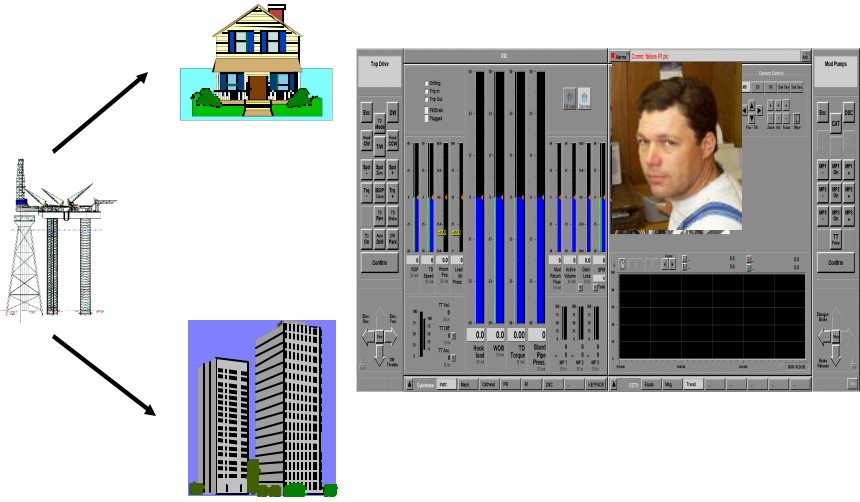
THE SUPERIOR PERFORMANCE OF THE CHILES RIGS IS THE RESULT OF MORE MUD PUMPS, MORE HORSEPOWER, BETTER LAYOUT FOR HANDLING

MATERIALS ON THE DRILLING FLOOR, AND USE OF DIGITAL CONTROLS.

THE LATTER IS IMPORTANT AS IT MAKES THE RIG OPERATION MUCH MORE RESPONSIVE DURING DRILLING OPERATIONS.

9/23/00 2:40 PM

Digital Controls Improve Efficiency



19

I WOULD CONTRAST THE DIFFERENCE BETWEEN ANALOG AND DIGITAL SYSTEM ON A RIG TO THE DIFFERENCE BETWEEN POWER STEERING AND BRAKES AND THE 1950'S CARS.

DIGITAL CONTROLS ALSO ALLOW DATA TO BE SHARED ON A "REAL TIME" BASIS. CHILES IS NOW WORKING TO COPYRIGHT SOFTWARE THAT WILL FEED ALL INFORMATION FROM THE RIG, AND INCLUDE VIDEO STREAMING OF PICTURES FROM THE DRILL FLOOR, TO A WEBSITE THAT CAN BE ACCESSED BY ANY AUTHORIZED EMPLOYEE FROM A WEB PAGE.

OUR FORAY INTO RIGS DIVERSIFIES OUR BASE IN ENERGY SERVICES BUT DOES NOT ADDRESS THE FUNDAMENTAL CHALLENGE: HOW TO USE CAPITAL MORE PRODUCTIVELY.

IN AN EFFORT TO DIVERSIFY WE HAVE DIPPED OUR TOE INTO BULK CARGO SHIPPING AND MORE RECENTLY INTO INLAND HOPPER BARGES. THESE DECISIONS REFLECT OUR BOARD'S VIEW THAT IN ORDER TO USE CAPITAL WISELY AND EFFICIENTLY WE CANNOT BE ENTIRELY TIED TO ONE HIGHLY CYCLICAL PRODUCT LINE.

WE HAVE JOINT OWNERSHIP IN A "HANDY" SIZE BULKCARRIER THAT WE PURCHASED DURING THE ASIAN CRISIS, AND ALSO JOINT OWNERSHIP IN A "HANDYMAX" NEWBUILDING THAT IS SCHEDULED TO DELIVER IN JULY 2001. WE SOLD OFF OUR FIRST NEWBUILDING POSITION THIS PAST JULY.

JUST RECENTLY WE PURCHASED SEVERAL INLAND HOPPER BARGES.

I FIRMLY BELIEVE THAT THE KEY TO IMPROVING RETURNS IN OUR BUSINESS IS TO STRUCTURE A DIVERSE PORTFOLIO. HOPEFULLY THAT DIVERSITY PROVIDES AN OPPORTUNITY TO USE CAPITAL IN ONE SEGMENT WHEN TIMING AND CIRCUMSTANCE DICTATE HOLDING BACK OR REDUCING COMMITMENTS IN OTHER BUSINESS LINES.

TO PUT THE DILEMMA FOR COMPANIES LIKE OURS IN PERSPECTIVE, ENERGY SERVICE CAN GENERATE VERY SUBSTANTIAL EARNINGS AND CASH FLOWS AT

CYCLE PEAKS. IN SEACOR'S CASE OUR BUSINESS PRODUCED ALMOST \$200 MILLION OF PROFIT AT THE PEAK OF THE LAST CYCLE. THERE ARE DRILLING COMPANIES THAT COULD GENERATE ONE HALF BILLION IN CASH FLOW IN THIS CYCLE.

IF SEACOR, CHILES AND OUR COMPETITORS WERE TO RESTRICT FUTURE INVESTMENTS TO RIGS AND BOATS, IT IS INEVITABLE THAT AS A GROUP WE WILL CREATE OVERSUPPLY OF THESE ASSETS.

ON THE ONE HAND WE CAN PILE UP CASH, WAITING FOR INEVITABLE DOWNTURNS. WE CAN THEN HOPE THAT PRUDENCE WILL BE REWARDED, AND OPPORTUNITIES WILL ARISE TO ACQUIRE ASSETS AT DEPRESSED PRICES. OF COURSE THIS DOES NOT ALWAYS OCCUR. IN THE LAST DEPRESSION FEW BARGAINS WERE AVAILABLE. THE INDUSTRY WAS MUCH BETTER CAPITALIZED THAN IT WAS DURING THE 1980'S, SO THERE WERE FEW DISTRESSED SELLERS. TODAY'S BANKRUPTCY LAWS ALSO MAKE IT EASIER FOR OVER-LEVERAGED COMPANIES TO RECAPITALIZE AND "HANG ON," THEREBY LIMITING THE TRADITIONAL OPPORTUNITY TO STEP IN AND FIND BARGAINS.

HOLDING CASH IS BETTER THAN SPENDING MONEY AT THE "PEAK" BUT IT IS NOT A SATISFYING STRATEGY. IDLE CAPITAL REDUCES RATES OF RETURN. OUR ALTERNATIVE IS TO FIND PRODUCTIVE OPPORTUNITIES FOR INVESTMENT OUTSIDE OUR CORE BUSINESS.

TIME WILL TELL IF OUR BUSINESS MODEL WILL PAY OFF. OUR STRATEGY IS NOT WITHOUT RISK.

THE CAPITAL MARKETS PREFER "PURE PLAYS." IN MOVING TO DIVERSIFY WE HAVE DECIDED THAT OVER THE LONG RUN WE WILL BE REWARDED IF WE PRODUCE RESULTS. WE CANNOT RUN OUR BUSINESS FOR THE APPARENT PREFERENCE OF WALL STREET ANALYSTS AND INVESTORS. FASHION TENDS TO SHIFT QUICKLY.

AS I MENTIONED EARLIER, SEACOR HAS ALSO DECIDED TO PURSUE BUSINESSES WHERE WE FEEL THE FUTURE HOLDS GROWTH IN CONTRAST TO CYCLICAL ACTIVITIES LIKE ENERGY SERVICE AND TRANSPORTATION.

WE HAVE STAKED OUT A POSITION IN THE APPLICATION OF THE "NEW ECONOMY" TO THE MARITIME INDUSTRY.

UNTIL 1998 SEACOR LIKE MOST OFFSHORE COMPANIES OPERATING IN THE GULF OF MEXICO RELIED MOSTLY ON SIDE-BAND RADIO FOR COMMUNICATIONS BETWEEN OUR VESSELS AND OUR OPERATING CENTERS.

AS WE BECAME CONVINCED THAT LOGISTICS WOULD PLAY A GREATER ROLE IN OFFSHORE ACTIVITY, WE BEGAN THE SEARCH FOR A MEANS OF PASSING DATA AND MESSAGES BETWEEN OUR VESSELS AND OUR OPERATIONS GROUP.

IN OUR SEARCH FOR A SERVICE PROVIDER WE STUMBLED ACROSS GLOBE WIRELESS, A SMALL CALIFORNIA BASED COMPANY THAT HAD HARNESSSED HF RADIO TO DIGITAL TECHNOLOGY AND THE INTERNET.

AS MANY OF YOU MAY KNOW, HIGH FREQUENCY RADIO (HF) WAS THE ESTABLISHED COMMUNICATIONS LINK BETWEEN VESSELS AND SHORE BEFORE THE ADVENT OF SATELLITE TELEPHONY, I.E., INMARSAT SERVICE.

FOR ABOUT ONE YEAR WE EXPERIMENTED WITH GLOBE WIRELESS AS A CUSTOMER AND BECAME COMFORTABLE WITH THE RELIABILITY OF 21ST CENTURY HF.

BASED ON OUR EXPERIENCE, I TOLD KEN JONES, CEO OF GLOBE, THAT IF GLOBE WERE TO NEED CAPITAL, SEACOR WOULD BE INTERESTED IN INVESTING. TODAY WE ARE THE LARGEST SHAREHOLDER IN GLOBE WIRELESS, OWNING 38% OF THE COMPANY. GLOBE RECENTLY CONCLUDED A \$55 MILLION PLACEMENT WITH SEVERAL VENTURE CAPITAL GROUPS THAT JOINED US AS INVESTORS.

THE INCONVENIENCE OF RADIO AS A MEANS OF COMMUNICATION WAS, HISTORICALLY, THE RESULT OF "FINICKY" INSTRUMENTATION, AND LIMITED COVERAGE DUE TO IONOSPHERIC CONDITIONS.

GLOBE'S SYSTEM APPLIED DIGITAL CONTROLS TO THE RADIO, THEREBY PERMITTING ACCURATE MATCH-UP WITH SIGNALS. GLOBE THEN STITCHED TOGETHER A NETWORK OF 19 STATIONS SPREAD FROM NEW ZEALAND TO CALIFORNIA, FROM NOVA SCOTIA TO SOUTH AFRICA.

BY USING THE INTERNET AND TWO CONTROL CENTERS, ONE IN CALIFORNIA AND ONE IN

LIVERPOOL, MESSAGES ARE DISTRIBUTED THROUGHOUT THE NETWORK AND BROADCASTED. THERE ARE ALWAYS SEVERAL FREQUENCIES THAT WILL REACH ANY SHIP, NO MATTER WHERE IT IS. GLOBE'S SOFTWARE AND MODEM ON THE VESSEL ARE CONSTANTLY SCANNING AND WILL LOCK INTO THE STRONGEST SIGNAL. TO THE PERSONNEL ON THE SHIP AND TO THOSE ON SHORE THIS SYSTEM OPERATES LIKE EMAIL IN AN OFFICE. THIS IS AN ENORMOUS ADVANCE OVER THE TYPICAL "STORE AND FORWARD" FORMAT USED TO REDUCE COST OF SATELLITE EMAIL.

GLOBE'S MOST RECENT SOFTWARE INNOVATION COORDINATES RADIO AND SATELLITE IN A PACKAGE DUBBED "GCC," THE GLOBE COMMUNICATIONS CENTER. "GCC" INTEGRATES THE GLOBE RADIO NETWORK TO SATELLITE, SO THAT THE SYSTEM WILL DEFAULT TO SATELLITE IN THE EVENT THAT A SIGNAL IS NOT AVAILABLE, OR THE RADIO FAILS, OR THE DATA PACKET IS TOO LARGE FOR EFFECTIVE TRANSMISSION OVER RADIO.

THE ADVENT OF EMAIL AND MESSAGING FROM VESSELS, AND SEAGOING PERSONNEL, TO THOSE ON SHORE OPENS UP AN EXCITING NEW UNIVERSE OF OPPORTUNITY FOR IMPROVING SERVICES REQUIRED TO SUPPORT MARITIME ACTIVITY AND THE QUALITY OF LIFE WHILE WORKING OFFSHORE OR ON TRADITIONAL VESSELS.

IN THE LAST 12 MONTHS GLOBE'S INSTALLED SHIP BASE HAS INCREASED ALMOST 70%.

OUR ORIGINAL INTEREST IN GLOBE HAD BEEN ITS UTILITY FOR OUR NEEDS AS THE OWNER-OPERATOR OF VESSELS, MOSTLY TO TRANSMIT ROUTINE OPERATING INFORMATION. IT SOON BECAME APPARENT THAT THE POTENTIAL FOR MARITIME EMAIL AND DATA TRANSMISSION IS FAR GREATER THAN WE HAD INITIALLY ENVISIONED.

SEA-GOING STAFF HAVE FOUND EMAIL A HUGE BENEFIT, PARTICULARLY ON OUR VESSELS WORKING IN WEST AFRICA AND THE FAR EAST. GLOBE'S FILES ARE FILLED WITH APPRECIATIVE NOTES FROM PERSONNEL ON TANKERS, CONTAINER SHIPS, AND CARGO VESSELS WHO ARE ENJOYING AN IMPROVED QUALITY OF LIFE BY DINT OF BEING ABLE TO COMMUNICATE WITH FAMILIES.

THE EXPANSION IN CREW ACCOUNTS HAS ACTUALLY GROWN MORE RAPIDLY THAN ACTUAL VESSEL ACCOUNTS. FROM AUGUST OF 1999 TO AUGUST OF 2000 CREW ACCOUNT GREW 80%.

TODAY'S WORLD IS A FAR CRY FROM MY EARLY DAYS AS A SHIP OWNER WHEN OUR OFFICE WAS TRAFFIC MANAGER FOR HUNDREDS OF LETTERS PASSING BETWEEN SAILORS AND FAMILIES. IT WAS NOT UNCOMMON FOR LETTERS TO TRAVEL FROM ONE PORT TO ANOTHER CHASING SHIPS THAT HAD DEPARTED BEFORE WE COULD FORWARD CREW CORRESPONDENCE TO THE PORT AGENT. YOU CAN WELL IMAGINE THE DIFFERENCE THAT MESSAGING MAKES.

I EXPECT PERSONAL COMMUNICATIONS TO INCREASE RAPIDLY NOW THAT GLOBE HAS SOFTWARE THAT

ALLOWS INDIVIDUAL CREWMEMBERS TO USE PRE-PAID CARDS OR TO OPEN ACCOUNTS THAT DON'T GET MINGLED WITH THAT OF THE OWNER.

THE GENERATION OF SOFTWARE UNDER DEVELOPMENT WILL INTERFACE TO A NETWORK ON BOARD THE VESSEL, THEREBY ISOLATING CREW CORRESPONDENCE AND PROVIDING PRIVACY. SINCE 1997, NO SEACOR VESSEL OR RIG HAS BEEN BUILT WITHOUT INCORPORATING FOR DATAPORTS IN EVERY CABIN AND STATEROOM.

DURING THE TWELVE MONTHS ENDED THIS PAST JULY MESSAGE TRAFFIC AT GLOBE INCREASED 124%. THE INCREASE IN KILOBITS WAS EVEN MORE DRAMATIC, 190%.

GLOBE'S EXPERIENCE IS CONSISTENT WITH THAT OF INMARSAT, WHICH, AS YOU KNOW, CARRIES MOST OF THE TRAFFIC BETWEEN SHIPS AND SHORE. LAST YEAR, INMARSAT PREDICTED THAT BY 2003 MOVEMENT OF DATA WOULD PROVIDE 63% OF THE TRAFFIC ON ITS SATELLITES.

I SUSPECT TODAY INMARSAT WOULD PROJECT THAT PERCENT TO BE EVEN GREATER, PARTICULARLY IF DATA ALSO INCLUDES IMAGES AND INTERNET ACCESS.

MARITIME COMMUNICATIONS TODAY IS ENTERING THE STAGE THAT BEGAN IN THE EARLY 1990'S FOR THOSE OF US ON LAND. FAX WAS THEN STILL THE PRIMARY MEDIUM FOR TRANSMITTING WRITTEN MATERIAL. AL GORE HAD JUST INVESTED THE

INTERNET. EMAIL WAS LIMITED TO LARGE CORPORATIONS AND UNIVERSITIES.

THERE IS CONSIDERABLE ROOM FOR GROWTH. IT IS HARD TO BELIEVE THAT IN 2000 SHIPS'AGENTS AND OTHER SUPPORT SERVICES STILL USE TELEX AND FAX WHEN COMMUNICATING WITH VESSELS AT SEA.

LOOKING BEYOND "E-MAIL" A WHOLE HOST OF NEW OPPORTUNITIES ARE DEVELOPING. THE INTERNET TOOK SHIPPING BY STORM LAST YEAR. ENTERPRISING ENTREPRENEURS ARE WORKING ON "WEB-SITES" FOR PURCHASING, FOR BUNKER TRADING, AND FOR "BROKERING" CARGO AND VESSELS.

ON OUR OWN VESSELS, DIAGNOSTIC PROGRAMS HAVE BEEN INCORPORATED INTO COMPLEX MACHINERY TO ALLOW OPERATIONS TO BE MONITORED FROM REMOTE LOCATIONS AND PROVIDE TECHNICIANS INFORMATION TO CORRECT PROBLEMS AS THEY ARISE. WE HAVE DUBBED THIS PROGRAM, "WINCH CALL HOME." THE SOFTWARE CAN RE-PROGRAM R2D2 WHEN HE IS DISOBEDIENT. WE NO LONGER HAVE TO PAY FOR A COSTLY TECHNICIAN TO VISIT THE VESSEL, JUST TO FIND OUT THAT WE HAVE TO PUSH A "RE-SET" BUTTON.

THE MARRIAGE OF DIGITAL PHOTOGRAPHY WITH IMPROVED TRANSMISSION SPEED FOR DATA MEANS THAT WE CAN NOW GET REAL-TIME IMAGES THAT PORTRAY ACCURATELY WHAT IS HAPPENING ON VESSELS.

IT TAKES LITTLE IMAGINATION TO CONJURE APPLICATIONS THAT WILL BECOME PRACTICABLE AS BANDWIDTH INCREASES, AS TRANSMISSION SPEEDS BECOME FASTER, AND AS COST OF COMMUNICATING IS REDUCED. LIFE AT SEA IS ALREADY CHANGING AND IT WILL CHANGE MORE RAPIDLY OVER THE NEXT FEW YEARS. THERE WILL SOON BE OPPORTUNITIES FOR INTERACTIVE DISTANCE LEARNING, PURCHASING FROM THE INTERNET, AND ON-BOARD ENTERTAINMENT.

TWO YEARS AGO I SPOKE TO A GROUP COMPRISED OF NORWEGIAN AND GREEK SHIPOWNERS. WHEN I SUGGESTED THAT SOON THEY WOULD BE INSTALLING NETWORKS ON THEIR VESSELS, THE REACTION WAS NEGATIVE. MANY DID NOT BELIEVE ME; MOST CONSIDERED THE PROSPECT OF SPENDING MONEY TO UPGRADE COMMUNICATIONS ON THEIR SHIPS UNWELCOME. TODAY, MANY OF THE SAME OWNERS ARE INSTALLING SERVERS, OR COMMUNICATIONS CENTERS FOR THE CREW.

WE AT CHILES ARE IN THE PROCESS OF INSTALLING AN ENTERTAINMENT MODULE ON BOARD OUR RIGS, OFFERING AN ARRAY OF LEISURE TIME OPTIONS FOR THOSE ON BOARD. TODAY, WHEN IT IS INCREASINGLY DIFFICULT TO RECRUIT PEOPLE TO WORK AT SEA OR ON DRILLINGS RIGS, IMPROVING THE QUALITY OF LIFE FOR THOSE ON BOARD IS IMPORTANT. WE HAVE SET ASIDE A ROOM FOR A "LEARNING CENTER" AND RETROFITTED A GYMNASIUM INTO THE CHILES MAGELLAN. OUR NEW RIG UNDER CONSTRUCTION IN SINGAPORE WILL HAVE A REGULAR FITNESS CENTER.

OUR PLAN AT SEACOR IS TO MAKE ADDITIONAL INVESTMENTS IN BUSINESSES THAT FOCUS ON IMPROVING PRODUCTIVITY IN MARITIME ACTIVITY OR ENHANCE THE QUALITY OF LIFE ON BOARD VESSELS. WHEN WE FIND ENTREPRENEURS THAT WE CAN BACK, WE ARE KEEN TO HELP THEM TO BUILD PRODUCT LINES.

I CANNOT RESIST A "PLUG." IF ANY OF YOU IN THE AUDIENCE ARE WORKING ON A PROJECT THAT MARRIES INFORMATION TECHNOLOGY OR COMMUNICATIONS TO YOUR TRADITIONAL ACTIVITIES, AND IF YOU NEED CAPITAL, CALL SEACAP, SEACOR'S VENTURE CAPITAL DIVISION.