# Interview with Thomas B. Crowley, Jr. Chairman, President & CEO



AN PHOTOS THIS ARTICLE BY SETH AFFOUMADO

# Maritime Corporation

**TME:** The recent purchase of Marine Transport Lines (MTL) promises to enhance Crowley's position in the petroleum and chemical transportation industry. What do you believe are the primary synergies that MLT brings to your organization? **Crowley:** MTL has four main business lines – Chemical Parcel Transportation, Refined Petroleum Transportation, Crude Oil Lightering, and Ship Management. All of these businesses complement the service offerings of other Crowley business units, and we share common customers, as well as a commitment to environmental responsibility and operational integrity. We believe that by continuing to run these business units using the best practices employed by each, that they will continue to deliver synergistic benefits.

The Chemical business is new to Crowley and one that we are very excited about adding to our core capabilities. The MTL team has done a remarkable job building up that business in terms of securing key contracts, investing in long lived tonnage, and establishing a strong market reputation. We'd like to build upon that and strengthening this position further.

**TME:** Will MTL remain a separate operating entity or will it be integrated into Crowley Petroleum Transport and be headquartered in Seattle?

**Crowley:** It is our plan to operate MTL as a Crowley business unit from its existing headquarters in Weehawken, NJ. Crowley Petroleum Transport will continue to be based in Long Beach, CA and our West Coast Oil Barge Service will continue to be based in Seattle.

**TME:** The Oil Protection Act of 1990 (OPA90) will phase out MTC's single hulls, namely, the Courier (2003), Patriot (2003), Rover (2004) and Marine Columbia (2006). Since these vessels are essential core assets of the company, is it safe to assume that Crowley (CPT) will consider building double hulls to replace them?

**Crowley:** It's true that these vessels you mention are core to MTL's Refined Petroleum Transportation business. Before we consider building double-hulled replacement vessels, we need to do our best to get a handle on what the demand is going to be in 2003 and beyond. We will be working with our customers to assess what their needs are going to be and then we'll invest in new capacity that will ensure that we continue to meet their Refined Petroleum Transportation needs well into the future.

As for the Marine Columbia, she is a large crude carrier operating in the Trans Alaska Pipeline trades and will most likely be retired from US trading once she reaches her OPA retirement date.

**TME:** Traditionally, Crowley Marine Services moved oil products through its tug and barge operations. In 1997, with the purchase of the Coast Range and Blue Ridge, Crowley Petroleum Transport was inaugurated. What was the impetus to move into the high volume world of tankers?

**Crowley:** Crowley has moved oil in the coastwise trades for over 60 years and we consider oil transportation one of our core capabilities. We expanded into the tanker market because the opportunities for growth in oil barge transportation are limited. By purchasing MTL we not only continue our growth in the tanker busi-

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ness, but we add chemical parcel tanker transportation to our suite of services. Now we can offer a wide variety of customers efficient transportation solutions tailored to their needs and back these services by the largest and most diverse coastwise transportation infrastructure in the United States.

### **TME:** Are you concerned about the seemingly unlimited liability of operators today?

**Crowley:** Liability is always a concern when operating these types of assets. The key is to minimize that liability by achieving the highest levels of operational integrity and zero spills. That's why we have made our quality assurance programs second to none in the industry. In fact last year, we were honored to receive the Benkert Award, the U.S. Coast Guard's premier environmental protection award, for implementing outstanding marine environmental protection programs. In making the presentation the Coast Guard said Crowley's programs far exceeded mere compliance with industrial and regulatory standards. All of us at Crowley are extremely proud of this recognition.

Our relatively large size and diverse operations enable us to employ a staff dedicated to Quality Assurance and implementation of safety management systems. We believe it is possible to achieve zero spills and that the risk of oil spills is manageable. In the last two years Crowley companies have moved over a quarter million barrels of oil, accomplished more than seven thousand cargo transfers and had no cargo transfer spills.

### **TME**: With regard to OPA90, do you believe that these regulations are effective in preventing oil spills?

**Crowley**: Yes, we do believe that OPA 90 has been effective in preventing oil spills. The industry has invested billions of dollars in the effort to upgrade equipment, training, and safety management systems in response to OPA 90 regulations.

### **TME**: What provisions in the law would you change as an operator of petroleum barges and tankers?

**Crowley:** One very serious problem with the entire oil spill liability regime in the U.S. today is the imposition of criminal liabilities for accidental events. True accidents, not caused by negligence or recklessness, should not be criminalized under OPA 90 or any of the other statutes that may be used to prosecute seafarers and ship owners. If accidental events are subject to criminal liability, the industry's Safety Management System records potentially become weapons of aggressive

prosecutors. In addition, the threat of criminal liability can inhibit accident investigations as has been pointed out by the National Transportation Safety Board. Finally, on top of all this, the effect of exposing vessel owners and professional seafarers to strict criminal liability for accidental events is to drive the best of them out of the industry. This cannot be good public policy, and could ultimately expose the environment to greater risk.

We firmly believe that mariners, corporations and corporate officers who engage in reasonable conduct intended to comply with the law should not be subject to criminal prosecution.

**TME:** It is our understanding that Crowley subsidiary Vessel Management Services is building two Articulated Tug/Barge units at Halter Marine, with the possibility of building four additional units in the future. Are these units replacements for single hull barges that will be phased out?

**Crowley:** Our company, Vessel Management Services, has entered into a contract with Halter Marine to construct two ATBs with options on four additional units. Vessel Management Services owns, builds, sells or charters vessels to other Crowley companies or to third party companies. Our decision to build these and possibly additional units is based on a projected need by oil companies to replace tankers with more cost efficient ATB units. Our decision was not prompted by a need to replace single hulled barges in other Crowley companies as we believe these barges have sufficient OPA life and capacity to serve our current customers for the foreseeable future.

### **TME:** Will these ATBs operate in the spot market, or are they being built for specific clients?

**Crowley:** Our intention is to construct these units based on contracts with specific customers. The capital requirements necessary to construct these units are far too great to rely on the spot market.

**TME:** In the past, the 450 barges were the prime coastal barges for oil transportation, what is the current state of your offshore equipment? How many tugs and barges are in operation today? **Crowley:** We originally built and operated eleven 450 Series oil barges for the domestic trade. Over the years, six of these were converted to non-oil, or foreign trade service. The 450's continue to be the mainstay of Crowley's West Coast & Alaska oil barging business. We currently operate five 450

We barge cargo and materials during the warmer months and utilize our CATCO all-terrain vehicles for tundra travel, cargo transportation and ice road construction during the winter.



### barges and five other oil barges ranging from 40,000 barrels to 130,000 barrels.

**TME**:Since the early North Slope Sealift days, Crowley has been involved with the Prudhoe Bay operations. We understand that the company still has a major presence on the North Slope. What support services does Crowley provide in the region today?

**Crowley:** Our Alaska-based company, Crowley Alaska, Inc., provides support to the owner companies at Prudhoe Bay through a number of water and land based services. Our marine operations involve providing equipment for spill response, barging between arctic locations in the Beaufort Sea and transporting the seasonal sealifts to Prudhoe Bay. With our CATCO group we provide support for winter exploration in remote areas with heavy hauling and ice road construction with our CATCO all-terrain vehicles.

**TME**: Regarding the North Slope, the major oil companies would like to build a natural gas pipeline to Port Valdez. Do you support the initiative?

**Crowley:** The route may not necessarily be to the Port of Valdez, but yes we do support the construction of a natural gas pipeline. For ANWR we believe exploration can be done responsibly. The history at Prudhoe Bay has shown that ANWR can have environmentally sound exploration, development and production. The Petroleum Industry has pursued its interest in the National Petroleum Reserve – Alaska (NPRA) in an environmentally responsible manner setting the industry standards for all future development.

# **TME:** Also, what are your beliefs regarding the Arctic National Wildlife Refuge (ANWR) and the possibility of oil exploration there?

**Crowley**: For undeveloped areas like the NPRA and ANWR Crowley's transportation methods provide minimal impact to the environment. We barge cargo and materials during the warmer months and utilize our CATCO all-terrain vehicles for tundra travel, cargo transportation and ice road construction during the winter. These are transportation alternatives to building permanent roads. Our CATCO units are the vehicles of choice in exploration projects, because they float their loads over large airbag tires with minimal ground pressure. We have worked with the oil industry for years to perfect our arctic transportation on water and land, so we know first hand how sensitive the environment is to all parties involved. We even

### position and crew oil spill response vessels on the North Slope for the oil industry.

**TME:** Since the Exxon Valdez, the Oil Protection Act of 1990 has changed the landscape of petroleum transport. The impact of the Act can be clearly seen in tanker assist and escort operations through Prince William Sound. What is Crowley's mission there?

**Crowley:** In Valdez our primary mission is prevention and response in support of Alyeska Marine Terminal. Back in 1995 Crowley entered into a long-term marine management agreement with Alyeska to provide tugs, barges, and qualified personnel to help meet compliance with the federal and state regulations imposed as a reaction to the spill.

We have developed and built vessels to meet the "Best Available Technology," requirement of the State of Alaska and Alyeska, both of which are committed to making Prince William Sound safe for oil transportation. Prevention through tanker escort, response through personnel and equipment, preparation through training and maintenance, and ship assist work at the terminal are all services we provide for our customer.

This is the most comprehensive spill prevention and response operation in the world. We are proud to have partnered with Alyeska in designing, building and operating this very unique system.

**TME:** What Crowley equipment do you have deployed there? **Crowley:** In the past two years Crowley has added three Prevention Response Tugs (PRTs), two Enhanced Tractor Tugs, and one Protector Class Tractor Tug. The PRTs can generate a certified bollard pull of 305,000 pounds and a free running speed in excess of 16 knots, and are equipped for firefighting, emergency response and oil spill recovery. The Enhanced Tractor Tugs are the most powerful cycloidal propulsion tugs ever built, capable of a bollard pull of 208,000 pounds and a vessel speed of 14.5 knots.

In addition to these state-of-the-art tugs we operate three conventional tugs, a supply boat, and an oil spill response vessel. We have six large barges, four of them manned, and an assortment of skimmers and smaller barges working out of Valdez in support of response readiness.

**TME**: Crowley has a significant base of operations in Western Alaska. What services are provided there?

Crowley: The primary business encompasses petroleum

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transportation, distribution and sales activities. We utilize a mix of offshore and shallow-draft vessels for the marine requirements. We also own or operate several tank farm terminals in Western Alaska. Crowley serves a diverse customer base spread over a very large geographical market. This business requires extensive operational planning, logistical expertise and represents a major component of Crowley's commitment to serving the Alaska market.

## **TME:** In recent years, Crowley has made significant investments in tractor tugboat technology for its harbor operations. Will you continue to invest in this technology?

**Crowley:** Yes, I believe we will. We continue to work with our customers to ensure that their needs are being met. When the time comes for new equipment, we will respond accordingly with the type of tug that best fits their requirements.

Ships have gotten bigger, regulations have gotten stricter and pilots have become more demanding when it comes to tug capabilities. In turn, our customers have asked us for a higher level of tug service. We have responded to these concerns and, in a very short span of time, have built what I believe to be one of the finest fleets of harbor tugs in the world today. Over the past 5 years we have taken delivery of 14 tractor type tugs representing an investment on our part of more than \$140 million. Crowley currently operates tractor tugs ranging in size of 4,000 hp up to 10,000 hp. Our Alert Class Prevention and Response Tugs (PRTs) and our Prince William Sound Enhanced Tractor Tugs (ETTs) are the most powerful tugs of their kind in the world. Our Protector Class and Harbor Class tugs are utilized for both escort and ship assist work in all the harbors in which we currently operate.

In addition to the tractor tugs, we also continue to operate a fleet of high horsepower, twin screw conventional tugs in the harbor, which in some cases are more appropriate to use than the tractor tug – it all depends on the situation. The bottom line to all of this is that Crowley has the right tug available to do the job when the customer wants it done.

**TME:** Crowley has an excellent fleet of conventional tugboats used for coastal towing. Do you foresee tractor tugs being employed for outside towing assignments, or will that remain a conventional boat operation?

**Crowley:** Other companies do use tractor tugs to perform outside towing. These tugs utilize Z drive technology to perform this type of towing and in some cases it is very advanta-

geous to use this type of tug. At Crowley we don't deploy any of our tractor tugs for outside towing, primarily because we operate an outstanding offshore towing fleet of high horsepower, twin screw tugs, which are specifically designed for offshore work. In particular, our Sea Victory Class tugs have been a workhorse for us and will continue to be an important piece of equipment in years to come.

### **TME:** What are some of the more notable towing assignments you have taken on in recent years?

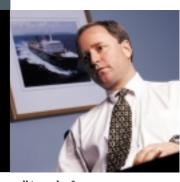
**Crowley:** Over the past several years the Sea Victory has had the honor of towing the battleship USS Missouri from Bremerton, WA to Honolulu, HI, the USS New Jersey from Bremerton to Philadelphia, PA and the USS Oriskany – a decommissioned aircraft carrier – from San Francisco, around Cape Horn to Beaumont, TX. She has also assisted in the salvage efforts of the M/V Carrissa off the cost of Oregon. In addition to the Sea Victory Class tugs we operate 25 Invader class tugs – both on the U.S. West Coast and in the U.S. Gulf and East Coast. The Invader class tugs are 7,200 hp tugs that have been used to tow barges and vessels to locations around the world, including Puerto Rico and the Caribbean, Africa, Alaska and Asia. All of our offshore equipment is suitable for providing rescue and emergency response, and we have been called upon to help many distressed vessels at sea.

### **TME:** What services are provided by Crowley Marine Services – East Coast and International?

**Crowley:** Our Crowley Marine Services – East Coast and International business unit offers a broad scope of transportation and logistics services primarily to the petroleum industry and its offshore field developments. We use our specialized equipment, personnel, expertise and experience to provide transportation and marine support services for the installation of platforms and platform components on a worldwide basis. The flexibility of our equipment also allows us to service multiple markets at once, not just petroleum related. We also provide rescue tow and salvage services, general and outsized cargo towage services, government project mobilization, power and power generation projects and service other customers with specialized transportation requirements that cannot be met through more conventional modes of transportation.

**TME:** What opportunities you see with this business unit in the international arena?

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**Crowley:** The Gulf of Mexico is a growth market in some respects and relatively static in others. The offshore oil industry is moving into deeper water. While the installation of new facilities will require new equipment to meet transportation needs, the volume of components transported should remain relatively flat, with the possible exception of pipeline projects. The harbor tug market could be viewed as a growth market if the potential for additional offshore lighterage facilities, such as Floating Storage, Production and Offloading Systems (FSPOs), and expected increases in trade with NAFTA and NAFTA parity countries is realized.

We also offer logistics services to the energy industry. Customers typically ask us to assist in the set-up and operation of material and personnel logistics during various stages of their exploration and production program. This could range from support of remote exploration drilling to managing material logistics for field development; to supervision of crude offloading and marine transportation. We do this by working with operator teams to design and manage upstream logistics, including supply base operations, rig delivery, marine management and local subcontractor training.

**TME:** The major steamship lines are consolidating into consortiums, which reduce ship traffic and port calls. However, they are building mega-container ships that will carry seven to fourteen thousand twenty-foot containers (TEUs). What impacts will these mega-ships have on your harbor fleet operations?

Crowley: We have already seen the size of containerships increase tremendously over the past five years. It doesn't seem very long ago when we all regarded a 3,000 TEU vessel as being huge. We are now seeing vessels up to 6,600 TEUs with plans for even larger ships in the near future. Ports are modifying their infrastructures to meet the requirements of carriers and their larger ships. Fortunately we believe we are already positioned to meet the demands of these ship owners. Recently, we assisted the largest vessel ever to call in Long Beach, CA, the Stena Commerce, a 300,000 dead-weight-ton, very large crude carrier (VLCC). We utilized four of our Harbor Class Tractor tugs to assist her and we worked closely with the local pilot organization to ensure a safe passage. Our fleet of harbor tugs consists of some of the most powerful and modern equipment you will find on the West Coast. So, from an operational aspect I believe that we have anticipated the growth in size of the vessels calling and are prepared to assist them well into the future. TME: With the introduction of larger ships, do you think there will be fewer port calls?

Crowley: It's logical to think that larger ships would mean fewer ship calls. However, I'm not so sure that his will be true when it comes to West Coast ports, and in particular those in Los Angeles and Long Beach. The ports of LA/LB have been building infrastructure to enable them to handle larger volumes of cargo. Good examples of this are the Pier 300 and 400 projects, the development of the Long Beach Naval Station as a container terminal and the construction of the Alameda Corridor. Container volumes moving through the ports are projected to continue to rise, and when you factor in the increased demand for the resources of the port, it leads me to believe that vessel calls will actually increase over time versus decrease. This bodes well for us and for U.S. West Coast ports. TME: The Crowley fleet left San Francisco Bay in the mid-1990s. Your corporate headquarters are there, and it is the birthplace of the Corporation. This begs the question: Will Crowley boats return?

### **Crowley:** We hope to return to the Bay if and when the market will allow for a profitable business.

**TME:** The recent purchase of Crowley American Transport by Hamburg-Sud has transformed your transportation base of operations. Please explain the services now provided by Crowley Liner Services into Latin America and the Caribbean. **Crowley:** After we sold most of our South America liner services and Crowley American Transport brand name to Hamburg Sud last year, we restructured our remaining carrier operations under the new name, Crowley Liner Services, with both Latin America and Puerto Rico/Caribbean divisions. These units are more autonomous and offer customers faster response and flexibility through a decentralized organizational structure. Each unit has its own sales, marketing, customer service and booking & rates teams. Each also manages its own operations, and pricing, yield management and financial analysis functions.

Both of these operating groups provide ocean transportation for cargo in containers and trailers, along with transportation for automobiles and oversized cargo unable to fit in containers or trailers. The Latin America unit serves the U.S., Mexico, Central America, Panama, Venezuela, Colombia, Jamaica and the Dominican Republic. Our Puerto

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Rico/Caribbean group serves the U.S., Canada, Puerto Rico, the Bahamas and approximately 18 islands in the Caribbean. **TME**: Some carriers in your trades seem content to offer weekly or fortnightly services. What is your philosophy on serving the marketplaces?

**Crowley:** We place a great deal of emphasis on providing services to meet the needs of customers shipping to or from the various countries we serve. For example, we sail four times a week to Puerto Rico to ensure that items such as grocery store merchandise, new automobiles and department store merchandise are readily available to replenish inventories. Conversely, our northbound service is unsurpassed both in frequency and capacity. On top of that we're transporting four loads southbound for every load northbound, so the backhaul rates are very attractive for our Puerto Rico-based customers.

We blanket the northern zone of Central America with five weekly sailings to meet the production needs of our apparel customers. The other thing we emphasize is being on time. Our apparel customers don't want their spring fashions arriving in summer and nor do we. If through some circumstance beyond our control, our schedule does slip, our employees are committed getting back on schedule as quickly as possible by any means possible.

### **TME:** Crowley also has operations into Puerto Rico and the Bahamas. Are they mostly Ro/Ro operations?

**Crowley:** Our Puerto Rico and Caribbean Services while including four sailings per week to Puerto Rico and two sailings per week to the Bahamas, also encompass a weekly sailing to the Virgin Islands and the Eastern Caribbean Islands. The Puerto Rico and Bahamas Services are both Ro-Ro operations that represent about 84 percent of our Caribbean service volume, and the balance is accounted for in the Virgin Islands – Eastern Caribbean service where we run a Lo-Lo operation. **TME:** *Are the markets growing?* 

**Crowley:** All three markets, Puerto Rico, Virgin Islands – Eastern Caribbean and Bahamas, are mature markets that don't represent a significant opportunity for growth. In the first nine months of 2000, it appears that the southbound market from the states to Puerto Rico declined by 1.8 percent. This includes the volume of automobiles moving in the trade. In the same period, the northbound volumes grew by approximately 3 percent. Our current business plan anticipates a 2-3 percent growth in Puerto Rico cargo volume during 2001,

however that could be negatively impacted by a slowdown in the US economy during 2001.

For the same period we found Virgin Island cargo volumes to be on a par with the prior year with little or no change. However, the Eastern Caribbean islands served by Crowley incurred a decline in volume for the same period of 11 percent with the decline being primarily attributed to volume reductions experienced in Antigua and Trinidad. Cargo volume to the Bahamas grew by almost 3 percent for the first nine months of 2000 vs. the same period for the prior year.

TME: What difficulties do you see in this trade?

**Crowley:** While we have anticipated some growth in all three of our trades, all service areas remain over tonnaged, especially Puerto Rico where we estimate the carriers capacity to exceed the volume of cargo by approximately 22-25 percent. The result is a constant pressure on rates making it difficult for the carriers to justify the high cost of reinvesting in our fleets.

A second serious issue faced by all of the carriers serving Puerto Rico and the Caribbean is the high cost of fuel. In our case the cost of fuel for our vessels alone increased by more than \$5.8 million, or 46% vs. the prior year. In addition all of our intermodal operations have been affected by fuel surcharges imposed by the many transportation companies we employ. An effort has been made to pass on this increased cost of fuel to customers, and while many have greatly cooperated we are nowhere near full cost recovery.

#### TME: What is the condition of the Latin America trade?

**Crowley:** In general the expected growth in the various Latin America trades and countries we serve is expected to increase six to seven percent this year. Much of this growth is being fueled by increases in apparel shipments, which have benefited from the passage last year of the NAFTA – CBI parity legislation. For Central America and the Dominican Republic, wearing apparel will be the largest growing export business, while department store merchandise, general cargo, building and construction materials and grocery product imports should also see growth. For Mexico raw material exports and finished product imports are growing.

**TME**: Is the infrastructure in Central America improving?

**Crowley:** Within the Latin American countries we serve we are seeing the port and inland infrastructures changing rapidly, but further improvements are still needed related to inland transportation and customs handling and clearance.



Each unit has its own sales, marketing, customer service and booking & rates teams. Each also manages its own operations, and pricing, yield management and financial analysis functions.

The recovery after hurricane Mitch in both Honduras and Nicaragua is well on its way. Hopefully we will soon see the road between Puerto Cortes, Honduras and Santo Tomas de Castilla, Guatemala reopened, so commercial traffic between these ports will allow imbalances to disappear.

### **TME:** What is the situation in El Salvador in the aftermath of the January earthquake?

**Crowley:** It appears that over 700 people perished in the tragedy. Another 4,500 people were injured and more than 1 million people suffered damage that caused them to seek temporary shelter. We were thankful that none of our employees were injured. Most of the manufacturing plants have reopened, trade is resuming, and damaged roads are being restored, although in some areas trucks still must take circuitous routes that increase transits an extra 12 to 15 hours.

We responded to the earthquake by launching a fourth weekly fixed-day sailing from Port Everglades to El Salvador and other countries in the northern zone of Central America to carry additional relief supplies. Our employees and our company have donated over \$6,000 to the Red Cross to provide assistance to those in need, and we have donated the use of some of our equipment to transport relief supplies within the country.

### **TME:** How many ships and containers does Crowley Liner Services operate?

**Crowley**: The liner services group is presently utilizing about 26 container and Ro/Ro vessels in the Latin America and Puerto Rico/Caribbean services. We own the U.S.-flag tugs and barges in our Puerto Rico service, and charter the other vessels. We presently have about 42,000 pieces of container and trailer equipment.

**TME:** We understand you have invested a considerable amount of money in recent years to upgrade your Puerto Rico service vessels. What are you doing with these tugs and barges? **Crowley:** With our Puerto Rico service vessels, which we own, we have been refurbishing and upgrading our Invader-Class tugs and triple deck barges to extend their lives another 15 years or more. The tugs are receiving upgraded and completely rebuilt engines and makeovers from top to bottom so as to return them to like-new condition. We are blasting and re-coating the steel on our barges, and replacing some fatigued steel. We're also upgrading our car decking on the barges, hydroblasting, priming and painting each structure with a new generation epoxy paint. This process returns the structures to like-new condition and assures shippers of cars, trucks and sport utility vehicles that their cargo will transported in the cleanest, most pristine storage areas available in the trade. And we've reconfigured our barges to accommodate more 53-foot trailers – about 100 per barge – which our customers are using in increasing numbers. Our flexible barge platform that allows for this kind of adaptation to modern trends. So while we are not building new vessels at the moment, by the end of the year we will have invested over \$30 million in our Puerto Rico fleet since 1997, and we plan to continue upgrading our vessels to meet and exceed our customers' requirements.

**TME**: Are they any plans to build or buy larger and newer ships?

**Crowley:** We have no immediate plans to build or buy any larger and/or newer vessels for our liner services group. With all of the new tonnage being built and deployed around the world, there are quite a number of vessels available in the charter market at attractive rates, so that is the direction we have gone. Moreover, we have greater flexibility with chartered vessels because we can more readily upsize or downsize in a specific trade depending on market conditions. For example, if our business continues to grow as anticipated in the northern zone of Central America, we will need to replace our existing ships with larger vessels later this year.

Inevitably however, we will need to begin new vessel construction for our Puerto Rico services – probably within the next 5 to 7 years. While it is difficult to predict the kind of vessel that will ultimately replace our current tug and barge fleet, I feel certain that the service will continue to embrace the Ro-Ro concept that we have been so successful with during our past 30 years in the Puerto Rico market.

# **TME**: Crowley has a significant base of operations around the world in terms of sales and logistics offices, terminals and the like. How many offices and terminals does Crowley operate?

**Crowley:** The corporation and its representative agencies have about 100 offices worldwide with most of them being located in the Western Hemisphere. Our facility footprint stretches from Prudhoe Bay, AK, to Salvador, Brazil. And operationally we provide contract and logistics services worldwide.

Our main offices are located in Jacksonville, FL; Seattle, WA; Oakland, CA; Anchorage, AK; San Pedro, CA; Houston, TX; Miami, FL. Our primary terminal facilities in the U.S. are

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located in Pennsauken, NJ; Jacksonville, FL, Port Everglades, FL; Gulfport, MS, and San Juan, Puerto Rico.

We also have offshore offices staffed by Crowley employees in San Jose, Costa Rica; San Salvador, El Salvador; Guatemala City, Guatemala; Puerto Cortes, San Pedro Sula and Tegucigalpa, Honduras; Mexico City, Mexico; Colon and Panama City, Panama; Caracas, Maracaibo, Maturin, and Valencia, Venezuela; Salvador, Brazil, and St. Thomas in the U.S. Virgin Islands.

**TME:** Crowley Marine Transport is your break-bulk division based in Houston, Is that operation supported by Crowley Liner Services, or does it have a specific focus, such as oil or construction related operations?

**Crowley:** Actually, both. There are common back-office systems that are shared such as computer systems with the liner services group. However, what started as a break-bulk division with regularly scheduled vessel services, has evolved into more of a project management division. The focus is on supporting major construction projects through project management, material tracking, ocean transportation and inland logistics. The project management team has the ability to utilize the entire range of Crowley service lines and equipment to meet the needs of a particular project. This infrastructure is supplemented with chartered vessels and other subcontracted services to provide a complete project package tailored to meet the specific needs of each individual project.

# **TME:** You have inaugurated Crowley Logistics, which provides supply-chain management services. Explain the concept of this service function.

**Crowley:** The concept we have developed for Crowley Logistics is to leverage the many years of experience that Crowley people have in managing logistics work to offer our customers the highest levels of logistics services to meet their specific needs. We actually began providing logistics services over 40 years ago when we helped the U.S. government secure the DEW Line (Distant Early Warning) in Alaska. That was long before logistics became the industry buzzword that it is today. A little over two years ago, we started to see so many Logistics opportunities in our Latin America operating theater, we knew had to take a new and different approach. We went ahead and formalized what we had been doing for years and established a Logistics business unit. We now have Logistics operations in Brazil, Venezuela, Colombia, Panama,

Guatemala, Honduras, El Salvador, Mexico and of course the United States.

**TME**: What logistics services are you presently offering?

**Crowley:** We pride ourselves in being able to offer a full suite of logistics services. Whether it's managing end-to-end supply chain management or a stand alone contract for warehouse services, Crowley can deliver. The expertise we have gained over the years in managing large equipment fleets, international documentation, transportation services, warehousing and the like, when offered as a bundled suite of services, is a tremendous benefit to many customers who are looking for expert solutions to their supply chain needs.

In early February I cut the ribbon at our brand new Transportation Management (TM) Center in Jacksonville FL, which offers customers tailored end-to-end supply chain transportation services including inland transportation, LCL consolidation, U.S. freight forwarding and U.S. customs house brokerage. Combining these services affords customers the benefits of one-stop shopping for all their transportation needs.

**TME:** Global communications is assuredly a vital part of your organization; Please explain the VSAT (satellite) communications system within your organization.

**Crowley:** During the past 12 months, we have been replacing our mainframe based satellite system with a new system that supports Internet communication. This allows Crowley employees in our offshore locations to access Microsoft Outlook and other client server and web-based applications.

This new system can carry a myriad of attachments, including documents, graphics and photographs, and web based applications. This increased communication helps our people be more productive and most importantly, more responsive to our customers. It also positions us with the infrastructure to continue deploying state of the art systems throughout our operations.

**TME:** Internet platforms and on-line services are cutting-edge value-added customer programs. What is the performance level of your platform? What future investments in on-line/platforms will your company pursue?

**Crowley:** We provide many different Internet applications through our web site and continually look at new Internet services that provide value to our customers. The Internet has benefited us the most by connecting our employees, agents

Since my grandfather's day, we have always maintained a diverse yet related set of businesses. Over the years, this has been one of our most important strengths.



and customers through Email, and by allowing us to share online, common, up-to-date information. It can be as simple as an Email message, or as sophisticated as tracking a cargo shipment or transmitting an Internet Bill of Lading directly to the customer's desktop. We will continue to make investments in online products and services required by our customers that streamline operations, improve information and add value. People can get a firsthand look at our web site by going to www.crowley.com on the Internet.

**TME:** Crowley Maritime Corporation is a privately held company. Do you ever envision "going public" or will Crowley remain private?

**Crowley:** Our company culture is very closely tied to the fact that we are family controlled, employee owned and privately held. For that reason, along with the fact that I do not anticipate the Crowley holding company needing to access the public markets for financing, I do not see us going public for a long, long time.

When you really step back and look at it, we operate in an industry that does not lend itself to quarterly reporting and consistent revenue or profit growth that are so critical to maintaining a healthy public market presence. This can be seen pretty clearly in our industry when looking at the stock price performance of other companies that either have been public for long periods of time or have gone public recently.

**TME:** Your grandfather founded the organization. Your father empowered the organization. What is your vision of the future? **Crowley:** I would have to say that I want to leave this company in its strongest condition ever to the next generation of management.

**TME:** The Crowley organization is truly one of diversity. Have I omitted any important aspects of your business that you would like to discuss?

**Crowley:** I am glad you bring up diversity. Since my grand-father's day, we have always maintained a diverse yet related set of businesses. Over the years, this has been one of our most important strengths. If market conditions for one of our business lines are depressed, we can generally count on other business units to keep us profitable and growing as a corporation. As tough as this business can be, we need as many legs to the stool as we can practically manage.

#### -*Mar*Ex

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