

Speech by PMA President and CEO Joseph Miniace at the Harbor Transportation Club

August 7, 1997

Thank you for the kind introduction, and thank you to the Board of Directors of the Harbor Transportation Club for the opportunity to address this group. When Jon Erickson first contacted me about speaking before this group, he wrote that "Our membership would be particularly interested in hearing your views on the state of labor relations with the ports of Los Angeles and Long Beach (I thought - WOW - he wants this to be a humorous speech), the historical decisions which brought us here and the PMA's current goals for improving labor relations, productivity, and cargo handling efficiencies which ultimately affect our competitiveness as a world port and the customers who control the freight." These are the hot issues of today and tomorrow. I will to some extent comment on each of these issues, and I will introduce some of the strategies that we are pursuing, which I believe are the foundation for our future. And I promise not to keep you too late!

First, I suspect that many of you have questions about some of the local issues that have affected your operations. I will bring you up to date. These issues demonstrate powerfully why the Pacific Maritime Association is focusing on two issues this year: technology and productivity.

The labor climate has not been what it should be. There have been labor shortages and late dispatches. This will change. We have an agreement with the ILWU to elevate a number of longshoremen to clerks and to register 400 additional Class "B" longshoremen. We have also reached agreement to add 1,000 Identified Casuals.

The Los Angeles Export Terminal (LAXT) has precipitated a number of labor problems. The ILWU objects to the LAXT management's contract with a non-ILWU contractor to manage the "back side" of the terminal operation, although, the vessel loading and unloading operation will be handled by a PMA stevedore. As a consequence of the LAXT terminal arrangement, the ILWU has instituted several actions, which resulted in work stoppages at the Port of Los Angeles, essentially shutting down the operations of PMA members. We have taken this issue head-on. The PMA is seeking damages and an injunction to prohibit the ILWU from interfering with our operations by conducting an illegal secondary boycott.

The current issue is the Port of Los Angeles Harbor Pilot strike. Again, this was an illegalsecondaryboycott against PMA member company operations when the pilots picketed PMA operations. The pilots (ten individuals seeking a 72% pay increase to \$190,000 per year each) are bargaining with the Port of Los Angeles.

These two issues perfectly illustrate the Entitlement Mentality, which I have brought up on a number of occasions, that is prevalent in our Industry.

When you consider these issues, its easy to understand why Jim Dow wrote in his editorial in the July 21, 1997 issue of Shipping Digest, "Together, labor and management working around San Pedro Harbor are digging themselves a deeper hole. While this all-important continental gateway is now alone at the top, its days are numbered. There are just too many eager competitors waiting in the wings."

He's got a point! Are we killing the Goose that laid the Golden Egg? Are we (collectively, the Stakeholders, the companies, PMA and the Union) to blame?

What trends have you been seeing? What is happening in your business? What I see is that there are many other ways to bring cargo into and out of the U.S. As most of you know, I have, in recent months, talked about West Coast discretionary cargo and how various segments of this cargo could just as easily move through East and Gulf Coast ports, the Port of Vancouver, B.C., the developing Mexican ports, and Central American ports.

As our port terminal labor costs increase and productivity remains stagnant, the cost and time-conscious shipper has begun to explore alternatives. These alternatives include different ports on the West Coast, ports on other coasts -- even air transportation. We have to keep in mind that nearly 80% of the container TEUs in foreign trade that move through West Coast ports are coming from or going to the other regions of North America. This cargo is discretionary cargo. It can move through other Ports.

Productivity at West Coast marine terminals has stagnated for more than 4 years - this has to change! During the last Contract negotiations, the Union proudly proclaimed that through their efforts, West Coast Productivity had steadily increased over the years. It may have, but we certainly have not attained the productivity increases commensurate with the technology available and in use today. In fact, as I stated, our productivity has declined. Clearly, the Union and I are looking at different numbers. If we had bothered to look more closely at the productivity numbers, we would have seen it has been flat, with no growth. No increase in productivity should have been a major focus by both parties -- the future of the industry demands efficient use of technology and manpower.

There is a consequence to no growth in productivity and an unreliable workforce. The percentage of the total U.S. container TEUs -- twenty-foot equivalent units -- moving through the West Coast ports has declined in recent years. In 1994, 53% of the

containers moving through U.S. ports passed through West Coast ports. That number has moved down to an even fifty-fifty split. Said differently, we have lost three percent of our market share in the last three years. This trend cannot continue.

Does this mean that shippers and vessel operators are already shifting cargo? It probably does! While we do not know what goes on in the Board Rooms of the shippers and their customers, we must reverse this trend.

The message to all stakeholders, including the ILWU, is we have competition! The shippers know it and the vessel operators know it! We can no longer be blind to this fact!

This is clearly a challenge to the ILWU and our member companies. Maintaining job security for the ILWU – Maintaining cargo for the Shipping companies.

The message is: we can no longer afford the luxury of doing business as usual!

The question you may now have is what do we intend to do about this? Now is the time to break this cycle of failure. First, we must correct a series of problems that I have previously outlined.

We cannot continue to pay highly skilled employees to stay home when we have labor shortages and scheduling problems.

We cannot continue to pay longshoremen and clerks for a full shift when they arrive late.

We cannot continue to spend 7 or 8 million dollars annually to train longshoremen and clerks, and then let them choose not to use their new skills.

We cannot continue to use 1930's style sign-in sheets on clipboards and chalkboards to dispatch longshoremen jobs to terminals in the nation's largest port complex.

Technology and productivity will be the key enablers for continued West Coast dominance. This will be a primary subject at our next Negotiations. Our futures depend on a successful transition. I believe the leadership of the ILWU understands this – clearly, we need their help. Help from the ILWU and its members, help from the ports, help from the carriers, and help from the stevedores. We are all stakeholders!

There are alternatives to using West Coast Ocean ports. We must not give shippers a reason to even explore such alternatives. Once they decide to make a strategic change in their business, it will be very difficult, if not impossible, to recover what we have lost.

At PMA, I am instituting measures that directly affect how our Industry and the Union function together. There must be a spirit of cooperation. The goal is to provide a consistent and productive workforce and to use technological advances to overcome our inefficiencies. Together, we must present an image to the world that we are the most dependable, reliable and cost-effective choice for discretionary cargo in this Country.

We have long-term goal but, to begin the process of change, we have launched and implemented a five-point, short-term program: productivity, communication, compliance, workforce issues, and future negotiations. These five points are a refinement of our long-term goals. Underpinning each of the five points are key initiatives that begin "healing past wounds," particularly from the last Contract.

This first step has proven that we can make progress - and that it is worth it - one step at a time. We recognize that change cannot happen overnight, but setting a direction and a vision with shared values is the first step. There is a unity among PMA members that did not exist before.

We have begun attacking the lack of productivity on the waterfront through the development of "measurables," and monitoring and reporting procedures. We have initiated a process of Contract compliance. The use of Price Waterhouse to monitor agreements brought resentment in the beginning and compliance in the end.

We will be making improvements to the dispatch in Los Angeles and Long Beach. The system is in shambles and must be modernized and expanded. And, as I mentioned earlier, we will hire an additional 1,000 ID Casuals. These casuals will be hired under new and enhanced standards. These new casuals will be among the best trained in the industry. Each one will pass a cognitive skills test, receive safety training and will have to pass a validated lashing test. These and other initiatives are the precursors for the development of a "College of Longshoring."

At the wages we are paying today, we cannot accept less than the most qualified and well-trained individuals into the Industry. At approximately \$86,000 per year, they should be a productive and focused workforce.

PMA has initiated weekly industry meetings in each port to make sure that the lines of communication remain open. It is imperative that we remain "one negotiating body." And, that we operate with facts, rather than rumor.

In a recent Journal of Commerce article, Jim Spinosa was quoted as complaining that I was making the ILWU "cross their T's and dot their I's." But, this is not an issue of "crossing T's and dotting I's" - it is simply a process of looking at what has already been

negotiated -- like not being paid until you start working, or being paid for hours worked and cutting out deals of pay for no work. Standard practices for most industries.

Our goal is to make West Coast ports and, in particular, the Ports of Los Angeles and Long Beach, the most reliable and productive ports in the United States.

We are working with our stakeholders to make West Coast Ports the Ports of Choice for the movement of foreign and domestic commerce.

My message to the Union and to all of our stakeholders is – we have to work together – we have to eliminate practices that choke productivity – we have to provide shippers with highly trained, cost effective, competitive, and reliable workforce.

I have talked about productivity, let's now turn to technology. Most likely, everyone in this room has a computer at work or at home and have access to e-mail. Most of you probably carry pagers and cellular phones. These technologies have become a way of life.

Technology has changed the face of our industry. Forty years ago, our industry underwent a revolution. We went from break bulk to containers, which has drastically affected how we do business. Change is upon us again. It's time to move into the next millennium.

Although I have never met Harry Bridges (the founder and first President of the ILWU), he had to have been a very smart man. He and J. Paul St. Sure (a past President of PMA) realized that modernization and technological improvements were inevitable and the key to maintaining a productive waterfront. It is now time to carry on this tradition of progressive planning, which Harry started. We are again at a crossroads. We can use the next contract negotiations as a way to maintain status quo and jeopardize our position as the dominant American port, or we can move our Industry into the next millennium and ensure our future.

It would be foolish for us to spend billions of dollars on modernizing the Ports of Los Angeles and Long Beach and not embrace the technology available to us. Our Industry cannot afford to continue hiring more and more people, like the 1,000 ID casuals in LA, to cover up the self-serving avoidance of available technology. Embracing new technology would not only eliminate the need to hire a great majority of these people, but would also result in the productivity gains needed to be the Port of Choice for world wide shippers.

Technology and Productivity are the key enablers for continued West Coast dominance. Without implementing these two factors, we run the significant risk of losing more discretionary cargo. Harry Bridges was a progressive thinker. He saved Union jobs by looking to the future. Today, we must do the same thing.

The Union must understand what the shippers and vessel operators already know. We have competition. We must embrace the new technology, which will improve our productivity and ensure our dominance as a world port. If we don't, the "eager competitors waiting in the wings," that Jim Dow reminded us of, will be circling us like vultures - and we will be easy prey.

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