

Assessments Bulletin 2009-2010, March Update

To: Longshore Payroll Services Users, Vessel Operators, Agents for Vessel Operators, Contracting Stevedores, Terminal Operators, and other Parties who, through contracts or other arrangements, have assumed obligations required by Collective Bargaining Agreements which include participation in Benefit Plans administered by PMA.

Given the continued dramatic declines in volumes and man-hours and the future uncertainty over economic conditions, the Board of Directors will delay approving rates until June 2009. Increases in the man-hour assessment rate will be effective for the payroll week beginning 8:00 a.m. July 4, 2009 and new tonnage rates will apply for cargo reported on vessels sailing after 12:01 a.m. July 1, 2009.

With fixed pension and welfare obligations of close to \$1 billion and declining volume of 20-25% over which to assess benefit costs, rates would increase 60%. Two-thirds of this increase is due to falling hours and cargo. The rest of the increase primarily stems from rising pension costs of \$150 million – 1/3 of which relates to investment losses and the balance is primarily due to deferred actuarial costs of benefit increases from the 80's and 90's (not driven by plan changes negotiated in the 2008 and 2002 contracts).

The Board is working on mitigating these large assessment rate increases in order to maintain West Coast competitiveness for discretionary cargo. However, even with these options, we expect assessment rates will approach or exceed +/- \$30 per man-hour and in excess of that for the TEU rate. If volumes further deteriorate beyond current projections, then these rates could further increase.