

Speech by PMA President and CEO Joseph Miniace at the Women in International Trade Conference

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I am honored to be here and delighted that you chose me to be a part of this Panel. The subject itself -- "Outlook '98" -- is a pretty heady subject. Simply stated, I sure hope 1998 is better than 1997. I must say that 1997 was one of the most challenging years in my career.

On the one hand, I was immersed in the maritime business very quickly, which didn't leave much time for a learning curve; on the other hand, I was immersed in the business very quickly and didn't have time to worry about a learning curve.

I'd like to review some of the issues that presented opportunities on the waterfront last year; then, I would like to take a few minutes to talk about how we keep the West Coast productive and competitive.

One of the most burdensome problems we faced in 1997 is an issue that is still on everyone's mind. Interestingly enough, it was not a problem with the Union -- and we certainly had our share of those -- it was the Union Pacific fiasco, known as the "melt down," which ultimately brought the Ports of Los Angeles and Long Beach to their knees.

Some people actually went so far as to say and, in fact, stated to the Surface Transportation Board that "... the service problems in the Los Angeles/Long Beach area are primarily the result of the backlog of import containers.....which was negatively impacted by the shortage of longshoremen." Pure and simple, a dock worker shortage? I don't think so.

In fact, when I read what Richard Davidson had said to the Surface Transportation Board, I went through the roof and fired off a, let's not say nasty, but a strong letter of protest to him. To his credit, he responded, fairly quickly, with his own letter of apology.

The fact is, the PMA's Research Department had predicted this increase in cargo and, in response, we were already in the process of increasing the number of available workers. It was fortunate that we had begun the process as early as we did or we would have faced even more critical problems.

The problem arose, at least on the West Coast, with the shortage of double stack rail cars. This caused one of the worst terminal congestion problems that has ever occurred in these two container ports. Import containers could not be moved off the terminal, and export containers could not be moved onto the terminals in a normal manner. The results were disastrous. Workers were stacking containers as high as they could and were forced to move the same container as many as six (6) times, as hot cargo was located and retrieved from these piles of containers.

This is where the so-called "labor shortage" occurred. We used over 25,000 extra longshore hours every week during this crisis period; i.e., 2500 extra ten-hour shifts per week ... and that was just the longshore workers. It does not include the Clerks' and Foremen's additional 15,000 hours. Under normal circumstances, there would have been plenty of workers to handle the anticipated increase in cargo. Unfortunately for everyone involved, these were not normal circumstances.

Which brings me to the next item I want to talk about. In response to this emergency need for additional longshore workers, the PMA and the ILWU worked together to form a new training process for Casuals. With all of the pressure and backlog of cargo, there was a strong temptation on both sides to grab just anyone ... if they have a pulse, put them on the docks. Luckily, long-range planning and thinking prevailed. Rather than let these individuals come on the docks with no training and no skills, we put them through ten days of training and testing before allowing them on the docks.

This negotiated process significantly revised the Casual process and changed the rules for becoming an ID Casual. As a result, we put qualified and trained workers out on the waterfront in large numbers and in record time.

This achieved two things: the first, we solved an immediate crisis; the second, the ILWU and the PMA were able to put aside their differences and work together to achieve a mutual goal. We have set a new standard for ID Casuals. This improves both the industry and the Union.

The program includes the TABE Aptitude Test (7th grade level), Strength and Agility testing, Clerks' Cognitive Test, Lashing training and testing, a physical examination that includes a drug and alcohol test, general safety training, and semi-tractor training and testing. Because these Casuals were trained first, before going on the job, they joined the waterfront as safe and productive workers ... not potential liabilities. That should be our goal for every port. In fact, we plan to take this Casual Training Program up the coast. I am confident that this will assure us of a qualified workforce in the future.

Could we have done better? Absolutely. But, this is the first step in a long process of change. We need to take this spirit of cooperation and apply it to how we do business. Currently, companies cannot select or hire without the Union being involved.

We have to negotiate the number of individuals that are hired. Each quarter, a review is made of how many longshore workers there are and how many we need based on the cargo trends. Based on this analysis, the PMA and the Union negotiate how many members to hire. Casuals are hired on a more periodic basis. When everything is negotiated, you have very little control. Imagine trying to run a business with little or no control over how many workers you have or how you train them. In fact, you can't even hold them accountable for their actions or productivity levels.

This is not the best way to run a railroad. Neither is trying to run a business when your workforce has to go to one location, stand in line to find out what job they will do for the day, and then travel to that job. As you can imagine, getting to work on time would be an issue. Then, you add on the problem that individuals can take the jobs that they want versus the jobs that they are trained to do. The employees handicap their status in the dispatching sequence by trying to figure out which jobs they want. This is not unlike a bettor at a race track window, making his choice for his bet. Except, of course, our employee is making his or her job choice for the day based on any number of factors, including the length of the job, the location, who the boss might be, the type of equipment, the weather, or where his or her friends are there that day. Needless to say, it is difficult to have any control in this type of situation. Interestingly, on heavy work days, there are more job choices – putting things even further behind.

Most companies would never accept this nor could they. Unfortunately, this procedure originated in 1934, when longshore workers were dispatched in gangs on a fairly constant rotation. 1934 ... I think it is time for a change. Today, we don't dispatch in gangs but rather through individual orders. It is time to assess how we dispatch people, so that it matches the labor needs and terminal make-up of the industry as it is today, not the industry in 1934.

In the last few years, there has been another dramatic change. Other ports have developed elaborate marketing strategies and aggressive sales teams to recruit business -- that's business being taken away from our ports. Nature has been kind to us, providing us with deep water ports and relative proximity to the majority of US trading partners, but we have lost approximately three per cent of our market share in the past three years to our competitors at other ports. Three per cent may not sound like a lot but, to an industry that has historically had a 2% profit margin, three per cent is a significant amount. It is a market share gauge. Our deep-water advantage and access to trading lanes are no longer enough. Both the PMA and the ILWU have to equally share the accountability and responsibility for our industry's survival. There are too many other ports out there looking for our piece of the pie.

In the past, both the Union and the companies were willing to accept the status quo. Due to the changes in our industry, this is no longer the case. We have lower productivity, lower rates, lower market share, lower-than- usual growth, lower profits and more competition. In the next two years, the PMA and the ILWU have the opportunity to attack substantive issues facing our industry. I believe that we can negotiate a contract that will create a "win/win" for both sides.

I believe in a strong union, but I also believe in strong management rights. Our companies continually invest an enormous amount of capital into training, terminal improvements and technological upgrades. The right to make decisions about how they run their businesses should be commensurate with their investments in this industry.

I am not suggesting that the ILWU should lose their position in our industry. As I said, I believe in a strong union. I also believe in paying good wages. The average longshore worker earns approximately \$96,000 per year; the average clerk earns over \$113,000; and the average foreman earns over \$150,000. To give you a frame of reference, the average family income for California is \$41,000 per year. In fact, our workers earn in the top two-to-three per cent of all workers, nationwide. Not even the American Airlines pilots can claim that.

They also receive the best benefits of any industry that I know. The PMA and its member companies stand tall when it comes to wages, benefits and working conditions for the ILWU. What we want is a fair day's work for a fair day's pay. The industry can no longer afford to have productivity rates that are not commensurate with the salaries paid or the investments made.

What I am suggesting is that our industry and, specifically, the West Coast ports move ahead and adapt, even embrace, the technological advances available to us. This is a challenge to the entire industry. Containerization was the revolution that initiated the M & M Agreement that so dramatically changed the face of our industry forty years ago. Computerization is today's revolution. It can cause a quantum leap in productivity and cause a dramatic change in the way our business is done. We now have a window of opportunity that seems to come along every forty years. But, change can be scary. People were scared back then, and they are just as scared today. However, we cannot allow fear to keep us from continuing what the forefathers of modern longshoring started. We can continue to work the way we have been and probably do okay for the next few years, or we can take the initiative to improve our technology and, therefore, our productivity and ensure we have a growing business throughout the next forty years. We can no longer push the accountability onto someone else. Each person on the waterfront must work to the best of his or her ability. These individual efforts contribute to making our ports great. We can't sit back and watch illegal strikes take place or productivity lower any further. These do nothing but hurt our industry, our reputation and our ability to compete with other ports.

We should not let fear or inflexibility ruin our dominance of the Maritime Industry. The Union can help the companies, and the companies can help the union. If we stop looking at each other as the enemy and start looking at each other as team members, we can achieve great things. I believe that competition will bring the best out of our West Coast ports. Here is an opportunity for all of us -- the PMA, its member companies, the ports and the ILWU -- to come together, to work as a team. By joining forces we will have the best, most efficient and productive Coast. The coming years will be our chance to show off, to show what we can do

when we put our minds together. We did it when we faced adversity in Los Angeles and Long Beach, and we should be able to do it in calm times. Times for our industry are changing, and we have the opportunity to change with them and, in fact, lead them. If we miss this opportunity, because of politics or inflexibility, we will all lose.