As 2005 began, observers of the West Coast waterfront wondered what the year would hold. Just months earlier, during the 2004 peak season, the ports endured cargo delays brought on by unanticipated volume increases and related labor shortages. Yet the coming year would prove to tell a very different story.

In response to the events of 2004, the PMA and its members redoubled efforts to ensure that goods would move smoothly through the West Coast ports. The results were clear: all-time records in cargo volume at major ports along the coast; plenty of labor to move that cargo; and a lack of the congestion that had been an issue the previous year.

The PMA continued to transform into a proactive, information-driven organization, providing essential, real-time information to its members, and leading the drive to secure the reputation of the West Coast ports as the leading gateway for the nation’s goods.
14 million containers ... and counting

Recent years have seen record levels of cargo becoming routine, and 2005 was no exception. For the fourth year running, coast-wide tonnage set an all-time record, with containerized goods once again leading the way. A total of 14 million loaded container TEUs (twenty-foot equivalent units) moved through West Coast ports – nearly twice the number of one decade earlier. These increases are expected to continue in the years to come. A great deal of statistical information on cargo movement may be found on pages 55-76.

Pacific Northwest ports set pace

The ports of Seattle and Tacoma moved record amounts of cargo in 2005 – and then moved even more. Each port grew by double-digit percentages, shattering previous records as shippers sought to secure a second region of the coast as a significant entry-point to the U.S. market. In order to meet this demand, industry employers registered additional workers and continued to invest in infrastructure. Terminals at Tacoma and Seattle both added new container cranes, and employers continued their efforts to bring technology to the waterfront. Port authorities, too, contributed to the mix, developing new facilities and enabling older ones to grow. Tacoma’s Pierce County Terminal opened in January with an estimated annual throughput capacity of 840,000 TEUs and a 12-track inter-modal yard capable of accommodating 72 double-stack cars.

Looking ahead, the Pacific Northwest is expecting continued double-digit growth in 2006, a result of the investments above and the region’s connections to the national transportation infrastructure.

Southern California: full steam ahead

The Los Angeles/Long Beach complex once again reached record levels and led the U.S. in containerized cargo, moving nearly 9.6 million TEUs, an increase of 550,000 TEUs over the previous year. In all, containerized movement rose 8.3 percent in Southern California.

If there is one fact that epitomizes the success of the Southern California ports in 2005, it is this: PMA provided labor to fill 99.9 percent of the orders it received. In fact, with the exception of two days in January, PMA filled 100 percent of all labor orders throughout the year. As a result, ships moved in a timely manner, cargo was offloaded efficiently, and goods moved through the system without back-ups or unnecessary congestion.

Of course, providing sufficient labor was not the only factor in the success of the Southern California ports. Building on thousands of new hires the previous year, additional casual (or part-time) workers were added, as were new registrants to the unionized workforce. At the same time, technology played a critical role in boosting efficiency, as did the performance of the rail infrastructure.
Hennessey Named
Chief Operating Officer

Upon his promotion to chief operating officer and senior vice president of PMA in April of 2005, Steve Hennessey assumed labor relations responsibility for the entire west coast. His promotion reflects an ongoing effort with the PMA to aggressively manage its operations to meet the needs of the industry during a crucial time of growth. Prior to his promotion, Steve was PMA’s vice president for labor relations in Southern California. He has extensive transportation industry knowledge, joining PMA after career experiences at Sea-Land, Horizon Lines and Roadway Express, one of North America’s leading transporters of industrial, commercial and retail goods.

Chad Lindsay Promoted to Top Spot in SoCal

In August of 2005, Chad Lindsay succeeded Hennessey as vice president of labor relations in Southern California. In his new role, Chad has primary responsibility for managing and directing the labor relations functions in the Southern California marketplace, including San Diego, Long Beach, Los Angeles and Port Hueneme. Before joining PMA, Chad was the managing director of APMA Terminals, and has worked in other key sectors of the transportation industry. He has served as co-chair of PMA’s Southern California Sub-Steering Committee and on the Coast Steering Committee.

Technology VP
Paul Holmes Retires

Paul E. Holmes, PMA’s vice president of information technology, retired on September 30 following eight years running the technology and Longshore Payroll departments in the organization. He also functioned as president of PMA’s payroll subsidiary, Maritech Corporation. During Paul’s tenure, he successfully modernized the IT infrastructure, directed the implementation of PMA’s Y2K conversion project so that no disruption took place, and managed the standardization of the Longshore Payroll process. “Paul transformed the way PMA does its business,” said PMA President and CEO Jim McKenna. “He brought us into the 21st century, and for that we are extremely grateful.”

The following employees also retired from PMA in 2005: Millie Bluford, Northern California; Joyce Hardy, Wilmington Training Center; Shyla Relva, Northern California; Nancy Rodriguez, Southern California.

Legal Issues and Developments

Beginning in 2004 and continuing through 2005, PMA added more than 8,500 casuals coastwide, of which 83% were for operations in Southern California. Historically, the addition of large numbers of casuals has resulted in legal claims challenging aspects of the hiring process. This trend continued in 2005.

Throughout the year, PMA defended numerous claims, more than half of which were related directly to the casual hiring process. The common theme in these complaints was the use of industry referrals in the casual selection process.

During the 2004-2005 casual hiring process, interest cards to our workforce became the source for one-half of the applicants who were selected. The other half came from the general public. The challenges to this process related to the use of “Industry Interest Cards” was unlawful because it preferred Union members, their families and friends. The NLRB Division of Advice in Washington D.C. determined that a complaint should not be issued and the charges should be dismissed. The regional NLRB office in Southern California dismissed the charges, thereby providing a pathway to select a significant portion of new casuals from industry referrals in the future.

Also related to the casual hiring process, PMA defended more than three dozen discrimination claims filed with the Equal Employment Opportunity Committee (EEOC). The EEOC ruled in PMA’s favor, not finding unlawful discrimination in the casual selection process in Southern California.

A third challenge to the casual hiring process was filed on behalf of “temporary” casuals. The suit was a purported class action on behalf of “temporary” casuals who alleged they should have been given priority in the hiring process. The PMA obtained a dismissal of this lawsuit.

Port Security Developments

In 2005, the PMA also continued its commitment to port security. At the local level in 2005, PMA was engaged in Coast Guard Port Area Maritime Security Committee meetings and coordinated and encouraged member participation in Coast Guard Security Exercises. PMA also participated on working groups engaged in developing the implementation policy for the security regulations, and provided security awareness training to new workers and recurrent security awareness training to the entire workforce within the General Safety Training structure.

In Memoriam: Ed Flynn

Edmund Flynn, who served with distinction as president of the PMA from 1969 to 1981, passed away on January 11, 2006, at the age of 89. Flynn presided over the PMA during one of the most turbulent periods in the history of the modern maritime industry. He inherited a highly volatile environment causing intense economic pressure on labor, maritime companies and government from a variety of factors, including the transition from break bulk to containerization, the Vietnam War, rising interest rates, skyrocketing oil prices and the era of wage and price controls.

In 1971, Flynn was thrust onto the national stage when he presided over the negotiations that resulted in the 134-day strike, the longest longshore strike in American history. He and ILWU President Harry Bridges met with President Richard Nixon during the period of impasse. On February 20, 1972, Flynn and Bridges reached a milestone agreement that included a Pay Guarantee Plan to address ILWU concerns about lost work opportunity. Flynn worked to build a lasting relationship with the ILWU, helping to avoid major disputes for the remainder of his career as PMA’s president.

Flynn was an American success story. The son of Irish immigrants, he earned an academic scholarship to Indiana University and served as an Air Force pilot during World War II. He returned to earn his law degree at Harvard, and began his career in labor relations as a staff member of the National Labor Relations Board in Washington, D.C.

After retiring from the PMA in 1981, he and his wife of 50 years, Jean, became close friends with Harry and Nikki Bridges. In a twist of fate, Ed and Nikki ultimately married years after the deaths of their respective spouses.

The maritime industry and its workforce owe a debt of gratitude to Ed Flynn. He was an American patriot, a respected labor negotiator and a leader who helped usher in the modern era of maritime trade in the United States.

PierPASS Introduced at Ports of LA/LB

2005 saw the introduction of PierPASS, an effort in and around the Southern California ports to reduce peak hour congestion on the region’s highways. PierPASS features the OffPeak program which incentivizes shippers to move cargo at night and on weekends.

The results during 2005 were impressive. On an average day, approximately 10,000 trucks used the OffPeak program, accounting for 30-33 percent of daily volume, according to PierPASS statistics. A study by the Alameda Corridor Transportation Authority found that peak hour truck traffic on the 710 freeway in Long Beach was reduced by 24 percent since PierPASS was launched. Operating at night without roadway congestion also enables trucks to flow better and results in reduced emissions.
Regional developments:

Pacific Northwest—
As noted previously, the Pacific Northwest saw huge increases in container volume at the ports of Seattle and Tacoma, where 337 new casual workers were added, and 257 were promoted to registered status. In addition to record levels of container traffic, non-container business grew, as well. In Seattle, cruise ships again saw significant increases in work. This trend has continued for several years running.

Other ports in the Pacific Northwest moved goods ranging from grain to wood products to automobiles to windmills. While Portland has lost container volume, it continues to move various forms of breakbulk, while Olympia and Everett saw a resurgence as they specialized in particular forms of cargo. Everett, for example, moves airplane parts for Boeing, while Olympia ships lumber, logs and pulp for Weyerhauser’s operation nearby.

Northern California—
2005 was another strong year for the Port of Oakland, which moved nearly 1.6 million TEUs of containerized cargo—an all-time record, and more than all but two other port complexes in the United States. This increase in cargo was matched by efforts to ensure that workers were deployed in sufficient numbers across all major job types. The right-sizing of the workforce included additional casuals, more than 200 new registrants and training to ensure that skilled workers were available in sufficient numbers. These efforts are expected to continue as cargo volumes keep rising.

Among the smaller Northern California ports, Stockton also saw increased registration and a rising tide of cargo. In particular, cement volume through the Port of Stockton increased. In January 2006, the Port of Eureka anticipates steady volumes from its nearby pulp mill.

Southern California—
For some observers of the Southern California waterfront, the most significant fact of 2005 was that little of significance seemed to occur—other than the moving of record amounts of cargo, with improved technology, off-peak gates and nearly all labor orders filled. [See related stories earlier in this section.] The predictability of movement through the ports of Los Angeles and Long Beach was largely the result of efforts begun in 2004, when thousands of new workers were added to the labor force, and when employers began a process of finely tuned forecasting and reviewing of waterfront operations.

Training: more grads than ever before
As waterfront employers have hired additional workers to move record amounts of cargo, the work of the PMA training staff has expanded in tandem. During 2005, PMA trained more workers than in any other year.

Training programs had a total of 57,037 graduates. In addition to the General Safety Training and other elements of processing new casual workers, the focus in 2005 was on training skilled equipment operators to respond to increased volume.

Shoreside Occupational Injury and Illness Incidence Rates
The Pacific Maritime Association processes injury and illness reports submitted by companies to analyze industry injury and illness trends and to evaluate the safety programs of individual companies.

The information shown in the tables on this page is summarized from injury and illness reports submitted to PMA in 2005.

The Injury and Illness Incidence Rate is based on Occupational Safety and Health Act (OSHA) record keeping criteria and is a national standard used by the government and most industries to provide an overall indication of injury and illness trends.

The formula for the lost time injury and illness incidence rate includes the number of lost time injuries and illnesses that occurred in the workplace and the total hours worked during the period (usually one year). It is based upon a work force of 100, each working 2,000 hours per year. (Number of injuries and illnesses x 200,000 ÷ total hours worked = Incidence Rate)

Shoreside Occupational Injury and Illness Incidence Rates

<table>
<thead>
<tr>
<th>Year</th>
<th>Coast</th>
<th>Southern California</th>
<th>Northern California</th>
<th>Pacific Northwest</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>13.6</td>
<td>12.7</td>
<td>13</td>
<td>16</td>
</tr>
<tr>
<td>1992</td>
<td>14</td>
<td>14.6</td>
<td>12.3</td>
<td>14.1</td>
</tr>
<tr>
<td>1993</td>
<td>13</td>
<td>12.1</td>
<td>13.4</td>
<td>16.5</td>
</tr>
<tr>
<td>1994</td>
<td>11.2</td>
<td>10</td>
<td>14.6</td>
<td>11.9</td>
</tr>
<tr>
<td>1995</td>
<td>10.9</td>
<td>8.9</td>
<td>15.6</td>
<td>11.5</td>
</tr>
<tr>
<td>1996</td>
<td>10.4</td>
<td>9.3</td>
<td>14.3</td>
<td>12.7</td>
</tr>
<tr>
<td>1997</td>
<td>9.4</td>
<td>8.2</td>
<td>11.6</td>
<td>11.2</td>
</tr>
<tr>
<td>1998</td>
<td>9.2</td>
<td>6.8</td>
<td>15.1</td>
<td>13.9</td>
</tr>
<tr>
<td>1999</td>
<td>8.67</td>
<td>6.6</td>
<td>13.7</td>
<td>12.6</td>
</tr>
<tr>
<td>2000</td>
<td>7.2</td>
<td>5.8</td>
<td>9.8</td>
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</tr>
<tr>
<td>2001</td>
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<td>2002</td>
<td>8.5</td>
<td>6.4</td>
<td>14.1</td>
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<tr>
<td>2003</td>
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<tr>
<td>2004</td>
<td>6.77</td>
<td>5.71</td>
<td>9.04</td>
<td>9.95</td>
</tr>
</tbody>
</table>

As a result, there were increases in the crane operator training program, top handler and side pick operating programs in Southern California, straddle carrier in Tacoma and semi-tractor and forklift/heavy-lift programs in all areas. These training programs are part of PMA’s efforts to rightsize the workforce, ensuring not only that there are sufficient numbers of workers on the waterfront, but that those workers are properly trained for the tasks that are necessary to keep cargo moving.

Details of PMA’s training programs are on page 69.

Accident Prevention

“TOP TENS” For 2005

Most Injured Occupations
- Semi-Tractor
- Lasher
- Mechanic, ILWU
- Holdmen
- Mechanic, IAM
- Foremen/Walking Boss
- Clerk Supervisor
- Dockmen
- Auto Driver
- Swing Person

Cause of Most Injuries
- Strained
- Slip/Trip/Fall off lift
- Stuck by
- Struck Against
- Onset of Pain
- Twisted
- Object in Eye
- Bounced in Vehicle
- Slip

Most Common Injuries
- Sprain/Strain/Spasm
- Contusion
- Cut, Laceration
- Foreign Object in Eye
- Scratch/Abrasion
- Hearing Impair - Illness
- Fracture
- Fainting, Dizziness
- Toxic Respiratory
- Burn or Scald

Most Injured Body Part
- Back
- Knee
- Shoulder
- Finger
- Neck
- Ankle
- Head
- Hand
- Leg
- Arm
THE YEAR IN REVIEW

Coast Accident Prevention Award-Winners

STEVEDORING COMPANIES (companies engaged in one or more types of cargo-handling operations)

Group A (over 1 million man-hours)

First Place: Pasha Stevedore & Terminals L.P.
Los Angeles - Long Beach - Southern California Area
Second Place: Stevedore Services of America Marine, Inc., Stockton - Northern California Area

Group B (500,000 to 999,999 man-hours)

First Place: Pasha Stevedore & Terminals L.P.
Los Angeles - Long Beach - Southern California Area
Second Place: Stevedore Services of America Marine, Inc., Stockton - Northern California Area

Group C (100,000 to 199,999 man-hours)

First Place: Crescent City Marine and Drydock Company, Inc.
San Diego - Southern California Area
Second Place: Pacific Ro-Ro Stevedoring, LLC
Los Angeles - Long Beach - Southern California Area

CONTAINER OPERATORS (companies that predominantly handle containerized containers and/or ships)

Group A ($1 million or more earnings)

First Place: Yusen Terminals Inc.
Los Angeles - Long Beach - Southern California Area
Second Place: International Transportation Services, Inc.
Los Angeles - Long Beach - Southern California Area

Group B ($500,000 to 999,999 earnings)

First Place: California United Terminals
Los Angeles - Long Beach - Southern California Area
Second Place: Long Beach Container Terminal
Los Angeles - Long Beach - Southern California Area

First Place: Husky Terminal & Stevedoring, Inc.
Washington - Pacific Northwest Area

Terminal Operators (companies engaged in a majority of terminal and/or container operations with total man-hours exceeding 5,000)

First Place: NorSea Stevedor Canada (USA), Inc.
Los Angeles - Long Beach - Southern California Area
Second Place: Pacific Northwest Auto Terminals
Oregon - Pacific Northwest Area

Bulk Operators (companies engaged primarily in bulk cargo operations with total man-hours exceeding 5,000)

First Place: Roger Terminals & Shipping Corporation
Washington - Pacific Northwest Area
Second Place: Metropolitan Stevedore Company
Stockton - Northern California Area

COAST AWARD - LINES COMPANIES ( gaan companies that have achieved a zero lost time incident rate 6 consecutive times over a 6 year period)

First Place: Canadian Container Lines
Los Angeles - Long Beach - Southern California Area

Second Place: Marine Terminals Corporation
Vancouver - Pacific Northwest Area

Pacific Maritime Association sponsors an annual Accident Prevention Awards Program, a valuable feature of the coast-wide industry accident prevention program.

To qualify for an award, a member company must actively participate in the PMA safety program and report all occupational injuries and illnesses and all applicable man hours for the previous calendar year. Member companies are divided into four categories depending on the type of operation in which they are predominantly involved. Within each category, companies are further grouped by terminal, port, or area and according to the number of man-hours paid during the year. Awards are presented to those qualifying member companies having the lowest injury/illness/fines incidence rates within their respective category and group. In addition, awards are presented to the EMU (longshore, clerks, and foreman locals) based on similar criteria. Winners are listed above.

COAST SAFETY PREVENTION: A FIFTEEN-YEAR HISTORY THROUGH 12/31/2005

YEAR GRADUATES CUMULATIVE

GST I – Safety First
1991 552 552
1992 5,246 5,798
1993 4,512 10,310

GST II- Your Right, Your Life
1994 1,068 3,068
1995 8,687 7,931
1996 4,478 12,724

GST III- What Counts
1997 2,993 2,993
1998 7,788 10,781
1999 4,059 14,840

GST IV- Going Home Safe
2000 4,007 4,007
2001 6,675 10,682
2002 5,446 16,146

GST V- Aware Today, Everyday
2003 3,443 3,443
2004 9,733 13,176
2005 11,582 24,758

THE SAFETY SHOE PROGRAM: Five Years Strong!

The PMA safety shoe program has been in place for five years, and has provided more than $3 million in safety shoes to the workforce. Every year, waterfront workers are eligible for a pair of free safety shoes – footwear with molded steel or plastic toes to guard against injury. Red Wing, which supplies the shoes through a voucher system, touts the PMA program to their other corporate customers as the model to use. During the past year, the program expanded 10 percent due to the addition of many new casuals.

Working with State and Federal Regulators

In the past year, air quality and diesel emissions were among the top issues receiving attention from state and federal regulators. Among other efforts, PMA articulated industry positions to the California Air Resources Board regarding regulations of off-road marine terminal equipment. During this process, CARB noted that voluntary efforts on the part of terminal operators have significantly reduced emissions from terminal equipment.

Heat illness has been another area of focus for state regulators in California and Washington, where agriculture, construction and fire fighting workers have been affected. Although this issue has not caused major problems among longshore workers, PMA published a safety bulletins and safety tip flyer to alert employers and employees to new regulations, and to be sure that proper precautions are taken.

TheOOCL Hamburg berths at the Long Beach Container Terminal.
On November 30, 2005, a who’s who of the maritime industry’s leading executives gathered in Savannah, Georgia, for the annual ‘TOC Americas’ event. At this event, PMA President and CEO Jim McKenna delivered a speech highlighting his vision of the Port of the Future. Below are excerpts from his groundbreaking address:

**McKenna: “Port of the Future” Within Reach**

**Introduction**

It is a pleasure to be here today and to discuss a subject that continues to be a concern and a focus of the entire maritime industry: namely, terminal capacity and the impact port congestion will have on the overall efficiency of the supply chain. In essence, what is being debated is the port of the future, positive solutions and economic developments.

**The current framework**

The ‘givens’ of transportation are that containers in their most common sizes – 20’, 40’ and 45’ – are here to stay for the foreseeable future, and that the vast majority of non-North American international container trade will continue to arrive by water.

Through August of 2005, international container trade through U.S. ports has increased by 8.8% over the comparable 7-month period in 2004, based on PIERS data... The year-to-date 2005 increase is the equivalent of adding a port the size of Oakland on the West Coast and the size of Houston on the East or Gulf Coast every year.

I suggest that we not only have the capacity, but we could theoretically move more than twice the current entire United States volume through just the ports of Los Angeles and Long Beach by maximizing terminal productivity and throughput.

The Port of the Future

Now, I want us to move 20 years into the future and visualize what a standard container facility might look like and how it might operate. First, we notice that all ship arrivals are carefully planned. Container gantry cranes are always working and ships are so accurately timed that there is almost no wait time for a berth. Terminals are working ships 24/7. Next we notice that the practice of storing containers on chassis has long ago disappeared and that all containers are now grounded.

**“We could move more than twice the current entire United States volume through the ports of Los Angeles and Long Beach by maximizing terminal productivity and throughput.”**

Most of the terminals in 2025 are operating in a manner not unlike some of the 2005 advanced-design European and Asian terminals. The main terminal storage area is made up of as many as 30 rectangular blocks where containers are stacked and sorted by two large rail-mounted bridge cranes, one on each side of a particular block. The bridge crane on one end of the block services the ship gantry cranes – or water side – and the other bridge crane services the road and railway receiving and delivery area – or the land side.

A 10,000-TEU vessel takes two days to offload and reload all of its containers, still allowing time for vessel repositioning and crane set up.

On the land side of the container blocks, the container receiving and delivery area is highly efficient, with most containers being delivered by rail for intermodal transfer points and further connection 1 to 100 miles from the port, depending on the specific requirements of each port.

Off-peak gates are now the norm, not the exception.

**How do we get there from here?**

So, how do we, the employers along with labor, engage in long-range planning that will serve both of our interests as well as the economic interest of the United States?

Labor must join management and take a forward-looking approach to developing long-term solutions to accommodate the projected increase in international trade. Management and labor must agree on operations, technology and other advances that will allow at least a minimum of doubling of container throughput per acre.

As we have experienced, additional volume has more than made up for those jobs lost to technology. Will new jobs be created? Very likely they will.

In the end, the ultimate throughput of container terminals will be determined by the entire land-side transportation system’s capacity to move containers. The terminal, rail and highway capacity will ultimately cap the amount of containerized cargo that can be safely transported through any U.S. port.