

SURVIVING IN THE COMPETITIVE MARINE TERMINAL INDUSTRY

**An Independent Stevedore's
Cost Components**

18th Marine Terminal Management Training Program

October 18, 2007

ILWU/PMA RELATION



INTERNATIONAL
LONGSHOREMEN'S
& WAREHOUSEMEN'S
UNION



PACIFIC
MARITIME
ASSOCIATION

ILWU DIRECT LABOR SHIFT VARIANCES

SHIFT DIFFERENTIALS

Monday thru Friday

1st Shift	(0800-1700)			Straight-Time Wages
2nd Shift	(1800-0300)	1.333	x	Straight-Time Wages
3rd Shift	(0300-0800)	1.6	x	Straight-Time Wages

Saturday/Sunday/Holiday

1st Shift	(0800-1700)	1.5	x	Straight-Time Wages
2nd Shift	(1800-0300)	1.5	x	Straight-Time Wages
3rd Shift	(0300-0800)	1.8	x	Straight-Time Wages

ILWU COST VARIANCE

(Effective July 1, 2007)

	<u>Basic Longshore</u>	<u>Skill I Category</u>	<u>Skill III (8+2) Category</u>
S. T. Wages	\$ 30.68	\$ 33.08	\$ 50.16
Ins/Taxes 50%	\$ 15.34	\$ 16.54	\$ 25.08
PMA Assessments	\$ <u>19.63</u>	\$ <u>19.63</u>	\$ <u>19.63</u>
Total	\$ 65.65	\$ 69.29	\$ 94.87
O. T. Wages (1.333)	\$ 40.91	\$ 44.11	\$ 62.32
Ins/Taxes 50%	\$ 20.46	\$ 22.06	\$ 31.16
PMA Assessments	\$ <u>19.63</u>	\$ <u>19.63</u>	\$ <u>19.63</u>
Total	\$ 81.00	\$ 85.80	\$113.11
O. T. Wages (1.6)	\$ 49.09	\$ 52.93	\$ 84.63
Ins/Taxes 50%	\$ 24.55	\$ 26.47	\$ 42.32
PMA Assessments	\$ <u>19.63</u>	\$ <u>19.63</u>	\$ <u>19.63</u>
Total	\$ 93.27	\$ 99.03	\$146.58
O. T. Wages (1.5)	\$ 46.02	\$ 49.62	\$ 69.31
Ins/Taxes 50%	\$ 23.01	\$ 24.81	\$ 34.66
PMA Assessments	\$ <u>19.63</u>	\$ <u>19.63</u>	\$ <u>19.63</u>
Total	\$ 88.66	\$ 94.06	\$123.60
O. T. Wages (1.8)	\$ 55.22	\$ 59.54	\$ 91.92
Ins/Taxes 50%	\$ 27.61	\$ 29.77	\$ 45.96
PMA Assessments	\$ <u>19.63</u>	\$ <u>19.63</u>	\$ <u>19.63</u>
Total	\$100.46	\$108.94	\$157.51
EXTREME VARIANCE	Basic Longshore-vs- (Mon-Fri 1st shift) \$ 65.65	-vs-	Basic Longshore (Sat, Sun, Hol, 3rd shift) \$ 100.46
	Cost Difference		\$ 34.81
	Percent Difference		53%

ILWU BASIC STRAIGHT-TIME COST COMPARISON (Effective July 1, 2007)

	<u>Straight-Time Hourly Wages</u>	<u>* Insurance/ Taxes 50%</u>	<u>PMA Man-Hour Assessments</u>	<u>Total Straight-Time Hourly Cost</u>
Basic Longshore	\$ 30.68	\$ 15.34	\$ 19.63	\$ 65.65
Skill Level I	\$ 33.08	\$ 16.54	\$ 19.63	\$ 69.25
Skill Level II	\$ 35.35	\$ 17.68	\$ 19.63	\$ 72.66
Skill Level III	\$ 36.48	\$ 18.24	\$ 19.63	\$ 74.35 (\$94.87)
Basic Clerk	N/A	N/A	N/A	N/A
Clerk Supervisor	\$ 33.08	\$ 16.54	\$ 19.63	\$ 69.25 (\$87.86)
Kitchen/Tower/ Computer	\$ 35.35	\$ 17.68	\$ 19.63	\$ 72.66 (\$92.54)
Chief Supervisor & Supercargo	\$ 36.48	\$ 18.24	\$ 19.63	\$ 74.35 (\$94.87)
Walking Boss/ Foreman	\$ 43.00	\$ 21.50	\$ 21.79	\$ 86.29 (\$126.61)

* Approximate Industry Average

MAN-HOUR ASSESSMENTS

(Effective July 1, 2007)

	Longshore, Clerk	Walking Boss/Foreman
Pension		
Welfare		
Training		
Uniform Allowance		
Vacation		
Holiday		
<i>Sub-Total Benefits Plan</i>	\$17.72	\$17.72
PMA Cargo Dues	\$.65	.65
Time Sheet	\$ <u>.38</u>	<u>.38</u>
<i>Sub-Total Assessment Rate</i>	\$18.75	\$18.75
401-K	\$ <u>.88</u>	\$ <u>3.04</u>
<i>Total Assessment Rate</i>	\$19.63	\$21.79

TONNAGE ASSESSMENTS

(Effective 2007/2008)

OFFSHORE AND INTERCOASTAL RATES

	<i><u>Container Rate</u></i> <i><u>(per R.U.)</u></i>	<i><u>Autos &</u></i> <i><u>Trucks</u></i>	<i><u>Lumber &</u></i> <i><u>Logs</u></i>	<i><u>General</u></i> <i><u>Cargo</u></i>	<i><u>Bulk</u></i> <i><u>Dry Cargo</u></i>
Welfare					
Vacation					
Longshore & Clerk P.G.P.					
Foreman P.G.P.					
Holiday					
Industry Travel	16.46	.078	.968	.968	.019
PMA cargo Dues	3.76	.221	.221	.221	.004
CFS Program Fund	.05				
<i>Total Assessment Rate</i>	\$20.27	\$ 0.299	\$ 1.189	\$ 1.189	\$ 0.023

HISTORY OF WAGES AND ASSESSMENTS

Longshore Wages

1997	25.68
1998	25.68
1999	26.68
2000	27.18
2001	27.68
2002	27.68
2003	28.18
2004	28.68
2005	29.68
2006	30.18
2007	30.68
Up: \$5.00 +19.5%	

Manhour Assessments

1997	12.10
1998	11.24
1999	12.24
2000	12.24
2001	12.61
2002	14.71
2003	15.99
2004	17.38
2005	17.47
2006	17.99
2007	19.63
Up: \$7.53 +62%	

BASIC ILWU LABOR COST COMPARISON

DIRECT ILWU LABOR COST

<u>Effective 1997</u>	<u>Effective 2007</u>
\$37.78	\$50.31

Ten-Year Cost Difference: \$12.53
Percent Change: 33.2%

Labor Cost Includes:

1. Basic Wages
2. PMA Man-Hour Assessments

TYPICAL VESSEL GANG COST (straight-time)

	Pre-Tech Framework	Post-Tech Framework	
Basic Longshore	7	7	
Skill I	7	7	
Skill III	5	5	
F/M 30%	2.5	2.5	
Supervisor 15%	1	0	
Supervisor 25%	2	.5	
Supercargo	<u>.5</u>	<u>.5</u>	
	25.0	22.5	
Total Gang Cost	\$18,800	\$16,600	-11.7%
Total Gang-Hour Cost	2,350	2,075	

Stevedore Operation

Productivity Impact on Cost

		<i>GROUNDING/WHEELED</i>	
A. HOURLY STEVEDORE COST		<u><i>OPERATION</i></u>	
1.	Labor Cost	\$2,800.00 (Blended)	
2.	Crane Cost	\$ <u>600.00</u>	
	TOTAL HOURLY COST	\$3,400.00	
B. STEVEDORE COST PER CONTAINER		<u>Cost per Unit</u>	<u><i>AVG. COST DIFFERENCE</i></u>
1.	At 30.0 Containers Per Hour	\$ 113.00	↑ \$ 5.00+ ↓ Each Container
2.	At 25.0 Containers Per Hour	\$ 135.00	
3.	At 20.0 Containers Per Hour	\$ 170.00	

TERMINAL OPERATION LABOR COST

SCENARIO: 500,000 Container-Per-Annum Facility

<u>ILWU MANNING</u>	<u>Grounded/Wheeled Operation</u>	<u>Top-Handler/Transtainer Operation</u>
Chief Supervisor	1	1
Supervisor Clerks:		
In-Gate	9	9
Yard	5	6
Transtainer	-	15
Empty Yard	4	4
Basic	1	14
Transtainer Operators	-	24
Top-Side Handler Operators	11	11
Skill I Operator	4	6
Walking-Boss	1	1
TOTAL	36	91
ANNUALIZED LABOR COST	\$8,872,000	\$19,800,000
AVERAGE LABOR COST PER CONTAINER	\$18.00	\$40.00

STAFF AND OVERHEAD

Operating Personnel

**General Manager
Terminal Manager
Vessel Manager
Superintendents
Stowage Coordinators
Documentation Clerks**

Maintenance

**Mechanics
Gearmen**

Security Service

**24-Hour/7-Day Watch
Leasehold Repair
Utilities
Sweepers**

INDIRECT ADMINISTRATIVE COST

- **Contracts and Marketing**
- **Billing**
- **Accounting**
- **Data Processing/IT**
- **Safety**
- **Cargo Claims**
- **Executive Management**

EQUIPMENT

The background of the slide is a photograph of a port or shipping yard. In the foreground, there are several stacks of shipping containers. Some are white with the word 'COSCO' printed on them. In the middle ground, a yellow and green forklift is visible, positioned near a stack of containers. The sky is clear and blue.

- Transtainers
- Top Handlers
- Side Handlers
- Hustlers
- Ancillary Equipment
 - ▶ Radios
 - ▶ Jeeps
 - ▶ Pickup Trucks
 - ▶ Fuel Trucks, etc.
- Forklifts
- Soft Gear
 - ▶ Slings
 - ▶ Shackles, etc.

EQUIPMENT INVESTMENT

<u>EQUIPMENT</u>	<u>APPROXIMATE PURCHASE PRICE</u>	<u>APPROXIMATE USEFUL LIFE</u>
1. CONTAINER CRANE	\$ 8,000,000.00	20 YEARS
2. TRANSTAINER	\$1,300,000.00	15 YEARS
3. TOP-HANDLER	\$ 450,000.00	10 YEARS
4. SIDE-HANDLER	\$ 350,000.00	10 YEARS
5. HUSTLER TRACTOR	\$ 80,000.00	10 YEARS
6. MISC. FORKLIFTS	\$ 20,000.00 - \$ 100,000.00	10 YEARS

TERMINAL EQUIPMENT COST COMPARISON

YARD EQUIPMENT COST

	<u>1992</u>	<u>2007</u>
A. CONTAINER GANTRY CRANE	\$ 2,800,000	\$ 8,000,000
B. RUBBER-TIRED TRANSTAINER	\$ 500,000	\$ 1,300,000
C. TOP-HANDLER	\$ 250,000	\$ 400,000
D. SIDE-HANDLER	\$ 88,000	\$ 350,000
E. HUSTLER-TRACTOR	\$ 32,000	\$ 80,000
F. 15-TON FORKLIFT	\$ 50,000	\$ 90,000

A detailed map of the Ports of Los Angeles and Long Beach, California. The map shows various terminals and piers, many of which are highlighted in different colors: yellow (terminals 1, 2, 10), pink (terminals 4, 5, 11, 12), green (terminals 6, 7, 8), and blue (terminal 9). A large blue banner at the top left reads "PORTS OF LA/LONG BEACH". A compass rose in the lower center features the logo of the "AAA MOTORIST CLUB OF SOUTHERN CALIFORNIA". The initials "JWD" are visible in the bottom right corner. Overlaid on the map is the title "PORT AUTHORITY LEASE AGREEMENTS" in large, bold, blue letters, and two bullet points in the same color and font style.

PORT AUTHORITY LEASE AGREEMENTS

- **Fixed Lease Cost**
- **Revenue Sharing with Terminal Operator**

TYPICAL CALIFORNIA TERMINAL COST STRUCTURE

Vessel Labor	\$ 95.00
Terminal Labor	36.00
Lease Expense	65.00
Premise Expense	15.00
Crane Expense	20.00
Gear Expense	18.00
Operations O/H	<u>24.00</u>
	\$ 273.00