




# West Coast Sailors

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## Cargo preference critical to sustaining the U.S.-flag merchant marine

**A**t a public meeting called by Maritime Administrator David Matsuda on October 3, in Washington, D.C., to develop a formal rule-making to implement the nation's cargo preference laws, USA Maritime—a coalition of ship-owning companies, maritime labor organizations (including the Sailors' Union) and maritime trade association which directly or indirectly represents virtually everyone of the privately owned U.S.-flag oceangoing commercial vessels operating regularly in the U.S.-foreign trade which depends on cargo preference—submitted a detailed statement. The following are excerpts from that statement:

### Summary

USA Maritime strongly supports existing cargo preference laws and existing cargo preference regulations. Cargo preference is a necessary and cost-efficient way to sustain the privately owned U.S.-flag commercial fleet, which is a critical national defense asset. Without cargo preference, the U.S. government would have to spend far in excess of the cost of cargo preference in direct spending to replicate the national security

capabilities of the privately owned U.S.-flag commercial fleet. The history of cargo preference administration indicates that cargo reservation requirements are often not self-enforcing and strict MarAd oversight is necessary to ensure that the law is followed and its purposes fulfilled across the U.S. government. Now, more than ever, rigorous enforcement of cargo preference requirements is needed to preserve and grow the existing fleet of militarily useful U.S.-flag oceangoing vessels. Through this regulatory review, MarAd has an opportunity to improve its oversight of cargo preference requirements and thereby achieve its mission of promoting the U.S. merchant marine by increasing the amount of U.S. government-impelled cargo carried by U.S.-flag vessels.

### Private U.S. Merchant Marine is Critical to National Defense

Throughout its history, the United States has depended upon a viable U.S.-flag merchant marine for its economic and military national security. In his second annual address to Congress on December 8, 1790, President George Washington encouraged Congress to "render our commerce and agriculture less dependent on foreign bottoms." This proscription remains just as relevant 220 years later.

The maintenance of a strong privately owned U.S.-flag merchant marine is an essential part of our nation's official national security strategy. According to National Security Directive 28, which was signed by President Bush in 1989, and which still governs sealift policy: "Sealift is essential both to executing this country's forward defense strategy and to maintaining a wartime economy. The United States' national sealift objective is to ensure that sufficient military and civil maritime resources will be available to meet defense deployment, and essential economic re-

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## Transparency sought in MarAd Jones Act waiver procedures

**I**n the wake of the Maritime Administration (MarAd) approving 46 waivers of the Jones Act for foreign-flag ships to transport 30 million barrels of oil from the Strategic Petroleum Reserve and the fire storm it caused throughout the maritime industry and on Capitol Hill (see the September *West Coast Sailors*), legislation was introduced in the House of Representatives on October 14, that would require MarAd to publish the availability of U.S.-flag, U.S.-built, U.S.-crewed (Jones Act) vessels when another federal agency asks to use non-U.S.-flag vessels.

The American Mariners Job Protection Act (H.R. 3202) would increase government transparency surrounding the issuance of waivers allowing non-Jones Act-qualified vessels to carry cargo between U.S. ports.

The legislation was introduced by Congressmen Elijah Cummings (D-Maryland) and Jeff Landry (R-Louisiana) and cosponsored by Representatives Corrine Brown (D-Florida), Mazie Hirono (D-Hawaii), Peter King (R-New York), Rick Larsen (D-Washington), Frank LoBiondo (R-New Jersey), Candice Miller (R-Michigan), Nick Rahall (D-West Virginia) and Bennie Thompson (D-Mississippi).

Under current law, when the head of the agency responsible for the administration of the Jones Act believes it necessary to waive the Act's requirements in the interest of national defense, the agency must request the Maritime Administration to assess whether Jones Act-qualified vessels are available to carry the cargo under consideration.

The American Mariners Job Protection Act would require the Maritime Administration to include in such assessments information on the actions that could be taken to enable Jones Act-qualified vessels to carry the cargo for which the Jones Act waiver is sought. The Maritime Administration would also be required to publish its determinations on its website. Further, the American Mariners Job Protection Act would require notification to be provided to Congress when a waiver is requested or issued.

"Our first priority in this Congress is to create and preserve jobs for Americans," said Cummings. "This Act will increase transparency to strengthen adherence to the Jones Act and ensure we make full use of American maritime capabilities. I want to make certain that every Jones Act-quali-

fied ship that can carry cargo is full and that every American mariner who is ready to earn a good day's wage for a good day's work is able to do so. This bill will do that. I thank Congressman Landry and other members on both sides of the aisle for working with me, and I hope this common sense solution will be quickly considered and enacted."

Landry, whose district (New Orleans), has the most domestic maritime industry jobs in the nation and transports much of the nation's energy-based resources, is hopeful the bipartisan support of the legislation will mean prompt passage and put Americans back to work: "American mariners are the most qualified and safest workers in the world; we must ensure that they are being fully utilized. I know the American Mariners Job Protection Act will give Americans much desired government transparency and ensure that the American mariner is always the first option. I thank Congressman Cummings for his leadership on this issue and look forward to working with him in getting this bill passed."

Even though the legislation was just introduced, it has strong support across the maritime industry.

## Republicans prefer filibuster to putting Americans to work

**I**t was all predicted, but the unanimous decision by Senate Republicans on October 10, to filibuster and thus kill President Obama's American Jobs Act was still a breathtaking act of economic vandalism. There are 14 million people out of work, wages are falling, poverty is rising and a second recession may be blowing in, but not a single Republican would even allow debate on a plan to cut

middle-class taxes and increase public-works spending.

The bill the Republican shot down was not a cure-all, but independent economists say it would have a significant and swift effect on the current stagnation. Macroeconomic Advisers, whose forecasts are often used by the Federal Reserve, said it could raise economic growth by 1.25 percentage points and create 1.3 million

jobs in 2012. Moody's Analytics estimated new growth at 2 percentage points and 1.9 million jobs. Those economists say that Republican ideas for increasing growth would have no measurable effects in the next year.

The Republicans offer no actual economic plans, only tired slogans about cutting regulations and spending, and ending health

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*General Fund* *Sailors*

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# USS Arizona rings true again



In August, SUP pensioner John Lindsey received a letter and certificate from the Department of the Interior's National Park Service in appreciation for "answering the call and volunteering to craft a fancy decorative knotwork bell rope for the *USS Arizona* bell. This special rope will be used to ring the bell during commemorative ceremonies and other public events at Pearl Harbor." Brother Lindsey first joined the SUP in 1985 and retired in 2009. He shipped for APL, Matson, Chevron, West Coast Shipping and Watters Marine.

## Final Departures

**Aloysius Correa**, Book No. 3722. Born in Hawai'i in 1924. Joined SUP in 1945. Died in Garden Grove, California, September 2, 2011. (Pensioner)

**Henry Quasebarth**, Book No. 98. Born in Minnesota in 1922. Joined SUP in 1951. Died in Vancouver, Washington, September 4, 2011. (Pensioner)

**Jose Corral**, Book No. 4628. Born in California in 1936. Joined SUP in 1952. Died in South San Francisco, California, September 21, 2011. (Pensioner)

**Calvin Browning**, Book No. 5642. Born in Ohio in 1933. Joined SUP in 1954. Died in San Francisco, California, September 11, 2011. (Pensioner)

## Social Security increases in 2012

Social Security recipients will get a raise in January—their first since 2009. It is expected to be 3.5%.

Monthly Social Security payments average \$1,082. A 3.5% increase would amount to an additional \$38 a month or \$455 a year.

## SUP Meetings

These are the dates for the regularly scheduled SUP meetings in 2011:

	<i>Hdq.</i>	<i>Branch</i>
November	14	21
December	12	19



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## Iran threatens to send its Navy near U.S. coast

Iran plans to send Navy vessels across the Atlantic and towards the United States to build up an open sea presence along the marine border with the East Coast, according to the Iranian Navy's top commander.

"Just like the global hegemony that is present near our marine borders, we ...also plan to establish a strong presence near U.S. marine borders," Iranian Navy Commander Habibollah Sayyari said on September 28, according to Iran's state news agency.

A spokesperson for the Department of Defense said that Iran is "obviously" free to take their ships into international waters halfway around the world but questioned the country's ability or willingness to do so. "There is freedom of the high seas," Pentagon Press Secretary George Little told reporters. "Now whether they can truly project naval power beyond the region is another question in and of itself... I wouldn't read too much into what came out of Iran today. What is said and what is actually done can be two different things," he said.

White House spokesman Jay Carney was even more blunt in his assessment, saying, "We don't take these statements seriously."

The Iranian commander made the comments at the same Tehran ceremony where another top naval commander reportedly said the country had denied a recent request from the U.S. to establish a direct "hotline" between the two countries. "We would establish direct contact with the United States if we would ever go to the Gulf of Mexico," Ali Fadavi, Commander of the Islamic Revolutionary Guards Corps Navy, said.

Reports emerged in September that

some U.S. officials were considering establishing a hotline between the U.S. and Iranian navies after a series of incidents in the Persian Gulf that could potentially have led to a greater conflict. A senior defense official said, however, that any discussion of such a hotline was "premature".

"There may or may not be advocates for establishing a naval hotline at some point," the official said then, "but discussion of it is very premature. There are no proposals for opening up such a channel currently in front of either the Secretary of Defense or the President," said Press Secretary Little.

Fadavi said that the hotline would be unnecessary if the U.S. would just leave the Persian Gulf altogether where its presence, Fadavi said, is "illegitimate and makes no sense," Iranian Fars News Agency reported. "They want to have a hotline so that in case of tension, we can settle it but we believe that if they are not deployed in the region, no tension will occur," he said.

Sayyari's announcement also came the same day another top Iranian military official said the country had mass-produced and supplied the Iranian navy with new "anti-ship cruise missiles" with a range of over 124 miles.

The Fars News Agency said Iranian officials "have always stressed that the country's military and arms programs serve defensive purposes and should not be perceived as a threat to any other country."

Earlier this year, two Iranian naval ships crossed through Egypt's Suez Canal, the nation's first venture through the canal in three decades, during a trip into the Mediterranean and on to Syria.

## FMC to probe routing of cargo via Canada to avoid harbor maintenance tax

The Federal Maritime Commission (FMC) plans to investigate whether U.S.-bound containers are being routed via Canada and Mexico in order to avoid paying the Harbor Maintenance Tax (HMT).

The chairman of the U.S. ocean freight regulatory agency, Richard Lidinsky, told the Canada Maritime Conference in Montreal last month, that the FMC was likely to begin a study into the issue, prompted by a letter from two U.S. West Coast senators.

In their joint letter to Lidinsky, Senators Patty Murray (D-Washington) and Maria Cantwell (D-Washington) said: "Shippers can avoid paying the HMT by routing cargo through non-U.S. seaports. Although the HMT has existed since 1986, it has become a more significant competitiveness issue with the development of new Canadian and Mexican seaports along the West Coast, and it appears that the HMT may be a key factor causing U.S. ports to lose a growing share of imported container cargo from Asia."

The senators contend that non-U.S. ports are able to claim a "substantial per-container cost advantage" over U.S. seaports, based on the HMT alone. "Our country's capacity to handle international trade growth is adversely affected. It is imperative that we level the playing field between international ports and domestic ports so that the U.S. can continue to compete for cargo," the senators added.

In his topical speech to the Montreal audience, Lidinsky made the point that the issue dates back at least 27 years, referring to a newspaper article written by a Baltimore lawyer. "While the volume of U.S. cargo we saw moving through Canadian ports was around 140,000 teu in the early 1980s, today it stands at approximately 750,000 teu annually," Lidinsky said.

Highlighting five key elements in any potential inquiry, Lidinsky asked: "Where does waterborne commerce of the U.S. begin and end." He cited the example of a train accident involving intermodal cargo bound for Memphis but which moves through the Canadian port of Prince Rupert. He also asked whether the HMT was a self-imposed fiscal policy that handicapped the United States.

Maritime labor is united in supporting legislation to exempt waterborne transportation of cargo between U.S. ports from the harbor maintenance tax. Under current law, U.S.-flag vessels are penalized by the tax.

## MANOA IN OAKLAND



The SUP gang in Matson's C-9 containership *Manoa* in Oakland on September 27, from left: Bosun Don Bohle, AB and delegate Jennifer Corner, AB Jerry Komoto, AB Steve Huggins and AB Dave Purgannan. Photo Dave Connolly.

## Pacific ports face battle to maintain market share

Port officials from the Pacific Northwest have urged grain shippers to support efforts to change federal cargo fees, saying that the higher taxes are partly to blame for a loss of business to neighboring ports in Canada.

Vince Sullivan, Business Development Manager at the Port of Tacoma told the Midwest Shippers Association that the Harbor Maintenance Tax implemented by the federal government is unfair because the maintenance dredging that the tax goes to support, largely goes to ports along the East and Gulf Coasts. Ports along the West Coast, including those in Seattle and Tacoma, have naturally deep harbors so they do not have the need to use revenues derived from the tax.

Mark Wen, Inland Cargo Business and Development Manager at the Port of Seattle, said the fee, which is 0.125% of the value of the cargo, adds \$250 to the cost of shipping a container carrying cargo with a value of \$200,000, and \$625 to a container with cargo value totaling \$500,000.

Port officials pointed out that the diversion of container traffic continues to reduce capacity for grain exporters throughout the Midwest, thereby reducing the market share for the Pacific Northwest ports.

Ports up and down the West Coast have seen their share of imports from Asia decline over the past decade due to the proliferation of all-water service to ports along the East Coast of the United States. In addition, the opening of the Port in Prince Rupert along Canada's Pacific Coast in 2007 caused a further diversion of cargo as Canadian National Railway offers direct intermodal rail service from Prince Rupert to both Chicago and Memphis.

Containers that enter the United States through Prince Rupert and ports along the East Coast also exit through those ports and, therefore, are not available for grain exporters from the Midwest, said Sullivan.

One way that the situation could be remedied would be to move empty containers from the East Coast to grain exporters, but that option is costly. Ocean carriers are always looking for the least expensive way to reuse their equipment, so imported containers that move to retailers' facilities on the East Coast may be filled with exports destined for Europe, Latin America or Africa.

## Puerto Rico requests Jones Act study

The Government Accountability Office (GAO), the investigative arm of the U.S. Congress, agreed to conduct a detailed study on the Jones Act in Puerto Rico, specifically its impact on both the Puerto Rico economy and the broader U.S. economy. The announcement was made on September 30, by Puerto Rican Resident Commissioner Pedro Pierluisi who requested the study based on the belief that the best way to obtain any modification to federal law is to demonstrate the effect that the law has on the Puerto Rico economy, including the future development of the Port of the Americas. The GAO will begin work on the study this year.

Sector 27 of the Merchant Marine Act of 1920, commonly known as the Jones Act, generally requires that all maritime transport of cargo between ports in the United States be carried by vessels built in the United States, owned by U.S. citizens, and operated by U.S. citizen crews. Puerto Rico's neighboring territory, the U.S. Virgin Islands, is exempt from the Jones Act, as are the U.S. territories of American Samoa and the Commonwealth of the Northern Mariana Islands.

"The study is another initiative that has broad-based public support in Puerto Rico. The purpose of the study is to determine, once and for all, the impact that the Jones Act has on our economy. The GAO has the credibility and expertise to analyze this issue, and to present its conclusions to members of Congress who, in the final analysis, are the only ones who can make a change to the underlying law," said Pierluisi, who added "now it is important for the business sector, labor unions, shipping companies and local government officials, among other stakeholders, to make themselves available so that the GAO can hear their different perspectives," said Pierluisi.

## Pirate negotiator dips his beak and is indicted

Somali national Mahammed Saaili Shibin was indicted on August 19, in Norfolk, Virginia, for his alleged role in successfully negotiating a ransom for the release of the *M/V Marida Marguerite* and its 22 hostages that were captured by Somali pirates. According to the indictment, Shibin spoke with the owners of the *Marida Marguerite* after pirates captured the vessel and successfully extracted a ransom payment for the release of the vessel and its crew. The indictment states that Shibin received approximately \$30,000 to \$50,000 as his share of the ransom payment.

Shibin had been previously indicted on March 8, 2011, in Newport News, Virginia, for his role as a negotiator for the release of four United States citizens aboard the *S/V Quest*. Those hostages were eventually killed by their captors.

“Mr. Shibin is alleged to be among the select few who are entrusted with one of the most important tasks in Somali piracy: ensuring a ship’s owners pay the maximum amount of ransom possible for the release of a hijacked vessel,” said U.S. Attorney Neil H. MacBride. “The ransom paid for the *Marida Marguerite* capped a year where authorities estimate pirates received more than \$100 million in ransom payments. The role he’s accused of fulfilling for pirates on the *Marida Marguerite* is the same role he allegedly intended to fill for the *Quest*. This case is aimed at the heart of the piracy business, striking at the small group of men who make receiving millions from piracy a reality.”

“During the seven month ordeal, Mr. Shibin allegedly successfully negotiated a large ransom for the release of 21 crew aboard the *Marida Marguerite*,” said FBI Assistant Director-in-Charge Janice K. Fedarczyk. “The negotiator has the most important job in the piracy business, extorting the most money possible for the ship and crew. As pirates operate during this period of instability in Somalia, the FBI will continue to apprehend all those involved, from Puntland villages to the Arabian Sea.”

If convicted on all counts, Shibin faces multiple life sentences for his role in both incidents.

## U.S. trade deficit with China reaches new record

The United States trade deficit with China hit a record high during the month of August, climbing to \$29 billion as the overall U.S. trade deficit shrunk to its lowest level in four months. The U.S. trade deficit with China increased 7.4% with exports experiencing a 2.9% increase to \$8.41 billion and imports rising 6.5% to \$37.36 billion.

The overall trade deficit fell to \$45.6 billion in August according to figures produced by the U.S. Commerce Department. The deficit is running an annual rate of \$564.3 billion which is 13% higher than last year. The real or adjusted-inflation deficit, which economists

use to measure the impact of trade on GDP, rose to \$47 billion from \$46 billion in July.

U.S. exports fell 0.7% to \$177.6 billion, due in part by an 8.5% decline in vehicle exports. Imports meanwhile fell by \$111 million to \$223.2 billion as the U.S. reduced its imports of cars, apparel, furniture and televisions.

The value of U.S. crude oil imports in August rose to \$31.04 billion from \$29.31 billion as higher import volume offset a reduction in prices. After reaching a 30-month high in June of this year, crude oil imports have started to decline along with falling prices.

## Italian military to guard its merchant vessels

Italy has pledged to post military forces on its merchant vessels to oppose pirates.

Defense minister Ignazio La Russa signed an agreement this month with the Italian shipowners’ Federal Confitarma to post the military guards on vessels in the Indian Ocean, Reuters reported.

Acceptance has grown for the use of armed security guards on ships, shipping sources told the news agency, but sovereign military forces are preferred by shipping because they have clearer rules of engagement and the reduced risk of legal issues in the event of fatalities.

## Charleston begins clean truck program to stymie Teamsters

A shipping line-backed program at the Port of Charleston, South Carolina, is offering \$5,000 to container truckers towards the purchase of new clean fuel-burning vehicles.

The incentive is funded by Seaport Truck Air Cleanup Southeast, a voluntary truck replacement program that gives port truckers incentives to replace pre-1994 model trucks with 2004 or newer models.

The South Carolina State Port Authority is working with the Coalition for Responsible Transportation, whose members include major container ship and retail container shippers, is trying similar incentives for haulers at other Southeast ports.

Transport interests have been attempting to use voluntary programs to head off attempts by the Teamsters Union to implement more stringent clean-truck programs, such as one under judicial review at the Port of Los Angeles, which banned private drivers from working the port. The Union asserts that forcing low-wage drivers to join a trucking company will get dirty trucks out of the ports faster. But it would also make it easier for the Union to organize the port trucking industry (Unions are barred by law from organizing independent operators), which liner operators and shippers claim would drive up transport costs.

## Suez Canal revenues rise

The Suez Canal Authority has recorded a 16% year-on-year increase in revenues in the first eight months of the year, IHS Global Insight reported last month.

The Canal Authority received \$3.6 billion in revenues between January and August this year, from \$3.1 billion in the first eight months of 2010.

Despite the disruption caused by the uprising in Egypt earlier in the year, which caused several ports, although not the canal itself, to close, the number of vessels transiting the canal increased by 11.3% during the period. However, the most recent figures for August saw a decline in vessel numbers as it recorded 122 transits, 7% less than August last year, even though overall tonnage was up by 6%, according to the Authority.

“The growth in receipts from Suez Canal activity is a positive development for the cash-strapped Egyptian government as it attempts to spark growth while remaining reticent of issuing additional debt,” IHS Global Insight said. “Despite the continuing growth in canal receipts, it must be noted that throughout the first seven months of 2011, revenues from the Suez Canal were up 12.3% on an annual basis, which implies that the pace of growth slowed during August,” it said. “Egypt could see activity at the Suez Canal weaken if global trade activity begins to soften in light of the increased downside risks facing the world economy.”

## Secretary LaHood will leave Transportation Dept. in 2013

Secretary Ray LaHood announced this month that he will not serve another term. “I serve at the pleasure of the president and it is an honor to look out for the safety of the American public when it comes to planes, trains, automobiles and more. Throughout this term, we have also focused our efforts on creating jobs as we rebuild our roads, rails and runways, and I look forward to working with Congress to pass the American Jobs Act so we can put Americans back to work.”

The Associated Press noted that LaHood “had a reputation in Congress as a moderate who tried to foster greater cooperation between Democrats and Republicans. While those skills made LaHood an attractive Cabinet choice, he has become better known as a plain-speaking advocate for safer driving and job-creating transportation projects”.

LaHood didn’t cite specific reasons for his departure. However, in his remarks at the National Press Club, LaHood expressed disgust with the partisan gridlock: “A lot has changed in this town since I arrived more than 35 years ago, but nothing changed more than the evolution of a culture in which elected officials are rewarded for intransigence. For too many, compromise has become a dirty word — for many, compromise isn’t even in their dictionary”.

Other news outlets reported more frank observations from LaHood: “Some people don’t want Obama to be successful... a big percentage of the Republicans that were elected this time came here to do zero, and that’s what they’ve done.”

LaHood was elected to Congress in the “Republican Revolution” of 1994 although he was one of only three Republicans who did not sign the “Contract with America”. That turned out to foreshadow a mostly centrist voting record. During his Congressional career LaHood developed a close relationship with two important Chicagoans: Barack Obama and former White House Chief of Staff and now Mayor of Chicago Rahm Emanuel.

## TransPacific freight rate slide continues

Freight rates for container cargo have weakened further on the Pacific trades during September to the lowest level since January 2010. Drewry’s latest Hong Kong-Los Angeles container rate benchmark lost another 2.5% to \$1,521 per loaded 40 foot container. That represents a decline of 38% on prevailing eastbound TransPacific spot rates a year ago when level stood at \$2,454.

Rates sank throughout September as the peak season ended after just a month, having reached more than \$1,800 per feu in August.

Although rates are now back to the lowest levels for 20 months, they are still above the lows of mid-2009 when prices collapsed to below \$900 per feu.

## Panama Canal sets tonnage record

Cargo shipped through the Panama Canal increased by 7.1% to 322.1 million Panama Canal/Universal Measurement System (PC/UMS) tons for the fiscal year 2011 which ended September 30. In fiscal 2010, the canal saw 300.8 million PC/UMS tons in throughput.

The new tonnage figures surpassed the previous record of 312.9 million PC/UMS tons back in 2007 by 2.9%, according to preliminary figures released October 3, by Panama Canal Authority. A PC/UMS tons is equal to 100 cubic feet of the vessel’s water displacement.

“This is an unprecedented achievement during the 97 years of Canal operations which proves once again the capability of Panamanians to operate and manage this important waterway for world commerce. My recognition and gratitude go to the Panama Canal employees for reaching this important goal,” said Panama Canal Authority Administrator/CEO Alberto Aleman Zubieta.

The opening of the expanded Panama Canal in 2014 is expected to increase the waterway’s capacity to more than 600 million PC/UMS tons.



## British treasure ship torpedoed by Nazis found off Ireland

In 1941, a Nazi torpedo tore a hole in a British merchant ship carrying a fortune in silver to England from India. The ship was part of a convoy headed for Liverpool, but it went down about 300 miles southwest of Ireland, disappearing in icy waters nearly three miles deep, deeper than the resting place of the *Titanic*.

Now, divers say they have found the wreck intact and they estimate its cargo at up to 240 tons of silver — a trove worth more than \$200 million. They plan to recover it in the spring.

The recovery, if successful, would be history's deepest and largest retrieval of a precious cargo lost at sea and highlight the growing power of ocean technology, according to Odyssey Marine Exploration, the company that found the ship. It is working under contract to the British government and says it verified the ship's identity in September.

"We were fortunate to find the shipwreck sitting upright, with the holds open and easily accessible," said Greg Stemm, chief executive of Odyssey, which is based in Tampa, Florida. "This should enable us to unload cargo through the hatches, as would happen with a ship alongside a cargo terminal."

Stemm added that a growing number of seafaring nations view cargo recovery as a creative way to increase revenues. In such arrangements, private contractors put their own money at risk in costly expeditions and split any profits. Odyssey, for instance, is to get 80% of the silver's value, and the British government 20%.

"It doesn't cost taxpayers a dollar and accrues right to the bottom line," Stemm said in an interview. "Governments are waking up to the potential."

The ship carrying the valuable cargo was the *S.S. Gairsoppa*, a vessel of the British Indian Steam Navigation Company that was named for a spectacular waterfall near India's western coast. In December 1940, it sailed from Calcutta laden with tea, iron and tons of silver. In Freetown, Sierra Leone, the ship joined a military convoy headed to the British Isles and the contested waters of the North Atlantic.

The merchant steamship, 412 feet long, had 83 crewmen and two gunners on board, according to Lloyd's of London, which compiles information about cargo lost in war.

High winds and a heavy swell soon forced the *Gairsoppa* to slow. As the weather deteriorated, the captain judged that the wallowing ship had insufficient coal to make it to Liverpool and broke from the convoy for Galway, in western Ireland.

Then, a highly decorated German U-boat captain, Ernst Mengersen, moved in for the attack. It was February 17, 1941. A single torpedo ripped through the *Gairsoppa*'s hull and exploded, causing the forward mast to topple and the antenna to snap, cutting off the ship from the world. The U-boat opened fire as the *Gairsoppa* sank.

All 85 men died save one, the second officer, who survived 13 days in a lifeboat.

In recent years, the famous lost cargo of silver began to beckon as technological strides resulted in new generations of sturdy robots, lights, cameras and claws that can withstand the crushing pressure of the deep. At least one company tried, and failed, to find the shipwreck.

In early 2010, Odyssey won an exclusive contract from Britain's Department for Transport to salvage the cargo. This summer, it hired a Russian ship and performed a preliminary survey in international waters, finding what it considered solid clues.

And in September, the company took its main ship, the *Odyssey Explorer*, to investigate the area. Its tethered robot took three-and-a-half hours to descend 2.9 miles through dark waters to the muddy seabed. Then came a eureka moment, when the robot found a gaping hole where the torpedo struck 70 years ago.

The hulk of the *Gairsoppa* was covered in rivulets of rust known as rusticles, which look like brownish icicles. But still standing bright and shiny on the deck was a waist-high compass used by the helmsmen. There, small creatures with long tentacles had made themselves at home.

Odyssey said it confirmed the wreck's identity from evidence including the number of holds, the anchor type, the scupper locations and read-and-black hull colors that matched the scheme used by the British Indian Steam Navigation Company.

During the four-and-a-half hour examination, the robot did not locate any of the precious metal, but it did observe that all five holds had lost their covers. Inside one, the robot spied tea chests whose shiny tin linings for a moment were taken as evidence of silver bars.

Nobody knows how much silver may lurk inside the *Gairsoppa*. The wartime government, to avoid giving enemies information about valuable targets, deliberately kept its transportation records opaque. But Odyssey's historical research indicates that the ship probably held a fortune in silver equal to 240 tons, probably in bars and coins.

The company found that the British government paid out an insurance claim on about half that amount owned by private parties, and it sees the gaps between the payout and the total reported value of the cargo as possibly alluding to the government's hidden share.

Odyssey says it does not expect to find human remains, in part because no crewmen would have occupied the cargo holds. Still, it says the ship's resting place nearly three miles down "deserves respect in recognition of the brave merchant mariners who sacrificed so much."

## Florida Voyager



Crew of the *Florida Voyager* on the starboard quarter at Richmond Long Wharf on August 31. Front row from left is OS Marc Dula, AB Reynaldo Clores, and Bosun Scott Oliphant. In the back is machinist Billy Darling and AB Ken Dooley. Photo: Dave Connolly

## APL again named best global ocean carrier

International maritime experts this month again named APL the world's best shipping line, and honored it for outstanding innovation.

The Singapore-based container carrier received the Global Ocean Carrier of the Year award as well as the Innovation IT of the Year award at the Containerization International awards. An eight-strong judging panel selected APL from a field of finalists including Maersk Line, CMA CGM and Hyundai Merchant Marine.

It was the second time in three weeks the maritime industry has honored APL as the world's top shipping line. In September, it won the Ship Operator Award at the Lloyd's List global awards.

"We're delighted to once more be recognized by industry peers for shipping excellence," said APL President Kenneth Glenn. "This is an affirmative of our focus on providing customers with sched-

ule reliability and service integrity."

APL earned the Innovation IT of the Year award for its proprietary SMARTemp™ service. SMARTemp™ uses satellite tracking to continually monitor the temperature and humidity of refrigerated containers carrying sensitive cargo, making oceanfreight a viable option for shippers with cargo traditionally moved via air.

The awards are the latest in a series of honors given to APL during 2011. The others include: In June the carrier was named Liner Owner/Operator of the Year by Seatrade Asia magazine; in April, APL was named best shipping line in both the TransPacific and Asia-Europe trades at the Asian Freight and Supply Chain Awards.

APL is a unit of Singapore-based Neptune Orient Lines (NOL), global shipping and logistics company. Twelve of APL's U.S.-flag ships are crewed by the SUP.

## Six Japanese companies plead guilty to anti-trust violations

The U.S. Justice Department announced September 28, that six Japanese freight forwarders have agreed to plead guilty for their roles in a conspiracy to fix fees regarding freight forwarding services for air cargo shipments from Japan to the United States.

The freight forwarders were charged with engaging in a conspiracy to fix and impose freight forwarding service fees including fuel surcharges and various security fees in violation of the Sherman Anti-Trust Act. The activities were said to occur between September of 2002 until at least November of 2007.

Each violation of the Sherman Act carries a maximum \$100 million fine which can be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime if either of those is greater than \$100 million.

Under the plea agreements, which are subject to court approval, the six companies have agreed to pay the following

criminal fines: Kintetsu World Express, \$10,465,677; Hankyu Hanshin Express, \$4,522,065; Nippon Express, \$21,115,396; Nissin Corporation, \$2,644,779; Nishi-Nippon Railroad, \$46,673,114; and Vantec Corporation, \$3,339,648. Each company has also agreed to cooperate with the department's ongoing antitrust investigation.

According to the charges, the companies carried out the conspiracy by agreeing during meetings and discussions to coordinate and impose certain freight forwarding service fees and charges on customers purchasing freight forwarding services for cargo shipped by air from Japan to the United States. The department said that the companies levied the freight forwarding service fees in accordance with the agreements reached and engaged in meetings and discussions for the purpose of monitoring and enforcing adherence to the agreed upon freight forwarding service fees.

**Attend your Union meetings**



## ESU Office Assignments

For the month of November, Leo DeCastro will be in the Seabrook office.

# ESU NEWS

OCTOBER 2011

Official Publication of the Exxon Seamen's Union

## SeaRiver signs definitive documentation for construction of two Aframax tankers with Akers

The *ESU NEWS* reported in August that SeaRiver had signed a letter of intent for the construction of two new vessels for Alaska North Slope service. ESU members had reservations about the announcement and the letter of intent since we have been down this road a few years ago with another shipyard only to see those prospects scuttled for cost reasons.

However, on September 29, 2011, it appears that SeaRiver put to rest any doubts about the Company's commitment to build new vessels to replace the *Kodiak* and *Sierra*. At a ceremony at its shipyard attended by Governor Corbett, Mayor Nutter, and others, Aker Philadelphia Shipyard, Inc. (APSI), the sole operating subsidiary of Aker Philadelphia Shipyard ASA (Oslo: AKPS), signed definitive documentation for the construction of two Aframax tankers with SeaRiver Maritime, Inc. (SeaRiver), Exxon Mobil Corporation's U.S. marine affiliate.

The 820 foot long, 115,000 deadweight

ton tankers are intended to transport Alaskan North Slope crude oil from Valdez to U.S. West Coast destinations. The vessels will be equipped with double hull protection, the latest navigation and communications equipment, and energy efficient engines. The two new Liberty Class tankers are valued at \$400 million and does not require any third party financing.

"This project is a reminder of the importance of America's Energy industry during the current challenging economic times," Andrew P. Swiger, ExxonMobil senior vice president, said at a ceremony attended by Pennsylvania Gov. Tom Corbett.

"The jobs and other benefits generated by the construction of these ships will be in addition to the thousands of jobs and millions in government revenues our industry has already created in Pennsylvania through development of Marcellus shale gas, which is also providing new, affordable supplies of energy to fuel our nation's economy."

Aker Philadelphia Shipyard, a leading U.S. shipbuilding facility in Pennsylvania, will build the two U.S. flag, crude oil tankers in partnership with Samsung Heavy Industries, a leader in shipbuilding technologies.

Project planning work is under way; construction of the 115,000 deadweight ton tankers is expected to begin by mid-2012. The vessels are scheduled for delivery in 2014 and each will be capable of carrying 730,000 barrels of crude oil to help meet U.S. energy needs. They will replace two existing double hull tankers.

All cargo and fuel compartments will be equipped with double hull protection. Main engine and auxiliary systems will be energy efficient and generate lower air emissions than what is required by current regulatory standards.

"Even before the first cut of steel, the project will contribute to the ongoing growth and development of the economy and Aker Philadelphia Shipyard," said Will Jenkins, president of SeaRiver. "It

will support jobs for the shipyard workforce, for the steel industry, and for countless material, equipment and service providers across the commonwealth and beyond. Following commission, the vessels will join our fleet in supporting our customer and the energy needs along the U.S. West Coast for decades to come."

Swiger said the U.S. oil and gas industry could do even more to create jobs and economic growth with access to resources currently kept off limits to development by government policies. "America's energy industry can invest for the long-term, and with every project success, we can build stronger communities and provide new sources of revenue to state and local governments," said Swiger.

"What we celebrate today is a reminder of what America's energy industry can do and is doing—investing in our country. We believe that expanding supplies of affordable, reliable energy is one of the best ways to get our economy moving again.

### Reminder: Deck Department Trustee vacancy

As mentioned in last month's edition of the *ESU NEWS*, the Deck Department Trustee position is now vacant and open to election. Former Deck Trustee, Aaron Rathbun resigned his position in September when he chose to take the layoff option as outlined under the ESU Contract. As of October 17, the ESU office has not received notification from any Deck Department members that are willing to run for this important position. The nomination period for this special election will end on November 21, 2011.

Eligibility requirements for the position of Deck Trustee are described in Article V, Section 1 of the Unions Constitution and By-laws. Requirements include: Candidate having his/her dues paid through the month in which the nomination is made and have at least two (2) years of continuous service in the Company and be a member of the Union for at least one (1) year. The nominee must be a qualified driver possessing a current, valid auto driver's license.

Candidates that wish to run for this position should submit a "Candidate Intent Form" (CIF) to the ESU office by the designated deadline. Candidate Intent Forms are available from your Ship Representative or by contacting the ESU office. The Candidate's Intent Form should be mailed by certified mail to the primary Union office if there could be any question concerning the timely receipt of the nomination. A Candidate's Intent Form may also be submitted via e-mail or facsimile (fax) to the ESU office (832-201-0441).

### Sierra ESU meeting



ESU members assigned to the Sierra during the shipyard period took time out from their busy schedule to hold a monthly Union meeting. Pictured in front from left: Philip Francia, Charles Hartman and Ben Hur Ramirez. Standing from left: Marvin Marcum, Jeff Harris, Bob Ross, Tuan Tran, Harley Thomas, Sean King and Tim Gallegos. Photo taken by John McCarthy who was also gracious enough to hold the meeting in his room at the Concorde Hotel.

### 2011 election of ESU officers underway

Ballots for the 2011 ESU election of Union officials were mailed to the membership in early October. Positions up for election this fall are the President/Secretary position, both Board Member at Large positions and Ship Representative positions for the *Sierra*, *Kodiak* and *SR Wilmington*. The voting period began on October 10, and will conclude on December 9, when the ballots are due at the American Arbitration Association office in New York. Following notification to the ESU Seabrook office on December 9, the results will be promptly announced to the membership.

On the official ballot, all candidates are listed in alphabetical order as per the ESU Constitution and Bylaws. Joe Bernavich, Ein Cooley and John McCarthy are running for the two (2) Board Member at Large positions. The two candidates that receive the most votes will be elected as Board Member at Large. Joe Butler and Tim Williams are running for the *Kodiak* Ship Representative position. This year John Straley ran

unopposed for the office of President/Secretary, Thor Floreen ran unopposed for the *Sierra* Ship Rep. position and Kevin Conroy ran unopposed for the *SR Wilmington* Ship Rep. position, provided the vessel remains crewed after January 1, 2012.

Ballots were addressed individually to each eligible voter and should have arrived to you on board the vessel or at your home. If you did not receive a ballot, please see your ESU Ship Representative or call the Union office. Remember, an eligible voter is one whom has been a member in good standing at least 90 days prior to the start of the election.

The ESU thanks all the candidates involved for their support and willingness to serve the membership. At a minimum, their willingness to serve should be recognized by every member casting a ballot during this important election for our Union. All ESU members are encouraged to participate in the elective process and strive for 100% voter participation in this election. PLEASE VOTE!

### Contract Corner – Subsistence when departing the vessel

All members are reminded of new contract language that provides for an additional meal allowance(s) when traveling from a vessel assignment based on the travel schedule that is provided by the Company. Example: If you are required to take a late flight home and traveling during breakfast on the Red Eye you will now receive subsistence at the breakfast meal rate.

The following amended contract language can be found under Article VIII, section 2(B) of the ESU Contract. "Employees departing the vessel at any time of the day to go on paid leave will be paid the dinner subsistence rate of \$22. Employees will also receive additional meal allowances based on the travel schedule the Company provides from the vessel to the airport nearest an employee's home (that is listed in the Official Airline Guide). All other reimbursements for unauthorized lodging and/or subsistence are not applicable after an employee is relieved from a vessel to go on paid leave."



ESU News

# ExxonMobil Medical Plans take another hit in 2012

For a second year in a row the premiums are increasing with the ExxonMobil medical plans that go into effect on January 1, 2012. Although ExxonMobil expenses continue to increase at levels below the rate of overall medical cost inflation, health care costs continue to escalate and unfortunately a moderate increase will apply to Company and participant contributions. For all plan options, participant and Company monthly contributions will increase approximately 5% for the POS II and HMO options.

The annual open enrollment for ExxonMobil Medical, Dental, Vision and Pre-Tax Spending Plans begins on October 24, 2011 and runs through November 11, 2011. All employees should receive the 2012 Benefits Open Enrollment booklets and forms from benefits administration around the October 24, 2011 start date. Your booklet, as it was last year, will contain options specific to each employee and the information will be sent to wherever the person is (i.e. home on paid leave or on assignment on the vessel). The Union was also informed that each vessel will receive copies of all the booklets and forms for use if anyone did not receive their own packet. Additionally, should anyone need assistance or has any questions about their benefit plans and availability they can contact Benefits Administration at 713-680-5858 or 800-262-2363.

The following monthly employee contributions will be in effect for participants in the ExxonMobil Medical Plan POS II "B" and POS II "A" options as shown below. The ExxonMobil Medical Plan offers two version of the POS II plan. POS II Option "A" was added in 2009 and offers lower monthly premiums but higher plan cost sharing features such as deductible, co-pays and out of pocket limits.

**POS II "B" Option - Monthly Participant Contributions - Effective January 2012**

Class of Coverage	Monthly Participant Contribution		New Monthly Participant Contribution		Annual Participant Contribution
	Contribution	Increase	Contribution	Contribution	
Participant Only	\$104	\$5	\$109	\$1,308	
Participant & Spouse	\$234	\$11	\$245	\$2,940	
Participant & Child(ren)	\$234	\$11	\$245	\$2,940	
Family	\$376	\$19	\$395	\$4,740	

**POS II "A" Option - Monthly Participant Contributions - Effective January 2012**

Class of Coverage	Monthly Participant Contribution		New Monthly Participant Contribution		Annual Participant Contribution
	Contribution	Increase	Contribution	Contribution	
Participant Only	\$180	\$4	\$84	\$1,008	
Participant & Spouse	\$170	\$9	\$179	\$2,148	
Participant & Child(ren)	\$170	\$9	\$179	\$2,148	
Family	\$245	\$12	\$257	\$3,084	

**POS II "A" and "B" Options - Prescription Drug Program**

There appears to be a few changes with the Prescription Drug Program that members need to review in the information packet pertaining to Coverage Management Rules, Personalized Medicine and Medical Channel Management.

Additionally, the per prescription maximum for Preferred Brand Name drugs purchased at retail pharmacies will increase to \$115 per prescription (from \$100 per prescription). The per prescription maximum for Non-Preferred Brand Name drugs purchased at retail pharmacies will increase to \$170 per prescription (from \$150) to

encourage the use of lower cost prescription drugs.

**HMO Options**

ESU members that live in areas that provide an HMO alternative to the POS II Aetna Plan may want to evaluate this option to address medical coverage needs. No HMO options will be added or discontinued for 2012.

**Monthly HMO Employee Contributions - Effective January 1, 2012**

Plan Name	Service Area	Class of Coverage			
		Participant Only 2012	Participant & Spouse 2012	Participant & Child(ren) 2012	Participant Family 2012
Aetna - Dallas/FT Worth	TX	105.00	237.00	237.00	382.00
Aetna - Houston/Baytown	TX	103.00	211.00	211.00	382.00
Aetna - Philadelphia, PA	PA	101.00	192.00	192.00	323.00
Aetna - South Florida	FL	99.00	217.00	217.00	356.00
Cigna - Beaumont SO TX	TX	109.00	245.00	245.00	395.00
Cigna - California	CA	98.00	185.00	185.00	271.00
Cigna - Houston SO TX	TX	101.00	198.00	198.00	363.00
Cigna - NJ/CT	NJ/CT	106.00	237.00	237.00	376.00
Cigna - New York	NY	103.00	237.00	237.00	376.00
Harvard Pilgrim	MA	101.00	219.00	219.00	342.00
Kaiser - S CA	CA	99.00	184.00	184.00	277.00

Dental and Vision Plans - Recognizing that oral health impacts an individual's overall health, the Company is increasing its share of the monthly contribution requirements. Monthly Company contributions will increase an average of 13%, and participant contributions will not increase for 2012. Also, under the Dental Plan, Composite fillings will be reimbursed at the same benefit level as amalgam fillings applied to molars. The Vision Plan will not experience a rate increase and the coverage remains unchanged.

The following monthly contributions will be in effect for all plan participants in the ExxonMobil Dental and Vision plans.

**ExxonMobil Dental Plan - Effective January 1, 2012**

Class of Coverage	Monthly Participant Contribution	Annual Participant Contribution
Participant	\$25.00	\$300.00
Participant + 1	\$44.00	\$528.00
Participant + 2 or more	\$72.00	\$864.00

**ExxonMobil Vision Plan - Effective January 1, 2012**

Class of Coverage	Monthly Participant Contribution	Annual Participant Contribution
Participant	\$5.84	\$70.08
Participant & Spouse	\$11.32	\$135.84
Participant & Child(ren)	\$11.32	\$135.84
Family	\$17.86	\$214.32

## Ship reports

**S/R American Progress**

ESU Board officer called on the AP on October 4, at BP Cherry Point and again at Valero Benicia on October 19. Regular Ship Rep. Rudy Benavides on board and reports no problems. The next discharge port will be in the Puget Sound area around the first of November.

**Kodiak**

Vessel arrived in San Francisco, CA, on October 18, for discharge at Chevron Richmond. ESU Board officer visited the vessel on October 20, while at the dock. QMED-Oiler, Joe Butler is filling in as Ship Representative and has been doing a good job. Looks like the vessel's next trip south will be the Puget Sound area returning around the end of the month.

**S/R Long Beach**

The Long Beach continues in cold lay-up, in Labuan, Malaysia. There are no crewmembers assigned to the vessel at this time. Future plans for the vessel are unknown at the present time.

**Sierra**

The Sierra departed Jurong shipyard on October 15, and following sea trials

departed Singapore the next day. Currently, enroute to Valdez arriving during the first part of November to load crude for delivery at Chevron Richmond. Board Member at Large, John McCarthy is aboard and reported in frequently while the vessel was in Singapore. Smoking lounge was enlarged during the yard but it appears the crew will have to finish the work to bring the lounge up to the 2009 MOU. Although the yard period went very well, the heat was brutal and the crew looked forward to leaving Singapore and returning to the U.S.

**S/R Wilmington**

The vessel is still alongside the City Dock in Beaumont TX. ESU Board officer visited the vessel on October 11. There are few unlicensed employees still assigned to the vessel and will remain assigned until the vessel is officially transferred to the new owner. Two ABs have been assigned primarily for security reasons and Fleet Chef Brian Gilbert continues to serve meals for all licensed and unlicensed still aboard. Vessel is expected to be scrapped or what is termed today as "recycled."

## Willy crew



Indications are that the SR Wilmington will be turned over to new owners in the near future once all the paperwork is complete. Until that time there have been a few ESU members still assigned for safety and security of the vessel. Pictured from left to right are QMED-Oiler, Marlon Quidilig, AB, Roque "Rocky" Salute, John Straley (ESU) and Fleet Chef Brian Gilbert. Photo taken by Chief Mate, Carlos Royo.

### EXXON SEAMEN'S UNION

Founded March 28, 1941

Affiliated with the Sailors' Union of the Pacific

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Vice President/Treasurer Leo DeCastro  
Board Member at Large Joe Bernavich  
Board Member at Large John McCarthy

Deck Trustee TBN  
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NEW MAILING ADDRESS



## Watch changes early at NOL/APL

Ron Widdows has stepped down as chief executive of the Neptune Orient Lines (NOL) group three months early to make way for his previously announced successor, Ng Yat Chung. NOL, which operates APL, the sixth-largest container line in Asia, named Ng in April as executive director and said the two would operate the company jointly until December.

In an announcement attributed to both Ng and Widdows, NOL said: "It has become clear that the environment has changed and that numerous import decisions need to be taken and that most of those will have an affect on our business and our company well beyond the end of this year." The statement goes on to say that it is important for NOL's new leadership to "shape these important decisions now, not wait until 2012". Ng took management control of the company as of October 1.

The change in environment that the statement refers to is the deterioration of freight rates in both the Asia-Europe trade lanes and on the transpacific trades following the introduction of the biggest boxships on the Asia-Europe trades this year. Simultaneously, the European debt crisis and lagging economy in the United States have hurt global trade prospects through 2012. Stock markets began another bear run this summer. Temasek, Singapore's government investment fund, owns around 68% of NOL.

Until his NOL appointment, Ng was head of energy and resources for Temasek. He was also Temasek co-head for Australia and New Zealand, and co-head of strategy. He was Chief of Defense Force for Singapore Armed Forces from 2003 until 2007.

Widdows was appointed as NOL's chief executive in 2008, and has more than 30 years experience at the company. He has long been a critic of supersized boxships. NOL reversed this policy in June when it ordered ten 14,000teu boxships from Hyundai Samho Heavy Industries.

For the first half, APL posted a net loss of \$67 million, hit by higher freight rates and soaring fuel costs.

## The last big corporate tax cut did not create jobs

If you listen to anti-worker politicians on the right, you'd think the answer to the nation's ills lies in tax cuts, and not just the extension of the Bush tax cuts for America's wealthiest human citizens. Corporate tax cuts are often hailed as the solution to America's jobs crisis.

But a report issued this month by the U.S. Senate Permanent Subcommittee on Investigations, led by Senator Carl Levin (D-Michigan), gives lie to that logic with its stark findings that a notable recent effort to create jobs through corporate tax cuts created a multibillion-dollar corporate windfall that did not trickle down to America's workers, and did not create new jobs.

A law designed to spur new jobs in the United States passed six years ago aimed to do so by allowing U.S. corporations that were holding profits overseas to bring that money back into the United States at an extremely low tax rate. Corporations brought home billions, but did not invest in U.S. operations or create jobs. From the Levin report, titled "Repatriating Offshore Funds: 2004 Tax Windfall for Select Multinationals": In 2004, the America Jobs Creation Act (AJCA) permitted U.S. corporations to repatriate income held outside of the United States at an effective tax rate of 5.25% instead of the top 35% corporate income tax rate. The purpose of this tax provision was to encourage companies to return cash assets to the United States, which proponents of the provision argued would spur increased domestic investment and U.S. jobs. In response, corporations returned \$312 billion in qualified repatriation dollars to the United States and avoided an estimated \$3.3 billion in tax payments, but the growth in American jobs and investment that was supposed to follow did not occur.

Only days after the minority party on October 10, in the Senate used the filibuster to prevent President Barack Obama's jobs bill from reaching the Senate floor, Senator Rand Paul (R-Kentucky), a Tea Party favorite, and Senator John McCain (R-Arizona), unveiled what they said was a jobs plan. Among its main features is a corporate tax cut. If the Levin report is any indication, the McCain-Paul plan would do little more than fill the coffers of corporations and the wealthy, and next to nothing to create jobs. The plan is believed to have next to no chance of succeeding in the Senate.

Editor's Note: To receive the *West Coast Sailors* via first-class mail it's \$25 per year U.S. mail; \$40 per year international.

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## Welfare Notes

October 2011

### MAILINGS

Creditable coverage letters for active Participants and non-creditable coverage letters for Pensioners were recently mailed. Please read them carefully and keep for your records.

#### Medical Plans for Active Participants

Plan Trustees continue to work to provide participants with medical coverage at reasonable cost. Average annual premium increases for active medical plans in the last three years have been: Blue Cross/Blue Shield of Louisiana 5.7%, Kaiser Northern California 9.3%, Kaiser Southern California 11.3%, Kaiser Hawaii 12.6%, Health Net HMO 8.4%, Health Net PPO California 8.4%, Health Net PPO Outside of California 5.5%, Group Health of Washington 0.8%, and Kaiser Oregon 7.3%.

#### Pensioners' Annual Allowance and Special Pensioners Medical Benefit

The \$2,000 Pensioner's Annual Allowance allows for reimbursement of covered expenses in the plan year that runs from August 1 through July 31 of the following year.

The monthly Medicare Part B Premium of \$96.40 currently is reimbursed to Pensioners on their pension checks. This amount multiplied by 12 months is then deducted from the Pensioners' Annual Allowance. If the Part B Premium is also being reimbursed for a spouse, that amount is also deducted from the allowance. These deductions are applied to the total allowance at the beginning of the plan year.

When the Pensioners' Allowance has been exhausted, covered expenses are applied to the Special Pensioners Medical benefit on a pro-rata basis for pensioners who meet the eligibility requirements.

The maximums are:

- \$500.00 for medical, dental, and vision co-payments (example \$250.00 medical, \$100.00 dental, & \$150.00 vision would total the \$500.00 maximum).
- \$1,000.00 for prescription drugs
- \$2,500.00 for premiums (examples Medicare Part D Prescription Drug Premium, supplemental plan premiums such as AARP or Kaiser supplemental plans.)

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SIU-PD Pension 415-764-4987

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## Obama's American Jobs Act *continued from page 1*

care reform. The party seems content to run out the clock on Obama's term while doing very little.

Their lack of serious ideas was on full display in both the Senate and the presidential debate on October 11, in New Hampshire. The debate was ostensibly about the economy, but when the freshest and most-talked-about idea is Herman Cain's ridiculous "9-9-9" tax plan, it is clear that the economy they were debating is not the one Americans are forced to live in. Cain—whose rise in the polls says everything you need to know about the amateur-hour decline of his party—wants to replace all federal taxes with a 9% levy on corporate income, personal income and sales. It is a formula designed to cut taxes for the rich and increase them for the poor, raising the deficit and doing nothing for growth.

The other candidates were not less vacuous. Mitt Romney offered an ash heap of used ideas, saying he would push a balanced-budget amendment, cut back on regulations, and go chest to chest with China on trade. Rick Perry, when he could be stirred to speak, vowed to somehow put 1.2 million people to work in the energy industry, as if the whole country were Texas and drills could pop up on every block.

In his weekly radio address to the nation on October 15, President Obama said that he will send portions of his American Jobs Act back to Congress for votes.

The first will be legislation to help local governments put hundreds of thousands of teachers back in the classroom, cops back on the streets and firefighters back on the job. "And if they vote 'no' on that, they'll have to tell you why. They'll have to tell you why teachers in your community don't deserve a paycheck again. They'll have to tell your kids why they don't deserve to have their teacher back. They'll have to tell you why they're against commonsense proposals that would help families and strengthen our communities right now," Obama said.

Obama added that in the coming weeks other parts of the jobs package will be sent to Capitol Hill including bills to:

- put construction workers back on the job, rebuilding roads and bridges;
- provide tax cuts for small businesses that hire veterans;
- make sure that middle-class families don't see a tax hike next year;
- ensure that the unemployed and out-of-work youth have a chance to get back in the workforce and earn their piece of the American Dream.

In his address Obama said "Putting people back to work, restoring economic security for the middle class, rebuilding an economy where hard work is valued and responsibility is rewarded, and economy that's built to last," is what's at stake in these upcoming votes.



## Cargo preference critical *continued from page 1*

quirements in support of our national security strategy.”

As stated succinctly by General John W. Handy (then Commander, U.S. Transportation Command) in 2002: “We simply cannot, as a nation fight the fight without the partnership of the commercial maritime industry.”

The fleet of privately owned U.S.-flag vessels supported by cargo preference laws has proven in recent years to be instrumental to the supply and support of our troops abroad. The privately owned U.S. merchant fleet has transported over 90% of the equipment and supplies used in the conflicts in Iraq and Afghanistan at a fraction of the cost of other alternatives.

The fleet of privately owned U.S.-flag vessels also employs the pool of trained U.S.-citizen merchant mariners essential to support the U.S. government’s sealift objectives. As recently indicated by the Navy League of the United States, “Skilled mariners are more critical than ever to ensuring our ability to sustain U.S. national and global security interests.” As MarAd is well aware, the U.S. government cannot mobilize its fleet of reserve vessels held in inactive and active status without that pool of mariners actively employed by the privately owned U.S.-flag fleet.

### The U.S.-Flag Fleet Depends on Cargo Preference

The cargo preference laws are essential to maintaining a commercial U.S. -flag merchant marine. Virtually every privately owned U.S.-flag vessel engaged in the foreign trade depends to some degree on cargo preference to remain economically viable. Indeed, absent cargo preference, it is no exaggeration at all to say that the U.S.-flag fleet in foreign commerce would disappear and the U.S. government would have to duplicate that Sealift capability at enormous expense with government-owned vessels. As then Senator Barack Obama indicated in 2008, “A strong U.S.-flag commercial fleet needs our nation’s cargo preference laws.”

### Cargo Preference is a Cost-Efficient Way to Support a Privately Owned U.S.-Flag Fleet

Cargo preference rests on the common sense idea that the U.S. government should reserve a portion of the ocean cargo it generates, either directly or indirectly, to U.S. companies, just as it generally makes its other purchases within the United States. U.S.-flag vessels fly the American flag, are owned by American companies and employ civilian American officers and crews.

Cargo preference is a highly cost-efficient way to support a privately owned U.S.-flag commercial fleet. Cargo preference leverages the cost of shipping goods and commodities to provide a national security benefit. Specifically, the cost of shipping—which if spent on foreign vessels would provide the U.S. no national security benefit and virtually no U.S.-economic activity—is used under cargo preference to obtain a national security capability (a fleet of militarily useful U.S.-flag vessels), support U.S. jobs, stimulate U.S. economic activity and obtain the needed ocean transportation services. In fact, a July 2009 study for MarAd determined that it would cost approximately \$13 billion in capital cost just to duplicate a portion of the commercial sealift capability provided by the commercial fleet of U.S.-flag vessels supported by cargo preference and the Maritime Security Program. The U.S. Transportation Command estimates that it would cost an additional \$52 billion to replicate the intermodal systems developed by U.S.-flag carriers and their affiliates operating in the foreign trade.

Even if U.S.-flag transportation costs more, it is more than offset by the direct purchases made by U.S. shipowners and crews throughout the United States and the federal, state and local taxes paid by shipowners and their crews. A 1995 study determined that every dollar spent by the federal government on U.S.-flag transportation led to \$1.26 in federal income tax revenue when all of the economic impact was considered.

### The Purpose of Cargo Preference is to Support a Private U.S. Merchant Marine

As an amendment to the Merchant Marine Act, 1936, the Cargo Preference Act of 1954 became part and parcel of the overall statutory purposes driving U.S. maritime policy contained in the 1936 Act. As codified in 2006, these purposes remain the guide for all policies affecting the U.S. merchant marine. Thus, one purpose of cargo preference, like other U.S. government maritime programs is to promote having “a merchant marine ... capable of serving as a naval and military auxiliary in time of war or national emergency...owned and operated as vessels of the United States by citizens of the United States...manned with a trained and efficient citizen personnel.”

### MarAd is Responsible for Promoting the Merchant Marine through Cargo Preference

MarAd is chiefly responsible for promoting the maritime objectives of the U.S. government. According to MarAd’s 2008 Annual Report to Congress, “The Maritime Administration is at the forefront in maintaining a strong and visible U.S.-flag fleet through a number of statutory programs, including the reservation for transportation on U.S.-flag vessels of certain government-impelled, ocean-borne cargo in international trade.

MarAd’s responsibilities are reflected in the Cargo Preference Act of 1954. From 1970 to 2008 that Act provided that any “agency having responsibility under this section shall administer its programs with respect to this section under regulations prescribed by the Secretary of Transportation.” In 2008, Congress made it even clearer that it was MarAd’s responsibility to enforce the Cargo Preference Act of 1954 by adding language as follows: “Each department or agency that has responsibility for a program under this section shall administer that program with respect to this section under regulations and guidance issued by the Secretary of Transportation. The Secretary, after consulting with the department or agency or organization or person involved, shall have the sole responsibility for determining if a program is subject to the requirements of this section.”

The Congressional conference report accompanying the enactment of MarAd’s cargo preference authority states clearly that Congress placed these responsibilities on MarAd for two reasons —(1) to ensure uniform administration of cargo preference agency-by-agency; and (2) to ensure that the purpose of promoting the U.S. merchant marine via cargo preference was fulfilled.

### Cargo Preference Compliance has not always been Automatic

All too often, cargo preference is either not complied with at all or applied in a way as to make it ineffective. This is not a new phenomenon.

## Mississippi Voyager in Richmond



Aboard Chevron Shipping Company’s *Mississippi Voyager* in Richmond on September 3, from left: AB and riding gang member Wil Williamson, AB Ed Windeler, and AB and delegate William Fisher. Photo: Dave Connolly.

For example, the U.S. Agency for International Development (USAID) has undertaken procurements in the billions of dollars in Iraq, Afghanistan and Pakistan and has routinely avoided cargo preference when ocean transportation was involved. Numerous cargo preference waivers have been granted by USAID for shipments without USAID involving MarAd in the waiver process or canvassing the U.S.-flag carriers to validate assumptions that no U.S.-flag service was available. Had either MarAd or the carriers been involved, they would have had the opportunity offer service for the shipments.

In another instance, the U.S. Department of Energy issued billions of dollars of loan guarantees and avoided cargo preference throughout until the industry prompted MarAd to take a stand on the application of cargo preference. Although the application of cargo preference to those guarantees should not have been in doubt, it took months to persuade DOE to alter its position and even then U.S.-flag carriers have carried virtually none of the cargoes shipped under that program.

These and many other instances show that if any changes are required to MarAd’s cargo preference regulations, those changes should be designed to improve the ability of MarAd to oversee other agencies to ensure cargo preference compliance.

### MarAd Should Improve its Oversight of Cargo Preference requirements

The need to improve oversight of cargo preference is greater than ever. Over time, the U.S. Department of Defense has increased reliance on the privately owned U.S.-flag commercial fleet. Yet, the cargo base that supports the U.S.-flag fleet is in decline. The United States has closed many bases around the world. The conflict in Iraq has drawn down, and the conflict in Afghanistan is likely to draw down. Moreover, the U.S. government has already reduced significantly its spending on international food aid and further cuts are possible.

The need, therefore, is great for MarAd to undertake rigorous enforcement of the existing cargo preference laws to ensure that the requirements apply where, by law, they should apply and to ensure that agencies and contracting officers follow the letter and spirit of the requirements. Specifically, USA Maritime requests that MarAd take the following steps as soon as possible:

1) MarAd should amend its regulations to implement the 2008 cargo preference amendment enacted by Congress. The law provided MarAd critical new authority that cannot be fully implemented and enforced until MarAd promulgates implementing regulations.

2) MarAd should undertake a process of amending the Federal Acquisition Regulation (FAR) at section 52.247-64 “Preference for Privately Owned U.S.-Flag Commercial Vessels” to bring it up to date and account for the 2008 cargo preference amendment. The current version has not been amended since 2006 and does not accurately reflect the law. For example, the current FAR provision does not indicate that cargo preference applies to shipments ‘financed in any “my” by the U.S. government which was added in 2008. As a result, a contracting officer anywhere in the federal government reviewing that language could misapply cargo preference and arrange for foreign-flag transportation when that would be contrary to the law.

3) MarAd should fill open senior cargo preference positions as soon as possible. Both the Director of the Office of Cargo Preference and Domestic Trade and Associate Administrator for Business and Finance Development positions are vacant and have been vacant for months. These are key positions with regard to cargo preference and the lack of qualified personnel in those positions inhibits effective MarAd cargo preference oversight.

4) MarAd should improve significantly its cargo preference information collection and dissemination efforts. MarAd currently does not maintain up-to-date publicly available information on cargo preference compliance. For example, MarAd’s international food aid transportation numbers have not been updated since 2009. In line with its other efforts to improve cargo preference oversight, MarAd should improve its information related activities significantly including with respect to non-U.S. origin cargoes to non-U.S. origin destinations to which cargo preference may apply.

5) MarAd should step up its efforts substantially in enforcing cargo preference in general. MarAd is the agency charged by law with promotion of the U.S. merchant marine. MarAd is the agency charged by law with overseeing other agencies’ compliance with cargo preference. Only MarAd can ensure that the cargo preference laws are adequately enforced and that the purpose of those laws is fulfilled.

**Perhaps nothing is more important to the viability of the privately owned U.S.-flag commercial fleet than adequate cargo preference enforcement. MarAd must substantially improve its cargo preference efforts to prevent a significant decrease in the number of vessels under U.S. flag.**





# SUP President's Report

October 11, 2011

## MARITIME ADMINISTRATION

At the request of maritime labor, a meeting was held on September 22, at MEBA Headquarters in Washington, D.C. with representatives of the Maritime Administration to get an overview of the status going forward of the Ready Reserve Fleet in light of pending federal budget cuts.

Representing labor were MFOW President Anthony Poplawski, MM&P President Tim Brown, SIU-A&G Executive Vice President Augie Tellez, MM&P Secretary-Treasurer Don Marcus, MEBA Chief of Staff Bill Doyle, AMO National Vice President Mike Murphy, SIU-A&G Contracts Vice President George Tricker, American Maritime Congress President Lee Kinkaid and your secretary.

MarAd was represented by Associate Maritime Administrator Kevin Tokarski, Director of Ship Operations Bill Cahill, Deputy Director of Ship Operations Jim McGhee, Budget Director John Martin and Anne Wehde.

Tokarski provided an overview of the agency's Ready Reserve Force (RRF), National Defense Reserve Fleet (NDRF) and School Ship programs. The RRF was initiated in 1976 as a subset of the NDRF program to support the rapid worldwide deployment of U.S. military forces. As a key element of Department of Defense (DOD) strategic sealift, the RRF primarily supports transport of Army and Marine Corps unit equipment, combat support equipment, and initial war fighter re-supply during the critical surge period before commercial ships can be marshaled. The RRF provides nearly half of the government-owned surge sealift capability. Management of the RRF program is defined by a memorandum of agreement between DOD and the Department of Transportation.

The NDRF program is comprised of over 30 ships that can be activated for specific purposes. They are mostly RRF ships that are kept in deep lay-up, preserved for potential use of government agencies. The School Ships are also in the NDRF program and are loaned to the various federal and state maritime academies, as follows: *Cape Gibson*, Texas Maritime Academy; *Empire State*, SUNY Maritime College; *Golden Bear*, California Maritime Academy; *Kennedy*, Massachusetts Maritime Academy; *Kings Pointer*, U.S. Merchant Marine Academy; *State of Maine*, Maine Maritime Academy; and *State of Michigan*, Great Lakes Maritime Academy.

The future of the Ready Reserve Fleet is tenuous at best, given the push to cut the federal budget and the downsizing of the wars in Iraq and Afghanistan. Current congressional funding for MarAd's RRF is \$322 million per year with a projected loss of \$64 million in funding from 2012 through 2017.

The current fleet is comprised of 48 vessels, down from 104, 20 years ago with the average age of all vessels being 38 years. The number of vessels will be reduced to 46 next year when the *Cape Farewell* and *Cape Flattery* are removed from the program. Both vessels are operated by SUP-contracted Patriot Contract Services.

MarAd stated that the *Cape Henry* (Patriot-operated), *Cape Horn* and *Cape Hudson* would be up for re-bidding in 2012 with all other vessels re-bid in 2015.

Some of the ideas floated by MarAd to maintain the fleet and reduce costs included the reduction of Reduced Operating Status (ROS) crew size, rotating crews from ship-to-ship and the assignment of "tiger teams" to maintain vessels that are nested together.

In short, the future does not look bright for the Ready Reserve Fleet.

## TRANSPORTATION TRADES DEPARTMENT

As a Vice President of the Transportation Trades Department (TTD), AFL-CIO, attended an Executive Committee meeting in Washington, D.C. at AFL-CIO Headquarters on October 6.

The TTD, under the leadership of President Ed Wytkind and his staff, continues to be an effective organization in lobbying members of Congress and the Obama Administration on issues of importance to transportation workers. This task is exacerbated by the intransigence of the Republicans in the House of Representatives to vote "right" on bills that support transportation infrastructure development projects and legislation that would give some modicum of equity to workers in the bargaining process.

To address infrastructure problems, the TTD passed a policy statement supporting President Obama's American Jobs Act, now pending before Congress. The legislation, in brief, would put half a million Americans to work retrofitting decaying bridges, highways, railroads and ports. Despite the negative rhetoric heard on Capitol Hill and among those seeking the Republican presidential nomination, this type of spending on our failing transportation system will work to create jobs when Americans need them most. Lawmakers who genuinely seek real job creation strategies free of unnecessary government delays should enthusiastically support this jobs plan – that is, if they are serious about helping unemployed Americans.

However, the political reality in Washington makes passage of the jobs bill problematic. As President Wytkind pointed out, 157 House Republicans have consistently voted "wrong" on transportation and labor issues in the first two years of the 112<sup>th</sup> Congress. Only two Republicans have voted correctly during that period: Congressmen Steven LaTourette of Ohio and Michael Grimm of New York.

Congressman LaTourette, who addressed the TTD, made it clear that he stands for workers' rights and against the continuing assaults on labor by members of his own party.

Congressman Nick Rahall (D-West Virginia), the Ranking Member on the House Transportation and Infrastructure Committee, a champion of workers' rights over his 38 years in the House, told the TTD that the Republicans want to gut the National Labor Relations Board, the National Mediation Board and the Department of Labor if they take the White House, the Senate and retain control of the House in 2012. He urged all to support candidates that support American workers.

The final speakers were Jason Furman, Deputy Director of the National Economic Council, and Polly Trottenberg, Assistant Secretary for Transportation Policy at the Department of Transportation. Both administration officials recounted the accomplishments of President Obama but fielded some tough questions on challenges that confront the nation.

## APL MARINE SERVICES

In accordance with the 2005-2015 collective bargaining agreement with APL, effective October 1, all contributions (MSP vessels, non-MSP vessels, Maintenance and Extra Maintenance Shoreside Labor) to the SUP Welfare Plan were increased by the percentage increase in the Medical Care Services component of the Consumer Price Index (United States City Average for Urban Wage Earners and Clerical Workers) during the most recent previous 12-month period for which such index has been calculated by the Bureau of Labor Statistics of the Department of Labor. That rate, published on September 15, was 3.3%. This will increase APL's contribution to the SUP Welfare Plan to \$94.98 per manday from \$91.95. Matson's current rate is \$98.27 per manday.

## SUPPLEMENTAL BENEFITS

Some SUP members as well as those in the MFOW and SIU-Marine Cooks, continue to file "exempt" from federal withholdings when applying for supplemental benefits through the SIU-PD Supplemental Benefits Fund office. Internal Revenue Service "Circular E" contains a section on tax payment requirements for supplemental wages.

The publication provides two methods of determining the required withholding: (1) a flat 25%; or (2) the

same rate currently being withheld on the employer payroll. The second option does not work well for supplemental wages because there is not necessarily a concurrent wage being paid by an employer when a participant collects supplemental benefits. That leaves the flat 25% tax withholding as the only viable option.

Effective September 27, 2011, on advice from legal counsel, the SIU-PD Supplemental Benefits Fund office began the flat 25% federal tax withholding for all Supplemental Benefit payments.

## QUARTERLY FINANCE COMMITTEE

In accordance with Article XVII, Section 2 of the SUP Constitution, a Quarterly Finance Committee shall be elected at today's Headquarters meeting to review the finances of the Union for the third quarter of 2011, and report back to the membership at the November coastwise meetings. In the event the committee cannot be filled today, recommend that when the quarterly audit of the Unions funds is completed, which will be in about three weeks, necessary committee members be shipped off the hiring hall deck as per past practice.

The Quarterly Finance Committee will turn-to on Monday, November 14, at 8:00 A.M.

## HOLIDAYS

All SUP halls will be closed on Friday, November 11, in observance of Veterans' Day and on Thursday, November 24, for Thanksgiving Day.

Under the ILA Agreement, Tuesday, November 8, is a holiday if an election is taking place. Therefore, it is also a holiday for APL vessels calling East Coast ports, if an election is being held.

## ACTION TAKEN

Quarterly Finance Committee: Nominated and elected were: Paul Fuentes, Romaine Dudley, Paul Calais, Kaj Kristensen and Diane Ferrari.

M/S to concur with the balance of the President's report in its entirety. Carried unanimously.

*Gunnar Lundeberg*

## Singapore eyes port expansion

Singapore, the world's second-busiest container port, said it must expand such facilities further to cope with the demand for ever-bigger container ships.

At the inaugural Singapore Maritime Institute forum on October 12, the city-state's Transport Minister Lui Tuck Yew said: "The basic design of a container port has remained largely unchanged for decades—a simple plot of land with stacks of containers, surrounded by cranes to lift boxes on and off ships. "While there have been some improvements in port technologies, these are mostly incremental changes," the minister added. "Yet on the demand side, things have changed much more dramatically. "Not so long ago, the workhorse of the Asia/Europe trade was a 6,000teu container ship. That soon went up to 12,000teu—and soon, we might have to prepare for an era with even larger ships beyond 18,000teu."

Changing Asia/Europe trade conventions mean that Singapore's port infrastructure needs space to accommodate ultra-large box ships, Lui said: "In land-scarce Singapore, these present us with a real challenge, but one that we are determined to meet head on."

In line with this goal, the institute and Singapore's Maritime & Port Authority will launch the "Next Generation Container Port challenge" during Singapore Maritime Week in April 2012. Participants will be invited to submit designs for new-general box ports, with the winner taking a \$1 million prize.



## Saudi Arabia to build railroad linking east and west ports

Saudi Arabia has approved plans for an estimated \$7 billion landbridge passenger and freight rail link between the country's east and west coast ports, with a first phase opening of 2015. The project, financed by the state-owned Public Investment Fund, involves 594 miles of new track between Riyadh and Jeddah of the Red Sea, and another 750 miles between the Arabian Gulf ports of Dammam and Jubail. There will also be an expansion of the current Riyadh-Dammam railway.

The Saudi landbridge will be primarily a bulk freight and container link, interoperable with the north-south railway. In the initial phase it is expected to transport 700,000 containers per year.

According to a report on the official Saudi government website, the project has been approved by the country's Council of Ministers. The Saudi cabinet meeting, chaired by King Abdullah, decided that the rail operator would be selected after a tender process with the infrastructure remaining under government ownership. The report said that the rail link "will allow freight of cargo imported from East Asian countries via King Abdul aziz Port in Dammam, and from Europe and North America via Jeddah Islamic Port. This would result in more transit cargo and savings in the regional freight economy."

It is estimated that 8 million tons of freight will be distributed in Saudi Arabia and neighboring countries yearly. Each train, said the report, will have the capacity to carry up to 400 teu. The freight schedule has been estimated at up to 16 container trains daily. For freight, the maximum travel time will be 12 hours between Jeddah and Riyadh. The overall time taken for freight transport services from Jeddah to Dammam is expected to be 18 hours instead of the current five to seven days taken by sea without transshipment or eight to nine days with transshipment.

## Housing bust caused deficits, not public-sector contracts

When housing prices began to take a dive, revenues to state and local governments plummeted. Housing construction shuddered to a halt, creating ranks of unemployed workers who began drawing unemployment benefits rather than paying local taxes on their previously middle-class salaries. The businesses of suppliers and service-providers to contractors were forced into downturn. And many states continued to cut taxes, causing a perfect storm of budget woes for the states.

Yet who got the blame for this economic morass? Public-sector employees and their Unions, who have been made the scapegoats for a budget crisis that had nothing to do with them—convenient targets for the right-wing forces that seek an end to Unionization in all sectors.

"The Wrong Target: Public Sector Unions and State Budget Deficits," a new study released this month by the Institute for Research on Labor and Employment at the University of California, Berkeley, makes clear the real causes of the state- and local-government budget crisis. Using data compiled from the U.S. Bureau of Labor Statistics, authors Sylvia Allegretto, Ken Jacobs and Laurel Lucia show that when the impact of the housing bust is added into tables that purport to link public-sector labor contracts with state-level budget crises, public workers' compensation becomes statistically insignificant.

The findings are especially significant in light of the Issue 2 ballot measure on which Ohioans will vote next month when they decide whether to accept or reject the anti-labor bill, S.B. 5, that passed the Ohio legislature earlier this year. The bill would sharply curtail collective bargaining for public-sector workers and eliminates binding arbitration for the settlement of disputes.

On a conference call with reporters, hosted by the Economic Policy Institute, the authors made the following observations:

- Despite fear-mongering, the size of the public sector has not grown in recent years, neither in terms of public-sector employment levels nor in public sector-compensation.

- State spending on compensation of public-sector workers has actually declined—falling steadily between 1992 and 2002 and remaining stable from 2002 to 2009.

- When compared with workers of comparable education levels in the private sector, public-sector workers are under-compensated.

- States with higher union density actually employ fewer public workers than those with low union density.

### A warrior for the middle class

"Well you know what? If asking a billionaire to pay the same tax rate as a plumber or a teacher makes me a warrior for the middle class, I'll wear that charge as a badge of honor. Because the only class warfare I've seen is the battle that's been waged against the middle class in this country for a decade."

President Barack Obama  
September 22, Columbus, Ohio

## Vice President's Report

October 2011

**Moku Pahu:** Phil Romei, delegate. Email from Hawaii unloading coal from Stockton ; backload of sugar for Crockett. Another coal/sugar run is expected.

**Mahimahi:** Jimmy Alarcon, delegate. In at Oakland with no beefs. Ship's crew computer is hopelessly slow and needs immediate upgrade. Have brought it to the attention of management.

**APL Thailand:** Joe Moniz, delegate. Time starts when you are called—excluding the meal hour as laid out in Section 11(g) of the SUP Work Rules.

**APL China:** Larry Gately, delegate. Bosun Joe Eckert and gang built a fine bench on main deck.

**APL Singapore:** William De Benedictis was relieved by Rolando Mendoza as delegate. Email clarification while in the Asian loop: tying up the bunker barge is not part of the customary duties of arrival nor is it contained in the tie-up minimum. In at Oakland with a familiar problem regarding which watch to call for pre-arrival duties. Although the agreement does not dictate which watch gets called, it is typically the backwatch and as a result sailors have that expectation.

**APL Korea:** Teo Rojas, delegate. Clarification on sanitary: the antiquated language about the Ordinary Seaman doing sanitary duties under Section 17 no longer applies in a one-man watch situation. Sanitary of the sailors' deck is done by the dayman between 0800 and 1000. We do other sanitary just not then: Section 17 speaks only to our accommodation spaces.

**APL Coral:** Charlie Noble, delegate. If any watchstander wants to rotate watches then watches are rotated at the termination of the voyage; on the SZX run the voyage terminates in the port of New York. Call from Bosun Kelly Eggers indicates that everything else is settled; it's not the romance run but there is significant compensation for the enormous work.

**USNS Martin:** Randy Fogle, delegate. Now in underway exercises off South Korea. Returning to previous homeport. Rumors of Reduced Operating Status in late 2012 confirmed. See below.

**USNS Gordon:** Joe Nugent, delegate. At a Philadelphia lay-berth awaiting dry-dock space in the yard. Delegate indicates things are running smooth. New homeport will be Baltimore.

### Suez Express Service

In keeping with its long tradition of service to vessels under contract, the membership should be aware that the SUP has been routinely visiting ships in New York and elsewhere. To control the costs associated with that work the presidents of the SUP and the MFOV divided it up to alternating visits of ships not recently visited or ships with a higher likelihood of problems. Agents are authorized to handle problems and collect dues for each Union. Not every APL ship calling in New York is visited by an agent but if there are any problems on any ship they are addressed in a variety of ways in addition to visits including email, cell phone, and satellite phone. Communication between the ships and the Union is continuous throughout the voyage. Although there have been some problems on that run, they often stem from general unfamiliarity with the hybrid one/two-man watch system and over time they have declined in both severity and frequency. The SUP remains committed to maintaining the same standards and service in all its contracted ships.

### MSC Meeting with Maritime Labor

Because President Lundeberg had to attend another meeting, on his behalf, I attended a meeting of maritime Union presidents with the Commander of the Military Sealift Command, Rear Admiral Mark H. Buzby and his staff outside Baltimore at MM&P Headquarters. This is the meeting where MSC explains its policy with regard to its own mariners, its contracted mariners, and responds in general to the concerns raised by the Unions. First up were renewed complaints from labor about applicability of the Service Contract Act in contract bids to operate MSC ships. In particular, the Unions pointed out that if the intent of the law was to remove labor as a competitive factor in government contracts then MSC had unfairly subverted that intent by repeatedly awarding contracts based on several measures of competitive labor, most obviously on first-year freezes and the out-year percentage increases. Naturally, MSC denied violating the Act and has referred the matter to the Department of Labor. Next, maritime labor uniformly complained about the problems associated with MSC physicals and immunizations. We asked again for redress to the onerous re-qualifications necessary for MSC ships, such as Small Arms certification and other qualifications. Most importantly, despite the primacy of "operating forward" strategy of the U.S. Navy, it is clear that the federal government is not fully committed to that readiness. We were informed that the Republican-led effort to emphasize budget pressures in Washington will force MSC to drastically cut costs. It appears likely that the number of ships in the Ready Reserve Force will be slashed. The Maritime Pre-Positioning Fleet, which is at the heart of "operating forward" and has for many years has served an important strategic and practical value, will also face cuts. Depending on the budget outcome, that means that *USNS Harry L. Martin* will probably be re-directed to some form of Reduced Operating Status by the end of next year.

Dave Connolly

Support the  
SUP Political Fund



# SUP Branch Reports

## Seattle

September 19, 2011

Shipped 5 Boatswain jobs filled by 2 A members to regular jobs and 1 A and two B's to Navy bottoms; 7 Able seaman billets went to 2 A, 2 B, 2 C and one D registrant; 1 STOS and 1 Ordinary Seaman both filled by C members. 12 standbys were filled with 6 A's, 4 B's, and 2 D registrants.

Registered during the period: 11 A cards for a total of 25; 12 B cards for a total of 30; 7 C cards for a total of 18.

### Ships Checked

Matson vessels *Manoa* and *Maui* called twice in Seattle with little or no problems. *Moku Pahu* called sailors back from short lay-up. The *President Jackson* called in New York with little or no problems. *President Truman* out of the shipyard and running steady. I visited the *APL Japan* in New York where Bosun David Ibarra had things well in hand with everyone working all they wanted. Patriot vessels *USNS Martin*, *Shugart*, *Waters*, *Gilliland* and *Gordon* all called for crew members.

I represented the SUP/MFU at the following meetings: the North Seattle Industrial Association and Port of Seattle briefing on Terminal 90 and 91. The SUP/MFU has fought vigorously to keep this area in maritime industrial use and we will continue to do so. I attended the King County Labor Council E-Board and delegates meetings. A meeting with the

Washington State Labor Council and the King County Building Trades on I-1125 which is an anti transportation initiative that is opposed by all transportation trades unions. A briefing by Port of Seattle Commissioner Bill Bryant on statewide transportation funding. The Puget Sound Area Maritime Security Committee. And the Washington State Labor Council Political Action Committee meeting.

Vince O'Halloran  
Branch Agent

## Wilmington

September 19, 2011

Shipped a total of 76 jobs. The breakdown is as follows: 4 Bosun- 3 steady, 1 return; 8 AB/Dayman- 5 steady, 2 relief, 1 return; and 8 AB/watch-3 steady, 4 relief, 1 return. Also shipped 56 standbys. Registration: Class A 31; Class B 24; and Class C 8.

### Ships Checked

*Manulani*, *Maunawili*, *Mokihana*, *Mahimahi*, *Manukai*, *Philippines*, *Korea*, *Thailand*, *China*, *Singapore* and the *USNS Waters*.

Attended and represented the SUP at the following meetings: American Merchant Marine Veterans Memorial Committee; Maritime Trades Port Council; LA/LB Labor Day Parade Committee; and the LA County Federation of Labor.

Vern Johansen  
Branch Agent

## Honolulu

September 19, 2011

Shipped the following jobs: 1 Bosun relief, 4 AB Day reliefs, 1 AB Day return, 2 AB Watch steady, 1 AB Watch relief, and 1 AB Maintenance steady. The regular jobs were filled by 4 A cards, 4 B cards, 1 C card and 1 D card.

Also shipped 29 standby jobs. The standby jobs were filled by 5 A cards, 2 B cards, 9 C cards, and 13 D cards.

Registered: 4 A cards; 1 B cards; 3 C cards; and 1 D card. To date totaled registered: 7 A cards; 7 B cards; 5 C cards; and 5 D cards.

### Ships Checked

*Manukai*, *Maunawili*, *Maui*, *Mokihana*, *Manoa*, *Maunalei*, *Mahimahi*, *Manulani*, *RJ Pfeiffer* and the Paint and Rigging gang. All running with few or no beefs.

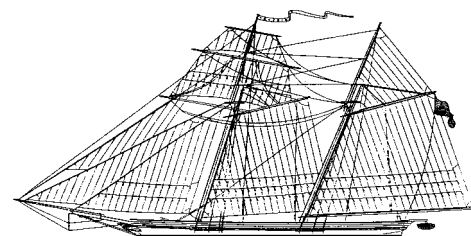
I represented the SUP at Hawai'i Ports Council meeting, and a Save America's Postal Service rally at the state capitol building. By my estimate there were over 300 people at the rally. Also at next month's Port Council meeting, the Council will have the pleasure of having U.S. Congresswoman Mazie Hirono (D-Hawai'i) as our guest. Hopefully in a little over a year from now we will be calling her U.S. Senator Mazie Hirono. Mahalo,

Michael Dirksen  
Branch Agent

## Dispatcher's Report

Headquarters—Sep. 2011

<b>Deck</b>	
<b>Bosun</b> .....	<b>4</b>
<b>Carpenter</b> .....	<b>0</b>
<b>MM</b> .....	<b>6</b>
<b>AB</b> .....	<b>17</b>
<b>OS</b> .....	<b>2</b>
<b>Standby</b> .....	<b>19</b>
<b>Total Deck Jobs Shipped</b> .....	<b>48</b>
<b>Total Deck B, C, D Shipped</b> .....	<b>17</b>
<b>Engine/Steward</b>	
<b>QMED</b> .....	<b>0</b>
<b>Pumpman</b> .....	<b>0</b>
<b>Oiler</b> .....	<b>0</b>
<b>Wiper</b> .....	<b>0</b>
<b>Steward</b> .....	<b>0</b>
<b>Cook</b> .....	<b>0</b>
<b>Messman</b> .....	<b>0</b>
<b>Total E&amp;S Jobs Shipped</b> .....	<b>0</b>
<b>Total E&amp;S B, C, D Shipped</b> .....	<b>0</b>
<b>Total Jobs Shipped - All Depts.</b> ...	<b>48</b>
<b>Total B, C, D Shipped-All Depts.</b> ..	<b>17</b>
<b>Total Registered "A"</b> .....	<b>31</b>
<b>Total Registered "B"</b> .....	<b>22</b>
<b>Total Registered "C"</b> .....	<b>19</b>
<b>Total Registered "D"</b> .....	<b>33</b>



## Hijacked crew saved by a message in a bottle

This month U.S. and British forces saved 23 crew members aboard the Italian vessel *Montecristo* after the vessel was hijacked by Somali pirates.

Upon being hijacked, the crew comprised of seven Italians, six Ukrainians and 10 Indians locked themselves in a secure area of the 56,000 ton vessel.

What saved the *Montecristo* crew was throwing a message in a bottle from a porthole, alerting ships nearby that the crew was safely sealed inside an armored area of the ship. The message in a bottle was used after the pirates cut off all other means of communication to the hostages. Ships nearby became aware of the ship, but what made the bottle message so important to their rescue is that it included their location in the armored room, keying rescuers that an operation could be launched on board without risking injuries to the crew.

Two navy ships, one British and one American, coordinated with NATO's Ocean Shield to carry out the mission 621 miles off of Somalia. Rubber boats circled the *Montecristo*, while a helicopter kept close. The pirates immediately surrendered to the military advancements and some of the pirates were arrested.

## L.A. loses battle to bar polluting owner-operator truckers

The Port of Los Angeles has lost a three-year legal battle that would have seen owner-operator truckers excluded from the port as part of a diesel emissions reduction program.

The U.S. Court of Appeals for the Ninth Circuit ruled on September 29, in favor of the City and Port of Los Angeles on a number of points, but upheld the key District Court trial judgment on employee driver requirements. The three-judge panel dismissed the provision from the port—the second largest U.S. container hub with 7.8m teu in 2010—intended to promote the replacement of older, heavily polluting trucks with lower-emission haulage.

Los Angeles wanted container trucking companies to stop using independent contractors because the latter are viewed as operating older vehicles which are more polluting than modern equipment. The American Trucking Association, which was opposing the port, hailed the appeal decision on a "decisive victory for the trucking industry and consumers."

Association President and Chief Executive Bill Graves said: "By striking down the port's unjustified ban on owner-operators, the court has upheld the rights of trucking companies to structure their businesses to maximize efficiency and productivity. This plan was never about clean air, it was about promoting special interests of a few well-connected, labor groups." The Teamsters Union has spearheaded the drive to eliminate owner-operator truckers so they can be employees of trucking companies which can be organized.

## Deepwater Horizon operator sued by Department of Justice

Transocean has been slapped with a lawsuit by the Department of Justice, accusing the offshore rig owner of falling short of full cooperation during an inquiry over the *Deepwater Horizon* disaster. The 25-page complaint, filed this month in federal court in Texas, alleges that Transocean failed to respond sufficiently to 38 of 39 specific demands by the U.S. Chemical Safety & Hazard Investigation Board (CSB).

The Gulf of Mexico well blowout killed 11 rig workers last year and resulted in a huge oil spill. The board investigates the causes of industrial accidents and recommends safety steps. "Transocean's ongoing failure to provide information has impeded and delayed the CSB's critical safety inquiry," said Donald Holmstrom, a CSB director.

Meanwhile, Transocean, BP and drilling contractor Halliburton were formally charged by the U.S. Bureau of Safety & Environmental Enforcement—a spin-off of the former Minerals Management Service—with a total of 15 individual violations tied to the disaster. The charges could lead to significant changes in the Gulf of Mexico, where a drilling company, in this case BP, has been responsible for overall operations, according to IHS World Markets Energy.

## Pirate attacks increase but success rate falls

Somali pirate attacks rose in the first nine months of 2011 year-on-year, the International Maritime Bureau (IMB) announced on October 18. But the IMB added that these attacks proved less successful than during the previous year's period, with an actual fall in hijackings so far this year.

The IMB said in its third quarter report that from January to September, 199 attacks were registered, up from 126 recorded in the first three quarters of last year; 24 vessels were hijacked by Somali pirates this year, from 35 in the same period of 2010. That represents a success rate of just 12%, from the previous period's 28%.

Still, 2011 has witnessed a high cost to seafarers, with 625 having been taken hostage worldwide; eight were killed and 41 injured.

Off West Africa, there were 19 attacks and eight successful hijackings in the first nine months of this year, while not a single attack was recorded for the same period of 2010.

IMB Director Pottengal Mukundan said: "Somali pirates are finding it harder to hijack ships and get the ransom they ask for. The navies deserve to be complimented on their excellent work: they are a vital force in deterring and disrupting pirate activity. "The number of anti-piracy naval units must be maintained or increased," he added.