UNITED STATES MARITIME ALLIANCE LIMITED

A REPORT ON THE FIRST YEAR OF OPERATIONS

THE MEMBERSHIP

CARRIERS CONTAINER COUNCIL, INC.
NEW YORK SHIPPING ASSOCIATION, INC.
BOSTON SHIPPING ASSOCIATION, INC.
HAMPTON ROADS SHIPPING ASSOCIATION
NEW ORLEANS STEAMSHIP ASSOCIATION
PHILADELPHIA MARINE TRADE ASSOCIATION
SOUTH ATLANTIC EMPLOYERS NEGOTIATING COMMITTEE
SOUTHEAST FLORIDA PORT EMPLOYERS ASSOCIATION
STEAMSHIP TRADE ASSOCIATION OF BALTIMORE
WEST GULF MARITIME ASSOCIATION

CERES TERMINALS
COOPER/T. SMITH STEVEDORING
FAIRWAY TERMINAL CORP.
INTERNATIONAL TERMINAL OPERATING CO.
MAHER TERMINALS
STEVEDORING SERVICES OF AMERICA
STEVENS SHIPPING & TERMINAL CO.
UNIVERSAL MARITIME SERVICE CORP.

December, 1998

REPORT OF THE OFFICERS

Looking Back

When USMX was conceived, one of the primary roles created for it was to monitor and assure the implementation of the terms of the Master Contract and to protect the savings of at least $200 million which the industry hopes to achieve over the five-year term of the contract.

The first year of USMX's existence proved that the mission of USMX is attainable. This mission is "... to preserve and protect the interest of the management groups in the longshore and related maritime activities" in achieving the expected savings. In carrying out this mission, the following achievements took place in 1998:

- **No Work Stoppages.** Not a single work stoppage involving a covered container ship occurred on the East or Gulf Coasts of the United States - probably a first since 1956!

- **Container Royalty Cap.** Negotiation over a period of many months of a method to apply the Container Royalty Cap provision which resulted in a container royalty refund of $13.4 million to the carriers for overpayments made in the first year of the contract.

- **Next Four Years.** Negotiation of a methodology to apply the Container Royalty Cap provision for the next four years of the contract which will result in refunds to the carriers anticipated to be over fifty million dollars in total.

- **Increase In Container Tons.** Despite the collapse of several Asian economies, the container tons handled during the 1998 contract year by USMX carriers increased by approximately eight (8%) per cent from the tons handled in the 1997 contract year.

- **Gang Size Reduction.** The gang size was reduced by one more longshoreman on October 1, 1998, thus bringing the gang reduction since the contract was implemented on October 1, 1996 to a total reduction of three longshoremen.

- **National Pharmacy Plan.** Implementation of a national pharmacy plan covering all Master Contract ports on June 1, 1998.

- **Risk HMO Program.** Implementation of a national Medicare HMO program on June 1, 1998.

- **Insurance Programs.** The captive insurance programs continued to protect the interests of the industry by paying out millions of dollars in claims without any increase in premiums.

- **Grievances and Arbitration.** The ongoing meetings of the Local Industry Grievance Committees and the Industry Appellate Committee enabled the members of USMX and the ILA to address problems in a fashion which resolved nearly all of the issues with only one matter going to arbitration.

- **Training.** Mechanics, crane operators and other longshoremen received training on the latest innovations and technology at the Linthicum Heights facility as well as at programs conducted in the various local ports, under funding provided by the Carrier-ILA Container Freight Station Fund.

- **Multipicks.** The carrier members of USMX engaged in an extensive campaign to insure that vertical tandem lifts of empty containers, a process that greatly enhances productivity, would continue without regulatory restriction.

- **CFS Status.** The Container Freight Station program continued to expand, with more stations in the various ports offering increased work for the industry and the ILA worker.

Looking Ahead

Notwithstanding the successes of 1998, a tremendous amount of work must still be done. The issues which must be addressed as USMX enters its second year are as follows:

- **National Health Plan.** The MILA national health care plan - to protect the industry from high increases in cost - must be developed so that it can be implemented by January 1, 2000.

- **New Services.** The provisions of the Master Contract pertaining to the 16 hour day, the utilization of flex-time and the training/certification of longshoremen must be fully implemented.

- **Captive Insurance Program.** Implement an insurance program to protect the members of USMX from service interruptions.

- **Protect Against Stoppages.** Monitor longshore negotiations in order to be ready and able to react to any attempts by longshoremen to disrupt the operations of USMX members.

- **Next Negotiations.** Start to prepare for the negotiation of a new Master Contract to replace the Master Contract which expires September 30, 2001. The great success achieved by the Master Contract of 1996 required the commencement of meetings with the ILA Resource Committee beginning in 1994 - more than two years before the expiration of the last labor contract.

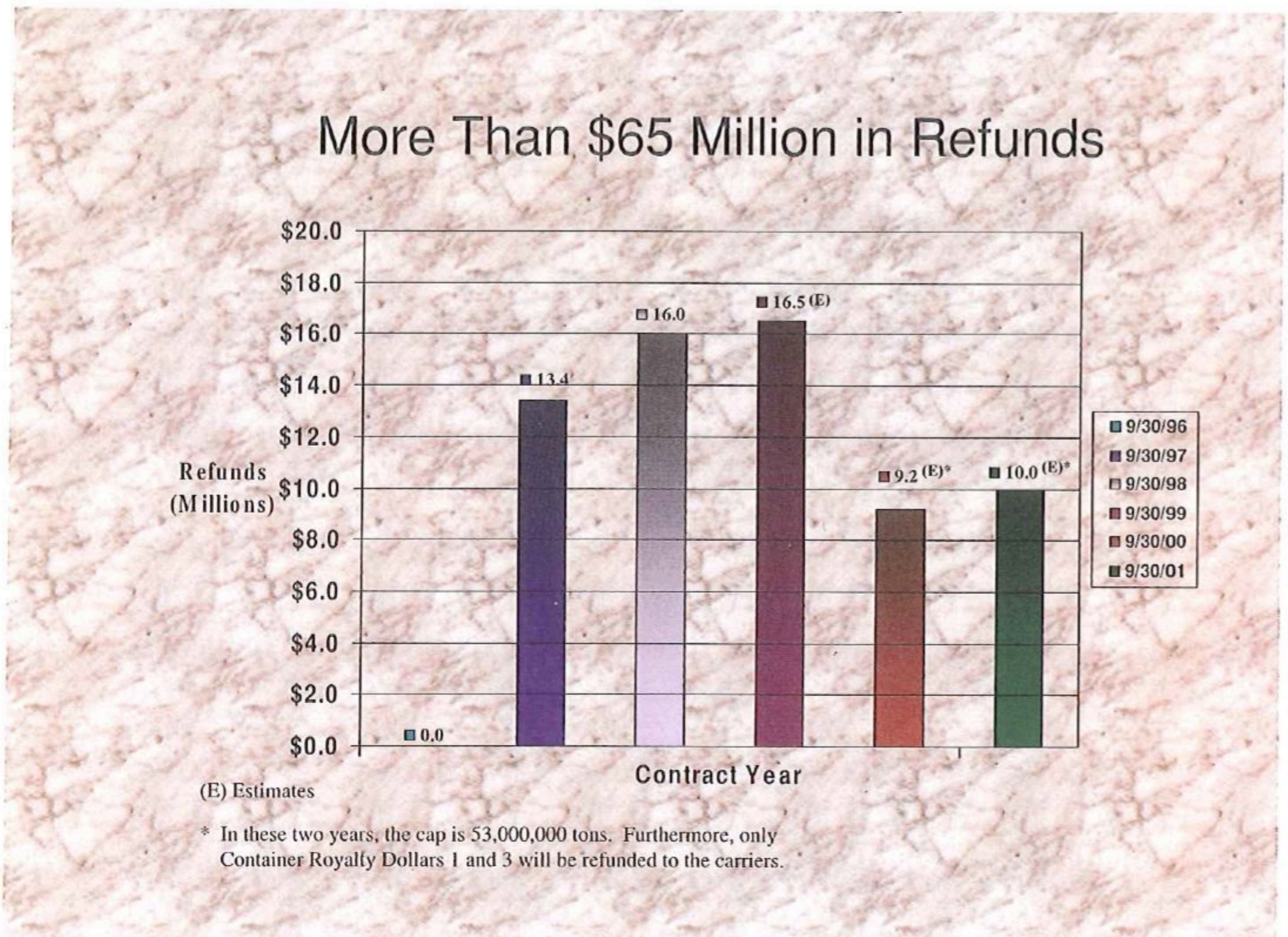
- **Training and Certification.** The development of training programs and certification standards which each local port must implement pursuant to the Master Contract to insure a qualified longshore work force.

Conclusion

Based upon the first year's experience, we believe that USMX now provides every part of the industry with a means to insure the savings provided by the Master Contract while at the same time protecting the mutual interests which the industry shares with the ILA. We hope that the spirit of cooperation which marked our first year continues in our second year as we face new challenges.

David J. Tolan, Chairman

James A. Capo, President



* In these two years, the cap is 53,000,000 tons. Furthermore, only Container Royalty Dollars 1 and 3 will be refunded to the carriers.

THE OFFICERS OF USMX

David J. Tolan	Chairman
James A. Capo	President
Bernard E. De Lury	Treasurer
John E. Millard	Secretary
Jake Coakley	Vice President
Roger J. Giesinger	Vice President
Christos N. Kritikos	Vice President
Y. T. Lin	Vice President
M. Brian Maher	Vice President
Walter A. Niemand	Vice President
William A. Trok	Vice President
Lambos & Junge	Counsel

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Conrad De Zego
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Aaron Forel
Robert Giani
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Y. T. Lin
John E. Millard
Claus C. Mohrmann
Edward Morgan
Rudoph M. W. Ramm
Michael Strickland
Ole A. Sweedlund
David J. Tolan
William A. Trok
David Whene

Port Associations

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Maurice C. Byan
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Alfred E. Frizelle
Roger J. Giesinger
James Gray
James L. Morrison
Win Niemand
Uwe Schulz
R. O. White, Jr.
Stephen Zadach

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James S. Field
Frank Fogarty
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Ben Mercer
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Anthony Petrizzo

UNITED STATES MARITIME ALLIANCE LIMITED

A CONCEPT
TO PROTECT THE MASTER CONTRACT
INTO THE NEXT MILLENNIUM

October, 1997

Executive Summary

This presentation is designed to introduce the industry to the United States Maritime Alliance Limited ("USMX"). This Delaware corporation has been created for the purpose of formalizing the alliance of carriers, stevedores and port associations which put together the Master Contract on containerization and automation.

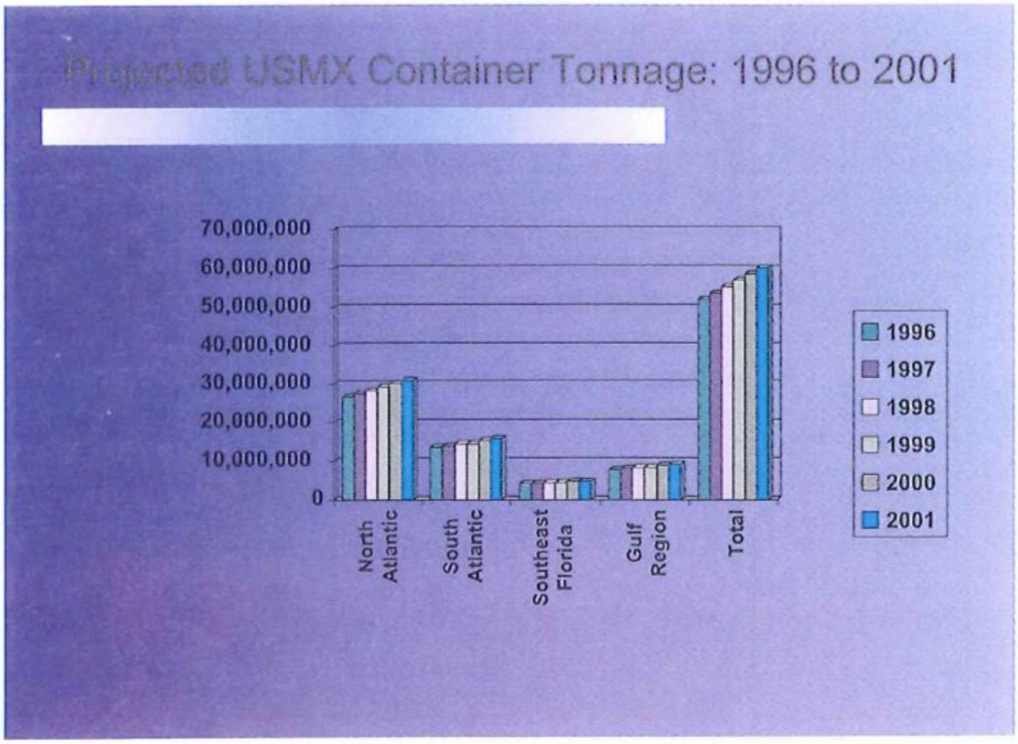
The purposes of the Alliance and the reasons for its formation will be described in this document:

- At the conclusion of collective bargaining it was projected that the new Master Contract will save the container industry more than $200 million over its five-year term.
- Realization of such savings requires continued cooperation by all segments of the industry.
- The national health plan provided for in the Master Contract — which alone is projected to save up to $50 million a year — requires continuance of the major effort being made by Management and Labor in order to create pharmaceutical, risk HMO's for retirees, and managed health care plans for all longshoremen in the industry. Unless such efforts succeed, it is estimated that health care costs might double in seven years.
- In addition to implementation, it is anticipated that USMX's Directors will also be responsible for:
    - creating future labor policies.
    - protecting the master bargaining unit from legal challenge.
    - anticipating and solving new problems before they become an impediment to the industry.
    - developing innovative insurance programs to protect the industry and its funds.
    - working together with longshore labor to enhance and strengthen a cooperative relationship for the benefit of the worker, their employers and the carriers.
- The Alliance is intended to protect and administer the collective bargaining agreement which will save significant sums, not only on health care, but on capping container royalty costs, controlling fringe benefit adjustments, reducing wages for new employees, gang size reductions and many other beneficial contract provisions. These savings are unique in an industry where labor contracts have traditionally been extremely costly.

Mission Statement of USMX

USMX's mission is to preserve and protect the interests of the management groups in labor relations issues in the longshore and related maritime activities. In carrying out this mission, USMX will seek to improve the industry's competitiveness, maintain continuity of operations, and enhance customer satisfaction. USMX will accomplish this mission with due consideration for the interests, safety and well-being of the workers and their representatives. USMX will:

- Admit to membership carriers, carrier organizations, direct employers and port, coast and district employer associations.
- Determine all questions of basic policy with respect to the negotiation of collective bargaining agreements, their implementation and the administration of employee benefit funds.
- Establish a board of directors composed of representatives of all groups and assign responsibility as follows:
    - to the carriers: all issues relating to wage and other contract costs;
    - to the direct employers: all issues relating to work rules and assignment of labor;
    - to the employer associations: all issues pertaining directly to the administration of the local affairs of their group.
- Adopt standards of conduct of USMX and its affiliates relating to the quality and ethics of all operations including safety.
- Develop a plan of insurance to protect its operating membership from:
    - strikes and work stoppages;
    - claims arising out of the collective bargaining agreements;
    - claims arising out of administration of employee benefit funds;
    - claims arising against officers, directors and staff by providing D&O coverage to meet all exigencies and fully protect such persons.



Evolution

- Beginning in the 1950's, the industry has been faced with internal divisions on the need to create and maintain a single coastwide management group to negotiate with the ILA. Port interests outside New York sought to maintain independence from what they considered to be carrier influence emanating from New York. The result of this adamance was dozens of strikes in all ports and regions. It was only after a growing realization emerged that division equaled weakness that some progress began to be made. This progress has evolved in stages and has been limited to containerization and automation, as is explained below:

- **<u>1950's</u>:** Faced with the ILA's demand for coastwide bargaining, the ports in the North Atlantic appointed NYSA as their agent to negotiate the five Master Contract issues. Although the management groups outside the North Atlantic usually patterned their agreement on the North Atlantic Master Contract, they refused to ally themselves with the North Atlantic during negotiations. In many cases, reluctant agreement was secured by ILA strikes.

- **<u>1960's</u>:** The 1950's pattern of bargaining continued throughout the 1960's. However, as the impact of containerization continued to increase, the ILA intensified their demands for a coastwide Master Contract covering ports from Maine to Texas. Management in the North Atlantic and their group attempted to include other ports and regions, but these attempts were rejected. As a result, strikes for 57 days occurred in the North and over 100 days in the South. These strikes forced on the ports and districts the adoption of the Containerization Agreement, which was the same in all ports -- the first coastwide agreement.

- **<u>1970's</u>:** This decade featured a number of developments towards the concept of a single management bargaining group which included every segment of the industry. In 1971, CONASA was formed thus increasing the scope of Master Contract bargaining down to Hampton Roads. In 1975, CCC was created as a forum for the carriers to discuss problems with the ILA. Finally, in 1977, the Job Security Program -- a carrier organization -- was created by the carriers to negotiate directly with the ILA during Master Contract negotiations. Thus was born the multi-million-dollar JSP program.

- **<u>1980's</u>:** The extension of the North Atlantic Master Contract management negotiating group continued throughout the 1980's. During the negotiations which resulted in the 1980-1983, 1983-1986 and 1986-1989 Master Contracts, every port association from Maine to Texas participated. In 1986, CCC became an official participant in Master Contract bargaining.

- <u>1990's</u>: The coalition of management groups that evolved in the 1970's and 1980's continued to negotiate the Master Contract into the 1990's. The 1990 agreement constituted a complete Master Agreement in the North Atlantic and in Southeast Florida. Its basic terms were effective in all ILA ports. In the most recent bargaining, all associations, stevedores and terminal operators from Maine to Texas comprised the Master Contract management bargaining group.

  The coalition of all industry groups permitted the negotiation of the greatest of all Master Contracts with great benefits for both the worker and management.

The 1996 Master Contract Negotiations

- The negotiations which resulted in the new five-year Master Contract involved an active coalition of carriers, direct employers and port associations which was unprecedented in prior negotiations.

- The new five-year Master Contract provides potential savings to the industry of approximately $200 million. The specific major provisions within the Master Contract which will result in this savings are as follows:

  - Adoption of a national welfare plan to replace the local welfare plans.

  - Reduction of the gang size by two men on October 1, 1996 and an additional one man on October 1, 1998.

  - Elimination of the 75¢ per ton Container Royalty # 4.

  - Capping annual Container Royalty benefits for current longshoremen at $15,000 and newly-hired longshoremen at $7,500.

  - Providing for Container Royalty benefits to be capped at a level of 50 million tons; with 75% of any amounts in excess of the 50 million tons being returned to the carriers.

  - Providing that new men who enter the industry will receive $13 an hour - a reduction of $10 an hour from the current wage of $23 an hour.

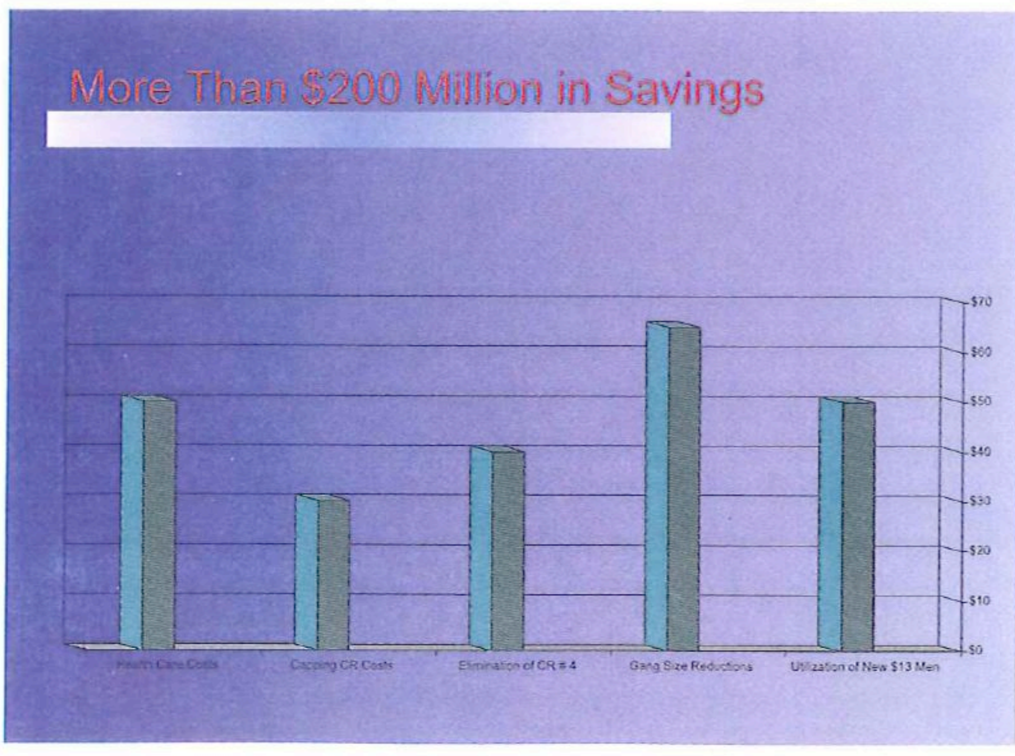
  - Adoption of a flex-time system on the terminal.

USMX Must Protect the Savings Created by the Master Contract

- The savings created by the terms of the Master Contract will not be realized solely by the fact that the provisions are set forth in the Master Contract.

- To insure that the anticipated savings are realized by Management throughout the five-year term of the Master Contract, Management must effectively monitor the enforcement of the Master Contract provisions. Specifically, it must perform the following functions.

  - Insure that the national pharmacy plan is implemented in 1998.



- Insure that the Medicare Risk program for all retirees age 65 or over is implemented in 1998.

- Insure that the national managed health care plan for all longshoremen is implemented in 1999.

- Monitor the activity on waterfront terminals to insure that the new "flex-time" provisions are being implemented.

- Monitor the collection of all three Container Royalty dollars to insure that the limitations and caps are being implemented.

- Monitor the wages being paid to newly-hired longshoremen to insure that they are being paid at the lower rate.

- Monitor the payment of Container Royalty benefits by local plans to insure that the new qualifications and limitations are being followed.

- Monitor the size of the longshore gangs to insure compliance with the new gang size requirements.

USMX Must Insure That Management Cooperates with Labor into the Future

- The new Master Contract terms are not solely limited to economic terms. Rather, the Master Contract contains several provisions which look to the future with respect to setting standards of performance, and establishing joint management-labor committees to help the industry. These provisions, which are noted below, will require the cooperation of management and the ILA.

  - Prepare standards by which the industry can judge an applicant's physical condition, including being drug free, prior to that applicant working on the waterfront.

  - Prepare standards by which the industry can judge the ability and proficiency of those newly-hired longshoremen who are equipment operators, clerical and maintenance employees.

  - Prepare standards by which the industry can better evaluate and train those longshoremen who handle heavy equipment on the waterfront.

  - Create a joint Management-ILA committee to meet with port authorities for purposes of exploring work opportunities for the ILA.

  - Create a joint Management-ILA committee to study the feasibility of performing stuffing and stripping work.

- In order to maximize the savings created by the Master Contract, it is absolutely essential that the provisions noted above be acted upon. Management must make every effort to fulfill its obligations so that every longshoreman on the waterfront is qualified to be there. Furthermore, Management must fulfill its obligations to the ILA so that the partnership forged in the new Master Contract continues to get stronger.

USMX Will Create Future Policy

- The ongoing function of USMX will not be limited to administering and monitoring the terms of the Master Contract. Rather, USMX will also be responsible for determining all questions of basic policy with respect to the negotiation of future collective bargaining agreements.

Protection Against Interruptions of Service

- In addition to the functions USMX will perform concerning the current Master Contract and the negotiation of future contracts, USMX intends to establish an insurance program to protect the members of USMX against losses caused by job actions initiated by labor.

- In addition to the insurance program designed to protect members of USMX from job interruptions, USMX will also examine the feasibility of developing insurance programs to protect the USMX membership from:

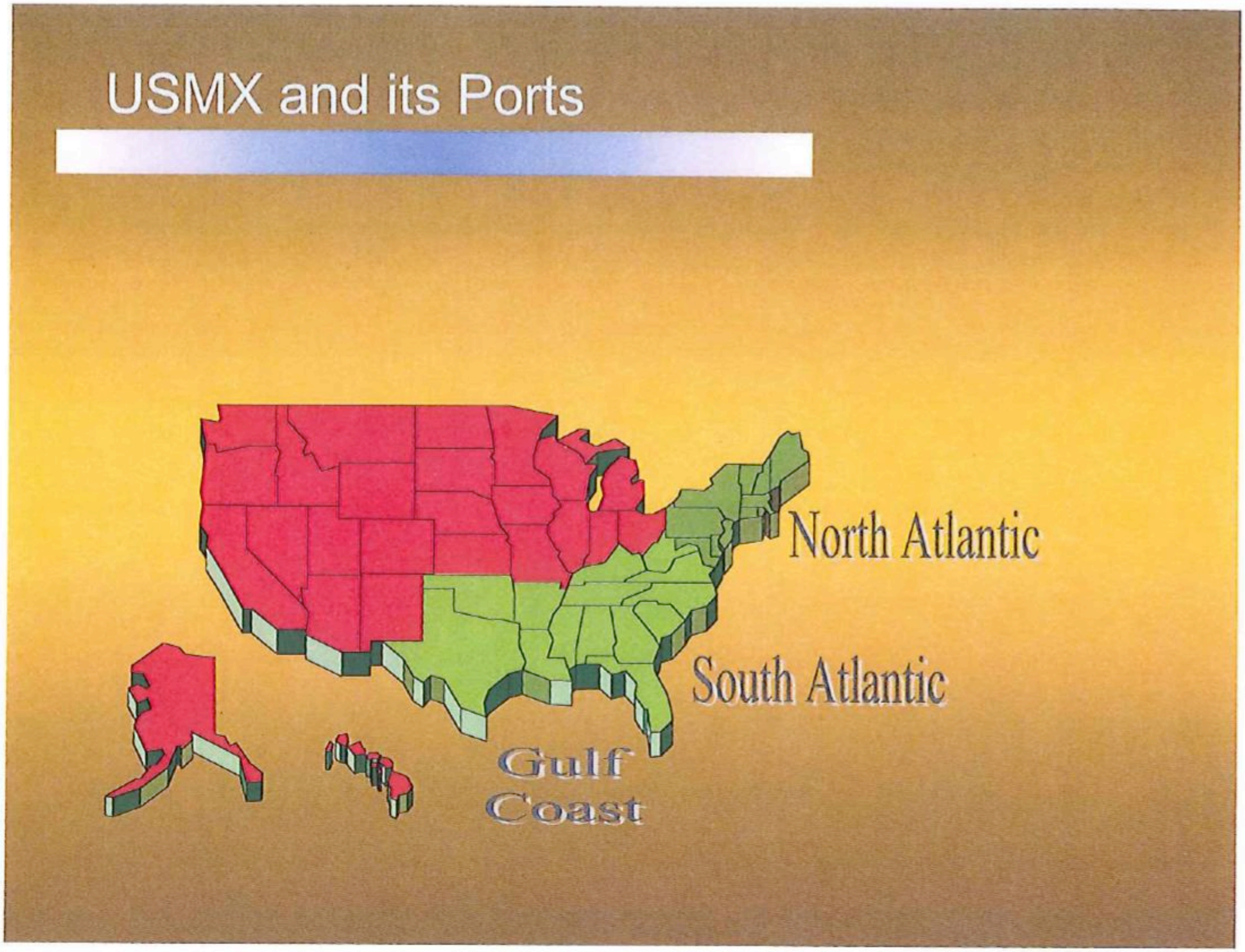
  - claims arising out of the collective bargaining agreements;

  - claims arising out of the administration of fringe benefit funds; and

  - claims against USMX directors and officers as well as management trustees.

Conclusion

As USMX develops in the coming months and years, it looks forward to meeting the many challenges – both predictable and unforeseen — which will confront the industry as we move into the next millennium.



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