



Harold J. Daggett
International President

August 30, 2018

TO: All ILA Members in Ports from Maine to Texas Covered by the Master Contract

Re: Ratification Vote on Proposed Extension to the Master Contract

Dear Brothers and Sisters:

As your International President, I am pleased to inform you that on June 7, 2018, the ILA Wage Scale Committee overwhelmingly approved an extension to the Master Contract that will be effective October 1, 2018, through September 30, 2024. The International now seeks your ratification of this agreement. The terms of the proposed extension are attached.

The proposed extension to the Master Contract provides the following significant improvements for the benefit of you and your family:

Container Royalty Guarantee

Once again, USMX carriers have guaranteed the payment of \$211 million in container royalties each year for the life of the six-year Master Contract. Each year, every port will receive its proportionate share of the \$211 million guarantee based upon its percentage of the total tonnage handled coastwide, regardless of whether the tonnages coastwide increase or decrease.

Not only do we have a guarantee that protects us during difficult financial times, but also we share in any additional royalties that may be generated if economic conditions are favorable. The allocation of excess container royalty money under the proposed extension to the Master Contract is a significant improvement over the current Master Contract. Under the current Master Contract, any royalties in excess of \$211 million are shared equally between USMX and the ILA. However, under the proposed extension, the ILA will receive a payment before the remaining money is shared between USMX and the ILA. For example, at the end of the 2018-2019 contract year, the ILA will receive \$15 million of the excess and the remainder will be divided equally between USMX and the ILA. At the end of the 2019-2020 contract year, the ILA will receive \$16 million of the excess and the remainder will be divided equally between USMX and the ILA. At the end of the 2020-2021 contract year, the ILA will receive \$17 million of the excess and the remainder will be divided equally between USMX and the ILA. At the end of the 2021-2022 contract year, the ILA will receive \$18 million of the excess and the remainder will be divided equally between USMX and the ILA. At the end of the 2022-2023 contract year, the ILA will receive \$19 million of the excess and the remainder will be divided equally between USMX and the ILA. At the end of the 2023-2024 contract year, the ILA will receive \$19 million

TO: All ILA Members in Ports from Maine to Texas Covered by the Master Contract

August 30, 2018

Page - 2 -

of the excess and the remainder will be divided equally between USMX and the ILA. When costing out this contract, based on conservative estimates, we believe that this will bring to ILA members over the contract term an additional \$104 million before the 50/50 split and an additional \$250 million from the 50/50 split.

Increased Wages

- (a) Effective October 1, 2019, the highest straight-time basic wage rate will be \$36.00 per hour.
- (b) Effective October 1, 2021, the highest straight-time basic wage rate will be \$37.00 per hour.
- (c) Effective October 1, 2022, the highest straight-time basic wage rate will be \$38.00 per hour.
- (d) Effective October 1, 2023, the highest straight-time basic wage rate will be \$39.00 per hour.

In the South Atlantic and Gulf ports, one of the above wage dollar increases may be converted to a fringe benefit hourly contribution at a rate that includes not only the \$1.00 wage rate but also all payroll taxes applicable to that \$1.00 wage rate based on calculations agreed to by USMX and the ILA.

Money Purchase Pension Plan

The new Master Contract creates a coastwide money purchase pension plan for qualified employees who are working under the Master Contract in ports that do not have local money purchase pension plans. The coastwide money purchase pension plan will be centrally managed and the qualification thresholds and disbursements will be agreed upon by the ILA and USMX. Effective October 1, 2018, qualifying employees will receive a \$1.00 per hour contribution. Effective October 1, 2020, qualifying employees will receive an additional \$1.00 per hour contribution.

For ports in which a money purchase pension plan already exists, the money purchase pension plan contributions prescribed under the proposed extension to the Master Contract will be transferred to the local money purchase pension plan or one, but not both, of the two hourly contributions may be converted into an additional hourly contribution for local fringe benefit purposes as long as the conversion is agreed to by all of the ILA local unions covered by the Master Contract in the port and by the labor and management trustees in the port.

TO: All ILA Members in Ports from Maine to Texas Covered by the Master Contract

August 30, 2018

Page - 3 -

Continued Protection for Local Benefits

Every local port will continue to receive each year an automatic payment from the Container Royalty Central Collection Fund equal to the CAP excess distribution paid to the port for the contract year ending September 30, 2009 and that may be used for local fringe benefits other than supplemental cash benefits. In addition, the additional amounts available to the South Atlantic ILA/Employers District Escrow Fund and to the Maritime Association-ILA Funds will increase by \$2 million each. Each port can also file an application for additional assistance should the need arise subject to current terms and conditions of the CR-5 Trust Agreement and the rules adopted by the CR-5 trustees and USMX agrees to fund CR-5 as required for these assistance purposes.

MILA

MILA, our national healthcare program, which is better than any other union healthcare plan, continues in effect without change in deductibles, coverage, or copays, which essentially amounts to a guarantee of benefits. For the next six years, you and your family will enjoy a healthcare program that is second to none. To make sure that MILA can deliver these benefits, USMX has agreed to increase substantially its funding of MILA.

Non-Monetary Protection

The proposed extension of the Master Contract also contains several provisions that protect the jurisdiction of the ILA. As you know, I have been very adamant about protecting the ILA's jurisdiction and not letting ILA members be replaced by automation technology. Therefore, in the proposed extension, Article XI of the current Master Contract, which addresses new technology and automation has been replaced with new language that emphatically states that no fully automated terminals and no fully automated equipment will be implemented during the life of the contract. Fully automated is defined as machinery or equipment that is devoid of human interaction. In addition, no semi-automated equipment and no technology or automation will be implemented until both the ILA and USMX agree to workforce protections and staffing levels.

The new language protects the ILA workforce by instituting several guidelines. These guidelines include determining manning for new equipment and the number of positions by head count, if any, reassigning workers within their craft, if necessary, identifying the rate of pay, which must be Master Contract wages and similar hours in remaining or new positions, identifying the new work created by technology, and providing necessary training. In addition, the local parties must negotiate the implementation of new technology according to a progression that is outlined in the extension. All negotiations, resolutions, and agreements are port specific. In other words, the process is not one size fits all but is tailored to an individual port.

As you can see, the ILA has negotiated an extension that not only protects the benefits you already have but also enhances these benefits to ensure that you are compensated

TO: All ILA Members in Ports from Maine to Texas Covered by the Master Contract

August 30, 2018

Page - 4 -

appropriately for all of your hard work. I am particularly pleased with the jurisdictional protections that the ILA has negotiated that will ensure that your jobs will be preserved in the years ahead. I believe that this proposed extension represents a giant step forward in the collective bargaining history of the ILA.

Even though I am extremely pleased with the proposed extension that the ILA negotiated, there is still one final obstacle that must be overcome before the ILA can say that its members will be protected for the next six years, the ratification vote. I hope to have the ratification vote among ILA members in good standing in all ILA ports covered by the Master Contract on **Thursday, September 6, 2018**. The ILA Wage Scale Committee endorses the proposed extension to Master Contract and, on its behalf, I ask that each of you also approve the agreement by voting *yes* to its ratification.

Fraternally yours,



Harold J. Daggett
President

1

Encl.

cc: Mr. Stephen Knott, Sec.-Treas., ILA, AFL-CIO
Mr. Dennis Daggett, Exec. Vice-Pres., ILA, AFL-CIO
Mr. Wilbert Rowell, Gen. Vice-Pres., ILA, AFL-CIO
Mr. John D. Baker, Gen. Org., ILA, AFL-CIO
Mr. James H. Paylor, Asst. Gen. Org., ILA, AFL-CIO
Mr. Alan Robb, Asst. Gen. Org., ILA, AFL-CIO
Mr. Benny Holland, Jr., Exec. Vice-Pres. Emer., ILA, AFL-CIO
Mr. Michael Vigneron, Pres., ACD, ILA, AFL-CIO
Mr. James Stolpinski, Sec.-Treas., ACD, ILA, AFL-CIO
Mr. Wm. Bernard Dudley, Gen. Vice-Pres., ACD, ILA, AFL-CIO
Mr. Bill Williams, Sec.-Treas., SA&GCD, ILA, AFL-CIO
Mr. Willie Seymore, Exec. Vice-Pres., SA&GCD, ILA, AFL-CIO
Mr. Clyde Fitzgerald, Pres. Emer., SA&GCD, ILA, AFL-CIO
Mr. Charles Spencer, Exec. Vice-Pres. Emer., SA&GCD, ILA, AFL-CIO
Marrinan & Mazzola Mardon, P.C.

**USMX-ILA MASTER CONTRACT
MEMORANDUM OF SETTLEMENT**

BETWEEN

**UNITED STATES MARITIME ALLIANCE, LTD.
(For And On Behalf of Management)**

AND

**INTERNATIONAL LONGSHOREMEN'S ASSOCIATION, AFL-CIO
(For And On Behalf of Itself And Each Of Its Affiliated Districts And
Locals Representing Longshoremen, Clerks, Checkers And Maintenance
Employees Working On Ships And Terminals In Ports
On The East And Gulf Coasts Of The United States)**

This Memorandum of Settlement ("MOS") entered into on this ____ day of September, 2018 between the UNITED STATES MARITIME ALLIANCE, LTD. ("USMX") for and on behalf of its members and any stevedores, marine terminal operators, and carriers that hereafter become members of USMX or that hereafter subscribe to the Master Contract and the INTERNATIONAL LONGSHOREMEN'S ASSOCIATION, AFL-CIO ("ILA") for and on behalf of its affiliated districts and locals representing longshoremen, clerks, checkers, and maintenance employees working on ships and terminals in ports on the East and Gulf Coasts of the United States establishes the terms and conditions of employment for a new Master Contract covering only container and ro-ro operations at ports on the East and Gulf Coasts of the United States to replace the existing Master Contract, including all amendments thereto, which went into effect on October 1, 2012 and will expire on September 30, 2018 (the "2012 Master Contract").

A. TERM OF AGREEMENT

The term of the new Master Contract (and of all local collective bargaining agreements covering employees engaged in work involving container and ro-ro operations on the East and Gulf Coasts of the United States) shall be for six years from October 1, 2018 through and including September 30, 2024.

B. WAGES

- (a) Effective October 1, 2019, employees who were employed as of September 30, 2019, and who are receiving a straight-time basic wage

rate of \$35.00 per hour as of September 30, 2019, shall receive an increase of \$1.00 per hour in their straight-time basic wage rate.

- (b) Effective October 1, 2021, employees who were employed as of September 30, 2021, and who are receiving a straight-time basic wage rate of \$36.00 per hour as of September 30, 2021, shall receive an increase of \$1.00 per hour in their straight-time basic wage rate.
- (c) Effective October 1, 2022, employees who were employed as of September 30, 2022, and who are receiving a straight-time basic wage rate of \$37.00 per hour as of September 30, 2022, shall receive an increase of \$1.00 per hour in their straight-time basic wage rate.
- (d) Effective October 1, 2023, employees who were employed as of September 30, 2023, and who are receiving a straight-time basic wage rate of \$38.00 per hour as of September 30, 2023, shall receive an increase of \$1.00 per hour in their straight-time basic wage rate.
- (e) In the South Atlantic and Gulf ports, one of the above wage dollar increases may be converted to a fringe benefit hourly contribution at a rate that includes not only the \$1.00 wage rate but also all payroll taxes applicable to that \$1.00 wage rate based on calculations agreed to by USMX and ILA.

	Contract Years	10/01/18	10/01/19	10/01/20	10/01/21	10/01/22	10/01/23
		09/30/19	09/30/20	09/30/21	09/30/22	09/30/23	09/30/24
	* Wage Increase of \$1.00 only for Highest Rate		*		*	*	*

	If the employee has the following Qualified Anniversary Years of Service on October 1 of the Contract Years set forth above, the Employee's straight-time basic wage rate for each Contract Year of this Master Contract will be:						
	0	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00
	1	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00
	2	\$23.75	\$24.00	\$24.00	\$24.25	\$24.50	\$24.75
	3	\$23.75	\$24.00	\$24.00	\$24.25	\$24.50	\$24.75
	4	\$29.40	\$30.00	\$30.00	\$30.60	\$31.25	\$31.90
	5	\$29.40	\$30.00	\$30.00	\$30.60	\$31.25	\$31.90
	6 or More	\$35.00	\$36.00	\$36.00	\$37.00	\$38.00	\$39.00

C. CONTAINER ROYALTY DISTRIBUTIONS

The ILA's and USMX's shares of the Container Royalty Nos. 1 and 3 assessments collected that are in excess of the amounts needed to satisfy the contractual obligations set forth in Article XII, Section 3(a) of the 2012 Master Contract shall be calculated as follows:

- (a) At the end of the 2018-2019 contract year, the ILA's share shall equal the sum of (a) the first \$15 million (hereinafter referred to as "ILA's Initial Lump-Sum Amount") plus (b) 50% of the remaining excess;
- (b) At the end of the 2019-2020 contract year, the ILA's share shall equal the sum of (a) the first \$16 million plus (b) 50% of the remaining excess;

- (c) At the end of the 2020-2021 contract year, the ILA's share shall equal the sum of (a) the first \$17 million plus (b) 50% of the remaining excess;
- (d) At the end of the 2021-2022 contract year, the ILA's share shall equal the sum of (a) the first \$18 million plus (b) 50% of the remaining excess;
- (e) At the end of the 2022-2023 contract year, the ILA's share shall equal the sum of (a) the first \$19 million plus (b) 50% of the remaining excess; and
- (f) At the end of the 2023-2024 contract year, the ILA's share shall equal the sum of (a) the first \$19 million plus (b) 50% of the remaining excess.
- (g) The ILA shall have the right to designate how its share of the excess will be used, and USMX shall have the right to designate how its share of the excess will be used. In the event there is no excess in any Contract Year, ILA's and USMX's shares shall be zero. In the event the excess in any Contract Year is less than the ILA's Initial Lump-Sum Amount, the share of the excess to which the ILA will be entitled shall be limited to the amount of the total excess for that Contract Year and the share of the excess to which USMX will be entitled shall be zero.

D. MONEY PURCHASE PLAN

The ILA and USMX shall create a coast-wide money purchase plan for qualified employees who are working hours under the Master Contract in ports that do not have local money purchase plans. The coast-wide money purchase plan will be centrally managed. Qualification thresholds and disbursements for the coast-wide plan shall be agreed upon by USMX and the ILA. Where a local money purchase plan exists, the money purchase plan contributions prescribed in this Section D will be transferred to the local money purchase plan. In any port one of the two hourly contributions may be converted into an additional hourly contribution for local fringe benefit purposes set forth in Article IV of the 2012 Master Contract provided the conversion is agreed to by all of the ILA locals covered by the Master Contract in a port as well as the labor and management trustees in the port. The money purchase plan contributions shall be as follows:

- (a) Effective October 1, 2018, qualifying employees shall receive a \$1.00 per hour contribution; and
- (b) Effective October 1, 2020, qualifying employees shall receive an additional \$1.00 per hour contribution.

E. MILA FUNDING

Effective October 1, 2018, the Fourth Container Royalty Assessment for the funding of MILA, which is set forth in Article XIII, Section 2(a) of the 2012 Master Contract, shall be in

the amount of \$1.50. There shall be no reduction in MILA benefits during the term of this Agreement.

F. CARIBBEAN BASIN INITIATIVE AGREEMENT

The Caribbean Basin Initiative agreement set forth in the 5th Amendment to the 2012 Master Contract shall be extended for the term of this Agreement. After the second year of the Agreement, USMX and the ILA shall review the Caribbean Basin Initiative to determine its continuing efficacy.

G. AUTOMATIC CCF PAYMENTS

- (a) Effective October 1, 2018, Article XII, Section 4(d)(i) of the 2012 Master Contract shall be amended to add an additional \$2 million annual automatic payment to the South Atlantic District Escrow Fund (SADEF).
- (b) Effective October 1, 2018, Article XII, Section 4(d)(ii) of the 2012 Master Contract shall be amended to add an additional \$2 million annual automatic payment to the Maritime Association-ILA Funds (West Gulf).

H. SOUTH ATLANTIC VACATION and HOLIDAY BENEFITS

Hourly vacation and holiday benefits payable to all eligible participants by the South Atlantic ILA/Employers Vacation & Holiday Fund shall be set at \$25.00 per hour.

I. FLEXIBILITY for VESSEL NON-ARRIVAL

- (a) Each local port or district must institute a set-back/cancellation policy at waterfront facilities within two hours of the vessel start time.
- (b) The policy must conform with the following criteria:
 - i. There must be no additional start times;
 - ii. There shall be no reduction in manning or equipment;
 - iii. The policy must address punitive set-back times as well as firm and non-cancellable set-back times;
 - iv. The policy must address and confirm any local policies; and
 - v. The policy must allow set-backs up to two times.

J. INDUSTRY RESOURCE COMMITTEE

The parties reaffirm their commitment to the objectives of the Industry Resource Committee as set forth at Article XIV, Section 7 of the 2012 Master Contract, and the Industry Resource Committee shall address the following matters:

- (a) Define what constitutes shipper-controlled containers as opposed to carrier-controlled containers;
- (b) Determine whether security yards violate the batching rule of the Master Contract;
- (c) Develop a verifiable system for auditing jobs created by technology;
- (d) Consider the implementation of a national Port of Discovery system for monitoring major damage containers; and
- (e) Consider the impact of the change in the carrier genset model.

K. DATA COLLECTION

USMX and the ILA in conjunction with all ports on the East and Gulf Coasts where employees are receiving benefits provided by the Master Contract shall jointly collect data related to implementation and administration of the Master Contract and the negotiation of future agreements.

L. NEW TECHNOLOGY IMPLEMENTATION AND WORKFORCE PROTECTION

Article XI of the 2012 Master Contract shall be amended in its entirety to read as follows:

- (a) Management in partnership with the ILA shall protect the Master Contract workforce for the term of this Master Contract while improving efficiency and capacity on the terminals.
- (b) There shall be no fully-automated terminals developed and no fully-automated equipment used during the term of this Master Contract. The term “fully-automated” is defined as machinery/equipment devoid of human interaction.
- (c) There shall be no implementation of semi-automated equipment or technology/automation until both parties agree to workforce protections and staffing levels.
- (d) The following guidelines shall be followed for instituting workforce protections:

- i. Define the types of technology and the effects on capacity and efficiency;
 - ii. Determine the manning for the new equipment;
 - iii. Identify the new work created by technology;
 - iv. Determine the possibility of reassignment within craft subject to approval by the New Technology Committee; and
 - v. Provide necessary training.
- (e) In order to protect the workforce, there must be a determination of the number of positions affected (head count), rate of pay (Master Contract wages), and similar Master Contract hours in remaining or new Master Contract positions.
- (f) Procedure:
 - i. Local parties must negotiate implementation within 90 days with assistance of New Technology Committee Co-Chairs if necessary and in doing so adhere to the spirit of this Agreement as defined in subsection L(a) above.
 - ii. All local agreements are subject to review and approval by USMX and the ILA International.
 - iii. If no local agreement after 90 days, the ILA and USMX Subcommittee shall resolve open issues within 30 days.
 - iv. If the Subcommittee cannot agree, then two members each from the ILA and USMX Subcommittee shall have another 30 days to resolve the open issues.
 - v. If the Four-Member Panel cannot agree, then an Industry Advisor (George Cohen/J. J. Pierson) and the four members shall have 15 days to resolve all open issues.
- (g) All agreements are final and binding.
- (h) All negotiations, resolutions, and agreements are port-specific.
- (i) All of the above time periods are subject to extension by mutual agreement of the parties.

M. CR-5 FUNDING STUDY

During the nine-month period following the execution of this Memorandum of Settlement, the parties shall undertake a study of the feasibility of implementing alternative methods of generating additional revenue to provide funding for CR-5.

N. EXISTING TERMS AND CONDITIONS

- (a) All the terms and conditions of the 2012 Master Contract, including all extensions and amendments thereto as well as all decisions and determinations of the various USMX-ILA Committees and Boards, including the USMX-ILA Industry Resource Committee, shall remain in full force and effect during the entire term of this Agreement from October 1, 2018, to and including September 30, 2024, except as modified by the terms of this Memorandum of Settlement.
- (b) The parties specifically reaffirm their commitment to the following provisions in the 2012 Master Contract:
 - i. Joint Contract Implementation Team -Article XIX, Section 5;
 - ii. Labor Adjustor System - Article VII, Section 4(b);
 - iii. Study of Port Authority Model - Article VII, Section 7(a);
 - iv. Dedicated Workforce for Stuffing and Stripping - Article VII, Section 9; and
 - v. CBP Inspections - Article VII, Section 13.
- (c) This Memorandum of Settlement upon ratification by the parties settles all issues between the parties relating to all crafts and shall go into full force and effect on October 1, 2018.

IN WITNESS WHEREOF, the parties hereto have executed this Memorandum of Settlement on the day and year first above written.

UNITED STATES MARITIME ALLIANCE, LTD. INTERNATIONAL LONGSHOREMEN'S ASSOCIATION, AFL-CIO

By: _____
David F. Adam, Chairman/CEO

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By: _____
Harold J. Daggett, President