

SUP PRESIDENT'S REPORT – JULY 2021

MATSON NAVIGATION CO.

Negotiations on Matson General Rules, Work Rules and Maintenance Agreements

After an intense and compressed bargaining period, the SUP Negotiating Committee consisting of Chairman Noel Itsumaru, Paul Fuentes, Roy Tufono, Matt Henning, and Dave Connolly reached tentative agreement with Matson Navigation Committee producing better wages, benefits, job security, and shore leave. The following is a summary of the Agreement:

General Rules

1. Wages: Five-year Agreement through June 30, 2026
 - a. 3% increase effective on July 1, 2021, 3% increase on July 1, 2022, 3% increase on July 1, 2023; 3% increase on July 1, 2024; and 3% increase on July 1, 2025 for a compounded life-of-contract increase of 16%.
 - b. Applies to all rates of pay across the board including base wages, overtime, supplemental benefits, shore gang, standby and special rates, etc.
 - c. COLA trigger maintained at 4% and capped at 5% on each anniversary date.
2. Fringes: Maintenance of Benefits, Pension increase, Training increase
 - a. Pension increase (under 30e) of \$55.00 to \$2520.00 maximum monthly benefit with 2% increase for pensioners, prevented elimination of 30(e).
 - b. Training increase of \$0.25 per job day effective July 1, 2021 and per year.
 - c. Health Care benefits maintained for actives, dependents and pensioners
3. Mokiha Return to CCX Service: MOU on Temporary Cross-deck Crewing
 - a. Sole intent to return ship to normal crewing and operations in new CCX service. Maintains all rights and relinquishes no claim on recognition or jurisdiction. SUP joins in Oakland; is on board for duration. Prevents alternative crewing method.
 - b. Paint and Rigging Shore gang jobs added in Honolulu as immediate loss offset.
 - c. Mauna Lei deployment to Alaska
4. Restriction Claim Advanced for Pandemic Outset Period
 - a. Resumed settlement negotiations under Step 3, Joint Labor Relations Committee, reached historic agreement for aggregate claim across three graduated tiers of restriction exposure during the specific subject period.
 - b. Go forward full restoration of Section 18 in restricted ships.
5. New Holiday: Juneteenth National Independence Day beginning June 19, 2022. Defended against elimination of Columbus Day.
6. Minor improvements: MLC language on wages paid during piracy incidents, voyage clarification on unearned wages (paid through the end of the voyage), designated smoking areas outside the house/prohibition on smoking inside the house, increase in lodging meal amounts (to \$60.00 per day by meal offset), maintenance of wages during other union strike, unearned wages paid through the end of the domestic (14

- day) and foreign voyages (35 day), ship's internet policy explored and clarified toward improved bandwidth and speed, access to random drug test results, change to limitation on loss of effects, Appendix B transportation fare increases.
7. Defended against vaccination as a condition of employment, medical disclosure forms as condition of employment, elimination of Supplemental Benefits Plan payout of vacation, elimination of Columbus Day and longshore holidays in port, elimination of weekend wages for Friday layoffs, among other things.

SUP Work Rules:

1. Improved: 1500 Knock Off language: added Time Back protection such that "the hours between 3:00 P.M and 5:00 P.M. shall not be deducted against time back."
2. Preserved: Time Back incremental payment for accumulated time not taken.
3. Improved: Overtime payable – one-hour weekly overtime for the SUP delegate duties.
4. Improved: Appendix A "Manning" updated to confirm present ships, ship types, and existing and future jobs. (Covering new-builds and replacement vessels).
5. Improved: Cargo Rate for ramp block rig on for Ro/Ro operations.
6. Preserved: Successfully defended against permanent bosuns, longshore holiday eliminations, washdown elimination, floating shipboard sanitary periods, floating start time for standbys, a two-year standby wage freeze, OS job reductions, among other things.

SUP Maintenance Agreement:

1. Improved: P & R Honolulu payroll changed back to a weekly payroll system.
2. Improved: Job Security – maintained all steady jobs in shore gang, added two *Mokihana* offset jobs to P & R shoregang in Honolulu.
3. Preserved: Defended against manning reduction of 1 steady position, 4 hour call out reductions, maintained health care, vacation, sick leave and disability benefits.

Against the combined forces of the Company and the COVID era, this Committee refused to accept any reduced SUP standards. They stood up for job security, higher wages, basic employment rights. They fought against restrictions-to-ship past, present and future. They proposed again guaranteed watchstander overtime and again defended against the elimination of the washdown. They created new jobs, improved existing jobs, made no concessions, and left nothing on the table. Mr. Chairman on behalf of the Committee, I recommend ratification of the MOA between Matson and the SIU-Pacific District on the General Rules and the MOA between Matson and the SUP on Work Rules and the P & R Maintenance Agreement.

Pension Increase: The SIU-PD Pension Trustees met on June 17, 2021 immediately prior to Matson bargaining. After hearing the presentations of Plan staff and professionals including investment and actuarial reports, the Trustees recessed and reconvened as parties to the collective bargaining agreement. The employers were represented by Matson Labor Relations Manager Danny Defanti, The Unions were represented by MFOW President/Secretary-Treasurer Anthony Poplawski, SIU-A&G West Coast Vice President Nick Marrone, MFOW Vice-President Deyne Umphress, SUP Vice-President Matt Henning and myself. The Unions put forth various arguments for an increase under Section 30(e) of the General Rules. The employers resisted our

proposals, despite a small investment surplus available specifically for the purpose of prudent increase under the careful rules of that section. The Union demanded recognition that the modest increase would not endanger the Plan, overcame employer arguments, and eventually achieved a \$55.00 increase for new retirees (payable in September but retroactive to July 1, 2021) and a 2% increase for pensioners in pay status. The maximum pension payout is now \$2520.00 per month.

California China Express Service (Mokihana): As many in the members employed by Matson were aware, the Company's converted C-9 Roll-on/Roll-off containership *Mokihana* was for months in a Chinese yard undergoing repairs. As the pandemic lifted in the United States it got worse in China, and the government there maintained or tightened its severe no-travel restrictions. The *Mokihana* was the last ship in the drydock rotation, and without a crew on board the problem of returning the ship into service grew larger. Pressure increased in early June when Matson announced the advent of a third Chinese service in addition to the CLX and the CLX+, to be called the California China Express (CCX) in which *Mokihana* figured as a key component.

Along with MFOW President Anthony Poplawski, several proposals to management to re-crew the ship with SUP/MFOW members to China for the return voyage were made and management agreed to investigate. Chief among our preferred options was "normal" air travel, but Chinese visas are next-to-impossible to obtain due both to the pandemic and diplomatic resistance, no matter what the Company or purpose. Our research revealed that on rare occasions with the intervention of the U.S. Department of State, air travelers were granted temporary conditional visas that require minimum 30-to-35-day quarantines in unsafe, prison-like quarters and conditions. Without our normal sea or airborne crewing options, two more remained: to either resist the deployment of the ship in CCX and keep the ship in China, or to cross-deck the non-Pacific District crew from the M/V *Matson Tacoma*, to get the *Mokihana* back to the U.S., at which time the Pacific District Unions would resume normal crew operations.

The SUP and the MFOW viewed the return of the ship to CCX service of primary importance and entered a non-precedential one-time Memorandum of Understanding that allows temporary non-member crewing yet retains our rights, protects our long-term jurisdiction, offsets entirely the limited job loss of about fifteen employee days, as well as gets us back on the ship in the first U.S. port. The following is a condensed list of the terms:

1. **Applicability:** Due to unique and special COVID-19 pandemic related issues, we [the Company and SUP and MFOW] mutually recognize the temporary use of non-member crew in *Mokihana* until first U.S. port while retaining all rights of recognition and jurisdiction and without relinquishing any claims or responsibilities of the collective bargaining agreement, Noting the sole intent of returning the ship to regular and normal Union crewing operations, the parties agree that SUP and MFOW members will join on arrival in Oakland (or first port of call in CONUS, Alaska or Hawaii) under all terms and conditions of the existing agreement. No other agreement affecting this MOU shall apply without the written consent of the Unions.
2. **Loss offset:** The expected loss of mandays/covered employment under the Unions' agreements (expected to total 105 days for the SUP and 60 days for the MFOW) shall be offset by the shoreside employment at the Company's terminal facility in Honolulu under the Unions respective maintenance agreements as follows:

- a. MFOW: Hire one (1) additional shore mechanic for 12 weeks at regular full compensation under the Maintenance Agreement.
 - b. SUP: Hire three (3) additional Paint and Rigging maintenance workers for 7 weeks (or 2 for 11 weeks) at regular full compensation under the Maintenance Agreement.
3. Right to grieve
 4. Right to terminate.

Matson is accountable for its lack of foresight in attempting a China drydock during a pandemic and a period of tense diplomatic relations. Stranding *Mokihana* there bet on a re-opening that didn't come and thus gambled with our work. But given the importance of the ship and the number of jobs in the long-run, and together with adequate compensation and protections, this agreement makes the best of it for us and so Mr. Chairman recommend ratification of the *Mokihana* cross-decking MOU.

Matson Restriction to Ship Settlement

As everyone knows, the pandemic brought on a wide range of restrictions-to-ship: company by company, foreign and domestic, state by state, full lockdown and partial release, supported by some government orders and not by others, with and without compensation. It is an understatement to say that the changing nature of the pandemic, the government response, and the variable nature of both the workplace and management's restrictions made it among the most complicated situations the Union has ever faced. The SUP and the MFOW maintained throughout that our members should be accorded all the rights and privileges as regular workers both at sea and ashore. Matson management mostly disagreed, and the Unions pressed the matter for months, ultimately reaching a stalemate at the culmination of the grievance procedure – the Joint Labor Relations Committee. Rather than proceed to an uncertain arbitration with damaging outcomes, the Unions waited for bargaining and then brought to bear the pressure that produced a settlement. The settlement covers a specific period of quantified and documented claims from March 21, 2020, to May 21, 2020, when there were West Coast restrictions to ship without the clear and incontrovertible support of a distinct government order to do so.

Under Step Three of the grievance procedure laid out in Section 10 of the General Rules, a Joint Labor Relations Committee (between Matson and the SIU Pacific District Unions) met during bargaining to address the restriction issues raised and to put to rest a specific long-standing restriction-to-ship Grievance. The grievance stemmed from West Coast crew restrictions during the period from March 21 2020, to May 21, 2020.

The SUP identified 33 mariners (Group 1) who had 42 or more shipping days with Matson during the period; 22 mariners (Group 2) who had between 28 and 41 shipping days; and 23 mariners (Group 3) who had between 14 and 27 shipping days. In order to settle the claim, and as part of overall bargaining, the SUP requested payment as follows: Group 1 = \$813.24; Group 2 = \$542.16 and Group 3 = \$271.08. The total claim amounts to \$45,000 for the SUP. Checks will be sent to SUP Headquarters distributed to the Branches where the 78 members are registered. The MFOW took similar action on behalf of 46 members producing about the same amounts. The settlement makes final all related grievances. It does not resolve any future

grievances relating to restrictions to ship because of the COVID-19 pandemic, but it does resolve all restriction to ship grievances through the date of the agreement.

This may be the largest restriction to ship grievance and settlement in the history of the SUP, yet it cannot offset the full hardship experienced by the membership during the COVID era. Still, neither token amount nor symbolic settlement it serves a rough justice to resolve the frustration of pandemic related restrictions, maintains the strength of our contract language going forward, and preserves the power of the grievance procedure to solve problems.

Matson Shore Leave in Honolulu – On June 13, the Union received a Honolulu shore leave update from Matson. Under a State of Hawaii order, effective May 22, 2021, it is not permissible for crew members to travel from their ship to their residence or designated place of quarantine (for the purpose of self-quarantining only) and vice versa. Crew members are not permitted to travel to other locations while traveling between their residences or places of quarantine and the ship, or while they are quarantining at their residences or places of quarantine. Then on July 8, 2021, Matson issued COVID-19 Update #48 that allows fully vaccinated crew members in China and domestic service ships to go ashore without being subject to Hawaii’s self-quarantine restrictions. Unvaccinated crew members are not restricted but are required to follow the self-quarantine and other COVID rules ashore and on the ship.

Matson Crew Dispatch Clearance Change: On June 30, Matson notified the Union that any new crew reliefs joining a CLX or CCX ship in Long Beach or Oakland will not be accepted or allowed to join the vessel if they have traveled to or through India, Pakistan, Nepal, Bangladesh, Sri Lanka, Myanmar, Thailand, Philippines or Cambodia in the previous 35 days. This includes being aboard any ship that has call in ports in those countries. It is entirely due to the new policy on COVID clearances and restrictions put in place by the Chinese government for any ship calling in Chinese ports.

Matson Preliminary Second Quarter Earnings Announcement (Maunalei): Matson announced on July 7, 2021, that it had bought out the operating lease covering the *Maunalei* at the total amount of 95.8 million including accrued interest, thereby acquiring the vessel. Matson said it entered into the agreement with a combination of cash and borrowings from its revolving credit facility. The transaction was material to operating costs in the second half of 2021 due to the elimination of lease expenses. Lower costs of roughly \$6 million was expected due in part to the transaction. In bargaining the Company informed the Unions that the Maunalei had been retrofitted with gear and modifications specific to the Alaska trade in which she is now engaged.

APL MARINE SERVICES

On June 18, APL management informed the Union of a change to its operations and shore leave/restriction policy via a safety directive, itself part of the Company COVID-19 Management Plan. It amends shore leave policy in United States from “prohibited” to “may be considered” but only if eighty percent (80%) of the entire crew is vaccinated. Restrictions-to-ship remain in ships with less than 80% vaccinated crews, and for the unvaccinated. On clarification and as borne out by payroll practice since then, management confirmed that in such cases, the Section 18 Restriction to Ship remedy is payable.

PATRIOT CONTRACT SERVICES

On July 8, along with MFOW President Tony Poplawski and SIU A&G West Coast Vice President, I met with Patriot Principal and CEO Ryan Pereyda and Vice-President and Chief Legal Officer Borianna Farrar in Oakland. The purpose was to lay the groundwork for an additional ship, the *Haina Patriot*, a shallow draft tanker expected to operate with a mix of government and commercial refined product charters in the western Pacific. Patriot also informed the Unions that the WATSON-class bid is still pending before the U.S. Court of Federal Claims and could see a decision in the next few weeks. The Unions took the opportunity to describe the various obstacles and problems faced by dispatchers in the clearance process and received the pledge of management to help streamline the process with the goal of strengthening the trained labor pool.

GOVERNMENT MEETINGS

Jones Act Waiver Process Review

The Maritime Administration convened an industry call to review the process of Jones Act waivers. Organized by high-level members of the Biden Administration at the White House and the Department of Transportation, it was a remarkable first convening of two dozen industry and labor leaders with knowledge and experience in the process. It was also attended by Office of Management and Budget's "Made in America Office," with new powers of Jones Act and cargo preference enforcement and oversight. The U.S. maritime industry focused on careful definitions of emergencies, using asset alternatives, smart deployments, and especially avoiding blanket waivers. Labor re-iterated its long-standing position of not letting the Jones Act stand in the way of emergency action but called out those who seek to game the system to make a quick money on a dishonest and disloyal use of the waiver on the pretense of an emergency. In the Colonial pipeline hack, the Administration did in fact issue a focused and detailed charter-by-charter waiver and pledged to be more circumspect in future incidents.

Maritime Administration Tabletop Exercise

On July 8 the Maritime Administration held a normal planning session with industry and labor officials in advance of the July 21, 2021, simulated activation called "Command Post Exercise BREAKOUT." No actual ships will be activated, but labor unions and their contracted companies are still required to produce viable crew lists for the event. As in the past, mariners on crew lists may be contacted to check if they have been contacted by the Union, on their validity of their documentation, and their willingness to go to sea. Like last year and despite the pandemic, an actual TURBO activation is expected later in the summer. The tabletop exercise is a burden to the extent that it requires considerable Union administrative work without the benefit of member employment. Still, it is a federally audited measure of readiness that is important to service existing and future Union contracts. Urge all hands to sign up for assignments as directed by SUP agents and coordinated by SUP VP Matt Henning.

SUP ELECTION

Under the authority of Article XXVIII of the SUP Constitution, the elected Committee on Constitution met on Tuesday July 7 to consider all resolutions and proposed amendments to the SUP Constitution that were submitted by the membership since the last election. The Committee's Report was attached to the minutes for action by the membership in the coastwise July Branch meetings. Depending on that vote, two resolutions will be on the 2021-2022 SUP Election Ballot to be prepared by the Committee on Election. The Committee on Election will compile the questions and list of eligible nominees in September, noticed in the August meeting and published again in the August edition of *West Coast Sailors*.

HOLIDAYS

Longshore holiday: SUP hiring halls will be closed on July 28 in observance of Harry Bridges Day. In accordance with our collective bargaining agreements with APL and Matson it is holiday for all company vessels, except Ready Reserve vessels, in West Coast ports and for sailors employed under the APL and Matson Maintenance Agreements. It is also a holiday for run boat operators employed by the San Francisco Bar Pilots. It is not a holiday at sea or in port in Hawaii.

ACTION TAKEN:

MS: To accept and concur with the balance of the President's report including the following recommendations:

1. 2021 MOA between Matson and the SIU-Pacific District;
2. 2021 MOA between Matson and the SUP;
3. MOU between Matson and SUP/MFOW on the MOKIHANA

Carried.