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SECTION I - Introduction and Background

Chapter 47.64 Revised Code of Washington (RCW) was enacted by the Washington State Legislature in 1983. RCW 47.64.220 provided for a biennial salary survey of comparable maritime employers. Surveys were conducted by the Washington State Marine Employees' Commission (MEC), as required, in 1983, 1985, 1987, and 1989. However, the provisions were such that only one employer in the marine industry could be found that was eligible for comparison.

In 1987, Section 14 of House Bill 6076 directed the MEC to secure advisory information and to make recommendations concerning changes in the salary survey provisions of RCW 47.64. A contract for such a study was concluded between Carey Associates, Inc, of San Mateo, California and MEC in 1988, and a report was submitted on July 25, 1988.

The "Carey Report" compiled and analyzed pay and benefit data from various ferry and shipyard organizations, and provided guidelines for future conduct and use of surveys. It specifically recommended that surveys not be used to define or limit pay and benefits. The report did recommend that surveys be used as a background for collective bargaining between employee representatives and management.

Finally, House Bill 1520 in 1989 provided for the expansion of the survey from Washington State employers to public and private sector employers in states along the west coast of the United States, including Alaska, and in British Columbia, Canada.

In March 1991, the MEC presented the first expanded geographical salary survey report to Governor Booth Gardner, the Washington State Ferry System (WSFS) and ferry employee organizations for their use in the collective bargaining process. This is the eighth wage and benefit report published by MEC since the 1989 geographical expansion.

The MEC has contracted with the Washington State Department of Personnel (DOP) to conduct and publish the 2005 Salary Survey Report.

The MEC depends upon the voluntary efforts of ferry and marine operations, shipyards and other employers. We would like to thank those organizations that regularly participate. This participation increases the validity of the survey. Each participant will receive a copy of the 2005 MEC Salary Survey Report.

SECTION II - Survey Process and Review

Prior to the 2001 Salary Survey, the Marine Employees' Commission solicited comments from labor organizations, which represented ferry employees and WSFS management. Updated job description summaries were provided to DOP by the WSFS and are included in **Appendix Section B**. This process was conducted in 2005 as well. Base and premium pay and benefits questionnaires sent to survey participants are included in **Appendix Section C**.

Participants were chosen from ferry operations, shipyards and other marine-related businesses listed in the 2004 Edition of the Maritime Services Directory and located in Washington, Oregon, California, Alaska and British Columbia. As in previous salary survey reports, the DOP, for purposes of collecting data on ferry and terminal classifications, considered the size, tonnage and horsepower of the vessels operated by the WSFS system compared to those vessels operated by private and public sector employers as indicated by the sponsors of HB 1520. Deep-sea maritime employment, both in private industry and in the Alaska Marine Highway System were excluded because payment of wages and benefits were deemed to be based on different criteria than in employment closer to home ports.

As in the 2003 MEC Salary Survey Report, criteria for selection of shipyards were as follows: those shipyards reported by the Maritime Services Directory as employing fifty or more persons in the Puget Sound area and 100 or more persons in the Oregon, California, British Columbia and Alaska areas (Vancouver, Washington shipyard data was included with those from Portland shipyards and are reported as "Columbia River"). The rationale for a more comprehensive survey of Puget Sound shipyards than of shipyards in other areas was that the wage and benefit levels of local shipyards are more meaningful for the apprenticeable crafts in shipyards than are those of more distant shipyards.

Thirty-three shipyards met the criteria: 16 in Puget Sound; 10 in California; 4 in Oregon and Vancouver, Washington, and 3 in British Columbia. As in 2003, DOP found no shipyard in Alaska, which met the MEC criterion for inclusion in the salary survey.

Employers who function strictly as tour boat/excursion operators are also excluded because of differences in staffing and licensure requirements. In the past, passenger-only data has been reported separately from auto ferry data; that practice continues with this survey. In response to concerns raised in 1997, on September 25, 1998, the MEC adopted a statement defining the standard to be used to determine comparability of passenger-only ferry operations with the WSFS. It reads:

In addition to standards stated in chapter 47.64 RCW and Title 316 WAC, the comparability standard for passenger-only ferry operations to be surveyed by the Marine Employees' Commission shall include those passenger-only ferry operations which are primarily commuter-type operations, rather than those which provide primarily excursion tours. Data reported by comparable passenger-only ferry operations, if adequate, will be reported from data reported by comparable auto-carrying ferry operations in MEC salary survey reports.

SECTION II - Survey Process and Review (Continued)

All prospective survey participants were contacted by telephone to identify and solicit the attention of appropriate persons within the operations to whom questionnaires were to be mailed. Survey packets included instructions, job descriptions, wages, premium pay and benefit questionnaires. Employers were instructed to compare job descriptions with jobs in their organizations and report on only those comparable.

Data compiled and submitted by the WSFS include pay rates, employer health and welfare contributions, and other premium pay and benefits established in the 2001-2003 labor agreements between ferry system employee organizations and the WSFS.

The Department of Personnel identified four maritime, two port, four municipal/transit, and six other large Seattle area employers and two local surveys from which it chose to collect data on office, custodial and administrative job classifications. As has been the practice in past surveys, these employers were asked to report data in the Puget Sound area only.

Please Note:

The premium pay and benefits data identified in this report is comprehensive and accurate. However, due to the sheer volume of highly specific premium rates and benefits data, and their applications to the specialized work in the Ferry System, not all data is represented in this survey report.

SECTION III – Definitions and Terms

Adjustment for Wage Area Differential

The weighted wage rate is multiplied by the pay differential to show the Seattle-equivalent rate. Pay differentials from Portland, Oregon (1.16), San Francisco (.87), Los Angeles (1.15) San Diego (1.20) and Alaska (Juneau) (1.18) are based upon the most recent U.S. Department of Labor, Bureau of Labor Statistics National Compensation Surveys (NCS) from the period of April 2003 – January 2004. The NCS is published by the U.S. Dept. of Labor, Bureau of Labor Statistics. It provides a broad coverage of occupations and establishments within the survey area. The pay differential for British Columbia, Vancouver Region, (.96) is based on the 2004 Geographic Reference Report published by the Economic Research Institute (ERI) in Redmond Washington. It is a highly reliable and accurate report of wage differentials across a similar spectrum of jobs as the NCS collects data on. The ERI was chosen because the NCS reports data only on U.S. cities.

Base Rate

Average base pay rate per hour or per month for a job classification. Also see **Exchange Rate** below.

Benefits Data

Benefits which accrue to employees in addition to wages, including health, vision and dental care; life insurance, vacation, sick leave, provision of travel passes where applicable, etc. Health and welfare benefits data are reported for employee, spouse and two children.

Compensatory Time

The allowance of time off at the rate of one and a half time in lieu of paid overtime.

Cost of Living Differential (COLD)

COLD payments are a geographical differential reflecting the calculated difference in the cost of living between Seattle and Anchorage/Juneau Alaska (averaged). The cost of living calculation is taken from Bureau of Labor Statistics data and is applied to the base hourly average of specific positions with the Alaska Marine Highway System.

Exchange Rate

Canadian pay rates adjusted to U.S. dollar equivalent at \$1 Canadian = \$0.8323 U.S., exchange rate published for January, 2005 Federal Reserve Bank of New York.

Ferry and Terminal Employees

Ferry personnel are employees onboard vessels, including deck and engine room personnel, both licensed and unlicensed. Terminal personnel include terminal agents, ticket sellers, ticket takers, terminal attendants/watchmen, information clerks, and shoregang.

SECTION III – Definitions and Terms (Continued)

Office Employees

Office and other administrative personnel including custodial positions.

Premium Pay Data

Extra pay earned by a worker in a specific classification. Includes extra pay for overtime; work on Saturday, Sunday or a holiday; handling of dirty or hazardous materials, etc.

Range

Lowest to highest base salary rate reported by an employer for a specific job classification. This data is reported in U.S. dollars, but is not otherwise adjusted.

Shift Differential

Additional pay per hour worked on either swing (4:00 p.m. –12:00 a.m.) or graveyard (12:00 a.m. – 8:00 a.m.) shifts. Actual scheduled hours worked on either shift may vary due to employer's specific work schedule policy.

Shipyards

Shipyards trades, include shipwrights/carpenters, machinists, electricians, welders, pipefitters, sheet metal workers, truck drivers, warehouse workers etc.

Weighted Benefit

Total hourly or monthly benefits, divided by the number of employees in one job classification.

Weighted Rate Plus Benefits

Weighted wage rates reported (adjusted for wage area differential), plus hourly rates for health, dental and vision care. **Does not include** sick leave, LTD, paid vacation time, OASDI tax, thrift savings plans, annuities or Social Security or other retirement plans. British Columbia health care benefits are not included in the data tables but are discussed in **Appendix Section A** - Canadian Health Care Information/Analysis and Assessment. Data does not include wages and benefits reported by WSFS. For purposes of comparison, WSFS wages and benefits are reported separately. Also see **WSFS Rate Plus Benefits** below.

Weighted Rate

Total wages, adjusted for area wage differential, divided by the number of employees reported as of December 1, 2004.

WSFS Rate Plus Benefits

Straight-time rates paid by WSFS as of December 1, 2004 plus health and welfare benefits, including the contribution made by the WSFS per employee for medical, dental and vision insurance. **Does not include** sick leave, LTD, paid vacation time, OASDI tax, thrift savings plans, annuities or Social Security or other retirement plans. Benefits data are reported for employee, spouse and two children.

SECTION IV - Survey Analysis and Data Presentation

The 2005 MEC Salary Survey results are reported in three categories: Ferry System, Shipyard, and Administration – Office and Terminal employees

Current participation among Ferry Systems shows a drop of one (Blue and Gold – Passenger Only) from six to five (83%). The number of Shipyard participants dropped from 15 to 13 (87%). This reflects the continuous financial struggle being experienced, which is particularly hard among smaller shipyards. One shipyard among the participants is going out of business and several others are experiencing significant downsizing of staff. Changes in participants may produce changes in salary averages that may not be anticipated or truly indicative of a trend in salary growth or reduction. These changes may be caused by factors such as:

- 1) increased/decreased participation among lower or higher paying firms,
- 2) a slightly different mix of employers, and
- 3) in some cases, different wage area differentials, from those used in the 2003 report resulted in unusually lower or higher base salary averages.

Participation, however, increased (14 to 16) among participants providing data for Administration – Office and Terminal benchmark position.

Wage Area Differentials used in this survey are shown in Appendix Section A Exhibit A. Average median rates increased across the board in the U.S. cities surveyed ranging from a high of +12.4% in San Francisco to a low of +3.3% in Juneau, Alaska. Seattle's median wage rate rose 10.3% and Vancouver's average hourly rate declined 2.1% to \$27.72/hour. These median rate increases had a recognizable impact on the calculated wage differentials in the 2005 survey.

A strengthening in the state's economy, particularly with respect to the double-digit range wage growth, has caused a change in the cost of living differences between most of the other cities in the surveyed markets and Seattle. This impacts wages and wage area differentials. These factors must be taken into account when evaluating and making data interpretations and comparisons.

Employers were asked to provide data effective of the date of their submittal if no major salary or benefit changes had occurred since June 30, 2004 but no later than December 1, 2004. This change made it easier for participants to report data and provided a more current salary comparison to WSFS data.

Retirement benefits for WSFS employees are determined by the Washington State Legislature and are outside the scope of collective bargaining by statute. In 1991, maritime unions objected to the omission of data regarding retirement benefits; they argue that maritime workers engaged in collective bargaining in years past have opted to sacrifice wage increases to supplement their retirement benefits. The 2005 MEC Salary Survey "Premium Pay and Other Benefits" questionnaire sent to ferry system participants did ask employers to include data regarding their contribution to retirement and other benefit plans. Ferry and shipyard operators, maritime employers and other participants report a wide range of retirement and other benefit plans. Retirement plan data are reflected in the comparisons of premium pay and benefits between the major Ferry Systems, Shipyards and Administration – Office and Terminal employees.

SECTION IV - Survey Analysis and Data Presentation (Continued)

2005 Ferry System Survey Data

Data from auto-carrying employers (Exhibit I) was reported on 18 benchmarks and averaged 7.8% higher than reported in 2003 (Exhibit II). By comparison, WSFS benchmarks decreased by .1% during that same period. Seven benchmarks reported increased percentages exceeding 8.5%. None reported a decrease from the previous survey.

The WSFS's overall competitive position slipped from a market lag of -1.9% in 2003 to a much larger lag position of -10.3% in 2005. This represents a significant increase in the market lag percentage and is largely caused by the continuing lack of salary adjustments to WSFS pay rates during the last several years. Benchmarks First Mate/Pilot, Second Mate and Assistant Engineer lagged the surveyed market by more than 20.0%

We had only one passenger-only ferry system participate. As a result, we are unable to report this data in our 2005 survey report.

The average hourly rates for health care paid by Ferry System employers showed a decrease of 6.9% over the 2003 averages. This contrasts with the change in the state's health care premium rate which is up 3.8% over the same period. Given that the hourly rates and increases are typically written into labor agreements, and that health care costs have significantly increased over the last several years, it is again likely most participants reduced certain health care coverage levels to "match" the plan to the cost. There is no evidence that employers, with the exception of the state of Washington, have passed on additional health care costs to their employees in the form of increased premiums.

2005 Shipyard Survey Data

Thirteen shipyards contributed salary, premium pay, and benefits data (Exhibit X). The breakout, by area category, included eight employers from Puget Sound, three employers from California, one employer from Columbia River (Portland/Vancouver, WA) and one employer from Canada. No shipyards from Alaska met the MEC criteria. Base salary rate growth among participants since the last survey in 2003 (Exhibit VIII), showed a 10.1% increase. The WSFS has lost its dominant lead position in this market. This is again predominantly the result of no salary adjustments over the last two year period. In spite of business instability, the Puget Sound, California, and Canada market sectors reported consistently strong salary growth.

There were no significant changes in premium pay. However, there was a substantive change (+23.1%) in the average hourly rate for health care benefits paid by employees over that reported in 2003. This we believe is largely the result of a reduced level of participation and greater price volatility among the smaller shipyards.

2005 Administration – Office and Terminal Survey Data

Sixteen employers contributed salary and benefits data - an increase of two participants from 2003 (Exhibit XI). The overall salary rate growth of this category was a modest .7%. This much slower growth resulted in a slight improvement in WSFS competitive position from a lag of -14.4% to a lag of -11.6% (Exhibit XIII).

SECTION IV - 2005 Administration – Office and Terminal Survey Data (Continued)

This improvement in the market lag percentage appears partially attributable to a lower reported rate for 2005 among many participants. Additionally, several participants adjusted their benchmark matches as a result of internal job changes, which resulted in lower reported rates.

The WSFS lags all three major groupings and seems to be increasing. It is significant and broad enough (includes most benchmarks) that it could bring serious recruitment and retention problems as the Seattle area economy improves. Large market lags create a near impossibility of improvement without significant disruption to salary alignments and employee-supervisor pay differentials. A short and long-term strategy needs to be developed to address issues associated with recruitment and retention requirements.

Canadian Health Care

Canada, like the United States, is experiencing significant cost increases in most areas of its socialized health care system. Health care costs more in British Columbia than in any other Province in Canada and has a cost trend factor that continues to exceed 20.0%. The Canadian government and Canadian employers, however, continue to bear the brunt of these cost increases. The subsidized employer cost has actually dropped from 16.7% to 13.9%, a 20.0% reduction, while employees are paying essentially the same premium amounts for the various levels of health care coverage. The Federal Government continues to pick up a significant amount of these cost increases. What is not identified however, is the impact to personal Income Tax Rates (Province/Federal) which have been rising steadily for Canadians to pay for increasing health care costs.