

Future of MEBA's FABC Jobs Assured

The MEBA Pension Trust recently completed the sale of its wholly owned subsidiary, First American Bulk Carrier Corporation (FABC), to a new U.S. citizen corporation that was created to accommodate P&O Nedlloyd and its U.S. subsidiary, Farrell Lines.

MEBA veterans will recall that the MEBA Pension Trust created the FABC in the 1980s. FABC bareboat chartered two ships, most recently named the M/V CHESAPEAKE BAY and M/V DELAWARE BAY, from the financial institutions that actually held the title to the ships. FABC retained Nicholas Bachko to manage/operate the two vessels.

MEBA has represented all of the officers working aboard the two ships since they came out of the yard and came under FABC's control through the bareboat charter arrangements. During the last several years, FABC time chartered the two "Bay" Ships to Farrell Lines. Both ships have also operated pursuant to Maritime Security Agreement contracts since the creation of the program in the mid-1990s.

In 1998, through the Lykes Lines bankruptcy proceedings, FABC became the bareboat charterer of Lykes' four "L-9" ships, three of which had -- and still have -- MSP contracts. FABC stepped into the transaction to ensure that the L-9s would remain under the United States flag. If it had not intervened, the bankruptcy court was set to approve the reflagging of those ships. FABC's success in keeping the vessels under the U.S. flag also saved the jobs of the MEBA, MM&P and NMU members working aboard them. FABC retained MEBA-contracted Marine Transport Lines to manage/operate the L-9 ships. The L-9 ships have been working under time charters to CP-Lykes, since the bankruptcy proceedings.

“The sale also marks a new era in MEBA's relationship with Farrell Lines and Farrell's parent, P&O Nedlloyd, and is an excellent sign for our future together”

Last year, the MEBA Pension Plan trustees recognized that the two Bay ships were fast approaching the end of their statutory lives under the Maritime Security Program, and that the MSP itself was set to expire, with the likelihood of Congress enacting a successor program



Atlantic Coast V.P. Don Keefe headed up MEBA's negotiations for the new collective bargaining agreement covering the MEBA officers aboard the CHESAPEAKE BAY and the DELAWARE BAY. At right is FABC Vice President Jim Field.

at that point still very much in doubt. The trustees also recognized that the bareboat charters of the two Bay Ships were due to expire in June 2004, and that if they did, the ships would be returned to their owner, Fleet Capital bank. In light of these facts, the trustees decided to sell the FABC.

In an effort to protect its timecharter arrangements, P&O very aggressively sought to purchase FABC. This set in motion a series of complex corporate transactions. But after the dust settled, the overall transaction looked like this:

First, a new U.S. citizen company, M-Holdings Inc. was created. M-Holdings, in turn, created a wholly-owned subsidiary named M-Ships, Inc. M-Holdings bought all of the stock of FABC. Then, immediately upon the purchase of the FABC stock, M-Holdings and M-Ships merged into FABC. The merged company then kept the name FABC Corporation. FABC is now a stand-alone, U.S. citizen corporation. As a result of these transactions, the new FABC remained party to the time charter arrangements with Farrell Lines.

Second, on a parallel track, Wilmington Trust Company, as owner-trustee for the benefit of Farrell Lines, purchased the two Bay ships from Fleet Capital bank. As a result, Wilmington Trust replaced Fleet Capital as the bareboat charterer of the Bay ships to the new FABC, which, as described above, continues to time charter the vessels to Farrell Lines.

Third, after acquiring FABC, the new FABC terminated its management agreement with Nicholas Bachko and hired MTL to manage the two Bay ships. As a result, MTL now manages all of the ships that the new FABC bareboat charters, that is, the two Bay ships and the four L-9 ships.

Elements of these transactions required the approval of the United



The DELAWARE BAY has been engaged in the U.S. East Coast-Mediterranean trades for the last five years under a charter arrangement with Farrell Lines. Farrell Lines was acquired by P&O Nedlloyd in 2000.

States Maritime Administration, particularly with respect to the continued participation of the two Bay Ships and the L-9 ships under the Maritime Security Program. MarAd ultimately approved the transactions, and as a result, the ships remain enrolled in the Maritime Security Program. MarAd's approval also enables these vessels to be moved smoothly into the new Maritime Security Fleet, the successor program to the MSP which is scheduled to begin in October 2005.

The sale of the FABC did not affect MEBA's representation rights with respect to the licensed officers working aboard the two Bay ships and the L-9 vessels. With respect to the L-9 ships, the existing labor agreements between MEBA and MTL remain intact through September 30, 2005. With respect to the two Bay ships, MEBA Atlantic Coast Vice President Don Keefe negotiated a labor agreement directly with M-Ships/FABC.



Under the agreement, the FABC ships are expected to remain under the U.S.-flag for at least another 11 years. Left to right is Baltimore Branch Agent Bill Van Loo, Executive V.P. Bud Jacque and FABC President Warren Leback.

The agreement, which runs through September 30, 2015, ensures that all of the licensed officers working aboard the Bay ships and their replacements, as well as all other U.S. flag vessels subsequently owned or operated by M-Ships/FABC, will continue to be represented by MEBA. Significantly, the agreement contains enhanced job preservation protections that bind not only M-Ships/FABCC, but also Farrell Lines, MTL and any other manager, operator or charterer of the ships, Keefe said. The agreement also contains wage and benefit increases.

V.P. Keefe said, "We can all be proud of this new contract, not only because it provides long-term job security, but also because there are real wage and benefit increases up front." Included in the agreement is a three percent wage hike effective July 1 of this year, he noted.

"Significantly, the agreement [which extends to 2015] contains enhanced job preservation protections..."



MEBA President Ron Davis congratulates Farrell President Michael White on the completion of the FABC transactions. Atlantic Coast V.P. Don Keefe is at right.

Commenting on the sale of the FABC and the resulting labor agreement with M-Ships/FABC, MEBA President Ron Davis stated that the sale "will ensure that the ships have a bright future as MEBA-contracted vessels enrolled in the Maritime Security Program and the Maritime Security Fleet. The sale also marks a new era in MEBA's relationship with Farrell Lines and Farrell's parent, P&O Nedlloyd, and is an excellent sign for our future together." Commenting further on P&O Nedlloyd, Davis stated "I am particularly happy that these arrangements go a long way in strengthening our relationship with P&O Nedlloyd, which truly is a global force in container shipping."