



PANAMA CANAL COMPANY
BALBOA HEIGHTS, CANAL ZONE
OFFICE OF THE PRESIDENT

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INTERNAL SECURITY
OFFICE

JUN 21 1973

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Honorable Jack B. Kubisch
Assistant Secretary of State for
Inter American Affairs
Department of State
Washington, D. C. 20520

Dear Mr. Kubisch:

The following is a summary of events to date in connection with the pilots' slowdown:

Commencing about 27 May and continuing to 14 June, there was a pilot slowdown that caused serious delays to shipping and increased considerably our transit operation costs. The pilots have agreed to revert to normal operations so the immediate problem is at least temporarily solved.

Numerous exchanges of letters between officials of the Marine and Personnel Bureaus and the Canal Zone Pilots Association, as well as various consultations, have occurred over the last few months but failed to resolve the basic differences. Additionally, some limited direct correspondence and consultation with me occurred without any significant success. The pilots' expressed desires, which vary from time to time, include the following:

- a. No change in their work rules except a liberalization to their benefit.
- b. Adherence to qualification standards that prohibit the employment of Panamanians.
- c. More pilots for the force.
- d. More money.
- e. Engineering improvements to the Canal plus additional manning and equipment, especially in view of the large Panamax ships being received in increasing numbers.
- f. A stronger voice in operational managerial decisions affecting operating rules of the waterway.
- g. Continuation of earlier policies of general freedom from disciplinary action.

It is not known what precipitated this action at this time. It appears likely that it is the result of a deliberately planned sequence of events commencing in January when current Union officers took office.

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During the period in question, in-transit times (locks to locks) increased from about 7 hours prior to the slowdown to approximately 11 hours. Canal Zone Waters Time (CZWT) in the comparable two-week period just prior to the slowdown was about 15 hours compared to 30 hours during the period 27 May to 6 June. Pilot overtime for the pay period (two weeks) of the slowdown has increased about 450 percent (\$12,000 to \$66,000) over the previous period. Thus the pilots benefited monetarily at the expense of ship operators and the Company's financial position. Other groups in the Canal that experienced greater overtime as a result of this slowdown were the deckhands and tug and lock crew. In the case of the latter, it was necessary to add the sixth crew at Pedro Miguel and the seventh at Gatun on a regular basis; the average number of lockages per day was still under what was previously achieved with the lesser manning. This crewing at the locks was especially expensive as the additional crew had to be made up from the existing force, mostly on an overtime basis.

Both sides have been careful in official pronouncements in not acknowledging this action as a "slowdown" which is illegal. Legal and personnel actions are available to the Company in such a case, and we now have the statistical base as evidence that a slowdown did occur. The term "slowdown" has been used by the press both locally as well as in the Miami Herald and the Washington Post. Some local editors have attempted to use the occasion for political propaganda. Inquiries were also received from CBS, the Associated Press, and the New York Times, plus the Congress, the local Committee of Steamship Owners and Agents, New York Shipping Association, Atlantic and Gulf et al Shipping Conference, and the President of the American Institute of Merchant Shipping.

From the beginning every effort was made to keep our actions as low key as possible to avoid confrontations that would be harmful to both sides now and in the future. In short, we had hoped that the slowdown would gradually cease, as it did on one occasion in the past, due to the long hours the pilots were spending in transit. However, as time went by, there were indications that it might continue indefinitely or grow even more serious.

The slowdown started the day after I departed the Isthmus on a three-week combined business and vacation trip. Colonel McGinnis and officials of the Marine and Personnel Bureaus, as well as the General Counsel, worked diligently to achieve a solution, but their efforts were unsuccessful. I stayed in touch with the situation while in the United States and when no solution appeared to be forthcoming, I terminated my visit to the United States and returned to the Canal Zone the 12th of June, to involve myself directly in the matter. I met with the President of the Pilots Association within an hour after returning, stressing the importance and the urgency of a prompt return to normal. I specifically asked them to stop the slowdown, made a minor concession on the spot, offered to provide a forum in which

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grievances could be aired, and indicated that I would be personally involved in the issues to be settled.

The next day, 13 June, was our first indication that progress was being made. Further meetings with Company officials and conversations between the Marine Director and the President of the Pilots Association resulted in the following agreements:

a. Subject to the pilots reverting to normal operations, I offered to appoint Captain Alvin L. Gallin (formerly Chief, Navigation Division and Marine Director and currently Chief, Industrial Division) to study the staffing of the Navigation Division and other matters of interest to the pilots and to make appropriate recommendations to me for disposition of reported problems and grievances.

b. No disciplinary action will be taken against the association or individuals as a result of slowdown actions taken through 14 June.

The pilots, at a meeting on 14 June, voted to resume normal operations, but added qualifications to their acceptance of my study offer which I neither acknowledged nor recognize. Thus, the reversion to normal operations may well be only temporary, when they realize they have not yet really gained anything.

The possibility of other unions joining in the pilots' slowdown has been a constant concern. Rumors were rampant, and even exist today, as to the possibility of such action in the future. Local labor is particularly restless due to down-gradings as a result of adoption of the Coordinated Federal Wage System, treaty uncertainties, limited reorganization, management opposition to minimum wage increases in the Canal Zone, and the rising cost of living. Numerous unions filed telegrams of support for the pilots' actions. Although strikes and slowdowns are unlawful, other agencies in the U.S. Government have experienced them. No other situations are quite parallel, and a precedent to follow is not available.

The situation has been critical and, conceivably, could have resulted in Canal closure. We met the situation in a careful, deliberate manner designed to balance the short range expense and inconvenience of strife against the long range necessity of reconciliation. Our management team will be heavily challenged in dealing with future labor demands.

Sincerely,

David S. Parker
David S. Parker
President

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OF EXECUTIVE ORDER 11652 AUTOMATICALLY DOWN-	
GRADED AT 2-YEAR INTERVALS AND DECLASSIFIED ON	
DECEMBER 31, <i>1979</i>	

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