



For Immediate Release: Tuesday, October 11, 2011

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Salon.com Links Goldman Sachs' Transportation Subsidiary to Widespread Tax-Evasion and Worker Exploitation Scheme that Leads to "Foreclosures on Wheels"

Wall Street Ties to Worker Misclassification in U.S. Transportation Industry Reinforce Need for Government Crackdown

A new Salon.com [report](#) exposing the Seattle-based global marine terminal operator SSA Marine and its U.S. trucking outfit jointly owned by Goldman Sachs for its practice of disguising employees as independent contractors underscores the need for sweeping reform to end widespread tax evasion and systematic abuses that breed poverty and pollution at America's ports, leading labor, civil rights, and environmental leaders charge. Few observers are aware of the Wall Street giant's role in the global shipping industry, as "occupiers" take aim at the bailed-out bank that received \$23 billion in federal assistance, but only paid 1 percent of its 2008 income in taxes after raking in \$2.3 billion in profit.

Andrew Leonard's article, [Employers New Ruse: Independent Contractors](#) appeared hours before CA Gov. Jerry Brown signed a union-backed [bill](#) that will stiffen employer penalties on misclassification and on the heels of the Dept. of Labor's announcement it will crack down on the employment scheme which costs the federal government an estimated \$15 billion per year in unpaid FICA and unemployment insurance taxes, with an additional \$54 billion in underreported employment taxes. Over 20 separate studies demonstrate that state governments lose a combined several billion more from lost unemployment insurance, workers' comp, and state taxes. The Salon.com exposé centers on truck drivers' poor working conditions at U.S. seaports as the leading industry-wide example of misclassification.

"These workers suffer the worst of both worlds: They toil without the protections and benefits of employees, yet are without the control over their work that truly legitimate independent contractors enjoy," said Wade Henderson, President/CEO of the Leadership Conference on Civil and Human Rights. "Devoid of traditional civil rights protections and lacking the protection of traditional labor laws, we see these misclassified workers as 'sharecroppers on wheels.'"

Carl Pope, the Chairman of the Sierra Club, analyzed the consequences this way: "Coast to coast, the industry forces the cost of truck operation and maintenance onto the workers behind the wheel, and as a result, old, diesel-spewing rigs fill U.S. transportation corridors because that's all these low-wage earners can afford. Dire economic conditions led to the environmental crisis in the first place. We strongly suspect the culprit is not misbehavior by a few companies, but rampant misclassification in port trucking on the whole."

Within the deregulated U.S. transportation industry, individual workers are forced to assume all business costs rather than capitalized companies like Shippers Transport Express, owned by the powerful and profitable Goldman Sachs/SSA Marine. Salon.com featured one such driver, Leonardo Mejia, who has ten years of experience at the Port of Long Beach but has "no safety net to protect

him from misfortune except for whatever scraps he can carve out from his barely subsistence level wages.”

Government data reveal that misclassification – a tactic that flourishes in a fragmented market like port trucking in which employers undercut responsible companies by deliberately “1099ing” their workers to avoid paying taxes, benefits and obligations like workers’ comp – has mushroomed in recent years but is difficult and costly to remedy, as well as quantify. In 2000 the Labor Department said that 30 percent of firms misclassify some employees.

“It’s a great scheme. The boss pretends their employee is his or her own boss to skirt taxes and force business costs onto the workers, and then the real boss bosses that worker around just like every other employer,” said Dr. David Bensman of Rutgers University, a co-author of a groundbreaking research report, [The Big Rig: Poverty, Pollution and the Misclassification of Truck Drivers at America’s Ports](#), which concluded the typical port truck driver is truly an employee. “In transportation, it’s particularly sinister: you deny workers a W-2 to force your drivers to buy the truck, maintain the truck, fuel the truck, insure the truck and every other business cost. Vital workers in one of America’s most dangerous industries cannot negotiate their rates nor haul for another company. They end up with third-world wages, and their so-called independence is completely bogus.”

Many economists, environmentalists, and elected officials warn that an unchecked industry that breeds low-road businesses that generate severe air pollution and public safety risks is further undermining U.S. job growth; several job-creating infrastructure projects have been stalled due to high levels of deadly diesel soot generated by port commerce.

“The Obama Administration is right to crack down on employers who don’t play by the rules. The consequences on the economy and environment are so severe at our nation’s ports that federal agency intervention must be further enhanced by Congressional action, which is why I introduced HR 572, the Clean Ports Act,” said Rep. Jerrold Nadler (D-NY), whose legislation is supported by 57 co-sponsors. Senate introduction is expected soon.

“Companies like Goldman Sachs’ SSA Marine are skirting a host of obligations in order to profit greatly – at severe cost to the environment, the people they hire, the government, the public, and other businesses that play by the rules,” said Teamster Port Division Director Fred Potter. “Our blue-green coalition is working tirelessly with state, local, and federal authorities to end the Wall St. trickery on the waterfront, so our ports can be the generators of the good, green jobs we were promised.”

Additional Background:

The link between economic conditions and the environmental crisis in major trade hubs like LA/ Long Beach, Oakland, Seattle, Houston, Newark and New York have been well [documented](#). The EPA estimates some 87 million in Americans now live and work in port regions that violate federal air quality standards where diesel soot-induced asthma, cancer and respiratory illnesses rates are disproportionately high.

Air quality, public health and workers’ rights advocates support new port standards that halt the use of contract drivers (also known as “owner-operators”) who eke by with meager wages, and instead transfer responsibility for fleet modernization and maintenance from individual workers to their employers. In return for complying with environmental and operational standards, trucking companies both small and large can receive generous financial subsidies to help jump-start a cleaner market. The Port of Los Angeles implemented such a model in October 2008 and pollution levels dropped dramatically, later earning the nation’s largest container port a [distinguished honor](#) for its LA Clean Truck Program by the U.S. Environmental Protection Agency.

However the American Trucking Associations legally stalled its full implementation. As a result, trucking companies accustomed to three decades of lax regulation have pushed the cost of the vehicles back onto their drivers who average \$10–11 an hour; an environmentally unsustainable, economically irresponsible [outcome that has bankrupted drivers](#).

The industry's vigorous opposition prompted the mayors of Los Angeles, New York, Newark, Seattle, Oakland, and Broward County in Florida to urge Congress to support the Clean Ports Act. The Ports of Los Angeles, Oakland, and the Port Authority of New York and New Jersey have also pushed for federal lawmakers to modernize antiquated law to address the environment and public health, and improve efficiency, safety, and security enforcement.

The [Coalition for Clean & Safe Ports](#) is a nationwide partnership of 150 environmental, public health, community, labor, business, faith, and consumer advocacy organizations that promote sustainable economic development at major U.S. seaports. We are working to make the port trucking system a less polluting, more competitive generator of good, green jobs for harbor-area workers and residents. For more information, please visit us at www.cleanandsafeports.org

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