PMA, ILWU talks must consider port productivity, industry leaders say
Premium

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By Chris Dupin

As they negotiate a new labor contract to replace the one that expires July 1, representatives of the International Longshore and Warehouse Union and Pacific Maritime Association should be thinking about how to make the ports more productive in the long term, industry officials say, and not just about the issues confronting the shipping industry in the next few years.

"There are two things at stake in my view. There is the short term ... can we get through this year without disruption and turmoil at the ports? People want to avoid that," said Peter Friedmann, executive director of the Agriculture Transportation Coalition. "So we want a contract, but is that all we want?

"A good contract, in my view, would be one where West Coast ports start approaching world-class standards in terms of productivity and lifting," he said.

Friedmann made his comments during a webinar this week held by *American Shipper* magazine. The webinar -- Port Strike Déjà Vu: How Shippers and Service Providers are Preparing for a Potential ILWU Work Stoppage -- also featured Bruce Carlton, president and chief executive officer of the National Industrial Transportation League, and Jonathan Gold, vice president of supply chain and customs policy at the National Retail Federation.

All three men were optimistic that a contract could be negotiated without a strike, though they said there may be slowdowns and work-to-rule disruptions, and that the negotiations may continue past July 1.


Friedmann

Friedmann noted that shippers are already having to deal with slow movement of cargo through Oakland, Calif., and Portland, Calif.

"I fear there will be disruption and not just at those two ports," he said.

Gold added that some shippers are implementing or looking at contingency plans, but "none of them are great options."

He said shippers can move goods early, but then have higher storage and warehousing costs; move cargo through East and Gulf coasts ports, but that capacity on ships and at warehouses is limited; use Canadian or Mexican ports; or ship by air, which he said is about 10 times more costly.

Friedmann said the positions of the PMA and ILWU regarding issues to be negotiated during the contract talks have not crystallized and are as "murky as ever and remain unresolved as they have ever been and thus it is building up to what I think could be quite a cataclysmic June and July."

The ILWU's desire to retain jurisdiction over waterfront jobs, rather than see them taken over by other unions, is an issue Friedmann believes could become more contentious as shipping terminals are automated.

Whether employers or the union will foot the bill for the tax imposed by the Affordable Care Act on generous health care plans, which are provided to ILWU members, is another issue that has been highlighted by the PMA.


Gold

Gold said the PMA has said that the tax, which would go into effect in 2018, could cost the PMA $114 million to $120 million annually.

Friedmann said the cost of the tax could determine whether a six- or three-year contract is negotiated, he said, “because if employers have to pay for it, they do not have enough money to sign the obligation for that tax over six years.”

Carlton said that for businesses he has spoken to, “their worst fear is that this is a three-year contract. The thought of having to do this again in such short order makes their blood run cold.”

Gold said PMA has indicated it is not going to backtrack on gains it made in previous contracts that give employers the ability to automate their terminals.

But, Friedmann said, until automation is implemented at terminals, “we don’t actually have it.”

As startup of new, highly automated terminals on the West Coast approaches, the union may seek to revisit that issue.

Carlton said he expects that talks on the new contract this year will be less about “meat and potato” issues, such as compensation, and more about jurisdiction.

One cause for optimism, Carlton said, is that there has been none of the acrimony displayed in 2012 and 2013 during the East and Gulf coasts longshore negotiations between the International Longshoremen’s Association and United States Maritime Alliance.

In 2002, Gold noted, when West Coast labor talks broke down, and management locked out ILWU workers, the economy was much stronger and prospects for cargo growth brighter.

Today, terminals on the West Coast face stronger competition from ports on the U.S. East Coast, Canada and Mexico.

“The longer term is whether cargo is going to be moving off the West Coast. There is nothing we produce in this country, in agriculture or forest products, that cannot be sourced somewhere else in the world,” Friedmann said. “If there is disruption, those foreign customers are not going to wait and hope that they can maybe get their product.”

For example, he said, if shipments of U.S.-grown almonds are delayed, candy makers may look to source nuts from Turkey.

Carlton noted that Southern California is a huge market itself, making it difficult to move cargo through an alternative gateway. But, he said if shippers “get burned again … they may make a permanent change where they can; they may say, 'I’m not going to go through this ever again because it is costing the company too much money and costing me too much lost sleep.' They will permanently reroute cargo."