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## Early ILWU-PMA talks offer means to fix productivity problems

Gary Ferrulli, President-North America, Unicon Logistics | Nov 12, 2016 9:00AM EST

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A number of items have caught my eye over the past month, beyond the abundance of coverage and discussion about Hanjin Shipping's demise and speculation about its ultimate result.

The apparent euphoria over the potential gains of early talks between the International Longshore and Warehouse Union and the Pacific Maritime Association is certainly one interesting issue. Having the two entities talk is better than not talking, and if those talks result in a contract extension of two, three, or five years, that's good news for those who want assurance that West Coast ports will be working over that timeframe.

But there's more to it than that. Costs associated with ILWU labor are horrendous in several respects — West Coast dockworkers are the highest paid longshore workers in the world, which in and of itself isn't a bad thing.

But they also make up one of the least productive labor forces in the modern maritime world. Union work rules, the virtual scientific process producing crane lifts at pre-1990 levels, create an inefficient and ineffective port and terminal structure. It takes far more space to handle the same volumes at other global ports; ships are delayed by hours, if not days; trucks and drivers are delayed in picking up and/or dropping off cargo; and the combination of these inefficiencies creates an almost constant state of congestion, frustration, and higher costs that eventually will hit shippers.

Although they complain about the uncertainty of service and inefficiency, shippers are paying a small piece of the cost of container shipping today. When they eventually have to pay the real price, they will be shocked. In today's world, ocean carriers charge based on market conditions, and those conditions — supply overcapacity brought about by massive fleet additions and middling economic and trade growth — are far from in their favor. Those pricing dynamics will change along with market conditions because of potential carrier collapses such as Hanjin, mergers and acquisitions (CMA CGM-APL, Hapag-Lloyd/United Arab Shipping Co., the Chinese carriers, and now Japan's Big Three), and as global trade catches up with capacity.

Those carriers that survive will have to start making money, something the industry hasn't done in nearly six years. When that happens, carriers will look at costs and start pricing by those costs. And the cost of bringing ships into a West Coast port and working them with ILWU labor will suddenly no longer be a carrier problem. They will charge those costs back to the shippers, and the complaints will land on the steps at 800 N Capital Street NW, Washington, DC — the Federal Maritime Commission's office. Limited by underlying laws on what the agency can and can't do, I'm not sure what the FMC would be able to do about those complaints, but make no mistake: it will get them.

The costs for West Coast terminals to discharge an import container from a ship, to the box's first place of rest, off that stack and onto a chassis, and out the gate is about \$300. It's probably about the same for an export container. On exports, the terminal costs alone are much more than most of the all-in port-to-port rates.

The talks between the ILWU and PMA must address productivity issues in a serious way so West Coast ports get somewhere remotely close to other major ports in the world. Even US East and Gulf Coast ports and terminals are at least 25 percent more productive, with labor costs 15 to 25 percent less than West Coast ports, depending on the port.

As this is written, Orient Overseas Container Line's Middle Harbor project at the Port of Long Beach is partially



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operational and is supposed to offer a glimpse into the future. Virtually robotic, it's designed to increase safety with fewer people outside on the terminal, increase productivity, reduce down times, and make the gate process more efficient.

Will it become the model of efficiency and increase throughput, reduce vessel times in port, reduce truck lines, and get cargo owners their cargo quicker? Will this terminal be in a production mode that resembles the productivity of Yantian, Shanghai, Dubai, Rotterdam, and Yokohama? If that happens, the \$1.3 billion being spent is a great investment for port and OOCL, as well as the cargo interests that ultimately will pay for the services.

It also will benefit the ILWU and its members. More cargo will flow through the West Coast, requiring more dockworkers to process that cargo.

It seems to me to be a good idea for the ILWU and PMA to get discussions on productivity underway as soon as possible, and to make sure it happens and not just give lip service to the subject. Again, there's nothing wrong with being the highest-paid longshore workers in the world, but the concomitant productivity must be part of the equation. That's where a fix is needed.

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