Continued contract complicity on West Coast

Today likely will see the official ratification of the three-year contract between the International Longshore and Warehouse Union and the Pacific Maritime Association. The union is scheduled to release the results of its voting today, the PMA will vote soon.

The approval process is such that a simple majority of one single union local can vote down a proposed contract, unless a coast-wide super-majority of 65% is achieved. Unlike past years, the resolution is considered to be a foregone conclusion. A caucus of ILWU leaders recently recommended a "rubber-stamp" approval by the rank-and-file membership.

In past years, many were concerned about the union voting down the agreement, but this year's negotiations were led by the Southern California union leadership and approval by the Southern California locals is expected.

Moreover, this contract has been well received in the press. The Journal of Commerce went so far as to call it a "positive contract," offering "a positive picture for shippers, who had experienced some anxious moments speculating about what the outcome of the bargaining would be."

It is true that this contract was achieved with only minor disruption. But unfortunately, it actually resolves few of the real problems existing between labor and management.

It appears that the ILWU prevailed in terms of basic economic issues. Pension benefits were the main item. Past and future retirees received fairly generous terms. This accompanies a medical plan that requires no payments by union members.

And the basic issue of wage levels has barely been discussed. There is talk of wages increasing by 7.5% over the three-year life of the contract. In and of itself, this number seems reasonable. But that may not be the whole picture.

There seems to be a formal acknowledgement that side deals will once again return. This practice, whereby a marine terminal offers overtime and reduced working hours to attract and retain the best workers, could increase wages by upwards of 20%.

The elimination of side deals for steady workers was one of the main changes of the 1996 contract, yet it caused significant labor dissent over the past three years.

The new contract allows the deals on a local level, as long as they are approved by the ILWU Coast Committee. This sounds reasonable, but this committee has been a paper tiger in the past, when member lines denied the existence of side deals despite obvious evidence to the contrary. One wonders if this type of concession is representative of the entire contract.

Many issues addressed in the contract are still nebulous. Union members were not granted any extension of job jurisdiction into areas such as maintenance and repair, vessel planning or harbor drayage. Although they may receive training in these areas, it is unclear what jobs in these areas would become available — and when.

Employers failed to make progress with their critical issues. Technology innovation will still be stymied by a lack of agreement with marine gate clerks.

Under the current arrangement, there exists little incentive to invest in technology, because there are no savings realized by reduced staffing levels.

Additionally, there does not appear to have been any progress made on the issue of having terminals operate on a seven-day-a-week, 24-hour-a-day basis. This change — which would have brought West Coast terminals into parity with the rest of the world — required modifications in longstanding work rules and job practices.

I suspect that the inter-terminal, intra-harbor drayage issues will ultimately disappear. These activities are a result of the vessel-sharing agreements and alliances that have become all too common in the past 10 years. With multiple terminals in a port area, lines are constantly shuttling empty containers and chassis to resolve equipment and parking shortfalls. Industry consolidation is upon us, and alliances will doubtless be replaced by behemoth steamship lines. These lines will utilize a single terminal and eliminate all extraneous drayage.

This consolidation is the result of lines fighting for their very existence. Rates are not rising to the extent the lines envision. Even the trans-Pacific import market is showing signs of being less robust than expected. The loss of such income could be devastating to lines expecting revenue recovery.

Without increasing revenue, today's lines must find cost savings. According to a speech given recently by one industry expert representing a group of steamship lines, marine-terminal expense constitutes over 55% of total movement expenses — it is the single largest expense item, and it offers the greatest opportunity to save money. A large part of this terminal expense is determined by this new contract.

I fear that in the future, this contract may stand as a missed, last best chance for the industry to turn around its financial performance. Costs were increased, not decreased. Incentives for improved utilization and throughput were denied. The only opportunity for major cost reduction was untouched.

These are not the actions of an industry intent on reconfiguring itself to survive and prosper in a new environment.

Theodore Prince (Ted.Prince@kleinschmidt.com) is senior vice president of sales and marketing for Kleinschmidt Inc., an electronic-commerce provider.