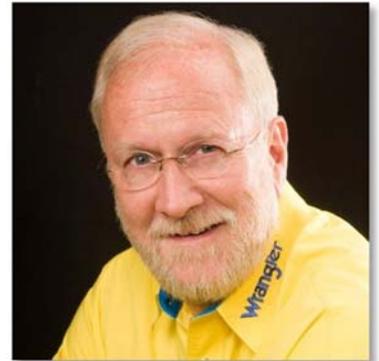


TRANSPORTATION REPORT

From: Terry Whiteside

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WEST COAST PORTS - LABOR NEGOTIATIONS ARE UNDERWAY IN EARNEST - DEADLINE JUNE 30TH BUT PLANS ARE TO CONTINUE NEGOTIATIONS PAST DEADLINE

This labor negotiation can affect a large number of West Coast ports and many commodities including agricultural products in bulk and intermodal operations at the PNW, Los Angeles, and even Gulf Coast ports.

On one side is the International Longshore and Warehouse Union (ILWU), with its tradition of fierce activism dating back to the Great Depression, when two of its members were killed during a strike.

On the other is the Pacific Maritime Association (PMA), which represents shipping lines and operators of terminals at 29 West Coast ports.

The union's total control over the labor pool means huge bargaining leverage, which negotiators have parlayed into white-collar wages and perks for blue-collar work. Look for the contentious issues including benefits and job security on the table as they did in the 2008 and 2002 contracts.

Be mindful, these 29 West Coast Ports extends from San Diego, to Los Angeles, Oakland, San Francisco, Portland and Seattle and all ports in between.

In the 2002 shut down (negotiators didn't reach an agreement until around Thanksgiving, following an impasse that led to a 10-day lockout and a big disruption in trade), the economists we surveyed in news casts, estimated losses at \$1 Billion/day. The 2002 shutdown had a lasting impact on how products moved in and out of the United States with the Ports idled, the ships anchored in San Francisco Bay and outside ports from Los Angeles all the way to Seattle. Economists at that time estimated the impact at \$1 billion each day.

Today, the marketing of materiel is vastly changed, with a great deal more of 'just in time' delivery mechanism – thus the effects of a service disruption would have immediate and long-term effects on most supply chains.

The numbers are staggering. West Coast ports handled cargo worth \$892 billion in 2013 alone, according to trade data compiled by the U.S. Census Bureau.

The benefit packages that are paid to the ILWU workers is one of the major issues for the PMA. According to a report in the Associated Press, the PMA states that the cost of benefits more than doubled over the past decade, reaching \$93,200 per registered worker in fiscal year 2013 and in 2018, a 40 percent tax on the value of "Cadillac" health plans above a certain threshold kicks in under the Affordable Care Act — and the union's coverage qualifies. Currently the ILWU do not pay anything for the Cadillac health plans under current agreements. By the way, the average ILWU full time longshoreman workers earn about \$130,000 a year, while foremen earn about \$210,000, according to employer data. Workers pay nearly nothing for health coverage that includes no premiums and \$1 prescriptions. Other issues that may crop up include what jobs will remain under union control, introduction of technology that could make some jobs obsolete, and on-the-job safety measures according to the Port of Oakland.