

TRANSPORTATION UPDATE

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ILWU (INTERNATIONAL LONGSHORE AND WAREHOUSE UNION) AND THE PMA (PACIFIC MARITIME ASSOCIATION) NEGOTIATIONS AFFECTING 29 WESTCOAST TERMINALS

History:

For the past nine months negotiations between the International Longshore and Warehouse Union and the Pacific Maritime Association regarding a new contract has dragged on. Since early in 2015 (January), neutral mediators from the Federal Mediation and Conciliation Service, an independent agency, have been involved, when both the ILWU and PMA invited them into the talks. The union has been working without a contract since the previous one expired on July 1.

The PMA and many logistics companies indicate that the ILWU work on loading/unloading ships (especially container ships) has been suffering from work slow-down practices. The ILWU denies engaging in slowdowns and has accused the PMA of trying to pressure the union to accept a settlement.

The Argument – Both sides:

The ILWU began non-stop work slowdowns in early November at West Coast ports, as documented by the PMA in container moves per crane, per hour, and the shorting of skilled labor, the group representing waterfront employers alleges (PMA). The ILWU rejects the accusations and blames high volume, chassis dislocation, marine terminals' inability to handle larger vessels and other factors for port congestion.

Work Blockages:

Several weeks ago, on the MLK 3 day weekend, the PMA closed the unload/load portions of the ports for the weekend citing having to pay holiday pay scales for 'work slowdowns' efforts. This followed action by the PMA in January to shut down nighttime operations due to premium pay for what the PMA termed 'greatly reduced productivity levels.' Then this past President's day long weekend (ending February 16th), the PMA again shut out the ILWU rather than pay holiday and weekend premiums for poor productivity.

There is growing concern by logistic providers that the tensions are ratcheting up to the point that the PMA may look to locking out the ILWU from working.

The PMA controlled ports (29 west coast ports) handle an estimated 40 percent of all U.S. container traffic consisting of both inbound and outbound cargo.

In a move to move the negotiations forward, the White House sent U.S. Labor Secretary Thomas E. Perez to meet this week with West Coast longshore union and management negotiators in an effort to end a bargaining standoff that's causing increasing pain across supply chains.

Be mindful, that these delays are affecting and causing increased disruptions to company supply chains in retail, manufacturing and wholesaling industries, as well as to agricultural exporters many of who rely on agricultural exports via containers. In some cases, the supply chains in retail and manufacturing have been able to re-route, re-channel and provide workarounds to counter the delays. However, the agricultural products for the most part do not have that capabilities

and thus in many cases, the exports/imports of agricultural commodities are languishing or not being executed from U.S. production points.

Outlook:

It is clear that the tensions are growing higher each week and forced shutdowns, strikes and lock-outs are becoming not just a whisper but open conversation.

Will there be a work-stoppage during the current negotiations? The likelihood is growing. No one wants a work-stoppage but the work slowdowns and lock-outs do not portend decreasing labor-management tensions.

Looming just over the horizon, in 2016, will be the complicated and perhaps explosive issue of the 'cadillac' healthcare plans enjoyed by the ILWU workers and the requirement under Obamacare that they must be taxed going forward. The ILWU workers have never been subject to paying for healthcare and most likely will resist any move to require healthcare payments to be passed along to the workers.

BNSF IS PREPARING TO IMPOSE ONE OF THE LARGEST FREIGHT RATE INCREASES ON WHEAT IN YEARS

The BNSF is indicating in its pending files – rate increases on wheat – effective May 1, 2015 – some of the largest freight rate increases in years.

After a year of less-than-stellar performance, which caused disruption throughout the grain belt, the BNSF is preparing to impose freight rate increases throughout the plains states. The BNSF did not increase its wheat rates on the plains during the last 15 months, but it appears to making up for the lack of increases in its 'pending' proposed increases.

Examples of the proposed increases are shown below and indicate pending increases from origins in CO, KS, OK, SD, NE, TX, and MT ranging from 9 to over 13+% above current rates.

Please note that these quoted increases are indicated in the BNSF "Pending" files on the BNSF website and until they are officially published, they are subject to further change by the BNSF. However, they will establish a range that BNSF is considering for the upcoming harvest season.

Montana domestic shuttle rates are also shown below. The export rates on MT shuttles have not yet been published in the pending file, however, they are traditionally published \$109 less than domestic shuttles from MT to Portland, OR.

In Washington, the BNSF has extended the current rates until April 30, 2015 but has not yet indicated the amount of increase that it will propose in any pending files.

Sample Proposed BNSF Rate increases effective 5-1-15 to Gulf \$ Per car	268 # cars	286 # cars	268# cars	286# cars
	1-23 cars	1-23 cars	24-48 cars	24-48 cars
Brush CO	+\$ 657.00	+\$ 717.00	+\$ 657.00	+\$ 716.00
Commerce City CO	+\$ 639.00	+\$ 696.00	+\$ 639.00	+\$ 697.00
Haxtun CO	+\$ 663.00	+\$ 723.00	+\$ 663.00	+\$ 722.00
Abilene KS	+\$ 570.00	+\$ 622.00	+\$ 570.00	+\$ 622.00
Hutchinson KS	+\$ 560.00	+\$ 610.00	+\$ 560.00	+\$ 610.00
Kendall KS	+\$ 608.00	+\$ 662.00	+\$ 608.00	+\$ 663.00
Altus, OK	+\$ 504.00		+\$ 504.00	
Blackwell OK	+\$ 555.00	+\$ 606.00	+\$ 555.00	+\$ 605.00
Boise City OK	+\$ 565.00	+\$ 616.00	+\$ 565.00	+\$ 616.00
Enid OK	+\$ 530.00	+\$ 579.00	+\$ 530.00	+\$ 578.00
Culbertson NE	+\$ 638.00	+\$ 695.00	+\$ 638.00	+\$ 696.00
Fremont NE	+\$ 640.00	+\$ 698.00	+\$ 640.00	+\$ 698.00
Omaha NE	+\$ 631.00	+\$ 688.00	+\$ 631.00	+\$ 687.00
Kimball SD	+\$ 700.00	+\$ 764.00	+\$ 700.00	+\$ 759.00
Wolsey SD	+\$ 702.00	+\$ 765.00	+\$ 702.00	+\$ 766.00
Amarillo TX	+\$ 537.00	+\$ 585.00	+\$ 537.00	+\$ 585.00
Arthur City TX	+\$ 498.00		+\$ 498.00	
Dumas TX	+\$ 549.00	+\$ 598.00	+\$ 549.00	+\$ 599.00
Friona TX	+\$ 550.00	+\$ 600.00	+\$ 550.00	+\$ 600.00
Hereford TX	+\$ 547.00	+\$ 597.00	+\$ 547.00	+\$ 596.00
Plainview TX	+\$ 535.00	+\$ 583.00	+\$ 535.00	+\$ 584.00

Montana to PNW BNSF Domestic Shuttle Rates	Current	Pending 5-1-15	Increase per car
Billings	\$ 3,887.00	\$ 4,294.00	+\$ 407.00
Carter	\$ 3,848.00	\$ 4,228.00	+\$ 380.00
Chester	\$ 3,726.00	\$ 4,095.00	+\$ 369.00
Collins	\$ 3,762.00	\$ 4,133.00	+\$ 371.00
Conrad	\$ 3,691.00	\$ 4,053.00	+\$ 362.00
Culbertson	\$ 4,750.00	\$ 5,155.00	+\$ 405.00
Glendive	\$ 4,752.00	\$ 5,211.00	+\$ 459.00
Great Falls	\$ 3,787.00	\$ 4,161.00	+\$ 374.00
Grove	\$ 3,886.00	\$ 4,279.00	+\$ 393.00
Harlem	\$ 4,035.00	\$ 4,427.00	+\$ 392.00
Havre	\$ 3,924.00	\$ 4,306.00	+\$ 382.00
Kasa Point	\$ 4,547.00	\$ 4,976.00	+\$ 429.00
Kershaw	\$ 3,870.00	\$ 4,253.00	+\$ 383.00
Kintyre	\$ 4,441.00	\$ 4,865.00	+\$ 424.00
Macon	\$ 4,557.00	\$ 4,987.00	+\$ 430.00
Merc		\$ 5,323.00	
Moore	\$ 3,922.00	\$ 4,320.00	+\$ 398.00
Pompeys Pillar	\$ 3,925.00	\$ 4,339.00	+\$ 414.00
Rudyard	\$ 3,794.00	\$ 4,167.00	+\$ 373.00
Shelby	\$ 3,590.00	\$ 3,949.00	+\$ 359.00
Sweet Grass	\$ 3,590.00	\$ 3,957.00	+\$ 367.00
Tunis	\$ 3,859.00	\$ 4,241.00	+\$ 382.00