

THE SOURCE

ILA, employers take first step toward contract bargaining

By Joseph Bonney, Senior Editor, JOC February 13, 2017



Several thorny issues stand in the way of an early contract extension at US Gulf and East coast ports.

Inside this issue

Cover Story:
East & Gulf Coast
port labor news

◆ Cover Story continued	2
◆ Fuel Report	3
◆ Trivia	
SMALL PLATES—Maritime	4
◆ Global ocean rates rise	
◆ Florida ports & Cuba	
◆ New FMC Chairman	
Small Plates—The Economy	5
◆ The Economy through the eyes of Transport	
◆ Answers to Trivia	
Small Plates—Air Industry	6
◆ Air News Briefs	
◆ DHL states cross border e-commerce on the rise	
◆ GAO report on C-TPAT program	7

Informal meetings this week between the International Longshoremen’s Association and its employers may offer fresh clues to what shippers can expect in complex bargaining for a new US East and Gulf coast dockworker contract. Technology and ILA jurisdiction over chassis maintenance and repair loom as top issues in negotiation of a new contract to replace the one that expires Sept. 30, 2018. Container lines also are continuing to push for improved productivity at the high-cost Port of New York and New Jersey.

ILA President Harold Daggett said in a recent Facebook declaration that the union was “totally opposed” to fully automated terminals and would demand a bargaining structure that preserves union leverage on local port issues.

Daggett has invited local union representatives to Delray Beach, Florida, this week for members-only discussions followed by a joint session with management’s coastwide bargaining group, the United States Maritime Alliance.

Shippers hope the next negotiations go more smoothly than those in 2012 and 2013, when a federal mediator’s assistance was needed to reach agreement after nearly a year of off-and-on bargaining punctuated by two contract extensions and repeated strike threats. Threatened with port closures, shippers stockpiled inventories and rerouted cargo to protect supply chains. They had to do it again in 2014 and 2015, when West Coast ports were gridlocked for months by disruptions during contract talks between the International Longshore and Warehouse Union and the Pacific Maritime Association.

On the West Coast, the ILWU and PMA have been discussing an early extension of their contract, which runs until July 1, 2019. Though no date has been announced, negotiations are expected to begin around mid-year and include wages and benefits. The outlook on the East and Gulf coasts is less clear. Through much of 2015, ILA and USMX officials spoke hopefully about reassuring shippers by reaching an early deal on a contract extending as far as 2025. But the optimism faded amid questions surrounding chassis M&R jurisdiction, forecasting of medical benefit costs, and union wariness about the spread of automation.

Continued on page 2

ILA automation stance signals tough labor talks (Cont'd from page 1)

ILA and USMX officials have avoided comment on the forthcoming talks, but Daggett predicted in a recent Facebook post that automation “will dominate” the bargaining. Daggett warned that the ILA is willing “to work with our management partners keeping our industry strong and vibrant, but will not submit to agreeing on anything that eliminates jobs.” He made a distinction, however, between fully automated and semi-automated terminals. Daggett said the ILA is “totally opposed” to fully automated terminals but “has no problem with semi-automated terminals,” as long as they don’t eliminate ILA jobs and that union members are trained for the new technology.

The ILA-USMX contract permits terminals to implement new technology on six months’ notice, but allows the union to negotiate the impact on workers. Staffing levels related to new technology typically are negotiated terminal-by-terminal. Current ILA concerns about technology appear to focus on automated terminal gates, which several East and Gulf coast ports have adopted. A brief ILA slowdown marred the launch last month of a new automated gate system at Charleston.

Another prominent issue, jurisdiction over chassis M&R jobs, was described as the main reason the early effort for a long-term contract extension lost steam. ILA officials have also taken a dim view of container lines’ transfer of most of their chassis fleets to third-party lessors during the last several years. Unlike the ocean carriers, the lessors aren’t signatories to the ILA’s coastwide contract. The ILA wants contractual guarantees that the union will retain jurisdiction if the lessors are sold to new owners. The lessors have pledged to continue using ILA labor for M&R work, but balk at a contractual relationship. This standoff has stalled efforts in the New York-New Jersey port to launch a universal “gray pool” of chassis that would allow truckers to use any chassis from the port’s three competing lessor-managed pools. ILA officials say any chassis jurisdiction deal in the East Coast’s biggest port could influence what happens at other ports. Daggett is closely attuned to chassis issues. He rose through the ranks of the ILA’s big Local 1804-1, which represents New York-New Jersey equipment M&R workers and now is headed by his son Dennis, the ILA’s executive vice president.

The dominant issue in the 2012 and 2013 negotiations was productivity at New York-New Jersey container terminals. Container lines in USMX refused to sign off on the master contract until they won assurances of improved productivity at the port. This issue will carry over into the next negotiations. Four years into their current local port contract, the ILA and New York Shipping Association still haven’t implemented a promised system of “relief gangs,” or second shifts. The New York-New Jersey port now uses a unique system of open-ended shifts that keep the same work gangs on the clock until work on a ship is finished, often more than 24 hours at a stretch. This “continuous operation” arrangement requires extensive overstaffing to keep terminals running while some workers take paid breaks of up to several hours. More than 60 percent of ILA work hours in the port are paid at overtime rates.

The NYSA-ILA contract is one of numerous local agreements that supplement the coastwide master contract between the ILA and USMX. ILA contracts are negotiated in two levels. The master contract covers wages, medical benefits, carrier-paid container royalties, and other coastwide issues. Local contracts, such as the one for New York-New Jersey, cover work rules, pensions, and other port-specific issues. Negotiations on local contracts sometimes have extended months or even years after ratification of the coastwide master contract. This generated conflict in 2013, several months after the master contract was ratified, when the ILA’s largest local in Baltimore struck for three days over local issues.

In a precedent-setting award, [an arbitrator ruled](#) that once the master contract takes effect, its no-strike clause can’t be nullified by a dispute over local issues. The arbitrator’s ruling undercut restricted local unions’ right to strike after the master contract is settled. Daggett has said the ILA will insist that local contracts be settled before the master contract and its no-strike clause are ratified.

http://www.joc.com/port-news/longshoreman-labor/international-longshoremens-association/ila-employers-take-first-step-toward-contract-bargaining_20170213.html (link to Joe Bonney’s original article)

TRANSPORTATION TRIVIA QUESTIONS

- 1) In the United-States, what percentage of the total truck drivers are women?
 A. 3% B. 6% C. 10% D. 12%
- 2) What company has the biggest commercial over-the-road fleet in North America?
 A. Walmart B. USPS C. FedEx D. UPS
- 3) Truck Driver Slang – what does ‘Dragon Wagon’ stand for?
 A. Tow Truck B. City Bus C. Horse Trailer D. Fuel Truck
- 4) Which company developed the concept of “just-in-time”?
 A. P&G B. Ford C. Toyota D. Boeing
- 5) The US Interstate Highway took 35 years to build. In today’s dollars, what was the total cost of the system?
 A. \$50B B. \$450B C. \$1.2T D. \$7T
- 6) The first railroad freight cars were made and used in which year?
 A. 1835 B. 1845 C. 1825 D. 1915

Answers Later In The Newsletter

FUEL REPORT

U.S. On-Highway Diesel Fuel Prices* (dollars per gallon) <http://www.eia.gov/petroleum/gasdiesel/>

	1/30/17	2/6/17	2/13/17	Change from	
				week ago	year ago
U.S. National Average	\$2.562	\$2.558	\$2.565	↑ 0.007	↑ 0.585

Corporate Projects

National, Regional or Local

Outsource is pleased to offer professional project management for all types of logistics and transportation needs.

For information:

Contact Bob Leadbetter 617 699-2020
 bleadbetter@outsourcelfreight.com



THE FREIGHT MANAGEMENT COMPANY

72 SHARP STREET
 SUITE C-11
 HINGHAM, MA 02043
 Phone: 781-340-5656
 Toll Free: 800-286-5306



Cuban delegation arrives amid threats by Gov. Scott to cut funding to ports that sign pacts

Miami Herald | By Mimi Whitefield, Amy Sherman and Patricia Mazzei
January 26, 2017

A high-level Cuban business delegation toured Port Everglades and met with port officials Thursday, although the planned highlight — the signing of a cooperation pact — was canceled after Gov. Rick Scott threatened to cut off state funding to any port that entered into an agreement with the communist-ruled island nation. The Port of Palm Beach also called off its plans to ink a Cuba deal Friday, citing the governor’s stance.

Scott said Wednesday that he would ask Florida legislators to restrict funds for ports that “enter into any agreement with [the] Cuban dictatorship.” That risked \$37 million this fiscal year for Port Everglades, which is in Fort Lauderdale — and potentially \$125 million over five years — and \$920,000 this year for the Port of Palm Beach. Although the Legislature, which sets the state budget, could ignore the governor’s request, the possibility was worrisome enough that Port Everglades leaders huddled for most of the day Wednesday considering their options.

At issue was a non-binding memorandum of understanding that was to be signed with the National Port Administration of Cuba. It was to cover future cooperation and could have led to joint marketing studies and training, sharing of data helpful in forecasting future trade flows, and perhaps even joint marketing of Cuban ports and Port Everglades, according to Jim Pyburn, the port’s director of business development. Port Everglades issued a statement Thursday morning bowing out of the deal.

“The National Port Administration of Cuba has indicated to Port Everglades administration that there is no need for a memorandum of understanding at this time,” the port said. “However, today’s business meeting and related activities will continue as planned.”

The Port of Palm Beach quickly canceled its signing too, citing “a recent request from Governor Rick Scott,” releasing the following statement. **“The Port of Palm Beach plans to welcome the Cuban Delegation and looks forward to having our tenants learn more about opportunities to expand their businesses,”** the port said [in a statement](#). **“The Port’s intent and purpose behind receiving the delegation has always been to explore possibilities to expand commerce and trade for our tenants.”**

CAN WE HELP YOU REDUCE YOUR SHIPPING COSTS, OPTIMIZE YOUR DELIVERY TIMES, AND IMPROVE YOUR FREIGHT’S VISIBILITY?

CONTACT OUTSOURCE INC. FOR SOLUTIONS TO ALL OF YOUR SHIPPING NEEDS

Bob Leadbetter— Vice President, Business Development
617 699-2020 bleadbetter@outsourcerefreight.com

Maersk Says Sanity Returning to Shipping as Freight Rates Gain

By: Bloomberg News | Feb 09 2017

The bankruptcy of South Korea’s Hanjin Shipping Co. and a consolidation in container shipping industry will pave the way for a better 2017 for the industry, according to Robbert van Trooijen, the Asia-Pacific chief of Maersk Line. After years of overcapacity and excessive optimism about demand, the order backlog for vessels is falling and Maersk Line is seeing a more balanced supply-demand situation for 2017 in its talks with customers, he said Friday. Maersk Line, the world’s biggest box carrier, is owned by A.P. Moeller-Maersk A/S. “It’s the growth side and the right-sizing of the industry, and the sanity that comes back in the negotiations,” van Trooijen said in a Bloomberg Television interview with Rishaad Salamat in Hong Kong. “We do see now that the normalization has come back to that.”

Maersk Line, which expects to be profitable in 2017 after a \$384 million loss it booked last year, expects the global container market to grow 2-4 percent amid the consolidation wave. Following Hanjin’s collapse, Japan’s three biggest shipping companies decided to merge their container operations, while Copenhagen-based Maersk agreed in December to buy Hamburg Sud. Freight rates are rebounding, van Trooijen said. The Shanghai Containerized Freight Index, a measure of shipping rates, has more than doubled from a record low reached in March last year.

“It’s been a decisive year for container shipping, not just because of the financial climate, but also because of the M&A activities and the regrettable bankruptcy of Hanjin,” van Trooijen said, adding the consolidation efforts will continue. “We see fewer orders for ships.” Growth in shipping demand in 2017 is expected to outstrip an increase in supply for the first time since 2011, Changjiang Securities Co. said in a note dated Friday.

Asked about rising concerns over trade protectionism after Donald Trump became the president of the U.S., the Maersk executive said countries have a vested interest to grow trade rather than shrink it. A “trade war has no winners,” van Trooijen said. “Growing global trade in a mutually beneficial way, that benefits the U.S. consumers as well as the producing entities in China, is the only way forward.”

Trump names Michael Khouri acting chairman

President Trump has designated Michael Khouri as acting chairman of the Federal Maritime Commission. He will take over from Mario Cordero, who, as a Democrat, will be stepping down from the role. Mr Khouri has been a commissioner since 2009 having been appointed by President Obama.



U. of Michigan Consumer Sentiment Index Rises in January

In a preliminary report, the University of Michigan index of consumer sentiment rose to 94.2 in January – its highest since last January, indicating that an economic recovery may be on its way, Reuters reported. When confidence is high, consumer spending, which the trucking industry relies on consumer spending for much of its revenue, is likely to rise. In December, the final sentiment figure was 88.8. The report also showed a large jump in its expectations index, which rose to 91.7 from 82.3 in December. The sentiment index is now up more than 12 points from the dip it took following the Sept. 11 terrorist attacks, Reuters said. Transport Topics

Rail Intermodal Loadings Up 0.4%

Intermodal rail loadings rose just 0.4% for the week ended Jan. 12, the Association of American Railroads reported Friday. A total of 171,232 containers and trailers were loaded, nearly identical to 2001 totals. There were 46,065 trailers were loaded, down 7.3% from the previous year. Containers rose, however, by 3.6% to 125,167. Intermodal is the segment of the railroad business most directly competitive with long-haul trucking, since it offers the movement of truck trailers and containers by rail for the long haul, with truck pickup and delivery at either end of the haul. Transport Topics

Broaddus: Economy to Recover Slowly

Alfred Broaddus, president of the Federal Reserve Bank of Richmond, said Thursday the U.S. economy will recover from its current recession at a very slow pace, news services reported. Recovery, when it comes, will benefit the trucking industry, which prospers in times of high economic activity. He said there are clearly signs of improvement, but that he was much more cautious than many analysts who have been predicting signs of recovery in the first half of this year, the Associated Press reported. One economic indicator Broaddus said he would be watching to gauge business spending are new orders for durable goods, specifically orders for non-defense capital goods because it strengthens the prospect that business spending is beginning to bottom. Transport Topics



Answers to Trivia

CAN WE HELP YOU REDUCE YOUR SHIPPING COSTS, OPTIMIZE YOUR DELIVERY TIMES, AND IMPROVE YOUR FREIGHT'S VISIBILITY?

CONTACT BOB LEADBETTER FOR SOLUTIONS TO ALL OF YOUR SHIPPING NEEDS

Bob Leadbetter— Vice President, Business Development
617 699-2020 bleadbetter@outsourcelfreight.com

US imports to jump on consumer spending

Global Port Tracker forecasts container imports to increase by 4.6% in the first six months of 2017. This is 3 times larger than the 1.6% increase 2016 saw during the same period

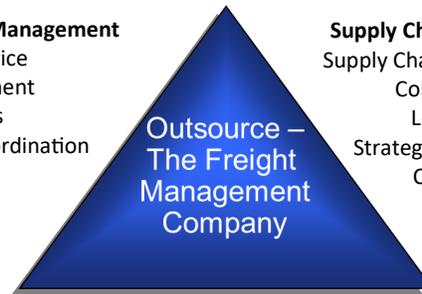
Federal Reserve Chairwoman Janet Yellen painted a **largely upbeat picture of the U.S. economy** in signaling the central bank may consider raising short-term interest rates as early as March. (WSJ)

Transportation Management

- Multi-modal Service
- Carrier Management
- Auditing Services
- Supply Chain Coordination

Supply Chain Management

- Supply Chain Engineering;
- Collaboration;
- Leadership
- Strategic Management Consulting



Profit Improvement Plan

- Leverage Opportunity Analysis
- Baseline Measurement
- Profit Improvement Measurement

Wal-Mart Stores Inc. will **consolidate its buying of products** to be sold at stores with purchases it makes to post for online sales. (Reuters)



A landmark in China's development of an aviation industry has a supply chain that begins in the U.S. and Europe. The C919 jetliner that [China plans to put into the air this year is brimming with technology from U.S. suppliers](#) including General Electric, Honeywell International Inc. and Rockwell Collins Inc., the WSJ's Trefor Moss reports, and it's powered by engines provided by a joint venture between France's Safran SA and GE. While it isn't China's first passenger jet, the flight of the C919 will be a landmark moment in China's decades-old dream of making a large homegrown jetliner in the single-aisle class, the mainstay of short-haul air travel. Experts say the international scope of the supplier network and slow production suggests the C919 won't be the aircraft that frees China from its dependence on Western-built aviation. But China's strategic goal of weaning its carriers from foreign-made jets may get more urgent if trade relations with the West go south.

Southwest Gets Ready for a Fleet of Brand-New 737s

By: | Jan 27 2017 at 03:00 AM | Air Cargo

Southwest Airlines Co. was eager to sign up as the "launch customer" for Boeing Co.'s new 737 Max, soon to be the Greyhound of the skies as it replaces its older, less fuel-efficient cousins in fleets worldwide. But Southwest won't be first to fly or even receive the new aircraft. That honor will go to a smaller low-cost carrier across the Atlantic, Norwegian Air Shuttle ASA. Norwegian will receive the first Max 8 in May, spokesman Anders Lindstrom said Thursday, with flights starting as early as June.

Southwest made its bones as the low-cost carrier that famously flies only one airplane family. As Boeing's largest customer for the 737, it's been involved in the redesign, including outfitting the workhorse with a more powerful engine. In 2011, the Dallas-based airline placed the first order for the 737 Max, followed by Norwegian and Indonesia's Lion Air.

Southwest plans to put its first Max into service later this year, once it retires its 87 remaining 737-300 Classics, the oldest planes in the fleet. And this is the sticking point: Southwest must first retire those old planes before it can accommodate new ones, a conundrum that traces back to pilot training issues. About 10 of Southwest's 737 Max planes will be finished by the time the carrier is ready to begin flights in October, Van de Ven has said. The carrier is in talks with Boeing about what to do with those planes between July and October, because several are now parked at the periphery of Boeing's 737 factory in Renton, Wash.

Norwegian, meanwhile, plans to take delivery of a half-dozen new 737 Max this year and then deploy them for trans-Atlantic service, though it hasn't revealed which routes or a time frame. The European carrier has been focused on smaller airports in the Northeast U.S., bypassing the large metropolitan hubs.

Air cargo grows at five-year high Feb. 6, 2017 The global air cargo market grew to a five-year high in 2016 but is facing threats.

Asiana Cargo has awarded Atlas Air with a contract to operate one of its Boeing 747-400 freighters on a transpacific route. Atlas said that the contract would initially cover a single aircraft covering "key global routes across the transpacific", connecting South Korea with several destinations in the US. The service is due to begin later this month. Asiana currently offers US freighter services to Los Angeles, San Francisco, Seattle, New York, Chicago, Miami, Atlanta and Dallas Fort Worth.

DHL: Cross-border e-commerce to grow at 25 percent through 2020 February 7, 2017

Cross-border e-commerce will increase at an annual average rate of 25 percent between 2015 and 2020 (from US\$300 billion to \$900 billion), according to research published last week by DHL Express. That rate is twice the pace of domestic e-commerce retailers and manufacturers in the six countries featured in the study, and underscores the importance of trade in an era when protectionism seems to be on the rise. Link to read the balance of the story. <http://aircargoworld.com/dhl-cross-border-e-commerce-to-grow-at-25-percent-through-2020/>

Call Outsource and together take a look at your complete Supply Chain end to end

- IS YOUR COMPANY:**
- * moving freight efficiently (NOT SUFFICIENTLY)
 - * on time and on budget
 - * would faster freight movement allow for earlier customer invoicing?
 - * in synch with CBP regulations
 - * correctly classifying your products

Over 200 years collective experience in trade & transportation, international & domestic
Outsource, The Freight Management Company, 72 Sharp St., Suite C11, Hingham, MA 02043 Tel # 781 340-5656

The below is the first page of a 37 page **GAO Report on the Benefits** to the international trading community that the C-TPAT program provides. **C-TPAT** launched in November 2001.

The full report can be found at email address <http://www.gao.gov/products/GAO-17-84>

As of 12/1/2014 according to Wikipedia (it's always correct) there are 4,315 importers and 10,854 companies overall that take part in the **C-TPAT** program

Editorial question:

Is **C-TPAT** the right way to protect our nation from terrorism or is it just a costly program that builds a greater bureaucracy?

GAO Report to the Chairwoman, Subcommittee on Border and Maritime Security, Committee on Homeland Security, House of Representatives February 2017

**SUPPLY CHAIN SECURITY
Providing Guidance and Resolving Data**

SUPPLY CHAIN SECURITY Providing Guidance and Resolving Data Problems Could Improve Management of the Customs-Trade Partnership Against Terrorism Program

What GAO Found

Staff from U.S. Customs and Border Protection's (CBP) Customs-Trade Partnership Against Terrorism (C-TPAT) program have faced challenges in meeting C-TPAT security validation responsibilities because of problems with the functionality of the program's data management system (Portal 2.0). In particular, since the system was updated in August 2015, C-TPAT staff have identified instances in which the Portal 2.0 system incorrectly altered C-TPAT members' certification or security profile dates, requiring manual verification of member data and impairing the ability of C-TPAT security specialists to identify and complete required security validations in a timely and efficient manner. While the focus of CBP's staff was initially on documenting and addressing Portal 2.0 problems as they arose, the staff have begun to identify root causes that led to the Portal 2.0 problems. For example, CBP staff cited unclear requirements for the system and its users' needs, coupled with inadequate testing, as factors that likely contributed to problems. In response, CBP staff have outlined recommended actions, along with timeframes for completing the actions. The staff stated that they will continue to work on identifying and addressing potential root causes of the Portal problems through 2017. C-TPAT officials told us that despite the Portal 2.0 problems, they have assurance that required security validations are being tracked and completed as a result of record reviews taking place at field offices. However, these field office reviews were developed in the absence of standardized guidance from C-TPAT headquarters. While the current validation tracking processes used by field offices do account for security validations conducted over the year, standardizing the process used by field offices for tracking required security validations could strengthen C-TPAT management's assurance that its field offices are identifying and completing the required security validations in a consistent and reliable manner.

CBP cannot determine the extent to which C-TPAT members are receiving benefits because of data problems. Specifically, since 2012, CBP has compiled data on certain events or actions it has taken regarding arriving shipments—such as examination and hold rates and processing times—for both C-TPAT and non-C-TPAT members through its Dashboard data reporting tool. However, on the basis of GAO's preliminary analyses and subsequent data accuracy concerns cited by C-TPAT program officials, GAO determined that data contained in the Dashboard could not be relied on for accurately measuring C-TPAT member benefits. Also, CBP has likely relied on such questionable data since it developed the Dashboard in 2012, and, thus, cannot be assured that C-TPAT members have consistently received the benefits that CBP has publicized. C-TPAT officials stated that they are analyzing the Dashboard to finalize an action plan to correct the data concerns. It is too soon to tell, though, whether this process will fully address the accuracy and reliability issues. Despite these issues, C-TPAT officials are exploring new member benefits, and industry officials we met with generally spoke positively of the C-TPAT program.