


# THE SOURCE

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### JUST WHEN YOU THOUGHT IT WAS SAFE TO GO BACK IN THE WATER

Not to be outdone by the West Coast ports, ILA (International Longshoremen's Association) workers at the Port of New York and New Jersey staged their own surprise walkout for about 9 hours on Friday, January 28th. The wildcat strike took everyone by surprise and left many scratching their heads at the oddity of the action—no picket signs, no warnings, allegedly a rank-and-file action not sanctioned by union leadership. Workers simply walked out at 10:00 AM, leaving truckers, terminal officials, and everyone else—including most dockworkers—to wonder what was going on.

The “spontaneous” but well-organized action ostensibly originated with the mechanics’ local, which is headed by Dennis Daggett, the union’s executive vice president and the son of ILA president Harold Daggett, who expressed his fury at the walkout and claimed no foreknowledge. The backlog that inevitably ensued was compounded by the fact that the terminals were struggling to catch up after a 4-day shutdown due to Winter Storm Jonas, preceded by a 3-day holiday for the observance of Martin Luther King, Jr. Day.

Work resumed on Friday night after an arbitrator ruled the walkout a violation of the union’s no-strike contract and the ILA urged its members to return to work. All terminals were fully operational on Monday morning, with heavy truck traffic and long queues at the gates.

So what was this all about? According to ILA spokesman James McNamara, workers described it as a spontaneous protest to highlight alleged harassment by the Waterfront Commission of New York Harbor, and union concerns about chassis repair jurisdiction and technology. While chassis and technology issues are certainly legitimate concerns and are the subject of discussions, it is generally believed that the main target of this protest was the Waterfront Commission.

Enmity between the union and the Waterfront Commission is not new. This anticrime watchdog agency, unique to New York-New Jersey, was created in 1953 to fight corruption on the docks in response to exposés that inspired the 1954 film “On the Waterfront”. It regulates hiring practices among dockworkers, performs licensing and background checks, and conducts investigations.

The agency was revamped in recent years, after the commission itself was troubled by scandals and accused of lax oversight. In 2010, the commission held hearings that exposed favoritism, the granting of no-show jobs, and organized-crime involvement on the docks. Since then the commission has intensified its background checks and licensing requirements, and has battled the workers’ union on various issues.

In 2012, the union and its employers sued the commission, claiming illegal interference in collective bargaining issues when the commission tried to change the waterfront culture by reducing the role of friends and family in hiring. That suit was unsuccessful, but a pending a federal appeals court ruling

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**JUST WHEN YOU THOUGHT IT WAS SAFE TO GO BACK IN THE WATER** *continued from page 1*

is expected soon. ILA officials have also been angered by the commission's investigations with other law enforcement agencies into port-related crime.

Walter Arsenault, the Waterfront Commission's executive director, said that fair and nondiscriminatory hiring and drug testing are the only two issues in the past year in which the ILA contends that the agency has interfered with the union's collective bargaining rights. He does not see it as interference, but rather as a safety issue.

"We're not backing down on either issue," he said. "Port safety is too important to compromise by not drug-testing people, and we certainly aren't going to back down on our insistence that they hire in a fair and nondiscriminatory fashion."

ILA spokesman McNamara said that the union's members were upset not only with the commission's oversight on hiring, but also with what he called a pattern of heavy-handedness. He also claims that many workers have complained that the commission has used the union contract's drug-testing requirements to harass dockworkers, including ILA workers in 12-step recovery programs.

Arsenault said that Local 1804-1 "has repeatedly gone to court to quash subpoenas for drug testing, and they've repeatedly lost. We will continue to drug-test when we have reasonable suspicion that someone is under the influence."

Two unnamed officials familiar with the operation of the port suggested that the action may have been a backlash against an ongoing federal criminal investigation into the unions' leadership, an inquiry which is being conducted jointly by the Waterfront Commission, the FBI, and United States attorney in New Jersey, Paul J. Fishman.

Arsenault would not comment on the criminal investigation, but he did say that the labor action was illegal and forbidden by the union's collective bargaining agreement. "We are in the process of identifying and subpoenaing all those who walked out. We will find out the motivations of the walkout, and we will find out who ordered the walkout."

In the meantime, the walkout is sending ripples throughout the shipping and retail industry and drawing comments from industry leaders. The National Retail Foundation said that the wildcat strike undermines shipper confidence and casts a

cloud over early negotiations for a new East and Gulf Coast longshore labor contract.

Many shippers and retailers are understandably nervous about a potential future strike at the Port of New York and New Jersey heading into the busy shipping season, with this action coming as it has on the heels of the 2014-2015 disruptions at West Coast ports, causing significant losses and delays and leading to distrust and uncertainty. A major retail group said that a prolonged strike at the port "could hamper economic growth and wreak havoc on spring deliveries."

In a February 2, 2016 [letter](#) addressed to the ILA president and the chairman and CEO of the U.S. Maritime Alliance (which represents employers in coast-wide negotiations), NRF president and CEO Matthew R. Shay said that "illegal labor actions that cause a complete shutdown of the largest port on the East Coast will not be tolerated by shippers. Such disruptions send a very troublesome message to the port's customers—the cargo owners."

The letter goes on to cite the expansion of the Panama Canal and the position that East Coast ports will then be in to gain additional market share. But the threat of potential or ongoing labor disruptions will force retailers and other stakeholders to reevaluate supply chain options if the East Coast ports are regarded as unreliable shipping partners.

"This is déjà vu for retailers, and an unwelcome start to 2016," said Kelly Kolb, vice president of government affairs for the Retail Industry Leaders Association. "A long-lasting strike would ultimately impact thousands of jobs along America's supply chain."

*SOURCE: Journal of Commerce ongoing coverage; New York Times article—1/29/16; Wall Street Journal article—1/29/16.*



## WILL THE NEW SOLAS RULES CHANGE HOW YOU DO BUSINESS?

In the [November, 2015 issue](#), we told you about the new SOLAS container verified gross mass (VGM) weight rules set to go into effect on July 1, 2016. We suggested that shippers should be taking steps now to get all of their ducks in a row before the effective date. But what does that mean?

According to one global shipper who spoke candidly to the *Journal of Commerce*, it means that a great deal of thought and effort will be required to set in place the internal functionality and processes to facilitate the transmission of information to container terminals and shipping lines so as to be in compliance with the new rules and not cause interruptions in their supply chain.

Multiple departments need to be involved in every step—from brand design to packaging, procurement, and finally shipping and logistics. Implementation may be painful. Standard operating procedures must be developed and applied across all product lines, whether in-house or outsourced. Consider, for example:

- Strict compliance with established procedures vis-à-vis shipper requirements will have to be a pre-condition when awarding outsourced contracts to vendors.
- Specification or design changes may have an effect on weight, as might packaging material changes; therefore, packaging with weight stamped on it that has been prepared well in advance of shipments may be inaccurate.

Ensuring the correct weight is only the beginning. Figuring

out how to deliver that information to the marine terminals along with all of the existing order documentation is the next hurdle. Clearly, submission of this data is best done electronically; but it is estimated that manual documentation is currently used for as much as half of the roughly 300,000 loaded containers shipped around the world each day. If the VGM cannot get into the hands of the terminal in enough time to use it for vessel stowage planning, a requirement of the rule, then trade disruptions on a global scale could be the result.



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Parties in the container supply chain are working on developing cloud-based technology to allow shippers and forwarders responsible for shipments to send the information critical to meeting the mandate well in advance. A number of carriers already use cloud technology to offer an e-commerce platform to handle customer transactions, and this ability will ease the burden on carriers and customers when the new certification requirements kick in.

One cloud-based platform provider said that the relationship between shippers and carriers must align in a more open and collaborative way, not only for the VGM rules, but in day-to-day transactions as a strategic advantage in the years ahead, fostering greater levels of service and visibility.

*SOURCE: Journal of Commerce article—2/3/16.*

## AMAZON: YOUR NEXT LOGISTICS PARTNER—MAYBE

When Amazon's booming e-commerce business strained the resources of its contractual partners, such as UPS, FedEx, and the U.S. Post Office, they had to come up with creative ways to take more control of the logistics. Like using employee couriers for last-mile delivery and exploring the use of unmanned drones. The increase in business has also led to a rise in their shipping costs, particularly as it relates to Amazon Prime members who pay an annual fee in return for free 2-day shipping, with Amazon footing the shipping bill.

There is strong speculation that the e-commerce giant is poised to build a new business line in logistics, not only for its own shipments but for third parties as well, putting them in direct competition with its current shipping partners.

In a recent securities filing, Amazon for the first time identified "companies that provide fulfillment and logistics services for themselves or for third parties, whether online or offline" as competition. And it referred to itself as a "transportation provider."

Thus far Amazon has used its trucks, warehouses, and logistics services only for its own business, but opening up those networks to other retailers could be very lucrative. One equity analyst expects that Amazon will continue to use those resources to meet its own growth for now, but believes it is likely that Amazon will eventually offer these services to third parties to help subsidize those costs.

*SOURCE: Wall Street Journal—1/29/16.*

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## TRIVIA

1. People of which profession receive the most cards on St. Valentine's Day?
2. What gift should you avoid giving your valentine if he or she has anthophobia?
3. Which ancient culture used chocolate as currency—the Romans, the Incas, the Mayans, or the Olmecs?
4. In Roman mythology, who is the goddess of love and beauty? Who is her son?
5. Why is chocolate associated with love? Is it because Romeo gave it to Juliet, because it's addictive, because the ancient Aztecs believed it was an aphrodisiac, or because it makes you happy?

*[Click here for answers to Trivia questions.](#)*