



# The Bottom Line

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## WEST COAST LABOR NEGOTIATIONS TO BEGIN MAY 12

### Summary

More than 22,000 unionized workers at nearly 30 ports along the West Coast are set to begin renegotiating their contract this week against the backdrop of an already imperiled supply chain, a historically tight labor market, and looming midterm elections.

### Background

The Pacific Maritime Association (PMA) represents ocean carriers and marine terminal operations, and the master labor contract between these and the International Longshore and Warehouse Union (ILWU) is slated to expire on July 1st. In February, nearly 100 ILWU delegates met in Long Beach for its internal caucus. They discussed and prioritized what to negotiate in a new contract during that time. According to the ILWU, resolutions discussed for the upcoming contract centered around safety, wages, benefits, jurisdiction, and technology.

For more than twenty years, automation and overall technological advancements have been the main stumbling blocks in negotiations between the two sides. This disagreement began in 2002 when the PMA fought for the general computerization of port operations. The two sides were so far apart that West Coast dockworkers were locked out for ten days, forcing President George W. Bush to invoke the Taft-Hartley Act to force workers to get back on the job. The slowdowns resulting from negotiations in 2014-2015 left an impact that took an estimated eight months for the economy to recover. This year's round of contract talks is even more high stakes—and high profile.

Over the past 15 years, West Coast ports have lost about 17% of their market share, partly due to the 2016 expansion of the Panama Canal, as some Asian countries seek alternative routes through the Suez Canal, PMA Chief Executive Jim McKenna said.

### Current Status

The current contract covers workers at 29 West Coast ports, most of whom are based at California's Long Beach and Los Angeles harbors — which handle almost 40 percent of U.S. imports.

The Retail Federation sent a letter to the leaders of the ILWU and PMA, encouraging the parties to sit down early and continue to negotiate, even if a deal isn't final by July 1st. Officials want the parties to remain at the table, pledging to have no disruptions and provide certainty and stability in the supply chain.

The whirlwind of economic and political factors significantly ups the stakes for the talks, which take place every six years and have in the past stalled traffic at the busiest ports in the U.S. The Biden administration plans to keep close tabs on the talks — and intervene immediately should a breakdown appear imminent. Because such a high volume of cargo passes through the workplaces involved, even the slightest hiccup in operations could have a dramatic ripple effect.

"We're seeing the (beneficial cargo owners) and the retailers and many cargo interests trying to secure capacity through alternative gateways right now," GSC Logistics Inc. President David Arsenault said. "And I think we've seen contract negotiations start a little earlier this year than they typically do with the ocean carriers, not because these BCOs feel like they're getting a great rate, but because right now capacity is a higher priority than rate in most of those discussions."

However, those alternative ports, including East Coast ports, are starting to see some vessel backups, putting additional pressure on rates.

### Impact

Unlike some potential supply chain disruptions, this one is visible on the horizon—and the calendar. McKenna noted, "this is certainly the first time there's been so much attention ahead of the negotiation, versus in the middle or toward the end."

Brian Whitlock, Senior Director Analyst with Gartner's Supply Chain practice, said that this contract renewal is notable for two reasons.

"First, it was extended in 2017 and was last negotiated in 2015," he said. "That means the current agreement has run for seven years without change. Second, this contract renewal comes at a time when U.S. ports are highly congested, and it is forecast to take the better part of 2022 to recover. If labor disruptions occur during these contract negotiations, it will create compounding disruptions that will further reduce supply chain performance and push port recovery into 2023."

### RESOURCES

[ILWU Leadership is Confident a New Labor Deal with the PMA Will Be Reached](#) (Logistics Management)

[West Coast Port Labor Talks Carry High Stakes for Economy, Midterms](#) (Politico)

[West Coast Labor Talks: An Update](#) (Pacific Maritime Magazine)

[Looking Ahead ILWU 2022 Labor Negotiations](#) (ICC Logistics)

[Lead Negotiator Speaks with RILA Members on PMA-ILWU Talks](#) (Retail Industry Leaders Association)