



# The Bottom Line

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## WEST COAST LABOR NEGOTIATIONS FALTER

### Summary

Negotiations between the International Longshore and Warehouse Union and the Pacific Maritime Association are back this week after taking a break following disagreements over port automation.

### Background

Into the 1950s, most goods transported over the sea were shipped “break bulk,” in which goods are loose or packaged in boxes, bags, barrels, or other relatively small containers that varied depending on the type of good. A significant cost in break bulk shipping was time and labor spent loading and unloading ships at the portside. One analysis in the late 1950s concluded that 60–75% of the cost of transporting cargo by sea was made up of portside costs. These costs included labor and time losses and damage (including theft) to cargo waiting to be loaded onto a ship while other material was unloaded. Typically, a cargo ship would spend as much time in port being loaded and unloaded as it did sailing.

In the 1960s, standardized containers were introduced. The impact of containers was immediately felt by port workers, with efficiencies in loading and unloading, meaning fewer workers were required. Studies found that the quantity of goods per worker that could be loaded or unloaded using containers, compared to break bulk, was so much higher, making nineteen in every twenty men redundant. These changes were naturally met with misgivings by workers and their unions, resulting in significant struggles between labor and shipping companies that lasted into the 1980s. The ultimate result was considerable drops in the number of dock workers – with the number of registered longshoremen on the U.S. East Coast falling by over two-thirds from 1952 to 1972. These changes occurred despite worldwide shipping increasing more than 600% from 1950 to 1973.

As in the introduction of standard containers, port automation and overall technological advancements have been the main stumbling blocks in labor negotiations for more than twenty years. 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 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. As a result, this year’s round of contract talks is even more high stakes—and high profile.

The first automated container port was developed in Europe in the early 1990s. Since then, many ports—more than 20 in the past six years—have installed equipment to automate at least some of the processes in their terminals. A 2008 ILWU labor deal provided employers with the right to deploy fully mechanized and robotic-operated marine terminals, a provision that remains in place. But, as it began to be implemented in 2019, the union balked, galvanizing large crowds to show up at Los Angeles City Hall and at harbor commission meetings to protest.

### Current Status

On the face of it, container ports seem ideal places to automate. The physical environment is structured and predictable. Many activities are repetitive and straightforward. Better still, the value from automation includes cost savings and

performance and safety gains for ports and the companies that do business there.

A study by the University of California sponsored by the PMA and released on May 2 found that “automation has not reduced job opportunities for dockworkers, as many workers have traditionally feared.” Further, automation has “delivered meaningful benefits for shippers and consumers, members of the International Longshore and Warehouse Union (ILWU), and the environment,” the PMA said.

The ILWU sent a letter on March 10, which stated: “Automated equipment is not necessarily environmentally friendly, not more cost-effective, and not more efficient in supporting higher cargo throughput at the port compared to human-operated equipment. All automation does is replace labor costs (payroll dollars that are immediately reinvested into local, state, and national economies) with capital costs, giving corporations more control of terminal operations.”

Industry observers expressed puzzlement at the continued pushback on automation. The 2008 contract contained detailed provisions designed to make it more palatable to the union, including lifetime benefits for workers laid off due to automation. “They agreed to all these conditions voluntarily, with extraordinary benefits,” said one industry expert, who spoke on condition of anonymity. “Show me another industry that has provided those safeguards!” The expert theorized that the genuine concern was long-term. “I think they’re not worried so much about the current jobs, but more about their children and grandchildren. They want to know: Will there be jobs for them down the road?” he said.

### Impact

Data on automated ports show that the number of human-related disruptions falls, and performance becomes more predictable. Yet the up-front capital expenditures are high, and the operational challenges are very significant. A McKinsey survey indicates that while operating expenses decline, so does productivity, and the returns on invested capital are currently lower than the industry norm.

Nonetheless, successful automated ports show that careful planning and management can surmount these difficulties: operating expenses could fall by 25 to 55 percent, and productivity could rise by 10 to 35 percent. And in the long run, these investments will lead the way toward a new paradigm – digitally-enabled efficiency gains throughout the world economy. Automated ports will generate more value for port operators, suppliers, and customers alike, but that value isn’t proportionally distributed across ports and their ecosystems. Innovative business models and forms of collaboration will be required to realize this vision.

### RESOURCES

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

[History and Impact of the Intermodal Shipping Container](#) (John Tomlinson, Pratt Institute)

[The Future of Automated Ports](#) (McKinsey & Company)

[Port Automation Is Hot-Button Issue in West Coast Labor Talks](#) (Supply Chain Brain)