

Master Contract Negotiations 2012-2013

United States Maritime Alliance, Ltd. (USMX) & International Longshoremen's Association (ILA)

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USMX Background

- Multiemployer bargaining association
- Membership includes:
 - 24 container carrier members, including the top 10 worldwide
 - Every major terminal operator on the East and Gulf coasts
 - Local port associations
- USMX carriers handle almost 95% of all East and Gulf coast containerized cargo

ILA Background

- President Harold J. Daggett elected July 2011
- Membership of approximately 14,500
- Represent equipment operators, maintenance workers, clerks, and checkers in 14 Master Contract ports along East and Gulf coasts of the United States
- Other affiliations with Great Lakes and Masters Mates and Pilots

USMX-ILA Master Contract

- Total contract cost: \$1.8 billion
 - Wages and benefits average \$83.47/hr
- USMX pays 97% of ILA members' healthcare expenses vs. U.S. company average of 72%
- Average annual wage and benefit package of \$124,000 puts ILA in top 2% of U.S. wage earners

Master Contract vs. Local Contracts

- Master Contract
 - Wages
 - Hours of work
 - Fringe benefit contributions
 - Drug and alcohol testing
 - Jurisdiction
 - New technology
 - Container royalty
 - Healthcare
 - Grievance procedure
- Local Contract
 - Work practices
 - Staffing
 - Productivity
 - Pensions
 - Local welfare

Pre-Negotiations Drama

- September 2009 – Philadelphia, PA
 - Del Monte pulls out of Philly ports and goes to non-ILA terminal facility in NJ
 - Philly ILA comes to NY/NJ & shuts down operations for two days
- October 2010 – New York/New Jersey
 - Waterfront Commission begins hearings on waterfront pay practices

Pre-Negotiations Drama

- July 2011 – Hollywood, FL
 - Daggett elected ILA president
- March 6, 2012 – Long Beach, CA
 - Daggett’s speech at the Transpacific Maritime Conference

The 4 Hurdles

Technology

Chassis

Container Weights

Jurisdiction

- The relationship “gap”



Photo courtesy of *The Journal of Commerce & 2012 Transpacific Maritime Conference*

USMX Preparation

- No longer bargaining as usual
- Confrontational vs. mutual interest
- Developed and implemented aggressive bargaining strategy including:
 - Washington outreach
 - Bargaining communications plan
- Improved internal financial modeling

Washington Outreach

- Hired Morgan Lewis to represent USMX in D.C. (Summer 2011)
 - Worked with them to develop a USMX fact sheet for use in meetings with various stakeholders
- Fall of 2011 and winter of 2012, met with various congressional groups and retail stakeholders
 - U.S. DOT
 - National Retail Federation
 - FMCS
 - Retail Industry Leaders Assoc.
 - U.S. Chamber of Commerce
 - Senate & House Staffers
- Educated political interests and stakeholders

Bargaining Communication Strategy

- Hired Edelman Associates, a D.C. public relations firm (fall of 2011)
 - Worked with them to develop a three-phase campaign
 - *Phase 1: Communication with stakeholders*
 - *Phase 2: Heightened relationship with major news outlets*
 - *Phase 3: Communications plan in place in case of work stoppage (ie, war room, etc.)*
 - Developed website dedicated exclusively to bargaining matters (www.usmlaborupdates.com) as a means of keeping various stakeholders up to date on progress of negotiations

Bargaining Sessions

- March 29, 2012
 - USMX and ILA Wage Scale Delegates met
 - ***ILA DEMANDS (The 4 Hurdles)***
 - Stop technology
 - Maintain jurisdiction over chassis maintenance
 - Weigh all containers
 - More jurisdiction, job preservation
 - Eliminate tiered wages
 - More wages, benefits
 - Maintain container royalty payments to employees
 - ***USMX ISSUES***
 - Eliminate or cap container royalty
 - NYC productivity
 - Pay only for time worked
 - Overtime reform
 - MILA Healthcare

The GAP = \$2 billion per year

Container Royalty

- Originated in late '50s and early '60s
- Quid pro quo for introduction of containerization
- Currently \$2 per ton distributed to employees
- International gets 10% of total distribution to fund its expenses
- ILA position: An integral part of their compensation
- USMX position: Had morphed into an entitlement, with no basis for continuation
- In 2011, \$211 million was distributed to the men (approximately \$15,500 per man), with \$21 million going to fund the International

Bargaining Sessions

- April 19, 2012
 - USMX and ILA small group met
 - *Reviewed key issues*
 - *Delegated to committees*
 - No progress made
- June 27-28, 2012
 - USMX and ILA Wage Scale Delegates met
 - Made some progress on technology and jurisdiction

Bargaining Sessions

- July 19-20, 2012
 - USMX and ILA Wage Scale Delegates met
 - *Worked on proposals*
- August 20-21, 2012
 - USMX and ILA mini committees met
 - No progress made; negotiations broke off
- August 30, 2012
 - Daggett demanded final offer—Capo said NO, and insisted that parties continue to negotiate since no substantive discussions had taken place previously

Bargaining Sessions

- September 19-20, 2012 (contract set to expire September 30th)
 - No progress between parties
 - FMCS entered bargaining
 - *Director Cohen urged parties to extend contract*
 - *USMX and ILA agreed to extend contract to December 29, 2012*
- October 10-12, 2012
 - USMX and ILA small committee met with FMCS reps
 - No progress made
- October 23-24, 2012
 - Small committees met— ILA refused to discuss container royalties
 - Meeting ended abruptly

Bargaining Sessions

- December 10, 2012
 - Bargaining Committee and Wage Scale Delegates met
 - *USMX made serious, comprehensive proposal*
 - *ILA summarily rejected it and made counterproposal*
 - *ILA authorized strike vote*
 - *USMX walked out*
- December 18, 2012
 - Small committees met
 - *ILA refused to discuss Container Royalties*
 - *Director Cohen proposed extending Master Contract*
 - *ILA refused extension, unless USMX dropped demands on Container Royalties*

Bargaining Sessions

- December 27, 2012
 - USMX and ILA met with FMCS in Washington
 - *Subject of discussion: Container Royalties*
 - Agreement reached to cap royalty payments to employees and share any growth
 - Contract extended to February 6, 2013

Final Agreement

- January 29, 2013 - February 1, 2013
 - Tentative agreement is reached
- February 13-14, 2013
 - USMX and ILA Wage Scale Delegates met
 - Ratified tentative agreement
- April 9, 2013
 - ILA ratified
- April 17, 2013
 - USMX ratified

“So What’s the Deal?”

- 6-year agreement through 9-30-18
- Container royalties: \$211 million to the men; \$14 million to administrative costs; 50-50 split of surplus
- Wages of \$0, \$0, \$1, \$0, \$1, \$1
- Compression of tiered wages from 9 years to 6 years to get from \$20 to \$32
- Agreement on new technology
- Agreement on chassis maintenance
- Agreement on CFS subsidy
- Agreed to add \$1/manhour for pension funding
- Operational improvements in NY/NJ

Thank You

Questions/Comments?