**Commentary: U.S. port labor stifling automation**

**Dockworker unions in the United States have been and will continue to be the âelephant in the roomâ when it comes to port terminal enhancements, especially on the West Coast, according to Gary Ferrulli, CEO of Global Logistics & Transport Consulting.**

 **Dockworkers break for lunch in John George Brownâs 1879 painting "The Longshoremenâs Noon.â**

By Gary Ferrulli |Friday, June 08, 2018

   Hailey Desormeauxâs recent article â[Whatâs the payoff from terminal automation?](https://www.americanshipper.com/main/asd/whats-the-payoff-from-terminal-automation-71447.aspx)â hits on some key issues and makes good points. But the elephant in the room and key reason why we donât have 21st century port facilities in the United States is that labor doesnât want them, primarily because they fear losing more headcount to modern, automated operations.
   There are two subtly â but importantly â different sets of circumstances in the U.S. that affect the ports and terminals, one on each coast. The most problematic conditions exist on the West Coast, where a 1938 National Labor Relations Board decision has led to a virtual monopoly on all vessel work by the International Longshore and Warehouse Union. That decision, which gave the ILWU sole jurisdiction over who works vessels at all West Coast ports, had three major consequences:
     1) The ILWU dockworkers are the highest paid longshore workers in the world, which is fine until you know that â¦
     2) They are also by far the least productive in the modern world, 33 percent below their U.S. East and Gulf Coast counterparts and 75 percent below multiple facilities in Japan, China, Rotterdam and Jebel Ali. No West Coast ports rank in the top 15 in the world in terms of production and they even lag behind maritime âpowerhouseâ Grenada.
     3) Negotiations with the ILWU are challenging, to say the least. How do you negotiate with a monopoly?
   The real reason 20,000-TEU containerships donât call here is because the current facilities canât handle them, and smart business people wonât invest hundreds of millions of dollars to upgrade those facilities and equipment only to see little or no gains in productivity. The partnership with labor is very one-sided, especially on the West Coast.
   U.S. East Coast ports and terminals, on the other hand, have made some progress in productivity during the past 10 years but still are not at world-class levels and wonât be until the right equipment, systems and processes are in place. But as with the ILWU, the International Longshoremenâs Association has made it abundantly clear that they oppose automation.
   The difference is that not all East and Gulf Coast terminals are unionized, meaning that there are still a few facilities that are not required to use ILA dockworkers and abide by ILA collective bargaining agreements. In some cases, carriers have chosen to use those terminals, which puts pressure on the ILA to increase efficiency and lower costs.
   On the West Coast, however, with no competition, we see instances like in 2016, when every container line left the Port of Portland because they couldnât deal with the ILWU local chapter there. The local virtually didnât care and let them leave.
   To be fair, there have been some improvements to systems at the terminal gate and yard equipment that has increased efficiency at terminals. But what is needed to get terminal productivity up to and beyond 40 moves per crane per hour goes far beyond that, including upgrading cranes and other shore-side equipment. Only then will you see the larger ships coming in and being worked efficiently and effectively, but therein lies the problem: It simply canât happen if labor doesnât want it.
   To put all this into context, global trade quadrupled between 1986 and 2006 and doubled between 2000 and 2006. Not coincidently, vessel sizes grew to handle the rapidly growing markets and provide far more cost-effective operations. Almost simultaneously, port facilities in China, Japan, the UAE and Rotterdam were upgraded to handle them. And they do, very efficiently in fact. Not so in the U.S. because the necessary changes couldnât be made due to the known unwillingness of labor. Why spend the money?
   Not many years ago, nearly 65 percent of all volumes in and out of the U.S. moved through West Coast ports. Today, that figure is down to 50 percent. They have lost a huge share of the market to the U.S. East Coast and Gulf ports, but have hardly even reacted. They could be moving more volume and even adding to their headcount if they were efficient and had fewer work stoppages, but instead have forced cargo owners to change their supply chains to avoid unreliable and inefficient facilities on the West Coast.
   Can this be addressed and fixed? In a word: hopefully.
   There is an ongoing redevelopment project between the Port of Long Beach and the terminal operator division of Hong Kong-based carrier OOCL at Middle Harbor that has resulted in some improvement in productivity at the gate and elsewhere in the terminal, but not at the cranes. The port and carrier have spent hundreds of millions of dollars on the project, which is 60 percent complete and scheduled to be fully operational by 2020, with an expectation of increased productivity.
   The ILWU is fully aware of the project; they visited Hong Kong years ago and were âread inâ to it. But what happens in 2020? Will they produce 40 or 50 moves per hour per crane, as at other facilities around the world? Only time will tell.
   I refer to this as the elephant in the room because although these are well-known facts in the industry, they are rarely discussed publicly. We see articles on labor and employers working on contract extensions, typically covering issues like wages, benefits and the unionsâ opposition to automation, but hardly a word on productivity.
   We arenât approaching world-class levels of productivity, so the United States may never see the truly large ships, other than as a publicity stunt as was the case when the 18,000-TEU CMA CGM *Benjamin* *Franklin* visited the Port of Los Angeles more than two years ago.
   Some may say, âSo what? We hear those mega-ships arenât that great; they create more congestion and delays.â Look a lot closer at the results in China, Japan, Jebel Ali and Rotterdam, and youâll see they function just fine.
   At the end of the day, itâs simple math. If you move 5 million TEUs through a port annually, with an average of 8,000 TEUs per ship, thatâs 625 vessel calls. Up that to 12,000 TEUs per ship and itâs 417 vessels. A 16,000-TEU average brings the number down to 313 vessel calls. Itâs the same 5 million TEUs of cargo, but far fewer vessels required, which equates to far lower total vessel costs for carriers and their customers. And all that is needed is more productive and efficient terminals.
   The elephant in the room, however, is and will continue to be laborâs staunch resistance to automation and anything else it perceives as a threat to headcount.

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