

## CONNECTING THE DOTS: POSITIVE LABOUR RELATIONS AS A KEY COMPONENT OF PORT COMPETITIVENESS

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### Abstract

The competitive environment surrounding ports is changing dramatically. The expansion of Panama Canal, port-dredging projects around the world, a super port opening in Brazil and a multitude of other changes mean that port competition exponentially will increase in the coming years. A top factor about which port customers care is reliability. When port's reliability is put in jeopardy by labour issues, its competitive position is jeopardized. In the past, the way labour and management have related has, in many instances, yielded an unreliable system and consequent commercial interruption. This paper briefly examines recent and anticipated changes in the port industry and explains the importance of a different approach to port labour relations. Social dialogue and a more inclusive, productive relationship between employers and workers are essential for ports to remain competitive in this new age of competition.

**Keywords:** Port Labour, Port Competition, Labour-Management Relations, Social Dialogue, Panama Canal Expansion, Container Terminal Labour, International Labour Organization

### 1. Introduction

The Panama Canal Expansion, scheduled for completion in October 2014, is such a significant event in port activity that it is anticipated to double the Canal's capacity and fundamentally alter the status quo in the intercontinental shipping industry worldwide. This increase in capacity, coupled with other anticipated changes around the globe, will fuel an increasingly competitive port marketplace. The most attractive ports in this new era of competition will be those that are consistently reliable. Port reliability begins with such attributes as port depth and logistics, but it can be maintained through only an available, trained, and ready workforce. Stable labour relations are essential to maintaining a reliable port. Once management and labour recognize this need for labour reliability, they must work together to make it a strength in this increasingly competitive port environment.

## **2. Competitive environment for ports and international trade**

A change to the status quo creates a rush to secure a better position in the new competitive environment. Several significant changes are in process that will dramatically alter competition among the world's ports, including the Panama Canal Expansion; the Colombia Dry Canal; Brazil's Super Port Açú; El Salvador's new container port; deepening of the Suez Canal; increased dredging in the U.S. Gulf and East Coast; port expansion in Australia; deepening of the Antwerp, Belgium port; and expansion of the Cape Town Container Terminal in South Africa. Each is discussed in details below.

### **A. Panama Canal Expansion**

Panama Canal Expansion will double the amount of cargo that can pass through the isthmus country by 2014.<sup>1</sup> The USD 5.25 billion project is excavating more earth than the original Panama Canal project, completed in 1914.<sup>2</sup> The project is creating another set of locks in addition to the ones already in use. The new locks in the Canal are going to be wider, longer and deeper, thus allowing passage for larger vessels and more of them.<sup>3</sup> The lock structure will be shorter in length, meaning that the actual process through the locks will take less time, thus further increasing the efficiency of the Canal. Demand for the Canal has steadily increased, and the prediction is that the current level of demand will triple by 2025.<sup>4</sup>

Financing for the project has been broken into packages, with a USD 2.3 billion package provided by a group of international institutional investors from Japan Bank for International Cooperation, European Investment Bank, Inter-American Development Bank, Corporacion Andina de Fomento and the International Finance Corporation.<sup>5</sup> The citizens of Panama approved the expansion in a national referendum by 76.8% of the vote in 2006. According to Panama Canal Authority's proposal, all loans will be repaid and the expanded Canal will be profitable by 2024, with a total revenue in 2025 of USD \$6.2 billion.<sup>6</sup>

The third set of locks will dramatically increase capacity by allowing access to larger vessels, as well as increasing the number of vessels that can use the facility. The current Panamax vessel has a maximum underwater draft of 12 meters and can carry 4,500 twenty-foot equivalent units ("TEUs").<sup>7</sup> In contrast, New Panamax vessel specifications have a maximum underwater draft of 15.2 meters and can carry 12,000 TEUs, representing a 166% increase in capacity for each container vessel. See Table 1 for a comparison of various vessel specifications.

This significant increase in both capacity and underwater draft of vessels with access to the canal represents a dramatic change in the container-shipping environment. The increase in capacity likely means there will be fewer ships transporting more goods, and fewer ports of call able to handle the larger vessels, thus making each ship's port choice more competitive. The increase in draft means that shallower ports will be left out. To avoid this loss of business, shallower ports have initiated dredging campaigns up and down the U.S. Gulf and East Coast to prepare for the required increase in draft beginning in 2014.

Ports on the Pacific Coast of the United States and Canada have the most to lose from the expansion of the Panama Canal. Compared to the current Panama Canal, the U.S. Intermodal System provides quicker access to the East Coast at 18.3 days, compared to between 20 and 24 days for the Canal.<sup>8</sup> However, the expansion of the Panama Canal is putting those timesavings at issue, because the canals will be able to handle the larger vessels that move more cargo more efficiently, and will be able to do so at a faster rate. See Figure 1 for a comparison of the market share between the Panama Canal and the U.S. Intermodal System.

According to the USDA study completed in 2010, with the improvements in Panama Canal, many more ships will go directly to the Gulf or East Coast ports through this expanded waterway. U.S. Port container traffic in the Gulf and on the East Coast of the United States is expected to double or triple by 2030. The expanded Panama Canal will alleviate congestion at West ports.<sup>9</sup> It will also significantly increase competition for seaport traffic between the U.S. East and West Coast ports.

The anticipated increase in competition has U.S. West Coast ports looking to collaborate.<sup>10</sup> West Coast stakeholders have started a campaign initiative called "Beat the Canal" to find a way to become more efficient and thus more attractive in the face of the expanded Canal. The West Coast ports have gained a 2% market share from the East Coast in the last decade; that margin and more are at stake with the expansion of the Canal.<sup>11</sup>

The counterpoint to the fear of change on the North American West Coast is the bustle to get ready for Panama Canal expansion on the U.S. Gulf and East Coast. Ports on Gulf and East Coast are scrambling to complete their own improvement projects to meet the "deadline for a new era of competition."<sup>12</sup> The Port of Houston Authority reports that it has renewed its strategic alliance with the Panama Canal Authority, and it plans extensive port infrastructure improvements, including dredging of the Houston Ship Channel, anticipating a 150% increase in containerized cargo by 2030.<sup>13</sup> Ports in Virginia, New York, New Jersey, Georgia, South Carolina, and Florida are engaged in multimillion-dollar port deepening projects to meet the 50-foot (15.2-meter) draft requirement for New Panamax ships. Each port is attempting to make itself more attractive for the increase in number and capacity of ships that will be coming through the Panama Canal beginning in 2014. The Port of Virginia at Norfolk claims it is the biggest, deepest, newest, and best of the East Coast ports, with its 50-foot-deep channels, no bridge obstructions and a double-stack rail to Chicago.<sup>14</sup>

## **B. Colombia Dry Canal**

Panama Canal expansion alone would be enough to create an increasingly competitive port environment, but there are other changes to the industry worldwide that add to the competitive mix. Colombia's proposed "Dry Canal" is one such potential change that adds uncertainty to the international port industry. Colombia and China announced a 140-mile, USD 7.6 billion railway connecting the Pacific and Atlantic coasts of Colombia.<sup>15</sup> Within Colombia, there have been mixed reactions to this announcement.<sup>16</sup> Panama Canal

Authority stated it is not concerned about competition from a Dry Canal because it believes shipping by sea will remain the most efficient means of coast to coast transport, because there is no need to unload and load at each port.<sup>17</sup>

The feasibility of the Dry Canal has been called into question. Some believe it may have simply been a (successful) ploy to get the U.S. Congress to approve the United States-Colombia Free Trade Agreement.<sup>18</sup> Economically, there are questions of efficiency for a backhaul, especially because the rail will be used primarily to facilitate sending coal to China from Colombia. Moreover, there are many formidable barriers, including climate, political instability and local violence. Regardless of questions of feasibility, the possibility of a "Dry Canal" is yet another piece in the increasingly complex web of international port competition.

### **C. Global Port Expansion Efforts**

Brazil's Super Port Açú is another example of a big change to the international shipping industry. When Port Açú is completed in 2012, it will be the largest port in the Americas.<sup>19</sup> It will be able to accommodate a Chinamax vessel capable of carrying 388,000 DWT dry bulk. The impact of this port on international port competition is uncertain at this point, but opening the largest port in the Americas unquestionably will add to the competitive environment.

El Salvador's Port La Union at Cutuco has doubled the annual TEU capacity of El Salvador's largest port. Currently, it can handle 300,000 TEUs per year, with two more phases of expansion planned to increase capacity to 1.7 million TEUs in the final phase.<sup>20</sup> Port La Union at Cutuco was mired in political and labour turmoil that kept the port from opening for an entire year despite completion of construction in 2009.<sup>21</sup> The concession process and labour issues are just one example of how cutting-edge port specifications and technology mean nothing without a stable labour force to make the port function.

Suez Canal was deepened in 2009, from 18 meters to 20 meters. Suez Canal has no locks, and, thus, its only limiting factors are its underwater draft and its air-draft to pass beneath Suez Canal Bridge. With the increase to 20-meter underwater draft, Suez Canal can handle all but the largest of fully laden supertankers, and it even can handle some fully laden Capesize ships. Thus, with more capacity on each ship, there will be fewer ports of call able to handle the larger ship size, and port competition will become fiercer.

In Australia, container volume is expected to quadruple over the next 30 years.<sup>22</sup> New legislation recently was approved for a second container port at the Port of Hastings, because it already has access to deep water and has an extensive supply of port-zoned land.

Like Australia, Mozambique is in the process of expanding its container port at Maputo. The chief executive of the Mozambique Ports Development Company stated "the demand is there and what we need to do is create the gateway, developing the infrastructures to take these commodities to the market."<sup>23</sup> Already, containers received between October and December 2010 were up more than 50%.<sup>24</sup> As the USD 1 billion project is completed over the next 20 years, Mozambique seeks to serve the markets in China and India.<sup>25</sup>

Antwerp, Belgium, already is one of Europe's busiest container ports, primarily due to its interior placement and easy access to the hinterland. The port increased its value by reactivating the Iron Rhine railroad connection to the German hinterland.<sup>26</sup> In addition to its hinterland projects, the port at Antwerp is deepening its drafts to a maximum of 15.5 meters at high tide, which will allow 1,500 more TEUs per ship. The port's long-term financial plan, with a projected cost of €1.6 billion, includes expansion of the port, improved port facilities, dock renovation and new equipment.

Cape Town, South Africa, similarly is expanding its main container terminal. The multimillion-dollar expansion is set to be completed before the deadline and under budget.<sup>27</sup> Dredging has taken place to a depth of 15.5 meters at all four berths. The CEO of the group heading the expansion stated that "the investment will not only increase capacity but go a long way towards improving productivity and efficiency at our ports."<sup>28</sup>

#### **D. Analysis of Port Competition Factors**

The Organization for Economic Cooperation and Development (OECD) conducted a study in 2008 aimed at understanding the changes in port competition. The OECD theorized that the containerization and increase in vessel size would mean fewer ports of call for each ship, which, in turn, means more competition for the limited calls among ports. Similarly, with an improved rail system, many ports' hinterland coverage will overlap.<sup>29</sup> The overlap makes the choice of port less crucial, since the same hinterland can be served from multiple ports. Customers are most interested in price, service quality and reliability.<sup>30</sup>

The OECD also pointed out the emergence of Global Supply Chains as a major contributor to port competition. Because many ports have not vertically integrated with shippers, these ports are at a competitive disadvantage.<sup>31</sup> The shipping lines have become significantly more concentrated in the last 30 years. In 1980, the top 20 world shipping lines had 26% of the TEU slot capacity. In 2007, the top 20 shipping lines had 81% of TEU slot capacity.<sup>32</sup>

In addition to the concentration of shipping lines, there is also a real threat of overcapacity with larger ships at the Panama Canal and elsewhere. The long-term effects of overcapacity are mergers and cost reduction, followed by changes in ports of call. In the short to medium term, there will be lower freight rates and thus more incentive to shop ports, which will lead to heated competition among ports.<sup>33</sup>

The effect of the concentration of shipping lines, overcapacity and the numerous expansion plans around the globe is that ports now have diminished bargaining power. Thus, factor in the overlap in hinterland coverage and increased incentive to shop ports by today's concentrated shipping lines, and there is certainly an intense environment of competition among the world's ports.

#### **E. Labor Relations' Impact on Port Competition**

The number-one factor that is most important to shippers when choosing a port is reliability.<sup>34</sup> Port reliability hinges upon good labour-management relations

to maintain the peace; therefore, without viewing labour as a strategic partner, a port cannot succeed in this new competitive arena.

The International Transport Workers' Federation (ITF) announced the development of a Global Network Terminal (GNT) operators' "campaign to achieve union rights and recognition in terminals, local collective bargaining and agreements, good health and safety standards and global framework agreements." The main objective for 2011 - 2014 is to negotiate and ensure implementation of "global framework agreements with the GNT operators." The ITF estimates that achieving this with Dubai Ports World (DPW) and AP Moller-Maersk (APM) alone would benefit around 100,000 dockworkers.<sup>35</sup>

Representatives from dockworker unions in 10 countries in the Caribbean and Latin America met recently and agreed to share information about the most successful models of publicly operated ports. The ITF Americas secretary also "highlighted two specific challenges for port workers in Latin America: union fragmentation and private sector organization. The system of occupational demarcation that was common in Latin America, often made unions weak." In a single port, there could be as many as 15 unions, resulting in interunion competition that "made it easy for employers to drive down conditions by playing unions off against each other." It was important to address "non-unionization in the rapidly growing private sector" and actualization, union rights, safety and minimum working standards in GNT run ports.<sup>36</sup>

### **3. Factors contributing to poor labour relations, which decrease reliability and put ports at a competitive disadvantage**

This section looks at the root causes of port labour strife, gives two examples of the disadvantages created by labour problems and ends with a metaphor framing the issue for the remainder of the paper.

Labour-management relations in ports are no strangers to strife. In many areas of the world, each views the other as an opponent, rather than a strategic partner. For example, in the United States, labour relations strife can be traced back to the hiring halls in the 1930s.<sup>37</sup> At that time, there were harsh, dirty, dangerous working conditions and no long-term job security. Employment was plagued by times of peak activity followed by periods of little or no activity; thus, no worker's job was safe. This same hiring practice, despite its glaring inefficiencies, has continued at many ports. However, some ports have found success by abandoning this model and moving to the Terminal Concept, which employs a core of workers full time and is discussed more fully in Part 4.

Unproductive dialogue between labour and management may result in strikes, lockouts and other types of productivity slowdowns. Customers of port services, as noted above, want reliability above all else. Thus, when a port is having labour problems, it becomes unreliable, and the customers naturally will go elsewhere. The labour uncertainty of 2011 in Vancouver's ports is a prime example of the far-reaching implications of labour unrest in the port industry.

On February 2, 2011, news of a possible strike in Vancouver, British Columbia, Canada, by the International Longshore and Warehouse Union (ILWU) caused shippers to divert shipments immediately to U.S. West Coast ports, with some shippers diverting as much as 100% of the shipments that

were bound for Vancouver ports.<sup>38</sup> The uncertainty of the labour situation, without any sort of actual stoppage, harmed the port. Port Metro Vancouver's Chief Operating Officer Chris Badger stated, "Any perception by customers that the reliability of the gateway is under threat will have an impact on the reputation of the gateway."<sup>39</sup>

Because labour and management were at loggerheads, every stakeholder in the related supply chain and surrounding businesses were losing due to unreliability. It was only when the unions and employers began to use some of the techniques suggested in Part 4 of this paper that they recognized the symbiotic nature of their relationship and that their respective futures were inextricably intertwined. Subsequently, the British Columbia Maritime Employers Association and the ILWU came to an unprecedented eight-year labour peace agreement.<sup>40</sup>

The lesson from Vancouver's situation is that labour and management in ports today must work together to have a competitive port. If they do not, their combined future looks bleak.

The metaphor alluded to earlier is the old fable of two mice that accidentally fall into a bucket of milk. The mice cannot swim. They could blame one another and argue about whose fault it was and who deserved to stand on top of whom to get the last few breaths, but it is clear that the mice will drown. One mouse suddenly gets a great idea—start running fast. If they run fast enough, the mouse cried to the other, the milk that would have drowned them will turn to butter beneath their feet. Then they can get on top of the butter and leap out of the bucket together. Only by working together will they survive. And there is no catalyst for action greater than decreased work hours and revenue as cargo is diverted due to failing labour-management relations.

Labour and management are those two mice in the milk. In this new era of port competition, the milk level is rising. If labour and management do not get together and start running, both will drown in today's competitive environment. So, how do two groups that have oftentimes been at odds since their inception work together to secure a better future?

#### **4. The ILO and the OECD weigh in on ports**

Among the international organizations, the premier organization dedicated to labor, the International Labour Organization (ILO), created in 1919, is a specialized agency of the United Nations. The ILO is unique in that its constituents are not only governments, but fully include representatives of employers' and workers' organizations.

The ILO's 2006 Maritime Labour Convention (MLC 2006), as a component of International Labour Standards related to shipping, provides wide-ranging coverage for almost all aspects of working conditions involving seafarers. Many of its numerous provisions underscore the importance of consultations between ship-owners and seafarers organizations. However, the MLC is not yet in force. As of December 31, 2010, only 11 member states have ratified the MLC (Bahamas, Bosnia and Herzegovina, Bulgaria, Canada, Croatia, Liberia, Marshall Islands, Norway, Panama, Saint Vincent and the Grenadines, and Spain). The MLC itself requires ratification by at least 30 member countries,

with a total share of at least 33 percent of the world's gross tonnage of ships in order to come into force.<sup>41</sup>

More specifically, the ILO's Convention #137, the Dock Work Convention of 1973, is in force, with 24 current ratifications (Afghanistan, Australia, Brazil, Costa Rica, Cuba, Egypt, Finland, France, Guyana, Iraq, Italy, Kenya, Mauritius, Nicaragua, Nigeria, Norway, Poland, Portugal, Romania, Russian Federation, Spain, Sweden, United Republic of Tanzania and Uruguay). The Netherlands denounced the Convention on February 17, 2006.

Article 1, subparagraph 2 of the Dock Work Convention provides that the "organizations of employers and workers concerned shall be consulted on or otherwise participate [regarding the definition of dockworkers and dock work] in the establishment and revision of such definitions. Account shall be taken in this connection of new methods of cargo handling and their effect on the various dockworker occupations." Article 5 states "In order to secure the greatest social advantage of new methods of cargo handling, it shall be national policy to encourage cooperation between employers or their organizations, on the one hand, and workers' organizations, on the other hand, in improving the efficiency of work in ports, with the participation, as appropriate, of the competent authorities."<sup>42</sup>

Over recent years, the ILO's constituents (governments and the social partners) and the ILO Office have developed and popularized a concept termed "Decent Work" as a means to identify the ILO's major priorities. "It is based on the understanding that work is a source of personal dignity, family stability, peace in the community, democracies that deliver for people and economic growth that expands opportunities for productive jobs and enterprise development." The idea is recognized as forming a wide consensus involving governments, employers, workers and civil society that Decent Work is a key element "in advancing a fair globalization, reducing poverty and achieving equitable, inclusive and sustainable development."

"Putting Decent Work into practice involves the ILO's "four strategic objectives with gender equality as a cross-cutting objective:

- Creating Jobs - an economy that generates opportunities for involvement, entrepreneurship, skills development, job creation and sustainable livelihoods.
- Guaranteeing Rights at Work - to obtain recognition and respect for the rights of workers. All workers, and in particular disadvantaged or poor workers, need representation, participation and laws that work for their interests.
- Extending Social Protection - to promote both inclusion and productivity by ensuring that women and men enjoy working conditions that are safe, allow adequate free time and rest, take into account family and social values, provide for adequate compensation in case of loss or reduced income and permit access to adequate health care.
- Promoting Social Dialogue - involving strong and independent workers' and employers' organizations is central to increasing productivity, avoiding disputes at work and building cohesive societies."<sup>43</sup>



The OECD (its original form was started during the Marshall Plan in 1948) also differs from most other international agencies in that it provides for wide-ranging consultative status with workers (Trade Union Advisory Committee), employers (Business and Industry Committee) and civil society (OECD Watch) representatives.

The OECD and the ILO signed a new Memorandum of Understanding on May 24, 2011.<sup>44</sup> The previous MOU dated back to 1961; however, an "Agreement for Cooperation on the Measurement of Societal Progress (the Statistical Cooperation Agreement)" was signed on September 28, 2009. The new Memorandum pledges "to strengthen their cooperation and coordination in fields of common interest and activity including, but not limited to:

- "employment and social protection, including decent work opportunities for all, especially through labour market and social policies and skills development strategies;
- Multinational enterprises and investment policies, including the dissemination, promotion and implementation of their respective instruments concerning multinational enterprises;
- Local and regional development, including support to sustainable enterprise development and to the role of local governance in facilitating economic growth, employment, skills development and social protection."

The OECD International Futures Program (IFP), through its "Infrastructure Needs to 2030/2050 Project" is looking to assess the long-term opportunities and challenges ahead for macro gateway and corridor infrastructure, including ports, airports, rail corridors, and oil and gas pipelines. The current Project follows up on the OECD's "Infrastructure to 2030 Report" and currently narrows in on gateways, hubs and corridors, which were not covered in the first report. The first of a number of reports, released in July 2011, were titled *North-West Europe Gateway Area – Port of Rotterdam case study Final Report*<sup>45</sup> and *France's Gateway Ports and Inland Connections – Meeting with MEEDDEM (French Ministry for Ecology, Energy, Sustainable Development and the Sea) Officials, Final Report*<sup>46</sup> (focusing on Le Havre and Marseilles).

The reports, in each case, were produced by a Steering Group, including representatives from the OECD Ministries of transport, mobility and public works; environment and energy; sustainable development and the sea; other OECD departments/agencies; international organizations, such as the EC and EIB; private-sector enterprises; and non-OECD members of Chinese Taipei and India.

There were no references to the workforce labour, human or industrial relations aspects in the Rotterdam Report, except to note that there were "1,200 employees" and "over 70,000 direct employment jobs." The report on *France's Gateway Ports and Inland Connections* noted that, in Marseilles' East Harbor, growth in containers had "been relatively low and services had been disrupted by some major industrial relations disputes."

Regarding the (French) Port Reform Act of 2008 (which concerned the ports of Bordeaux, Dunkirk, Le Havre, La Rochelle, Rouen, Nantes-Saint Nazaire and Marseilles), a progress report of January 2010 noted that the newly created

development boards involved “all the economic, social and collective actors (and) are consulted over strategy and structural projects regarding the major maritime ports.”

A reality is that it remains to be seen whether tangible cooperation and results between the OECD and ILO in economic sectors, such as ports, will actually emerge.

## **5. To be competitive in today’s environment and the future, ports must have labour peace – a change in methods**

Einstein famously said that “insanity is doing the same thing over and over again expecting different results.” If management and labour continue the same practices that have produced work stoppages and unreliability, then those problems will persist, and some ports will fail in the new competitive seascape. Labour relations lie at the heart of port performance and productivity.<sup>47</sup> The ultimate goal is labour reliability so that a particular port remains competitive. There must be a better way.

Having inspired, motivated, well-trained workers is key to productivity and reliability, but that level is difficult to reach when workers feel like they work for the union and not the employer.<sup>48</sup> There needs to be a fundamental change in how employers and employees interact.

### **A. Social Dialogue**

A comprehensive approach aimed at solving the labour-management problem is *Social Dialogue*, as written by Turnbull and promulgated by the ILO. *Social Dialogue* encompasses all types of negotiation and consultation, and can include a simple exchange of information between and among representatives of governments, employers and workers on issues of common interest relating to economic and social policy.<sup>49</sup> The model relies on tripartite cooperation between governments, workers and employers with the main goal of promoting consensus-building and democratic involvement among the main stakeholders in the world of work.<sup>50</sup>

The overarching purpose of *Social Dialogue* is to move beyond the one-sided demands that are characteristic of labour negotiations and move toward an integrative approach that exchanges concessions rather than demands rights. *Social Dialogue* happens in four stages: planning, initiating and implementing, followed by evaluating.

Planning requires that all parties become aware of each other’s needs and interdependencies. There is also an internal review at this stage to make sure there is a commitment to compromise within negotiations. Education of union members is essential to ensure their participation within more democratic union structures to ensure transparency and to enhance understanding.

Initiating *Social Dialogue* comes next. The main point at this stage is for all parties to recognize the value of an integrative, fostering approach that builds trust and broad consensus. Once there is a level of trust and realization that everyone is actually on the same team, then the parties can move to the implementation stage.

At the implementation stage, the balance between the employees’ desired job and benefit security and the employer’s need for flexibility must be resolved.

The trust and goodwill built through *Social Dialogue* to this point will help the parties come to a solution. In the EU, port employers and employees have agreed to "Social Pacts" or "pacts for employment and competitiveness" that reflect the recognized symbiotic relationship between labour and management. In these pacts, items such as work redistribution, cost cutting, productivity and employability are agreed to on a wide scale so that there is flexibility and security across the EU labour force.

Finally, *Social Dialogue* must be monitored and evaluated by the parties so that the process continues to benefit them after the initial problems are solved. This requires a process of feedback, remedial action and conflict resolution.

The process of *Social Dialogue* is not always natural, and, thus, training for employees, management and government is necessary. This training can be generalized and provided by a national program, or even an international program. This process is theoretically supported by the ILO through standard-setting, technical assistance and policy advice.<sup>51</sup> Unfortunately, the ILO has not been able to provide sufficient resources to support follow through efforts.

### **B. Terminal Concept**

Even if ports do not want to implement the entirety of the *Social Dialogue* model, the main thrust of trust and willingness to compromise from both sides is essential to any sort of plan to bring labour and management together. Robinson succinctly stated the port labour problem and his solution in 1986, which has become the Terminal Concept for staffing ports:

The primary key to productivity is an inspired, motivated, well-trained work force. However, it's difficult to reach people who don't work for you consistently. What most terminal operators and stevedoring companies need is a steady work force, a nucleus of people who work for the same company every day and who are capable and willing to perform a multiplicity of tasks. This basic work force must be supplemented by skilled people ... for peak periods.<sup>52</sup> Employment at Eurogate follows this Terminal model. Eurogate is Europe's largest container terminal and logistics group, with nine locations handling 12.6 million TEUs in 2010. Eurogate now uses a team-working system, as opposed to the old gang-working system that had been in place since the 1930s. All team members are multiskilled, with 90% of the team able to perform every task on site. Shifts overlap to ensure continuous operation. Management agreed to meet workers' need for stability by establishing shift schedules two weeks in advance. All permanent workers are hired from an external job market that is under the same employment laws as other workers; under peak demand, workers are hired from the local labour pool. Because the workers are flexible, there is less likely to be either a shortage of workers or significant idle time, a major improvement over the previous system. For instance, in 1996, there were 1,000 idle shifts per week. After implementing this system in the year 2000, there were only 1,000 idle hours for the year.<sup>53</sup>

### **C. Ircha Plan for Labour-Management Relations**

Another five-step plan to improve port labour-management relations conceived by Ircha is similarly based on understanding, trust and willingness to compromise between labour and management.<sup>54</sup>

Employment continuity is the first step. Without continuity to build rapport and trust, there is no way to overcome the adversarial nature of the management-to-labour relationship. Second is communication. Once continuity is established, there must be real communication and interest displayed by both sides. Third is motivating port workers. The communication step hopefully will reveal how those individual workers and management will be motivated.

Fourth is team-building. This is the stage that brings the reality of the situation to bear. When labour and management are able to work together and recognize that they are on the same team, the transformative process for labour moving from being a worry to a strength begins.<sup>55</sup> In terms of the mice-in-the-milk metaphor, at the team-building stage, the mice are running together and churning the milk into butter.

The last stage of Ircha's model is training and career development. This stage is essential to maintain a lasting labour peace. Once both employees and managers see that the organization is investing in their personal development, they will become more invested in the organization's goals.<sup>56</sup>

When the models and proposed solutions are boiled down to their essentials, creating a work environment that values dignity, respect and self-esteem is what is most important. Armed with dignity, respect and self-esteem, workers and management recognize their symbiotic relationship and can work to achieve a reliable labour structure so that the port has every advantage possible in this rapidly increasing competitive environment.

## **6. Role model for positive labour relations**

The terminal operators and union representatives in Portland, Oregon, are an example of how good labour-management relations serve to make a port highly attractive to business. At the recent *Journal of Commerce's* Trans-Pacific Maritime Conference, the president of the container terminal in Portland called for an immediate increase in productivity in the Portland terminal. In the old days of port labour negotiating, the union representative likely would have immediately fought back; but instead, the ILWU president said to the audience, "rest assured, we will give you the productivity levels you need to do your business in Portland."<sup>57</sup> The Pacific Maritime Association president added, "the more efficient we are with cargo, the more cargo we're going to see."<sup>58</sup> This sentiment was echoed in Antwerp, Belgium, where the port is undergoing an ambitious expansion project. The operations manager framed the importance of labour peace in this way: "Social peace is fundamental to the success of the stevedoring companies and the port of Antwerp....The price of social peace is high—wages and benefits in the port are very good—but it's a price worth paying. Social peace is priceless."<sup>59</sup>

## **7. Conclusion**

Labour peace – from crane and equipment operators to stevedores to harbor pilots to drayage – is a key to success or failure in today's competitive port and international trade environment. The days of open and public conflict between labour unions and management must give way to a collaborative situation in

which both parties realize that their very survival, let alone prosperity, depends on cooperation. As Panama Canal widens, and ports across the world dredge deeper to accommodate even larger ships, the stakes for future success are high. Labour and management must work together to maintain a reliable port, and only then will the port be able to compete in the increasingly competitive intercontinental shipping industry.

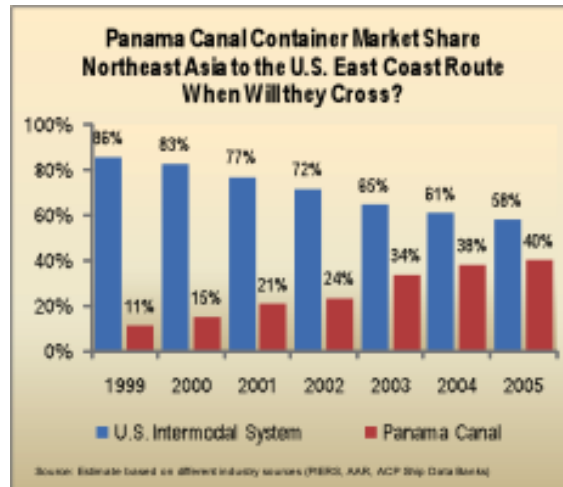
**A. Tables**

**Table 1: Container Vessel Specifications**

Source: [http://en.wikipedia.org/wiki/File:Ship\\_measurements\\_comparison.svg](http://en.wikipedia.org/wiki/File:Ship_measurements_comparison.svg)

|                                   | <b>Panamax</b> | <b>New Panamax</b> | <b>Chinamax</b>      | <b>Suezmax</b>       | <b>Capesize</b>  |
|-----------------------------------|----------------|--------------------|----------------------|----------------------|--|
| <b>Capacity (in TEU)</b>          | 4,500          | 12,000             | * primarily dry bulk | * primarily dry bulk | * primarily dry bulk                                     |
| <b>Capacity in Dry Bulk (DWT)</b> | 50,000-80,000  | **Unpublished      | 400,000-up           | 120,000-320,000      | 80,001-199,000   |
| <b>Air Draft (in meters)</b>      | 58             | 58                 | Unlimited            | 68                   | Unlimited; must go around Cape of Good Hope or Cape Horn |
| <b>Length (in meters)</b>         | 294            | 366                | 360                  | Unlimited            |  |
| <b>Width (in meters)</b>          | 32             | 49                 | 65                   | 50                   |  |
| <b>Draft (in meters)</b>          | 12             | 15.2               | 24                   | 20                   |  |

## B. Figures



**Figure 1: Panama Canal Container Market Share – Northeast Asia to the U.S. East Coast Route**

Source: <http://www.beatthecanal.com/>

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