Labor and the Geographic Reorganization of Container Shipping in the U.S.

DAVID JAFFEE

ABSTRACT The globalization of production and the geographic dispersion of economic activity have elevated the importance of the transportation and logistics sectors of the economy. One sector in particular that has experienced significant expansion is maritime transport and container shipping. As the cargo has become increasingly “discretionary” such that it can conceivably be transported through any port that allows intermodal access to the hinterland, the industry has become much more foot-loose vis-à-vis a particular port of entry. The enhanced mobility of the cargo results in more intense port competition. One particular place to observe and study this dynamic is in the port and terminal selection of shippers and shipping lines and the role of port authorities in attempting to attract these carriers to their facilities. In this paper, the focus is on the role of labor and labor relations in such decisions. These issues will be studied in the context of the potential container traffic rerouting from the West to the East Coast of the U.S. and, as an illustrative case study, how these developments have played out for the East Coast port of Jacksonville, Florida.

The globalization of production and the geographic dispersion of economic activity have elevated the importance of transportation and logistics in the management of commodity chains and global production networks (Coe et al. 2004; Gereffi and Korzeniewicz 1994; Henderson et al. 2002). As a greater percentage of the world’s goods are transported by shipping lines and moved through maritime ports, the cost and efficiency of these processes has also become increasingly critical. With the advent of containerized “discretionary cargo” that can conceivably be transported through any port that allows intermodal access to the hinterland, the geographic location of the port is less critical than the ability to move the cargo quickly and efficiently. In this sense, cargo is much more foot-loose vis-à-vis a particular port of entry today than in the past. Accordingly, the enhanced mobility of the cargo, and the shipping lines that transport the cargo, results in more intense competition among the ports seeking the business of the shipping lines (Fleming 1989; Fleming and Baird 1999; Jacobs 2007; Notteboom...
2004). The net result is greater pressure on all parties to cut costs, increase efficiency, and enhance the profitability and value of global production networks and supply chains (Juhel 2001; Slack and Fremont 2005). One particular place to observe and study this dynamic is in the port and terminal selections of shippers and shipping lines and the role of port authorities in attempting to attract these carriers to their facilities. In this paper, the focus is on the role of labor and labor relations in such decisions. These issues will be studied in the context of the shift of container traffic from the West to the East Coast of the U.S. and, as an illustrative case study, how these developments have played out for the East Coast port of Jacksonville, Florida (herein referred to as Jaxport).

The Geographic Migration of Cargo in the U.S.

This study can be placed in the larger context of research that has investigated the factors contributing to the mobility of capital investment and capital facilities from one geographic location to another (Sassen 1990; Yeung 1998). Much of the research in this area emerged during the geographic reorganization of capital that was prompted by the economic crisis that began in the 1970s resulting in the shifting of industrial and manufacturing production from the Northeast and Midwest regions of the U.S., first, to the Sunbelt and, subsequently, to offshore locations (see Bluestone and Harrison 1982; Markusen 1985). What Harvey (1982) referred to as the “spatial fix” was seen as a strategy by capital to regain and reestablish greater control over the labor process and greater rates of return on investment. This generated an outpouring of work by political economists and geographers identifying the factors responsible for the spatial reconfiguration of production (e.g., Massey 1995; Storper and Walker 1984). The end result of this extended process, aimed at institutionalizing a new “social structure of accumulation” (Gordon, Edwards, and Reich 1982), was neoliberal economic policy and the globalization of production (Dicken 1998).

The locations from, and to which, capital migrates are not passive geographic “spaces” but rather active, though constrained, “places” represented by port authorities, city governments, and public–private partnerships attempting to shape location and investment decisions in their favor (Heaver, Meersman, and Van De Voorde 2001; Slack 1993). In this sense, the process has similarities to other forms of capital migration that are enticed by tax breaks, subsidies, and other fiscal lures offered by sub-national governmental units (Feiock 1989). In the case of ports, competition has intensified and geographic location is less important than how the port integrates with global logistics supply chains, the available infrastructure in terminal space and terminal operating technology, and the existence of “dedicated
terminals” that grant exclusive control to a single terminal operator (Olivier and Slack 2006; Song and Panayides 2008). In short, port governance, like urban governance, has moved from a “managerial” to “entrepreneurial” emphasis (Harvey 1989) in response to the changing political economic conditions and the mobility of commodity flows.

In terms of the migration of cargo through alternative maritime gateways within the U.S., it is the potential shift from West to East Coast ports that has received the greatest attention. There is no shortage of reports and stories in shipping and logistics industry publications highlighting the current and potentially future rerouting of cargo flows.1 In fact, there seems to be widespread consensus that there will be a significant shift in the flow of imported cargo with increasingly greater proportions coming through East Coast ports (Rodrigue and Guan 2009). Much of the purported shift from West to East focuses upon container traffic coming from Asia. Since the 1970s this is where the West Coast has had a large advantage over the East Coast as Asia, and particularly China, has become the dominant source of imported finished goods to the U.S.

Various figures and statistics are provided to highlight the intercoastal shift. For example, one recent report indicates that containerized imports from Northeast Asia (China, Japan, South Korea, Taiwan, Hong Kong) to West Coast ports have declined from 74.9 to 72.4 percent for the first quarter of 2007 to 2008. East Coast ports, in contrast, increased their share of these imports from 23.4 to 25.7 percent for the same period (Mongelluzzo 2008a). According to Drewry Supply Chain Advisors, “the top 5 US West Coast ports saw their combined box traffic fall by 1.1% in 2007, while the top 5 US East Coast ports increased their combined container volume by 4.9%” (Drewry Supply Chain Advisors 2008:8).

Bomba’s (2004) study, focusing exclusively on trade with China, reported that East Coast ports doubled their Chinese import trade between 2000 and 2003 and that over the same period, West Coast ports lost 4.2 percent of their market share of exports from China while East coast ports increased their share 5.1 percent. He concludes (14) that “West Coast ports face a number of issues that will continue to curtail their capacity and competitiveness over the foreseeable future. . . . So far, the convergence of these problems has primarily benefited the Atlantic Coast ports.”

Further, it is predicted that up to 25 percent of West Coast container trade may switch to the East Coast after Panama canal expansion slated for 2014 (Dupin 2008). This expansion in the width of the locks will allow the largest container vessels—known as post-Panamax—to access the East Coast ports.

If we look at container traffic during the decade of the 2000s, before the global economic crisis, the most significant East Coast beneficiary in terms of increased
container traffic was the Port of Savannah. From 2000 to 2007, Savannah increased its container TEU throughput by 175 percent from 948,669 to 2,604,312. No other major port comes close to this percentage increase. This can be compared with Los Angeles, which experienced a 71 percent increase in container traffic over the same period (American Association of Port Authorities). As a consequence, Savannah has experienced the greatest upward mobility among U.S. ports moving from the twelfth to the fourth largest port in the nation and is currently only behind Los Angeles, Long Beach, and New York/New Jersey.

If, in fact, cargo is trending toward East Coast ports, what are some of the factors that might constitute a comparative disadvantage for West Coast ports? The most commonly cited include port and intermodal congestion, the cost of rail transport (Drewry Supply Chain Advisors 2008:10), and organized community opposition to port growth and more aggressive environmental regulation.

Similarly, what factors might constitute a potential comparative advantage for East Coast ports? Those often mentioned include proximity to final consumer market, greater land available for expansion of port and supporting infrastructure, new investment in modernized container facilities, existing and developing proximate warehousing and distribution centers, and fewer environmental restrictions.

One must also mention several “enabling factors” that facilitate or contribute to the likelihood of greater import traffic through the East Coast ports. First is the eventual widening of Panama Canal in 2014 that will allow the largest “post-Panamax” container vessels from Asia to access the East Coast of the U.S. (Drewry Supply Chain Advisors 2008; United States Department of Transportation 2009). Second are the prospects for a greater number of Suez Canal routings as manufacturing shifts from a heavy reliance on China to other Southeast Asian nations, which make the Suez Canal routings increasingly viable and cost-effective.

Less often mentioned explicitly is labor cost/organization. This item will be explored in greater detail below, but there is no question that variations in labor costs exist and that certain East Coast ports, particularly in the Southeast, offer cheaper labor than exists at the West Coast ports. Union representation is also much lower in these regions.

Finally, from the perspective of the shipping lines, the shift to East Coast ports can be viewed as an emerging organizational strategy. The development of multiple terminal transportation portals, to avoid dependence on a single port, has facilitated the mobility of cargo and the ability to gain concessions from port authorities. Just as manufacturers engaged in “parallel production” (Bluestone and Harrison 1982) strategies in the 1980s that involved the opening of duplicate facilities for the same assembly process in order to redirect
production in the face of potential labor disruptions, shipping lines are investing in and expanding facilities at ports perceived as more congenial to their interests and as a way to leverage bargaining with the more aggressive and militant West Coast unions.

It is important to emphasize that the decision on the choice of port through which to bring cargo can be made by the shipping line, the shipper/buyer, or the freight forwarder (third-party logistics firm). Who decides will often depend upon the particular terms of sale contract and the associated responsibilities assigned to the parties in the global commodity supply chains (Hesse and Rodrigue 2004; de Langen 2007; Tongzon 2009). It is possible that the factors impacting the selection decision will differ depending upon the particular party responsible for the movement of the goods through the ports—be it the buyer, the shipping line, or the freight forwarder. Tongzon’s identification of the most important factors in determining port choice, based on interviews with freight forwarders, indicates the following factors: frequency of ship visits, port efficiency, adequate infrastructure, location, port charges, responsiveness to users’ needs, and reputation for cargo damage. When the sample of freight forwarders were asked to rank the factors from “most” to “least” important, “port efficiency” emerged as the most important factor, with “frequency of ship visits” and “adequacy of port infrastructure” the other major factors deemed most important.

While this research argues for the importance of freight forwarders in the port selection process, Tongzon (2009:193) concludes that “Since most freight forwarders choose the shipping lines first and then choose the port from those served by the shipping line, it is important that port operators and authorities should pay special attention on how to attract shipping lines to call at their ports.” A similar study (Tongzon and Sawant 2007), based on a survey of shipping lines, confirmed the importance of “efficiency” as the single most important stated factor in their port decision. Efficiency can mean many things, but it has a clear relationship, in most cases, to the speed at which cargo can be moved through the port terminals. The importance of this factor, in comparison to location, is further confirmation that it is how well the goods can be moved, rather than access to a particular hinterland, that is driving location decisions (see Slack 1993). In terms of competition between ports, some researchers conclude that “the best workable strategy to defeat competitors is building new and highly efficient terminals” (Notteboom, Coeck, and Van Den Broeck 2000).

Although ports are typically referenced using the name of the city or urban area to which they are in closest proximity (e.g., Los Angeles, Long Beach, Norfolk, Jacksonville), students of the shipping industry have pointed to the “terminalization of seaports,” arguing that the terminal, rather than the port, is the relevant
“unit of analysis” (Olivier and Slack 2006; Robinson 2002; Slack 2007). A more accurate description of the maritime landscape, according to these researchers, is a corporate network of terminal-operating transnational corporations. A single port will have multiple terminals that “throughput” very different types of cargo, managed by very different types of administrative arrangements, public and private. In an effort to remain competitive, port authorities are increasingly ceding control of the terminals to the shipping lines and/or privately owned global terminal operators (Olivier and Slack 2006; Slack and Fremont 2005) employing the now dominant “landlord” port model that represents the furthest privatization of port operations (Baird 2002; Turnbull and Wass 2007). It is increasingly common for a particular terminal to be leased, managed, and operated by a private firm specializing in terminal operations (e.g., Dubai Ports World, Port of Singapore Authority, SSA Marine, Hutchison Port Holdings, APM Terminals) or by a single shipping line that has vertically integrated its operations to incorporate a terminal operating subsidiary (e.g., Mitsui shipping lines and Tra-Pac terminal operators).

The Labor Factor in the Geographic Migration of Cargo

The importance of “efficiency,” identified above as a comparative advantage based on surveys with freight forwarders and shipping lines, has a direct relationship to labor organization and productivity. The primary forms of labor conducted at the port terminal involve stevedoring (by longshore workers)—the loading and unloading of cargo from ocean carriers—and the transferring (by clerks and checkers) of cargo to other modes of transportation. Of the different labor forces involved in the intermodal supply chain, port terminal workers represent the “labor aristocracy” by virtue of their representation by longshore unions. In spite of some setbacks stemming from the reorganization of the shipping industry (Turnbull and Wass 2007), the waterfront remains a unique organized labor stronghold in light of steadily declining union representation in the U.S. and the larger impact of globalization and neoliberalism.

In considering how the labor factor might impact the port selection decision, one can look at the level of labor organization, militancy, cohesiveness, productivity, and/or absolute cost. The consistent identification of “efficiency” as a widely articulated factor in most studies would suggest the importance of speed and productivity in port operations. The movement of cargo in the context of supply chains and logistics systems is a largely time-driven enterprise. Holdups, delays, bottlenecks, and slowdowns are the fatal kinks in the chain. As one study reported, higher fixed costs and expenses may be acceptable where they are compensated with efficiency (Murphy, Daley, and Dalenberg 1992).
In the analysis of the interstate shifting of manufacturing industry from the mid-west and northeast to the Sunbelt during the 1980s and 1990s, one of the most significant political-economic predictors of net gains and losses in employment in manufacturing was the level of unionization in a state (Jaffee 1986, 1988). All things being equal, it was found that the lower the level of unionization, the greater the gains in manufacturing industry during this period. This was not only because of the lower cost of labor in the Sunbelt region but also because of the greater ease with which manufacturing operations could be restructured and made more flexible in a nonunion setting. This research also confirmed the various theories of capitalist crisis and associated strategies aimed at a “spatial fix” to regain and reestablish conditions of profitability (Harvey 1982). While it is not clear that shipping line decisions are driven by the same logic, there are nonetheless sharp differences in labor-related conditions of employment and compensation between some East and West Coast ports and regions (Monaco and Olsson 2005). We turn to an examination of this factor and some of the potential implications for East Coast ports generally and Jaxport specifically.

It is initially important to recognize that there are some significant differences between ports and manufacturing sites that limit the application of a capital mobility model. First, while the cargo and shipping lines are footloose, a port is a fixed structure that must possess very specific physical geographical and infrastructural endowments. The world of maritime transportation is not entirely flat, and the ocean carriers must typically choose among existing ports of call. One cannot simply set up a port facility anywhere (although new and dedicated terminals can be constructed on and in proximity to existing sites). Second, while developments in containerization and intermodal transport allow multiple points of access to far-flung buyers and end users, one must still find a maritime node that allows entry into a geographically (continent or country) situated final market.

The literature on comparative port performance and competition has included recognition of the role of labor relations, regulation, and institutions, as well as variations in labor costs and organization, among national and international ports (Barton and Turnbull 2002; Finlay 1988; Herod 1997; Ircha and Garey 1992; Kagan 1990; Kimeldorf 1988; Silver 2003).

As it relates to the East and West Coast ports of the U.S., what is most significant is the different labor union representation and collective bargaining agreements and how these translate into divergent compensation and work practices. The International Longshoremen’s Association (ILA) was formed in 1877 as the single union representing all port workers. Internal conflicts between the ILA leadership and West Coast members resulted in a permanent division with the formation of the International Longshoremen’s and Warehousemen’s Union.
The ILWU was formally institutionalized as the collective bargaining representative for all West Coast ports in 1938. Since that time, East and West Coast maritime workers have negotiated separate contracts. In analyzing the impact of ILA versus ILWU representation on the labor market outcomes of maritime workers, Monaco and Olsson (2005:26) conclude “that the West Coast workers earn a substantial wage premium, varying from 10 percent over Northeast dockworkers to over 20 percent for Gulf and Southeast workers.” The ILA has allowed the negotiation of local work rules and agreed to a two-tired wage system that involves different pay schedules for different classes of workers (new versus veteran). The net result of the divergent intercoastal union representation patterns is lower labor costs and weaker organizational strength for East and Gulf Coast maritime workers. While Monaco and Olsson (25) emphasize that a significant source of recent strength for the ILWU resides in the fact that U.S. trade patterns have shifted sharply toward Asia and West Coast ports, the results of their analyses suggest the obvious question: “Given the wage disparities between the ILA and ILWU ports, the question arises of why shippers do not divert freight to East Coast ports, which would have lower labor costs than West Coast ports, thereby putting downward pressure on ILWU wages.”

From the perspective of the labor press (Baumer 2007), the differences between East and West Coasts are crystal clear:

The wages, benefits and political orientation of the East Coast and West Coast longshore worker unions are starkly different. Though each union has a modest membership, their critical role in the ports gives each the potential to bring the nation’s economy to a halt. However, the ILA makes little effort to organize new workers and has not had a coordinated union-wide job action of any significance in decades. New hires on ILA-represented ports earn as much as six dollars less than their West Coast counterparts and garner generally inferior benefits.

These ILA practices and conditions may be responsible for the formation of the Longshore Workers Coalition, which is an insurgent labor organization among ILA members that has challenged the ILA leadership to take a tougher stance on wage tiers and the introduction of technology.

The ILWU also seems more prepared to address strategically the decline in the number of longshore workers handling cargo on the waterfront. The “march inland” is designed to organize other goods-moving/handling sectors that have experienced an expansion in employment. This includes the knowledge-based technology workers who track and monitor the cargo not on the waterfront but from back office operations far from the port terminal. An ILWU-commissioned study conducted by the University of California’s Institute for Labor and Employment (Dube et al. 2004) recommended that the union “must confront the challenge of thinking industrially beyond the docks and organizing the full cargo-handling
supply chain whether on or off the docks. . . . Increasing solidarity among long-
shore and warehouse workers (and potentially truck drivers) . . . is the only one
that provides any hope of shifting the balance of power in the logistics industry”
(p. 35). In contrast, there is no evidence that the ILA has any interest in organizing
workers at other points in the logistics supply chain.

Several recent events have further fueled the significance of labor-related
factors in the intercoastal shift of container traffic. Most notable was the labor–
management conflict in 2002 that led to a labor lockout and a subsequent standstill
in port traffic on the West Coast (Olney 2003). This was precipitated by the failure
to establish a new West Coast contract and the accusation by the employer
organization—the Pacific Maritime Association (PMA)—that the ILWU was
engaged in a labor slowdown. The lockout lasted 10 days before President Bush
obtained a court injunction forcing employers and workers to resume operations.

One consultant (Martin Associates 2003) estimated that the lockout cost the
national economy $1.94 billion per day (but see Hall 2004 for a critical analysis
of this estimate and the methodology on which it was based). This event had an
immediate impact on the strategic planning of shippers and carriers. According to
one observer, a West Coast real estate executive, “There is no doubt that the
port-related stoppage back in 2002 made a lot of importers sit back and plan to
make sure that never happens again” (cited in Johnson 2008). It also increased the
salience of the labor-related differences between East and West Coast ports. As an
East Coast port executive put it, the fall 2002 lockout of West Coast dock workers
“really woke up everybody” (Breskin 2005).

There is no doubt that organized labor actions are more likely to take place on
the West Coast (Finlay 1988; Herod 1997; Ircha and Garey 1992). This may be due
to the conjoining of several factors including the hitherto dominant role of the
West Coast ports, particularly Los Angeles/Long Beach, in receiving Asian goods,
the traditionally more aggressive approach of the ILWU in comparison to the ILA,
and the greater competition among ports on the East Coast (for historical analysis
see Kimeldorf 1988). Following the 2002 lockout, West Coast port clerks threat-
ened strikes in 2004 and 2007. In 2008, 25,000 West Coast dockworkers went on
a 1-day strike to protest the Iraq war. Together, the lockout and perceptions of
labor militancy on the West Coast have encouraged shippers and shipping lines to
find alternative supply chains and ports. The fallout has been widely documented
as one recent report indicates that “East Coast ports benefited greatly from the
logistical knot, particularly Hampton Roads and Savannah, Ga., as importers
diversified their cargo routes in ensuing years” (Richards 2008).

In the context of global commodity and supply chains—and the associated
drive to reduce costs through offshore production, deregulation, and intense
competition—there remain few areas where worker compensation has not significantly deteriorated (Bonacich and Wilson 2008). One of the remaining labor strongholds exists—although impacting a sharply declining numbers of workers—for West Coast dockworkers represented by the ILWU. Whether by design or otherwise, the real and perceived threat of capital mobility from the West to the East Coast will likely serve to weaken and undermine this last vestige of effective and successful labor organization.

The West Coast Waterfront Coalition, which was instrumental in advocating for Bush administration intervention in forcing an end to the 2002 lockout and labor negotiations, was formed to represent the economic interests of the retailers (e.g., Nike, Gap, Mattel, Home Depot, Wal-Mart, Chiquita Brands International, and Del Monte Foods), shippers, and logistic companies as it relates to port operations. It is revealing that this coalition decided, in 2003, to change its name to the Waterfront Coalition. Not only does this signal no particular geographic commitment to West Coast ports, but the coalition has also supported all-water movement of goods directly to East Coast ports. This will provide both the flexibility and the bargaining power to reduce costs and extract concessions from West Coast labor unions.

Evidence of the effects on the behavior of labor as a result of threatened and actual intercoastal cargo mobility is reflected in the recent 2008 contract negotiations between the PMA and the ILWU. Unlike past PMA–ILWU negotiations, observers believe there is a stronger incentive to come to a rapid agreement. A representative of the National Retail Federation attributes this to the expanding options available to ocean carriers and shippers: “with the Panama Canal being expanded, more ships using the Suez Canal and East Coast ports being expanded, both labor and management realize this year that the dominance of West Coast ports is not guaranteed.” He goes on to argue that a protracted negotiation and bargaining session “would hasten the move to the East Coast and would prove costly for those on both sides of the negotiating table” (National Retail Federation 2008).

While the ILA is careful to respect the solidarity of longshore labor, as reflected in the statement of ILA president Richard Hughes, Jr. that his union “would take no pleasure in gaining any advantage as a result of problems on the West Coast,” he then went on to point out the ILA’s long record of labor stability and the absence of any major strikes on the East Coast (reported in Richards 2008).

Finally, as the data on container traffic cited above indicates, among East Coast ports, Savannah has registered the greatest expansion in container traffic. The factor most often identified as responsible for this growth is the large number of
major retailers who have located their distribution centers in geographic proximity to the Georgia port. Far less attention has been given to the fact that the Port of Savannah, as a public authority, does not recognize workers represented by ILA Local 2067. This denial has affected the length of the workday, eligible overtime, and total compensation levels. In the dispute over increasing the average length of the workday to 11.5 hours, the ILA vice president of the South Atlantic and Gulf Coast District commented that “The port of Georgia really is growing quite a bit, and it grew on the backs of these people” (Savannah Morning News 2007).

The Case of Jacksonville and Jaxport

All of the factors highlighted above with regard to the comparative advantages of the East Coast can be applied to Jacksonville Florida and the Jacksonville Port Authority (Jaxport). Purely in terms of geographic location, Jacksonville (located in northeast Florida) would be preferable to South Florida ports for cargo destined for locations inland on the East Coast and Midwest as this would eliminate travel time up the peninsula. Jacksonville also provides easy access to the major interstate arteries allowing both north–south (I-95 and I-75) and east–west (I-10) movement of cargo. Among East Coast and Southeast ports, its greatest competition comes from the geographically proximate Port of Savannah. At present, Jaxport is regarded as a “third tier regional gateway” and the seventh largest U.S. port on the East Coast (Rodrigue and Guan 2009).

In the 2005 report conducted for Jaxport by Martin Associates (2005:40), the issue of East to West Coast migration was noted:

Recent growing demand (7–10% annual growth in trade) low productivity gains on the docks, particularly in the West Coast port range, coupled with the low density utilization of U.S. container ports, primarily due to the inefficient use of scarce land, exacerbates terminal capacity congestion. Other key factors such as the events of 9/11 and security issues; and the West Coast Ports shutdown of September, 2002 (which cost the U.S. economy an estimated $15.6 billion over 11 days), are forcing shippers and carriers to search for alternatives and diversification strategies—either diversion to other West Coast Ports or other U.S. port ranges, for example the Gulf and East Coasts.

The report emphasized that “it appears that there is a strong potential for JAXPORT to attract an Asian service” (Martin Associates 2005:43).

Among the final recommendations, Martin Associates (2005:150–151) included the following:

With more shippers looking for diversification from the West Coast ports, other North and South Atlantic ports stand to benefit from the growth. JAXPORT appears to be a potential candidate due to the fact that it possesses the key factors that are attractive to Far East Carriers. . . . The Port also has the ability to market not only Blount Island, but also, and in fact, a more attractive parcel of land, Dames Point. JAXPORT should market this property to specific Asian carriers. It is recommended that the Port maintain its landlord status and focus on a shared investment with a tenant in the development
of Dames Point. A long term lease with a carrier or terminal operator would then provide JAXPORT with the critical service to further develop distribution center activity in the Jacksonville region, further stimulating additional Asian carrier service, but also providing jobs to the local and regional economy.

Based on the interviews conducted by Martin Associates with ocean shipping lines on the factors that would make South Atlantic ports generally, and Jacksonville specifically, competitive, were the following: on-dock rail, local market reach, adequate draft, reliable labor force, stevedoring and port charges, and dedicated proprietary terminal.

Since the report was written, Jaxport has secured long-term lease agreements with two of the world’s largest shipping lines—Mitsui O.S.K. Lines (MOL) and Hanjin Shipping Company—for dedicated container terminals of 185 and 90 square acres, respectively (Figure 1). At full capacity, the two terminals would add 1.6 million containers per year. This would represent a 205 percent increase from its peak TEU traffic in 2005 (777,318) and catapult Jacksonville into the top three East Coast ports.

On the question of labor, the report by Martin Associates (2005:49) makes direct reference to the “reliable” ILA labor force that is used at South Atlantic
ports and that labor productivity rates at Jaxport are “fairly competitive.” The regulatory vice president and general manager for Trans-Pacific Container Service Corporation (Tra-Pac), who will operate the 158-acre container terminal, highlighted the differences between Jacksonville and Los Angeles in the way he was met by “the mayor, port executives and 500 cheering longshoremen eager for the jobs that the new terminal will bring. That doesn’t happen in Los Angeles, where TraPac, the terminal operating unit of MOL, operates its flagship U.S. terminal” (Mongelluzzo 2007).

In Spring of 2009, in a panel discussion on the prospects for Jaxport during difficult economic times, the regional vice president of TraPac noted that

The good news is there are so many issues on the West Coast. Getting business done on the West Coast is not an easy task. We have been negotiating a contract for 10 years in Los Angeles to expand. There are many other hurdles, such as environmental and labor issues. We signed an agreement in 2005 [with the Port of Jacksonville] and state, city and county officials took 10 months not 10 years. Many of these major importers have been held hostage by additional service rates in the Los Angeles/Long Beach area. So much of the trade is going from West Coast to East Coast. (Szakonyi 2009a).

While it is always difficult to know the precise role that labor arrangements play in the port selection process, it apparently was a more significant factor for Jaxport than port officials have indicated. This was starkly revealed when a labor dispute erupted in early 2009 between TraPac (the terminal operating arm of Mitsui) and ILA Local 1408 (Szakonyi 2009b). Although the ILA and TraPac signed an agreement in 2005 based on the prevailing ILA master contract that included some specified flexibilities in manning, the contract did not include local union provisions on manpower levels. When the ILA local insisted on using additional longshoremen to load and unload the first container ships, TraPac threatened to shut down the port.

In its communication to regional ILA officials, TraPac mentioned shutting down its Jaxport terminal operations and sending “cargo to state-run ports to the north” as well as using nonunion employees for all or part of the terminal’s operation. More significantly, the letter from TraPac to the ILA states the following with regard to the 2005 labor agreement: “As you well know, were it not for this Agreement, TraPac/MOL would not have built the facility in Jacksonville and all new cargo from MOL and partners would have gone to other State run Port Authorities.” This is a startling revelation. It suggests that the particular labor agreement struck with the local ILA, stipulating “flexibilities in manning,” was the single factor positively separating Jacksonville from Savannah, Charleston, and Norfolk.

According to a well-placed ILA labor official in Jacksonville, the conflict between the ILA and Tra-Pac was the result of a misunderstanding over how the local ILA would train its staff and gear up to an acceptable level of productivity.
The same official also suggested that the strong reaction by Tra-Pac might have been due to pressures emanating from declining profits and plunging cargo traffic plaguing all ocean carriers as a result of the global recession. While the hyperbolic language used by Tra-Pac in their letter to ILA officials may have been primarily designed to leverage subsequent bargaining and renegotiation with the ILA, it nonetheless reflects a perspective that a particular port—in this case Jaxport—is one among many geographic locations for the cost-effective movement of cargo and containers from a ship to the next point in the supply chain, and that the shipping lines can play one port against another, as “pawns in a game” (Slack 1993) in an effort to gain a cost advantage.

A second major labor-related dispute emerged between the ILA and Hanjin, the other major Asian shipping line planning to build and operate a container terminal at Jaxport. Hanjin is planning to construct a highly automated container terminal that will require far fewer longshore workers than at other Jacksonville terminals (smaller size and fewer number of container gangs). The question of how to handle and negotiate over issues related to technology and capital substitution has been a major issue within the ILA and for its contract negotiations with the U.S. Maritime Alliance. At one point in these negotiations, a high-ranking Hanjin official wrote to Jaxport indicating that his company “will no longer be able to spend any more time or resources on this venture” as a result of the protracted union negotiations, suggesting Hanjin would take its cargo elsewhere. The threat of exit brought the parties back together and strengthened Hanjin’s bargaining position, with the net result being a tentative agreement that will sharply reduce longshore manning numbers at the new terminal.

The labor–management flare-ups between the ILA and Mitsui/Tra-Pac, and the ILA and Hanjin, and the make-or-break threats to take the cargo elsewhere along the East Coast provide considerable evidence for the importance of the labor factor in the selection decisions of the terminal operators and global shipping lines.

Finally, any analysis of Jaxport would be incomplete without noting that the greatest challenge currently facing Jaxport’s attempt to join the upper crust of U.S. ports may come not from labor but from nature. While Jacksonville has “natural” advantages as a logistics hub, it also has some natural disadvantages related to the depth and current of the St. Johns River, which is the entry point to the newly developed container terminal complex. The St. Johns River channel is not currently at the necessary 50-foot depth required for the largest post-Panamax vessels to access the terminals. Second, the problem of tidal currents at the point at which the St. Johns River intersects the Intracoastal Waterway prevents a 24-hour window of port entry. Neither issue has yet to be resolved. The first will
require a massive dredging/deepening project estimated to cost up to $1 billion; the second is a coastal engineering challenge that will cost up to $50 million. In this case, nature has conspired to thwart the aspirations of commerce. Thus, nature will be modified and reengineered, but at a high cost and on a timetable that may hurt Jaxport’s competitiveness as an East Coast gateway.

**Conclusion**

In the study of the migration and mobility of economic activity and capital, analysts attempt to identify those factors that repel capital from one location and attract it to another. The widely reported and documented movement of Asian container ship cargo from West Coast to East Coast ports provides an opportunity to examine these dynamics for an increasingly critical economic sector. This paper has reviewed some of the commonly cited factors as well as the research literature that has identified, through the examination of the preferences of shipping lines and freight forwarders, the most critical port selection factors. The single factor that emerges most consistently—but that is also a rather nebulous catch-all category that could incorporate a wide range of components—is “efficiency.” This pertains, in the main, to the speed at which cargo is moved through the port and thus includes aspects of the productivity of port operations in unloading containers as well as having a highly integrated intermodal transport system. Efficiency is hindered to the extent that there are delays, bottlenecks, holdups, or shutdowns produced by either intermodal congestion and supply chain gaps or human factors and labor actions. These latter factors have been examined in more detail, and the significant differences in labor organization, and propensity to take organized action, between the West Coast ILWU and the East Coast ILA have been documented. Further research on this topic would benefit greatly from interviews with labor officials on both coasts, as well as officials who make decisions about relocating container cargo and terminal facilities.

For the specific case of Jacksonville and Jaxport, it fits squarely into the larger hypothesized trend of movement from West to East, and the desire of both shippers and carriers to establish alternative nodes and gateways of entry into the U.S. market. Just as there are documented differences in labor activity between West and East coast unions, there are similar differences between Northeast and Southeast ports. Southeastern ports in states with “right-to-work” laws are regarded as attractive locations for profitable economic activity. This was suggested by statements made by both port authority officials, and container ship and terminal operators. In light of the labor–management conflict between the ILA and Mitsui, and the ILA and Hanjin, the role of the labor factor may
become increasingly significant for the future movement of cargo and terminal expansion.

Finally, with regard to the shifting of container cargo from West to East Coast ports, it is unclear what the long-term trends will hold. There are two factors that will likely impact future patterns of cargo transit. The extent to which Asian cargo imports will continue to increase at the levels predicted prior to the onset of the global recession. Many East Coast ports built terminal capacity on the assumption that there would not only be cost advantages to East Coast routing but that West Coast ports had reached the point where they could no longer handle effectively the quantity of container traffic. Sharp declines in debt-driven consumer demand may call that assumption into question. These crisis conditions can also have an indirect impact on labor as pressures to sustain profit margins under conditions of declining demand may stimulate efforts by shipping lines and terminal operators to cut costs and pursue labor flexibilization strategies across the board. Second, it is still unclear how the widening of the Panama Canal will impact the attractiveness of the all-water route to East Coast ports. This “enabling factor” will not be operative until 2014 years, but it is expected to shape routing decisions for post-Panamax vessels, and the shipping lines appear to be preparing for this eventuality.

NOTE

REFERENCES


