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Bill Mongelluzzo, Senior Editor | Mar 04, 2014 6:28PM EST

James McKenna of the Pacific Maritime Association addressing an audience at the JOC's TPM conference.

LONG BEACH, Calif. — The chief negotiator for waterfront employers on the West Coast is optimistic that the Pacific Maritime Association and the International Longshore and Warehouse Union will reach a contract agreement this summer without a strike or lockout.

PMA President Jim McKenna predicted that an agreement will be reached in mid to late July. This prediction may still make cargo interests nervous, given the fact that the current six-year contract will expire on July 1, but it reflects the reality of the negotiation process.

McKenna emphasized that the 2014 contract negotiations will center on costly issues such as the Cadillac tax on the ILWU's generous health-care plan, the dockworker pension plan and jurisdictional disputes, but the more controversial issues of technology and automation were largely resolved in the 2002 and 2008 contracts.

The 2002 negotiations are still fresh in the minds of cargo interests because the contract was reached only after a 10-day employer lockout and a Taft-Hartley injunction. The shutdown of the entire West Coast cost the U.S. economy an estimated $1 billion a day.

The 2002 and 2008 negotiations were so controversial because the issues at stake translated to a potential loss of jobs on the waterfront. The issues to be addressed this year center more on cost-sharing between employers and the union. McKenna does not foresee the 2002 experience being repeated this summer. If anything, relatively smooth contract negotiations would serve to protect ILWU jobs.

It is, however, unclear whether the next ILWU contract will be for three years or six years, McKenna told an audience today at the JOC's 14th annual TPM conference.

West Coast ports have been steadily losing market share over the past five years, from 51 percent of U.S. container traffic to 45 percent in 2013. "That's not a good trend," McKenna said.

Employers as well as the ILWU recognize that other ports are competing fiercely for discretionary cargo that could move just as easily through Canada or the U.S. East Coast, and they understand that the loss of market share translates to lost work opportunities and declining profits.

The goal of employers as well as dockworkers this year is to reach a contract agreement that stems the loss of market share to other coasts while attaining an equitable sharing of costs between employers and the ILWU. Protecting the union's jurisdiction will also be an important issue, McKenna said.

For example, the Affordable Care Act taxes so-called Cadillac medical plans for highly-compensated workers. The West Coast waterfront plan fits that description as employers pay 100 percent of the dockworkers' insurance premiums. Co-pay for medicine is $1 per prescription.

Nevertheless, the tax will cost the industry $150 million a year, and neither employers nor the ILWU want to foot the entire bill.

Since retailers and cargo interests are already making plans to divert shipments from West Coast ports this spring and summer, and the loss of market share is an imminent problem for employers and dockworkers, why don't negotiators get started immediately to reach a contract agreement by July 1, asked Jonathan Gold, vice president of supply chain and customs policy at the National Retail Federation. "Folks are really stressing," Gold said.

McKenna said past experience demonstrates that if negotiations begin in March, nothing of substance will be addressed before June. There will be breaks in the talks and no sense of urgency will develop until the July 1 deadline gets closer, he said.

Employers and the ILWU have determined that beginning face-to-face negotiations in mid-May and working non-stop for a solution is the most efficient way to reach an agreement, McKenna said. Furthermore, it is assumed that going past the July 1 deadline provides negotiators with leverage that they believe will help force a settlement.

Past experience has also shown that nothing much happens in the week following July 1, because of the July 4 and July 5 Bloody-Thursday holidays, but everything seems to fall into place in the subsequent week or two.

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