

THOUGHT LEADERSHIP

LEGAL UPDATES

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ILA Labor Agreement Set to Expire, Strike Looms

On September 30, 2024, the International Longshoremen's Association (ILA) labor agreement with U.S. East Coast and Gulf Coast port operators ends. With negotiations over the summer unsuccessful, the possibility of a strike that could cripple U.S. commerce appears imminent. The affected ports handle roughly 43% of U.S. imports, according to ITS Logistics, a supply chain and logistics company.

In June 2024, our team noted that strike risks were mounting after the ILA issued a press release announcing its refusal to continue negotiations. Since then, efforts to close the gap between union demands and the position of the United States Maritime Alliance (USMX) have been unsuccessful. Given the lack of progress toward a new agreement, many businesses are preparing for a potential work stoppage and developing alternatives to manage risks. Over the past month, companies started the process of diverting shipments to West Coast ports to avoid future delays. Similarly, earlier in the summer, many companies opted to expedite shipments initially scheduled for the beginning of the fourth quarter.

At present, the window for these preemptive measures has all but closed. Ratification of new labor agreements by the local union chapters can take several months, so even if an agreement were reached at the eleventh hour, significant disruptions could still occur on a port-to-port basis. As such, shippers should consider alternative sources for goods and inputs, as well as calculate how such disruptions could impact the cost and availability of transportation. These unusual circumstances also create significant volatility in shipping rates. For instance, in the last two months, the container shipping rate from Asia to the East Coast dropped nearly by half, coinciding with shippers diverting cargo to the West Coast.

If all else fails, the Biden administration could invoke the Taft-Hartley Act and mandate that workers return to their jobs. The political calculus of such a decision is complex, and forcing workers back to the ports would be a tenuous position for an administration so stridently pro-union. While the Biden administration might yet play a central role in resolving the dispute, shippers would do well to plan for the worst.

What this means to you

It is difficult to overstate the impact of a strike that would effectively shut down U.S. East Coast and Gulf Coast ports. The size and timing of the disruption would have ripple effects throughout the entire U.S. economy, leaving many businesses to sort through options to manage risk.

Businesses with immediate exposure to port disruptions should pay close attention to any ongoing negotiations and prepare to implement contingency plans should those negotiations fail.

Contact us

If you have questions or concerns about how a potential strike could impact your business, contact Julie Maurer or your Husch Blackwell attorney.