

CMR ALERT: US-ASIA SUPPLY SLOWDOWN

US West Coast Longshoreman Labor Dispute Crippling Supply Chains

Over the past 9 months, the labor negotiations between the Pacific Maritime Association (an association of the major ship-owners of the West Coast) and the International Longshore and Warehouse Union, have failed to come to a full agreement, resulting in a major slowdown in shipment of products into, and out of, the US West Coast shipping ports. The slowdown in the loading and unloading of ships, presumably caused by the dissatisfied longshoreman union members, has caused a large and growing backlog of ships. "There are a huge number of ships off the west coast that are unable to unload their cargo coming [from Asia]", said one concerned semiconductor process material supplier. The US west coast ports collectively bring in half the nation's imported cargo.



Cargo containers at the Los Angeles port. As contract talks have dragged on, ship-owners have accused workers of a slowdown. Credit Monica Almeida/The New York Time

This has caused a problem for all products that travel by ship to/from Asia. Many process materials companies that support US semiconductor fabs are required to have 2+ months of inventoried supply available in the event of such supply problems. However, the slowdown of support and service from longshoreman has continued on for many months, and supplies are now running thin. As a result, supply allocation of products coming from Asia are likely to occur, even if the recent intervention from President Obama brings some relief. This is expected to impact supply of any semiconductor process materials carried into or out of the US west coast by ship, i.e. wet chemicals, bulk slurry, high volume photoresists/ancillaries, and raw materials (minerals, semi-and non-precious metals).

Rising Tensions

Rising tensions have been mounting since last year, most notably around the Thanksgiving Holiday as a slowdown in shipping activity started a log jam of product coming into and going out of US West coast ports. *From a LA Times Article, 11/10/2014*, in response to rising tensions, the National Retail Federation and other business groups sent a letter Thursday to President Obama urging that a federal mediator help the two sides reach an agreement. "The sudden change in tone is alarming and suggests that a full shutdown of every West Coast port

may be imminent," the groups said in their letter. "The impact this would have on jobs, downstream consumers, and the business operations of exporters, importers, retailers, transportation providers, manufacturers and other stakeholders would be catastrophic." *Click here for the full Article.* <http://www.latimes.com/business/la-fi-port-negotiations-20141111-story.html>

President Obama has Finally Decided to Intervene

Announced just last Saturday 2/14/2015, President Obama has finally decided to intervene. As indicated in the *NY Times*, 2/14/2015, "At the president's request, Thomas E. Perez, the secretary of labor, will travel to California to "meet with the parties to urge them to resolve their dispute quickly at the bargaining table," according to a statement issued by Eric Schultz, a White House spokesman. Mr. Perez will try to mediate a settlement between an association of the major ship owners of the West Coast and the union of longshoremen who unload those ships, which collectively bring in half the nation's imported cargo".

The unusual decision to intervene in contract negotiations came as American retailers, the U.S. Chamber of Commerce and agricultural exporters said they had already lost hundreds of millions of dollars because of mounting port congestion, with spare parts and consumer products from Asia not arriving on time and exports like oranges and apples left to rot.

Click here for the full Article http://www.nytimes.com/2015/02/15/us/politics/obama-to-intervene-in-dispute-at-west-coast-ports.html?_r=0

More Details and Background on Longshoreman/Shippers Dispute

As stated in the USA today article, 2/14/2015, "Employers are deliberately worsening the existing congestion crisis to gain the upper hand at the bargaining table," Robert McEllrath, president of the International Longshore and Warehouse Union, said earlier this month. "After three months of union slowdowns, it makes no sense to pay extra for less work," said Wade Gates, spokesman for the port owners' association. The reduced pace has "needlessly brought West Coast ports to the brink of gridlock."

Seaports in Canada, Mexico and along the U.S. Gulf Coast were not affected by the West Coast labor disruptions. Those could provide alternative delivery points, but the water route from Asia would take longer. *Click here for the full Article* <http://www.usatoday.com/story/money/cars/2015/02/14/asian-automakers-parts-cars-port-strike/23380041/>

The background on the dispute stems from the need to renegotiate a 6-year pact between the two organizations. As well summarized in a *Bloomberg article, 6/23/2014,* "A six-year pact between the Pacific Maritime Association and the International Longshore and Warehouse Union, which represents about 20,000 dock workers at 29 West Coast ports, expires June 30, both sides said in a joint June 4 release. Negotiations began in May. The ports account for about half of all U.S. maritime trade and more than 70 percent of imports from Asia, according to the association. *Click here for the full Article* <http://www.bloomberg.com/news/articles/2014-06-23/longshoremen-contract-talks-threaten-u-s-west-coast-port-trade>