Strengthening union responses to port reform
An ITF resource pack for port workers’ unions
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### About this resource pack

This resource pack aims to strengthen unions’ abilities to anticipate and tackle port reform. It is structured to take unions step-by-step towards developing a strong and focused strategy. It provides information to help evaluate management’s port reforms and to develop union alternatives which are supported by organising, campaigning and bargaining collectively.

These materials are for:
- Collective bargaining teams and negotiators
- Union educators and trainers
- Shop stewards and worker activists

There are twelve factsheets. Each sheet contains a group activity. Case studies illustrate topics. By going through in order, answering these questions, your union should be able to analyse the current situation, develop your proposal and build a strong campaign. If you do not have time or resources to go through the entire pack, it is also possible to identify sheets which are relevant to your particular situation.

### Acknowledgements

The 2004 ITF 'Strengthening union responses to port reform' education pack has been revised and updated by Ivonne Jackelen together with the ITF Arab World Region, the ETF Dockers Section, the ITF Education Department and the ITF Dockers Section.

### Table of Contents

<table>
<thead>
<tr>
<th></th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Global trends in ports</td>
</tr>
<tr>
<td>2</td>
<td>Private port best option?</td>
</tr>
<tr>
<td>3</td>
<td>Labour trends in ports</td>
</tr>
<tr>
<td>4</td>
<td>Who else is in your port?</td>
</tr>
<tr>
<td>5</td>
<td>Global corporations taking over</td>
</tr>
<tr>
<td>6</td>
<td>Responsible Business</td>
</tr>
<tr>
<td>7</td>
<td>The many realities of statistics</td>
</tr>
<tr>
<td>8</td>
<td>Spotlight on your union</td>
</tr>
<tr>
<td>9</td>
<td>Spotlight on your port</td>
</tr>
<tr>
<td>10</td>
<td>Develop your port reform proposals</td>
</tr>
<tr>
<td>11</td>
<td>Campaigning for your port reform proposals</td>
</tr>
<tr>
<td>12</td>
<td>Unions at the bargaining table</td>
</tr>
</tbody>
</table>

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Global trends in ports

*Ports and port workers have always been involved in international trade, handling their country’s maritime imports and exports. What is different today?*

**Role of ports in a globalised economy**

Ports continue to be at the centre of maritime, industrial and distribution activities (MIDAS). Today, their role is also increasingly focused on servicing global supply chains rather than domestic services. A dominant factor in selecting ports within logistics networks is a port’s connectivity between waterborne and land-based transport to deliver cargo smoothly door-to-door as opposed to port-to-port.

A number of ports are already major global and/or regional hubs. Hub ports require handling facilities on a giant scale, whether cranes, stacking areas, warehousing, or computerised information systems and other services. This pushes other ports into the role of feeder ports, creating a network of hub and spoke ports.

**Technological changes within the industry**

Simultaneously, ports are under increasing pressures to respond to developments within the industry itself. Key technological changes are:

*Containerisation*

Global container port demand is forecast to exceed 800 million teu per annum by 2017, growing by just over 5 percent per annum (Drewry, 2013).

‘Containerisation’ has had a detrimental effect on labour, typically reducing gang numbers from 25 to 6. It has changed the way the job needs to be done and the skills needed. Fundamentally, it has changed the port industry from a labour intensive one to a capital intensive one.

Where the stuffing and stripping was once an activity that took place alongside quays (employing dockers, in the best case scenario), this work is now done in distribution centres in the ports and inland.

*Vessel size*

Arguably the most significant trend affecting the global container port industry is the extraordinary increase in containership size. With Maersk’s 18,000 teu Triple E class vessels and China Shipping and USAC’s 18,400 teu vessels, ports are under pressure to stay in the big-ship game. The 18,000 teu ships are getting wider, so crane reach and height are becoming critical within major ports on the Asia-Europe route deploying or planning to deploy cranes able to cope. With 18,000 teu vessels deployed on the Asia-Europe route, a greater number of larger vessels will be cascaded onto the East-West routes, North-South trades and intra-regional trades. This is where ports are likely to experience more issues with increased vessel sizes.

*Automation*

Today, automation is the most controversial issue in the stevedoring industry. It refers to a container terminal that is operated with automated equipment with no or minimal human interference.

In 2013, there were 15 terminals worldwide that were either fully or semi-automated. In the same year, plans had been announced to either fully or semi automate a further 13 terminals. The industry gives many reasons for automation including labour/operational costs, increased asset utilisation, efficiency/productivity improvements, health and safety, security, environmental improvements, improved automation technologies, increased stacking density, labour availability and reliability, new terminal designs and scale of operations.
Independent maritime adviser Drewry points out: “It is clear that the primary motivation for container terminal automation cannot be seen as increased productivity. Rather, it is all about replacing labour costs with capital cost and, as a result, it is the high-wage countries and regions like Europe, North America and Japan where it has been pursued with the most interest.” (Lloyd’s List 9 January 2012)

Changing demands
The major shipping lines have achieved large-scale cost-cutting in shipping. They are now turning their attention to the terminals which service them. They are demanding cost-effective improvements such as faster port turnaround times and cheaper, more efficient cargo handling services. In 2011, container ships made almost 10,000 port calls per week. The tendency is increasing.

The top 10 container shipping companies are Nippon Yusen Kaiha (NYK); Evergreen Marine Corporation; CMA-CGM; Maersk; Mediterranean Shipping Company (MSC); Hapag-Lloyd; American President Lines (APL); China Ocean Shipping Company (COSCO); Hanjin; China Shipping Container Lines (CSCL). Some of them are also involved in bulk shipping.

Global network terminal operators (GNTs)
The landlord public port authority model remains the typical institutional structure in the ports industry, with private terminal operators holding long-term leases and concessions. Drewry (2013) estimates that around 65 percent container port throughput is handled under this model, with a total of 22 companies qualifying as global or international terminal operators under its league table rules.

In 2012, Hutchison Port Holdings, PSA, DP World, APM Terminals and the COSCO Group were the top five terminal operators. There is a clear focus on growth opportunities in emerging markets by GNTs or international terminal operators that are expanding. Additionally, several other industry players which are not currently categorised as GNTs or international terminal operators by Drewry are growing fast and have a strong appetite for international expansion including CMHI, Gulftainer, Bolloré and Yildirim. Others are making selected expansions or seeking to make acquisitions and financial and infrastructure investors are also active.

Terminal ownership
The container terminal business is complex and diverse. Some terminals are purely private and others wholly state-owned, but most are a mix of public and private ownership. More are to become a mixed or ‘landlord’ model (see sheet 2).

Container traffic handled by terminals controlled by the public hand has fallen steadily. By 2011, only 24 percent of the global throughput moved through public terminals. It is expected to further decline to 20.7 percent by 2017.

Regional trends
GNTs are strongly present in Europe, North America and South East Asia. PSA dominates in South East Asia, DP World in the Middle East and HPH in Central America and the Caribbean.

In South America cargo throughput handled in privately owned terminals grew from 86 percent in 2010 to 91.2 percent in 2011. In Africa, it increased from 51.5 percent in 2010 to 55.9 percent in 2011.

Activity
Answering the questions below, each participant should make a list of changes in their ports. Report to the plenary to build a general picture of what is happening in your country’s ports (where appropriate, compare five years ago to today):

• Which of the issues outlined in this sheet affect your country’s port industry?
• What changes have you seen in the nature of the vessels calling at your ports?
• What changes have you seen in the cargoes handled in your ports?
• How has cargo-handling technology been changing in your ports?
• What are the patterns of movement of freight in and out of your ports, including to other ports?

Strengthening union responses to port reform: An ITF resource pack for port workers’ unions
Managing port operations is traditionally a government function. However, private companies have long carried out services in some ports, such as in the Netherlands. It is a trend which is now growing rapidly. It aims at making ports more efficient and offering more competitive services, especially to the shipping industry in the global economy. ‘Institutional reform’ such as privatisation has far reaching effects on workers and unions.

**Fragmentation**
Privatisation allows the different port operations to be separated out. Each private operator can then sub-contract to other companies, who may sub-contract to others. This fragmentation affects: canteen facilities, security and safety (gate control, fire service, ship safety), horizontal movement of containers in terminals (trucking, forklift services), maintenance of terminal equipment (forklifts, cranes), warehousing and storage (information technology in cargo handling), and even in some cases the highly dangerous task of crane operation.

**Different models of privatisation**
Privatisation can take many different forms. There are four main models:

*Public service* port
The government owns the ‘infrastructure’ (berths, wharves, waterways, channels and roads) and the ‘superstructure’ (cranes, warehouses, cargo handling equipment, office buildings and communication network) and employs the port labour.

*Tool* port
All the port administration, infrastructure, buildings, and equipment are in public hands. Some services, especially cargo handling, are given as concessions to the private sector to run and employ the necessary labour.

*Landlord* port
The government, through the port authority, owns the land and other infrastructure and runs the port administration. The superstructure and labour are taken over by the private sector. It is the preferred model for container terminals. Global terminal operators increasingly conclude long-term concession or build operate and transfer (BOT) agreements. This means, in exchange for the use of the land, they finance, build, equip and operate the terminal.

*Fully-privatised* port
The government sells all assets including land, berths, and basins to the private sector and retains no controlling interest. This model is rare.

Private port best option?
Why privatise?

For the past few decades, governments have been advised or come under pressure from international institutions (see sheet 4) to shift from state provision to guarantee minimal services only. It is said that it is inefficient for the state to run industries. Instead, it should be handed over to the private sector in order to:

• save money or divert money to spend on other priorities;
• generate income from the private sector to the state sector;
• improve efficiency and productivity;
• increase asset utilisation;
• increase flexibility, in particular of the workforce;
• reduce costs, in particular labour costs.

Large-scale investment is needed to upgrade ports so that they can, for example, receive large scale container vessels. Many governments, particularly in developing nations, say that they do not have the necessary funds. Hence they seek private sector investment.

However, cost arguments need to be carefully assessed. Some services transferred to the private sector have to be underwritten by large sums from the state budget. There are many cases where the state must pay for the fire, health, and environmental clean-up services when there is a big accident involving a privatised company or where they are demanding state subsidies when they get into financial trouble.

Private participation in port infrastructure often involves a dramatic decline in employment. In Argentina, Australia, France and the United Kingdom for instance, 40 to 60 percent of the port workers lost their jobs (ILO 1996). Unemployed citizens create a social cost through unemployment benefits and retraining costs.

Private or public – which is the better option?

Ownership is not the determining factor for efficient operations. Whether a private or a public port is the better option, needs to be considered within a broader context.

Unions need to analyse in depth the arguments of ‘greater efficiency’, ‘greater productivity’, and ‘savings to the state budget’. In dealing strategically with restructuring, it is important to be aware of benefits as well as costs. Any calculation of port reform has to include equity as well as efficiency, security as well as flexibility, decent work as well as customer service, and in all cases, workers’ rights must be respected.

When developing your own port reform proposal (see factsheet 10), many elements need to be considered. The following three cases highlight the complexity of the process.

Virginia – public and competitive

This example shows there is no obligation to go down the privatisation road to be competitive in a globalised economy. In March 2013, the Virginia Port Authority (VPA) in the US decided that keeping the ports public ownership structure would provide better cash flow to the Commonwealth of Virginia than either of the two private sector proposals under consideration.

William Fralin, the VPA board chairman said: “We will move forward as a stronger, leaner organization that is better-positioned to serve the ocean carriers and port customers, attract cargo to Virginia and be more accountable to Virginia taxpayers. With the introduction of a limited liability corporation structure, the VPA board seeks to eliminate duplications, increase efficiencies and reduce costs.”

This basically means that the port authority becomes more commercial, applying the same management and accounting principles as private firms. The Port of Singapore Authority is another example of a fully state owned port who acts as a private company.

Nigeria – mega concessions with little success

Nigeria’s ports have been characterised by high costs, long turnaround times, theft, poor infrastructure, and inefficient regulatory framework. In 2006, the Federal Government launched one of the world’s largest concession programs with 26 long-term concessions.

Privatisation was recommended by the Public-Private Infrastructure Advisory Facility (PPIAF), a multi-donor technical assistance fund for governments in developing countries. The World Bank and its International
Development Association funded the concessions for more than USD1 billion. The government was praised for its strategic vision and willingness to take forward port reform initiatives.

Seven years later, industry stakeholders expressed concern that there was still much to be done to be efficient. The absence of a commercial regulator, concessionaires unfinished building projects, the lack of adequate cargo handling equipment and bad roads were some of the remaining obstacles. It is claimed that it can take more than a month to deliver a good after it has arrived in a Nigerian port and that the absence of appropriate regulation is presenting an image of concessionaires that can do anything they like and get away with it.

**Ghana – assumptions versus reality**

In 2006, the ITF, supported by the Friedrich Ebert Foundation, carried out a participatory research project on transport restructuring, the role of the World Bank and its impact on workers and unions in Ghana.

Research showed that some of the assumptions that are sometimes made about the effects of privatisation and outsourcing can be misleading.

Ports restructuring has been a long process in Ghana. In 1989, the Ghana Ports and Harbours Authority (GPHA) did embark on a privatisation programme, “aimed at reducing the role of the state in port operations and increasing private participation in its operations” (MDU 2005).

According to the World Bank, a number of key steps were critical to the success of the project. These included a “timely, proactive, and professional” approach by the government and the GPHA management; “avoidance of autocratic approach”; adoption of a “consultative, persuasive, and participative style and “inclusion of representatives of the Maritime and Port Workers Union on a regular basis” (Labor toolkit 2006).

However, since privatisation social dialogue has varied between companies and port workers. GPHA management also failed to enforce ILO labour standards in some of the stevedoring companies.

Privatisation in Ghana was accompanied by the establishment of a dock labour pool. The permanent workforce was halved from 2,961 to around 1,410. Casual dockers increased to 80 percent relative to permanent employees, but it appears to have improved employment security and terms and conditions in some respects for many if not all of the casuals.

**Activity**

Divide into small groups. Discuss the following questions:

- What are the privatisation proposals for ports or port services in your country?
- What forms of port reform or privatisation are being proposed?
- What are the pros and cons of the proposals for port workers?

Report to plenary.
Labour trends in ports

Labour costs can represent between 30-70 percent of the cost of operating a terminal, dependent on terminal type. That’s why ship liners, amongst others, demand to liberalise port labour and services.

Port workers and unions around the globe are therefore facing many common trends in their terms and conditions at work. These are namely:

Job cuts

Port reform usually involves a dramatic decline in employment. The World Bank’s port reform toolkit (2007) advises on how to downsize the workforce while avoiding conflict with unions.

Recent threats to jobs due to port privatisation have been reported from Brazil, Honduras, India, Liberia and Peru. The ITF constantly reports threats on its website: www.itfglobal.org/dockers/news.cfm/newsdetail/9257

Lower wages

Port reform focuses significantly on cost cutting. Consequently, port workers are often confronted with severe pay cuts and lower wages after reforms have been implemented.

Casualisation

Permanent, qualified and experienced workers become the exception. Casual, unregistered, inexperienced, sub-contracted or outsourced labour usually becomes the norm.

Flexibilisation

Public ports are seen as underperforming and fixed with “rigid and outdated job descriptions and duties” (World Bank). With port reform, workers are often confronted with changes to job descriptions, team-working, working hours, and incentivized wage schemes.

In 2010, for instance, Slovenian dock workers faced a significant growth in tonnage, impacting their working hours and health and safety standards at the port of Koper. Sub-contracted workers were being paid as little as EUR12 (USD17) for 11-hour shifts. In August 2011, the Union of Crane Operators of Port of Koper (SZPD) and port management agreed to more breaks for crane operators and an overhaul of health and safety regulations on the site. But the dispute continues as sub-contractors are employing workers at lower standards.

Less collective bargaining

Collective bargaining is a core activity of any union. Under port reform, negotiations on pay and conditions increasingly shift from the industry or national level to company level or even see the introduction of individual contracts (see also the recent experience of Greek port workers in sheet 4).

Pensions at risk

During port reforms, it is typical that efforts are made to shift the risk of a pension plan from the employer to the worker.
Fewer social benefits

Through successful collective bargaining, port workers in many countries have achieved additional social benefits, also known as a ‘social wage’. This can include provisions like housing, health care, childcare and pre-school education, facilities for sports, recreation and culture. Port reform tends to eliminate these arrangements. This is made explicit by the World Bank, which states that “Public sector employees are often paid better than their private sector counterparts, particularly at the lower skill levels, and often receive tangible and intangible benefits - such as job security, seniority rights, special pension arrangements, subsidized housing, health and educational services - that are not provided by private firms” (World Bank labour toolkit, 2006).

Ports packages in the EU

Lowering labour standards in Europe’s ports would have been the results of the European Commission’s proposals for a directive on market access to port services, also known as ‘Ports packages I and II’, in 2001 and 2004 respectively. The European arm of the ITF, the ETF and its affiliates run successful campaigns, leading to the European Parliament rejecting both. However, liberalising port services remains the aim of the European Commission (EC).

In June 2013, the EC referred Spain to the Court of Justice of the European Union (CJEU) over the existing rules on hiring port labour in Barcelona, Algeciras, Valencia and Bilbao. Currently, cargo handling companies hire port workers through private companies owned by employers in each port, rather than hiring them independently. The EC argues that cargo handling providers from other EU member states wishing to establish themselves in Spanish ports might be discouraged because of the current recruitment system in place and that this hinders the exercise of the freedom of establishment. The organisation of port labour in Belgium is equally seen by the EC as distorting the internal market and imposing barriers to free movement.

Terje Samuelsen, the ETF dockers’ section chair, said: “We can now see that the European Commission’s DG MOVE (directorate general for mobility and transport) is determined to continue the struggle to introduce ‘Port Package III’, this time not only through legislation but through the opening of court cases and the imposition of liberalisation of port labour as a condition to the allocation of rescue funds. They are now trying to justify themselves by using the court to actually say that social dumping is okay in ports in the EU!”

The extent to which liberalisation trends will affect workers negatively depends on legal provisions, the existence and quality of collective agreements and, above all, the strength of unions. To improve a union’s bargaining position and influence in decision making processes at company and state levels, they need to organise workers and build strategic power (see sheet 8).

A strong and prepared union can challenge proposals and introduce the International Labour Organization’s (ILO) concept of decent work at an early stage into discussions on port reform. Let’s see how:

Decent work check

The ILO was created after the First World War with the aim to foster universal and long-lasting peace through social justice. It is a tripartite body bringing together representatives of governments, employers and unions. As it states in the Declaration on Fundamental Principles and Rights at Work, the ILO is “the constitutionally mandated international organization and the competent body to set and deal with international labour standards”.

Since 1999, the ILO has prioritised and promoted its decent work agenda. The decent work concept has four strategic pillars: (1) labour standards and fundamental principles and rights at work, (2) employment opportunities, (3) social protection, and (4) social dialogue (ILO 2008).

Setting the decent work agenda as a priority implies that governments, employers and unions agree to make efforts around the world to put the concept into practice in all countries, in all contexts, and for all people.

The ILO, together with the international, non-profit organisation Wage Indicator Foundation, has established decent work indicators. Qualitative indicators for rights, perceptions, laws and social dialogue and quantitative indicators for employment and wages are gathered in the publicly accessible, global database called ‘decent work check’ (see Table 1 below). It is an indispensable tool for unions tackling port reform because, as Wage Indicator claims, it helps “to know what your rights on the job mean in practice, what you may claim and what protection you are entitled to”. Thirty five countries are already participating in the internationally comparable survey.

More details on the tool are available here: www.wageindicator.org/main/decent-work-check
Decent work indicators (ILO)  |  Wage Indicator (35 countries)
--- | ---
• Employment opportunities  | • Wages and additional payments
• Adequate earnings and productive work  | • Working hours
• Decent hours  | • Job satisfaction, satisfaction in general
• Stability and security of work  | • Gender issues and wages
• Combining work and family  | • Combining work and family
• Equal opportunity and treatment in employment  | • Working conditions
• Safe work environment  | • Education, vocational training and training on the job
• Social security  | • Collective bargaining, workers representation and industrial relations
• Social dialogue and workers’ representation  | • Economic and social context of decent work
• Economic and social context of decent work  | • Employment (occupations, sectors)
• Employment (occupations, sectors)  | • Profiles


Activity

In the plenary, draw up a chart filling in all the information related to the following questions. Try and use concrete examples. What changes in employment patterns are you seeing in your ports (compare five years ago to today)? Consider:
• numbers of jobs;
• permanent jobs vs. short-term contracts;
• the use of casual labour, including getting seafarers to do dockers’ work;
• greater demands for flexibility in job descriptions;
• the way that port work is organised, e.g. gang size;
• changes in the skills and training needed by port workers;
• working terms and conditions such as pay, hours of work, and benefits;
• safety and health standards.

Compare your findings with your rights using the decent work check indicators. Highlight where you are working below international standards.
It is important to understand how decisions are taken in your port and who influences them. It is key to the design of your own proposal and campaign (see sheet 10 & 11). For the same reason it is vital to understand the potential investors showing an interest in your port.

Let’s have a look at the different external forces in your ports:

Private consultants

Consultants like lawyers, economists, construction specialists, transport researchers and international consultancy companies are often hired before and during port reform.

There are good reasons for a government to seek external expertise for a port reform. However, workers and trade unions must be consulted by them to give their views and ideas. Unions should also have the right to hire labour-friendly experts paid for from the reform budget.

In Nigeria, Dutch maritime advisory firm Royal Haskoning BV recommended the implementation of a ‘landlord’ model of port management. Canadian CPCS Transcom, a consultant in the commercialisation of transportation infrastructure, prepared the legal and regulatory framework for the pre-defined concessions. To tackle the detected ‘overstuffing’, the government’s initial proposal foresaw downsizing labour by 75 percent for a USD6,000 voluntarily scheme. With the involvement of external experts and through social dialogue, including unions, the workforce was reduced from 14,000 to 4,000 staff with a severance package including USD110,000 for voluntary retirement.

International Financial Institutions (IFIs)

Long-term infrastructure projects such as breakwaters and jetties have a financing cycle of 30-50 years. Private lenders such as banks believe it is too risky to lend over such a long period. Instead, the World Bank and other IFIs such as the African or Asian Development Bank are often called upon as lenders.

Port privatisation is often a requirement to secure loans from the International Monetary Fund (IMF) and the World Bank.

Since the financial crisis of 2008, IFIs have also become necessary to fund short term projects outside of the Organisation for Economic Co-operation and Development (OECD) economies. For example, in 2010 a new terminal project in Santos, Brazil received substantial backing from the World Bank. Despite the involvement of a financially stable GNT such as APM, bankers BNP Paribas wanted the security of World Bank backing.

Over the past 50 years the World Bank has gained notoriety for its free market fundamentalism. However, as a result of campaigns the World Bank has put in place accountability structures (see sheet 6). Alana Dave, ITF education co-ordinator, tells us about the World Bank experience in Karachi, Pakistan:

In 2006, Project P103080, then awaiting approval by the board of the World Bank, proposed to fund the closure of the Karachi Dock Labour Board –threatening the livelihoods of 3,794 Karachi port workers and their families.

With the support of the ITF dockers’ section and Asia Pacific region, the Karachi Harbour and Dock Workers’ Union wrote to the World Bank’s acting country director pointing out that there had been no consultation by either the employer or the bank, contrary to the terms of its collective bargaining agreement.
The ITF helped the union to examine the project plan and identified specific ways in which the bank’s own policy recommendations were not being carried out. This led to a letter from the ITF to the World Bank, pointing out that the bank’s own policy is to “involve labour at all stages of port reform” and noting that “in recent years, the World Bank has acknowledged that a realistic and responsible port reform initiative must recognise and deal with the adverse human and social effects that may result from its implementation”.

The Troika – IMF, ECB & EC

Two of the most recent port reform proposals in Europe (Greece and Portugal) were developed because they were a condition of the agreement to release rescue funds to each country from the troika (IMF, European Central Bank (ECB) and European Commission (EC)).

Giorgos Gogos, general secretary of the Dockworkers’ Union of Port of Piraeus, Greece, describes port work and port ownership before and after the forced changes:

The 12 bigger ports of Greece were 100 percent state owned, though organised in the form of a society anonymous. Only the Ports of Piraeus and Thessaloniki were in the Athens stock-exchanged market but the majority of the stocks (75 percent) belonged to the state. The minor ports were owned either by municipalities or by local port funds.

In 2009, Piraeus Port Authority granted a concession for Pier II of the container terminal to COSCO for 35+5 years. This was the first privatisation. Labor issues were not included in government plans but were left to the investor Cosco. When the company took over operations, a big dispute over labour practices started. Labour is now hired through a complicated system of sub-contractors. Workers are not allowed to form or join a union. Consequently, there is no collective agreement for the terminal.

Previously, dock work was organised in two different schemes. In the bigger ports of Piraeus and Thessaloniki, dockers and others professionals (administrators, technicians, drivers etc) had full time contracts with port authorities. In smaller ports, dockers were not permanently contracted with port authorities but their unions used to have exclusivity and enjoyed the other provisions of ILO Convention 137 (although Greece has not ratified it). In November 2012, the law 4093/12 (IA.7) changed the status of dock work in all ports, except Piraeus and Thessaloniki. It lifted the exclusivity and ‘opened’ the profession by closing the existing register. Instead two new registers were created, no B for the current dockers and no A for newcomers.

In 2011, the troika created the Hellenic Republic Asset Development Fund’s (HRADF) with the mission to maximise the value to the Hellenic Republic from the development and/or sale of assets (http://www.hradf.com/en).

A year later, all stocks of all Greek ports were transferred to HRADF and privatisation plans are underway, either by selling shares or by concession activities or terminals. In other words, every port in Greece is now the property of HRADF and sooner or later will be sold or conceded to a private investor.

To Giorgos, the recent port reforms do not contribute to the prosperity of local communities, and are not in the public interest. Ports are not only an industry but play a significant social role in a country that has so many islands. The biggest ports are profitable and could be more profitable if the state would manage them adequately.

New investors

Over the past decade a total of USD38 billion has been invested in the global port industry. Much of this money has come from new investors with their own agendas.

The port industry has enjoyed a remarkable return in profitability since the financial crisis in 2008. While the GNTs never suffered as badly as the major shipping lines, the speed with which profits have returned to pre-2008 levels has surprised even the bankers.

As a result, the GNTs are attractive for a wide range of financial investors. The GNTs themselves are in a strong position, being able to pick and choose the types of finance they want to use. Increasingly, the GNTs are using less of their own capital, and bringing in more investment from financial players such as private equity funds, share markets, and bond markets.
**Private equity funds**

Private equity refers to investments funds that are not publicly traded on a stock exchange. They operate with minimal regulation and have gained a reputation for harmful speculation and short term profiteering. A typical private equity strategy is to take over a company, cut costs to the bone in order to artificially increase profits, and then quickly sell the company on. Reducing labour costs is often key to this strategy.

Citigroup’s USD1.5 billion acquisition of DP World’s five terminals in Australia in December 2012, for example, shows the high interest of private equity funds in utility ports that will provide a stable cash flow.

**Bond markets**

Bonds are a form of a loan. They are issued by public authorities, credit institutions, companies and supranational institutions in the primary markets. The most common process for issuing bonds is through underwriting. Shipping company Maersk, for instance, could underwrite EUR500 million at 3 percent interest for a long-term investment.

In the port sector only GNTs are able to raise capital on the bond market. Smaller port companies are deemed too risky. Since 2009 Maersk has raised approximately EUR2 billion on the bond market.

**Shareholders**

Currently two of the top four GNTs are listed on share markets directly. DP World has 20 percent of its shares listed jointly in London and Dubai. HPH Trust, an HPH subsidiary, is listed in Singapore. The parent companies of APM and HPH are also listed on stock exchanges.

Bonds and shares are both securities, but the major difference between the two is that capital shareholders have an equity stake in the company (ie they are owners), whereas bondholders have a creditor stake in the company (ie they are lenders). Owners have the power of decision and can question the credibility of a report, etc.

**Investment banks and project finance**

Investment Banks such as BNP Paribas or Nordbank often become involved in financing specific projects on a medium term basis, typically 7-13 years. Some of the larger Investment Banks, such as BNP Paribas, have specialized departments for investing in ports.

**Export Credit Agencies**

Governments also become involved in short term debt through export credit agencies. Crane manufacturers in countries such as Japan or Sweden, for instance, may persuade their governments to provide cheap debt for their products for port in developing countries. This means that national governments can directly be involved in financing ports in foreign countries. Therefore, there may be an opportunity to hold these governments accountable where labour rights are not respected.

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**Activity**

In the plenary turn to the person sitting next to you. Discuss:

- How can you confirm if your government is being advised by private consultants? Who are these private consultants and what access have you had to them? What recommendations have they made to your government?

- What role has the World Bank or another IFI played in influencing port reform in your country?

- Who are the potential investors and private operators expressing an interest in your port or in the port reform processes?

Share your experiences and ideas with the plenary.
Strengthening union responses to port reform: An ITF resource pack for port workers’ unions
Global corporations taking over

**GNTs at a glance**

*Global network terminals (GNTs; also called global terminal operators) are companies which tend to take over operations in newly privatised ports, especially container terminals.*

Hutchison Port Holdings, PSA International, DP World, APM Terminals and the Chinese COSCO Group are the top five operators. These five operators handled 49.9 percent of the total world container throughput in 2012.

*Let’s have a closer look at the four biggest GNTs:*

<table>
<thead>
<tr>
<th>Company</th>
<th>Ownership</th>
<th>Operations</th>
<th>Profit</th>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hutchison Port Holdings (HPH)</td>
<td>Hutchison Port Holdings is the ports division of a Hong Kong-based conglomerate called Hutchison Whampoa Ltd. It is controlled by a billionaire named Li Ka-Shing.</td>
<td>For every 100 containers that are moved globally, 14 go through a HPH terminal. Throughput was 74.3 million teu in 2012. It has 49 existing terminals in 23 countries. It currently has seven new developments.</td>
<td>HPH made an operating profit of USD50,000 for every worker in 2010, or a total of USD1.5 billion. That was 11% higher than 2009.</td>
<td>HPH has limited portfolio expansion plans, mainly through greenfield terminals in mature markets at present plus development of capacity at existing locations.</td>
</tr>
<tr>
<td>PSA International</td>
<td>PSA International is 100% owned by Temasek Holdings, which is fully owned by the government of Singapore.</td>
<td>For every 100 containers that are moved globally, 12 go through a PSA terminal. Throughput was 59.7 million teu in 2012. It has 43 existing terminals in 13 countries. Its flagship operations are Singapore and Antwerp. It currently has two new developments.</td>
<td>PSA made an operating profit of USD1.1 billion in 2010 or USD45,000 for every worker. That was up by 20% on 2009.</td>
<td>Limited portfolio expansion plans. Development of capacity at existing locations, especially Singapore. Technology oriented. Since 2006 PSA has owned a 20% stake in HPH and it looks like the two companies try to avoid direct competition. Proud of its strong partnership with unions: <a href="http://www.singaporepsa.com/aboutus.php">www.singaporepsa.com/aboutus.php</a></td>
</tr>
</tbody>
</table>
### Company

<table>
<thead>
<tr>
<th>Company</th>
<th>Ownership</th>
<th>Operations</th>
<th>Profit</th>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>DP World</td>
<td>Dubai Ports World is 80% owned by the government of Dubai. A further 20% is listed on the Dubai and London stock exchanges.</td>
<td>For every 100 containers that are moved globally, 9 go through a DPW terminal. Throughput was 54.5 million teu in 2012. It has 48 existing terminals in 28 countries. Its flagship is Jebel Ali Port, the largest man-made port in the world. It currently has nine new developments.</td>
<td>In 2010 DPW made an operating profit of USD1.2 billion, or USD40,000 per worker. This was 16% higher than 2009.</td>
<td>Expansion in emerging markets plus certain mature locations via greenfield developments.</td>
</tr>
<tr>
<td>APM Terminals</td>
<td>100% owned by parent company AP Moller-Maersk which is the biggest company operating in the maritime sector.</td>
<td>For every 100 containers that are moved globally, 12 go through an APMT terminal. Throughput was 66.2 million teu in 2012; It has 55 existing terminals in 34 countries. It currently has ten new developments. It also has over 170 Inland Services operations in 48 countries.</td>
<td>APMT made an operating profit of USD869 million in 2010, or USD36,000 per worker. That was 18% than 2009. It has significant expansion plans both through acquisition and greenfield. Emerging markets focus.</td>
<td></td>
</tr>
</tbody>
</table>

Other important terminal operators include China-based COSCO, Germany-based Eurogate, Taiwan-based Evergreen group and Manila-based International Container Terminal Services Inc (ICTSI).

Unions need to have an eye on ICTSI. The company already has commercial operations in Asia, Europe, Middle East, Africa and the Americas, and looks for new opportunities. ICTSI is well positioned in the market and has the potential to soon become one of the top ten terminal operators in the world.

### GNTs financial strategies

The GNTs are using different sources of finance for different reasons (see sheet 4), and they increasingly prefer concession agreements or build operate and transfer (BOT) agreements.

There are two main financial strategies being used by the GNTs: ‘investing for growth’ and ‘milking for cash’. Whereas APM is currently the most growth-focused of the GNTs, HPH parent Hutchison Whampoa regularly takes money out of its ports business to subsidise other parts of the group.

**Investing for growth**

APM is presently investing for growth. It views many of its terminals as ‘growth vehicles’. A growth vehicle is a terminal where management is investing for the future. Management does this because the market is growing quickly, and it is more focused on expanding capacity and gaining market share than controlling costs. In recent years APM has treated many of its terminals as growth vehicles, particularly in regions such as Latin America where it believes growth levels will be high.
Milking for cash

‘Milking for cash’, in contrast, is a strategy currently being used by DP World and HPH. ‘Milking for cash’ happens when management decides that a terminal has reached its maximum growth potential, and should be classed as a utility. A utility terminal typically has very high volumes, stable revenue, but slow growth. In this scenario management focuses on controlling costs in order to maximize profit.

In utility ports management might also decide to ‘cash up’. For that purpose, DP World sold 75 percent of its Australian terminals business to private equity fund Citigroup. HPH packaged a group of terminals in China and East Asia and listed them on the Singapore stock exchange. Investors were attracted in both cases by the stable revenue flows provided by the highly developed ports. However, the fact that GNTs have cashed up is a sign they do not view these ports as growth vehicles. This can result in a number of things: fresh investment may be less, and labour costs may come under extra pressure as reducing fixed costs becomes the primary means of increasing profitability.

GNT’s social responsibilities

GNTs care more and more about their public reputation and image. They adopt corporate social responsibility (CSR) policies as self-regulating mechanism to monitor and ensure compliance with ethical standards and international norms. Companies also increasingly sign up for internationally established and recognised codes of conduct and guidelines such as the UN global compact. These tools are useful for unions and are explained with more detail in sheet 6.

Donna McGuire examines the CSR statements of the mayor GNTs in her review “The need for sustainable ports” (2013) as follows:

APMT seems to have the most developed CSR policy. Progress is reported annually in a sustainability report, which is available on its website. Parent company Maersk is a signatory to the UN global compact and a member of its corporate leadership programme (LEAD). Maersk has also implemented its own set of global labour principles (GLP), which apply to all its employees, wherever they work in the world.

HPH has not signed the UN global compact but has a CSR statement. HPH focuses primarily on community projects, including a dock school programme, where ports are encouraged to adopt local schools in need of financial and educational assistance.

PSA has a business code called ‘doing things right’. The code recognises “the integral role that unions play in safeguarding the interests of its employees” and “seeks the amicable resolution of issues with the unions in a manner that is constructive, open, honest and ultimately beneficial to all parties concerned.” The CSR policy of PSA focuses on “charitable social causes, green initiatives and worthy art projects”, in the communities where the company has a presence.

DP World designed a ‘four quadrant model’ for its corporate responsibility. In its goal ‘people and safety’ the company wants to “Build an inclusive supportive and safe work environment that develops the progression of our people and creates a culture of diversity and well-being.” The GNT has established a global ‘corporate responsibility advisory committee’ chaired by group CEO Mohammed Sharaf. Regional CSR champions suppose to “share best practice, innovate and ensure consistency in our corporate responsibility approach across the global network.”

Activity

Divide into small groups. Discuss the following questions:

- Are there global corporations active in your ports? If so, what have you observed about their activities?
- What is their strategy for growth in your ports?
- Do they have a CSR policy? If so are they complying with it in your ports?
- What is their attitude towards unions and workers’ rights in your ports?

Report to plenary.
Notes
**Responsible business**

**International standards**

A company is responsible when it respects international labour standards as set out in conventions of the International Labour Organization (ILO) and other institutions. There are standards which apply to workers and unions in general and some which are specifically devoted to dock work. The most important are:

- **Freedom of Association and Protection of the Right to Organise, ILO Convention No. 87 (1948)** guarantees port workers the fundamental human right to organise in trade unions;

- **Right to Organise and Collective Bargaining, Convention No. 98 (1949)** guarantees port workers the fundamental human right to bargain collectively with employers;

- **ILO Dock Work Convention No. 137 (1973)** and associated recommendation, require each government to have a national policy to promote the permanent or regular employment of dock workers and to grant priority to registered dockers;

- **Occupational Safety and Health (Dock Work), ILO Convention No. 152 (1979)** lays down detailed provisions for safety in dock work. It obliges governments to have national laws or regulations to make ports a safe and healthy workplace.

Check whether your government has ratified these ILO conventions. You can search the ILO database by country or the convention number here: www.ilo.org/dyn/normlex/en/f?p=1000:11001:0::NO:::

- **International Convention on Safety of Life at Sea (Solas)** of the International Maritime Organisation (IMO) provides port workers rights to safe conditions of work;

- **International Ship and Port Facility Security Code (ISPS Code)** of the IMO is a set of mandatory and recommended measures to enhance the security of ships and port facilities such safe transport of containers, dangerous goods, grain, etc. and on the prevention of pollution from ships (Marpol). The ILO/IMO Code of Practice on Security in Ports complements the ISPS Code.


ITF affiliated unions continue to campaign to get more governments to ratify these conventions.

Get involved.

- **EU Social Charter (revised)** is a Council of Europe treaty that provides workers with rights to information and consultation, collective bargaining and collective action, fair and just working conditions as well as paid maternity/parental leave. It also prohibits child labour. It applies to 47 countries. Certain organisations are entitled to lodge complaints with the European committee of social rights (ECSR).

More details on the complaints procedures are available here: www.coe.int/t/dghl/monitoring/socialcharter/default_en.asp

**Ethical standards**

There are hundreds of codes and guidelines to hold business accountable. It is impossible to deal with all of them here. Instead we will present only the most credible and relevant ones to ports, and give ideas on how unions can use them.

Tools coming from International Financial Institutions (IFIs) are particularly relevant to companies as they channel access to public money for development projects.
UN global compact

The United Nations global compact (UNGC) is a network of over 8,700 stakeholders in more than 130 countries. The tool establishes 10 principles in the areas of human rights, labour, environment and anti-corruption which businesses are asked to implement.

Participants in the UNGC have to present an annual ‘communication on progress’ (COP) on the implementation of the principles. Ninety nine companies got expelled in the first half of 2013 for failing to present their COP. That’s not good for their image and credibility.

You can check your company’s report here: www.unglobalcompact.org/COP/index.html

Global reporting initiative

The global reporting initiative (GRI) is “a practical expression of the global compact.” It’s a framework to measure and report on economic, environmental, social and governance performance. There are also some sector specific indicators and guidelines but not yet for ports. The Port of Antwerp though has since formulated port and community specific guidelines (de Deckere 2012).

GRI participants need to present an annual report. Verify the statements of a company here: www.globalreporting.org/reporting/get-started/Pages/default.aspx

Inform the GRI if you consider that certain elements in the company report are not correct or complete.

OECD guidelines on multinational enterprises

The Organisation for Economic Cooperation and Development (OECD) has 34 member countries and close relations with Brazil, China, India, Indonesia, Russia and South Africa. The guidelines cover how national governments should treat multinational companies and how conflicting national regulations on multinational should be solved. They cover issues like the freedom of association and the right to collective bargaining.

National governments are obliged to put in place implementation mechanisms, so called ‘national contact points’ (NCP). If a company is not respecting workers’ or union rights, then the specific instance can be raised at the NCP in the home country of the company. For guidance through the process and the contact details of all NCP’s, go here: www.oecd.org/daf/inv/mne/ncps.htm

OECD Watch is an international network of civil society organisations promoting corporate responsibility. Its newsletter and website provide useful updates about decisions under the guidelines and show how to hold the NCPs accountable to their mandate. (www.oecdwatch.org)

IFC performance standards

The International Finance Corporation (IFC) is the private sector arm of the World Bank Group. The ‘policy on environmental and social sustainability’ defines IFC’s commitments to environmental and social sustainability. The ‘performance standards’ define the responsibilities of clients for managing their environmental and social risks. Clients are businesses, entrepreneurs and financial intermediaries that seek project funding in developing countries. Labour and working conditions are covered under performance standard 2. IFC performance standards are the basis for the EHS guidelines and the equator principles (see below).

EHS guidelines

The World Bank Group has developed environmental, health, and safety (EHS) guidelines. They are technical reference documents with general and industry-specific examples of ‘good international industry practice’ (GIIP). There are guidelines for ports, harbors and terminals (2007), downloadable here: www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IFC+Sustainability/Sustainability+Framework/Environmental,+Health,+and+Safety+Guidelines/

The EHS guidelines are currently under a technical revision and updating process which is expected to last until 2016. The ITF is amongst the consulted stakeholders.
**Equator Principles**

The equator principles (EPs) is a risk management framework for finance transaction. It provides minimum standards to determine, assess and manage environmental and social risk in project finance. World Bank and financial institutions use them for instance when companies apply for a loan. Currently 79 financial institutions in 35 countries have officially adopted the EPs. The EPs are based on the EHS guidelines. In June 2013, the third version, EP III, was launched, allowing applying the standards to even more deals.

Find out who is financing your port reform and check whether the institution participates in the EP exercise here: www.equator-principles.com/index.php/members-reporting. EP participants are committed to report at least annually about its EP implementation processes and experience. Get the report and add the union’s perspective and experience with the social sustainability of the envisaged or ongoing port reform financed by the institutional investor.

**UN principles of responsible investment**

The United Nations principles for responsible investment (PRI) Initiative is an international network of investors working together to put the six principles for responsible Investment into practice.

When a company, for instance, is not complying with ILO conventions and workers’ rights, the union should alert the PRI. This should also be the case when the fund manager of your pension plan does not incorporate environmental, social and governance (ESG) criteria into investment decisions.

To get a better idea on how investors should implement the principles and to analyse whether they are failing or not in your ports, check the two PRI report with case studies (February 2013): www.unpri.org/press/pri-showcases-leading-examples-of-esg-integration-by-institutional-investors

**Global Agreements**

Global framework agreements (GFA, also called international framework agreements) is a union tool. It is an agreement negotiated on the global level between a multinational company and unions. A GFA is a tailor made agreement to ensure fundamental workers’ and union rights at all workplaces around the world in the same company. The GFA is only as powerful as workers are organised and connected in a network. It needs strong unions to establish and monitor a GFA. European Works Councils (EWCs) can play a key role in achieving a GFA. The ILO recognises the contribution of GFA to bipartite, corporation-level global social dialogues in the private sector. Dimitris Stevis analysed for the ILO the quality, benefits and limitations of GFAs, the way they are negotiated and put in practice, etc. Learn from his conclusions here (2010):


**ILO guidelines on social dialogue on port reform**

The ILO provides a practical guidance manual for “Social dialogue in the process of structural adjustment and private sector participation in ports”. It aims at strengthening social dialogue in ports. It contains many case studies that might be of inspiration for unions in the process of developing their own port reform. Get the different language versions here:


**Activity**

Divide into small groups. In each group study the text of one of the tools presented above. Discuss how the tool can help strengthen your union’s arguments and achieve your aims. Each group should then present the ideas to the plenary.
The many realities of statistics

The quality, performance and competiveness of ports around the world are constantly measured on the national, regional or global level. Statistics are seen as a powerful means to back up claims about quality, performance and competitiveness. Statistics should not be taken at face value alone.

The following two examples illustrate key elements you need to be aware of when dealing with statistics.

Leading questions

There are different ways to word a question in interviews, surveys, opinion pools, etc. We speak of a ‘leading question’ or a ‘suggestive interrogation’ when the question implies its own answers. Some interviewers may deliberately use subtle leads to obtain the answers they desire, but often neither the interviewer nor respondent is aware of the extent to which the wording of the question can influence the response.

Here is an example of a leading question: Were you at the Pier on June 11 when the accident happened? It suggests what location the respondent visited on the day in question. The same question in a non-leading form would be: Where were you on June 11? This form of question does not suggest to the respondent the answer the interviewer hopes to elicit.

You can detect leading questions when they contain the name of a particular person rather than asking ‘who?’, or indicate a specific time rather than asking ‘when?’, and so on.

The European arm of the ITF, the ETF, detected various leading questions in the two impact assessment surveys of the European Commission (EC) on the quality and efficiency of EU ports. The surveys were carried out by Panteia, the Dutch-based member of the global PricewaterhouseCoopers (PWC) network of policy research and consultancy agencies. The studies were commissioned against the background of the EC’s aim to achieve a single market for port services, and administrative simplification in ports (also known as ‘Ports package’).

The ETF highlighted the following deficiencies in the research design of the studies:

- Respondents are asked about the ‘low degree of stability of the workforce’. A non-leading wording of the question would be ‘degree’ rather than ‘low degree’. The response options available for this question and others are ‘insufficient quality’ and ‘price’. What does it mean when the respondent ticks ‘insufficient quality of the low degree of stability of the workforce’? When the respondent ticks ‘price’, can we assume that s/he is concerned about the high turnover of workers (‘low degree of stability of the workforce’) which will have an adverse impact on the price of various services in the port?

- Another question is about ‘Restrictive practices concerning labour organisation and/or insufficient involvement of workers in the decision making of the employer, including information, consultation and participation in the board/social dialogue’. It is leading to ask about ‘restrictive practices’ rather than ‘practices’. How do you interpret the ‘insufficient quality’ of ‘restrictive practices’ and/or ‘social dialogue’ as well as the ‘price’ of such activities? If respondents tick the ‘price’ option, are they saying that the price of restrictive practices is too high or that the price of social dialogue is too high?

- It is important to clarify how ‘restrictive practices’ are defined. Some ‘restrictive practices’ are more appropriately defined as ‘protective’ or even ‘productive practices’. In general, all labour arrangements should be classified as ‘social practices’ rather than pejoratively labeled as ‘restrictive practices’.

- If there is deemed to be ‘over-manning’, for example, who decides the optimum number of workers and against what criteria is there presumed to be too many workers (eg efficiency, safety, continuity of work,
adequate rest periods, etc)? Is the benchmark for the optimum number of workers based on theoretical equation of supply and demand, the comparison with other ports, or the requirements of the port in question, agreed through a process of social dialogue, including collective bargaining, between the social partners?

The many performances of Port of Auckland

The second example on the subjectivity of statistics is drawn from the report of the New Zealand (NZ) Ministry of Transport “Container productivity at New Zealand Ports”. The overall conclusion is: “The many differences between ports means it is difficult to make fair comparisons of their productivity results” (2011).

Crane rate

According to UK-based maritime research and advisory organisation Drewry, the two NZ ports Bledisloe and Fergusson would qualify as small and medium sized terminals respectively. Combined, Port of Auckland Limited (POAL) would qualify as medium sized terminal, although given that smaller terminals have lower productivity on average. This is not a fair comparison. Even when statistics for both wharves are combined, however, POAL still performs well compared to global and regional averages:

<table>
<thead>
<tr>
<th></th>
<th>Fergusson</th>
<th>Bledisloe</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5 post-panamax gantry cranes</td>
<td>3 gantry cranes</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>32 hectares</td>
<td>14.5 hectares</td>
<td>46.5 hectares</td>
</tr>
<tr>
<td></td>
<td>610m quay length</td>
<td>260m quay length</td>
<td>870m</td>
</tr>
</tbody>
</table>

According to Drewry, ports used on the transpacific trade have among the highest performance level which is partly due to the following major advantages:

• Vessels engaged on this trade are generally large and the number of port calls is generally less. This results in a larger number of moves per hatch which means that the crane is lifting containers for a larger proportion of the time when engaged on the vessel.

• On the Far East end of the trade, larger numbers of empty containers are discharged, providing the opportunity to continue at above average rates for longer. There are longer periods on the same hard. Containers are block-stacked in the yard, allowing for a faster feed to the crane.

Quay Line Performance

POAL performs very well compared to international standards on teu per metre of quay. Despite having much shorter quay length on average than terminals elsewhere, POALs quay line rate is nearly as good as Far East, where scale gives ports major advantages. POAL is also comfortably above the world average, and well ahead of the Oceania average:

<table>
<thead>
<tr>
<th></th>
<th>Auckland</th>
<th>Oceania</th>
<th>Far East</th>
<th>World</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average quay length</td>
<td>435</td>
<td>720</td>
<td>918</td>
<td>970</td>
</tr>
<tr>
<td>Teu/quay metre</td>
<td>1,027</td>
<td>598</td>
<td>1,148</td>
<td>846</td>
</tr>
</tbody>
</table>
When Auckland is compared with terminals in the same size category, its relative performance is even more impressive:

<table>
<thead>
<tr>
<th></th>
<th>Auckland</th>
<th>Small</th>
<th>Medium</th>
<th>Large</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teu/quay metre</td>
<td>1,027</td>
<td>275</td>
<td>536</td>
<td>1,344</td>
</tr>
</tbody>
</table>

These figures show that large terminal (defined as continuous quay length of 1,000m or more) have a clear advantage on quay rates. Given that POAL comprises one small and one medium terminal, it is substantially outperforming its peers.

**Return on equity (ROE)**

In May 2011 Credit Suisse produced an equity research report on the initial public offering of HPH Trust. They compared HPH Trust financial data with 22 other peer port companies on their return on equity (ROE). The ROE was estimated by Credit Suisse. Of the 22 companies, 10 had an estimated ROE of 10 percent or higher (eg China Merchant, Cosco Pacific, Shanghai International Port Group, ICTSI). Industry leaders HPH Trust and Dubai Ports World were estimated to have ROE rates of 3.3 and 5.4 respectively.

Virtually none of the ports listed in the Credit Suisse report are comparable with POAL for the following reasons:

**Size**

Companies such as China Merchants and Cosco Pacific operate mostly large ports in China. The Drewry report makes it clear that larger ports have a clear advantage on productivity performance due to economy of scale. Similarly, bigger yard size allows the use of rubber tyre gantries (RTGs), which are much more efficient than the straddle carriers used in Auckland and in much of Europe.

**Product mix**

Companies such as Mundra Port, SEZ and Bintulu Port receive a significant portion of their income (if not the majority) from non-container operations. Therefore, these operations are not comparable with container operations at POAL. Port Service Corporation is heavily involved in the transshipment trade, which also tend to have higher productivity rates.

**Labour rights**

Five of the ten high ROE companies are based in China, while another is based in Oman. Neither of these countries upholds the ILO’s core labour standards of freedom of association and collective bargaining (see sheet 6).

**Activity**

In the plenary, draw up on a chart all the information related to the following questions:

- How could you check for leading questions in port or terminal surveys? How could you as a union respond to or highlight the implications for workers when you identify leading questions in surveys?
- Which criteria are used to measure quality, performance and competitiveness in each of your ports and/or terminals?
- Which ports and/or terminals are used regularly as comparators to your own ports and/or terminals? Why are these ports and/or terminals specifically chosen? Do you know if the same criteria and measurements are applied at these ports and/or terminals?
Notes
Port workers are key stakeholders in ports, both as workers and as members of the community. They have the right to be informed and consulted over changes that will impact them. Port workers have deep expertise about how the industry works, what is currently wrong and how this might be put right.

The impact of port reform on workers and their unions is substantial. It is important that they prepare to meet the challenges. What changes?

Different employers

Privatisation means that the employer changes from being a state enterprise of the national government to a private company. The private company might be global with headquarters in another country. Not only is the employer different, but also the employer has different motives and interests.

Private global operators like the GNTs have a strategy based on business economics. In order to understand the employer’s strategy, unions may have to collect and analyse information from a wider range of sources than previously. The global strategy of employers also means that the global exchange of information between unions sharing the same employer becomes more important.

With privatisation, labour relations and negotiating partners change. For example, while wage bargaining may take place with a private employer, social issues such as reducing unemployment levels cannot as this is not the concern of private companies.

Fragmented employment

Operations are often separated out and taken over by different companies. Workers who were previously covered by a port-wide collective bargaining contract under a union negotiated agreement may now work for a range of private sub-contractors. For unions this means having to negotiate with many companies not a single entity.

Union solidarity can be harder to build when workers are employed by many different employers in the port. Also, when permanent contracts are replaced by temporary, short-term ones, workers are vulnerable to losing their jobs and feel very insecure. They may be scared to make contact with the union.

Union strength

Does your union have a plan or is it prepared to face these changes? Unions need to work hard to maintain their strength and win acceptable terms and conditions. Get a clear picture and understanding of your union and define how to boost its strength.

One way of doing this is through a strengths, weaknesses, opportunities and threats (SWOT) analysis. This is a structured planning method which looks at internal and external factors which have an impact on an organisation. It can help with both strategic planning and decision-making. If you don’t know the method yet, there is a considerable amount of literature and free software available on the internet to assist with the analysis.
Consider the union organisation’s:

- vision and mission;
- internal decision-making structures;
- leadership and management style;
- level of unionisation and membership structure (age, gender, profession, work status);
- collective bargaining coverage (who is covered/excluded by age, gender, profession, work status);
- growth potential and need for growth;
- skills and capacities to analyse, organise, negotiate collectively, communicate, solve conflicts, mobilise;
- communication channels and tools;
- resources;
- national and international allies and strategic partners.

Define which areas need to be improved in order to be fit for the future. Develop strategic plans and work programs with clear objectives and measurable indicators for performance. Consider short (eg 12 months), medium (eg three years) and long-term (eg 10 years).

**Change management in Costa Rica**

The ports of Limon and Moin, Costa Rica, are sites where the union Sintrajap has been safeguarding dock workers’ rights under the pressures of privatisation by the Costa Rican government and APM Terminals. We can learn much from their experience.

In March 2008, Oscar Arias’s government announced plans to privatise the ports in Limón province, putting more than thousand dockers’ jobs at risk. The union questioned the plans. As a result, in January 2010, Arias, along with other ministers and the president of the port administration and development board, Junta Administrativa Portuaria de Desarrollo de la Vertiente Atlántica (JAPDEVA), replaced the legitimate Sintrajap union leadership with a board reportedly to help facilitate the privatisation process.

Antonio Fritz, ITF Americas regional secretary, commented: “It is shameful to see someone who was elected to uphold the constitution of a country lead an organised scheme to violate it. Fortunately the decision of the supreme court and national congress debates show that there are some honest institutions.”

Sintrajap general secretary Ronald Blear affirmed: “We always stated that we were in favour of modernising the port and even submitted a plan with our own resources to maintain state ownership. It is impossible to privatise the ports by violating the law because this is undemocratic.”

Sintrajap carried out a SWOT analysis of the union and examined carefully the situation of their ports and the port industry, also in a regional and global context (see sheet 9). They adopted a strategy and work plans tackling the union’s weak points. Two key changes were introduced:

The union faced a powerful information campaign across some media bringing public opinion against them. In search of getting the union arguments across, Sintrajap left its nut shell port and reached out to new allies and strategic partners in the local and broader community, universities, political parties, NGOs, other unions in the country and beyond. They explored new communication channels like radio programs, advertising spots, social networks and creative public actions. Sintrajap considers this diversified reach out to be the breakthrough to success.

In January 2012 Sintrajap changed from a public company (JAPDEVA) union to an industry one, now able to organise workers from any public or private company operating in the country’s ports. Since then they are consequently organising any worker in the ports and negotiating collective agreements with private companies. The vision is to achieve an industry wide agreement.

The solidarity and support of the ITF and its affiliated unions have been vital to Sintrajap, as it is for many port unions in the process of change.
Building strategic power

Ports are key to organising workers along the supply chain. Paddy Crumlin, ITF president and dockers’ section chair says: “Multinational global network terminals own 50 percent of cargo terminals worldwide. If we do not organise these strategic hubs, we have no chance of organising the whole supply chain. And this should be our ultimate goal.” The goal is channeled into the following two campaigns:

POC campaign

A port of convenience (POC) is a port or terminal where health and safety standards or working conditions are below what’s considered acceptable by ITF and its affiliated unions. The POC campaign focuses on six main themes: competition, privatisation, casualisation, trade union rights, occupational health and safety and job security.

In July 2013, DP World London Gateway was declared to be a port of convenience, and to be a priority target for the POC campaign.

GNT campaign

Within the POC work programme, there is a specific campaign targeted at the activities of the four global network terminal operators (PSA, HPH, DP World, APMT). The aim is to guarantee decent standards at every GNT port and terminal no matter where it is in the world. The campaign also aims for social dialogue with the GNT operators on the global level through a global framework agreements (see sheet 6).

Get involved building strategic power along the supply chain. To contact the GNT campaign team email: gntdockers@itf.org.uk. The team will also be able to put you in touch with the POC co-ordinator in your region.

Activity

Divide into small groups. Discuss the following questions:

• How have changes in ownership and operation of your ports changed who your union negotiates with?
• What changes have you experienced in management style and attitudes towards the union?
• How are changes in employment practices affecting your union’s organisation and strength?
• What does your union need to change in order to be stronger? Explain why and propose measures.

Report to plenary.
The world is changing. That’s nothing new, and ports adjust too. Don’t wait for reforms to be imposed from outside. Be prepared and take the initiative. Have a clear picture of the current situation in your ports. Become aware of the strengths and weaknesses of your ports in a globalised, yet to become sustainable economy. Develop your own proposals with improvements or changes where necessary (see sheet 10).

The groundwork to any proposal is a thorough analysis of your port. The following key questions will help you to examine the current situation.

**Trade**
- What pressures are on your government to liberalise the port industry, and where are these pressures coming from?
- What is the role of your port in global/regional/national trade?
- What goods are coming in/going out, where are they coming from and going to? In what volumes and proportions?
- How have the patterns of trade through your country’s ports been changing? Look separately at each port, and how they relate to each other and to ports in neighboring countries.
- What changes have you experienced in the nature and size of the vessels calling at your ports? Have these changes resulted in greater pressure for modernisation of cargo handling technology, channels and berths of greater capacity, etc?
- How is the freight being transported to and from your ports?

**Ports**
- What legislation is applicable to the ports industry in your country?
- What proposed legislation may directly impact on your ports industry?
- Which government and opposition parties’ policies and policy proposals could have direct impacts on your ports industry? What type of impact would each identified policy or proposed policy have on the ports industry?
- What is the current structure of ownership and management at your ports? Who are the main service providers, such as:
  - terminal operators?
  - tugboat companies?
  - agents?
  - trucking companies delivering or picking up cargo/containers?
- How well are your ports managed? Are there problems of corruption?
- What is the state of technology and what investment is needed, including further skills training for workers?
- What is the state of health and safety at your ports?
• What is the state of environmental issues at your ports? Are there problems with:
  o air quality;
  o energy use;
  o noise;
  o waste management;
  o water quality and use;
  o contamination.

• What is the nature of work organisation in your ports, and how has it been changing? Are gang sizes being reduced? Are workers being asked to work more ‘flexibly’? Look separately at the situation for:
  o terminal workers;
  o maintenance workers;
  o office and clerical workers;
  o supervisory workers;
  o ICT workers;
  o warehouse workers.

**Employment**

• What employment laws apply to your ports?

• What changes in employment patterns are you seeing in your ports in terms of:
  o job numbers;
  o work contracts: permanent/casual/sub-contracted labour;
  o Terms and conditions: wages, benefits, hours of work;
  o equality at work.

• How have these changes affected:
  o terminal workers;
  o maintenance workers;
  o office and clerical workers;
  o supervisory workers;
  o ICT workers;
  o warehouse workers.

**Labour Relations**

• How would you describe the state of labour relations in your ports?

• Have you experienced changes in management style and attitude towards the unions?

• How have changes in your ports affected who your union negotiates with?

• How have changes in your ports affected the ability of the union to recruit and organise? Are workers willing to join the union?

• How many unions are present in the port, and what is the nature of their relationships with your union and the others?

• Which ILO conventions are signed by your country?

• Has your country joined the decent work country programme of the ILO? If so, what are the key elements for port in the decent work agenda for your country?

**Activity**

In small groups, draw up a list of the key areas of complaint among the workforce at your ports. Discuss what you think are the causes of the problems. Discuss how you think these problems could be solved. Report back to plenary.

Discuss what government, private employers and/or the port authorities are saying is wrong with current port operations.

Compare your list with theirs.

**Strengthening union responses to port reform:** An ITF resource pack for port workers’ unions
Develop your port reform proposals

The voice of workers and unions is largely absent from policy debates and reforms taking place in ports. In some cases they are only consulted on specific aspects and only after they have demanded it. Turn the page! Become a competent and proactive stakeholder in your ports. Develop your own vision and reform proposals.

Unions are in a unique position. They have members throughout the industry. They can draw on their expertise and knowledge. Workers can provide details about what is wrong in their ports and useful ideas about how to put it right. Much useful analysis can be done just by using common sense, conducting some basic research, and consulting the workforce.

If there is no dedicated research capacity within your union, it may be possible to draw on expertise from elsewhere – for example, sympathetic academics or labour resource and research NGOs, other unions in your country or the region, and the ITF.

Sources of information

What are useful sources of information to understand and develop port reform proposals? Consider:

- business press and media;
- industry press and media;
- academic research;
- World Bank: www.worldbank.org/transport;
- International CSR and ethical accountability tools (sheet 6);
- Port employers’ federations, notably the International Association of Ports and Harbours (IAPH: www.iaphworldports.org); for Europe: Feport (www.feport.be) and ESPO (www.espo.be);
- Global network terminals (company websites and publications);
- Port authorities, including their libraries;
- other trade unions with experience of industry reform/privatisation;
- ITF information centre and ITF dockers’ section documents (http://www.itfglobal.org);

Analyse a reform proposal

Be watchful of signs of change and get hold of port reform plans as early as possible. Analyse them by using the following key questions:

Arguments

What are the arguments being used in favour of port reform?

What are the government’s proposals for reform of your ports? Consider:

- the type of reform that is being proposed, eg the model of privatisation (sheet 2);
- whether there are different proposals for different ports, and if so, what this means for a the national ports system; for example, is a more modern and profitable port such as a container terminal being split off and ‘cherry-picked’ for privatisation? Will other ports left in the state sector then become non-viable?
Impact

What is the likely impact of these proposals on:

- ownership and management structure;
- public oversight;
- management style and competence;
- investment in upgrading superstructure and infrastructure;
- investment in the workforce: skills and training for port workers;
- links to other transport modes, and development of logistics;
- work organisation;
- employment in the ports: number of jobs, permanent/casual contracts, hours of work, other terms and conditions;
- standards of health and safety;
- environmental standards;
- local community;
- unions and collective bargaining

Stakeholders

Who is promoting these proposals? Consider the role and opinions of:

- external consultants;
- international financial institutions such as the World Bank and IMF;
- different government departments, particularly those responsible for privatisation, transport, trade and industry, labour;
- private companies active in ports such as global network operators;
- your port authority/management.

Think about what is the same and what is different in their arguments.

Reform proposals from unions

The following elements should be in any union’s proposal:

- an assessment of the current maritime trade through your ports, cargo handling and other operations, and employment patterns (building on sheet 9);
- an assessment of the major bottlenecks and weaknesses in port services; including all the areas of operation of the ports; infrastructure such as channels, breakwaters and quays, communication systems, cargo handling facilities, warehousing and other storage facilities, etc; services such as nautical control and maintenance, pilotage, towage, mooring, bunkering, shipyard and repair facilities, crane maintenance; and general services such as fire, police and medical services;
- proposals for where investment needs to be targeted, especially to upgrade technology, environmental and safety standards, to better train the workforce, and to improve management competence, including rooting out corruption;
- strong arguments for decent work standards; for example, adequate staffing levels, permanent employment status, decent wages, hours and benefits;
- proposals to avoid job losses; if job losses occur demand job creation schemes and social support for any workers made redundant;
- recommendations for public oversight, identifying where it is essential for the state to maintain its supervisory role; and what are the best mechanisms are to do this;
- recommendations for on-going union consultation about any reform proposals.

Activity

Divide into small groups. Each group should discuss one set of questions. For example, Group 1 should discuss what arguments are being used in favour of port reform. Group 2 should discuss what proposals the government is making. Group 3 should discuss the likely impact of these proposals. Group 4 should discuss who is promoting port reform. Each group should then report to the plenary.

Identify where there are gaps in your information and discuss how you can collect the information which you need.

Strengthening union responses to port reform: An ITF resource pack for port workers’ unions
Governments are much more likely to listen to unions if port workers and their supporters are mobilised. What are the best ways to raise awareness and generate such a campaign?

Throughout your union

An effective campaign can help keep the union alive and strong. It can be a chance to revitalise your union’s organisation, reactivate existing members, bring new members in, organise unorganised workers – particularly casual and contract workers – and find new allies.

If port workers have been part of developing the union’s proposal on reform (see sheet 10), they are much more likely to campaign in support of the proposal. Workers also need to be part of developing appropriate forms of action. For this reason, it is important to involve rank-and-file activists in developing the campaign right from the start. Holding campaign training sessions and inviting other unions and groups who have experience in campaigning to share their experiences can also help build your campaign.

Campaign activities

For a campaign to be effective, the union needs a good plan. The campaign focus, target audiences, potential allies, activities and the human and material resources available should all be clearly defined.

Targets

In the case of port reform, direct targets for the campaign are:

- the government: it may be worthwhile approaching several government departments differently, according to their various positions in the debate;
- the employer: a private port company or a state-owned port authority;
- international financial institutions which are bringing pressure on the government;
- international organisations monitoring CSR and ethical standards (see sheet 6);
- private consultants involved in drawing up port reform plans;
- any company providing sub-standard labour terms and conditions, including sub-contractors and temporary work agencies.

Pressure can also be brought on private companies through their:

- customers or service users;
- suppliers;
- competitors;
- banks/lenders;
- shareholders;
- pension fund holders;
- the mass media.
Allies

The campaign plan should identify potential allies and possible coalitions. They may include:

- other port workers’ and transport unions; where there are several unions in ports, build an alliance to put forward common demands;
- ITF inspectors in ports, ITF national co-ordinating committees, and a network of port union in other countries could be used for communication and co-ordination;
- seafarers visiting ports;
- truckers, railway workers, other services (fire, medical etc) at your ports;
- other unions with experience of privatisation;
- community-based organisations and environmental groups, including those which have campaigned against IMF and World Bank structural adjustment programmes;
- politicians;
- the mass media: it is very important to educate the public on the justice and feasibility of your case;
- union-friendly lawyers and academics.

Tactics

These can include petitions, leafleting, exhibitions and mobile displays, radio programs, workplace demonstrations, mass rallies, marches, blockades, occupations, boycotts, work stoppages, as well as lobbying and meetings with government and management. Appropriate tactics depend on local circumstances, your union’s traditions and experiences, and the legal limitations. Use your union media – magazine, leaflets, posters, website, blogs – to promote your campaign.

The more creative and innovative you are in your action and communiques, the more attention and audience you will attract for your message. For more ideas on strategic campaigns, refer to the ITF strategic campaigns manual.

Activity

Divide into small groups. Each group should prepare a campaign plan for the union. In drawing up your plan, consider these issues:

- What is your campaign goal? Is it realistic and achievable?
- How can you involve your members in both developing your reform proposals and supporting the campaign?
- How can you use the campaign to strengthen your union organisation?
- Who are your key targets?
- Who are your key allies?
- Which campaign activities and tactics are most appropriate in your situation?

Report to the plenary.

Strengthening union responses to port reform: An ITF resource pack for port workers’ unions
Unions at the bargaining table

How can you secure union involvement in negotiations about proposed port reforms?
How can you become an active stakeholder in the reform implementation process?
How can you maximise the possibility that the union position is not only heard but prevails? Once port reform is finalised, what comes next for the union?

Hopefully by now you are:

- Armed with your counter-proposals for port restructuring
- Backed by a strong campaign at home
- Linked into ITF structure of global solidarity

The next step is to remind yourselves who are the key players:

- employers/port authorities;
- various governmental departments;
- international consultants hired by government;
- international financial institutions such as the IMF and World Bank;
- ship liners and ship owners;
- Global network terminals (GNTs);
- local and broader communities;

Relationships and allies

These key players will not all share the same position on port reform because they all have different interests. Focus on each of the key players specific interests and analyse them. Assess where there are both common and divergent interests from those of the union.

What is your union’s relationship to each of the key players? How are they likely to respond to your union’s proposal? Try to anticipate their arguments, and prepare your responses. Who among them might be allies for your interests? Build networks and encourage coordinated collective action.

Some private companies have a public image or status in institutions such as the ILO which they wish to preserve. Some have corporate social responsibility policies or statements against which they can be held accountable. Analyse and monitor their behavior against their own policies and compliance with international norms and ethical standards (see sheet 6). Take them by their word, and remind them, where necessarily publicly, of their commitments.

Democratically elected politicians may fear being voted out at the next elections.

Some port authority managers may be opposed to privatisation. They might fear that they will be pushed aside by an incoming private company and angry if their own skills and expertise are not being recognised. Some private consultants may be technical experts concerned to provide a professional service; some may consider that parts of the proposed port reform proposals are ill-conceived and unlikely to lead to better functioning operations. Such experts may be open to well-argued proposals coming from the unions.

Port reform task force

It is likely that your union will have to bring strong political pressure on your government about your right to represent the interests of workers in port restructuring. The World Bank suggests that a port labour reform...
task force is set up which includes port labour representatives. These representatives should come from democratically-elected unions. The voice of labour should not just be politely listened to but acted upon. Also the task force should not be limited to a narrow set of labour issues. Union representatives on such task forces should aim to introduce decent work standards into consultation processes and decent work clauses into concession and bargaining agreements.

**Activity**

Divide into small groups. Each group should discuss the following questions:

- What are the best ways to establish your union’s right to negotiate on port reform proposals?
- Has your government set up a port reform task force? Does it include port labour representatives?
- If not, how will you secure your union’s place in the port reform task force or even secure the establishment of a port reform task force?
- How will you ensure that your participation is not limited to narrow labour issues such as workforce ‘rationalisation’?
- Which members of the port reform task force might be potential allies, and on which issues?
- How will you integrate your participation in such a task force with the wider campaign that you have built? (see sheet 11).

Report to plenary.
Strengthening union responses to port reform
An ITF resource pack for port workers’ unions

About this resource pack
This resource pack aims to strengthen unions’ abilities to anticipate and tackle port reform. It is structured to take unions step-by-step towards developing a strong and focused strategy. It provides information to help evaluate management’s port reforms and to develop union alternatives which are supported by organising, campaigning and bargaining collectively.

These materials are for:
• Collective bargaining teams and negotiators
• Union educators and trainers
• Shop stewards and worker activists

There are twelve factsheets. Each sheet contains a group activity. Case studies illustrate topics. By going through in order, answering these questions, your union should be able to analyse the current situation, develop your proposal and build a strong campaign. If you do not have time or resources to go through the entire pack, it is also possible to identify sheets which are relevant to your particular situation.

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