National Retail Federation®
The Voice of Retail Worldwide

July 16, 2012

Mr. Harold Daggett
President
International Longshoremen's Association
5000 West Side Ave.
North Bergen, NJ 07047

Mr. James Capo
Chairman and CEO
United States Maritime Alliance, Ltd.
485C US Highway 1 South
Iselin, NJ 08830

Dear Mr. Daggett and Mr. Capo:

On behalf of the National Retail Federation (NRF) and the millions of employees we represent, I am writing to you to urge both parties to continue with your contract negotiations without any kind of disruptions to the supply chain. We know there are tough issues that need to be negotiated during this contract negotiation. We urge you to recognize, however, that a failure to reach agreement and compromise could seriously harm the U.S. economy.

We ask that you continue the negotiations without delay, and without impacting commerce moving through the ports. We would further ask that you issue a statement committing to continue negotiating and working without interruption, even if negotiations extend beyond the September 30th contract expiration.

The July 18th round of negotiations comes at a critical time as retailers are in the process of making final decisions on whether to divert cargo from the East and Gulf Coast ports in order to avoid potential disruptions. Any kind of disruption at the ports would not only add costly delays to our members' supply chains and other industries relying on East and Gulf Coast maritime facilities, but potentially further threaten the fragile economic recovery as we enter the peak shipping season. It is important to note that even the *perceived* risk of a disruption has already forced retailers and other shippers to reevaluate their use of East and Gulf Coast ports. Cargo shifts to other ports may likely happen even if a disruption never occurs simply due to the escalation of risk.

As the world's largest retail trade association and the voice of retail worldwide, NRF represents retailers of all types and sizes from the United States and more than 45 countries abroad including department stores, specialty, apparel, discount, online, independent, grocery and chain restaurants, among others. Retailers operate more than 3.5 million U.S. establishments that support one in four U.S. jobs – 42 million working Americans. Contributing $2.5 trillion to annual GDP, retail is a daily barometer for the nation's economy.

NRF's members rely on efficient and productive ports as a key factor in their supply chains to ensure that products reach store shelves quickly and safely for U.S. consumers. Retailers choose a mix of maritime gateways that offer both fast and reliable services. Many of our members are already using East and Gulf Coast facilities for trade from Europe, and for Asian cargo coming through the Suez and Panama canals. Other members are currently investigating routing cargo through these ports, especially in light of the upcoming expansion of the Panama Canal.

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Having a secure longshore labor contract in place is a necessary factor for shippers when deciding to make strategic long term supply chain investments in a port region. We fear that a lengthy and contentious contract negotiation could jeopardize the ability for the East and Gulf Coast ports to benefit from growing freight volumes. A disruption would also be disastrous for retailers who are already using East and Gulf Coast ports, and would undoubtedly force many to reevaluate their supply chains and the use of these ports.

As you recall, the East and Gulf Coast ports enjoyed an increase in cargo volumes in 2002 as a result of the longshore contract dispute on the West Coast. Much of this cargo remains routed via the East and Gulf Coast. In addition, the prolonged disruption and lockout on the West Coast had a significant impact on the U.S. economy. Some have estimated this disruption cost the U.S. economy several billion dollars a day – affecting U.S. manufacturing, retailing, agriculture and many other key industries. Retailers could not get their products to market resulting in lost sales or immediate mark downs, manufacturers relying on imported components were forced to shut down assembly lines, and agricultural exports destined for foreign markets ended up rotting on the docks.

For these reasons, we urge you to quickly agree on a framework for a new contract and commit yourselves to having a contract ratified well before the current contract's September 30 expiration date. Both parties must recognize their joint interests in leveraging the unique position the East and Gulf Coast ports will enjoy as a result of the Panama Canal expansion and increased cargo from India and Central Asia that comes through the Suez Canal as well as a continued revitalization of the U.S. economy.

These negotiations are important to all of the import and export industries who rely on these ports to move the nation's commerce. We believe you can reach an agreement that will ensure the continued success and competitiveness of these ports for the foreseeable future. If you have any questions, please contact Jonathan Gold, NRF's Vice President, Supply Chain and Customs Policy at (202) 626-8193. Thank you for your consideration.

Sincerely,

Matthew Shay
President and CEO
National Retail Federation