



PORTS: Longshoremen Wield Hefty Collective Bargaining Power

Recent labor negotiations involving ports on the Gulf and East coasts—including the Port of Houston—underscored the bargaining strength of longshoremen, the workers responsible for loading and unloading ships.

Containerized cargoes were a key point of the talks. Container royalty payments began in the 1960s to compensate longshoremen for jobs lost with the introduction of cargoes shipped in steel boxes, rather than in bulk. The containers are transferred from ship to shore with cranes instead of longshoremen’s labor. The International Longshoremen’s Association union captured some of the benefits of the more efficient system with the royalty, a container charge that workers will largely retain under a new agreement.

The United States Maritime Alliance had argued that the royalty has grown beyond its original purpose and effectively serves as a “bonus” averaging \$15,500 annually for these workers, whose typical \$50 hourly pay is itself more than twice the average wage of all union workers.

Pay and benefits for longshoremen have historically been high, reflecting negotiating clout that comes with the ability to halt the valuable flow of cargo through the nation’s ports. International trade is equivalent to about 25 percent of the nation’s gross domestic product. Texas sea ports handle 19 percent of total U.S. port tonnage.

—Melissa LoPalo



INSURANCE: Weather Pushes Texas to Highest Homeowners’ Premiums

Homeowners’ insurance rates have been higher in Texas than elsewhere in the United States for most of the past 10 years, according to recent data from the National Association of Insurance Commissioners. The most commonly issued policy cost \$1,560 in Texas in 2010, 72 percent more than the national average of \$909.

High premiums in Texas appear odd because home values and, therefore, the amount insured are relatively lower in Texas than in the U.S. Nearly 40 percent of homes are insured for less than \$150,000, compared with just over 20 percent nationwide, a 2012 Texas Department of Insurance study found.

Possible explanations for the comparatively high rates include the state regulatory framework, the average loss per policy and the exposure to catastrophes in Texas, according to the study. The study attributed much of the Texas differential to high average losses per policy due to the wide variety of weather-related catastrophes possible. Tornadoes, hail and hurricanes together leave insurers in Texas with long-term average losses per insurance policy that exceed the average premium in the U.S.

Within Texas, the highest insurance rates are along the hurricane-prone Gulf Coast. Florida experienced higher rates than Texas in 2007 following a record 2005 hurricane season.

—Christina Daly



SHALE OIL: Eagle Ford Likely to Overtake North Dakota’s Bakken

South Texas’ Eagle Ford shale is expected to surpass North Dakota’s Bakken shale in oil production this quarter. The Eagle Ford, with production estimated at 419,000 barrels per day in December 2012 by the Texas Railroad Commission, is quickly closing in on the Bakken, which produced 704,000 barrels per day in December, according to the North Dakota Department of Mineral Resources.

The Eagle Ford and Bakken shale formations differ slightly. The Eagle Ford is 50 miles wide and 250 feet thick on average, at a depth of 4,000 to 12,000 feet, according to the commission. The Bakken, which extends into Montana and Canada, is 150 feet thick at a depth of 3,100 to 11,000 feet. Technically recoverable oil resources as of Jan. 1, 2009, were 3 billion barrels for the Eagle Ford and 4 billion barrels for the Bakken, according to the U.S. Energy Information Administration.

Production costs also vary between the two. Eagle Ford producers need \$50 per barrel to break even; for the Bakken, it’s \$44. Eagle Ford and Bakken production are expected to increase, though the additional Bakken output will likely require rail transport at \$3 to \$5 per barrel over the cost of shipment via pipeline, creating a disincentive to expand at Bakken, the International Energy Agency said.

—Amy Jordan