



June 16, 2011

Mr. William (Mike) McGrattan  
NAVFAC-SE, IPTGC  
Naval Facilities Engineering Command Southeast  
P. O Box 30  
Jacksonville, Florida 32212-0030  
*Sent via electronic mail to William.mcgrattan@navy.mil*

**RE: Comments on Potential Use of Project Labor Agreements at B603 Saufley Field, Naval Air Station, Pensacola, Florida, Solicitation Number: N69450-11-R-0762**

Dear Mr. McGrattan:

The Associated General Contractors of America (AGCA) thanks you for soliciting input from the construction community regarding the potential use of project labor agreements (PLAs) on the Naval Facilities Engineering Command Southeast's project to renovate B-603 at Saufley Field Naval Air Station (NAS) in Pensacola, Florida. We provide the following comments in response to the questions presented in your solicitation.

- a. Should PLA's be executed on selected large dollar contracts within the Naval Air Station (NAS) Pensacola, Florida, area? What other factors should NAVFAC-SE consider before deciding to include PLA provisions in a NAVFAC-SE contract? What type of project should or should not be considered for the utilization of a PLA?**

Whether or not PLAs should be executed on any contracts within the NAS area should be left to the discretion of the contractors awarded the contracts, as determined on a project-by-project basis. AGCA neither supports nor opposes contractors' voluntary use of PLAs within the NAS area (or elsewhere) but strongly opposes any *government mandate* for contractors' use of PLAs there (and elsewhere). AGCA is committed to free and open competition for publicly funded work, and believes that the lawful labor relations policies and practices of private construction contractors should not be a factor in a government agency's selection process. AGCA believes that neither a public owner nor its representative should compel any firm to change its lawful labor policies or practices to compete for or perform public work, which PLAs effectively do. AGCA also believes that government mandates for PLAs can restrain competition, drive up costs, cause delays, lead to jobsite disputes, and disrupt local collective bargaining. If a PLA would benefit the construction of a particular project, the construction contractors otherwise qualified to perform the work would be the first to recognize that fact, and they would also be the most qualified to negotiate such an agreement. Accordingly, AGCA urges NAVFAC-SE to refrain from imposing any PLA mandates on any of its construction contractors and to defer to the contractor's judgment as to whether a PLA is appropriate for a given project. This principle applies across all types of projects.

- b. Is the use of PLAs effective in achieving economy and efficiency in Federal procurement? What is the estimated relative cost impact, or any other economies or efficiencies derived by the Federal Government, if using PLAs? Will a PLA impact the cost of submitting an offer?**

AGCA is unaware of any reliable study establishing that mandates for PLAs have consistently lowered the cost, increased the efficiency, or improved the quality of construction of public projects. While case studies have had varying results, research regarding the impact of PLA use on the economy or efficiency of projects in general is inconclusive. In a 1998 study by the agency then called the Government Accounting Office, the agency reported that it could not document the alleged benefits of past mandates for PLAs on federal projects and that it doubted such benefits could ever be documented due to the difficulty of finding projects similar enough to compare and the difficulty of conclusively demonstrating that performance differences were due to the PLA versus other factors. (U.S. Government Accounting Office, *Project Labor Agreements: The Extent of Their Use and Related Information*, GAO/GGD-98-82.) The Congressional Research Service reached the same conclusion in a report issued last year. (U.S. Congressional Research Service Report R41310, *Project Labor Agreements*, by Gerald Mayer.)

That said, AGCA points out that *government mandates* for PLAs – even when open to all contractors on their face – can have the effect of limiting the number of competitors on a project, increasing costs to the government and, ultimately, the taxpayers. This is because government mandates for PLAs typically require contractors to make fundamental, often costly changes in the way they do business. For example:

- PLAs typically limit open-shop contractors' rights to use their current employees to perform work covered by the agreement. Such PLAs usually permit open shop contractors to use only a small "core" of their current craft workers, while the remaining workers needed on the job must be referred from the appropriate union hiring hall. While such hiring halls are legally required to treat union nonmembers in a nondiscriminatory manner, they may, and typically do, maintain referral procedures and priority standards that operate to the disadvantage of nonmembers.
- PLAs frequently require contractors to change the way they would otherwise assign workers, requiring the contractors to make sharp distinctions between and among each of the construction crafts based on union jurisdictional boundaries. This imposes significant complications and inefficiencies for open-shop contractors, which typically employ workers competent in more than one skill and perform tasks that cross such boundaries. It can also burden union contractors by requiring them to hire workers from the hiring halls of different unions from their norm and to assign work differently from their norm.
- PLAs typically require open-shop contractors to make contributions to union-sponsored fringe benefit funds from which their regular employees will never receive benefits due to time-based vesting and qualification requirements. To continue providing benefits for such employees, such contractors must contribute to both the union benefit funds and to their own benefit plans. This "double contribution" effect significantly increases costs.

Such changes are impractical for many potential contractors and subcontractors, particularly those not historically signatory to collective bargaining agreements (CBAs). This describes the vast majority of construction firms that normally work in the NAS area, not to mention the large majority of construction firms across the country. Data from the Bureau of Labor Statistics (BLS) and the Current Population Survey (CPS) evidence that the vast majority of construction in the U.S. in general, and in the NAS area in particular, is performed on an open-shop basis. According to BLS, union representation in the U.S. construction industry dropped another 5.6 percent in 2010, to a level of just 13.7 percent. In the State of Florida, the percentage is significantly smaller: according to the Union Membership and Coverage Database, which provides estimates of labor data based on CPS statistics, only 2.6 percent of Florida construction workers were union members in 2010, and only 2.9

percent were covered by a CBA. Industry-specific data for the NAS area are not readily attainable, but local union representation across industries is similar to the state's industry data: only 3.9 percent of workers in the private sector in the Pensacola-Ferry Pass-Brent, Florida, metropolitan area were union members in 2010, and only 4.6 percent were covered by a CBA. (Barry T. Hirsch and David A. Macpherson. 2011. Union Membership and Coverage Database from the CPS. In *Unionstats.com*. Retrieved June 16, 2011, from <http://unionstats.gsu.edu/>.) Consequently, AGCA believes that PLA mandates in the area would likely harm economy and efficiency in federal procurement by both hindering competition and raising project costs.

Another way that government mandates for PLAs can drive up costs and create inefficiencies is related to who negotiates the PLA terms and when the PLA must be submitted to the agency. With regard to who negotiates the PLA, the Federal Acquisition Regulation implementing Executive Order 13502 (FAR Rule) allows (but does not require or even encourage) agencies to include in the contract solicitation specific PLA terms and conditions and to require the contractors to become a party to a PLA containing those terms and conditions. Exercising that option, though, can lead to added costs, particularly when the agency representatives selecting the PLA terms lack sufficient experience and expertise in construction-industry collective bargaining. AGCA strongly believes that, if a PLA is to be used, its terms and conditions should be negotiated by the employers that will employ workers covered by the agreement and the labor organizations representing workers covered by the agreement, since those are the parties that form the basis for the employer-employee relationship, that have a vested interest in forging a stable employment relationship and ensuring that the project is completed in an economic and efficient manner, that are authorized to enter into such an agreement under the National Labor Relations Act (NLRA), and that typically have the appropriate experience and expertise to conduct such negotiations. Under no circumstances should a contracting agency require contractors to adopt a PLA that was unilaterally written by a labor organization or negotiated by the agency or by a contractor (or group of contractors) not employing covered workers on the project.

With regard to timing of PLA negotiation and submission, the FAR Rule provides agencies with three options. The agency may require submission of an executed PLA: (1) when offers are due, by all offerors; (2) prior to award, by only the apparent successful offeror; or (3) after award, by only the successful offeror. Since issuance of the rule, some agencies have exercised the option to require all offerors on a particular project to negotiate a PLA with one or more unspecified labor organizations and to submit an executed PLA with their bids. This practice is highly inefficient and unduly wasteful of both the bidders' and labor organizations' time and resources, not to mention that of the agencies that must review all of the proposals. Furthermore, many contractors interested in submitting an offer – particularly where construction in the project area or of the project type are typically performed by open-shop contractors – have no familiarity with the labor organizations there and have no idea of whom to contact for the required negotiations. In these ways, the PLA mandate is likely to deter many qualified contractors from bidding on the project.

Moreover, the contractors in such a situation cannot control whether they are able to fulfill the negotiations obligation because they have no means to require the labor organizations to negotiate with them. Even if the prospective offeror is able to identify representatives of appropriate labor organizations and attempts to contact them to request negotiations for a PLA, the contractor has no recourse if the labor representatives fail to respond or refuse to negotiate. Absent an established collective bargaining relationship with the contractor under Section 9(a) of the NLRA, unions have no legal obligation to negotiate with any particular contractor and have no legal obligation to negotiate in a good-faith, nondiscriminatory, and timely manner. Thus, requiring offerors to negotiate with another party – a party with which the offeror has no authority to compel negotiations – effectively grants the other party (i.e., labor organizations here) the power to prevent certain contractors from submitting an acceptable offer. Such a requirement not only enables the labor organizations to

determine which contractors can submit an offer (by picking and choosing with which contractors they will negotiate), it also enables them to determine which contractors will submit an attractive offer (by giving a better deal to one contractor over another). Such a requirement contravenes the EO's directive that mandatory PLAs "allow all contractors and subcontractors to compete for contracts and subcontracts without regard to whether they are otherwise parties to collective bargaining agreements" as well as its objective of advancing economy and efficiency in federal procurement.

On the other hand, if the agency requires only the apparent successful bidder to execute a PLA after offers have been considered, or if it requires only the successful bidder to execute a PLA after the contract has been awarded, then cost terms may be too uncertain at the time that offers are considered to elicit reliable proposals. Also, these options again create a serious risk of granting labor organizations excessive bargaining leverage. The agency could be putting the contractor in the untenable position of having to give labor organizations literally anything they may demand or lose the contract. Parties involved in collective bargaining should never be required to reach an agreement but should be required only to engage in good-faith bargaining to impasse, consistent with the mandates of the NLRA.

Finally, yet another cost that can result from government mandates for PLAs is the high cost of litigation, as such mandates have frequently led to litigation, which is expensive in itself and can lead to costly delays. In its 1993 decision in the Boston Harbor case (*Building & Construction Trades Council v. Associated Builders & Contractors*, 113 S. Ct. 1190), the U.S. Supreme Court held that the NLRA does not preclude a state agency from including a PLA requirement in the bid specification for a public project when the agency is acting in a proprietary rather than a regulatory capacity. While the decision is often cited by proponents of government-mandated PLAs as establishing unqualified legal authority for government-mandated PLAs, it did not do so. Rather, the decision left many federal and nonfederal legal issues open to challenge in any given case involving a government-mandated PLA, including, but not necessarily limited to, the following:

- Whether the PLA mandate violates the construction industry provisions of the NLRA permitting only employers "engaged primarily in the building and construction industry" to enter into pre-hire CBAs;
- Whether the PLA mandate is preempted by the NLRA because the government was acting in a regulatory rather than proprietary manner;
- Whether the government-mandated PLA has a disproportionately adverse impact on minority and women business enterprises in violation of Title VI of the 1964 Civil Rights Act, or its state or local counterparts;
- Whether the government-mandated PLA contains provisions requiring contributions to fringe benefit plans or participation in apprenticeship programs in violation of the Employee Retirement Income Security Act (ERISA);
- Whether the PLA mandate violates the Competition in Contracting Act, Armed Services Procurement Act, Small Business Act, Federal Acquisition Regulation, or other federal procurement laws; and
- Whether the PLA mandate violates applicable state or local competitive bidding laws.

To avoid such legal challenges, and the cost and delay risks that they would entail, AGCA again recommends that NAVFAC-SE refrain from mandating the use of a PLA on any project and instead leave to contractors the option of using PLAs on a voluntary basis.

**c. Is the use of PLAs effective in producing labor-management stability? Have labor disputes or other labor issues contributed to project delays in the local area?**

PLAs can advance labor-management stability in certain situations where there is a significant risk of union jurisdictional disputes or work stoppages by establishing uniform work rules, dispute-resolution mechanisms, and no-strike provisions. However, such risks are typically absent where work is normally performed open shop. As a matter of historical fact, work disruptions like strikes, lockouts, and jurisdictional disputes rarely occur on projects that are not performed under CBAs. The vast majority of construction work in the NAS area is performed on an open-shop basis, as noted above, and AGCA is unaware of any significant project delays resulting from labor disputes in the area in recent years. Rather, the area seems to enjoy a considerable level of labor-management stability.

AGCA further points out that job disruptions can occur even in the presence of a PLA with guarantees against strikes, lockouts, and the like. AGCA is aware of several incidents of work stoppages impeding the progress of projects covered by a PLA containing a no-strike provision. In some cases, the PLA-covered workers directly violated the provision. One example is the wildcat strike staged by the Carpenters union at the \$2.4-billion San Francisco International Airport expansion project in 1999. In other cases, the PLA-covered workers honored the provision, but the project was hindered by strikes at related facilities or at unrelated worksites in the area. This happened just last year, when three major Illinois Tollway projects covered by PLAs were nearly brought to a halt because contractors could not obtain needed materials and equipment, as drivers honored picket lines outside asphalt plants, concrete-mix facilities, and quarries as part of an area-wide strike.

Accordingly, AGCA cannot see how a PLA mandate would advance labor-management stability in the NAS area. Again, if a PLA is needed on the NAS project, the general contractor awarded the contract would be the first to know that and to execute on a voluntary basis.

**d. Is the use of PLAs conducive to ensuring compliance with laws and regulations governing safety and health, equal employment opportunity, labor and employment standards and other relevant matters? Are there instances where these standards have not been met on Federal contracts in the local area? Were PLAs used for those specific contracts?**

It is unclear to AGCA how a PLA mandate would advance compliance with laws and regulations governing safety and health, equal employment opportunity, labor and employment standards, labor and employment laws – in the NAS area or elsewhere. Contractors are subject to those laws, to the jurisdiction of federal agencies enforcing those laws, and to the legal penalties for noncompliance with those laws regardless of any labor contract. AGCA questions what elements of a PLA might be superior to the compliance assistance, administration, and enforcement already provided by the Department of Labor's Occupational Safety and Health Administration, Wage and Hour Division, Office of Labor-Management Standards, and Office of Federal Contract Compliance Programs, or by the Equal Employment Opportunity Commission, National Labor Relations Board, and other agencies specifically tasked with advancing and enforcing compliance with labor and employment laws. AGCA is also unaware of any evidence of rampant employer violations of employment laws within the NAS area and suggests that, if any exists, then it is the responsibility of the appropriate government enforcement agencies to curb that misconduct.

**e. Projects will require multiple construction contractors and/or subcontractors employing workers in multiple crafts or trades. Do you foresee any work on projects that may result in**

**both the prime contractor and at least one subcontractor or two or more subcontractors employing the same trade?**

This is matter best assessed by the prime contractors on a project-by-project basis.

**f. Are there concerns by prime contractors on the availability of skilled construction labor? Information may reference current apprenticeship statistics and workforce age demographics.**

The U.S. construction industry fell into recession a year and a half before the overall economy and still has not emerged from it. Over 2 million workers lost their jobs between April 2006 and January 2011, when employment in the U.S. construction industry dropped by 29 percent. The industry's unemployment rate in February 2011 was 21.8 percent (not seasonally adjusted) – the highest of any industry and more than double the all-industry rate. In Florida, job losses have been particularly staggering. According to the Bureau of Labor Statistics, Florida construction employment dropped by 354,300 jobs between peak employment of 687,200 in June 2006 and the recent measurement of 332,900 jobs in March 2011 – a plummet of 52 percent. In the past year alone, from April 2010 to April 2011, construction employment in the state fell by 5.8 percent (seasonally adjusted). In the Pensacola-Ferry Pass-Brent, Florida, area, employment in the construction, mining, and logging industries fell by 3 percent between April 2010 and 2011. AGCA, therefore, believes that skilled construction labor is likely to be readily available for upcoming NAVFAC-SE projects in the NAS area.

**g. Completion of anticipated projects will require extensive performance periods. Will a PLA impact the completion time? What is the anticipated volatility in the labor market for the trades required for the execution of the project? Would a PLA benefit a project which contains a unique and compelling mission-critical schedule?**

As discussed in the answer to question (b) above, AGCA is unaware of any reliable evidence that government-mandated PLAs generally enhance the efficiency of a project. This includes helping the project to stay on schedule. The determination of whether use of a PLA would benefit a particular project should be made by the prime contractor on the project, who is best able to assess the conditions and circumstances specific to that project.

An assessment of the volatility in the labor market for the trades required for the NAS project is best made by the contractor based on the local conditions present at the time that performance on the project is to commence.

**h. Where have PLAs been used on comparable projects undertaken by Federal, State, Municipal or private entities in the NAS Pensacola, FL, area?**

AGCA is not aware of any use of PLAs in the Pensacola, Florida, area.

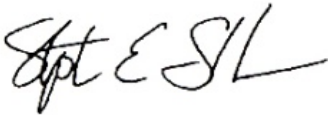
**i. Will the use of PLAs impact the ability of potential offerors and/or subcontractors to meet the Small Business utilization goals?**

For the reasons described in the answer to question (b) above, government mandates for PLAs often have the effect of deterring many potential offerors from bidding on a project, particularly in strong open-shop areas like the NAS area. Because small businesses are likely the least able to make the changes and to incur any added costs presented by the government-mandated PLA, a PLA mandate would likely impair the fulfillment of small-business utilization goals.

In summary, AGCA continues to oppose government mandates for PLAs on federal construction projects and urges you to refrain from imposing such mandates on any NAVFAC-SE construction projects within the NAS area. For the reasons discussed above, NAVFAC-SE should allow its contractors – the parties that have experience in construction labor relations and that would be directly governed by a PLA – to decide whether a PLA is appropriate for a particular project and to execute one voluntarily should they deem it appropriate.

We appreciate the opportunity to share our insights with NAVFAC-SE and to help advance our common goals of fair competition and of economic and efficient performance of publicly funded construction projects. If you would like to discuss this matter with us further, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Sgt E SL". The signature is fluid and cursive, with the "Sgt" and "SL" being the most prominent parts.

Stephen E. Sandherr  
CEO

cc: Captain John J. Heinzl, Civil Engineer Corps, United States Navy  
Mr. Robert M. Griffin, Jr., Assistant Commander for Acquisition, NAVFAC  
Ms. Michelle Anaya DePotter, AGC Florida East Coast Chapter  
Ms. Dawn Conger, AGC Greater Florida Chapter  
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