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**AGC of America**  
THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

**Quality People. Quality Projects.**



January 23, 2015

General Services Administration  
Attn: Kimberly DeSant (Code: 3PQCK)  
20 North 8th Street  
Philadelphia, PA 19107  
*Sent via email to kim.desant@gsa.gov*

**RE: New Training Center in Virginia; Solicitation No.: GS-03P-15-AZ-C-0006**

Dear Ms. DeSant,

On behalf of The Associated General Contractors of America (“AGC”), I write you to express deep concern about the General Services Administration Mid-Atlantic Region’s (“GSA”) consideration of project labor agreements (“PLAs”) as an evaluation factor in choosing a contractor for the construction of a new Training Center located in Virginia (“Training Center Project”). AGC strongly urges you to remove the preferential treatment of proposals that incorporate a PLA. Additionally, pursuant to the Freedom of Information Act and in accordance with President Obama’s January 21, 2009, memorandum on Transparency and Open Government, AGC also requests information about GSA’s determination to consider PLAs as a selection factor for this project.

### **Background on AGC and AGC’s Policy on PLAs**

AGC is the leading association for the construction industry. Founded in 1918, AGC represents more than 25,000 firms, including over 6,500 of America’s leading general contractors, and over 8,800 specialty-contracting firms and more than 10,400 service providers and suppliers working in the federal, building, highway, heavy, industrial, municipal utility, and virtually all other sectors of the commercial construction industry. AGC proudly represents both union and open-shop companies. AGC is also proud of its long history of partnering with GSA.

AGC neither supports nor opposes contractors’ *voluntary* use of PLAs on the Training Center Project or elsewhere but strongly opposes any *government mandates or preferences* for contractors’ use of PLAs. AGC 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. AGC believes that neither a public project owner nor its representative should compel any firm to change its lawful labor policies or practices to compete for or perform public work, as PLAs effectively do.

AGC’s policy against preferential procurement based on labor contract signatory status is pursued in an even-handed manner, opposing the consideration of such factors whether used to favor union or open shop contracting. AGC strongly believes that the choice of whether to adopt a collective bargaining agreement should be left to the contractor-employers and their employees, and that such a choice should not be imposed as a condition to competing for, or performing on, a publically funded project. As discussed below, government mandates and preferences 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 contractors otherwise qualified to perform the work would be the first to recognize that fact, and they would be the most qualified to negotiate such an agreement. They would also be most qualified to negotiate the terms of such an agreement. Accordingly, AGC strongly

urges GSA to remove any PLA preference in the selection process for, or any PLA mandate in the performance of, the Training Center Project, and to defer to the contractor's judgment as to whether a PLA is appropriate for the project once the contract has been awarded.

### **Compliance with the Competition in Contracting Act and Federal Acquisition Regulation**

AGC seriously questions GSA's legal authority to consider PLAs as a selection factor and, in particular, to grant preferential treatment to offerors that include a PLA in their bids. The Competition in Contracting Act ("CICA") and the Federal Acquisition Regulation ("FAR"), particularly FAR 6.101, establish a strong policy favoring "full and open competition" in awarding federal contracts. The law provides for only seven specific exceptions to this policy, none of which seems to permit an agency to grant a selection preference for bids with PLAs.

FAR 3.101-1 further states, "Government business shall be conducted in a manner above reproach and, except as authorized by statute or regulation, with complete impartiality and with preferential treatment for none." Providing "full credit" to offers including a PLA and "zero credit" to those not including a PLA – as GSA has indicated in the solicitation that it intends to do – constitutes such preferential treatment. Since there is no statute or regulation specifically authorizing such a preference, the preference is illegal.

AGC, therefore, requests information about GSA's determination that it may grant such a preference without running afoul of CICA and these FAR mandates. Does GSA maintain that the "full and open competition" mandates do not apply here, that a PLA bid preference does not violate those mandates, or that one of the seven exceptions to the mandates applies? Does GSA maintain that there is indeed a statute or regulation specifically authorizing such a preference? Please explain in detail the basis of GSA's conclusions in these regards.

### **Compliance with Executive Order 13502 and FAR Subpart 22.5**

AGC respectfully points out that Executive Order 13502 ("the EO") and its implementing FAR rule codified in FAR Subpart 22.5 neither preempt CICA's mandates regarding full and open competition, nor themselves authorize a PLA bid preference. In fact, they do not address bid preferences at all.

What the EO and FAR Subpart 22.5 (at Section 22.503) do is establish a policy of "encouraging executive agencies to *consider* requiring the use of project labor agreements in connection with large-scale construction projects in order to promote economy and efficiency in Federal procurement." EO Section 3 and FAR 22.503 specifically permit (but, under Section 5, expressly do not require) agencies, in awarding a contract in connection with a large-scale construction project (defined as a construction project where the total cost to the federal government is \$25 million or more), to require the use of a PLA on a project-by-project under specified conditions. Those conditions are:

- where use of such an agreement will (i) advance the Federal Government's interest in achieving economy and efficiency in Federal procurement, producing labor-management stability, and ensuring compliance with laws and regulations governing safety and health, equal employment opportunity, labor and employment standards, and other matters, and
- (ii) be consistent with law.

Accordingly, the EO and FAR Subpart 22.5 leave GSA free to require or to not require use of a PLA on the Training Center Project, and they *encourage* (but do not require) GSA to require use of a PLA only if the agency has determined that all of the following conditions exist:

1. The project will cost the federal government \$25 million or more;
2. Use of a PLA on the project will advance the federal government's interest in achieving economy and efficiency in federal procurement;
3. Use of a PLA on the project will advance the federal government's interest in producing labor-management stability;
4. Use of a PLA on the project will advance the federal government's interest in ensuring compliance with laws and regulations governing safety and health, equal employment opportunity, labor and employment standards, and other matters; and
5. Use of a PLA will be consistent with law.

The solicitation for the Training Center Project indicates that PLAs will be used as an evaluation factor for Contract 2 but fails to indicate that a project-specific analysis has been made to determine that all of the conditions are present with regard to the Training Center Project. Has GSA conducted such an analysis? If not, then the use of PLAs as an evaluation factor is, again, impermissible, as is the use of a PLA mandate. If GSA *has* conducted such an analysis, then please provide AGC with evidence that such an analysis has taken place and the details of the analysis.

AGC further raises the following questions and offers the following comments regarding such an analysis.

### **1. Advancement of Economy and Efficiency in Federal Procurement**

How will a bid preference for a PLA advance economy and efficiency in the procurement of a contractor for the Training Center Project? There are no widely published studies establishing that PLA mandates have consistently lowered the cost, shortened the completion time, 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 in July 2010. (U.S. Congressional Research Service Report R41310, *Project Labor Agreements*, by Gerald Mayer.)

Government mandates for PLAs—even when competition, on its face, is open to all contractors—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 contractors to make sharp distinctions between 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 contractors to subcontract work only to subcontractors that adopt the PLA. This may prevent a contractor (whether union or open shop) from using on the project highly qualified subcontractors that it normally uses and trusts and that might be the most cost-effective.
- 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.
- PLAs typically require contractors to pay union-scale wages, which may be higher than the wage rates required by the Secretary of Labor pursuant to the Davis-Bacon Act. They often also require extra pay for overtime work, travel, subsistence, shift work, holidays, “show-up,” and various other premiums beyond what is required by law.

Such changes are impractical for many potential contractors and subcontractors, particularly those not historically signatory to collective bargaining agreements (CBAs). Data from the Bureau of Labor Statistics (BLS), derived from the Current Population Survey (CPS), evidence that the vast majority construction in Virginia is performed on an open-shop basis. In the Commonwealth of Virginia, 94.2 percent of construction workers were *not* covered by a CBA and 97.8 percent were *not* members of a union in 2013. (Barry T. Hirsch and David A. Macpherson. 2015. Union Membership and Coverage Database from the CPS. In Unionstats.com. Retrieved January 21, 2015, from <http://unionstats.gsu.edu/>.) Consequently, AGC believes that a PLA mandate or preference in Virginia would likely harm economy and efficiency in federal procurement by both hindering competition and raising project costs.

Given that extremely little construction work in the relevant area is performed under CBAs, AGC questions how a PLA mandate or preference would advance economy and efficiency in federal procurement here. Has GSA researched the contractors that normally construct similar projects in the area and whether they operate on a union or open-shop basis? Has GSA conducted a study of the local area to determine whether a sufficient number of well-qualified contractors would be willing to bid on the project with a PLA mandate? Has GSA conducted research to determine whether the hiring halls in the area would be able to supply the union labor needed to perform the job under the referral terms of a PLA? Has GSA considered whether a PLA mandate or preference would effectively shut out local contractors and workers from working on the project? Would such a mandate tilt the scale in favor of out-of-town contractors and workers willing and able to abide by the terms of a PLA? If so, what impact would that have on advancing government interests in economy and efficiency in procurement?

Another way that government mandates for PLAs can drive up costs and create inefficiencies is related to who negotiated the terms of the PLA 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. 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. AGC 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 complete 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 the 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 organization 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 negotiation 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 executive order’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.

Please advise AGC as to GSA’s intentions regarding who will negotiate any PLA used on the Training Center Project, if one is used, and when the PLA must be submitted to the agency. Please also explain

GSA's rationale for this approach and why GSA believes that this approach will advance economy and efficiency in federal procurement.

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. (For a discussion of such disputes, please see the "Consistency with the Law" section below.) Please advise us as to what assessment GSA has conducted, if any, of the risk of litigation over a PLA preference or mandate on the Training Center Project and of the potential costs of such litigation, and the results of any such assessment.

Given the uncertainty of cost savings and potential for cost increases as described above, not to mention the delays that can be caused by litigation and the like, AGC recommends that the GSA refrain from imposing a PLA mandate or preference on the Training Center Project and instead leave to contractors the option of using PLAs on a voluntary basis.

## **2. Advancement of Labor-Management Stability**

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 not present 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. As discussed above, the Commonwealth of Virginia is virtually completely non-union; and, to our knowledge, there is no significant history of labor-management strife in the area. (For more knowledge of local labor relations, AGC suggests that NAVFAC contact the local AGC Chapter in the region, the AGC of Virginia, <http://agcva.org/>). Accordingly, AGC cannot see how a PLA preference or mandate would advance labor-management stability there.

AGC further points out that job disruptions can occur even in the presence of a PLA with guarantees against strikes, lockouts, and the like. AGC 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 in the summer of 2010, 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.

Again, AGC is not aware of any relevant, recent history of construction project delays caused by labor-management disputes in the Commonwealth of Virginia. As such, AGC does not believe that a PLA mandate is needed to advance labor management stability on projects there. Again, if a PLA would be helpful in this regard, the general contractor awarded the contract would be the first to recognize that fact and to choose to use a PLA voluntarily.

## **3. Advancement of Compliance with Labor and Employment Laws**

It is unclear to AGC 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 – on the Training Center Project 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. AGC questions what elements of a PLA might be superior to the compliance assistance, administration, and enforcement already provided by the U.S. 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. AGC is also unaware of any evidence of rampant employer violations of employment laws in the Commonwealth of Virginia and suggests that, if any exists, then it is the responsibility of the appropriate government enforcement agencies to curb that misconduct. Please advise us of any evidence GSA has of such rampant violations specific to the project area and any evidence that PLAs have been successfully used to curb such past misconduct.

#### **4. Consistency with Law**

As mentioned above, government mandates for PLAs are often challenged on legal grounds. 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); and
- 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.

As discussed above, AGC believes that the GSA's PLA preference runs afoul of CICA and the FAR. AGC also believes that a PLA preference and PLA mandate may run afoul of other laws listed above. AGC, therefore, requests information about whether GSA has conducted a thorough legal review to determine that a PLA preference or mandate itself would not run afoul of the law, and the results of any such review.

#### **The Application of FAR 52.222-34**

The present solicitation includes a vague reference to FAR 52.222-34. Also, we understand that, in discussions with AGC of Virginia CEO Steve Vermillion, you indicated that FAR 52.222-34 requires use of a PLA on Contract 2. However, as discussed above, *nothing* in the EO or the FAR requires GSA to

use a PLA on this or any project. As also discussed above, the policy and conditions for use of a PLA mandate are set forth in FAR Subpart 22.5, not Subpart 52.2. Section 52.222-34 merely sets forth the contract clauses that an agency should use *after* the agency has conducted a proper analysis and decided to impose a PLA mandate based on that analysis and in accordance with Subpart 22.5.

### **Conclusion**

In summary, AGC opposes government mandates and preferences for PLAs on federal construction projects, and believes that GSA should not impose such a mandate or preference on the Training Center Project. As outlined above, AGC has many concerns and questions about the PLA preference that GSA intends to grant in the selection of the Training Center Project's construction contractor, and we look forward to receiving responses to the above requests for information.

We appreciate the opportunity to share our insights with GSA 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 SHL". The signature is fluid and cursive.

Stephen E. Sandherr  
Chief Executive Officer

CC: Norm Dong, GSA Public Buiding Service Commissioner  
Kris E. Durmer, GSA Office of General Counsel  
Andrew Blumenfeld, GSA Assistant Commissioner for Acquisition  
Sara Manzano-Díaz, GSA Regional Administrator, Mid-Atlantic Region  
Marta Goldsmith, GSA Office of the PBS Commissioner