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AGC of America
THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA
Quality People. Quality Projects.



March 2, 2015

Ms. Janalyn H. Dement
USACE District, New Orleans
ATTN: CEMVN-CT
P.O. Box 60267
New Orleans, LA 70160-0267

Sent via email to janalyn.h.dement@usace.army.mil

RE: Y--Project Labor Agreement (PLA) Survey, New Orleans to Venice, Hurricane Protection System, NOV-14, Empire Lock, Plaquemines Parish, LA; Solicitation Number: W912P815R0019

Dear Ms. Dement,

On behalf of The Associated General Contractors of America ("AGC"), I thank the USACE Army Corps of Engineers New Orleans District ("USACE") for soliciting input from the construction community regarding the potential use of project labor agreements ("PLAs") for construction of the New Orleans to Venice, Hurricane Protection System, NOV-14, Empire Lock, Plaquemines Parish, LA ("Hurricane Protection System Project"). While AGC is not an interested source, as the largest trade association representing potential offerors on your projects, we are an interested party and wish to offer our input. We provide the following comments in response to your questions in reference to the Hurricane Protection System Project.

- a. Should PLAs be executed on selected large dollar contracts within the above referenced location by the Vicksburg District? What other factors should the Corps consider before deciding to include PLA provisions in a Vicksburg District contract? What type of project should or should not be considered for PLA?**

An assessment of whether a PLA should be executed on selected large dollar contracts on the Hurricane Protection System Project should be made by the selected general contractor on a project-specific basis, not by USACE. AGC believes that USACE should not mandate the use of a PLA on the execution of any project. AGC neither supports nor opposes contractors' *voluntary* use of PLAs on the Hurricane Protection System Project or elsewhere but strongly opposes any *government mandate* 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 also believes that government mandates for PLAs can restrain competition, drive up costs, cause delays, and lead to jobsite disputes. 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. Accordingly, AGC urges USACE to refrain from imposing any PLA mandates on any of its contractors and to defer to the contractor's judgment as to whether a PLA is appropriate for a given project.

Again, USACE should not consider mandatory PLA provisions on any projects, including on the Hurricane Protection System Project. There is no reliable evidence that indicates that a government mandated PLA would advance the federal government's interest in achieving economy and efficiency. AGC strongly recommends that the USACE allow prime contractors to decide whether a PLA is

appropriate for a particular project and to execute one voluntarily should they deem it appropriate. If, however, the USACE chooses to reject our primary recommendation, then we urge you, before imposing a PLA mandate on any project, to conduct, on a project-by-project basis, a scientific and well-documented study of relevant factual conditions and circumstances to determine whether a PLA mandate would advance each of the government interests set forth in Section 3(a) of Executive Order 13502 more than the interests would be advanced without a PLA mandate. Such an analysis should include thorough research and analysis of such issues as:

- Which firms normally perform the types of construction services involved in the project and are likely to submit a well-qualified proposal? What proportion of them are union contractors and what proportion are open-shop contractors? What experience do they have in working under a PLA? Are they willing to work under a PLA, or would a PLA mandate deter them from bidding on the project?
- Is there a sufficient number of qualified contractors (including subcontractors) in the local area of the project willing and able to work on the project if it has a PLA mandate? If not, will USACE or the prime contractor have to rely on out-of-town contractors? If so, what impact might this have?
- Is there a set-aside goal for small, minority, or woman-owned businesses? If so, what proportion of the contractors in the area that would qualify to satisfy the goal are union contractors and what proportion are open-shop contractors? Are these contractors willing and able to work under a PLA?
- What specific crafts are needed for the project and what is the specific level of labor surplus or shortage for each of those crafts in the local area? What percentage of each of those craft workforces is represented by a union? What evidence is there that the local union hiring halls for each craft will be able to supply the particular labor needed? What other sources of labor or recruitment are available?
- What is the recent history of construction-industry strikes, jurisdictional disputes, or other delay-causing labor strife in the local area? If the area is largely open-shop, is a PLA actually needed to prevent such problems? If the area is largely union, would local-area CBAs offer sufficient protection against such problems? Will all of the unions representing the trades needed for the project be willing to execute the PLA? If not, could the PLA create problems for contractors signatory to CBAs with the trades that are not party to the PLA and lead to jurisdictional disputes?
- What is the recent history of PLA use on comparable projects in the local area? If PLAs recently have been used there, what quantifiable impact (positive or negative) have they had on project cost, timeliness, quality, and other factors? Have comparable projects in the area been successfully completed without use of a PLA?
- Will the project be subject to a prevailing wage law? If so, which one(s)? How would the requirements of the law differ from the contractual requirements of the PLA with respect to wages, fringe benefits, and labor practices? How will this affect the cost of the project?
- Would a PLA mandate violate the Competition in Contracting Act, Federal Acquisition Regulation, National Labor Relations Act, Employee Retirement Income Security Act, Small Business Act, or any other applicable procurement or funding legislation?
- Are there any local or state laws requiring, prohibiting, or otherwise governing the use of PLAs in the area of the project? If so, do those laws apply to the present project? Would they have an impact on the lawfulness or propriety of a decision to mandate a PLA or to not mandate a PLA?
- Is a PLA mandate likely to provoke a bid protest or other challenge under federal, state or local laws? Could such a challenge increase the cost of the project or delay its initiation and completion? Would a public hearing be required or appropriate under the relevant procurement laws and regulations?

AGC further urges the USACE (if rejecting our primary recommendation of imposing no PLA mandate) to provide offerors maximum flexibility by allowing them three options on any project on which a PLA mandate is being considered: (1) to submit a proposal based on performance under a PLA, (2) to submit a proposal based on performance not under a PLA, or (3) to submit two proposals, one based on performance under a PLA and one based on performance not under a PLA. This will enable the agency to better evaluate the likely cost impact of the PLA. If the USACE rejects this recommendation as well and decides to require negotiation of a PLA, then AGC recommends that the agency refrain from requiring actual agreement and execution of a PLA, and instead require only that the contractor bargain in good faith with one or more labor organizations.

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?

It is impossible to reliably predict whether a PLA on the present project, or on any project, would result in net cost savings or burdens. There are no widely published studies establishing that the use of PLAs has 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.)

Furthermore, at least one relatively recent study concerning New Orleans in particular concluded that such a mandate would have a significant cost-increase impact. In 2009, the U.S. Department of Veterans Affairs (VA) commissioned a study by consultants Rider Levett Bucknall (RLB) to determine the potential cost, schedule, and other impacts associated with the use of PLAs on projects in five cities where the VA had upcoming projects, including New Orleans. RLB's report included the following findings regarding possible labor and other project costs of a PLA mandate in New Orleans:

- “As New Orleans is approx 90 to 95% non-union, there is a concern that large out-of-state union contractors, who are able to execute the job and will agree to a PLA, will incorporate items such as travel and housing costs into their bids.”
- “Many non-union contractors in New Orleans have their own benefits package. Under a PLA there is generally the requirement to also contribute to union benefits which therefore results in duplication. Also, given unions require a number of years of membership for these benefits to be distributed, these benefits are ‘lost’ to the nonunion contractor and their employees.”
- A PLA mandate would not necessarily lead to cost savings by increasing productivity. “Unions claim that their apprenticeship programs result in more efficient and productive workers, however there is no statistical data to confirm that this union labor is indeed more, or less productive in New Orleans.”
- Large projects like the VA hospital under consideration in New Orleans “would lend itself to large, out-of-state union contractors having the upper hand.” Because New Orleans’s open-shop contractor community would be largely opposed to bidding on a PLA, “the general feeling is that

a PLA will exclude 90%-95% of the market, reducing competition and increasing costs. As a result, there is a perceived cost premium associated with bidding a PLA project in New Orleans.”

RLB concluded that a project utilizing a PLA in New Orleans “could experience a construction cost premium of approximately 7.5%.” (U.S. Department of Veterans Affairs, Project Labor Agreements – Impact Study, by Rider Levett Bucknall.)

As the RLB report indicates, 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.
- 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 State of Louisiana—over 93 percent—is performed on an open-shop basis. The Union Membership and Coverage Database reports that in the nearby New Orleans-Metairie-Kenner, LA Metropolitan Statistical area—as data specific to the project area were not available—a mere 4.9 percent of workers were covered by a CBA and just 3.1 percent were members of a union in 2014. (Barry T. Hirsch and David A. Macpherson. 2015. Union Membership and Coverage Database from the CPS. In Unionstats.com. Retrieved February 24, 2015, from <http://unionstats.gsu.edu/>.) Consequently, AGC 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 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.

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); 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.

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 USACE refrain from mandating the use of a PLA on the Hurricane Protection System 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?

While PLAs can advance labor-management stability in certain situations where the work would otherwise be performed by union contractors operating under separate collective bargaining agreements with inconsistent provisions, they offer no such advantage where the work would otherwise (absent the PLA) be performed on an open-shop basis where there is little risk of union jurisdictional disputes, strikes, or lockouts. As noted above, that describes the majority of construction work in the Hurricane Protection System Project area. And, in fact, AGC is not aware of any relevant, recent history of construction project delays caused by labor-management disputes in the area.

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.

Accordingly, AGC cannot see how a PLA mandate would advance labor-management stability on the Hurricane Protection System Project. If a PLA is needed to ensure such stability on the project, the general contractor awarded the contract would be the first to know that and to execute one 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 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 – in the Hurricane Protection System 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 Hurricane Protection System Project 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?

AGC is not in a position to answer this question. A prime contractor would best answer this question.

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

AGC does not have adequate data to confidently project the likelihood of a skilled labor shortage in the Hurricane Protection System Project area at this time. For more information about local labor supply and demand, AGC defers to the local knowledge of the Louisiana AGC (<http://www.lagc.org/>) and Mississippi Valley Branch AGC (<http://www.mvagc.org/>).

More importantly, though, AGC questions the relevance of this inquiry in the assessment of the need for a PLA mandate. Should a skilled labor shortage arise, how would a PLA mandate remedy the problem? Is there objective evidence that the local union hiring halls for the specific trades needed for this project will

be able to supply the number of workers needed? Is there evidence that they can supply such labor more efficiently or effectively than other labor and recruitment resources that may be available? If there is such evidence, AGC believes that the general contractor on the project would be in the best position to assess that information in light of all other considerations and to determine, on a voluntary basis, whether a PLA would be appropriate for the project.

g. Completion of anticipated projects will require an 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 noted in AGC's response to question "b," research regarding the impact of PLA use on the efficiency of projects in general is inconclusive. This includes helping the project to stay on schedule. Furthermore, government mandates for PLAs have frequently led to litigation, which can lead to costly delays.

h. Where have PLAs been used on comparable projects undertaken by Federal, State, municipal, or private entities in the geographic area of this project?

To AGC's knowledge, PLA use in the New Orleans area is very rare. The RLB report referenced above cites three examples of PLAs used on large projects in the area in the 10 years leading up to the 2009 study: two on hotels and one on a related casino. The only other project in the area in recent years that AGC believes may have been covered by a PLA is a shipyard modernization project undertaken by Northrop Grumman Ship Systems in or around 2003. AGC questions whether those four projects are "comparable" to the Hurricane Protection System Project.

AGC also points out that you will find no PLAs on Louisiana state procurement projects in recent years. In fact, the state adopted a statute prohibiting state and local agencies from imposing PLA mandates on public works projects in June 2011.

i. Will the use of PLAs impact the ability of potential offerors and subcontractors to meet 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, especially in strong open-shop areas like the Hurricane Protection System Project 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, AGC opposes government mandates for PLAs on federal construction projects and urges USACE to refrain from imposing such a mandate on the Hurricane Protection System Project. For the reasons discussed above, USACE 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 the project and to execute one voluntarily should they deem it appropriate.

We appreciate the opportunity to share our insights with you 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 us.

Sincerely,

A handwritten signature in black ink, appearing to read "Spt E SL". The signature is fluid and cursive, with the first part being more stylized and the second part being more legible.

Stephen E. Sandherr
Chief Executive Officer