

PROJECT LABOR AGREEMENTS

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Blame Unions for Blackouts

If politicians really want to solve California's current energy crisis, they must undo the artificial shortage created by unions and project labor agreements.

More than 10 years ago, many nonunion and some union contractors began complaining about a new tactic that forced power producers to use only union contractors. At that time, Thomas R. Adams, an attorney in San Mateo, Calif., and Thomas J. Hunter, business manager of District Council 51 of the plumbers' and pipefitters' union, pioneered the use of environmental protests against projects as a way to bargain for union-only project labor agreements on them. Previously, plas had been used to lower the costs of union contractors by eliminating featherbedding and by reducing impacts from union jurisdictional disputes.

PREMIUM. But such agreements, when signed in exchange for withdrawal of environmental protests, charged owners a premium for using union labor instead of giving them a discount. Even truly meritorious environmental claims were bought off in exchange for these PLAs under the rubric of "socioeconomic impact mitigation." The only economic impact of these agreements was to exclude nonunion contractors and to buy the unions' silence during the environmental permit process.

The tit-for-tat was explained in a union video that showed how to force owners to sign PLAs by filing permit objections based upon socioeconomic environmental concerns. The video boasted of

unions' success in delaying several projects, particularly in the area of industrial cogeneration. And the video was shown to project owners with the promise that unions



would search out and protest any and all environmental problems unless given the "socioeconomic mitigation" of a project labor agreement.

In 1990, Shell Oil Co. yielded to union demands and adopted a PLA for the upgrade of its refinery in Martinez, Calif. Faced with deadlines for "clean fuel" upgrades, other owners of Bay Area refineries—Exxon Corp., Pacific Refinery Co. and Chevron Corp.—followed suit.

In 1997, with the refinery upgrades completed or abandoned as too expensive, a consortium of plumbers, electricians, boilermakers and others formed California Unions for Reliable Energy to target the approval process of powerplants. CURE has filed environmental objections against projects by Sempra Energy, Occidental Petroleum and PG&E National Energy Group.

As a result, every powerplant approved since 1997 for construction in Kern County—the heart of California's inland oil and energy production—has included an agreement to exclude nonunion contractors from bidding. Not a single nonunion power facility has been built in California north of Imperial County, the turf of Irby Construction Co., the world's largest nonunion power line contractor.

Since the exclusion of nonunion constructors, powerplants have become more expensive to build and less likely to be built. Compared to

nonunion work, union-only construction costs a 20% premium on average, even on jobs where nonunion contractors bid and the union contractor was low bidder. At Sierra Pacific Power Co.'s new water treatment plant outside Reno, Nev., a project labor agreement caused a 30% cost overrun, a cost that is being passed on to ratepayers even today. And at TOSCO Corp.'s refinery near Martinez, where the union claimed a PLA was necessary for safety reasons, switching from a nonunion maintenance contractor to a union one not only cost more money, but resulted in four deaths in 1999 from one of the worse refinery accidents in modern history.

Why do public officials force private companies to sign project labor agreements in light of all the empirical economic data? According to data obtained from reports filed with the Federal Election Commission, unions affiliated with the AFL-CIO's Building



and Construction Trades Dept. have contributed more than 100 times more money to political candidates than the 10 largest employer-association political action committees combined. Yet union contributions to state and local elections go largely unreported, especially in California. When unions asked for restrictive labor agreements in exchange for political support, politicians obliged with project labor agreements.

To solve California's energy

crisis, government officials must reintroduce competition into the selection of contractors that build powerplants. President George W. Bush should assist by banning PLAs from all federally funded jobs. And he ought to issue an executive order that any environmental complaint in a federal forum cannot be dismissed in exchange for nonenvironmental considerations.

NO TRADES. If there is a true environmental problem, then fix it or kill the project. The government should not sanction the "trading" of legitimate environmental concerns for PLAs "socioeconomic mitigation." If unions could not trade environmental claims for such agreements, they would not have an interest in filing environmental claims, leaving only meritorious ones to be filed by others.

President Bush should reinforce competition in the construction industry by making appointments to the National Labor Relations Board of those who favor reinstating a pre-Clinton rule: Nonconstruction owners, including public entities when performing nongoverning acts such as financing construction, may not enter into union-only agreements. The law does not allow such agreements outside the construction industry, and should not consider a project owner whose main business is producing power to be engaged in the business of construction.

We don't need another bureaucracy to solve the energy crisis. Enforcing the rules that protect competition would save us from this union-caused power outage.

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