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## **Message: Open bidding - without PLAs - benefits all**

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As the economy continues to wreak havoc on individuals, businesses and government, we need to explore all possible avenues for enhancing economic opportunity. With the federal stimulus, this means ensuring open bidding on the billions of dollars of work that will soon be underway. Yet, despite clear and convincing evidence of the benefits of open bidding, taxpayers and the majority of local construction workers stand to lose out under a recommendation that is before Gov. Patrick to impose project labor agreements on stimulus-funded construction.

The Governor's Workforce Task Force is recommending the Commonwealth "require or encourage" the use of project labor agreements on "large" construction projects. PLAs are contractual agreements with labor unions that mandate union-based rules and conditions on all firms that bid on construction projects. Chief among PLAs' requirements is a mandate that all trade labor come from the unions. For open shop or non-union contractors, this means they would have to go to the union for workers rather than use their own employees. As a result, PLAs effectively prevent open shop contractors from bidding on public construction. This is especially significant - and contrary to the stimulus package's goals - when you consider that, according to unionstats.com, 84% of Massachusetts construction workers are not union members.

The governor's proposed policy comes on the heels of a Presidential Executive Order that encourages PLAs on projects that receive federal funding of \$25 million or more. The Boston Herald, in its 02/19/2009 edition, wrote: "PLAs drive up the cost of capital projects, hundreds of which are expected to be financed in the next few years with stimulus funds, by limiting competition." Construction unions say PLAs promote quality, value and efficiency. Yet the Big Dig was built under a PLA, and its track record clearly belies those claims.

PLAs exclude the vast majority of the construction industry.

- \* PLAs effectively shut out open shop or non-union bidders because they require all labor to come from the unions. Only 16% of Massachusetts construction workers belong to unions, a number that is in line with nationwide figures

- \* PLAs don't help construction workers earn more, since, under state prevailing wage law and the federal Davis-Bacon Act, public projects are already subject to union-scale wages

- \* While union contractors are free to bid and participate under open bidding, PLAs exclude open shop contractors and workers

- \* This PLA proposal would result in only a minority of the hard-hit Massachusetts construction industry seeing relief from the stimulus bill

PLAs increase costs at a time when taxpayers can least afford it.

Reduced competition results in higher costs. Two recent Massachusetts examples affirm this basic law of economics.

Fall River schools: In 2006, the city of Fall River decided to build several new schools using a PLA.

After bidding and re-bidding the projects, prices were so far above budget that then-mayor Edward Lambert decided to re-bid the projects without a PLA, with dramatically different results.

- \* Despite rampant construction inflation between first bids with a PLA and the open bidding process, subcontractor bids fell by 13% on one project and 15% on another

- \* On one project, the number of subcontractor bids rose from 34 to 60

Beacon Hill Institute school construction studies (2003, 2006):

- \* Study of 126 Massachusetts school construction projects found per-square foot cost of schools built under PLAs was 12% higher than those that used open bidding

Many PLAs violate state law

- \* In *John T. Callahan & Sons v. Malden* (1999), the SJC ruled that PLAs are allowed only on projects "of sufficient size, duration, timing and complexity and otherwise are not justified under state bid law

- \* Its consultant recently told the city of Springfield that the new \$125 million Roger L. Putnam Vocational Technical High School was unlikely to meet the criteria for a PLA

- \* A broad PLA policy such as this raises legal questions that could result in delays of work until clarified

In these times more than ever, we need to reduce costs and maximize work opportunities. Open bidding without restrictive PLAs makes sense for all. If you agree, I urge you voice your opinion to Governor Patrick by calling his office at 617-725-4005.

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