



Associated Builders and Contractors, Inc. Empire State Chapter

5010 Campuswood Drive, Pioneer Business Park, East Syracuse, NY 13057-1272
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Harry L. Robinson, Chairman
Albany County Airport Authority
Albany Airport
Albany, New York 12211

April 6, 1995

Dear Mr. Robinson,

We enclose for your review a recent study we conducted on the effect of project labor agreements (PLA's) on the Roswell Park Cancer Institute construction project in Buffalo. The study shows a **26% increase in total construction costs due to the use of a project labor agreement!**

The study analyzed the bid results from 56 packages bid to date budgeted at \$66,864,566, including 39 packages bid without PLA's budgeted at \$32,630,458, and 17 packages bid with PLA's budgeted at \$34,234,108. The packages bid requiring PLA's averaged 10% over budget; the packages bid without PLA's averaged 13% below budget. Projects bid without PLA's averaged 36% more planholders and 21% more bids than projects requiring PLA's.

These results are similar to a 1994 study of the inflationary effects if PLA's had been required on the Onondaga County Jail Project. That study showed a 9% increase - not counting the unknown costs of rebidding five (16%) of the packages which had no union bidders! That study also revealed that more "out-of-town" workers were employed by union firms than by merit shop firms - the same bias against local workers that resulted from the PLA on the Fort Drum project.

Also, please note that the Niagara Frontier Transportation Authority (NFTA) has rejected a proposed PLA for the Buffalo International Airport as being "not in the best interest of the airport improvement program."

Our association is documenting the efforts of certain officials to require a PLA on the Albany Airport project, in direct opposition to the best interests of taxpayers. We are also alerting the media to this situation and to the historical results of conspiracies to restrict free market competition: corruption, spiralling costs, and damage to local employment and businesses. Please let us know if we can be of assistance in protecting your Authority and the Albany Airport from the corruption of a project labor agreement.

Sincerely,


Stephen L. Schaurer
Executive Director

cc: Thomas J. Colleton, President
Albany ABC Council and Counselors



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FOR IMMEDIATE RELEASE: March 23, 1995
CONTACT: Stephen L. Schaurer, Executive Director

Roswell Park Study Shows Project Labor Agreement Raises Costs 26%

East Syracuse, New York - A study conducted by Associated Builders and Contractors (ABC), concludes that the use of a project labor agreement on the Roswell Park Cancer Institute construction project increases costs 26% and reduces the number of companies bidding on the project. The study analyzed the bid results from 56 packages bid to date, totaling \$66,864,566 of the \$170 million, five year project.

Stephen Schaurer, Executive Director of ABC said, "We have always believed that labor agreements cause costs to rise and restrict competitive bidding. This study supports these beliefs. It's very simple. The Roswell packages that required labor agreements are 10% over budget. Those that did not require agreements are 13% under budget. On a \$170 million project like this, that translates into a waste of 39 million taxpayer dollars."

"As we face a budget crisis in Albany, this is an example of the costly political policies of the Cuomo administration which need to be corrected. If we look at only the six largest Roswell projects, three done with labor agreements and three done without agreements, the effects are even more drastic. Project labor agreements increase costs over 48%," Schaurer said.

-more-

Project labor agreements require that those companies awarded contracts hire the majority of their workers from local union halls, regardless of whether a company is union or merit shop. Most contractors, union as well as merit shop, believe these agreements violate state competitive bidding laws and significantly increase costs.

Schaurer said, "What results is a crew with no loyalty to a company, the likelihood that regular company employees may have to be laid off, and the disruption of merit shop employee benefit plans and training programs. As far as wages are concerned, that is not even an issue because New York State law requires that the union prevailing wage be paid on all public projects. All contractors must pay the same rate for each trade classification."

The ABC Roswell study also reveals a correlation between the number of bidders on a package and whether or not it comes in under budget. Those packages that were bid under budget had 45% more bidders than those that were bid over budget, regardless of labor agreement requirements. Packages without labor agreements had 21% more bidders than those which required labor agreements.

"The more people that compete for a package, the lower the cost will be," Schaurer said. "It is simple supply and demand. Projects that were under budget had 45% more bidders. It is not surprising that packages with a limited number of bidders come in significantly over budget while packages with several bidders are bid under budget."

On December 22, 1994, the Appellate Division Third Department in Albany overturned a lower court decision that had ordered project labor agreements halted on both the Roswell Park project and the Tappan Zee Bridge project, declaring them illegal. The Coalition to Preserve Competitive Bidding on Public Works, of which ABC is a member along with other merit shop, union, and minority and women associations, brought the suit, and is currently seeking leave to appeal the latest reversal.

Associated Builders and Contractors (ABC) is a nationwide trade association of commercial, industrial, and heavy highway merit shop contractors, suppliers, and associates. Founded in 1950, ABC works with its 17,500 members, including nearly 300 in New York State, to promote free enterprise and the merit shop philosophy. The merit shop philosophy stresses cooperation and healthy competition between open shop and union firms in the interest of quality work, safe job-sites, superior training, and professionalism within the construction industry. ABC is also a resource for merit shop contractors, providing safety programs, apprenticeship and training, business referrals, employee benefit programs, and government relations.

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**Analysis of Bids and Costs to the Taxpayer
for the Roswell Park Cancer Institute,
New York State Dormitory Authority Construction Project**

Buffalo, New York

**A Summary of the Effects of
Project Labor Agreements**

**Compiled by:
Associated Builders and Contractors, Inc.
Empire State Chapter
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March 23, 1995

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Summary

This study analyzes construction bid prices for the Roswell Park Cancer Institute construction project on 56 bid packages bid between May 12, 1993 and January 26, 1995.

A comparison is made between the number of bidders and bid prices on 39 packages bid without a project labor agreement, and 17 packages bid with a project labor agreement.

Conclusions

1. **The Roswell Park bid packages that did not require project labor agreements, on average, were bid 13% under budget, saving taxpayers \$4,079,500.**

The Roswell Park bid packages that did require project labor agreements, on average, were bid 10% over budget, costing taxpayers a total of \$3,537,275 more.

2. **There appears to be a direct correlation between the number of bidders and whether or not a bid package comes in under budget.**

Packages that were over budget, regardless of project labor agreements, averaged 5.6 planholders and 3.3 bids (excluding 1.5.1, see page 6).

Packages that were under budget, regardless of project labor agreements, averaged 8.3 planholders (48% more), and 4.8 bids (45% more).

3. **Bid packages that did not require project labor agreements had 36% more planholders and 21% more bids than packages that did require project labor agreements.**
4. **When comparing the three largest bid packages for both categories (with and without labor agreements), the trends noted above are even more clearly demonstrated. These packages totaled \$39.6 million. The use of labor agreements increased the cost 48%.**

The three largest bid packages without project labor agreements averaged 172% more planholders (7.4 more) and 23% more bids submitted (1 more) than the three largest bid packages that required project labor agreements.

The three largest bid packages without project labor agreements were bid 20% under budget, saving over \$4 million.

The three largest bid packages requiring project labor agreements were bid 19% over budget, costing over \$3.6 million more than estimated.

5. Bid packages budgeted at \$66,864,566 have been bid to date for the Roswell Park project.

Bid packages budgeted at \$32,630,458 have been bid to date without requiring the use of project labor agreements.

Bid packages budgeted at \$34,234,108 have been bid to date requiring the use of project labor agreements.

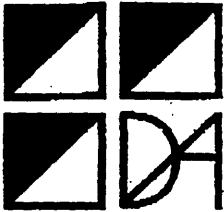
If the entire project to date, budgeted at \$66,864,566, had been bid with project labor agreements required, and if the rate of over budget bidding remained the same, the project to date would cost \$73,551,022.

If the entire project to date, budgeted at \$66,864,566, had been bid without project labor agreements required, and if the same rate of under-budget bidding remained the same, the project to date would cost only \$58,172,173.

The use of project labor agreements therefore raises the construction costs 26% over the price of free and open competition.

Based on the 56 bid packages bid to date, this study concludes that the use of project labor agreements on the Roswell Park Cancer Institute project results in 26% higher costs than could be expected from open and competitive bidding not restricted by project labor agreements.

Over the entire 5 year, \$170 million project, taxpayers could expect to save \$39.1 million if the project was competitively bid without project labor agreements.



DORMITORY AUTHORITY – STATE OF NEW YORK

ROBIN L. FARKAS – CHAIRMAN
RUDOLPH J. RINALDI – EXECUTIVE DIRECTOR

February 23, 1995

Stephen L. Schaurer
Executive Director
Associated Builders and Contractors, Inc.
Empire State Chapter
5010 Campuswood Drive
Pioneer Business Park
East Syracuse, NY 13057-1272

Dear Mr. Schaurer,

Per your request, enclosed you will find the following:

Current list of planholders.

Bidders lists or call sheets for the following projects:

<u>Project No.</u>	<u>Project Title</u>
1.1	Temporary Main Entrance and Loading Dock
1.2	Utility Relocations
1.3	Temporary Administration Suite
1.4	Telephone Equipment Room
1.5	Chemotherapy Clinic/Carlton House Early Renovations
1.6	Demolition Building 7 Northeast
2.1	Parking Garage
2.2	Roswell Park Apartments
4.1.5	Power Plant Environmental
4.2	Campus Utility Distribution
4.3.1	New Main Hospital Foundations
4.3.2	New Main Hospital Structural Steel
4.3.3	New Main Hospital Concrete Slab on Deck
4.3.4	New Main Hospital Elevators
5.1	Basic Science Building
6.1.1	Medical Research Complex Foundations
6.1.2	Medical Research Complex Structural Steel

Bid Tabulation forms which include list of actual bidders, bid amounts and budget amounts for the following projects:

<u>Project No.</u>	<u>Project Title</u>
1.1.1 - 1.1.4	Temporary Main Entrance and Loading Dock
1.2.1 - 1.2.2	Utility Relocations

Project No.	Project Title
1.3.1 - 1.3.4	Temporary Administration Suite
1.4.1 - 1.4.4	Telephone Equipment Room
1.5.1 - 1.5.4	Chemotherapy Clinic/Carlton House Early Renovations
1.6.1 - 1.6.4	Demolition Building 7 Northeast
1.8.1 - 1.8.4	Print Shop/Maintenance Garage
2.1.1 - 2.1.3	Parking Garage
2.1A.1	Parking Garage Roof Repair
2.2.1	Roswell Park Apartments
3.3A.1 - 3.3A.2	Cancer Cell Center Fume Hood Exhaust
4.1.5	Power Plant Environmental
4.2.1 - 4.2.2	Campus Utility Distribution
4.3.1	New Main Hospital Foundations
4.3.2	New Main Hospital Structural Steel
4.3.3	New Main Hospital Concrete Slab on Deck
4.3.4	New Main Hospital Elevators
5.1.1 - 5.1.5	Basic Science Building
6.1.1	Medical Research Complex Foundations
6.1.2	Medical Research Complex Structural Steel
6.1.3	Medical Research Complex General Construction
6.1.4	Medical Research Complex Plumbing/Fire Protection
6.1.5	Medical Research Complex HVAC
6.1.6	Medical Research Complex Electrical
6.1B.1 - 6.1B.4	Medical Research Complex Utility Relocations
6.1F.1	Demolition of Overhead Walkway

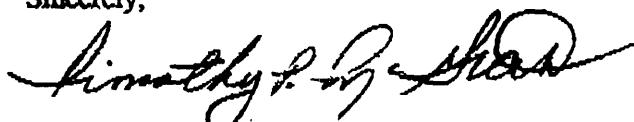
The following projects included the Project Labor Agreement at the time the contract was bid and executed:

- Project 1.8 Print Shop/Maintenance Garage
- Project 4.1.5 Power Plant Environmental
- Project 4.2 Campus Utility Distribution
- Project 5.1 Basic Science Building
- Project 6.1.2 Medical Research Complex Structural Steel

The following projects included the Project Labor Agreement at the outset of the bid period, but was removed by addendum. The PLA was not in the contract at time of execution:

- Project 4.3.1 New Main Hospital Foundations
- Project 6.1.1 Medical Research Complex Foundations

Sincerely,



Timothy P. McGrath
Project Manager

Bid Packages NOT Requiring Project Labor Agreements

Project#	Plan- holders Listed	Actual Number of Bids	NYSDA Estimated Cost	Low Bid	+/- Est.	%+/- Est.
1.1.1	7	3	\$ 889,817	\$ 698,933	-\$190,884	-21%
1.1.2	7	6	75,762	58,975	- 16,787	-22%
1.1.3	6	5	197,673	117,500	- 80,173	-41%
1.1.4	7	7	189,540	123,258	- 66,282	-35%
1.2.1	7	4	481,230	367,020	-114,210	-24%
1.2.2	9	5	157,250	111,000	- 46,250	-29%
1.3.1	16	12	240,205	162,900	- 77,305	-32%
1.3.2	5	4	34,117	11,900	- 22,217	-65%
1.3.3	2	1	42,182	48,500	+ 6,318	+15%
1.3.4	9	7	62,518	32,490	- 30,028	-48%
1.4.1	16	7	53,472	37,000	- 16,472	-31%
1.4.2	5	3	38,190	45,987	+ 7,797	+20%
1.4.3	6	4	44,441	39,700	- 4,741	-11%
1.4.4	7	6	98,594	62,900	- 35,694	-36%
1.5.1	17	10	848,180	983,000*	+134,820*	+16%*
1.5.2	7	6	160,244	162,000	+ 1,756	+ 1%
1.5.3	8	6	386,975	398,300	+ 11,325	+ 3%
1.5.4	6	3	292,202	248,750	- 43,452	-15%
1.6.1	15	2	782,271	688,700	- 93,571	-12%
1.6.2	3	1	93,106	71,822	- 21,284	-23%
1.6.3	7	3	81,498	71,200	- 10,298	-13%
1.6.4	9	5	73,314	47,199	- 26,115	-36%
2.1.1	15	7	4,661,220	3,270,701	-1,390,519	-30%
2.1.2	6	6	93,857	46,395	- 47,462	-51%
2.1.3	9	6	120,553	73,270	- 47,283	-39%
2.1A	10	5	29,700	24,000	- 5,700	-19%
2.2.1	19	8	\$1,437,927	\$624,000	-\$813,927	-57%

Bid Packages NOT requiring Project Labor Agreements

Project#	Plan- holders Listed	Actual Number of Bids	NYS DA Estimate Cost	Low Bid	+/- Est.	%+/- Est.
3.3A.1	3	2	\$ 41,993	\$85,170	+ \$43,177	+103%
3.3A.2	6	2	112,026	116,500	+ 4,474	+ 4%
4.3.1	7	4	6,250,735	4,885,000	-1,365,735	-22%
4.3.2	13	5	9,165,000	7,920,000	-1,245,000	-14%
4.3.3	4	2	1,780,000	2,780,000	+1,000,000	+56%
4.3.4	4	3	1,230,000	1,622,930	+392,930	+32%
6.1.1	6	3	1,819,741	1,943,743	+124,002	+ 7%
6.1B.1	6	4	55,888	74,100	+ 18,212	+33%
6.1B.2	7	3	103,121	72,100	- 31,021	-30%
6.1B.3	10	6	252,128	274,320	+ 22,192	+ 9%
6.1B.4	10	3	61,146	51,795	- 9,351	-15%
6.1F.1	6	2	92,642	97,900	+ 5,258	+ 6%

39 Projects

Totals	322	181	\$32,630,458	\$28,550,958	-\$4,079,500	-13%
Averages	8.3	4.6	\$836,678	\$732,076	-\$104,603	-13%

* Project 1.5.1 Low bid was unknown. Only had a bid listed for a portion of the work. The second lowest bid was used for this study.

Bid Packages Requiring Project Labor Agreements

Project#	Plan-holders Listed	Actual Number of Bids	NYSDA Estimated Cost	Low Bid	+/- Est.	%+/- Est.
1.8.1	10	3	\$441,525	\$439,782	- \$1,743	- 0%
1.8.2	4	4	56,490	93,800	+ 37,310	+66%
1.8.3	4	3	118,020	117,000	- 1,020	- 1%
1.8.4	5	4	86,940	74,900	- 12,040	-14%
4.1.5	17	4	573,000	473,374	- 99,626	-17%
4.2.1	5	3	768,710	674,000	- 94,710	-12%
4.2.2	6	5	560,488	466,300	- 94,188	-17%
5.1.1	8	3	2,074,699	2,349,000	+274,301	+13%
5.1.2	5	4	816,464	827,827	+ 11,363	+ 1%
5.1.3	6	4	1,829,983	1,711,000	-118,983	- 7%
5.1.4	8	6	1,679,748	1,212,000	-467,748	-28%
5.1.5	5	3	453,416	428,400	- 25,016	- 6%
6.1.2	4	4	2,685,914	2,481,000	-204,914	- 7%
6.1.3	2	2	9,257,398	13,095,000	+3,837,602	+41%
6.1.4	3	2	2,602,033	3,277,000	+674,967	+26%
6.1.5	4	4	6,440,670	7,160,000	+719,330	+11%
6.1.6	7	7	\$3,788,610	\$2,891,000	-\$897,610	-24%

17 Projects

Totals	103	65	\$34,234,108	\$37,771,383	+\$3,537,275	+10%
Averages	6.1	3.8	\$2,013,771	\$2,221,846	+\$208,075	+10%

3 Largest Bid Packages:

3 Largest Packages Without Project Labor Agreements:

Project#	Plan- holders Listed	Actual Number of Bids	NYSDA Estimated Cost	Low Bid	+/- Est.	%+/- Est.
4.3.2	13	5	\$9,165,000	\$7,920,000	-\$1,245,000	-14%
4.3.1	7	4	\$6,250,735	\$4,885,000	-\$1,365,735	-22%
2.1.1	15	7	\$4,661,220	\$3,270,701	-\$1,390,519	-30%
Totals	35	16	\$20,076,955	\$16,075,701	-\$4,001,254	-20%
	11.7avg. 5.3avg.					

3 Largest Packages With Project Labor Agreements:

Project#	Plan- holders Listed	Actual Number of Bids	NYSDA Estimated Cost	Low Bid	+/- Est.	%+/- Est.
6.1.3	2	2	\$9,257,398	\$13,095,000	+\$3,837,602	+41%
6.1.5	4	4	\$6,440,670	\$7,160,000	+\$719,330	+11%
6.1.6	7	7	\$3,788,610	\$2,891,000	-\$897,610	-24%
Totals	13	13	\$19,486,678	\$23,146,000	+\$3,659,322	+19%
	4.3avg. 4.3avg.					

The three largest bid packages without project labor agreements averaged 7.4 more planholders and 1 more bid than the three largest bid packages with project labor agreements.

REVIEW & OUTLOOK

It's Up to You, New York

Normally we wouldn't look to Frank Sinatra for advice about how to rebuild New York. But with a visiting President Bush again promising the city \$20 billion in federal reconstruction aid yesterday, a brand new start of it is just what old New York needs. That means its politics as much as its skyline.

For without some long overdue reforms, much of this relief aid will be wasted and rebuilding will get bogged down in bureaucracy. New York's two Senators, Chuck Schumer and Hillary Clinton, did try to push the \$20 billion aid package through without strings. But the good news is that Senate Minority Whip Don Nickles and others have insisted on normal Congressional hearings and debates before the city draws down all of the cash.

John Faso, the GOP state Assembly leader, puts it this way: "If New Yorkers won't rethink business-as-usual now, when will they?"

One big fat target ought to be New York's nonsensical tax on commercial occupancy—the only tax on rent in the entire United States. A 500,000 square foot lease that would cost just \$1.35 million per year in property taxes in Atlanta or Los Angeles works out to a whopping \$7 million in midtown New York. As if this weren't bad enough, a major property tax increase is scheduled for next year.

Next on the hit list would be residential rent control, enacted during World War II as an emergency measure. Swedish economist Assar Lindbeck, who chaired the Nobel Prize committee on economics, once said that rent control was the most effective way to destroy housing other than bombing. Now that many of its homes have indeed been rendered unlivable by the jet bombing of the twin towers, New York would do well to begin addressing the even larger proportion of its housing savaged by rent control.

While we're at it, why not ask why New York was so awful at redevelopment even before September 11? Steven Malanga, a former managing editor of Crain's New York Business now with the Manhattan Institute, points out that New Jersey has done far more to redevelop its waterfront than either Brook-

space to offer displaced firms. The reason? New York's byzantine zoning and land review procedures. Now is the chance to simplify them.

Governor George Pataki has a role here as well. Though Mayor Rudy Giuliani has done a good job of holding down the city's budgets, even his projections for future years show a deficit that could reach \$4 billion. E.J. McMahon, a former state budget analyst, attributes New York City's spending explosion to items like the city's school construction program going \$2 billion over budget. Sadly, the liberals running to succeed Mr. Giuliani as mayor have nary a word to say about fiscal restraint. Governor Pataki needs to ensure that federal aid isn't simply used to underwrite the city's budget gaps.

There are also things to be done from the White House. In 1992, just before he left office, President Bush's father issued an executive order exempting hurricane-damaged parts of Florida, Louisiana and Hawaii from the Davis-Bacon regulations that effectively require the federal government to pay union wages on any project it subsidizes. The order was rescinded by Bill Clinton. But if our current President Bush would follow his father's lead, the pool of available construction firms would expand, creating more jobs and rebuilding New York much faster.

Now, no one wants political fights to interfere with disbursing badly needed assistance. Americans want to help New York to rebuild. But especially because that job is going to be "very, very expensive," as Mr. Giuliani put it yesterday, New York has to do its part by shaping up its politics. That means avoiding the usual insider-run state or city commission to direct rebuilding. Bill Stern, who served as head of the Urban Development Corporation under Mario Cuomo, says this kind of state capitalism "gets you the Javits Convention Center, which enriched all the political players and for years was run corruptly."

The world has seen since September 11 how average New Yorkers can rise to the occasion. But with federal dollars now rolling in, the city's politicians have their own challenge, namely to shake off the deadening effects of bureaucracy and high taxes. To paraphrase the Chairman of the Board, if reforms can make it in New



Frank Sinatra
Little-town blues