



Together, Serving Over 375 Maine Member Firms



Dear Members of Maine's 126th Legislature,

On behalf of our over 375 member firms, the Associated Builders and Contractors of Maine and the Associated General Contractors of Maine request your attention and consideration of a very important and time-sensitive matter that has the potential to effect every district statewide. As many of you may already know, Summit Natural Gas has proposed a plan to install a new gas pipeline in the Kennebec Valley Region. At first glance, this might seem like it could only benefit Mainers who would be gaining access to a home heating alternative that previously was not provided in their region. However, when further light is shed on the facts surrounding Summit Natural Gas and its plan for building the pipeline, a different, not so beneficial picture begins to emerge from the darkness.

After months of Summit and its consultants courting lawmakers, officials, and Mainers across the region, making promises that there would be no Project Labor Agreement (PLA) included in the contract for this work, Summit revealed last Tuesday at their pre-bid meeting that a PLA was indeed intended to be put in place on the entire steel pipeline portion of the project. Summit's PLA requires any contractor or subcontractor that is awarded a bid to sign an agreement with four separate labor unions. Maine's construction industry is comprised of 98.6% non-union employees and 1.4% union employees. Due to the expense and difficulty in the bid preparation process, as well as in the process of "unionizing" a non-union workforce, the effect of this PLA in Maine is to exclude at least 400 Maine workers from working on the construction of this pipeline. Summit has every intention of bringing in out of state companies to complete this project, which is valued at over \$100 million.

Maine's construction industry and statewide economy cannot afford to allow Summit, who would be operating as a public utility, to give this work to out of state companies. At the very least, our open-shop companies in Maine and northern New England should have a fair chance to compete for the work. Open and fair competition in the bidding process in any industry maximizes cost efficiency. It is hard to imagine what response Maine would be hearing from organized labor if roles were reversed in this situation and union shops were, in effect, being excluded from competing for the work.

ABC and AGC Maine and our membership understand the challenge of weighing, on one side, the risk of losing a substantial energy infrastructure investment in our state, and on the other, the risk of setting a precedent of allowing out of state companies to come to our state to build projects under contracts containing PLAs that discriminate against 98.6% of our construction workforce. We hope you take the time to seriously consider the impact Project Labor Agreements will have on our state and could potentially have for years to come.

Sincerely,

Hope Perkins, President & CEO
Associated Builders and Contractors, Maine Chapter

Matthew Marks, CEO
Associated General Contractors of Maine

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at the request of
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Project Labor Agreements (PLAs) in Maine

What is a Project Labor Agreement (PLA)?

A project labor agreement (PLA) is a type of collective bargaining agreement sometimes used on construction projects. It forms the centerpiece of labor relations by standardizing terms and conditions of employment among multiple contractors and providing a single dispute resolution mechanism. Once agreed to, a PLA is a contractually binding agreement which becomes part of the bid specification that all winning contractors, union and nonunion, must follow. Typically, a PLA remains effective for the duration of the project. Most PLAs guarantee uniform wages, work rules, and benefits across the multiple crafts employed on a project.

What effect do PLAs have on Maine's construction industry?

PLAs create a cost environment which favors union contractors, restricting competition and driving up costs. In Maine, 1.4% of construction workers in the industry are union workers. The use of a PLA has the effect of discriminating against all open shop employees or 98.6% of Maine's construction workforce. By excluding 98.6% of Maine contractors from the bidding process, use of a PLA nearly ensures that the work will be bid on and awarded to out of state companies. Furthermore, most PLAs are designed in a way so that all subcontractors must sign on to the agreement as well.

"We are glad that Summit has chosen to do business here in Maine, but we are firm in our commitment to educate the public about the negative impact that their project labor agreement will have on Maine's construction industry," -

Hope Perkins, President & CEO ABC Maine

What if an open shop contractor wanted to bid on a job with a PLA in place?

PLAs typically require contractors to make fundamental changes in the way they do business, such as adopting different work rules, hiring practices, and wages and benefits, as well as restraining their ability to use their current employees on a project. These changes increase the contractor's risk profile for the project. In addition, the standard PLA will require open shop contractors:

- (1) *to pay for benefits that their employees will never see,*
- (2) *to carve up the work that one multi-trade worker would normally perform among several different union members,*
- (3) *to limit the universe of subcontractors to which they can turn, and*
- (4) *to comply with unfamiliar work rules. Preparing and submitting a bid or proposal for a multi-million contract is an expensive process, and open shop contractors are forced to weigh that cost against their limited chances for success. What this means is many make the rational decision to forgo the expense and the risk. 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 relationship with the unions there and do not know how to begin to comply with the requirement.*

Project Labor Agreements (PLAs) in Maine

What consequences could use of PLAs have on the future of Maine's construction industry?

The use of PLAs will have two very real, and very troublesome effects on the future of Maine's construction industry. First, if PLA use proliferates in our state, the discriminatory effect on 98.6% of Maine's construction workforce and increased use of out of state companies will undoubtedly amplify the already devastating reality of 26.6% unemployment in Maine's construction industry. Maine's companies and Maine's people at large cannot afford this to occur. Second, the U.S. Department of Labor is scheduled to begin a resurveying of Davis-Bacon wage rates in Maine in 2014. When wage rates from out of state companies are included in the survey, they have the effect of increasing the cost of construction for years to come.

"We have been very clear to Summit and decision makers; we simply encourage public and private developers to have a fair and open bid process. Summit will have the full support of Maine's contracting community in a fair bidding process regardless of union affiliation if they drop the project labor agreement,"
-AGC Maine CEO Matthew Marks.

What we know about the Summit Natural Gas Project:

- Summit communicated to Maine contractors and decision makers they *would not* have a project labor agreement on ANY part of the project. They did state they would have a responsible contractor policy to set minimum wages. This changed at the pre-bid meeting on March 12th when a PLA was included in the bid documents.
- Summit just recently disclosed a Memorandum of Understanding they signed when purchasing Kennebec Valley Gas Company that required them to have a project labor agreement. They have also indicated the company financing the project, who also acquired 100% of Summit, may require the PLA.
- Summit's executive team issued the project labor agreement on the steel portion of the pipeline in the Kennebec Valley Project. The HDPE distribution network does not have a PLA; instead contractors are required to adhere to the Responsible Contractor Policy.
- The steel portion of the pipeline is over \$100 million of construction in central Maine. Summit admits out of state union contractors will be awarded the work under the current contract because they decided to include a Project Labor Agreement.
- If the Project Labor Agreement is lifted on this project and open and fair bid process will allow union and non-union contractors to compete for the award.
- The decision is in the hands of Summit and their financial team. AGC Maine and ABC Maine will continue to advocate for a fair process. We believe it is important for every state decision maker and the general public to understand the impact a Project Labor Agreement will have on Maine's future.

FOR MORE INFORMATION PLEASE CONTACT ABC MAINE AT 623-4500 OR AGC MAINE AT 207-622-4741