



Golden Gate Chapter



## What is the Taxpayer Cost of Union Contracting Favors from Elected Officials in the City of Berkeley?

For Immediate Release  
May 4, 2011

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“Taxpayers deserve the best quality at the best price,” said Louis Summerhill, an Oakland based local contractor. “The proposed Project Labor Agreement will deny taxpayers that right.”

Despite the outcry from local construction contractors, on January 18th, 2011, the Berkeley City Council unanimously passed a costly citywide Project Labor Agreement (PLA) on all City construction projects exceeding \$1M for three years. A Project Labor Agreement is a handout to the floundering construction trade unions who can’t find work for their workers and whose pensions are in dangerous underfunded status. Under this Agreement, all construction work done under City contracts exceeding \$1M must be performed by union-only signatory construction workers. One of the arguments used by City elected officials to pass the PLA policy was to ensure local workers would be employed.

Today, less than four months into the new PLA policy, the City of Berkeley taxpayers are on the hook for an extra \$560,000 for the renovation of the Berkeley Public Library North Branch Improvement Project because of the City’s discriminatory policy. The library project is the first project out for bid in the City of Berkeley since the adoption of the costly discriminatory Project Labor Agreement policy.

The original engineer’s estimate for the project was \$3,800,000. [After the first round of bids, the low bid came in at \\$4,249,000, 11.8% over the City Engineer’s estimate.](#) The first and third lowest responsible bidders then withdrew their bids. [The City Council then directed the City Manager to rebid the project, because the remaining bid amounts were 25% over budget resulting in insufficient funds to allow award of the contract to any of the remaining bidders.](#)

[Upon a second round of bidding, only three contractors submitted bids with the lowest bid coming in at \\$4,360,000, 14.7% over the engineer’s estimate.](#) The winning bidder, BHM Construction, located in Vallejo, CA, is not a local contractor and will not likely be able to fulfill the local hiring goals.

The Berkeley PLA policy has ended open, fair and competitive bidding on public works construction projects, and denied the vast majority of local contractors and small business owners the opportunity to bid on work in their city. The message to over 80% of construction workers in the local area that

choose not to be a part of the union is: Non-union Contractors need not apply here for jobs ([www.unionstats.com](http://www.unionstats.com)).

Among other things, the PLA will force non-union contractors and their workers to pay union dues, pay into union benefit programs, require all employees to be hired through a union-hiring hall to get work, and would allow for union-only apprentices on the project. Merit-shop or non-union contractors cannot successfully operate their businesses under those constraints; therefore open competition is reduced to favoritism for the chosen few union-signatory companies. By unnecessarily limiting bidders and following outdated and inefficient union work rules, union-only PLAs consistently drive up costs to the taxpayers. [Several academic studies](#) indicate PLAs increase the cost of construction between 10 percent and 20 percent when compared to similar projects not subject to union-only PLAs. The Berkeley Public Library North Branch Improvement Project is yet one more example of how a PLA increases the cost of construction and limits competition. The opposite should be expected during an advantageous bidding climate in a down economy where most cities are receiving the most qualified bids for the best possible price without giving political favors to the unions.

Shame on the City of Berkeley!

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