

PMCA & UA Local 290 Contract Negotiations
March 31, 2011
10:20a.m – 2:25p.m., approximately
Prepared by Cheryl Hettervig

Frank said we are accepting the LOU on the Standards for Excellence as presented by the Union. I've invited two other contractors who have expressed continual interest in these negotiations to join us today. Chuck from Maples Plumbing who operates out of Humboldt County in northwest California, and Dave Ruby from Progressive Mechanical in Clackamas.

Mason said today is the last day of the contract and there is tense energy in the room. The contractors are out there selling Union work every day, and we're being treated as the enemy. After these negotiations are done, we're going to continue to be out there selling Union work. John said and we will continue to be the ones installing that Union labor.

Mason reviewed some slides and gave a presentation:

- 3,416,275 man-hours, which is equivalent to 1,642 people. This was the second lowest total in the last 15 years. Peak hours over the last 15 years was in 1997 with 8,424,108, which is equivalent to 4,051 people.
- The Union's initial proposal was an increase of \$7.00/hour for a one-year term. You came down to \$5.50/hour for a one-year term. Your last offer was for a two-year term with an increase of \$4.50/hour the first year and \$5.00/hour the second year.
- The PMCA's initial proposal was for a three-year term with a freeze the first year, a \$0.25/hour increase the second year and a \$0.50/hour increase the third year. Our last offer was for a three-year term with a \$0.75/hour increase the first year, a \$1.00/hour increase the second year, and a \$1.25/hour increase the third year.
- The UA has received wage increases each year of the past 15 years.
 - The largest increase was \$2.13 in 2002.
 - The previous 15-year average was \$1.63.
 - The previous 10-year average was \$1.52.
 - The previous 5-year average was \$1.34.
 - The lowest increase was \$0.90 in 2006.
- UA contractors currently pay a total package of \$55.98/hour, which is \$116,438 annually. This amount does not include a long list of other costs, such as vehicles, office staff, cell phones, safety equipment, tools, etc.
- PMCA contractors currently pay \$20.39 for UA 290 benefits. That's \$42,411 annually, 36% of the total package.
- PMCA negotiates a total package with UA 290. It does not negotiate the allocation of funds between wages, benefits and Union administration. If Union members want more of their increase on the check, they should lobby their Business Manager to do one of the following:
 - Reduce benefit programs and costs.
 - Take progressive measures to increase market share through strategic cooperation with the contractors.
 - Cut administrative Union costs.
- The Trusts that administer certain benefit programs have minimum reserves that are regulated by the Federal government. These reserves were in jeopardy during our last

negotiations due to the combination of reduced man-hours and stock market losses. These benefit trusts currently have surplus reserves.

- UA 290's total package is in the top 20% of all UA locals.
- The total package increase has been greater than CPI in 12 of the last 15 years.
- If we had just been giving CPI increases, the current total package would be \$46.94. That is \$9.00 less than the current package.
- Any reduction in purchasing power by a UA 290 member is directly allocated to the corresponding increase in benefit costs.
- There are a lot of differences between UA locals, including market share, geography, differences in language (freedom of movement, hiring halls, helper/pre-apprentice classifications, whether or not they provide tools), cost of living, taxes (we have 10%+ differences within our own jurisdiction), details of a drug & alcohol policy, financial health of the trusts, features in the benefit programs, and the list goes on. We have to focus on our area and do what is best for our jurisdiction, not cherry-pick from other locals.
- UA 290 has said that we need to be more in line with Seattle or other jurisdictions in terms of total package. Seattle is 174 miles from Portland, and Portland is 193 miles from Roseburg. What can you find 193 miles from San Francisco? 10 locals with scales that vary by \$36/hour.
- Market share can only increase if the contractor is profitable. The contractor is only profitable by being competitive in part by higher productivity and in part with improved management practices. Superior management practices can only be achieved through a collaborative approach between Union contractors and the Union.
- Contract goals from another UA local includes:
 - Increase competitiveness of signatory contractors
 - Increase profitability
 - Increase number of Union contractors
 - Increase market share
 - Increase hours to trust funds
 - Increase employee quality of life

We should be working together to identify similar goals.

Caucus 10:43-12:03

John said it is unfortunate that we are here at the last hour. We took your offer to 1000+ members and it was unanimously voted down. They were very vocal about your offer, but this is why we negotiate. Mason, you keep going back to man-hours. Man-hours have nothing to do with market share. That is a result of our economy. Wall Street put us here and it is not fair to use that as the basis for your position. The last time we bargained it was in good faith. We bargained for a package increase of \$1.60 and \$1.60 and we stipulated where that money would go at that time. So, you do bargain over where we allocate the money. As a trustee, I got an email from our actuary stating that we are back in the green zone, but we are not yet fully funded. This helps your unfunded liability. We are coming out of a recession, and we believe we have 3 years of real good work coming up. We want to maintain the benefits we have. We have been hit by rising costs. We just want what is fair. You have said that a journeyman's package is \$116,000 per year, but there is only a small percentage of our members who work 2080 hours. There are times we are rained out at jobs, people have doctor appointments, people get sick, and there is time off in between jobs when there is no work. On average members bring home around \$85,000 or less per year. We wouldn't need an hours bank if

everyone worked full-time hours. All of those ancillary costs you keep mentioning you are going to have whether you employ us or not.

John said the burden of market share shouldn't always be put on us. We do help gain market share. For example, one of our business agents on Gormley's behalf put his company's name in for bid at a pre-job. Gormley got the job even though no one from his company showed up to bid it. This shows how we help you. Our membership is the most vocal it has ever been in my 38 years in 290. There are plenty of examples of out-of-pocket expenses from our members to help gain market share. In the valley, there is no Intel. We have proven our effectiveness to Maples with their year-over-year growth. We have supported them and Red's company with grant funding. There is little work right now, but it will come back. We built a state of the art training center in Medford and that was funded by our members. We could have put that money on the check. We have taken our beatings over the last 10 years. We have given and given and we are tired of giving. It is our time. We are prepared to walk away to show that we need a fair agreement. We shouldn't have to work past the term of our contract. This is an emotional time, our members are fired up. We are committed to working for you, but we are willing to walk away in the future if we need to.

Frank said I'd like to give our contractors an opportunity to speak.

Chuck from Maples Plumbing said down where we are we often feel very disconnected. There are people who have worked to try to keep us connected. Both Frank and John have helped us. We have been with 290 for 14 years, and this is the first time it has gotten this scary. We are a small company and we have lots of concerns. I committed to our employees that I would come up here and try to understand what is going on and where this is going. We have had a good volume of hospital work. For one project we had to have 15 guys come down from Oregon to help. The success of that project has put us in the position to bid 2 more jobs with the same company. We still will have to sell what we negotiate to all of our customers, and we need to help that make sense to them. We have to give the hospital owner our labor rate as part of our contract with them. We want to believe that we are on the verge of recovery, but our customers are still very closely looking at their assets. We have to be careful that we aren't asking our customers to take on too much at one time. If they don't accept our rates they will go elsewhere to get the work done. On another note, I want to speak freely on the voting process. No one from our company has been able to come up for the vote meetings. If they come to the meeting on Sunday by the time they would get back home they wouldn't be able to go to work on Monday. With the technology we have these days we should be able to make this process easier for them. My guys feel disconnected from the local.

John said I appreciate you being here, Chuck. I'd like to reiterate how we've supported your area. The hospital work you mentioned is a great example. The health care industry is part of the problem. They come to us with 12-14% increases in our premiums, but they don't want to see any increases from us. What have you done to show that hospital how much we have contributed to them? Our guys did so well for you that you were invited to bid on 2 other jobs. On the voting process, we are putting a committee together to investigate using other means for this.

Red from AMT&C said I have been a fitter since I got into the trade, but I took a withdrawal in January. At the present, I have several friends in the Rogue Valley and they have to travel outside of their area to get any work. I have bid \$80,000 jobs and been beat by \$20,000. At a large project at the VA in White City I was the only bidder on a \$750,000 job. But, my bid was over budget and is currently on the table being discussed. On an Elementary School project,

290 stepped up to help, but I still lost the \$700,000 job by \$100,000. The help is there but the non-Union is still beating us out. I've talked with others who say they are only getting 6-7% of jobs bid. In Bend, the non-Union contractors are bidding service jobs at \$35/hour. We can't get that work back at that value. Over the last 7 months I've bid on 3 VA jobs at \$2.5 million and have lost all 3 of them. In Klamath Falls I bid 3 jobs and lost 1 to non-Union. With municipal work, we got 1 out of 4, the rest went to non-Union. Out of 6 boiler projects, we got 2. On plumbing and hydronics we got 1 out of 10. I have 3 guys with no health care because I can't give them enough hours. I don't know when the last time was that a shop was organized in Medford or Roseburg. I don't know what to do anymore to compete with the non-Union shops and I don't see how your economic proposal helps us down there.

Mark from Peninsula Plumbing said, my Uncle started the business in 1948. I came to work there in 1969 and bought the company in 1997. With 160 employees, we were the largest plumbing shop around for many years. We were averaging 90 employees for quite a while, but I laid off half of my workforce in 2008 when we lost \$12-15 million worth of work and the banks were pulling funding. I've laid off 70 guys since then and haven't hired one of them back. I'm down to around 20 employees now. Part of the reason for our success is the partnership with 290, but right now I'm losing prevailing wage bids by 20-50%. I have employees who have worked for me for 16 years. I've had 3 employees lose their homes. It's difficult to tell them what might be in the future for them. When 290's first offer came out, I had employees come to me and ask where does that leave us. I tell them I don't know. One other point I want to make is that we are negotiating for 3300 members, not 600.

Dustin from Harder Mechanical said for the last 8-9 years I have been on the road working industrial jobs. Many of the power plants and oil refineries we work with hate Unions. I've been defending Unions to them because I am proud to be Union, and I don't want to be non-Union. Intel is very concerned right now, and I would hate to see them get to that point where they don't want to work with the Unions. I understand there was a meeting at Intel this morning at 10:00 and they were going to be discussing whether or not to ask us to demobilize. I've heard that they are prepared to bring in non-Union as an interim plan, and may have already taken steps to do so. Industrial work is dead in our area, but I would hate to lose the high-tech work. In Arizona, they are talking about a wage freeze. Intel has discussed the option of moving their plant down to Arizona or New Mexico in order to avoid large increases in costs up here. I think we need to look beyond Intel as well. When that project is over what's left for us?

John said you put a chart up earlier showing various wage packages within a 193 mile radius from San Francisco. In the Silicon Valley the package is \$78.34. In Burlingame it is \$76.57. They are way above us and they are still using Union labor to build plants there. They choose to hire guys that they know will do the job right the first time with quality and safety. I do not think that Intel is going to move a \$2 billion dollar lab due to our contract increases. Our package is miniscule to them. We are not going to let 1 customer drive us one way or another. It amazes me that Red was the only bidder on a \$750,000 job. Where are all the rats you're talking about? If you are losing prevailing wage jobs by 20-50%, I cannot fathom how that guy is staying in business. With the Mechanical Allied Craft Council (MACC), there is an agreement an owner can sign that gives them a no strike/lockout clause if they use all of the trades that are a part of MACC. If we walk away from the job there are fines to us. This agreement was offered to Intel and they chose not to sign it. We are not afraid to step out. I know that Intel needs us to build their plant. I have asked to talk to the Labor Commissioner about the spread on prevailing wage jobs. Have you? We have to work on this together. We are continually fighting for you to keep our members working.

Mark Wright said I asked for a meeting with the Labor Commissioner. I gave him 12 jobs where I was beat by 20-50%. He said that wasn't enough. So, I think that is pretty weak. John said he is one of 4 elected officials. We have given money to the Labor Commissioner to get him elected. What did you do? We put up a \$25,000 bond for schools to help a measure get passed that will help us get \$500,000 worth of work. What have you done? Frank said I have a meeting to discuss making a contribution towards that. John said I hope it matches our \$25,000. Frank said I don't have your Union dues, John. We give what we can to help support our industry. Don't try to tell me we don't. John said what our members give is substantial. Frank said so is what our contractors and the PMCA gives.

Dan from Charter said we have always appreciated our partnership with 290. Intel has been a great partner as well. But, there is a tipping point for Intel. Local 290 training does set us apart, but it is naive to think that it will continue this way. Intel feels they are being held hostage, and this is just a big game of chicken.

Dave from Progressive Mechanical said I have been a 290 member for 33 years. For the last 22 years I have been an estimator/project manager of mechanical construction projects. We are a small Union business. Quality work and craftsmanship is what we have to offer. The last couple years have been difficult.

- In 2008 our total work completed was \$2.36 million. We completed 14 large and 31 small projects. We employed 13 field employees and 4 full-time office staff. When we attempted to hire new field hands for the summer work load the hiring hall was empty.
- In 2009 our total work completed was \$1.31 million. We had acquired most of the year's work by May and we were only able to win one additional bid over the next 7 months in the amount of \$5,930. During those 7 months we estimated approximately 15-20 large and small projects per month for a total of over 100 estimates. We estimated around 88 large projects and got 9. We estimated around 44 small projects and got 12. We employed an average of 6 field employees, 2 full-time and 1 part-time office staff. Our scheduled work ran out in October and our 6 field employees only had sporadic work.
- In 2010 our total work completed was \$1.62 million. We estimated around 85 large projects and got 10. We estimated 42 small projects and got 10. In January we were in discussions with the owner of our building to cut our rent in half or we would need to move out. The owner agreed because he was in the same boat as us. We cut all office equipment, fax/phone, cell phone and internet services to minimums. We cut as much overhead as possible. From the beginning of January through February, our office staff was down to 1 part-time estimator, and 1 part-time accounting person. I was the only full-time office staff but I did not receive a paycheck. In the first 3 months of 2010 our field employees worked less than 80 hours combined.
- In 2011 we are not at this time on track to meet our requirements for our annual sales to cover office and overhead expenses. We have estimated 43 large projects to date and have received 5. We have estimated around 23 small projects and have received 6. I found out yesterday that we missed out on 2 large projects to non-Union contractors. We were beat by around \$9,000 on a \$2 million project for the Lowerie Primary School. We also lost Chemeketa CC satellite campus dialysis clinic, a \$188,000 hydrotemp job to Tapani Plumbing by \$4,000.

We have been continually beat by a margin of 20%. I know how to estimate; I've been doing it for 22 years. Some banks aren't loaning to contractors anymore. In 2010, I wrote 4 letters of recommendation for former employees who were looking for other avenues of work than our

pipefitting industry to feed their families because they were running out of unemployment options. One of these men applied for a maintenance position at George Fox College along with 500 other applicants. While he finished high on the list, he did not get the job. I teach Foreman Training to apprentices at the 290 training center and in our 2010 spring class of 19 people, 2/3 were unemployed. We had over 60 plumbing apprentices that were out of work, and most of these were in their last 18 months of the 5-year program. It is apparent that the only ones benefitting from our in-house fighting is the non-Union element. Of the 135+ contractors signatory to 290, 85% of them are small business owners. If we continue on the current path we are on, a vast number of these small shops risk being eliminated. As a business owner, I am just trying to make a living and put people to work.

Bill from TCMS said I represent the service contractors. I don't do any work at Intel; they mean nothing to me and my business. I cannot raise prices on my customers. They shop us; almost 100%. They are shopping us with the non-Union contractors from which I took their business. I was able to get their business from the non-Union shops because they were doing a shitty job. And now, they are shopping me with those same non-Union shops. I understand your emotion on this issue and that you feel you are falling behind. I also get the sense that you think you are the only ones being asked to sacrifice. I have frozen wages in my office and my managers have taken a cut. I don't see the recovery happening. I have cut my overhead in every way possible. I think it is important that we don't get out ahead of ourselves and start increasing costs. I also want to address a rumor that I understand is out there. I heard that I ordered all service vans to be returned to the shop tomorrow. That is absolutely ludicrous and is not what we are doing.

Mason said we understand your frustrations. The economy sucks right now and the non-Union contractors are a constant threat. What we don't understand are the attacks against the contractors and customers. The alleged inside campaign does nothing but divide us. You've got the wrong enemy. We need to focus on how we can build together.

Frank said I received a copy of an email from Al Shropshire that was posted on the Our290 site. The email said "Business Manager John Endicott approached me and asked if we could work together on the strategies for an Inside Campaign." It further stated "I did meet with John Endicott on March 28. We met in his office with the doors open with another 290 Rank & File member present. We talked openly about our upcoming fight and about strategies for an Inside Campaign." When I saw this I wondered why we are even meeting today. It was apparent that you were already set to say no. This should be about what our clients want. If they don't like you, they will go somewhere else to get the work. If you strike, we lose the work. If there is an inside campaign, we lose the work. If the increase is too high, we lose the work. If there is a reasonable settlement, we will keep the work. We don't care about Silicon Valley or San Francisco. We are a local. Local 290 is also an employer. Local 11 is your employee. What did you settle on? Year 1, a freeze. Year 2, a freeze. Year 3, a freeze. There was also a change in allocation of health and welfare and pension. Clearly, you see the economic situation in bargaining with your own employees.

We have a wage proposal for you. But, I want to make it clear that if this offer is not accepted it might be less in the future due to possible changes in the market place. Year 1, \$1.00 increase. Year 2, \$1.00 increase. Year 3, \$1.25 increase. John asked about travel pay. Frank said we are saying no to 15-minute breaks for 4-10 schedules and no to your travel pay proposal. We are also staying with our proposal on the drug & alcohol policy.

John said Local 11 wasn't a 290 negotiation. There were several employers involved. There were lots of dynamics that you aren't aware of. They also don't go to school and participate in ongoing training. To bring them up in this forum is inappropriate.

Caucus 1:25-2:15

John said we discussed your last proposal. We need to come to a means. We are going to walk off the cliff together. We are here to bargain in good faith. We could have seen a better effort than the \$0.25 you put on the table. We said we didn't want to play that game. We know what our members want. If anything we have put on the table will put any of you out of business then we would like to sit down and go over your financials to see that. We are willing to continue talking until 9:00 Sunday morning. You stood on a 3-year contract and we moved from 1 to 2. That was a big move for us. We are staying with our proposal on 15-minute breaks and with our travel pay proposal. We are saying no to the drug & alcohol policy. In year 1 we want a \$3.75 increase. In year 2 we want a \$4.25 increase. That's a hell of a lot bigger movement than \$0.25. Frank said that depends on where you started. You started at \$7.00. We have a lack of confidence that you aren't running a different strategy with an inside campaign. John said the Our290 group is not the group you are negotiating with. You can listen to all the fluff if you want. We do have lots of options and I'm certainly not going to tell you what those are. Frank said we know you have options, but, when we hear about an inside campaign it is disconcerting. John said I didn't say I support that; I said I would listen to options. Frank said it is still a concern. We spent most of the caucus discussing how we would answer that campaign. We spent a lot of time in negotiations discussing language. We have barely talked about wages. All of the language proposals were cumbersome to the process, and we started late having meetings. John said we have been clear from the beginning that maintenance of benefits and money on the check were our biggest issues. Frank said we heard you loud and clear. We had the largest association meeting I've ever been involved in on Tuesday. Our people are riled and passionate too. I've never seen them more together on an issue than this. Harder and JH Kelly are united and they have been fierce competitors until this point. Our last offer is what we want you to vote on. John said you aren't even willing to discuss our last offer? Frank said we can take a quick caucus to do that if you'd like.

Caucus 2:25-2:35

Frank said we discussed your proposal and we want you to take our last offer to vote. John said we will do that and it will be unanimously rejected. We are willing to meet up until Sunday morning if you'd like.

Meeting adjourned.