

## The labor policy behind the synfuel program

by Lonnie Wolfe

An 800-million-dollar coal gasification plant is now under construction in southeast Illinois by Shell Oil Company. It is being built with nonunion labor. Gulf Oil, Occidental Petroleum, and Exxon have all announced plans for billions of dollars in construction of synthetic fuel facilities. All plan to use nonunion contractors.

According to spokesmen for the Associated Builders and Contractors (ABC), the anti-union open shop contractors association, the vast majority of the projects under the newly created Synthetic Fuel Corporation will be built with nonunion labor. They say that there is a loophole "big enough to drive a truck through" in the Energy Security Act of 1980, which created the corporation and authorized \$20 billion in funding.

Section 175(b) of the act specifies which categories of projects will come under the Davis-Bacon Act, the law which guarantees the payment of prevailing—in most cases union-scale—wages on all federally funded construction projects. Projects funded by the corporation through loans, loan guarantees, or in joint ventures are covered by Davis-Bacon. But if the corporation sets up a price-support agreement—which guarantees a certain market price for a synfuel product—or if the corporation enters a purchase agreement—by which it contracts to purchase a certain specified amount of a synfuel product—Davis-Bacon does not apply.

This has been confirmed by Terry Yellig, a spokesman for the Building Trades Department of the AFL-CIO and by spokesmen for the Synthetic Fuels Corporation itself.

Lane Kirkland, the AFL-CIO president, testified before the Senate Energy Committee on Sept. 24 that

Davis-Bacon "would apply to almost all projects of the corporation." But Kirkland, who was intimately involved in the discussion around the drafting of the legislation, certainly should have been aware that this was not the case. His own lawyers would have told him so.

According to a spokesman for the corporation, the amount of nonunion labor involved in the program is directly proportional to how high the price of oil rises. The higher the price per barrel, said the spokesman, the more economically attractive a synfuel project becomes. This makes it easier to obtain private financing, making the price-guarantee and purchase-agreement route a workable option. With Davis-Bacon removed as a "hindrance," the whole program will skew heavily toward the open-shop or nonunion contractors.

This analysis is shared by a Senate Banking Committee staffer involved in drafting the legislation. Everyone involved in the program and its planning is banking on major increases in the price of oil, he stated, increases that will push the price well over \$40 per barrel in the near term. If there is no price increase, he stated, the synfuel program will not work.

It is the high cost of the synfuel process that demands that projects be built and operated on low, nonunion wages.

A competent synthetic fuels program should be based on utilization of high-energy technologies. This requires the construction of high-temperature, gas-cooled nuclear reactors to provide the necessary energy throughput to make synfuels cost efficient.

A second, complementary aspect of such a program

would be water project development in the Western states—projects which have been blocked by the environmentalists and their allies in the Carter administration. These projects are key to developing the huge Western coal reserves and using them efficiently—without threatening the destruction of Western agriculture.

This program would in turn demand the efficient use of highly skilled construction and other labor, as well as the training of additional workers. It could not be done with nonunion “cheap labor.”

The Senate Banking Committee staffer in fact identified as a major purpose of the program raising the price of energy. “It is a less obvious way to do this,” the staffer stated. “but the synfuel program will raise the cost of energy as much as a direct energy tax. This will finally force cuts in consumption.”

A spokesman for the corporation stated that the major oil companies—who will build and operate most of the key projects—have already added up their labor costs and decided that they can’t afford union labor. As long as the law provides them with a loophole, they will push for nonunion contracting.

All of this has the Associated Builders and Contractors ecstatic. “For years we’ve been trying to bust through against the union contractors,” said an Associated Builders and Contractors lobbyist. “Now we have been given our big chance and the irony is that the unions lobbied for the bill.”

“The synfuel program has the potential to be the largest single construction project in the history of the country,” the ABC spokesman continued. If the second

phase of the program is underway in 1984, an additional \$68 billion will be made available. From this point on, the synfuel program will hog nearly all capital and resources—both equipment and manpower—available in the construction industry to the exclusion of other projects. The Department of Labor estimates that more than a million additional construction workers will be required to fill the program’s manpower needs.

The ABC is now gearing up a multimillion-dollar apprenticeship program to make sure the new workers will be nonunion. ABC spokesmen boast that the net effect of all this will be to drastically lower the wage rates throughout the construction sector, while rendering Davis-Bacon ineffective. Privately, spokesmen for the corporation will agree with this analysis; publicly, they prefer to remain silent on such issues.

But union leaders are already alarmed. Plumbers and Pipefitters President Martin Ward lashed out last month at the oil companies and others for double-crossing them. “The companies that slapped us on the back when we were lobbying [for the Energy Security Act] beside them, now act as if they don’t know us,” Ward stated recently.

Other union officials are angry at AFL-CIO President Kirkland, who they feel has a lot to explain. Kirkland reportedly cooked up a deal with the Carter administration which gave union backing for Carter’s renomination in exchange for the promise of a synthetic fuel jobs program. Carter has been defeated, but the legislation he sponsored has opened the door to nonunion contractors.

## Provisions on Davis-Bacon

*The following is the wording of the Energy Security Act that specifies Davis-Bacon coverage. It should be noted that the sections referred to under this subsection, namely Sec. 132, deals with loans made by the corporation. Sec. 133 deals with loan guarantees made by the corporation. Sec. 136 deals with joint ventures involving the corporation. Not mentioned under this subsection are Sec. 134 and 135 which deal respectively with price guarantees made by the corporation and purchaser agreements made by the corporation.*

### Relationship to Other Laws

Sec. 175(b). The provisions of the Davis-Bacon Act and the Service Contracts Act shall apply to the Corporation as if it were an agency of the United States. All laborers and mechanics employed for the

construction, repair, or alteration of synthetic fuel projects funded in whole or in part by the Corporation pursuant to Sec. 132, 133, or 136 of this title shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act as amended. The Corporation shall not extend any loans or loan guarantee for construction, repair or alteration of synthetic fuel projects unless a certification is provided to the Corporation prior to the commencement of construction or at the time of filing an application for a loan or loan guarantee, if construction has already commenced, that these labor standards will be maintained upon the synthetic fuel project. The Secretary of Labor shall have with respect to the labor standards, specified in this provision, the authority and functions set forth in the organization plan numbered 14 of 1950 and Section 276(c) of Title 40.