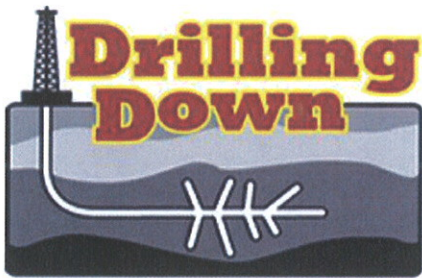




## One Labor Union Wins, Another Loses with Shale



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YOUNGSTOWN, Ohio -- Business agents of the Laborers International Union of North America's Ohio districts cry foul. They charge that Chesapeake Energy Corp., the major oil and gas leaseholder and driller in the Utica shale in eastern Ohio, is snubbing the local workforce in favor of out-of-state contractors that hire their own.

Not so fast.

The business manager for Local 396 of the Plumbers & Pipefitters union reports that his membership is so busy because of shale exploration that it's called in members from other locals – even from out-of-state districts – to satisfy demand in the industry.

Such is the dichotomy playing out in Ohio as Big Energy moves into a shale play that some predict could last generations. At the heart of the issue is the degree these large energy corporations will hire from the local labor pool. Doing so on a large scale would deliver the economic punch all agree this region needs.

"It's been heaven for some of our membership," reports Butch Taylor, business manager at Local 396 of the plumbers union, which represents 300 active members in the Mahoning Valley. "We've got another 300 working full time above and beyond our membership," he says. At different points, the number of workers full and part time has reached as many as 600 above the local's roster.

But the shale rush hasn't delivered the same prosperity to other unions, especially the Laborers, officials of that union contend.

"I have about 210 members on layoff right now," says Clint Powell, business manager of Laborers Local 809 in Steubenville, whose district includes Columbiana County. "Chesapeake likes to pull the wool over your eyes. They might hire three people and then say they're hiring local."

In recent weeks, Local 809 has staged three protests at pipeline construction sites in Jefferson and Carroll counties. The acrimony has reached such a pitch that the union blew up its inflatable rat at the sites, and leaders vow to continue these protests until its message is heard.

"We're hoping Chesapeake will give our contractors a chance to bid on pipeline and processing plants," Powell says. "We'll be out there until we see results."

Members of Laborers 809 demonstrated May 1 and 2 at a 13-mile pipeline project in Jefferson County on, and staged another informational picket May 9 at a site in Carroll County. Chesapeake hired

Progressive Pipeline Services, based in Meridian, Miss., for the Jefferson County project, and hired contractor STI, based in Buna, Texas, for the job in Carroll County.

"They're hiring out-of-state contractors, and bringing in workers from elsewhere," Powell says. He reports one Chesapeake contractor, Louisiana-based CBC Pipeline, did hire from the local workforce, but it was for a project that consisted of just 3,000 feet of pipeline construction.

Another pipeline project of roughly 5.5 miles is expected to be out for bid soon in Harrison County, and Powell says he's watching closely whether the contractor selected is open to using local workers.

Chesapeake has said that hiring local workers is paramount in its business plan ever since it started developing the Utica shale more than a year ago. Chesapeake spokesman Pete Kenworthy calls any suggestion that the company hires contractors that ignore the local workforce "completely false and companies in Ohio, both union and nonunion, can confirm our practices."

Kenworthy says Chesapeake vets its contractors very thoroughly before awarding a project, and selection is based on criteria such as a contractor's experience, safety record, scheduling availability and costs.

The Laborers' roster is filled with highly qualified workers for these jobs, Powell says. And, the international has adopted curricula specific to the industry, including a 40-hour training program for pipeline construction.

Chesapeake requires every contractor to secure a master service agreement (MSA) with the company, Powell notes, in which Chesapeake will conduct extensive background checks and validate references. He complains that many union contractors have tried to contact the company to no avail. "We'd like to see some of our contractors get an MSA," he says. "If they don't make the cut, at least they got a shot."

Powell concedes that Chesapeake contractors have used local labor to build and reconstruct roads. However, he's concerned that his members will be left out of other construction projects, such as developing well pads and the two processing plants Chesapeake wants to build in Columbiana and Harrison counties – a \$900 million project.

"We've seen nothing from pad construction yet," Powell says. In Columbiana County alone, he reports, 33 wells are permitted or under construction and each well will need pipeline infrastructure once they're completed.

"This is coming to Mahoning and Trumbull counties," Powell cautions. "All we want is our fair share of the work. This is our area. These should be our jobs."

Rocky DiGennaro, business manager at Laborers Local 125 in Youngstown, says that he supports the efforts of the locals in Canton and Steubenville and wants to make sure his members are considered once construction here begins in earnest. "We want to have local people in local jobs," he says.

DiGennaro relates that the local workforce was shut out in states such as West Virginia, and is looking to ensure that doesn't recur here. "There's no piping and no well up and running yet [in Mahoning or Trumbull counties]," he observes. "But, we're ready and we're waiting."

Conversely, the Plumbers union is very active with shale-related projects, most notably V&M Star's new pipe mill in Youngstown, as well as a new sister threading operation on the site. "It's been very positive thus far," reports Local 396's Taylor.

Taylor says his union sat down with Chesapeake and established a direct line into the company to become involved in the process. The local has also secured experience working with contractors in

the Marcellus shale in western Pennsylvania and West Virginia, which has helped increase the chances of employing local tradesmen once development of the Utica shale begins here.

As these pipelines and compressor stations begin to take shape, Taylor projects the demand for welders in the Mahoning Valley will be enormous, especially for "downhill" welders used in pipeline construction. "These aren't low-paying jobs," he emphasizes. "The minimum is \$70,000-plus, even more for downhill welders."

Taylor reports the apprenticeship program in his union hall is bursting at the seams, and never before has it experienced such a backlog of interest. The local has also worked closely with the offices of U.S. Reps. Tim Ryan, D-17 Ohio, and Bill Johnson, R-6 Ohio, to secure grants that provide funding for workforce training courses needed to bring the next generation into the trade.

Even so, Taylor says, the Utica shale play in Mahoning and Trumbull counties is still in its early stages, and a lot of work should come through midstream development. "We've already met with many of the companies and we have a future meeting with BP," he reports.

BP Energy has locked up more than 84,000 acres through leasehold agreements in Trumbull County while Consol Energy and Carrizo Oil and Gas have also staked out positions there. "We're looking at what could be a great relationship," he says.

Local 396 recently reached agreements with two new contractors, De-Cal Mechanical from Detroit, and Evets Oil and Gas, a subsidiary of VEC Inc., Girard, each of which has experience in oil and gas infrastructure construction.

"We're trying to work together for the common good, with all of us participating," Taylor emphasizes. "I'm very optimistic. We've laid the groundwork."

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