

THE ACADEMY OF ELECTRICAL CONTRACTING

Paper Presented by
Wyman McCall, Fellow

The World's Biggest Do-It-Yourselfer!

A "1984" Look at TVA

July 1984

THE WORLD'S BIGGEST DO-IT-YOURSELF!

A "1984" LOOK AT TVA

TVA, the World's biggest? Well, maybe only the biggest in the United States. After all, the role model of the New Deal social planners - "Big Brother - U.S.S.R.", has to be the biggest!

For openers let's look back to the early 1930's to the beginnings of TVA, "the grand experiment"; to the time when, as Norm Ferguson told us two years ago in his paper REAR VIEW MIRROR, the great depression "caused the start of our social welfare state of today". Those were the days of the New Deal, the NRA, the WPA, the TVA and many other "government-does-it-better" schemes of President Franklin Roosevelt and his constant advisor, Harry Hopkins. Some of these schemes, like the NRA, were eventually shot down as unconstitutional or radically modified; but TVA remained, with its foundation principles almost completely unchanged. Perhaps this was because it grew rather slowly at first and was so well hidden in the backwoods of the Deep South.

In the early days, TVA's top management wrestled with the incompatibility of its three mandates for river management: Flood Control, Navigation and Power Generation. Dr. A. E. Morgan, Chairman of the TVA Board and "Father" of the previously designed and highly successful Miami (Ohio) River Flood Control Program, insisted that it was not possible to have all three mandates functioning satisfactorily in the same Dam. Subsequently, he was fired by FDR for his stand against TVA making power generation the prime consideration of the three. Dr. Morgan had contended that power generation should be incidental to the other two mandates and that any such water-generated power could be sold to existing public utilities, to augment power being produced by them in integrated generating systems, for sale to the public.

The "New Deal" administration and early TVA leaders like James Lawrence Fly and David Lilienthal were determined to put the Federal Government in the electric power business in a big way and to make TVA a showplace of "Government-does-it-better". To do this, TVA moved through threat of possible eminent domain proceedings and other shenanigans to take over the major area utility; Tennessee Electric Power Company, a Commonwealth & Southern subsidiary, and break it into municipal operations such as the Nashville Electric System and the Chattanooga Power Board along with various REA electric co-ops. Further expansion into East Tennessee was strenuously opposed by a small Electric Bond & Share operation, The Tennessee Public Service Company. They were finally bludgeoned into selling their system at a sacrifice when the Knoxville Utility Board began to construct a competing operation in the City of Knoxville, literally "on the other side of the street". Later, the Aluminum Company of America was forced into turning over operations control of its many hydro-electric plants in the mountains

of East Tennessee and Western North Carolina since they were in TVA's backyard (the Valley water-shed) and TVA could refuse to sell ALCOA the fill-in power they had been buying from the private companies TVA had taken over.

Early on, ALCOA owned or controlled a site for a proposed Fontana Dam in North Carolina and was anxious to build that dam to augment its power supply. ALCOA had Federal Power Commission approval for construction but was blocked, presumably at TVA's insistence, by other Federal agencies giving as an excuse some, supposedly much needed, future railroad route through the proposed lake bed. Later, during World War II, TVA took over the site, "forgot" the railroad, and built the dam themselves under emergency war powers authorization. So with a lot of conniving and considerable help from the "Alphabet Soup-Kitchen Cabinet" in Washington, TVA became a federally owned functioning regional utility. The "grand experiment" was on its way!

Given a big boost by the heavy power requirements of the large Uranium Enrichment plants of the Manhattan Project built at Oak Ridge during World War II, and the rapid growth of these facilities after the war; TVA mushroomed! The development of the present TVA generating capacity glut, over the past several years, has demonstrated how TVA-style bureaucratic operations can result in over-expansion and, with accompanying cost over-runs, cause economic disaster in an area the agency was originally intended to help! That, however, is another story which is still developing.

When TVA was first organized it was touted as something good for everyone in the Valley and was to be a showcase to the World of the benefits of total, integrated "big-brother" planning. Not only would TVA tame the river (no more floods - a grand river highway for low cost barge transportation - plenty of cheap electric power) TVA would also teach us the best way to farm; how to prevent soil erosion; how to conserve forests, wildlife and water resources; how to install indoor plumbing and even how to wash our clothes and cook our meals with that wonderful, plentiful TVA electricity. The names "TVA" and "Utopia" would become synonymous!

When I first came to the Valley in 1936 as a fledgling Westinghouse sales assistant to help sell giant generators, OCBs, transformers, etc., TVA was almost the only customer in the country for these type products. By then the GREAT DEPRESSION of the previous five years had really taken its toll. In 1932, there were no major construction organizations in the "valley" or for that matter most anywhere else in the country. Great engineering firms like Stone & Webster were just "skin and bones" having pared their forces almost to the point of no return. Into the employment market of the early 1930s came TVA, the only "kid on the block" doing any appreciable amount of technical manpower hiring, and talent was everywhere. Almost every key-man hired for the TVA Engineering Department was a well qualified former Stone & Webster engineer. Most of them had been out of work for a considerable length of time and many were ripe for the socialistic doctrines fostered by the Norris-LeGuardia Act setting up the Tennessee Valley Authority. With, perhaps some self-serving motives, many of these people

felt that the best course of action for the construction of major engineering works like Norris Dam, and others to follow, was to build with in-house construction forces. Since there were, at that time, no construction organizations in the region large enough to undertake projects of such a size; there was apparently no one with sufficient motivation to make a strong effort to promote the use of the private-sector construction industry on these projects. Thus, the giant began to come into being; and, once bureaucracy blossoms, like the well-known Kudzu vine of the region, there seems to be no stopping it.

Construction unions in the area were few, small and ineffective, even those in the cities. FDR and others in government had a strong commitment to Organized Labor; so, TVA, with the help of Washington, immediately went to work to "correct the situation". Not having effective local unions to deal with, they brought in labor representatives from the national level and drew-up a multi-trades construction employment agreement signed by International representatives and binding on existing and future local construction unions in the Valley. The present agreement includes 17 crafts and provides for annual wage determination conferences to set valley-wide rates and conditions for all these crafts. These "conferences" (TVA doesn't like to call them negotiations), involving numerous representatives from Trade Union International Offices and Local Unions in the Valley, are supposed to review and consider all the private sector construction agreements in the Tennessee Valley water-shed. To permit them to set high wage rates they included rates of all crafts in such cities outside the Valley as Louisville, KY, Memphis, TN, Birmingham, AL, and Atlanta, GA. They justified the inclusion of these cities with the fact that the local Building Trades Union organizations had at least one craft union in their area (usually a small one like pipe insulators or elevator erectors) with bargaining rights for some geographical part of the water-shed no matter how small or remote or whether TVA works anyone in the area or not. From this review comes TVA's valley-wide construction wage determinations for the next calendar year. The Unions love this because private sector negotiations in the several different labor markets throughout the valley, are typically held in the Spring when the threat of strike or lock-out can be most effective - SO there comes the old Whipsaw! Private sector construction union employers have suffered for many years from raids on their EEO complying apprenticeship programs, from striking workers being able to get TVA employment during strikes and from many other unfair employment related actions aided and abetted by TVA's labor relations policies.

When putting this paper together I sent an early draft to several of my fellow "TVA Labor Policy Fighters", including a prominent local leader of AGC, several fellow NECA members and past and present chapter managers. The consensus of these people is that while TVA has definitely helped the economy and growth of the area through river development and electric utility expansion, they have also hurt us a great deal by the irresponsible way they have handled the labor market. Ted Dietsch, a highly motivated former manager of East Tenn. Chapter NECA, now retired at Lake Toxaway, NC, recalls the following tale about TVA when they were starting work on the Sequoyah Nuclear Plant near Chattanooga. He said,

"Our apprenticeship program enjoyed a very good reputation in the Chattanooga area mainly because of our selection process and our excellent apprenticeship school. TVA contacted us to see if we would train apprentices for them. We told them we would consider it and take it up with the Apprenticeship Committee. The Committee decided that we would take on the job if TVA would do the following: (1) Let the Committee select the apprentices. (2) Require the apprentice to get a reasonable amount of work experience out of shops doing other than "Nuke" work because those people coming back from such work were very limited in their 'scope of work' experience. (3) TVA would pay in 1% to the apprenticeship fund just like all NECA contractors. Needless to say TVA would do none of the above, especially since they considered it an insult that we asked them to pay like everyone else in the program." So much for Industry cooperation! Knoxville NECA member, Harry Sherrod, who has been extensively involved in local construction industry efforts to get TVA to either get out of the construction business or cooperate more with the private sector, points out that there are many cost-saving advantages in the employment of private contractors; in areas such as job manning ratios, overtime use, job organization and free competition; that are not cost effective in TVAs "do-it-yourself" construction operations.

In recent years, area construction organizations have made numerous efforts to negotiate with TVA to, in some way, rectify some of these ills. So far we have been able to do little or nothing. With a TVA labor force of sometimes as many as 35,000 people, AGC, NECA and other trade associations are able to bring very little, if any, political pressure to bear because of the size of the voting block represented by such a large group of people. TVA personnel at mid-management level who "negotiate" with the building trades representatives in the annual wage conferences have their pay scales adjusted annually by a similar process often tied to the adjustments made in the trades agreement. This, to say the least, presents a potentially serious conflict of interest. In the last ten years or so AGC, NECA and others have made repeated efforts to get TVA to contract-out the work and get out of the construction business if for no other reason than the fact that they are such a disruptive factor in the labor market with their socialistic wage setting policies and other counter productive labor practices. There has, however, been very little success in this area with only one or two warehouse and small laboratory buildings contracted-out and a few office buildings done by developers on a lease-purchase basis.

So, where do we stand today? Private sector construction throughout the area is fast becoming "open shop". Nearly all of the many sizeable general contractors based in Knoxville, Chattanooga and Nashville no longer remain "union"; most electrical contractors are going "open-shop" and several IBEW local unions in the Valley find themselves with no private sector employer with whom to negotiate a labor contract for their "jurisdiction". If the trend continues, TVA could find themselves the only significant construction union employer in the region. The sad part is that they will have driven out the private sector construction union employer, the one potentially effective cost stabilizing influence in their labor market. The over-build and cost-excessive expansions I mentioned before have already made power costs in the Valley non-competitive with private utility power rates in other "sun-belt" areas

that are competing with the "Valley" for new industry. With the eminent demise of one of the remaining major deterrents to excessive labor rate increases, it would appear that the power cost differentials will get even worse. Consequently, it should be only a matter of time until, not only will no new industries be established, but existing industries will begin to leave the Valley for greener pastures; and we, who are left, will have to find other ways to wash our clothes and cook our meals because we can no longer afford the high cost of that wonderful TVA electricity.

Is there a moral to this story? I don't know, but I think it is saying: Don't ever let "government-does-it-bigger-and-better" get a foothold in your Valley.

