Proud to be an American

Some 40 years ago, Mike Zellner survived Nazi occupation and Soviet programs in his native Hungary. So survival in the construction business has been fairly simple.

Recent events in Eastern Europe have had a special meaning for Michael Zellner, president and co-owner (with Joseph Krader) of the Zellner Plastering Company, Los Angeles, California. His story begins with the Nazi occupation of his native Hungary... but let Zellner tell it in his own words.

"Joe and I were born in a German Hungarian village, and lived there as young teens during World War II. The Soviets occupied our town in 1944 and soon forced all the villagers, from about ages 15 to 45, onto a train for Russia to revive their abandoned coal mines. From my town of about 1600 people, I later found about half died in mining accidents.

"That first time, Joe and I were too young. But about a year later, in April 1946, the Soviets surrounded the village and again forced people to move. This time, Joe and I were old enough, and were put on the train to Russia. But the Lord must have been watching us, because our train had to stop in what had just become the American sector of West Germany.

"Until June 1948, you had to buy food with rationing stamps. But if you didn’t have a job, you didn’t get any stamps, Joe and I tested for higher education, but the disabled veterans were getting preference. So since we had done some plastering in Hungary along with my grandfather, we got work as tradesmen and apprenticed for 3½ years.”

Through the sponsorships of Krader’s uncles, who lived in California, young Krader came to the United States in 1952—and Zellner, then 20, arrived a year later. After work as a painter, then a two-year stint in the Navy, Zellner in 1958 teamed with the Krader family to form their own plastering company. Two of the original Kraders have since retired, but Zellner and Joe Krader carry on what has become a thriving and respected business.

Mike is Chairman of the AWCI Regional Vice Presidents’ Committee as well as AWCI’s Plasterers’ Apprenticeship and Labor Liaison Committee. He also serves on the AWCI Board of Directors.

DIMENSIONS: To understand how you approach the challenges of the construction business, let’s go step by step through a typical job. For example, how do you decide what projects to bid?

ZELLNER: Our company zeroes in on public works jobs such as schools, hospitals, and colleges. Within our sales territory of about 50-100 miles of Los Angeles, there are very few public schools Zellner Plastering hasn’t worked on, at one time or another!

We subscribe to the “Green Sheet” a newspaper called the Daily Construction Report. Of course, I look for advertised jobs that fit our capabilities. And in that respect, our company is probably unique because we still stick to plastering and fireproofing, and hire sub-sub to do the lathing and drywall.

Dollar-wise, our projects could range anywhere from $80,000 to several million. I’ll bid on any job that’s good for us, and don’t really concentrate on the dollar amount involved. At any one time, the company probably averages 6 to 12 concurrent projects.

When we decide to bid, first I look at my master bid calendar Then I assign one of my three estimators to do take-offs. Maybe we’ll get the documents through the plan room we subscribe to, or maybe we can put down a deposit and go pick up the plans directly. Of course, we have to obtain sub-sub bids, too.

Luckily, I’ve got a lot of confidence in my estimators. That’s because they started with Zellner Plastering, and I’ve been able to “break them in” the right way!
you pretty much have to base things on the bid documents. So it’s all pretty cut and dried. Something else that enters the picture is California’s bid listing law. I really love it, because it prevents bid shopping by the GC, and helps make for a level playing field.

Under the state law, the GC has to list all subcontractor bids that exceed 1.5 percent of the contract sum. Sometimes it backfires, because there are jobs I lose where, given another chance, I know we could have squeezed a little more off our one-sided contracts price. But on the whole, the bid listing law makes for fair play.

As for the contract itself, we sign the GC’s form. But we’re also very diligent about reviewing the documents. Our company has a good attorney, but our own staff spots things, too. After all, anyone who’s been reviewing contracts for 30-plus years gets pretty good at knowing what to look for—without having to be a lawyer.

However, when it comes to contractors with our sub-subs, we submit and make them sign our own forms.

**I absolutely refuse to sign one-sided contracts**

**DIMENSIONS:** What procedures do you follow when a contract has an offensive clause?

**ZELLNER:** I absolutely refuse to sign a one-sided contract, and we do see our share. I just cross out the bad clause, and send back the documents. Though we often get the usual things GCs try to pull—such as hold harmless clauses, and the like—the problem isn’t as bad as it once was. It’s the new GCs that come from outside the area, who give us the most problems.

**DIMENSIONS:** Once the contract is signed, you’ve got to assemble the materials and equipment. Do you inventory any materials? Do you own or rent your equipment?

**ZELLNER:** Of course, in the plastering business, you can’t store much in the way of materials. Plaster doesn’t have an unlimited shelf life. So we order materials from outside suppliers. With the standard order forms we’ve developed, it’s a fairly simple procedure.

When it comes to equipment, we prefer to own rather than rent—except for some of our scaffolding needs. With rentals, sometimes you can have availability problems. Though equipment isn’t cheap to buy, if you maintain it well, owning pays over renting.

Mike Zellner came to the United States in 1953, after surviving Nazi occupation of his native Hungary, and escaping Soviet programs that forced half his village to work in abandoned Russian coal mines.
DIMENSIONS: As a union contractor, you hire crews on a per-job basis. But what about other field staff requirements? What do you look for in foremen and supervisors?

ZELLNER: By looking, you can spot the workers who are leadership material. Our apprentices get a lot of on-the-job training. And as people work for you, you get to know what they’re made of.

DIMENSIONS: Southern California is a very competitive market. Some contractors use open-shop labor to gain an edge on price. Yet you’ve decided to remain a union shop. Why?

ZELLNER: The local contractors’ association is also our bargaining agent with the union. As an association member, Zellner Plastering is signatory to any collective bargaining agreement. So until our current agreement expires, we have no choice but to remain a union contractor.

However, there’s more to it than that. Again, our focus on public projects has a lot to do with it. Most of the jobs we perform are covered by prevailing-wage laws. In Southern California, the prevailing wage is union scale. Since our company has to pay union wages anyway, we might as well hire union workers and get the benefit of all the union training programs.

DIMENSIONS: Once the job is underway, how do you monitor progress. Do you visit jobsites yourself, or assign someone?

ZELLNER: Here’s where my partner, Joe Krader, comes in. I handle the sales and home office, and he handles the field operations. By four o’clock every morning, Joe is on the road. On a daily basis, he probably averages about 500-600 miles in driving.

Of course, in Los Angeles, he needs to be out by four o’clock to beat the freeway traffic! Field hours
are 6:30 a.m. to 3:30 p.m., which our crews really like, since they can also beat the rush hour both coming and going.

**DIMENSIONS:** How do you handle change orders?

**ZELLNER:** On public jobs, there are a lot of reporting requirements.

We would never like to proceed without written authorization. So our company has a standard change order form, and we charge hourly rates for change order work.

The hourly rates depend upon the materials prices and the nature of the work itself. We have to agree with the GC upon the rate before Zellner Plastering will proceed with the work.

**DIMENSIONS:** Throughout the job, and then once it’s completed, there’s the matter of getting paid. Is slow pay a problem for you?

**ZELLNER:** I’m glad you asked that! I talk with a lot of other subcontractors, and we all agree that slow pay is getting to be a bigger and bigger problem. It seems like a national cancer, that payment just keeps getting slower and slower. Furthermore, it’s become a “cost item” our company has to consider in its bids.

Of course, sometimes on the smaller jobs, we’re only onsite a few days. But even on longer jobs, where monthly progress payments are stipulated, we’ve almost come to expect payments will arrive at least 30-60 days after the due date. Sometimes we’ll file stop notices on public jobs, and mechanic’s liens on private jobs.

These days, it’s not just the GCs that hold up payment. Now it’s the owners, too—though not as much as the GCs would like us subcontractors to think! I remember one case where the GC owed me $100,000 on a public job. Whether the owner paid the GC was a matter of public record, so I went and found out the GC had been paid. When I confronted him, he didn’t know what to say!

As for final payments on public projects, California law says upon notice of completion the owner has to pay his GC within 35 days. Then by law, the GC has ten days to pass payment through to the subs. The problem is, with the usual retainage at ten percent, I may finish my work and then sit for months until the entire project is completed and my money can be released.

**DIMENSIONS:** How has AWCI membership helped your business?

**ZELLNER:** I’ve been involved on the local, state, and national levels—and most recently, I’ve been on the AWCI board now for three years—and it’s been truly rewarding. But if nothing else, the chance to meet my peers around the country—at least once a year—really puts a personal touch to my profession. I get the *Construction Dimensions* magazine, and all the other learning opportunities, and it really helps me keep abreast of what’s going on in the industry.

**DIMENSIONS:** What’s ahead for you, and for Zellner Plastering?

**ZELLNER:** I think my company will enjoy at least modest growth in the coming years. But with world events as they are—events that will ultimately impact our industry—I know the 1990s will be an exciting time for contractors.