PLANT CLOSINGS AND RELOCATIONS

HEARING

BEFORE THE

COMMITTEE ON
LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

NINETY-SIXTH CONGRESS

FIRST SESSION

ON

EXAMINATION INTO THE EFFECTS THAT PLANT CLOSINGS AND RELOCATIONS HAVE ON THE LIVES OF WORKERS AND THEIR FAMILIES

JANUARY 22, 1979
NEWARK, N.J.

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MONDAY, JANUARY 22, 1979

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Newark, N.J.

The committee met, pursuant to notice, at 10:45 a.m., in room 730, Peter F. Rodino Federal Building, Newark, N.J., Senator Harrison A. Williams, Jr. (chairman), presiding.

Present: Senator Williams.

The CHAIRMAN. We will come to order.

As you know, this is a hearing conducted by the Senate Committee on Human Resources, formerly the Senate Committee on Labor and Public Welfare, and possibly in the process of being reconstituted under the name of the Senate Committee on Labor and Human Resources.

At any rate, when time is available, we find it very, very useful to leave Washington and come to parts of the country where there are situations that require our personal attention and certainly that is the situation that brings us here to New Jersey today.

An announcement by a local firm that it will close its doors sends a shock wave through a community. The impact on a community and its workers can be devastating with the costs being borne almost exclusively by those least capable of responding.

Workers who lose their jobs as a result of a plant closing may not be able to find new ones. And those who do may find their wages drastically reduced. Families may be uprooted, forced to find work in other parts of the country.

Plant closings in urban communities which already have high rates of unemployment further aggravate the situation and make revival that much more difficult. The outflow of industry may erode an already weakened local tax base. Suppliers and retail stores may cut back or go out of business. And all of these factors will of course discourage new investments.

In some cases, communities may be able to find a new business to replace the old. But if this is not the case, younger and more skilled workers will leave the community. The least mobile, those who are older or less skilled, will remain, often without the prospect of finding a new job, swelling the unemployment rolls and becoming a drain on community welfare.

In the last decade, Congress has taken a number of initiatives to assist local communities and to protect our working people where economic dislocations have taken place.

We have programs to compensate and retain workers who lose their jobs because of increased imports. We protect railroad workers, transit employees, and airline workers whose working conditions are drastically altered. Yet we have no program to aid those workers who, through no fault of their own, lose their jobs when businesses pack up and move elsewhere.

In the past decade, over 116,000 workers in the State of New Jersey have lost their jobs because of plant closings, and it is reliably estimated that close to 500 firms have shut down. It is now apparent that we require a new strategy for preserving jobs and stabilizing community life. I believe that a convincing case can be made for legislative action which will achieve this result.

We know that while some closings are necessitated by economic reality, corporate decisions to abandon plants are sometimes dictated by the corporation's own development strategy, and not because the specific plants are unprofitable. And there is now a significant body of experience which suggests that employee ownership of industrial firms can be an effective means of preserving jobs and protecting the vitality of a local economy.

I believe we should build on that experience by providing Federal assistance to aid employees and community groups who wish to obtain ownership of economically viable firms as a response to plant closings. Where such a solution is not feasible, we must require employers to provide minimal protection for affected workers in order to ease the transition until new employment can be found.

Economists recognize that there are many costs which are not adequately accounted for by the cold calculus of the marketplace. The cost of pollution is an obvious example. We can all agree that pollution is a social cost for which the pollutor must take some responsibility. It is now time to recognize that the decision to move a plant, even though economically sound, imposes costs on employees for which management must be in some part responsible.

This morning we will hear from a number of witnesses who have had direct experience with the decisions of firms to close or relocate their facilities. These witnesses will tell us of the impact that those decisions had on their lives. In addition, we will hear from representatives of a firm which, with the aid of the Federal Government, was able to continue its New Jersey operations saving hundreds of jobs for our workers while continuing to operate on a profitable basis.

We have a list of witnesses today and all are most qualified to be helpful to us as we develop the strategies that are the answers to this very painful situation where established industry closes or transfers.

I am very, very pleased that we will start our hearing here in Newark this morning with the mayor of this significant and great city, Mayor Ken Gibson, who will be our first witness.

I welcome you with great friendship and also with good news by the way. I think it is good news, not the best news, Mayor Gibson, but, as you know, we failed in Congress in the closing hours to pass the anticyclical recession legislation that we had hoped for and expected, and that has created a great problem for many of our hard pressed older cities. One of them is Newark. We are now moving through legislation which we hope will be acted on with great alacrity. Congressman Rodino and I are introducing legislation. My bill will be introduced tomorrow, and I think Congressman Rodino's will be introduced today. This anticyclical recession measure will be our response to the needs of Newark and other hard-pressed cities.

Although it may not be the full answer, it is a part of the answer and we hope we can enact that measure to make resources available for the cities that need it.

With that, we welcome you again to our committee hearing. You have been with us many times and always have been invaluable in our deliberations.

STATEMENT OF HON. KENNETH GIBSON, MAYOR, CITY OF NEWARK, N.J.

Mayor GIBSON. Senator Williams, that is good news. I want to say to you that those of us here at the local government level will be available whenever that legislation is ready for hearings and testimony and any other consideration that we can add to make sure that it is passed. That, of course, is a continuation of your efforts to be of assistance to those of us at the local level and in government and in assistance to people of our State, all of our constituents. I do not have to say to you that you have been working hard in this business much longer than I have. All of us appreciate it. We really do.

The CHAIRMAN. Thank you.

Mayor GIBSON. I appreciate the opportunity to be here to make some points relative to the question of community stabilization legislation that is being talked about, being proposed and hopefully will be passed.

The city of Newark, as most people know, like many other urban Northeastern units of local government, has experienced in recent years a steady decline of industry, most of that for economic reasons, and there are many other reasons, but economic reasons are basically what causes these changes.

We believe that plant closings and relocations can have a devastating impact on the community and its workers. The workers who in many instances will not be able to find similar or adequate employment in other plants and in other locations. The outflow of industry and investment which follows that outflow discourages the financiers and leads to a decline in future growth and capital improvements in our unit of local government, certainly in my city.

Now, at the same time as we have had these declining situations, the city of Newark has made substantial strides in attracting new industry, in assisting in the expansion of existing firms that we have. We are still, even with this ability to attract and to assist the expansion of existing industries, we are still faced with plant closings that in many cases come as a surprise, a surprise not only to me and those of us in local government, but in many cases to the employees and to the unions that represent these employees.

These have presented some very, very serious problems for us. The local unit of government, the city government, should have and, in my opinion, must be given an opportunity to assist in convincing a company to remain within the city and an opportunity to address its problems.

When we have a plant manager or official walk into my office the day before the decision is going to be announced in the public meeting, that does not give us an opportunity to deal with any kind of attempt with their problems. Sometimes their problems can be dealt with. Sometimes, of course, it requires assistance to expand and sometimes it requires assistance that deals with additional land, additional employee training benefits, additional other things that we have some tools to be of assistance with. But when the decision has already been made and we find out about the decision the day before the public announcement, and in many cases it is too late to do anything about that kind of decision. We think, therefore, that legislation must be designed to address the issue of advance notice so that the local government and others may be able to begin work with business and community leaders and other government officials in addressing the needs of the industry within the urban area and possibly offering alternatives to a complete shutdown or relocation of their industry.

We have been able to be effective in the way of dealing with some of the existing industries which really go through some of the same kinds of problems who have had the foresight to come to us and work with us. Most people in this city know we have the Newark Economic Development Corp., which is a coordinated group of public officials, private officials, chamber of commerce officials and others, who are interested in economic development.

We have been effective, I think, in providing technical assistance and financial assistance to those people who have come to us early enough and have talked about their problems. Now, of course, one of the primary motivations of plant closings has been the Federal income tax laws, tax laws generally, Federal, that in many cases are more advantageous to build new suburban plants because of attractive depreciation factors than it is to remodel or modernize existing older facilities.

We know that the new tax provisions for rehabilitation of older industrial and commercial buildings is a step in the right direction. We appreciate it. We do not feel that they are ambitious enough or attractive enough to be considered the total answer to this question of the tax law problem.

Federal tax considerations have been particularly detrimental to the city of Newark in that the vast majority of our plant closings have taken place as a consequence of a company's relocating to a suburban New Jersey location as opposed to the more common occurrence of many other urban areas where industry has actually fled the entire State to go to the so-called Sun Belt region of our country.

We feel that firms have a responsibility again to ease the transition and to modify the employment situation of their existing employees by providing minimal protection to these employees. In this regard we would propose the issue of transfer of ownership be considered a priority option for firms considering relocation or plant closings. You mentioned this in your opening statement, Senator, and it is something I think we all should take seriously and look toward for the future. Existing Federal programs, we feel, must be targeted to assist terminated employees in finding new employment and in obtaining skills, training, that will be able to return them to the employment rolls.

As you know, too often the situation is that an employee has spent 20 and, in many years, more than 20 years working for a firm. They find out very late in the process that the firm has decided to relocate and that an employee has no opportunity to relocate and, in many cases, has no opportunity to get retrained for a new job. We believe that that is almost criminal, and we should be able to deal with the employees and their problems.

The unemployment rate in this city, as it is in many other urban cities in this country is simply too high and the local government really cannot deal with the unemployment problem without Federal assistance continuing and, in many cases, I think, should be expanded, especially in areas to deal with these employees that are victims of what we call in many cases runaway employers.

Senator, we have summarized our statement and we will submit the entire statement for the record, and we hope that you would accept that. But the principle of the prior notice, the principle of some special programs targeted to a training and retraining of those employees who have been victims of these runaway plants and the principle of transfer of ownership and also the principle of Federal legislation to deal with what we think are tax advantages for those people who have relocated from Newark should be seriously considered and we, of course, support your efforts to deal with this problem.

Thank you very much.

[The prepared statement of Mayor Gibson follows:]

EMPLOYEE PROTECTION AND COMMUNITY STABILIZATION LEGISLATION

THE CITY OF NEWARK, AS IS THE CASE WITH MANY URBAN NORTHEASTERN LOCALITIES, HAS EXPERIENCED IN RECENT YEARS, A STEADY DECLINE OF INDUSTRY. THE REASONS FOR THIS SITUATION ARE VARIED, HOWEVER IN MANY CASES NOT DISSIMILAR. ANTIQUATED OLDER PHYSICAL FACILITIES, HIGH TAXES AND A LACK OF AVAILABLE LAND FOR EXPANSION, HAS RESULTED IN AN EXODUS OF FIRMS TO AREAS OF THE COUNTRY WHERE LOW TAXES AND CHEAP LAND, ALONG WITH THE ACCOMPANYING FEDERAL TAX ADVANTAGES, MAKE THE CLOSING DOWN AND ABANDONMENT OF URBAN PLANTS A COMMON OCCURRENCE. PLANT CLOSINGS AND RELOCATIONS CAN HAVE A DEVASTATING IMPACT ON THE COMMUNITY AND ITS WORKERS WHO IN MANY INSTANCES, WILL NOT BE ABLE TO FIND SIMILAR OR ADEQUATE EMPLOYMENT. THE OUTFLOW OF INDUSTRY AND INVESTMENT DISCOURAGES FINANCIERS AND LEADS TO A DECLINE IN FUTURE GROWTH AND CAPITAL IMPROVEMENTS IN THE CITY, AS WELL AS TOWARD THE EROSION OF THE LOCAL MUNICIPAL TAX BASE. THE NET EFFECT IS FURTHER ECONOMIC DISINVESTMENT REQUIRING HIGHER TAXES TO PROVIDE FOR BASIC MUNICIPAL SERVICES AND MAKING REDEVELOPMENT AND ECONOMIC REVITALIZATION THAT MUCH MORE DIFFICULT.

WHILE NEWARK HAS MADE SUBSTANTIAL STRIDES IN ATTRACTING NEW INDUSTRY AND ASSISTING THE EXPANSION OF EXISTING FIRMS, IT IS STILL FACED WITH PLANT CLOSINGS THAT COME AS A SURPRISE NOT ONLY TO THE LOCAL GOVERNMENT BUT TO THE EMPLOYEES AS WELL. THE FEDERAL GOVERNMENT HAS BEGUN TO EMPHASIZE THE IMPORTANCE OF PERMANENT JOB CREATION PROGRAMS TO A CITY'S WELL BEING AND LONG TERM SELF-RELIANCE. PROGRAMS SUCH AS THE ONES ADMINISTERED BY THE FEDERAL ECONOMIC DEVELOPMENT

ADMINISTRATION AND MORE RECENTLY, THE URBAN DEVELOPMENT ACTION GRANT PROGRAM, HAVE ENABLED CITIES LIKE NEWARK TO CREATE LITERALLY THOUSANDS OF JOBS THAT WOULD NOT HAVE OCCURRED WITHOUT THIS MUCH NEEDED AND USEFUL ASSISTANCE. THE ABILITY PROVIDED BY THE NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY FOR LOW INTEREST TAX FREE FINANCING HAS ALSO ASSISTED AND BROUGHT TO REALIZATION MANY URBAN PROJECTS. ON THE LOCAL LEVEL, MY ADMINISTRATION HAS CREATED MECHANISMS FOR INTERFACING WITH THESE PROGRAMS BY PROVIDING FINANCING IN SOME CASES AND IN MANY OTHERS SECURING NECESSARY REAL ESTATE OR BUILDINGS FOR POTENTIAL COMPANIES WISHING TO LOCATE OR EXPAND WITHIN NEWARK. THE PRIVATE SECTOR AND GOVERNMENTAL RESPONSE IN NEWARK HAS BEEN, THUS FAR, FAIRLY SUCCESSFUL BUT EVEN THE MOST AMBITIOUS AND ATTRACTIVE PROGRAMS CANNOT BE PUT INTO APPLICATION WITHOUT THE PROPER OPPORTUNITIES. AS SUCH, ANY EFFORTS THAT ARE NOT EXERCISED IN A TIMELY FASHION WILL BE INEFFECTIVE. THE LOCAL GOVERNMENT UNIT MUST FIRST BE GIVEN AN OPPORTUNITY TO ASSIST IN CONVINCING A COMPANY TO REMAIN WITHIN THE MUNICIPALITY AND ADDRESSING ITS OPERATIONAL NEEDS. IT IS NOT A RARE OCCURRENCE WHEN A LOCAL PLANT MANAGER VISITS ME THE MORNING OF A PLANNED ANNOUNCEMENT TO INFORM ME OF THE COMPANY'S INTENTIONS TO CLOSE A PLANT AND/OR SUBSTANTIALLY REDUCE THE WORK FORCE AT ITS FACILITY. AFTER THE DECISION HAS BEEN MADE AND THE WHEELS SET IN MOTION FOR THE RELOCATION THERE IS LITTLE, IF ANYTHING, A MUNICIPAL GOVERNMENT CAN DO AT THAT POINT BY WAY OF RETAINING THE COMPANY.

LEGISLATION MUST BE DESIGNED TO ADDRESS THE ISSUE OF ADVANCE NOTICE SO THAT LOCAL GOVERNMENT MAY BEGIN TO WORK WITH BUSINESS, COMMUNITY LEADERS AND OTHER GOVERNMENT OFFICIALS IN ADDRESSING THE

NEEDS OF INDUSTRIES WITHIN THE URBAN AREAS AND POSSIBLY OFFERING ALTERNATIVES TO A COMPLETE SHUT DOWN OF AN INDUSTRY. ONE SUCH ALTERNATIVE TO BE CONSIDERED IS THE CONCEPT OF EMPLOYEE OWNERSHIP AS A MEANS OF RESPONDING TO PLANT RELOCATIONS. SUCH OWNERSHIP OR MANAGEMENT MAY BE A MECHANISM FOR PRESERVING JOBS AND PROTECTING THE VITALITY OF A LOCAL ECONOMY. IN ADDITION, IT CAN BE USED AS A BUILT-IN BUYER OF WHAT MIGHT BE A LESS THAN DESIRABLE PHYSICAL FACILITY FOR A PARTICULAR COMPANY. IT CAN ALSO STIMULATE PRODUCTIVITY AND ENSURE INDIVIDUALS OF A MORE SECURE FINANCIAL FUTURE AND PROMOTE A GREATER FEELING AMONG WORKERS THAT THEY HAVE AN IMPORTANT ROLE TO PLAY IN THE ECONOMY AND DESTINY OF THEIR FUTURE.

THE CONCEPT OF AN EMPLOYEES STOCK OWNERSHIP PLAN (ESOP) HAS BEEN MODERATELY SUCCESSFUL IN ITS APPLICATION FOR THE PURPOSE OF PREVENTING DISLOCATION OF EMPLOYMENT FROM ONE AREA OF THE COUNTRY TO ANOTHER. COMBINED WITH THIS PROGRAM SHOULD BE A MECHANISM FOR THE AVAILABILITY OF ATTRACTING LONG TERM FINANCING TO ACCOMPLISH AND ENCOURAGE THIS TYPE OF OWNERSHIP. THERE ARE NUMEROUS EXPERIENCES OF EMPLOYEE OWNERSHIP OF FIRMS THAT WOULD OTHERWISE HAVE SHUT DOWN. THESE EXPERIENCES SHOULD BE BUILT UPON BY PROVIDING FEDERAL ASSISTANCE TO AID IN THOSE SITUATIONS WHERE BOTH MANAGEMENT AND THE EMPLOYEES WISH TO PURSUE THE TRANSFER OF OWNERSHIP OF ECONOMICALLY VIABLE FIRMS AS AN ALTERNATIVE TO A PLANT CLOSING BROUGHT ABOUT BY A FIRM'S NEED TO REALIZE A SPECIFIC PROFIT MARGIN.

ONE OF THE PRIMARY MOTIVATIONS OF PLANT CLOSINGS HAVE BEEN THE FEDERAL INCOME TAX LAWS, IN THAT IT IS MORE ADVANTAGEOUS, IN MANY CASES TO BUILD NEW SUBURBAN PLANTS BECAUSE OF ATTRACTIVE DEPRECIATION

FACTORS THAN IN REMODELING AND/OR MODERNIZING EXISTING OLDER FACILITIES. THESE TAX ADVANTAGES MUST BE CAREFULLY PURSUED TO DETERMINE IF THE MOTIVATION IS THE LOSS COLUMN OF A BALANCE SHEET AS OPPOSED TO THE VITALITY OF AN ECONOMY AND THE CONTINUANCE OF LONG TERM EMPLOYMENT. REHABILITATION EFFORTS SHOULD BE REWARDED BY WAY OF FAVORABLE TAX TREATMENT, SUCH AS INVESTMENT TAX CREDITS. WHILE THE NEW TAX PROVISIONS FOR REHABILITATION OF OLDER INDUSTRIAL AND COMMERCIAL BUILDINGS IS A STEP IN THE RIGHT DIRECTION, THEY ARE NOT AMBITIOUS NOR ATTRACTIVE ENOUGH TO BE CONSIDERED AN ANSWER. THESE FEDERAL TAX CONSIDERATIONS HAVE BEEN PARTICULARLY DETRIMENTAL TO THE CITY OF NEWARK IN THAT THE VAST MAJORITY OF PLANT CLOSINGS HAVE TAKEN PLACE AS A CONSEQUENCE OF A COMPANY'S RELOCATING TO A NEW JERSEY SUBURB AS OPPOSED TO THE MORE COMMON OCCURRENCE OF OTHER URBAN AREAS WHEREIN INDUSTRY HAS FLED TO THE SUN BELT WITH ITS MANY ADVANTAGES.

IN MANY CASES, THE TRANSFER OF OWNERSHIP AS A MEANS OF PRESERVING JOBS IS BOTH TECHNICALLY AND ECONOMICALLY FEASIBLE. WHILE GOVERNMENT SHOULD AVOID DIRECT INTERVENTION IN THE CORPORATE DECISION-MAKING PROCESS, WHERE ARRANGEMENTS CANNOT BE MADE WHICH WILL PERMIT THE CONTINUATION OF OPERATIONS, I FEEL THAT FIRMS HAVE A RESPONSIBILITY TO EASE THE TRANSITION AND MODIFY THE EMPLOYMENT SITUATION BY PROVIDING MINIMAL PROTECTION FOR THEIR EMPLOYEES. IN THIS REGARD, I WOULD PROPOSE THAT THE ISSUE OF TRANSFER OF OWNERSHIP BE CONSIDERED A PRIORITY OPTION FOR FIRMS CONSIDERING RELOCATION OR PLANT CLOSING OF VIABLE FIRMS. THIS SHOULD ESPECIALLY APPLY FOR FIRMS THAT HAVE SHOWN THE ABILITY TO OPERATE AND REALIZE A PROFIT, AND THE DECISION TO CLOSE OR RELOCATE IS BASED ON CORPORATE POLICY. IN ADDITION, THE

RIGHT TO RECEIVE AN ANNUITY FROM A PENSION PLAN ADJUSTED TO REFLECT THE EQUIVALENT OF NORMAL RETIREMENT BENEFITS SHOULD BE PROVIDED. SEVERANCE MONIES PAID TO SUPPLEMENT UNEMPLOYMENT COMPENSATION, PARTICULARLY IN LIGHT OF THE EVER PRESENT PROBLEM OF INFLATION, MUST ADDITIONALLY BE A CONSIDERATION. ANOTHER CONSIDERATION SHOULD BE THE CONTINUANCE OF HEALTH BENEFIT COVERAGE FOR A SPECIFIED PERIOD OF TIME FOLLOWING THE PLANT CLOSING OR UNTIL A WORKER FINDS NEW EMPLOYMENT----WHICHEVER OCCURS FIRST.

EXISTING FEDERAL PROGRAMS MUST BE TARGETED TO ASSIST TERMINATED EMPLOYEES IN FINDING NEW EMPLOYMENT AND IN OBTAINING SKILLS THAT WILL BE ABLE TO RETURN THEM TO THE EMPLOYMENT ROLES. IN LIGHT OF THE EVER INCREASING FEDERAL MANDATE FOR LESS SPENDING, THESE PROGRAMS, IN ORDER TO BE NATIONALLY SUPPORTED, MUST BE LOW COST AND FISCALLY RESPONSIBLE. ANY NEW ENABLING LEGISLATION DEVELOPED TO ASSIST IN RESOLVING THIS OVERALL PROBLEM, SHOULD NOT ESTABLISH A NEW BUREAUCRACY NOR SHOULD IT HAVE A SIGNIFICANT FISCAL IMPACT ON THE FEDERAL BUDGET.

IDEALLY, THE EMPLOYEE PROTECTIONS SHOULD BE THE RESPONSBILITY OF THE EMPLOYER. THE EMPLOYEE OWNERSHIP PROGRAM MENTIONED EARLIER IN MY REMARKS, COULD BE OPERATED THROUGH THE USE OF LOANS AND LOAN GUARANTEES RATHER THAN GRANTS, SO AS TO MINIMIZE THE COST TO THE FEDERAL GOVERNMENT. A LOAN PROGRAM BY ITS NATURE WOULD PRECIPITATE THE REPAYMENT OF THOSE FUNDS AND BE CONSIDERED AN INVESTMENT AND NOT AN EXPENSE. ADDITIONALLY, A REVOLVING LOAN FUND, EITHER ON THE MUNICIPAL, STATE, OR FEDERAL LEVEL WOULD EVENTUALLY BECOME SELF-SUFFICIENT. THE PRIVATE SECTOR COULD BECOME A PARTNER IN THIS ENTERPRISE TO THE MAXIMUM EXTENT POSSIBLE SINCE THE ADVANTAGE OF CONTINUED OPERATIONS AND A RECEPTIVE

BUYER OF A LESS DESIRABLE FACILITY IS AS MUCH IN THE INTEREST OF THE COMPANY AS IT WOULD BE OF THE EMPLOYEE.

THE CONCEPTS THAT I HAVE FORWARDED HERE, TODAY, IS OF IMPORTANCE FOR THE PRIMARY REASON OF ENCOURAGING AND DEVELOPING THE POTENTIAL FOR SELF-SUFFICIENCY WITHIN A CITY'S WORK FORCE, RATHER THAN UTILIZING EXPENSIVE CORRECTIVE ECONOMIC DEVELOPMENT PROGRAMS THAT IN MANY CASES, PROVIDES FOR A LONG TERM DEPENDENCY ON GOVERNMENT FOR ASSISTANCE.

The CHAIRMAN. Thank you very much, Mayor Gibson. Excellent beginning for these hearings.

This, of course, is the first day of what will be a very intense study by our committee as we develop the legislative strategy in response to the need.

Now, I wonder if you could give us an example or two of how you have handled plant closing and relocation situations which you are faced with here in Newark. I know how dynamic you are when you know what the plan is, when you have had notice of a possible closing or departure.

Could you give us an example of how you moved in and were able to put together the incentives for the manufacturing establishment to stay?

Mayor GIBSON. Yes, sir.

As I indicated, we have the Newark Employment Development Corp. That dynamic moving in, Senator, is done by excellent staff, headed by Ed Fialla. We have been able to, with prior knowledge and notice of some problems that industries have been able to deal with assistance in land for expansion, financial, technical assistance, in order to have people deal with some of our financial problems.

Let me give you some examples of the kinds of plants.

We have had Krementz Jewelry Manufacturers. As you know, historically Newark has been a jewelry center throughout almost all of its history. They were having some very serious problems; 500 jobs were involved in this particular plant. We were able to deal with their problem and convinced them to remain and to expand. That, of course, was because we had prior knowledge.

Snow Foods, 175 jobs, we were able to maintain in the city of Newark and to help them deal with some of their problems.

Federal Pacific, which is basically Federal Pacific Electric, about 220 jobs involved in this operation. We were able with prior notice to assist them in dealing with some of their problems, and they are now remaining in Newark.

We have a whole history of these. If you add these up, we are close to 800 or 900 jobs involved in just these 3 examples alone.

Newark cannot afford to lose a 1,000 jobs. We cannot afford to lose 20 jobs. But if we had lost these plants, that would be an additional 1,000 jobs lost to the city.

The CHAIRMAN. You know out of very harsh situations that developed in Newark, we have been able to learn enough to respond with legislative response. Remember the Ballantine situation and the hardship caused there by the pensions. That was one of the very harsh results of an inadequate pension law, and it was one of the reasons we now have adequate pension protection laws.

I can see the same situation occuring here on plant closings or plant relocations.

Now, you have had hard experiences, even in neighboring communities. You have seen the adverse effect on Newark and the people of Newark through a closing just a city away. One of the major industries closed there, as I understand, and that has an impact on you, too.

Mayor GIBSON. Yes, sir. As everyone who looks at New Jersey, especially the northeastern portion of New Jersey, the political boundaries—we call it Newark, East Orange, Montclair, Elizabeth—we are all in this problem together. Whatever is lost from our region, northeast New Jersey, our area, affects all of these cities. Our employees go across municipal boundaries to work. People in Newark work in other cities. People in other cities work in Newark. We appreciate that. It is important for us to do that.

So any loss of any plant or business affects the entire region.

The CHAIRMAN. How much notice would you suggest is necessary for you to be able to respond to the problems facing a plant that is planning to close or relocate?

Mayor GIBSON. I really cannot answer that one, Senator. I would say it cannot be 30 days. The kinds of problems that industry faces really cannot be dealt with and decisions are not made in 30 days. Therefore, when they start to talk about a consideration of a closing or a departure or relocation, then that is when we need to be talking. Now, that decisionmaking process is a long time. It cannot be 2 months. Financial considerations are not made in 2 months. We are talking about a long period of time.

I really do not know the exact number of months or whether or not it is a year. But I do know that it cannot be somebody coming to us and saying we have had these problems for many, many years, and unless we solve them in 60 days, we have got to leave Newark. That does not give us any time to deal with very, very serious problems. You know and I know if you go and buy a house today, you do not make those decisions in 30 days. You have to get mortgage money and do some very serious bargaining and discussions with people.

We are talking about the same kind of consideration that that business would make in its own decisionmaking process about the consideration to leave. They do not do that in a couple of days.

The CHAIRMAN. We have been talking about including in this legislation a 1-year notification provision. I wonder if you feel that is realistic?

Mayor GIBSON. I think that is a reasonable period of time. It certainly cannot be a couple of months. It has to be a reasonable period of time for us to deal with financial considerations, land needs, employee training programs, and all the other things that have to take place.

The CHAIRMAN. Do you have any examples of companies that left a good labor base here of highly skilled and qualified workers, went to another area where they thought they were going to reap a profit out of lower wages and then found out that lower wages, yes, but lower quality, too, and have decided to come back to Newark? Have there been any examples of that?

Mayor GIBSON. I do not have any specific names, Senator. We have some people we talked to over the last few years, for instance, and many of them, of course, departed our area, thinking they were going to go to a less labor-organized, union area, thinking that these people were not going to be organized, and these are economic decisions, and they think they are going to run away from the union and go some place. And when they get organized wherever they are, they find out they are going to have to deal with some problems of cost benefits regardless of where they go. We have had that report back to us. We have had some people who have had some very serious problems in getting quality employees and quality work performed because the training process has not produced the kind of skilled employee we have in our area.

We have skilled employees who have put in 20 years, 30 years in a plant, and we have people who are unskilled and improperly trained not being able to produce for these employers.

Yes, there are examples of that.

The CHAIRMAN. We will certainly want to be able to counsel with you further as we proceed with developing our legislation, if we may, Mayor Gibson.

Mayor GIBSON. Yes, sir, I will be available.

The CHAIRMAN. Thank you very, very much.

Mayor GIBSON. Thank you.

The CHAIRMAN. We now would ask Mr. Jeff Kittross, General Counsel, Okonite Co., to be our next witness.

Mr. Kittross, I personally want to thank you for my opportunity to visit with you and management and the working force at Okonite at Paterson this morning, and come away very, very much encouraged and refreshed and positive about how a great company of long history and high quality can be retained in one of our oldest cities if the initiatives are there and if some of the opportunities are made available.

Okonite is a great story and we are very pleased to have you come formally to us here this morning and tell us the story of Okonite.

STATEMENT OF JEFFRY H. KITTROSS, VICE PRESIDENT AND SECRETARY, THE OKONITE CO.

Mr. KITTROSS. We are delighted, Senator, that you could spare the time to visit us this morning. We are especially proud of the Paterson plant. The work force there is especially capable and has many years of service. It was a good plant for you to see.

The CHAIRMAN. I might say transportation is in good shape around this part of the State, too. We left you at 7 minutes after 10, and we arrived here at the Federal Building at 10:30. So, transportation in this very, very densely populated residential, commercial, industrial area is good, is it not?

Mr. KITTROSS. One of the things we like about our New Jersey location is that we are close to our source of raw materials as well as a good labor market, and transportation is available. The Paterson plant ships a very heavy product and we need rail and truck access and both are available, yes, sir.

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On behalf of the 1,800 employees of Okonite, I am pleased to appear before the Senate Labor Subcommittee. I understand the purpose of appearing at this hearing is to develop information concerning the 1976 purchase of Okonite's stock, with Federal and State financial assistance, by an Employees' Stock Ownership Trust. I further understand you feel this information will assist you in developing Federal initiatives to encourage the continued operation of industrial facilities in New Jersey which could be faced with shutdown or relocation.

It might be helpful at the outset to provide a brief overview of the Okonite Co. Okonite celebrated its centennial in 1978, having begun operations in 1878 in Passaic, N.J. Under various ownerships throughout our 100-year history, we have been a manufacturer of insulated electrical wire and cable. Our products are sold throughout the United States and overseas to the electric utility industry, major industrials, the Nation's railroads, communications companies, contractors and others. We presently have eight manufacturing plants: three in New Jersey (Passaic, Paterson and North Brunswick); three in the New England States; one in Kentucky, and one in California. Our corporate offices are in Ramsey, N.J., and we operate 32 sales offices and warehouse centers throughout the country. Our sales in the past several years have ranged between $130 and $155 million. Employees at our manufacturing plants are represented by various unions, including the International Brotherhood of Electrical Workers, the United Rubber Workers, Teamsters, Boilermakers, International Association of Machinists and the International Union of Operating Engineers.

Okonite has had multiple year collective bargaining agreements with these international unions for many years. Relations with our unions have, in the aggregate, been good with a limited number of work stoppages due to labor disputes.

Events leading up to the ESOT purchase in 1976 began with the acquisition of Okonite by Kennecott Copper Corp. in 1958. As a result of a divestiture order initiated by the Antitrust Division of the U.S. Department of Justice, Kennecott in 1965 sold Okonite to the LTV Corp. In 1970, LTV also became subject to a divestiture decree initiated by the Antitrust Division. In a complicated transaction, LTV sold Okonite to Omega-Alpha, Inc., a holding company formed by James J. Ling, the former and deposed chairman of LTV. This transaction, delivering Okonite to its fourth owner in 12 years, was largely financed by our new owner by mortgaging and pledging Okonite's assets, upstreaming the loan proceeds and then charging Okonite rent on its assets.

In 1972, Omega-Alpha made an ill-advised acquisition which culminated in its financial collapse in 1974 and forced that company to seek the protection of the bankruptcy court. The reorganization proceeding resulted in the management and direction of Omega-Alpha being taken over by court-appointed trustees.

During this period, Okonite was subjected to a great deal of unfavorable publicity as a result of its parent's problems. Fortunately, the company had a separate bank line, headed by the Bank of America. Okonite was, therefore, able to demonstrate its independent financial viability to our customers and suppliers.

After an extensive hearing, Okonite was separated by the bankruptcy judge from the jurisdiction of the trustees. A board of directors, independent of Omega-Alpha, was elected in January 1975, and the judge in the Omega-Alpha reorganization proceeding insulated Okonite and allowed us to operate our business as if it were an independent entity. The company operated profitably throughout this period.

It soon became apparent that the trustees' plan of reorganization would involve the sale of Okonite, the only profitable and viable part of Omega-Alpba, and the liquidation of Omega-Alpha. Throughout 1975 and 1976, we were looked over by many potential buyers, both domestic and foreign and, also, a few groups we considered to be financial manipulators.

In the spring of 1975, a combination of fortuitous events unfolded. We became aware of the employees' stock ownership plan concept and with the Bank of America and the bankruptcy court explored the possibility of acquiring the company under such a plan. On July 8, we read with a great deal of interest an article in the Wall Street Journal describing how the Federal Economic Development Administration had assisted another group of employees to purchase their company through an ESOP. Our chairman, Victor A. Viggiano, contacted Congressman Robert A Roe, who represents the 8th Congressional District in New Jersey where two of our oldest plants are located. A meeting was held shortly thereafter with him at our Paterson plant at which time we reviewed Okonite's changes in ownership and, also, our aspirations in acquiring the company under an ESOP ownership. Our bank line was briefed and we were given encouragement from them to proceed with this prospect.

Additional meetings were subsequently held with Mr. Roe and, through his good offices, with the Federal Economic Development Administration and the New Jersey Economic Development Authority. Proposals were drafted and presented to the bankruptcy court, always in intensive competition with the other bidders. The deadlines periodically fixed by the court in Dallas caused us several times to question whether we would overcome governmental inertia to complete our applications with sufficient timeliness and flexibility. Time after time, Congressman Roe was able to unsnarl roadblocks and keep the process moving.

There were many cliffhangers, but officials of the Federal Economic Development Administration and New Jersey Economic Development Authority were always supportive. Together with our bank group, we were able ultimately to have our ESOP adopted and approved by the IRS, complete a very complicated loan agreement and finally outbid all the other potential buyers. The closing took place on June 30, 1976, and Okonite became what we believe is the largest 100 percent ESOP in the United States.

In the 2½ years since the acquisition, we have continued to operate with varying levels of profitability. The economic climate for our products has been intensely competitive and, while we carry a large burden of debt, we are confident about our future.

Some specific reflections on our efforts to create our ESOP might be interjected at this point. I would like to emphasize that our lenders, both private and government sources, were supportive of the idea of existing management continuing to run the company. This was reflected in their view that an experienced and committed management team would best serve the long-term interests of the company and its lenders, repay the debt as soon as possible and continue to improve Okonite's competitive effectiveness. Further, Okonite's management made a commitment to the Federal and State governments that we would do everything possible to continue to operate our older facilities in New Jersey.

In our judgment, there was a high degree of uncertainty as to the ultimate intentions of the other prospective purchasers with respect to the operations of the company. We knew for certain that at least one or more of the bidders intended to close or to sell some of our manufacturing facilities. Additionally, we believed no other purchaser would have the commitment or resolve to continue to operate certain facilities during the periodic downturns which have characterized the wire and cable industry. There was no way that new or absentee ownership could have the same regard for the potential of the company or have the commitment to its employees, many having over 25 years of service with Okonite.

Okonite's officers averaged more than 25 years of service with the company. Throughout the many changes in ownership, we fought vigorously to improve our facilities and our operating effectiveness. For example, at our Passaic and Paterson plants—the two oldest in the company—close to $35 million has been expended to upgrade the facilities and provide the most modern equipment available.

In the final analysis, a deep commitment had been made by Okonite over many years to our customers, products and especially to our employees. After the multiple changes in ownership, there had to be a resolution which would insure a period of operational stability in order to rebuild our image with our customers and suppliers and to provide opportunities for increased employment. Perhaps others might have provided this, but we were deeply concerned they might not and there might be upheavals and dislocations which would impair the future growth of the company.

I would also like to comment on the decisionmaking process in any Federal loan or grant program. Loans should not be made solely on the basis of financial presentations and applications, but also on a company's character and its people. Because our lenders respected Okonite's performance during a tumultuous period in our history and knew our commitment to our employees, a seemingly impossible concept was arranged by people who wanted it to happen.

Okonite received a lot of attention. We were relatively big. We had a good story. We had the support of a dedicated and concerned Congressman and a bank line which had supported Okonite throughout this traumatic period. Others might have more difficulty in achieving similar results. In any event, the decisionmaking cannot be bogged down in bureaucratic details. The decisionmaking might best, it seems to me, be delegated to local authorities and private lenders who know their customers and who are trained in high risk loans. In our opinion, Government support should be in the form of guarantees and interest subsidies.

I would like to leave these important observations with you. Assistance programs of the type provided to Okonite can make economic sense. The dignity of jobs and employment opportunities are more desirable alternates than welfare programs and food stamps. Economic assistance will not work, however, unless there has been a corollary commitment by management to maintain a viable company. When this commitment has been made and a company is confronted with uncontrollable adversity, such as Okonite endured, then Government economic assistance programs, in conjunction with private lenders, can be effective. If management has been marked by neglect or indifference over the years, or there has been a lack of realism between management and unions, then any therapy or outside financial rehabilitation may be too late.

Again, let me thank you for the opportunity to testify today. I would be happy to answer any questions you have about the Okonite story.

The CHAIRMAN. It is a great story. I know that it will be very helpful to the other members of this committee, as it is to me, as we develop this legislation. And, they will very carefully want to review this back in Washington.

We get some clue on the time it might take to set the machinery in place to respond to the possible loss of a plant. Your time of notification really started with receivership, did it not, that something had to be done or you might well lose Okonite?

Mr. KITTROSS. It was a good year, Senator.

The CHAIRMAN. Good year. Middle of 1975, middle of 1976, it took a year to put together this, as you describe it, rather complicated combination of factors to finance this through the ESOP mechanism.

Mr. KITTROSS. We had an additional advantage in that Okonite was big enough to employ attorneys and have its own private bankers already in place. If we had to start from scratch, you might say, or if we did not have an existing management having good relations with private bankers and with attorneys and so on, it could have taken even longer.

The CHAIRMAN. Of course here you require the cooperation of a de facto controller, really, the judge in receivership.

Mr. KITTROSS. Yes, sir.

The CHAIRMAN. You were not free floating, you had an anchor to authority.

Mr. KITTROSS. That is correct. Okonite was a 100-percent subsidiary of the bankrupt corporation so whatever we did was monitored by the bankruptcy court, the Securities and Exchange Commission, all kinds of creditors and other groups.

The CHAIRMAN. Even though you had a favorable situation with an understanding referee or judge in bankruptcy, do you think the ESOP method, could be used in other situations, even if there were time?

Mr. KITTROSS. Yes, sir. ESOP worked for us, I think, for some other reasons, too. We had a very loyal work force with many, many years of service, and we had most importantly a profitable ongoing viable company. We could afford to take on additional layers of debt because we and our lenders were confident we could pay that debt off.

The CHAIRMAN. Now, the employees' stock ownership plan is not uniformly appreciated as beneficial to the employees. There are anxieties that employees that have a bargained pension plan might lose the security of that plan if they go the ESOP route. Then, if there is a company failure at that point, could this be worked out of union retirement security.

Could you analyze this a bit for us, Mr. Kittross?

Mr. KITTROSS. Okonite still has the same pension rights for employees that it had prior to the bankruptcy and prior to the ESOP. I cannot really speak for others, Senator, but in our case the ESOP is in addition to all normal retirement benefits that both our hourly and salaried workers would reasonably expect. We believe our pension programs are competitive with others in our industry and the ESOP retirement benefits, as I say, are in addition to that. I think other companies have different situations, but I do not know them firsthand.

The CHAIRMAN. But, at any rate, let us review just how it worked in the Okonite situation.

Having elected to establish an ESOP and go through the Economic Development Administration, the borrowed money went to basically purchase shares, shares distributed, money invested in the company, is that it?

Mr. KITTROSS. The ESOT borrowed the money and bought the shares from trustees in reorganization. The company agreed to make contributions to the ESOT sufficient to meet debt service requirements of the ESOT debt. The lenders to the ESOT hold the shares as security for the loan to the ESOT. Okonite makes a contribution to the ESOT. The ESOT then pays its lenders. The lenders release shares back to the ESOT in proportion to the debt that is paid off.

These shares are then held by our trustee and are allocated to the accounts of individual employees by formula. As these employees are retired, the shares are distributed to them. That is basically how it looks.

The CHAIRMAN. The employee stock ownership plan is first developed and the stock is held in an employee stock ownership trust, that is why you say ESOT. That is just for our record.

Mr. KITTROSS. The difference between ESOT and ESOP is like pension plan and pension trust. The plan is the ESOP and all substantive provisions of who is entitled to what are in the ESOP. The ESOT is the physical entity which holds the shares. It is the trust. There is very little difference.

The CHAIRMAN. It is mechanistic. There is a plan and a trust, and the plan is tax qualified, is that right?

Mr. KITTROSS. I think they go together. You cannot have one without the other.

The CHAIRMAN. Well, I find your whole experience very helpful, educational and constructive for our purposes.

I did not quite understand your particular situation when you mentioned that a prior owner came in and was able to put the company in a difficult situation with its upstreaming of certain loan proceeds. I am not a very sophisticated financier, I guess. I am not sure I understand exactly how that worked.

Mr. KITTROSS. Well, sir, the way that happened is that money was borrowed by our parent on the strength of Okonite's assets. But the proceeds go to our parent corporation, who in turn charges us rent to use our own assets. It is simply a financial means where assets of a subsidiary become available to support a loan of the parent, and not terribly relevant to the purchase in 1976, other than to express to you the frustration felt by employees of Okonite having been subjected to one financial scheme after another, one corporate owner after another, most of them interested in their own corporations and not interested in running a cable company.

The CHAIRMAN. While in receivership was Okonite relieved of any responsibility for the parents debt or did you have to carry that added burden when you established the ESOT?

Mr. KITTROSS. A number of transactions, very complicated ones, occurred just before and during the parent's reorganization, but Okonite did inherit, you might say, that debt and it did burden our facilities and we were obligated to repay it. Okonite has paid for itself a number of times, usually to the benefit of someone else, this time to the benefit of ourselves.

We carried this excess debt with us, yes, sir.

The CHAIRMAN. I am just wondering now whether in this situation a response was accelerated by receivership? There are, I am sure, companies that have warning signals of problems ahead where there are acquisitions and then this kind of parent financing adversely affecting a decision takes place and it is an early warning, is it not, to a company that there might be trouble ahead?

Mr. KITTROSS. It can be, Senator. It is hard to generalize. Parent companies have financed their own activities often because there is borrowing capacity available in subsidiary companies. This can be a very legitimate means of financing. I think it depends on each individual situation.

The CHAIRMAN. I am saying it could be an early warning.

Mr. KITTROSS. Absolutely, sir.

The CHAIRMAN. Thank you.

I was greatly impressed with the product that you are producing. It was a very impressive half-hour. Thank you.

Mr. KITTROSS. Thank you, sir.

The CHAIRMAN. As you see on our witness list Mr. Bill Bywater, president, district 3, IUE, AFL–CIO, East Rutherford, N.J., is scheduled as our next witness. However, Mr. Bywater is required to be elsewhere right now, so why don't we jump to the following scheduled witness and maybe Mr. Bywater will be here shortly.

Either way we are going to have his testimony.

We will now hear from Pete Valentinuzzi, special representative, International Association of Machinists and Aerospace Workers, accompanied by Edward Parin, vice president, local lodge No. 315, and Mr. Jim O'Leary, chief shop steward, local 315, IAM.

We have a long personal friendship and we have an ideological kinship. Meeting here with you and the others that are listed here is always a pleasant experience for me, and I know it will be very instructive as well.

Welcome.

STATEMENT OF PETE VALENTINUZZI, SPECIAL REPRESENTATIVE, INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS; ACCOMPANIED BY EDWARD PARIN, VICE PRESIDENT, LOCAL 315; AND JIM O'LEARY, CHIEF SHOP STEWARD, LOCAL 315, IAM

Mr. VALENTINUZZI. Thank you, Mr. Chairman. I want to thank you for giving me and my colleagues an opportunity to appear before you today to testify on this important matter.

My name is Peter Valentinuzzi, special representative of the International Association of Machinists and Aerospace Workers. I also serve as president of the New Jersey State Council of Machinists.

The International Association of Machinists is a labor organization which represents over 1 million members in the United States and Canada. Today we represent over 20,000 workers at over 100 plants in the State of New Jersey.

With me today are Mr. Jim O'Leary, chief shop steward of Local 315; Edward Parin, assistant shop steward; Mr. Bill Lawler and Mr. Joseph Dispoto who have worked at Airco for 38 years; Mr. Frederick McMahon who is a past shop steward and who has been with the company for over 23 years. Local 315 represents some 280 hourly workers at Airco Welding Products Division, located in Union Township, N.J.

We are here today to testify concerning the recent decision of the Airco Welding Products Division to permanently shut down its facilities at Union Township and to relocate all production previously performed at that site to a new plant which will be located in Virginia Beach, Va.

While Airco is relocating its production facilities to Virginia, 150 administrative employees and 162 computer service technicians are being relocated to the firm's Murray Hill facility. It is indeed ironic that those whose skills make them most able to deal with plant closings will not lose their jobs, while those of us who are less mobile because we are older and are, in some cases, less skilled are faced with the more drastic situation.

During your hearing today, we are sure you will hear from many others concerning the general problem that the State of New Jersey faces with respect to the movement of businesses, particularly manufacturing concerns, out of the State. We would like to use our time today to give you a graphic example of what happens when a decision like this occurs and the effect that it has on the employees involved.

This is not the first time that I have had the experience of representing people who have lost their jobs as a result of a corporate decision to move to a new location merely to increase profits. These corporate decisions are a source of tremendous frustration and suffering for our members. It is frustrating because hard working and dedicated employees with a commitment to their company and their communities are often confronted with an irreversible decision without any prior notification or any opportunity to take steps to change the company's decision. It creates hardship because the future of our members who lose their jobs in such a case is uncertain at best. The average age of the workers at the Airco plant is 47 years of age. By the way, the average service with this company is 18 years. Many are not highly skilled, and it is likely that most of them will have an extremely difficult time finding comparable work any time in the near future in this area. For example, 50–60 of our members are over 55 years of age. If and when they find new employment, the prospect of vesting under a new pension plan before retirement is very slim.

As you well know, under ERISA, it is a 10-year minimum to be vested.

Mr. Chairman, the Machinists have represented the employees at Airco since 1941. During that period labor relations have been excellent. There has been only one strike in 38 years. The average wage is $5.91 an hour, certainly not above the average wage in New Jersey. In other words, this company is not moving, as is so often charged, because of an unfavorable labor climate.

One of the great sources of frustration for us is that up until last year Airco had never indicated that it was dissatisfied with its operation in Union. Nor has management ever stated that the plant is unprofitable.

During our last negotiations in 1977, we sought to improve the severance pay provisions in our contract. At that time the company told us there was no need for improvement because there was no prospect that the plant would be closing in our lifetime. We accepted these statements and did not conduct protracted negotiations over that issue. But our faith was a mistake. We believe that events following those negotiations are responsible for the decision to close and that those events have little, if anything, to do with the profitability of the firm. To our knowledge, the firm has always made money at the facility in Union. When we were informed that the firm would be moving, we were not told that it was because it was losing money. By the way, I have attended several hearings with this company after we found out they were moving, and never did the company indicate they were moving because the firm was not profitable. What did happen, however, is that last spring the British Oxygen Corp. International Ltd., an international conglomerate, purchased controlling interest of Air Reduction Corp. Air Reduction Corp. is the parent company of Airco. Almost immediately things began to change. Almost immediately the firm began to transfer some operations to Chicago.

Then, on September 19, 1978, the local received a letter from Mr. Robert Mayers, manager of industrial relations for the division, indicating that Airco was considering discontinuing the manufacturing operations from the Union plant because "our management has been seriously concerned over the continued failure of the Union plan to perform at acceptable economic levels." By the way, that is when I was assigned by our international to intervene. That is the first we had heard that the company believed that the Union facility was not performing at acceptable economic levels. That does not mean that the firm was not profitable. It simply means that the firm was not producing a profit which they found acceptable. During the 1977 negotiation, we asked how we could improve production. The company agreed to come back to us on this point but never did. If the company had pursued our suggestion, more "acceptable economic levels" might have been achieved. Nor were any suggestions made after we received Mr. Mayer's letter.

When I met with Mr. Mayer, and I asked if there was anything we could do to improve production so that their profits may be increased, he said there was not a thing we could do, that the employees were working at their optimum.

On October 17, 1978, less than a month later, the company formally notified us that it was permanently closing operations at Union. The company's conduct following the September 19 letter makes it quite obvious that an irrevocable decision to close the plant had been made by them if not long before, and while the company stated that it intended to continue operations at present levels for at least 1 year, they also warned us that if there was any trouble they would shut down immediately.

Mr. Chairman, we know that this is an old facility and over the years we have suggested that productivity could be improved if new equipment was brought into the plant. But the company was never interested in discussing this issue. Instead, at the time of the closing, Mr. Mayers said that they wanted to move to a non-union shop and that the company would pay a considerably lower hourly wage once it did.

The public relations office did not hesitate to give this same information to the media It has been in the press.

As we indicated earlier, the workers at the Airco Welding Division earn an average of $5.91 an hour. That is not a high wage in the State of New Jersey. But the company is more interested in being able to pay $3.50 an hour which I would point out, in 1 year will be only 20 cents above the minimum wage required by Federal law. And I would bet that were it not for the efforts of the chairman of this subcommittee to fight to enact increases in the minimum wage law, this firm would be paying $2.50 an hour in Virginia, not $3.50.

Since the announcement of the closing, the president of the Welding Products Division, Mr. Joseph Werner, has been asked to meet with various State and Federal officials concerning the firm's decision to close the plant in Union. He has met with Governor Byrne and with Congressman Rinaldo. By the way, I talked with the Governor and also the Commissioner of Labor in the State of New Jersey, John Horn, and suggested that they meet with the company and also requested that I be present with three members of the committee at that meeting. But the company refused to even permit me at that meeting. They agreed to meet with the Governor and the Commissioner of Labor but refused to have me present at the meeting. The same thing happened with Congressman Rinaldo when I found out that Congressman Rinaldo was going to meet with the corporate people, I requested of the Congressman that I be present, and he said he would get back with me, and he was in touch with the company and they refused to permit me at the meeting.

Although we appreciate the efforts by these officials, the plain fact of the matter is that without legislation to require firms to bear some responsibility for their private decisions, the employees at Airco and others like them will be left without adequate relief.

It can, of course, be argued that it is the responsibility of the collective bargaining representative to negotiate terms and provisions which would protect the employees from suffering unduly in cases of plant closings. This is simply not realistic. In our case, when we attempted to do so, the firm dissuaded us of the need to negotiate increases in severance pay. But let us suppose that the local union leadership was concerned about this issue. What steps could they take? In most cases, workers are concerned about present wages and fringe benefits, and it would be difficult to convince them that the major issue in negotiations ought to be the terms and conditions of a decision to close the facility, particularly when the firm states that it is not going to move.

It may also be argued that under the law the employer is required to bargain over a decision to shut down a facility. But, as I am sure the Chairman is aware, under the present law there is no requirement that the employer agree to any demand, and once a decision to close a facility has been made as a practical matter, we have little bargaining power. Presently, the only real impetus which a firm has for reaching an agreement with us is their concern over public relations and the impact that their absolute refusal to provide us with benefits would have on their public standing.

By the way, Airco has 60 facilities throughout the country.

Turning now to the set of proposals that you have stated should govern any consideration of Federal legislation in this area, I would like to give this union's wholehearted endorsement to the principle that firms be required to give adequate notification of an intention to close down a facility. The 60 days that was required under our contract is simply not enough time to make preparations. It may be argued that Airco has met this requirement because it intends to continue operations for 12 to 18 months. But there is no requirement that they do so and, in fact, they could close tomorrow if they wished. The simple fact is that notification is necessary before the company reaches a firm decision to close if it is to be helpful, and if State and local officials and the employees are to have a chance to persuade the company to stay in New Jersey.

With respect to employee protections, employees must have continued health insurance coverage until such time as they are capable of finding a new job and comparable coverage. While this would be unnecessary if we enact national health insurance, until that happens, it seems only fair that this benefit be provided to employees who suffer this type of employment loss.

Second, you will note from our contract that because of taxes, even employees with long periods of service will not receive adequate severance pay.

Finally, I would like to address your suggestion regarding the right of transfer to the firm's new facility. By the way, I asked them if they intended, No. 1, to take any employees to Virginia, and they said no. I asked them if they would give any of the employees an opportunity to transfer, and they said no. They could come to Virginia and we can hire them if we desire them as new employees.

Most workers who have lived in New Jersey all their lives are not interested in moving out of the community if they can help it, but some would be willing to transfer. It seems only just and equitable for an employee who has worked for a firm for years to be offered that opportunity if he wants to take it. Airco, however, has taken the firm position that employees who wish to transfer will not be offered jobs at the new location but will instead be required to apply "like anybody else" at the Virginia Beach plant. This is highly unfair and inappropriate, and we suggest that legislation to correct this inequity is justified.

We must remember that there are people at Airco who have decided a long time ago that that was their place of work. The record shows this. Thirty-seven years of amicable collective bargaining history, rates of pay at $5.91 which are nothing to be proud of, so nobody was pushing anybody around. Employees with an average of 18 years and this company just tells them they are finished. Does not even give them the opportunity to come down there and even work at the rate they may be paying out there, tell them they can come down there as new employees.

Mr. Chairman, I wish that I was servicing that plant now through my years and had known through some magic wand that I had known they anticipated this thing in future years.

As I said at the opening of my statement, I am here as a special representative of the International Association of Machinists, and while the IAM is pleased to endorse some of the suggestions you have made, we strongly believe that providing benefits for employees and requiring employers to provide notification does not go far enough and will not solve the problem. The International Association of Machinists believes that firms which make economically unjustifiable decisions to move their plants should not be entitled to receive the tax advantages presently available to them under the Federal Tax Code.

We firmly believe that employers must be required to file an employment and community-wide impact statement and that firms should be required to justify their decision in a court of law before they can move. If we want to remain an industrial Nation, we have got to go way beyond providing assistance to employees who have lost their jobs. There is no reason that corporations should act like governments themselves, as they do now. And it is the Government that must tell them to cease doing so.

Thank you, Mr. Chairman.

The CHAIRMAN. What are they doing down in Virginia Beach? Are they constructing a plant right now?

Mr. VALENTINUZZI. They are in construction. By the way, they have obtained a variance and ordinance, as I understand it, in order to be able to build the facility where they are building it.

The CHAIRMAN. When you were told that Airco was going to close and move within a year that was actually not a year's notice at all. That was an absolute decision that you had no control over and no opportunity to work with them and develop the incentives to stay?

Mr. VALENTINUZZI. Correct. No opportunity. They advised us they were going to move. When I first met with them, they said they had not made a definite decision, this was prior to—well, I think it was 2 or 3 weeks later they officially notified me, they called me by phone, and they said they had made their decision to move and that was it.

The CHAIRMAN. So effective notice was a matter of weeks?

Mr. VALENTINUZZI. Weeks after I first met with the company.

The CHAIRMAN. Matter of weeks. They are in construction of a totally new facility, is that correct?

Mr. VALENTINUZZI. They are.

The CHAIRMAN. By the way, we did invite Airco management to be here this morning, and I have a letter that I will include in the record at this point from Mr. Werner, president, and he explains the other activities that the company is engaged in here in New Jersey, and does give the reason for this Union Township operation going to Virginia Beach.

I think that the language is a little different, but it does reflect what you have described was the company's public position.

Maybe I will read part of this to make sure we understand just what the basic reason behind this decision to close up the Union to go to Virginia Beach. Let me just read this from Mr. Werner's letter:

> In the gas apparatus area, we concluded that only a completely new manufacturing approach would provide the cost benefits vital to recapture our competitive position versus other gas apparatus producers who already had taken similar steps to reduce their manufacturing costs substantially. Since this manufacturing approach permits the use of a smaller, modern plant and a less skilled labor force, a search was conducted for a suitable location and Virginia Beach, Va., was selected.

You mentioned and highlighted the fact that the labor cost would be reduced. That is what he said.

Mr. VALENTINUZZI. Correct.

The CHAIRMAN. Less labor cost. He puts it this way. In a "modern plant and with the new manufacturing approach, less skilled workers would be needed."

Mr. VALENTINUZZI. Mr. Chairman, I have had many experiences, and there is no reason why—we both agree—the company and myself and representatives agree that the facilities are rather old, and possibly there is equipment, they can buy that machinery with advanced technology where the machinery can produce much cheaper, and that can be done in New Jersey because as a machinist myself many years ago, I realize that it takes skills to operate new equipment, even though it produces much more. And there is no reason why this cannot be done. We have suggested throughout the years that we could increase productivity.

Yes, I was informed, Mr. Chairman, by the Commissioner of Labor Department, while I was not there, I talked to the Commissioner, and he was told that they were moving down there because they did not need the skills. By the way, this is a production shop. This is not being critical of the employees at Airco, they are not highly skilled machinists, it is highly productive. It is not a onesy shop but they make the amount of thousands, day in and day out. So we do agree with modern machinery they can increase their productivity. God only knows, and I have experienced, as I said, many plants leaving and losing the skills that we have here in New Jersey, we have highly skilled factory workers, if you do not mind my using that terminology, we have diversified skills in factory workers. They are not throughout the country. I have seen a plant move from New Jersey, not down to the Sun Belt, and figuring they can produce cheaper, and it was up in New England

and when they got there, they used to manufacture the transmix, the concrete mixer that you see on the street——

The CHAIRMAN. That operation used to be down on Front Street in Plainfield.

Mr. VALENTINUZZI. Used to be on Second Street in Plainfield. They never built a mixer ever since they moved, completely went out of business.

The CHAIRMAN. They went away to do the job and make mixers——

Mr. VALENTINUZZI. And moved their entire operation.

These companies, I have seen it time and again, and here is a company that tells us that they are going to build a new plant and they are going to buy the most sophisticated new machinery to produce, and they will, and there is certainly no reason why they cannot remain here.

Mr. Chairman, I have read in the newspapers that the factory workers in New Jersey are third highest in productivity in the country, and again, Mr. Chairman, I am knowledgeable of it, we have a diversified skill in factory workers, particularly in this area in the State of New Jersey where employers can hire almost any skill, semiskilled or unskilled employees required to operate their facility.

The CHAIRMAN. Do you know whether this new plant down at Virginia Beach qualifies for the investment tax credit?

Mr. VALENTINUZZI. They tell us not, Mr. Chairman, but I am getting into another field and we have to be careful. Whether there is no Federal legislation to prevent this company from moving, and I am not against CETA by any means, CETA is necessary, but here is where if we find that Federal funds, while there is no Federal legislation that prevents this, where an employer moves from here to somewhere else and they are screaming for CETA funds to retrain their employees which they acquire in Virginia, I think that is unfair.

The CHAIRMAN. They are not getting that tax advantage which is a stimulant to new construction?

Mr. VALENTINUZZI. They tell us not. I have no way of knowing.

The CHAIRMAN. We will check it.

Mr. VALENTINUZZI. Mr. Chairman, the day that we have Federal legislation that governs and rules factories and corporations and so forth, I am of the opinion that the day the employers feel they have discharged their obligation, when they pay an hourly rate and benefits while the employee works, they have completed their responsibility, discharging their responsibility, and as long as he is working, I think those days are over, and they should be over when we have Federal legislation that provides that no one will go hungry through welfare. If Government feels people should be taken care of, if they are unemployed, it seems to me some legislation should be provided for that when an employer decides to discontinue this operation solely to increase their profits and completely disregard employees who have worked for the employer, who have decided for many years that this is the place that I want to continue working, there is no turnover at Airco—there is no turnover at Airco—that is my opinion.

The CHAIRMAN. That corporate decision also puts a burden on a lot of other people. Certainly, the local community tax base losses, and if it is an extreme situation, people cannot get another job which results in additional burdening of our already overburdened unemployment compensation system. And, if that should run out, we face the welfare costs. Their corporate decision can have a broad and expensive effect well beyond company and employees.

Mr. VALENTINUZZI. Unbelievable impact, unbelievable.

The CHAIRMAN. That is why you suggest a community impact analysis should be required. Is that why you included that?

Mr. VALENTINUZZI. Definitely. Long overdue, long overdue, Mr. Chairman. Not only a thousand people but probably many people will have to go on welfare as has been said.

The economic impact on the community, well, nobody will be able to tell you.

Mr. Chairman, you are familiar with the situation when Mack Truck Co. moved out of Plainfield and moved down South, and the company told me personally they were going to move to the Sun Belt because their competitors had already moved to the Sun Belt.

The CHAIRMAN. I thought they went to Pennsylvania at that time

Mr. VALENTINUZZI. Went down to West Virginia.

The CHAIRMAN. West Virginia is not considered quite into the Sun Belt. They went into Maryland and Allentown.

Well, I know what you are talking about.

Mr. VALENTINUZZI. It was like Judgment Day in the city of Plainfield when Mack Truck decided to move out. The impact on the community is unbelievable.

The CHAIRMAN. We have some estimates here of the severe economic loss when Campbell Works closed down. That was a major industry, and it just had a devastating economic impact on the area. I am going to put this in the record at this point.

[The following material was received for the record:]

SOCIOECONOMIC COSTS AND BENEFITS OF THE COMMUNITY-WORKER OWNERSHIP PLAN TO THE YOUNGSTOWN-WARREN SMSA

POLICY AND MANAGEMENT ASSOCIATES, INC.

April 1978

EXECUTIVE SUMMARY

On 19 September 1977 Youngstown Sheet and Tube Company announced the closing of most of the facilities supporting flat-rolled, bar, and welded pipe products at Campbell Works. In the months since this announcement, the company has closed operations supporting these affected lines while maintaining the production of seamless pipe and tubing. This announced closing has been accompanied by the layoff of approximately 4,100 employees, staggered over a six-month period.

The focus of this report is the assessment of the socioeconomic costs of the partial closing of Youngstown Sheet and Tube Company's Campbell Works as compared to the benefits of implementing the proposed community-worker ownership plan. The analysis is based on the assumption that if the ownership plan is implemented, the portion of Campbell Works currently closed will be reopened in January 1979, offering employment for approximately 2,000 people; by January 1980 an additional 1,500 workers will be employed. The immediate consequences of the closing have been examined, and the impacts assessed from September 1977 through December 1980.

The cost-benefit analysis includes consideration of the direct and indirect impacts within three broad categories: social-demographic, economic, and fiscal. The social-demographic analysis entails a qualitative and quantitative assessment of the potential psychosocial and demographic repercussions of the layoff on the Youngstown-Warren SMSA and, more specifically, on the communities of Campbell, Struthers, and Youngstown (where a large number of the former employees reside); on the family units within these communities; and on the individual unemployed workers.

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The economic analysis examines the direct and indirect impacts on employment and income. Consideration of the direct economic impact is restricted to a determination of numbers of jobs lost and the equivalent in earnings paid out by Campbell Works. The indirect impact analysis, primarily based on the Ernst & Ernst study of four major steel companies in the SMSA, considers the effects of the layoff on the plant's former local suppliers and purchasers, as well as on regional consumption patterns.

The fiscal impact analysis traces the regional economic consequences of changes in collections and expenditures incurred on the local, county, state, and federal levels of government. Also examined are the direct costs of utilizing several existing income support programs to maintain the income and community structure in Campbell and Struthers, as well as in the rest of the Youngstown-Warren SMSA.

The costs of the partial closing of Campbell Works have been estimated as follows. Approximately 4,100 employees were laid off by Campbell Works, accounting for a subsequent loss of earnings of between $52.8 and $70.5 million through December 1980. The estimated loss of earnings takes into account the difference between (i) the wage the worker would have received from Campbell if he or she had been employed there through December 1980; and (ii) other income received during this period by those laid off, such as Trade Readjustment Assistance (TRA), Unemployment Insurance (UI), Supplementary Unemployment Benefits (SUB), pension, welfare, and/or wages from new employment within the area.

As a result of interindustry relationships, an estimated 450 local jobs will be lost in businesses which supply materials and services to

Campbell Works, transport products from the Works, or use these products in their own manufacturing processes. An additional 1,200 to 3,150 jobs will be lost in other businesses, such as retail trade and services, because of changes in the regional income base and in local consumption patterns. This indirect unemployment, amounting to a loss of between 1,650 and 3,600 jobs, will account for an estimated payroll loss of \$34.1 to \$63.5 million by December 1980.[1]

Thus, the partial closing of Campbell Works will have significant impacts. Total job loss, including indirect losses as described above, will range between 5,750 and 7,700. Loss in earnings will amount to between \$86.9 and \$134.0 million. Translating lost earnings into disposable personal income, this loss will result in an estimated sales loss of \$66.5 to \$102.6 million by December 1980.

Various public costs, such as loss in tax revenues and the costs of income support programs for the unemployed, will also be incurred by the partial closing. These costs, described below, were determined for the period from September 1977 through December 1980.

The loss of tax revenue resulting from the partial closing of Campbell Works will have serious social and economic repercussions in Campbell and Struthers and, to a lesser degree, in the remainder of the Youngstown-Warren SMSA. As shown in Exhibit 1, local[2] tax loss will range

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[1]It should be noted that the estimated indirect loss of earnings represents a worst-case estimate.

[2]"Local" is used here to refer to the Cities of Campbell and Struthers, as well as to other communities within the Youngstown-Warren SMSA.

EXHIBIT 1

ESTIMATED TAX LOSS DUE TO THE PARTIAL
CLOSING OF CAMPBELL WORKS
SEPTEMBER 1977 - DECEMBER 1980

TAX	TAX LOSS (millions)
Local	
Income Tax	$2.4 - $2.8
Property Tax	5.0
Total Tax	7.4 - 7.8
County	
Property Tax	1.1
State	
Income Tax	1.3 - 1.6
Corporate Franchise Tax	2.3
Sales Tax	2.7 - 4.1
Total Tax	6.3 - 8.0
Federal	
Income Tax	12.0 - 15.1
TOTAL	26.8 - 32.0

between $7.4 and $7.8 million. Income tax comprises between $2.4 and $2.8 million of this total; property tax amounts to $5.0 million. Mahoning County will lose approximately $1.1 million in property taxes. The state will lose income, corporate franchise, and sales taxes totaling $6.3 to $8.0 million, of which income tax loss will account for $1.3 to $1.6 million, corporate franchise tax loss will account for $2.3 million, and sales tax loss will account for $2.7 to $4.1 million. In addition, the federal government will lose between $12.0 and $15.1 million in income tax revenue.

In summary, approximately $15.7 to $19.5 million will be lost in income taxes on the local, state, and federal levels. Property tax loss on the local and county levels will total $6.1 million; state sales tax loss will run between $2.7 and $4.1 million; and state corporate franchise tax loss will amount to $2.3 million. Thus, total tax loss from September 1977 through December 1980 is estimated at $26.8 to $32.0 million.

In addition to loss of tax revenue, other costs imposed by the closing of Campbell Works are those required for the provision of government income support programs. Former employees of Campbell Works who are unable to find acceptable employment will have access to several government-funded programs which will provide them with a relatively adequate level of income, at least during the first year or year and a half of unemployment. Specifically, Unemployment Insurance and Trade Readjustment Assistance have been and will continue to be major sources of assistance. Workers with 20 years or more of service are also entitled to Supplementary Unemployment Benefits. Once TRA benefits have been exhausted, workers may apply for welfare assistance--General Relief, Aid for Dependent Children of the Unemployed (ADCU), and the food stamp program.

It is estimated that the use of these programs by former Campbell Works employees will cost federal, state, and county governments $34.2 to $37.9 million between September 1977 and December 1980.[1] As shown in Exhibit 2, the federal government will bear the total costs of TRA and food stamps, and will share the costs of ADC/ADCU with the State of Ohio. These costs will range between $33.6 and $36.0 million (inclusive of the $32.6 million in TRA costs). The state will share the costs of ADC with the federal government and the costs of General Relief with the counties (Mahoning and Trumbull). The costs to Ohio are estimated to range between $.6 and $1.7 million. Mahoning and Trumbull Counties will pay approximately $.04 to $.2 million for General Relief. If Campbell Works remains closed, it is expected that annual public assistance costs will range between $.8 and $2.6 million.

These program costs, added to the expected tax loss incurred by the various governmental units for the period from September 1977 through December 1980, will total between $61.0 and $69.9 million (see Exhibit 3). The federal costs will total between $45.6 and $51.1 million. State of Ohio costs will range between $6.9 and $9.7 million. The county and local governments will lose between $1.1 and $1.3 million, and $7.4 and $7.8 million, respectively.

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[1]Figures include all program costs which can be reasonably estimated for the 4,100 former employees; not included are the program costs associated with indirect job losses. Thus, these figures are conservative estimates of the public costs resulting from the partial closing of Campbell Works.

EXHIBIT 2

ESTIMATED PROGRAM COSTS DUE TO THE PARTIAL CLOSING OF CAMPBELL WORKS
SEPTEMBER 1977 - DECEMBER 1980

PROGRAM	COSTS (millions)
County	
General Relief	\$0.0 - \$0.2
State	
General Relief	0.2 - 0.5
ADC/ADCU	0.4 - 1.2
Total	0.6 - 1.7
Federal	
ADC/ADCU	0.4 - 1.4
Food Stamps	0.6 - 2.0
TRA	32.6
Total	33.6 - 36.0
TOTAL*	34.2 - 37.9

* Not included in program costs are UI and SUB, as these costs are primarily borne by Lykes Corporation and not by public agencies. UI costs total \$13.0 million; SUB costs are \$2.4 million.

EXHIBIT 3

ESTIMATED TAX LOSS AND PROGRAM
COSTS DUE TO THE PARTIAL CLOSING OF
CAMPBELL WORKS
SEPTEMBER 1977 - DECEMBER 1980

TAXES AND PROGRAMS	LOSS (millions)
I. TAXES	
Local	
Income	\$2.4 - \$2.8
Property Tax	5.0
Total Tax	7.4 - 7.8
County	
Property Tax	1.1
State	
Income Tax	1.3 - 1.6
Corporate Franchise Tax	2.3
Sales Tax	2.7 - 4.1
Total Tax	6.3 - 8.0
Federal	
Income Tax	12.0 - 15.1
Total	26.8 - 32.0
II. PROGRAMS	
County	
General Relief	0.0 - 0.2
State	
General Relief	0.2 - 0.5
ADC/ADCU	0.4 - 1.2
Total	0.6 - 1.7
Federal	
ADC/ADCU	0.4 - 1.4
Food Stamps	0.6 - 2.0
TRA	32.6
Total	33.6 - 36.0
Total	34.2 - 37.9
III. TOTAL: TAXES AND PROGRAMS	61.0 - 69.9

The impact of implementing the proposed community-worker ownership plan at Campbell Works is also analyzed and the costs imposed by the partial closing are compared to the costs and benefits of reopening the plant. If the Works are reopened, the public loss will be reduced by $13.9 to $19.5 million by December 1980. Specifically, the tax loss will be reduced by $12.8 to $15.9 million, as shown in Exhibit 4. The expected local loss in taxes will decrease by $4.6 to $4.8 million. The county tax loss will be reduced by $.7 million; the state by $3.7 to $4.8 million; and the federal by $3.8 to $5.6 million.

The costs of government income support programs will also be reduced if Campbell Works is reopened. As shown in Exhibit 4, program costs will be reduced by $1.1 to $3.6 million by December 1980. Reduced welfare costs will account for the majority of this savings. After 1980, there will be no public assistance costs since potential welfare beneficiaries will be re-employed at Campbell Works. Thus, program costs will be reduced by $.8 million to $2.6 million per annum due to implementation of this plan.

In total, use of the community-worker ownership plan to reopen Campbell Works will save the federal, state, county, and local governments between $13.9 and $19.5 million through December 1980.

Another major benefit of the community-worker ownership plan is that it provides for 3,500 additional jobs by January 1980. Thus, the full effect of the estimated indirect job loss (1,650 to 3,600) resulting from the continued shutdown of Campbell Works will not be realized. Once past employment levels have again been reached, former

EXHIBIT 4

ESTIMATED REDUCTION IN TAX LOSS AND PROGRAM COSTS
IF THE COMMUNITY-WORKER OWNERSHIP
PLAN IS IMPLEMENTED
SEPTEMBER 1977 - DECEMBER 1980

TAXES AND PROGRAMS	ESTIMATED REDUCTIONS (millions)
I. TAXES	
Local	
Income Tax	$1.2 - $1.4
Property Tax	3.4
Total Tax	4.6 - 4.8
County	
Property Tax	0.7
State	
Income Tax	0.5 - 0.7
Corporate Franchise Tax	1.5
Sales Tax	1.7 - 2.6
Total Tax	3.7 - 4.8
Federal	
Income Tax	3.8 - 5.6
Total	12.8 - 15.9
II. PROGRAMS	
County	
General Relief	0.0 - 0.1
State	
General Relief	0.1 - 0.4
ADC/ADCU	0.3 - 0.8
Total	0.4 - 1.2
Federal	
ADC/ADCU	0.2 - 0.9
Food Stamps	0.4 - 1.3
TRA	0.1
Total	0.7 - 2.3
Total	1.1 - 3.6
III. TOTAL: TAXES AND PROGRAMS	13.9 - 19.5

consumption patterns will be resumed. This will be particularly beneficial to the Youngstown-Warren SMSA, which is typically characterized by high levels of unemployment.

Other important but less quantifiable impacts will also be averted, such as the possibilities of increased alcoholism, domestic strife, mental illness, and crime.

Thus, reopening the Campbell Works under community-worker ownership will provide several major benefits to the local communities, the Youngstown-Warren SMSA, the State of Ohio, and the federal government.

The CHAIRMAN. I think you have given us a clear description of one situation. This is a company that just picks up part of its operation and moves out. It is not a company merger. A lot of events followed the acquisition of this company by the new owner, is that right?

Mr. VALENTINUZZI. Right.

The CHAIRMAN. British Oxygen.

Mr. VALENTINUZZI. Mr. Chairman, I have heard that when the British firm purchased the Air Reduction, it took time through the Securities and Exchange Commission because there was some question about the British firm purchasing this company. That is another aspect of foreign companies being able to come in and take over American companies and completely disregard employee rights and decide their interest is only profits, and as much profits as can be made and completely disregard everything else.

The CHAIRMAN. How did British Oxygen acquire the company?

Mr. VALENTINUZZI. They purchased Air Reduction, who is the parent company of Airco.

The CHAIRMAN. So they had to follow the tender offer provisions of the Securities Act.

Mr. VALENTINUZZI. Whatever It took them a year.

The CHAIRMAN. Was it an amicable acquisition and not contested?

Mr. O'LEARY. It was contested by corporate company of Air Reduction, and they finally made an agreement. In fact, I think some parts of it are still in court, and BOC is a privately-owned holding company. There are no stockholders. It is privately owned.

Mr. VALENTINUZZI. Mr. Chairman, this is another matter now. This is legislation where foreign companies can come in and just mutilate—well, this is another matter. It seems to me that regardless, this company, Air Reduction, certainly has a responsibility to its employees.

The CHAIRMAN. By the way, in Union you do both arc and gas welding apparatus work, is that right?

Mr. VALENTINUZZI. Yes.

The CHAIRMAN. I did not read the paragraph where they said they were sending the arc aspects to Chicago to combine with duplicative or other arc welding manufacturing there.

Mr. VALENTINUZZI. They have already done so.

The CHAIRMAN. That is a little different situation than taking gas welding and just creating a new plant?.

Mr. VALENTINUZZI. Well, it still has the same impact on us. I do not know if they are doing that because they have facilities in Chicago or they tend to purchase new facilities to produce.

Mr. O'LEARY. They purchased another welding company in Chicago.

Air Reduction purchased a welding company that made welders and they are going to move some of the facilities from Union to Chicago. Management was told that the corporation was growing, it was getting bigger, and we wanted to share in this new found business. They are excluding us from it. We really feel left out. The company is growing. The product is growing. We begged them in negotiations to give us new equipment so we can be competitive, but they did not choose.

Mr. VALENTINUZZI. Competitive they are.

Mr. O'LEARY. New equipment we could be.

The CHAIRMAN. What were the words they said in describing their reason for relocating?

Mr. VALENTINUZZI. No question about it.

Mr. O'LEARY. More acceptable economic levels.

The CHAIRMAN. Well, if we set in place some principles to regulate these closings and relocations, it might be an incentive to companies to raise their sights to a higher level of corporate statesmanship and think in terms of preserving community stability, being mindful of the fact we are not trying to put excessive burdens on industry, or take away the competitive dynamics of private industry.

Mr. VALENTINUZZI. Mr. Chairman, I think you are aware of the Machinist Union position of technological advancement. We are not afraid of it by any means. We see it particularly in machine tool industry We are not concerned about that. We encourage it. No question about it. No question about that. We continue to say to the company that we never suggested that the company should not bring in new equipment to increase their productivity—by no means.

The CHAIRMAN. In your statement I gather you even advanced yourself in wondering how you could be partners in higher productivity of your operation.

Well, thank you very much. Excellent.

Mr. VALENTINUZZI. Thank you, Mr Chairman.

The CHAIRMAN. Next we will hear from Archer Cole. Mr. Bywater is not able to be here. We will proceed with the statement from the IUE.

Mr. Archer Cole, we welcome you. The testimony from the IUE is in very strong hands presented by a wise head.

STATEMENT OF ARCHER COLE, TREASURER, DISTRICT 3, IUE; ACCOMPANIED BY VIRGINIA L. MORTON, PRESIDENT, IUE LOCAL NO. 492, GENERAL ELECTRIC CO., NEWARK, N.J.; GENEVIEVE SEY, VICE PRESIDENT, LOCAL 449, IUE, TRENTON, N.J.; JAKE KONOWICH, PRESIDENT, LOCAL 426, WESTINGHOUSE, NEWARK, N.J.; AND ED PALM, CHIEF STEWARD, SECOND SHIFT, LOCAL 410, WESTINGHOUSE, BLOOMFIELD, N.J.

Mr. COLE. Thank you.

I want to introduce first the people who are with us from the various plants in the area who are concerned.

Virginia Morton is president of GE Lamp here in Newark. Genevieve Sey is here from Trenton, the Westinghouse plant. Jack Konowich, president of the Newark Westinghouse plant, very much concerned about the shutdown there; and Ed Palm from the Westinghouse Bloomfield plant also concerned about the deterioration of jobs in that particular plant.

My name is Archer Cole. I am treasurer of District 3 of the International Union of Electrical, Radio and Machine Workers, AFL–CIO, with 70,000 members in New York State and New Jersey.

I am also representing the New Jersey Industrial Union Council, IUC, AFL–CIO, which represents close to 200,000 members in the Garden State.

We are here today with our local leaders and people from the shop who picketed here to let you, your committee and the public know of our deep concern for the plight of our cities, our state, the Northeast region, and the hundreds of thousands of working people whose jobs are disappearing because of the runaway of industrial plants to the Sun Belt States and the countries the world over.

It is our estimate that well over a million manufacturing jobs have been lost in the Northeast region in the past 10 years. In New Jersey alone, over 200,000 jobs have gone down the drain because of plant relocations, and in New York State, close to half a million jobs have been lost.

District 3 IUE and the Industrial Union Council have worked closely with the Governors of New York and New Jersey and with congressional representatives to develop programs which will bring industries into our area.

Despite all the good work we all have done in this connection, the continuing shutdowns and phasing out of plants going on at this time has more than overshadowed the results of our job creation efforts.

At the present time, right here in New Jersey, we face the loss of the Westinghouse relay manufacturing plant in Newark, 1,000 employees; the Westinghouse elevator plant in Jersey City, 800 employees; the Wiss Co. in Newark, 700 employees; Airco in Union, 300 employees; Acme Hamilton in Mercer County; Western Electric in Kearny, 14,000 employees and now 5,000 employees; Continental Can in Paterson, 300 employees; Faberge Cosmetics, 700 employees and many more.

In addition, we are fearful that the continuing shifting of hundreds of jobs out of Westinghouse Trenton and Bloomfield and the

GE plant in Newark might be a signal of the impending relocation of these plants as well.

These runaways come on the heels of previous moves and the loss of tens of thousands of jobs at Manhattan Rubber; Uniroyal; RCA Harrison and Woodbridge; Gulton Battery in Metuchen; Anaconda in Perth Amboy; General Instrument and Wagner Electric in the Newark area; Emerson TV in Jersey City; Westinghouse Belleville; Westinghouse Metuchen, and we are afraid more to come.

The tragedy in the loss of these industries is that practically all of them have been long established in New Jersey and their relocations cuts off from gainful employment thousand of men and women in their 40's, 50's and 60's, who have given a lifetime to their jobs and who are now too old to get work and, in many cases, too young to collect pensions or social security.

Compounding this problem is the fact that these same companies, over these many years, have been the source of employment of countless young people who do not go on to higher education. Such high school graduates and dropouts, in the past, have been able to obtain employment in the many industrial plants and offices of our State and have been able to earn a decent living under union conditions and ofttimes acquire important job skills and opportunities to upgrade these skills.

Figures released by the Department of Labor show that unemployment among young people in our inner cities runs as high as 35 to 40 percent. This astronomical unemployment rate is the direct result of the loss of job opportunities resulting from runaway plants

In these statistics are hidden several social problems of crime, broken families, frustration, lack of hope, high welfare costs and many others.

In coming before this committee, we are mindful that we have testified before many committees, been involved in countless conferences, meetings with our congressional Representatives and State government officials, and have also taken demonstrative action because we have seen the problems grow worse rather than improve

We therefore are grateful that your committee, Senator Williams, has come to New Jersey, in an effort to do something about the problem of plant runaways and the need to enhance the job security of our constituents and yours.

We hope, however, that these hearings will not go the way of previous ones and will result in congressional action which will bring about an alleviation of this problem through legislative measures which we will recommend at this point.

First, We believe that companies which plan to relocate should be required by law to give prenotification of at least one year to their employees and to the Federal Government of their intention to move.

In this connection you inquired about the timeframe. While we say at least a year, it is a year from the time they start to think about it. Because if we get notice that Westinghouse has bought a plant, as they have in Florida, and we are then notified, as we have been in Newark now, and that work is being transferred down there, there is no way to change that decision.

So the first thing is that there has to be prenotification of their intention, and not of an accomplished fact. That is a serious problem.

In New Jersey we have been working with the Department of Labor on an "Early Warning System". To make this work, money could be forthcoming from the Federal Government, to take an inventory of all old plants in the State.

We all know them, they are five stories, they are usually in the cities, they are old as Airco and GE Lamp in this city and Westinghouse, and they are multistoried, and they are next in line. There should be some way of forecasting this problem and funds made available to have personnel meet with these companies, sit down with them and see what could be done to find out what their intentions are before they rent or before they buy property and make plans to build new plants in other parts of the country or the world.

Second, In the period following prenotification, the Government should undertake public hearings to determine the cause of the move and the possibilities of bringing about a reconsideration on the part of the company with a view toward having it cancel its moving plans.

Third, Federal funds should be made available to States and to cities to assist companies in modernizing, expanding, et cetera, and in working out tax abatement problems to give such companies a viable alternative to their relocation plans.

Fourth, Where companies, following Government involvement, insist on leaving, even though Federal hearings show that their operation is a profitable one and would have serious consequences for their employees and the communities in which they are located, Government contracts should be withheld from such corporations in their new locations.

Fifth, Such companies, which move under the above circumstances, should be required by law also to offer their current employees jobs in the new location with their rates of pay and seniority kept intact.

Sixth, Where such employees decide not to move with the company to its new location, the company shall be required to provide severance pay benefits in the amount of 1 week for every year of service. In addition, the company shall be required to maintain health and life insurance benefits for employees who do not relocate for one year or until they obtain new employment, whichever is sooner.

7. Seventh, employers who relocate shall also be required to pay into their State unemployment insurance funds an amount commensurate with the State's payout to employees who draw unemployment benefits as a result of the plant runaways.

Our approach, therefore, is a twofold one. On the one hand, the Federal Government should endeavor in every way to make it possible for industries to remain and be competitive in their present locations. Second, we should make it costly for companies to pick up and leave a community stranded and their employees in the lurch.

In the above seven proposals, we have a combination of these approaches, all of which are designed to keep our industries and our jobs where they are.

In our union's dealings with the Westinghouse Co., as with practically all of these runaway corporations, it should be noted that their operations in Newark, Jersey City, Bloomfield, Trenton, and Belleville, N.J., all have been profitable ones. In our public and demonstrative campaigns to keep Westinghouse in New Jersey, the company has made it clear that what is driving them to run away from this State is their conviction that they can make higher profits by relocating in areas of low wages, meager employee profits, low vacation and pension liabilities and no unions to contend with.

I might say here when we had our campaign with the Westinghouse Co. to stay in Newark, and we had them before Mayor Gibson and others, and we listened to a whole number of objections like location, lack of police, lack of proper lighting, that there was a porno movie in the area, et cetera but when it got down to that, when every one of these objections were dealt with by the city officials, and where in the next few weeks following the meetings corrections of these problems were wiped out, the company then said to all of us that when it comes down to it, all of those things are unimportant. It is the bottom line. "It is $3 million saving we will make in wages by moving to Florida that is persuading us to move. If you can do something about that, then we have another ball game."

That is the thing that dictates these moves.

It is our opinion that where companies can place the profitability of their operations over and above the needs of the people, the communities and the States, there should be a response by the Federal Government to protect the people and not to have our economy dictated by corporate greed or aggrandizement.

The labor law reform bill which was filibustered to death in the U.S. Senate last year, was designed to take away from such corporations the tremendous advantage they now have under the National Labor Relations Act, to move into non-union, low-wage areas and to thwart union organization through all sorts of maneuvers, legal and illegal alike.

We wish to commend Senator Williams for his role in seeking to stabilize the economy and labor relations of our Nation by a steadfast espousal of labor law reform. We believe it is an integral part of any legislative approach to deal with the runaway shop problem.

In conclusion, we would be remiss if we did not urge upon the U.S. Congress, the repeal of current laws which encourage U.S.-based multinational corporations to move their plants and job opportunities out of our country to the Far East, to Mexico, to Africa, to South America, indeed anywhere in the world where wages are at starvation levels and conditions of employment are less than substandard.

The time for action to stop plant runaways was yesterday. We need action today to prevent further deterioration in our jobs, our tax structure, and the ability of State and municipal governments to provide the kind of services which our people are entitled to in this day and age.

Thank you.

The CHAIRMAN. On that last point, Mr. Cole, I would say, this is one of the most disturbing aspects of companies going abroad for the purpose of subhuman wages, and in areas where the working conditions are so desperately bad. Economic advantage that is arrived at through that route is one of the most despicable things that anybody could imagine.

Mr. COLE. They are all doing it, Senator.

The CHAIRMAN. Not all of them, fortunately. But out of this committee we are beginning to put together an analysis of some of the most wretched human abuses of American companies abroad.

On Friday of last week I just heard of an American manufacturing company, that relocated to India where their process dealt with bristles. This company employs youngsters, 9, 10, and 11 years of age, to work on those bristles. From those bristles comes some larva that goes into their eyes and blinds the kids. Situations such as these need to be understood and investigated. With the advantages that corporations enjoy under current law, it seems to me that we should also have a law that makes those corporations responsible so that it does not undercut humanity with substandard conditions for those who work in that corporate or company entity.

Mr. COLE. You know, every TV manufacturer in the United States, has shut shop in the United States and has opened factories in Taiwan, Singapore, Hong Kong, etc. and are paying wages of less than 30 cents an hour, with no right to unionize, no right to strike.

In 1967, after the riots in Newark, our union made every effort to bring work into the cities, and employ minority people. At that time General Instrument was located in east Newark employing 1,000 people, with 5,000 additional people in various other States in the Northeast. In 1970 they shut shop simultaneously in all of those plants, and opened a plant of 12,000 people in Taiwan with wage rates of 22 cents an hour.

We posed the question at that time to the mayor of Newark and to our Congressmen:

> Can you imagine if they had brought this 12,000 person plant to Newark instead of Taiwan what it would have done to the entire community for jobs and ratables and the taxes that would be generated, when you talk about community impact?

We always think negative, but think positive of what that would have done to our community and the troubles we now have in Newark with the layoffs because we do not have the tax base to keep people employed.

This is all one ball of wax, Senator.

The CHAIRMAN. We have the advantage of the work of Mr. Richard Lynch, president emeritus of the State AFL–CIO, and he has done a monumental piece of research here on closings of plants in our State. We are going to include in the record. Dick Lynch is here.

[The information referred to follows:]

44-118 O - 79 -- 4

COMPANY	LOCATION		MOVED TO	NUMBER OF JOBS LOST
A.P. SMITH	EAST ORANGE	CLOSED	ALABAMA	350
AMERACE	BUTLER	CLOSED	PINEY FLATS, TENN.	300
MC GRAW EDISON	WEST ORANGE	CLOSED	SUMPTER SO. CAR& NEW HAMPSHIRE	2,200
UNIROYAL	PASSAIC	CLOSED	OVERSEAS	I,400
TUNG-SOL	NEWARK, BLFD, LIV.	CLOSED	SPARTA, GA.	I,800
GENERAL INSTRUMENT	NEWARK	CLOSED	TAIWAN	900
CONMAR ZIPPER	NEWARK	CLOSED	ORIENT & MISS.	500
MONROE CALCULATING	ORANGE(FACTORY)	CLOSED	SOUTH CAROLINA	700
WESTINGHOUSE	BELLEVILLE	CLOSED	PARIS, TEX.	250
FRUEHAUF MAGOR	CLIFTON	CLOSED		700
GULF PLASTIC	CLIFTON	CLOSED	GREENSBURG, IND	I50
LITECRAFT	CLIFTON	CLOSED	SCOTTSBORO, ALA.	200
MULTI AMP CORP	CRANFORD	CLOSED	DALLAS, TEX	95
RUBBERSET	NEWARK	CLOSED	CRISFIELD, MD	279
NATIONAL LOCK WASHER	NEWARK	CLOSED	WISCONSIN	225
NATIONAL UNION TUBE	NEWARK	CLOSED	OUT OF BUSINESS	700
JEWEL LAMP CO.	NEWARK	CLOSED	" " "	I00
AMERICAN CAN	JERSEY CITY	CLOSED	- - -	I,500
JOHN MANVILLE(RESEARCH)	MANSVILLE	CLOSED	DENVER, COLORADO	I,I25
AMERICAN S & R	PERTH AMBOY	CLOSED	AMARILLO, TEX	I,000
LEVER BROS, EDIBLEDIV	EDGEWATER	CLOSED	HAMMOND, IND	400
EASTWOOD NEALLY	BELLEVILLE	CLOSED	ALABAMA	250
CRANE PLUMBING FIX.	TRENTON	CLOSED	* * * *	---
THERMOID	TRENTON	CLOSED	* * * * *	700
G.M. CHEVROLET Div.	BLOOMFILED	CLOSED	* * * * *	I85
EMERSON(T.V.& RADIOS)	JERSEY CITY	CLOSED	TO ORIENT	2,300
KIDDE(DURA WEAVER DIV	* ***	CLOSED	PARIS, KY	---
ASSOCIATED BOOK	BLOOMFIELD	CLOSED		I50
QUINN BODEN	RAHWAY	CLOSED		270
GAMON CALUMET	NEWARK	CLOSED	FLORENCE, KY.	I25
RAYBESTUS MANHATTAN	PASSAIC	CLOSED		I,200
R.M Bowling Balls	"	"	LA GRANGE, GA.	****
R,M. FRICTION PRODUCTS	"	"	HOKAIDO, JAPAN	****
R.M. RUBBER ROLL DIV	"	"	MISS., SO.CAR., SCRANTON & WIS.	****
SINGER (I DIV.)	ELIZABETHPORT	CLOSED	ANDERSON, SO.CAROLINA	600
CRICIBLE STEEL(MAG.DIV)	HARRISON	CLOSED	ELIZABETHTOWN, KY.	250
J.WISS & SON	NEWARK & MAPLEWOOD	CLOSING	NORTH CAROLINA	725
PITTSBURGH P & G	NEWARK	CLOSED	****	300
KEUFFEL ESSOR	HOBOKEN	CLOSED	****	250
OTIS ELEVATOR	HARRISON	*****	PEAK: 3,000. II/I/78-I55	2,845
R.C.A	CAMDEN	****	PEAK:7,500. 3/I/78:I,500	6,000
R.C.A.	MOORSETOWN	****	PEAK:I,800 On 3/I/78-350	I,450
CELENEASE(XCELL)	NEWARK	****	PEAK : I,400 ;On II/I/78I55	I,200
AIRCO WELDING PRODUCTS	MONTVALE	CLOSING	345 jobs toVIRGINIA BEACH &CHI.	
AIRCO INC. PROD.DEPT.	UNION	CLOSED	SENT TO RURAL RETREAT, VA.	80
FABERGE	RIDGEFIELD	CLOSING	to RAEFORD, NO. CAROLINA	400
WILBUR B. DRIVER CO.	NEWARK	CLOSED I	DIV. to ORANGEBURG SO.CAR.	80
ELASTIC STOP NUT CO.	ELIZABETH	CLOSED		
SPIRAL BINDING CO.	NEWARK	CLOSED		
COOK MFG CO.	HACKENSACK	CLOSED		
VARITYPER CO.	NEWARK	CLOSED		
UNIVERSAL CORROGATED	LINDEN	CLOSED		
FABIEN TEXTILE CORP.	LODI	CLOSING	"FIERCE FOREIGN COMPETITION"	200
U.S. STEEL WAREHOUSE	NEWARK	CLOSING		60

** THIS IS A LIST OF OVER 700 FIRMS THAT HAVE CLOSED OPERATIONS IN NEW JERSEY. SOME BUILT NEW PLANTS IN THE SOUTH;OTHERS OPENED FACTORIES IN SINGAPORE, TAIWAN, JAPAN, MEXICO, BRAZIL, EUROPE, ETC. SOME SUCCUMBED TO FOREIGN COMPETITION. Some companies ARE TRANSFERRING DEPARTMENTS AND ARE OPERATING WITH AFRACTION OF THEIR FORMER WORK FORCE.

FOR ADDITIONAL DATA CONTACT RICHARD A. LYNCH. 25 N.END TER. BLOOMFIELD N.J 07003
PHONE 201--338-- 9792

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Company	Location	To	Number of Jobs Lost
Glen Label	Glen Rock	To Blue Ridge, Va	6
Artex Label	~~[illegible]~~Mountainview	" Cowpens, N C	4
Alkahn	Paterson	" Weston W.Va.	30
Premier Label	"	" Canton N.Car.	60
Ascot Label	"	"Walkerstowns N. Car.	4
Standard Woolen Label-	Franklin Lakes	Bought by Clonglomertae & closed	5
Mercury Label	Paterson	" " " " "	3
Jersey Label	"	" " " " "	2
Bel Air Co	Elizabeth	Foreign Competition	7
Lubel Shirt	"	Closed	10
Kayo Mfg Co	Newark	"	5
Matan Mfg	"	" To So.Carolina	12
Harmony Textile	Paterson	Closed	2
Hartex,Inc	"	"	
Richlee Dye & Fin.Co	"	"	2
Superior Silk	"	"	1
Vycovln Inc	"	"	
Allweave Inc	Tennent	"	4
Belding Heminway	So. Hackensack	"	1
Cadillace Warping	Hawthorne	"	1
Olin-Tex	Hoboken	"	
Fortuna Print Works	Passaic	"	19
InTL Stretch Co	Carlstadt	"	-
Lobsitz Mills	Montclair	"	
Castle Creek Prints	Washington	"	11
London Aeta Fabric	Elizabeth	"	2
Pattern-Make Corp.	Weehawken	"	2
Ridgefield Knitting	Ridgefield	"	1
Bentex Mills	E. Rutherford	"	250
Chicopee Mfg Co	Milltown	Partial Liquidation	200
Clifton Finishing	Clifton	Closed	1
Inwood Knitting	"	"	400
Gsell Textile	East Newark	"	48
Timme Products	Cape May	"	139
Linde Air	Newark	To Paris N C	700
Tube Reducing	Rutherford	South by Amem.Metals & closed	---
Vulcan Materials Inc	-	Closed	75
U S Steel-American Bridge		Closed	200
Associted Box		"	7
Fischer Casting		"	100
Evans Rule		"	150
Ducane Heating		"	80
Chamberlain ~~[illegible]~~ Mfg		"	900
Hackensack Cable		"	85
Tenneco Intermediate Div		"	60
Apgar Heating& Cooling		"	10
Art Color	Dunnellen	"	400
Bond Clother	New Brunswick	"	240
Goldbond Co	Garwood	"	55
Quakers Oats	North Brunswick	"	80
Shulton Inc	Mays Landing	Laid off indefinitely	205
Amerada Hess Corp	Port Reading	"	262
Sunoco Products	Philipsburg	"	105
Bellmawr Industries	Bellmawr	"	130
Stokes Molded Products	Trenton	"	106
Triangle Industries	New Brunswick-I Div transferred to Missouri		106
H A Wilson	Union	Closed	400
Atco Ceramics	Keyport	"	200
~~[illegible]~~ & Co,Inc. SCHLANY /	Lyndhurst	"	100

* FOR ADDITIONAL DATA CONT ... CH BLOOMFIELD N J 201 778 6702

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Company	Location	To	Number of Jobs Lost
Standard Tank & Seat	Camden	Closed	
West Jersey Paper Co	"	"	
J.Blickman ,Ins.	Weehawken	"	
Western Electric	Cranbury	"	
FMC COED	Plainsboro	"	
FMC COGAS	"	"	
Aurora Toy Co	Jersey City	"	
Lloyds Electronics	Elmwood Park	"	
Boby Girl Coats.Inc	Garfield	"	
Herman Forwarding Co	South Brunswick	"	
Hemmingway Transport	Paramus	"	
North American Philips	East Brunswick	"	
Allied Chemical Co	Camden	"	
Precision Packing	Mt. Laurel	"	
Advance Paper Co.	Jersey City	"	
Union Carbide Corp WH	"	"	
Xerox Corp. Educational Div	Carlstadt	"	
Topps Electronics	E. Rutherford	"	
Apex Trucking	Secaucus	"	
Industries Assoc .Co	Elizabeth	"	
Alcotronics Corp	Mount Laurel	"	
Kerr Concrete Pipes	Elmwood Park	"	
I C Herman Co,Inc	Garfield	"	
Bentex Mills	E. Rutherford	"	
Aero-Clo Corp.	Ridgefield	"	
George V Clark	Englewood	"	
Triangle Pacific	So. Plainfield	"	
Ialden Mills	Middlesex	"	
Triangle Kint Mills	Pennsauken	"	
Univac	Cinnaminson	"	
National Elevator	East Newark	"	
Fairfax Industries	" "	"	
Interphoto	Lyndhurst	"	
Wilcos & Gibbs	Carteret	"	
G E Isolated Bus Ducks	Camden	"	
G E Warehouse	North Bergen	"	
Alco-Cravure	Hoboken	"	
Isotopes,Inc.	Westwood	"	
Charlies Girls	Carlstadt	"	
Perry's Shoes	"	"	
Astro Labs	Rahway	"	
P J Schweitzer	Newark	"	
Telebeam,Inc	Paramus	"	
F M R Service Corp.	Moonachie	"	
Manhattan Products	Lodi	"	
Roman Products	So. Hackensack	"	
Singer Climate Control	Bridgewater	"	
Bermico Co.	Lumberton	"	
Kaiser Gypsum Co.	Delanco	"	
Zenith Industries WH	Belleville	"	
Corona Corp.	Kearny	"	
Regency Press	West Orange	"	
Goldsmith Bros.	Carlstadt	"	
Wallis Industries,Inc.	Passaic	"	
Ros Color Labs	Linden	"	
Ayerst Labatories	Little Falls	"	
Dodge Trophies	Totowa	"	
Hayman & Lindenberg	Carlstadt	"	

** FOR ADDITIONAL DATA CONTACT RICHARD A.LYNCH BLOOMFIELD N J 201--338-9792

(4) 58

Company	Location		To	Number Jobs Los
Richardson Co	Kearny	Closed		25
National Rayon Dyeing	Newark	"		2
Ccola Dye Works	Hawthorne	"		2
Chrysler Plastic Prod.	Parsippany	"		5
Patti Plastic, Inc	Hawthorne	"		3
Screen-All Corp.	Jersey City	"		2
Vitromar Piece Dye	Paterson	"		6
Besco Shirt	Elizabeth	"		22
Haberman Shirt Co.	Newark	"		70
Lewis Harris Co	Jersey City	"		62
Ajesa Clothing	Vineland	"		73
Franklin Clothes	Woodbine	"		45
Egg Harbor Mfg, Co	Egg Harbor	"		165
P L S Coat Co	Asbury Park	"		35
Superior Togs	Elizabeth	"		9
Ruth Sportwear	Perth Amboy	"		45
Fordham Shirt	Elizabeth	"	Moved to Livingston, Temn.	240
Swift & Co	Kearny	"		
Standard Brands, Inc	Hoboken	"		
Nichols Homeshield	Carlstadt	"		
J B L Corp.	Hawthorne	"		
Ridgewood Corp--Glen Rock &	"	"		
Van Ness Plastics	Bellville	"		
Teltron Electronics	Kearny	"		
Quiet Burner Corp	Mont clair	"		
Barwove, Inc.	West Paterson	"		
Inmont Corp	Hawthorne	"		
Fedders, Inc	Trenton	"		
Continental Can Warehouse	Paterson	"		
Yardley of London	Totowa	"		
Vanguard Plastics	Hawthorne	"		
Winner Mfg Co	Trenton	"		
Jab Metal Products	Fairfield	"		
Emeco Steel Corp	"	"		
Adressograph-Multigraph WH	Tetoboro	"		
RCA -Office Warehose	Clark	"		
Enflo Corp	Maple Shade	"		
Wondura Products	Newark	"		
Air O Plastic Corp	Carlstadt	"		
Bernies Brood Inc	"	"		
R A F Industries	Midland Park	"		
Parker-Hannifen Corp.	Saddle Brook	"		
Celotex	Edgawater	"		
Coated Products	Middlesex	"		
Hamilton Mfg.	So. Plainfield	"		
Gold Seal Foods	New Brunswaik	"		
Boise Cascade Door Div	Pennsauken	"		
Die Caster Inc	Closter	"		
Multi Layer Circuits	Moorestown	"		
Bergen Labs	Paterson	"		
Buff-Henley Paper WH	Elmwood Park	"		
Philcam Co	W. Paterson	"		
Blue Ridge Textile	Carlstadt	"		
Marlion Dyeing Co	"	"		
Westwood Industries	Woodbridge	"		
Plaris Plasitc Inc.	Cranford	"		
A N Stollwerck Inc	Camden	"		
Salem Carpets WH	Mount Laurel	"		

**FOR ADDITIONAL DATA CONTACT RICHARD A. LYNCH BLOOMFIELD N.J. 201--338--9792

Company	Location	Moved To	Number of Jobs Lost
R C A	Harrison	CLOSED Tube production In Mexico & Brazil at peak	6,000
R C A	Avenel	CLOSED	750
Jonathan Logan	Matawan & Jersey City	CLOSED Spartanburg & Gaffeny S CAR	--
Goerlish	Clifton	CLOSED ---	75
Federal Sweets & Biscuit	Clifton	Closed	350
Pitney Bowes	Clifton	Closed	52
Parker Kalon	Clifton	Employment reduced 340 to 260	80
Pepe& Gray	Clifton	Closed	70
Sweda	Paterson	Closed	350
Latham Foundry	Paterson	Closed	125
Aluminum Corp	Edgewater	Closed	1,100
Raritan Copper	Perth Amboy	Closed	1,250
I T & T	Nutley & Clifton	peak 7,700--On 3/1/76-825 --	6,675
I T & T jobs to Miss;N.C;Nebraska,Va, Pa,Ark & overseas			
Lionell Trains	Irvington	Closed	2,200
C F & I	Roebling	Closed	1,800
Newman Leather	Hoboken	Closed	100
Burlington Fabrics	Newton	Closed	400
Continental Paper	Ridgefield Park	?	?
J B Chein			230
R D Wood			240
Chamberlin			700
B F Goodrich	Riverside	Closed To N. Car.	250
U S Metal		Peak 1,000 to 200	800
Jergens Lotion	Belleville	Closed	250
Remco Toy	Newark	Closed	1,000
Magnus Organ	Linden	? Peak 800	?
L A Young	Trenton	Closed	660
Curtis Wright Electronic Div	E.Paterson		1,000
" "	Caldwell	Peak 3,500 to 150 No Govt orders PROPELLERS	3,350
" "	Wood-Ridge	Peak 5,000 to 1,500 Few Government orders	3,500
Auto.Business System	Clifton	Closed	200
Huck	Paterson	Closed	200
Bendix	Red Bank	Lack of Govt orders	600
Stuthers-Dunn	Camden	Foreign Imports	120
General Brass& AirBorne	Hillside	Closed	200
Dumont T V Div	Clifton		400
Pyramid Elec.Co	Union City	Closed To Columbis So.Car	400
Krauter Mfg.	Newark	Cloded To Defiance Ohio	165
Sacks-Barlow	Newark	Closed	375
R C A	Somerville	Peak employment 1,200 to 385-4/72	800
Federal Pacific	Newark to Vadalia.Ga;Edgefireld SoCar;Albemele N.Car		1,200
A A C	Carteret	Closed by conglomerte	300
Strong Cobb	Murray Hill	-Closed. moved to other state	150
Amer. Foam Rubber	Burlington	Closed	60
Consolidated Rubber	Bloomfield	Closed moved to Pa.	35
Eberhard Faber Pencil	Newark	Closed	125
Keaton Rubber	Newark	Closed	80
U.S Rubber	No.Bergen	Closed moved to West Coast	20
Mondet Cork Co.	Hillside	Closed	200
Martin Rubber	Long Branch	Closed	40
Luzerne Rubber	Trenton	Closed -moved	31
Bradstone Rubber Co	Woodbine	Closed	100
Lee Tire Warehouse	Glouster	Closed	60
Armstrong Cork	Glouster	Closed	100
R. Sloane	W. Caldwell	Closed	100
Bob Mulhall	Newark	Closed	35
Allied Lighting	Elizabeth	Closed	
Altex Supply	Red Bank	Closed	--

** FOR ADDITIONAL DATA CONTACT RICHARD A. LYNCH BLOOMFIELD N.J. 201--338-67

Company (6) 58	Location	To	Number of Jobs Lost
Burry Colonial	Carstadt	Closed	
Compac Corp.	So.Brunswick	"	
AMR,Inc	Penns Neck	" [redacted]	
Hadden Bindery	Camden	"	
The Great A&P Bakery	Newark	"	
Handy & Harman	West Orange	"	
Rayette-Div of Faberge	Jersey City	"	
Paramount Apparell	Carlstadt	"	
Mobil Chemical Co.	Carteret	"	
Phillips Broadcast Equip.Co	Montvale	"	
Star Parts,Inc	So.Hackensack	"	
United E& C Co	Voorhees Twp	"	
Suzi Knits	Fairfield	"	
Custom ComponentasFoundry	"	"	
Jacques Kreisler	North Bergen	"	
Tech-Knit Fabrics Corp	Lyndhurst	"	
Schlang & Co.Inc.	"	"	
Built-Rite Conveyors,Inc	E. Rutherford	"	
Store Brand Pharma.Products	Garwood	"	
Amersil,Inc.	Hillside	"	
University Comp Corp	E. Brunswick	"	
GAF Corporation WH	Camden	" [redacted]x	
OwensIllinois,Inc	Hawthbrne	"	
Lanman & Kemp	Palisades Park	"	
American A & C Co.	Paterson	"	
KSB Pump Co.	E.Rutherford	"	
Daval Handbags	Perth Amboy	"	
Intertype Corp.	Watchung	"	
Fisher Casting Co.	Middlesex	"	
CongoleumNairn	Kearny	"	
Steel Enclosures, Inc	Moonachie	"	
Stanley Products Inc	Hamilton Township	"	
Rockwell Intl Valves-Meters	Hopewell	"	
National Gypsum Co	Millington	"	
IBM Comp Center	Morris Plains	"	
Twintex Knitwear Co	Carlstadt	"	
M W Kellogg Research Lab	Piscataway	"	
Rhodio Chem& Rubber Corp	N. Brunswick	"	
Universal Synergetics	Pennsauken	"	
Seabrook Farms	Bridgeton	Closed-- I,000 Summer jobs- 250 Year round jobs	
Heinz Catsup	Salem	Closed	
Pequannock Soft Rubber	Pequannock	" to South	
Masonite Co.	Elizabeth	Closed -Moved to North Carolina	
Majestic Specialities,Inc	Ridgefield	CLOSED " " Pa.	
Georgia Pacific (LaMonte)	Clifton	CLOSED " " N Y	
Amvit Pipe Inc	Hillsborough	CLOSED " " Ohio	
Sayre & Fisher Co	Savreville	CLOSED	
Trenton Potteries(Crane)	Trenton	CLOSED	
Chelsea Products,Ins	Plainfield	CLOSED	
Suh Chemical Co	Kearny	CLOSED ** MOVED	
Orange RollerBearing Co	Orange	CLOSED	
FARICHILD SYSTEMS	Paramus	CLOSED Moved to L I	
Intl. Corp. (Rosalin)	Elizabeth	CLOSED	
R C A Graphics Div	Dayton	Closed-- Moved to other locations	
Celotex Corp.(Techniform)	Carteret	CLOSED "	
Abaco Fabrics Corp.	Bloomfield	CLOSED " " North Carolina	
Midway Corp.	Lodi	Closed	
S. F. D. Labatories	Union	Closed Moved to mass.	

** FORADDITIONAL DATA CONTACT RICHARD A LYNCH BLOOMFIELD N.J. 201--338--9782

COMPANY	LOCATION	TO	NUMBER OF JOBS LOST
GEX	Pennsauken	Closed	200
Hercules, Inc	Burlington	--permanently laid off	50
R C A	Bridgewater	" " "	50
Foster Engineering	-	Closed	50
Webb Wire Works	-	"	58
Continental Can Local 3913	Newark	"	I.000
Kerlow Steel	-	"	40
Irvington Smelting	Irvington	"	200
Alan Wood Steel	Dover	"	428
Continental Can	Local 4334	"	248
Lovell & Dressel		"	84
Gaser Steers		"	148
Newark Wire Cloth	Newark	"	I40
Kenilworth Steel		"	46
Spencer WireCorp.		"	98
Moldcast Products		"	28
Jones & Laughlin		"	I30
Don Gustin Shoes	Paterson	Closed Foreign Imports	90
Dolly Novelty Shoes	Passaic	" " "	60
G T E Sylvania	Kearny	"	200
Feddars (Range Div)		to Overseas "	-
Worthington Pump	Harrison	At peak 3,500 down to 700	2,800
Kidde (Dura Weaver Div)		To Paris, Ky.	-
Westinghouse	Metucheon	Lost I,900 factory&315 office TV jobs Japan	2,215

Westinghouse Bloomfield Peak Jan.I' 1947 3,974to Jan I976 I,900 Orlost 2,07
" Trenton "April I950 --848 Jan. I976 -550 or lost 29
These 2,372 jobs have been sent to Paris, Tex; Reform, Ala; Richmond, Ky; Little Rock, Ark; Bath, N Y .

COMPANY	LOCATION	TO	NUMBER OF JOBS LOST
Kidde	Bloomfield	400 jobs sent to Gastonia& Ranco, N C	400
Stauffer	Passaic & Plainfield	300 jobs sent toAnderson So.Carolina	300
Alcotronics	Mount Laurel	Closed	--
Gulton Battery	Metucheon	"	--
Phelps Dodge	So. Brunswick	"	
Kraft Foods	Hillside	"	
Jersey City Printing		"	I50
Riegel Paper	Philipsburg	I Div.	435
Felica, Inc	Elizabeth	Closed	I50
Evan Picone	North Bergen	"	290
Converters, Inc.	Newark	"	400
Joe Davis Plastices	Kearny	"	I90
R C A Record Dept.	Rockaway	"	350
Rona Plastics	Plainfield	"	I90
Mackey Marine	Clark	"	350
Stervo Dying	Clifton	"	200
Vulcan Dion -Casco	Newark	"	I38
Delica Inc	Elizabeth	"	322
American Biscuit	Passaic	"	I50
Milleville Dying Co	Milleville	"	500
GAF (I Div)	Linden	"	200
P J Ritter	Camden	"	200
Celanese	Belvidere	"	
General Cable	Perth Amboy	"	
National Sugar-Jack Frost	*	"	900
Marvel Light Bulbs	Hoboken	" To Spartansburg So. CAROLINA	-
Beattie Rug	Little Falls	Employment down I,200 to 300	900
Gulton Battery	Metucheon	" Sent 300 jobs to Georgia	300
Franks Steel Works			
Franks Steel Works	Newark	"	

ADDITIONAL DATA CONTACT RICHARD A. LYNCH BLOOMFIELD N.J. 20I--338-9792

Company	Location	To	Number of Jobs Lost
Diamond Shamrock	Kearney	Closed -other state	I70
A B Electric	Morristown	Closed	--
M G M	Bloomfield	Closed	300
McKiernan-Terry	Bloomfield	Closed Div. of Litton	375
Premo Phamaceutical	So. Hackensack	Closed	40
Fords Foundry	Fords	Closed	48
National Lead	So. River-Closed-G M	cancelled contract	I00
Inmont	Elizabeth	Closed	80
Mohawk Refinery	Newark	Closed	I2
Koppers Coke	Kearny	Closed	200
United Lacquer	Linden	Closed-	48
Nytronics	Berkeley Heights	Closed - to North ~~Carolina~~	I06
Georgia-Pacific	Vineland	Moved to Georgia	400
Ralston Purina	Allentown	" " Mississippi	I3
Kessler Brothers	Lakewood	Closed	74
Ready Novelty	Paterson	Closed	I50
Gihon Golf Bag Co	Trenton	Closed	I50
Paristyle Leather	Philligsburg	Closed	I00
Brunswick Leather	New Brunswick	Closed	60
Equitable Handbag	New Brunswick	-	75
Leskowitz Leather	" "	-	200
Shoenfelt& Wolf Handbag	Trenton		7
Fine Craft Handbags	Trenton		6
Henry Rooth Handbags	Perth Amboy		7
Lumerade Plastic Co	Woddbridge		25
J & N Mag Co	Montclair		
Landis Clothes	Vineland		I2
Matan Inc	Elizabeth		I0
Neptune Raincoat	Newark		7
Outdoor Clothing	"		4
R S W Inc	"		I1
Superior Coat	Paulsbro		I4
Trenton Sportwear	Trenton		I1
Woodbury Dress	Pine Hill	Owner retired	-
Burlington Dress	West Berlin	Foreign Imports	
C & G Sportwear	Sicklerville	" "	
Shapiro Clothing	Vineland	" "	
Maree Sportwear	Millville	" "	
B & A Clothing	Vineland	" "	
Styecraft	Camden	" "	
Paree Flocks	"	" "	
Korman Frocks	"	" "	
Peerless Dress	"	" "	
Wallace Sportwear	Clouster	" "	
Mosecraft Coat Co	Burlington	" "	
Warwick Fashions	Maple Shade	" "	
De Santis Dress	Bridgeton	" " Merger	
Harbor Fashions	Egg Harbor	" "	
Royale Clothing	Hammonton	" "	
TriCity Clothing	Bridgeton	Merger	
Fullaria	Camden	Firm reorganized	
Emerson Clothing	Pleasantville	No Contracts	
H M B	Pennsgrove	IRS Closed	
Security Steel	Dunellen	Closed	30
National Gypsum	Dover	"	2
Welded Door	Elizabeth	"	6
Hoven	Dover	"	1
Taylor-Wharton	High Bridge	"	4
Allenwood Steel	Dover	"	32
Leiman Brothers	Rutherford	"	
Young& Seldon	Elizabeth	To other state	

* FOR ADDITIONAL DATA CONTACT RICHARD A. LYNCH BLOOMFIELD N.J. 201-378--[illegible]

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Company	Location	To	Number of Jobs Lost
Giseele Iron Works	Paterson	Closed	
HerculesConcrete&Pile	Ridgefield	"	
Miller & Skoglund	Hillsdale	"	
Hudson Iron Works	Jersey City	"	
Eunite Iron Works	"	"	
	[redacted]	"	
Orange Forge	Orange	"	
Sacco Iron Works	Newark	"	
Celotex	Edgewater	"	
Crane Co	Trenton	" To Somerset, Ky	600
Rheem	Metuchen	Out of bathroom fixture business	400
Newton Tile	Trenton	Closed	75
Lee Overalls	"	" Moved South	
Walker-Turner	Plainfield	Bought by conglomeraae & closed	
Chase Aircraft	Trenton	Closed	26[illegible]
Conron	Philipsburg	"	31[illegible]
So.Bridge Plastics	Clifton	"	
National Gypsum	Millington	"	
Barbizon Corp	Paterson	" Moving toProvo,Utah	129
Acme Datagraphic Co.	So.Hackensack	"	125
Warren Webster	Camden	" Moved to Virginia	-
Faggar Mills	Paterson	"	20
Redfern Lace Works	Somerville		40
Artiste Mills Inc	Pompton Lakes	"	70
Superior Electronics	Clifton	"	225
Grundy & Son	Paterson	"	5
Cole National	Jersey City	" Moved to Cleveland	80
Barrett Leather	Newark	" Foreign Competition	71
Diamond Automation	Vineland	" Closed	70
Worthington Pump	West Deptford	"	10
Duplex Associates	North Bergen	"	10
Ansonia Knitting Mills	Jersey City	"	45
Rockwell Int'l	Hopewell	"	120
Wagner Electric Corp.	Livingston	"	500
Weston Instruments,Inc.	Union	"	11[illegible]
Sidensol Co	Roselle	"	4[illegible]
Sheppard Co	Elizabeth	"	39
Mary Lee	Long Branch	"	41
Messing & Son	Passaic	"	30
Abate Clothing	Atlantic City	"	94
Associated Glove	Hillside	"	15
Rolan Mfg	Elizabeth	"	19
Como Mills	Pensauken	"	3[illegible]
Beaunit	Beverly	"	35
Lobsitz Mills	Nutley	"	11
Marco Textile	Weehawken	"	32
Nitram Mfg	East Orange	"	12
Nu-Dye Dying & Finishing	Paterson	"	170
Sanco Piece Works	Phillipsburg	"	300
H. StraussAsso. Inc	Paterson	"	14
Alva Tape	Millville	"	60
Fulton Textile	Paterson	"	25
Paterson Bonding	"	"	14
Rosen Silk Mills	"	"	50
Associated Dyeing Co	"	"	380
Fair Lawn Textile CO	"	"	35
Hudson Finishing	"	"	50
Lucien Forestier	"	"	70
Texture Fabrics	"	"	13

** FOR ADDITIONAL DATA CONTACT RICHARD A. LYNCH BLOOMFIELD N.J.201-338--9792

Company ~~72~~ 10-56	Location	Moved To	Number of Jobs Lost....
Sherwin Williams Co.	Bridgewater Twp.	CLOSED	
Emerson Radio(T.V. Tubes)	Jersey City	CLOSED	
luminum Casting Co	- -	CLOSED	
ater Etching Corp	Lodi	Closed Moved to Calafornia.	
ens-Illinois Poly Plastics	Avenel	Closed "	
erican Cyanamid	Princeton	CLOSED "	
American Standard	Carteret	CLOSED	
Asst Testing Labatories	Wayne	closed 2	
Armour Meat Co	Passaic	CLOSED " " Pittsbugh	
J & L Steel Barrel Co	Bayonne	CLOSED	
Allen Industries	Rahway	CLOSED	
KrimpKo Corp	$cothch Plains	CLOSED -Moved to Virginia	
Uniroyal Research Center	Wayne	Closed	
General Cigar	Perth Amboy	Closed " " Pa.	
Charles Bruning Co.	Teterboro	CLOSED	
TRansWorld Airlines(Comp Center)	Rockleigh	CLOSED " " K.C.	
Tenneco Color Div.	- -	CLOSED	
Topper Toy Corp.	Elizabeth	CLOSED	
W .S. FITTING(PIPE Fittings)	Roselle	CLOSED	
Lion Match Co.	Elizabeth	CLOSED	
HACKENSack Cable Co	Hackensack	CLOSED	
Borden Biscuit Co	New Brunswick	CLOSED	
Litton Industries	So.Plainfield	CLOSED	
IBM Computor Center	Rahway	CLOSED	
Kleer Cite Inc.	East Brunswick	closed	
Premiere Athletics	River Vale	CLOSED	
Pennwalt Corp.	West deptford	CLOSED	
ational Lead(Paint Products)	Perth Amboy	CLOSED	
C-A Warehouse	Edison	CLOSED	
zzara Bake Products	Paterson	CLOSED	
ional Steel Service	Lyndhurst	CLOSED	
eat Recovery Corp	Clifton	CLOSED	
Riverseide Metal Corp.	- -	CLOSED	
Swift & Co.	Kearny	CLOSED	
Consupak Corp (Plastic Cont.)	Morris Twp.	CLOSED	
ALLWOOD CORP.	Secaucus	CLOSED	
Chesa Intl Corp.	Secaucus	CLOSED	
Amediotex Yarn .Inc.	Rocky Hill	CLOSED	
Kaysam Rubber Corp.	Paterson	CLOSED	
Industrial Reactor Co.	Plainsboro	CLOSED	
Bendix Corp. (Navig.Controls)	Teterboro	CLOSED	
Curtiss-Wright(Nuclear Vessel	Wallington 42	CLOSED......	544
American Can Co.	Hillside	4/4/1978 anounced closing-Was1,000Now	300
Cooper Alloy Corp.	"	4/4/78 " "moving to Alabama	200
G. E. Lamp Div.	Newark	At peak 600--as of 4/1/78 150 or 450 jobs lost	
Mack Truck Closed	Plainfield	to Hagerstown, Md	3,200
G.E. Closed	Bloomfield	to Tyler, Tex	1,500
G.E. (Seaboard) Closed	Newark	" Memphis, Tenn.	500
M & M Candy Closed	Newark	" Pa.	200
Westinghouse (Meter Div)	"	" Raleigh, N.C.	600
idewater Oil Refinery Closed	Bayonne	" Delaware City,Del	2,200
aragheusian Rug Co Closed	Roselle Park& Freehold	to Statesboro,Ga.	400
rocker Wheeler Closed	East Orange	to Pa	400
ratman Doll Closed	Trenton	" Columbia, So.Car.	900
rtile Products Closed	N J	" Pa.	130
ite Kraft Closed	Orange	" Pa.	200

** FOR ADDITIONAL DATA CONTACT RICHARD A.LYNCH BLOOMFIELD N.J. 201-338--9792

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Company	Location		Moved To	Number of Jobs Lost
R.C.A.	Cherry Hill	Closed	Indianapolis	800
Kidde (I Div)	-Bloomfield		Monroe N. C.	225
Spratts Dog Biscuit	-Newark	Closed	Roosford, Ohio	110
rince Machibelli	-Bloomfield	Closed	Conn. Bought by Cheeseboro Pa.	200
enn Elec. Heaters	-Newark	Closed	Newark	50
yer Industries	-Belleville	Closed	Pa.	250
lton Mfg. Co.	Hoboken	Closed	Pa.	---
Reynolds	Harrison	Closed	South	200
Forstman	Garfield	Closed	"	4,822
Gera	Passaic	Closed	"	2,100
Botany	"	Closed	"	5,433
Stellar Optical	-Newark	Closed	Pa.	50
Eberhard	- "	Closed	Pa.	40
Congoleum-Nairn	Kearny (I Div.)		Mississippi	200
American Can	-Newark	Closed	N Y State	500
Johnson& Murphy Shoes	- "	Closed	Missipsippi	---
American Pencil	Jersey City	Closed	South	400
Diehl Electric	Finderne	Closed	South Carolina	2,500
Cornell-Dubilier	Plainfield	Closed	Fuquay Springs& Sanford N.C.	300
Amer. Hard Rubber	Butler	Closed	Booneville, Ark.	---
Beckton-Dickinson	Rutherford	(I Div.)	Neb.& Conn.	---
Monroe Calculating	-Orange	(I Div.)	Bristol, Va.	250
Int'l Nickel Co.	Bayonne	Closed	Huntington, W. Va.	100
United Die Piece	Lodi	Closed	South	600
Gould & Eberhardt	-Irvington	Closed	Mass.	150
Ronson	-Newark	Closed	Stroudsburg, Pa.	500
E.I. DuPont	Arlington	Closed	Delaware	300
Scandura Mfg. Co.	-Newark	Closed	Charlotte, N.Carolina	50
Whitehead & Hoag	- "	Closed	New England	300
S. Instument	-Orange	Closed	Charlotteville, Va.	75
Lewis Cigar Co.	-Newark	Closed	Philadelphia	500
er. Lead Pencil	Hoboken	Closed	Linton, Tenn.	400
t'l Projector	-Bloomfield	Closed	---	300
Star-Kimball Co.	- "	Closed	Conn.	130
Prince Worsted	Trenton	Closed	South Carolina	---
Otis Elevator (I Div)	Harrison		Santa Anna & Cugamonga Cal.	---
DuPont	New Brunswick	Closed	South	120
American Agriculture	-N.J.	Closed	"	60
Unexcelled Chemical	-N.J.	Closed	"	675
Archie Daniels	-N.J.	Closed	West	200
Valentine Paint Co.	-N.J.	Closed	----	30
Lehn & Fink	-Bloomfield	Closed	Ohio	400
L.A. Young Wire Co.	Trenton	Closed	---	660
Irvington Varnish	-Irvington	Closed	Bought by M.M.M.	---
Fashion Weavers.Inc.	Passaic	Closed	Pa.	56
Union Asbestus Co.	Paterson	Closed	Marshville, N.C. & Tyler, Texas	---
Insulock Corp.	Linden	Closed	Richmond, Va.	---
Pacific Automotive	Linden	Closed	Cal. & Florida	263
Titeflex	Newark -	Closed	Bought by Indian Motorcycle	1,130
Consolidated Rubber	Bloomfield-	Closed	Pa.	50
General Foods	Hoboken	Closed	Dover, Delaware	???
Amer. Radiator Co.	Bayonne	Closed	Buffalo	526
Nation RubberProducts	Clifton	Closed	- - - -	577
Cornish Wire Co.	Paterson	Closed	Mass.	96
utie Labatory	Newark -	Closed	Pa.	100
oper Alloy Aircraft	-Clark	Closed	----	----
chanical Handling	Clark	Closed	----	----
ainless Engineering	-Hillside	Closed	----	----
rner Mfg. Corp.	Elizabeth	Closed	----	----

*For additional data contact Richard A. Lynch -Bloomfield N J 201--338--9792

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COMPANY	LOUATION		MOVED TO	NUMBER OF JOBS LOST
TENNECO CHEMICAL	----	Closed	---	6
Garwick Mills	---	Closed	---	3
.M. Chevolet(Parts.Div)	Bloomfield	Closed	----	II
lorado F&I Steel Corp.	Roebling	Closed		I,4
aconda Copper Co.	Perth Amboy	Closed		9
er. Smelting & Refining	PerthAmboy.	Closed	--Moved to Amarillo,Texas	8
Magnolia Sportswear	Magnolia	----	" " Philadelphia	
Tursini Clothing	Vineland	Closed	-Army Work-No contrates	
Modecraft Coat Co.	Burlington	Closed	-- Foreign competition	
Leiman Brothers	Rutherford	Closed		7
Acme Datagraphic	Hackensack			5
Nordth	---	Closed		I0
Tramark--Berkeley Bag	---	"		I8
Reinhart	---	"		4
Majestic Mfg	---	"		7
Legendary	---	"		II
Richard Brous	---	"		I
Ace Combining	---	"		I
Boonton	---	"		I9
Greencraft	---	"		6
Minkoff	---	"		2
Ruko	**	!		I2
Berkshire	---	"		I6
Kirson	---	"		20
Hill	---	"		70
Diversified Plastics	---	"		25
t Carlton	---	"		I
st & Co.	---	"		I2
th Bergen Leather	---	"	...	I20
MICROFILM	GLEN ROCK	CLOSED	TO SANFORD N..C.	I30 ~~I8~~
~~Stix Products~~	Kenilworth	CLOSED		
UNITED ELECTRONICS	NEWARK	CLOSED		
ROBERT REINER, INC.	WEEHAWKEN	CLOSED		
~~EISLER ENGINEERING~~	NEWARK	CLOSED		
~~GENERAL BRASS & MACHINE~~	HILLSIDE	CLOSED		
~~MEEKER FOUNDRY~~	ORANGE	CLOSED		
AMERICAO REFERENCE	CLIFFSIDE PARK	CLOSED		
~~EAGLE PICHER~~	NEWARK	CLOSED		
GENERAL ELECTRIC	CLIFTON** NUTLEY	CLOSED		
KEUFFEL&ESSER	HOBOKEN	CLOSED		
~~XXXXXXXXXX~~	~~XXXXXXXXXXXXXXXX~~			
ELEC.RESEARCH ASSOCIATION	CEDAR GROVE	CLOSED		
AMER. DEVEL. ELECTRIC	NEWARK	CLOSED		
NOPCO CHEMICAL CO.	NORTH ARLINGTON	CLOSED		
U.S. WIRE	ELIZABETH	CLOSED		
ACME RUBBER CO.	TRENTON	ANNOUNCED JUNE 1978	ITIS CLOSING	600
CRESCENT RUBBER CO.	TRENTON	"	" " " "	"350 employees
GENERAL DEVICES	PRINCETON	CLOSED		
EMINGTON RAND O.M.D.	NEWARK	CLOSED		
UNIVAC	NEWARK	CLOSED		
TECH,RUBBER & GLASS	W.ORANGE	CLOSED		
ACE TOOL & MFG	NEWARK	CLOSED		
INDUSTRIAL PLASTIC	METUCHEON	CLOSED		
CONMAR ZIPPER	NEWARK	CLOSED		
BENDIX AVIATION	HOLMDEL	CLOSED		

③ ME...RS*** ACQUISTIONS

MCGRWW ACQUIRED EDISON OF W,ORANGE & SILVER LAKE++ CLOSED BOTH PLANTS 2,000 JOB/ less

*****

LITTON ** ACQUIRED MONROE CALCULATING* SHUT FACTORY -- 700 JOBLESS
" ACQUIRED SWEEDA ** PASSAIC AREA & MC KIERNAN -TERRY DOVER & BLOOMFILED CLOSED

*****

U.S. PIPE & FOUNDRY ACQUIRED A.P. SMITH *EAST ORANGE MOVED WORK TO ALABAMA. 300

*****

UNITED TECHNOLIGIES ACQUIRED OTIS ELEVATOR** EMPLOYMENT WAS 3,000 TODAY I55

*****

MANHATTAN RUBBER CO PASSAIC ACQ.. BY RAYBESTUS** SHUT DOWN WORK TO JAPAN** SCRANTON, KENTUCKY OR GEORGIA I,200 made jobless.

*****

MAGOR RAIL CAR ++PASSAIC ACQ. BY FRUEHAUF CLOSED DOWN 600 LAID OFF.

****

PRINCEX MACHIBELLI ACQ BY CHEESEBORO CLOSED BLFD PLANT.

****

J.WISS & SON ESTABLISHED I848 ** IN NEWARK FOR I30 YEAR. ACQ BY COOPER INDUSTRIES OF HOUSTON, TEXAS. CLOSING MAPLEWOOD PLANT *ONLY FORGING & MACHINE SHOP TO REMAIN IN NEWARK 725 JOBS WILL GO OVER $ 13 M ANNUALLY WILL BE LOST TO NEWARK & SURROUNDING TOWNS

******

LITTON HAS GOBBLED UP IOO FIRMS.
ONE WAS ROYAL TYPEWRITER CO. LITTON CLOSED HARTFORD ,CONN .SENT 2,600 JOBS TO ENGLAND & PORTUGAL.
FOLLOWED UP BY CLOSING SPRINGFILED, MO. MAKING ANOTHERI,200 JOBLESS. WORK ALSO SENT TO EUROPE.

******

TUNG SOL ACQ. BY WAGNER OF ST. LOUIS** CLOSED NEWARK** BLOOMFILED & LIVINGSTON FACTORIES. 2,300 PUT OUT OF WORK

*****

WILBUR/DRIVER ACQ.. BY G.T.&E++ ALREADY ONE DPT. HAS BEEN MOVED TO ORANGEBURG. SOUTH CAROLINA

*****

IN EACH & EVERY INSTANCE THE N.J. FACTORY WAS SHUT DOWN.

****

HUGE CONGLOMERATES AND GIANT MULTINATIONAL CORPORATIONS ARE BUYING UP SMALLER COMPETITORS TO GAIN A MONOPOLY IN AN INDUSTRY.

ONCE THEY HAVE SECURED THIS MONOPOLY THEY ENTER INTO SECRET AGREEMENTS TO RIG AND FIX PRICES AND FOR COLLUSIVE BIDDING ON CONTRACTS.

WITH THEIR COMPETITORS SMASHED THEY SKYROCKET PRICES AND ROLL UP EXORBITANT PROFITS . THE CONSUMER IS THE VICTIM. OF THESE CROOKED DEALS.

IT IS HOPED THAT CONGRESS WITH THE COOPERATION OF THE JUSTICE DEPARTMENT WILL BREAK UP THESE MONOPOLIES

The CHAIRMAN. I noticed, just scanning page after page after page, that most of these companies which are listed, in their former location, is followed by what happened, and it just says the plant was closed. It does not indicate that it was transferred anywhere. Most of these indicate the facility was closed. Do you know whether or not these companies relocated elsewhere?

Mr. LYNCH [speaking from audience]. Some of them went bankrupt on account of foreign competition, or other competition. I could not do the followup job on where they moved to. But they just closed down.

The CHAIRMAN. At any rate, Mr. Cole, you and your associates here know that there are presently problems with major companies who have plans to depart, is that right?

Mr. COLE. That is right. I would like Jake Konowich of Westinghouse, Newark, to give you a little picture of a thousand people who have been notified of the plant's intention to move.

The CHAIRMAN. Which one are you referring to?

Mr. COLE. Westinghouse, Newark.

Mr. KONOWICH. Mr. Chairman, this is my second experience of a runaway. Approximately 20 years ago Westinghouse Corp. in Newark ran down to Raleigh, N.C., with 1,800 jobs. At that time our bread and butter product was the house meter. This was the baby making money for them.

They left, and 1,800 people were laid off. We got down to approximately 400 or 500 people at that time. Since then we have built up slightly, we went up to about 1,600 people. Then we started to backtrack again.

Lo and behold, approximately 2 years ago we were called in, my committee was called in with the company, and we were informed that the company was thinking of either eliminating some products, moving partially, or moving completely.

At that time we were not informed of where they were going. Of course, we got on our horses and started to scout around and see what the score was. Then we had another second meeting, and said we wanted to know the reasons—knowing the Westinghouse plant, and being employed there for the last 40 years, I knew the bottom line was pretty good, and in fact it was very good, but of course they are looking for something greater.

They went on to tell of the many things that they were dissatisfied with in the area, such as bottles in the street, across the street from the gin mill, the "go go" girls down the block, and all of this sort of stuff.

So we decided to smoke them out, and we arranged a meeting with the chief of police, and we wanted Westinghouse to air their complaints. Of course they were not present there with us. We had to come out with these complaints ourselves to see what could be done about it, to see if this would stop Westinghouse from moving.

Of course we were kidding ourselves to a certain extent. Well, I think the police department in Newark really did a good job around the area. But finally Westinghouse came out and gave us the real reason, which we expected.

In the meantime we found out what was happening. As I said before, previous speakers who mentioned a certain period of time which you should be notified, I think this is very, very important.

Because while Westinghouse was telling us that they were pondering and thinking of running away, they were making arrangements already down in Coral Springs.

You see, Westinghouse Corp. has real, big real estate holdings down in Coral Springs for many years. They have many condominiums. They have property there, and everything else. The plans were all set before they even told us, before they mentioned anything about running away, the plans had all been set to build a building.

Not only to build a building, they are building a brand new school for the community to be down there that may come about at that time.

So I think, Mr. Chairman, it is very, very important to have some type of legislation enacted so we can thwart their efforts, and not have people with many years of service—well, there are many problems—you can just imagine a person working on the bench and going home every night and expecting to come in the next morning, and then to be laid off. It is a heck of a feeling, especially people working there for many, many years.

I do have to say that as far as productivity is concerned, I think we are about the best, if not better, in the Northeast, and that the Westinghouse Corp. just does not want to know anything about productivity. They want to go down and make that bottom line 10 times more.

So, Mr. Chairman, I want to thank you for giving me the opportunity to present our case to you, and I hope that—I know, you being a dynamic chap, I know you will make all efforts to try to have some type of legislation enacted.

Thank you.

The CHAIRMAN. Thank you.

Mr. COLE. I would like you to hear Genevieve Sey. Before the meeting I asked her some questions, and I would like for her to describe why jobs are leaving.

Ms. SEY. A lot of the jobs are leaving to jobs down in Juarez, Mexico. We make light bulbs. It is a Trenton Westinghouse plant. There is one operation of the plant that is called a mount, that is the inside of a light bulb. These are very, very large lamps.

Now we have lost quite a few jobs to this industrial complex that is down in Juarez, Mexico, and I understand there are other industries there also. At one time our Trenton plant had 900 people, and gradually we have been losing the people. Some of the jobs were transferred here in the State to new plants that they had opened. But now they say there will be more jobs going to Juarez from the Trenton plant.

Mr. COLE. You have 275 left?

Ms. SEY. About 265 left.

Mr. COLE. That is another problem. These companies are too clever today to shut down on January 1. The hue and cry would be too great against companies with a public image. What they do, is a slow death, and we have that in your plant, and we have that in GE, where Virginia comes from, where they had 600 people just 5 years ago, and then they opened the Winchester plant in Virginia, and now we find that they are making do with 160 people here.

Where Ed comes from, in Bloomfield, you had 3,000 people in 1970. Now they are down to about 900 or 1,000. Again it is slow death for these people

You probably have seen the Westinghouse Bloomfield plant, Senator. You probably campaigned up that way at one time, and you know it is an immense plant. When you carry that overhead with a thousand people designed for 3,000, you know that that is an inefficient way to operate, and that is an early warning signal for all of us to sit down with the Westinghouse Company and say "What are your intentions?"

Because right now you have a huge plant not being used, two-thirds of the capacity unused. That is what frightens us. We are not done with this thing. The elevator plant of Westinghouse in Jersey City has received notice that there are 800 people by 1981 which will be phased out.

So this is a continuing thing that we face here, and it is very frightening.

None of the jobs that we generate through job generation and EDA, which are beautiful, and we all worked together on it, they do not compare in either wage, or scale, or numbers with the plants that we have here, industrial plants, which are the heart of industrial Jersey and the industrial Nation.

All of these plants, the mother plants, for 50 others created elsewhere—well, George Westinghouse opened this plant in Newark in 1896, the second Westinghouse plant in the United States. Out of that generated many other plants.

The CHAIRMAN. What is the activity of Westinghouse in Metuchen now?

Mr. COLE. They closed the entire electronics division, which was making phonographs and hi-fi's and television, and radios, and threw out 2,500 people in 1969. Now they are producing air conditioners with about 500 people.

So we are happy to see them locate a product in that beautiful plant, and you have been there, too. It is just a plant going to waste, with a capacity for 2,500 people.

Mr. KONOWICH. Has Newark Westinghouse Management been invited to these hearings?

The CHAIRMAN. Yes. The reply came from Mr. Becnel, who said that he had a previous out of town commitment which prevented him from accepting our invitation to appear.

Mr. COLE. They could not send anybody in his place?

The CHAIRMAN. They did not offer to. He was in contact with you, Mike. What did he say?

Mr. FORSCEY. He said that he had another commitment, and in fact both firms we talked to indicated they were loath to discuss in public their reasons for moving. I am sure he did have this commitment, but nevertheless I think even had he not had a commitment, they would not have liked to appear at a public hearing.

The CHAIRMAN. I get the picture. That will be included in the record, too.

[The following was received for the record.]

W. WILLIAMS, N.J.

1979 JAN 20 AM 9:52

Westinghouse Electric Corporation

Switchgear Divisions

E G Becnel
General Manager
Relay-Instrument Division

95 Orange Street
Newark New Jersey 07101

January 12, 1979

The Honorable Harrison A. Williams, Jr.
United States Senate
Committee on Human Resources
Washington, D. C. 20510

My dear Senator Williams:

You wrote on January 9, 1979, inviting me to testify before the Senate Labor Subcommittee hearing in Newark, New Jersey on January 22, 1979, at 9:30 a.m.

I have been in contact with Mr. Forscey of your staff and explained to him that a previous out-of-town commitment prevents me from accepting your invitation to appear.

Sincerely yours,

E G Becnel

E. G. Becnel,
Division General Manager

EGB:jt

The CHAIRMAN. Anything further?

Ms. MORTON. The only thing I would like to say, we, as Mr. Cole said, had 600 people, and now we are at a low of about roughly 150, somewhere in that area, and whenever anybody retires, presently we are working 10 hours a day, and on Saturdays, and they say they need the lamps, and we are making light bulbs, and if anybody retires, they do not put anybody in that job, they break the job up, and give this one a piece, that one a piece, and this one a piece. They have to work 10 hours a day, and they say it is just temporary, but by the same token they could work 8 hours and call some other people back that have been laid off.

This is GE in Newark. According to Reggie Jones, they said they had nothing to worry about, they would try to keep jobs in high unemployment areas.

The CHAIRMAN. Did he say that?

Ms. MORTON. This is what we were told he said. He promised the President this. We look at the facts, and the facts are that whenever anybody retires, this job is not given to anyone. It is broken up into pieces, a little bit here and a little bit there, and they will add more on to that person.

I do not know if they have forgotten that we are human, and they are trying to get more work out of you.

The CHAIRMAN. Thank you very much.

We will recess for 3 minutes.

[Short recess.]

The CHAIRMAN. Next we will hear from Mr. Merker and Mr. Sipser.

Mr Sipser and Mr. Merker, we appreciate your being here today.

STATEMENT OF I. PHILIP SIPSER, ESQ., LAW OFFICES OF SIPSER, WEINSTOCK, HARPER, DORN & LEIBOWITZ, ACCOMPANIED BY RICHARD A. WEIMANN, ESQ.

Mr. SIPSER. Senator, we appreciate the opportunity to come before you.

My name is Philip Sipser. I am with the law firm of Sipser, Weinstock, Harper, Dorn & Leibowitz. We are trade union lawyers, and have been for 37 years. We have represented a variety of unions which are set forth in our outline.

We are not going to bore you with our representation.

Ben Merker is head of Local 102, IBT, here in the State, and he is accompanied by Richard Weimann, who is his counsel.

I am counsel, among others, to the Brewery and Soft Drink Workers Conference of the Teamsters, and have had some varied experience in connection with plant closures, not only in the food and beverage industry, but also in connection with the Bendix Corp.

It was interesting for me to hear that one of the women here with the IUE had referred to the closing of one of their plants, and the plant had fled to Mexico. I thought it was interesting, because in representing UAW in New York we had a plant of Bendix that fled to Mexico some years ago, leaving 250 employees absolutely destitute. They were located in Long Island City.

I guess the gentleman who was basically responsible for that decision was the Secretary of the Treasury—the current Secretary of the Treasury, Mr. Blumenthal, who in all the newspaper accounts indicated what a proficient operator of corporations he is in the United States, and one of the things I guess when he was nominated he bragged about, and the newspapers talked about, was his proficient operation of corporations.

Now, I would suggest to you that Secretary Blumenthal and others who head large corporations of this kind to make decisions to abandon plants, and abandon human beings in connection with this thing ought to think several times about social and human costs.

You asked one of the people here a question to what was the cost of the abandonment of the plant in dollars. The social cost of abandoning a plant is enormous. Both the Senate and House have had subcommittee hearings on the impact of unemployment in this country. They point out that for every 1 million people unemployed, the rise of suicide is approximately 1 and one-quarter percent.

The number of divorces rises, the number of alcoholics rises. In other words, the human cost of unemployment is a matter to which we ought to address ourselves in connection with the problem of those people who run away from a community, in addition to, of course, knocking the workers out of work, abandoning those workers who are over 50 and who cannot get employment, those who are not eligible, as you are attempting right now to rectify the problem of those workers who are not fully eligible for a pension.

I think you are addressing yourself in the proposed legislation to that proposition. There are a whole series of human costs which are a result of unemployment.

Let me get down to the topic of discussion which I have with you about here. That is the classic case of the Rheingold Breweries. Rheingold Breweries had been dispensing, under the title of Leiman Breweries. They had one of the best beer products in the country. They had approximately 16 percent of the market in 1972.

While from a financial point of view they were not doing so well, one of the reasons they were not doing so well was because after the Leiman family sold the brewery, the stock of that company had been sold from set of corporate manipulators to another set of corporate manipulators. Despite that they had 16 percent of the market—16 percent of the market in the metropolitan area. They were what we called a regional brewer, not national brewer, such as Anheuser Busch, Schlitz or Pabst.

In the course of time, Pepsico got interested in Rheingold. Why did they get interested in Rheingold? Not because of the beer business. Rheingold happened to be the largest independent soft drink distributor in the country. It owned Pepsi distributors, both on the west coast and in Puerto Rico. It owned independent distributors along the brand name of Flavette, and under that a whole series of other brand names. They were the most important bottler to both Pepsico and Coca Cola in this country.

Pepsi then attempted, and was ultimately successful in buying out the Rheingold Corp. It was interesting that in December of 1972 they notified the employees and the unions that they were going out of business. Within 40 days of the notification they closed their doors, no time whatsoever.

In fact, an action which we brought elicited in the Federal District Court, in the Houston District, a response from the judge that the employees were caught unaware of this aspect of Pepsi's operation. Pepsi made it clear from the outset that they did not want any part of the beer business.

What did they want? They wanted an opportunity to get their hands on the Pepsi distributors, the Puerto Rican distributor had sued them because of successive increases in syrup, and therefore wanted to show this distributor that you are not going to get away with that, went ahead and bought its parent corporation, and put 2,500 union people, and another 500 non-union people out of work as a result of that basic proposition.

The Federal Trade Commission came in, fooled around with it for a while, and despite the fact of the circuit court of appeals in New York found that, (*a*), it was a horizontal merger, and then in a note said there were aspects of a vertical merger, nevertheless refused to grant a temporary injunction, and within 4 days after the temporary restraining order had been lifted by the circuit court of appeals Rheingold had closed its doors. The effects on the workers were devastating.

Mr. Merker will tell you something about Chock Full O'Nuts' operation here in New Jersey. But in New York I can tell you that the workers then who were in the process of merging their pension with a Teamsters pension upstate were told by Teamsters pension upstate, no, we are not going to have any part of you. Litigation had been going on for 3 years. Pension Benefit Guarantee Corp. has refused to accept it in connection with it. And God knows where those 4,000, 5,000, 6,000 retirees are going to go.

Incidentally, Mr. Chairman, I can tell you without any question that the sociological impact which I described earlier about alcoholism, divorces, suicides, to my personal knowledge, has occurred in connection with brewery workers, with the automobile workers, with optical workers out on the west coast.

Optical workers on the west coast had an operation called Spratt Optimax in California. With little or no notice they just shut the doors, and 150 workers were thrown out of work, mostly women.

Incidentally, it is interesting in these times when we have to give substantial attention to women, some people do not, that many of the victims of plant closures are women. I can say, for example, in the Bendix case, which I referred to before, that it was 90 percent women, and I guess about 80 percent Hispanic and black.

The people who have gotten off the welfare rolls, and who got a job, and together with it some dignity, and they were the first to be thrown back to the streets.

Now, there has been some testimony here, and some comments here about ESOP. I would agree ESOP is one aspect of the problem that is terribly important.

I think there are other problems which you are addressing yourself to in the legislation. But I can tell you, Senator, as a result of 38 years as counsel, as a lawyer, and 37 of those representing working people in this country, that unless the tax boons granted to these corporations are eliminated, there is no way in which they are not even going to pay the cost that you suggest in your legislation. They will pay the severance pay, if they are compelled, they will pay the cost of transportation.

But when they take a look at the bottom line, for example, Rheingold, the company under question, in 1972 said well, if we close down we will have a $7 million tax gain as a result of closing down, seven million bucks. Pepsico invested $57 million in buying the stock of a corporation whose main asset was the brewery, and they indicated, at the very outset, that they were going to abandon—this $57 million was tossed in, (*a*), to obviously get control of the soft drink operation, but at the same time they got an incentive, because $57 million, and ultimately spent several million dollars getting the balance of the 17 percent of the stock, they were given an incentive at that point of the game to go out of the business by the tax gains and tax losses that they had achieved. These are figures which we do not know, and I would suggest, Senator, that it would be interesting to find out from Pepsi what were the tax gains as a result of closing down these breweries, and selling the breweries.

There was an example of an offer which they made to the unions; well, if you think we are not running this operation OK, why do we not give it to you for a buck. All you have to do is to assume $10 million liability, and then on top of that of course, spend about $15 or $20 million in advertising. That was a silly proposition. There was no way in which we were going to be able to do that in industry which is not labor-intensive, but which requires enormous investment in the public media in order to gain acceptance and continued acceptance of the product.

I do not have to tell you what Anheuser Busch does, and what Miller does. But it is interesting to note that Pepsico said it made an attempt, after takeover, which was resisted very fiercely by Rheingold management, incidentally, after takeover they said they had been looking around trying to get a buyer for the premise.

I would suggest to you that they did not look very hard. Because as you well know, Phillip Morris purchased Miller's, which was nothing more than, at this point in the game, a magnified regional brewer, way down on the list, and by investment of some money, substantial amount of money, made Miller the No. 2 brewery in the country. That could have been done by Pepsico very easily with Rheingold, because it has both assets, expertise, et cetera, to do it. It was not in its corporate interest to do so.

Out in Westchester, in that lovely palace of theirs, Pepsico determined they were going to close the brewery, to hell with 3,000 workers, to hell with the people involved, the hell with the community around which Rheingold existed. There were hundreds of storekeepers who made their living as a result of that brewery in that area, and did not give a damn about that proposition, and made a wasteland out of that whole area, only because it wanted to get its hands on the soft drink operation of Rheingold. Otherwise one would question the very bright operation that Pepsico is, that has investments I guess in the Soviet Union, but could not see to have an investment in Brooklyn, N.Y., or in Orange, N.J., to help people who had purchased its products over the course of the years, and made it.

Because in addition to the workers losing their jobs, these were the very workers who drank the product, who drank their product, who were responsible in part for their success.

I suggest to you, Senator, that that was not—they did not give a damn about the people who worked there. The only consideration was the bottom line. What was good for Pepsi Cola, they said, was good for the people of the United States.

I suggest to you, and I do know that by your record, Senator, that you have a different version of that, you think what is good for the people, and particularly the working people of this State and this Nation, is good for Pepsi Cola and the rest of industry.

The CHAIRMAN. Very, very interesting. But you do suggest that one of the ways, one of the options open in that kind of situation, the ESOP route, would not have been possible in that kind of commercial activity.

Mr. SIPSER. I believe—you see in a manufacturing corporation where huge amounts of money must be spent for advertising, like, for example, in the Bendix thing, I am sure that if ESOP could have worked in Bendix, it could have worked in Spratt Optimax, and the optical workers. But it could not have worked in the beer and soft drink industry where huge amounts of money are required to be poured in.

This is exactly what, incidentally, Phillip Morris did. Phillip Morris went ahead and took every nickel it made in the beer business, tossed it right back into the media, and must have spent $20 or $30 million.

In areas where industry is not labor-intensive, and so much money is required for media, it is not a solution.

The tax situation, the tax incentive to close is the area in which I think it is most effective, and that is where I would urge this committee to take a good look at, find out how much in these days, when everybody talks about Proposition 13 tax savings, how much money of the U.S. Treasury, how much money belonging to the people of the United States was paid out to these corporations for denying workers the right to work in their communities.

The CHAIRMAN. This was a tax loss that they inherited in buying the company.

Mr. SIPSER. Not only a tax loss which they inherited, they certainly did, some $20 million worth, but in addition to this they took a tax writeoff in connection with their investment in purchasing the stock. I think they paid, ultimately, some $70 million.

It is interesting to note, Senator, in connection with the problem of the Federal Judiciary, in which I know you have some distinct interest, when we were arguing this case before the circuit court of appeals, my adversary, very well known, and very, very able, management lawyer, argued that here it was Pepsi which had invested some $70 million in purchasing the stock, in terms of the question of the equity as to whether or not they should get temporary injunction, or whether we should get temporary injunction.

The circuit court judge, Mr. Mulligan, who had sat in both the Federal Trade Commission before the second circuit, and who sat in our case, in the second circuit, said to me, Mr. Sipser, do you not regard $70 million a staggering sum for investment in the corporation. I said I certainly did. I thought it was a staggering sum.

In fact, I said those are your words, Judge, in the Federal Trade Commission. You indeed said the sum is a staggering sum. I think that is very important.

He said, does that not in a sense dispose of your argument. I said to him, well, Judge, let me suggest to you that after some 30-odd years of practice, practice representing workers, there are 30,000 years of seniority involved in connection with this situation.

He said you are not comparing both of them, are you. I said, of course, I am not. He smiled and thought I was agreeing with him.

I said, of course, the 30,000 years of seniority are a hell of a lot more important than $70 million of a large corporation like Pepsi.

I do not think he liked that reply. But this is where I think we get, when we go to the Federal Courts and we ask for relief, the question then is well, how do you handle this, and we do not have many Judge Frankel's, who just retired from the bench, who has in a sense understood that there must be a balancing between the rights of the corporations and the rights of workers

This has not found legislative approval yet. It is one of the suggestions that we are making, that section 9(c) and section 10(l) of the National Labor Relations Act be amended to provide that it would be mandatory, mandatory for corporations to negotiate with respect to the decision to close the plant.

You understand, Senator, of course, when I say mandatory to negotiate, that does not mean that it is mandatory to agree. All that they have to do is put it on the table so that we can negotiate about it.

One of the reasons, I suspect, the corporations do not want to negotiate about the decision is because under the Labor Board law they would be required to answer the question that I think all labor lawyers would ask, well, if you close the plant, what tax benefit would you derive as a result of closing that plant if they were compelled to negotiate about the decision to close.

Right now the courts, even with respect to single plants of large corporations, are in confusion about that. But certainly when an industry wants to close down all its plants, it can do so, even if it admits that it is doing so for union activity. That is where there is a huge hole in the National Labor Relations Act.

I must say, with some degree of cynicism, that if we could not get the Labor Reform Act passed in the last Congress, to talk about something substantive, not procedural amendments to the act, like compelling a corporation to bargain about its decision to close, is a little far fetched.

But I would hope that would be one of the things that you would look at, Senator.

The CHAIRMAN. Thank you.

[The prepared statement of Mr. Sipser follows:]

OUTLINE OF COMMENTS BY I. PHILIP SIPSER
BEFORE THE SENATE SUBCOMMITTEE ON LABOR
JANUARY 22, 1979

My name is I. Philip Sipser and I am a partner in the law firm of Sipser, Weinstock, Harper, Dorn & Leibowitz. For the past 37 years I have been engaged in the practice of Labor Law. I have represented trade unions exclusively. Our present clients include, the Brewery & Soft Drink Workers Conference, United States of America and Canada, IBT and the National Union of Hospital and Health Care Employees, RWDSU, AFL-CIO, unions affiliated with United Automobile Workers of America, the Optical Workers Union, the Furniture Workers of America, and a local of the Ornamental Iron Workers Union. We also represent the International Conference of Symphony and Opera Musicians, (ICSOM) a/w American Federation of Musicians, and District Council 1707, Community & Social Agency Employees Union, AFSCME, AFL-CIO, and local unions including Professional & Technical Engineers, Museum employees and Legal Aid lawyers.

At present we are counsel to the one remaining Brewery Workers Local in New York City, Local 46. We were counsel to the Brewery Workers unions representing employees at all of the Breweries in the Metropolitan Area and we were involved with the Brewery closings at Rheingold, Schaefer, Schlitz, etc. We also were counsel to the Brewery Workers Locals representing the employees at the Ballantine plant in Newark, and we were involved with that closing as well.

In addition to the Brewery closings, during the past few years our office has been involved in various other situations concerning plant closures in the Metropolitan Area. These industries include the food industry, automotive components and industries involved in the manufacture of other consumer products. As a result of these cases which I have just mentioned, I have become only too familiar with the problems faced by unions and their members and the communities involved. The problems of plant closures today is creating a situation which may well be known as the displaced employer or the displaced worker. My testimony today will focus on the closing of the Rheingold Brewery in Brooklyn, New York, and Orange, New Jersey. I have prepared my comments in outline form and I understand they may be distributed to you.

The Closing Of The Rheingold Breweries in Brooklyn, N. Y., and Orange, N. J.

I. INTRODUCTION

The closing of the Rheingold Brewery provides a classic illustration of how a profit-minded corporate conglomerate closed down a well-established community business which employed close to 3,000 workers, (2500 were represented by various labor unions) at a time when with proper planning and management, the business could have remained a profitable one.

II. BACKGROUND

In 1948 there were 16 breweries in New York City. In 1974 there were two. Today there are none. Yet while the last two brewers to shut down in New York City - Rheingold and Schaeffer - were experiencing economic difficulties, I think it is indisputable that with proper planning and with the proper incentives - they could have remained in the area as profitable businesses.

Prior to its takeover by PepsiCo, in 1973, the Rheingold Corporation was a holding company engaged, through wholly owned subsidiaries, in the beer business and soft drink business. The Rheingold brewery was one of New York City's oldest institutions with a 130 year history of brewing and selling beer. The Rheingold Corporation had been in the beer business since 1964 with 3 breweries located in Brooklyn, New York, Orange, New Jersey, and New Bedford, Massachusetts. Rheingold sold beer in seventeen states, Washington, D.C. and Puerto Rico. The major portion of such sales were made in New York, New Jersey, Connecticut and Massachusetts.

It was the largest seller of beer in the New York Metropolitan area, enjoying 16% of the beer market in 1972. Sales of beer accounted for about 70% of Rheingold's dollar volume and 30% of its net profits.

As a soft drink manufacturer, prior to the takeover by Pepsico, Rheingold was the world's largest independent bottler of Pepsico products and held valuable franchises in Puerto Rico, California, Florida and Mexico. In addition, several of Rheingold's wholly owned subsidiaries were engaged in the manufacture and distribution of soft drink concentrate which were in competition with Pepsico products.

As the Federal Trade Commission later recognized, at the time of its takeover, Rheingold was in the process of becoming a serious contender in the soft drink industry, both at the concentrate manufacturing level and at the bottling and distribution level. Furthermore, Rheingold, as a Pepsico franchisee, had brought suit against Pepsico alleging a breach of contract by Pepsico for increasing the cost of its syrup in violation of its franchise agreement with Rheingold.

Thus, motivated by the desires to regain control over its soft drink and syrup concentrate operations, to eliminate competition from Rheingold's independent soft drink companies, and to end the litigation which Rheingold had commenced, in November 1972, Pepsico announced its intention to take over Rheingold and it made a tender offer to all shareholders of the Rheingold Corporation. Pepsico originally offered to purchase only a controlling interest in the Corporation. Ultimately, in settlement of a suit brought by Rheingold, they agreed to purchase all shares tendered and they eventually acquired 100% of the shares of the Corporation.

The Federal Trade Commission had earlier issued a complaint alleging that Pepsico's takeover of Rheingold would produce anti-competitive results in violation of Section 7 of the Clayton Act. It sued to enjoin the takeover. The Second Circuit refused to enjoin the takeover on the condition that Pepsico agreed to enter into a "hold separate" agreement and providing that Pepsico's management of Rheingold agreed "not to divest Rheingold of its beer business or assets or any part thereof" pending the resolution of the proceedings before the

Federal Trade Commission.

The Federal Trade Commission proceedings were ultimately resolved by the entry of a consent order, in which Pepsico agreed to divest itself of some of Rheingold's soft drink operations and a bottling plant. That order was finally accepted on January 25, 1974. Within days after the Second Circuit's prohibition on divestiture had been lifted, Rheingold's Brooklyn Brewery was shut down and close to 2,000 workers were out of jobs.

PEPSICO HAD ABSOLUTELY NO INTEREST IN OPERATING OR SAVING THE BREWERIES

As early as in its October 1972 tender offer Pepsico announced that it had no intention to continue in the beer business "on any long term basis." Yet even Rheingold's management (which itself had recognized the economic problems facing the local beer industry prior to Pepsico's takeover) argued at the time of the tender offer that Pepsico's plan to dispose of the New York Brewery could result in a disadvantageous sale or liquidation and that there was a big difference between a "prompt distress disposition" of the Brewery and "an intention merely not to continue in the beer business'on a long term basis'".

That difference of course meant the livelihood and economic stability of close to 2,000 workers and their families. Their interests, however, and the interests of the community in preserving the industry of this hundred year old institution did not figure in Pepsico's plans.

Pepsico stated that its announced intention to dispose of the beer business was in part based on the fact that despite a substantial investment, the beer operations in recent years had contributed relatively little to the Rheingold net profit. Yet Pepsico's definition of the term "profitable" is an interesting one.

In a newspaper interview at the time of the closing a spokesman for Pepsico defined "profitability" as "an earnings contribution growth of at least 10% annually." There is no doubt that Rheingold in 1974, if managed properly, would have made a profit, yet even if it had, it would not have been enough to satisfy Pepsico. In short, in the process of acquiring ownership and control over valuable franchises, this billion dollar corporation acquired a business which it did not want. Pepsico claims that it made every effort to save the Brewery, but its "efforts" were limited to its supposed search for a buyer. It disclosed no efforts aimed at reversing the then recent gains of its national competitors over its major market and in fact no such efforts were made. The result was that in the year in which it was in control of the business and

and prevented by court order from divesting itself of the brewery, it contributed heavily to the brewery's demise.

ORGANIZED LABOR MADE SUBSTANTIAL CONTRIBUTIONS TOWARD PRESERVING THE BREWERIES

In contrast to Pepsico, the Unions and the workers employed in the brewery made unprecedented efforts to keep Rheingold profitable and avoid the prospect of a plant shutdown. This was done at substantial cost to themselves.

In 1973 the workers accepted an unheard of 3 year contract providing for no wage increases during the entire 3 year period. That contract also helped Rheingold economically by lengthening the normal work week of the employees (thereby reducing overtime hours) and providing for longer delivery schedules. The employees accepted that contract on the basis that Rheingold would protect the job security of the employees involved. The contract was ratified by Pepsico.

Moreover in attempting to dissuade Pepsico from a shut down of the Brewery the Unions again in December of 1973 offered to make further economic reductions, concessions and compromises. Rheingold rejected the offer. Instead, in its haste to dispose of the business, it dumped close to $2 million worth of unpackaged beer into the East River of New York. In fact, in order to later facilitate the sale of the Brewery to the Chock Full O'Nuts Corp., the Unions agreed to additional wage sacrifices totaling over $6 million in savings for the company.

The employees' efforts to save the Brewery in contrast to Pepsico's uniform disinterest in the enterprise can be further seen from its marshalling of the involvement of public officials. Through efforts initiated by the Unions, public hearings were called and meetings were conducted not only to support the search for a buyer, but to inquire into the charges by Pepsico that the costs of energy and water were prohibitive and had contributed as major reasons for the uncompetitive position of the Brewery in the last year. New ways of saving in energy and water were explored with the prompting of these public officials.

It is interesting to note that Pepsico, in defense of its irresponsible intentions to close down the Brewery, at one point made the offer to the Union to buy it. They said in effect, that if we were so interested in the business and committed to its profitability, then why didn't we take it over?

There were good reasons existing then why the Unions and the employees did not and could take over the business. In the first place they had no money, and no place to apply for funding for a venture of that nature. There were no government assistance programs of any sort. While the Union had no expertise in running a business, had the money been available, a management group could certainly have been assembled.

Moreover, even had all these things been possible the timetable of the announced shutdown made it impossible. The Union had insufficient notice to act effectively in that situation.

FEDERAL LEGISLATION IS NEEDED

There are good reasons why legislation should supplement the collective bargaining process as a solution to the problems created by the shutdown or relocation of a profitable business. It is only through legislation that the tax boons to companies which shut down going concerns, can be eliminated. In 1972 Rheingold estimated that in disposing of the Brewery it could capitalize on its investment loss the the tune of more than $7 million in a possible tax cash salvage. Of course we don't have the figures of what tax benefits Pepsico actually received, but as long as corporations can look to these and other tax advantages in shutting down profit-making businesses, workers and communities will suffer.

In addition, the issues of shut down or relocation are generally not satisfactorily resolved through the collective bargaining process because they are generally negotiated at a time where neither issue is a reality.

Since the possibility of plant closure is generally a remote one until it is announced, the issues are not really "strikeable" issues. Hence the Unions are in a rather weak position on these issues at the bargaining table.

However, even if the threat of plant closure is a real one, the power of the employees to affect the decision to close through economic pressure is also relatively weak. A strike will often merely hasten the ultimate closing and most courts are reluctant to *enjoin* plant closings pending arbitration. Without maintenance of the *status quo*, many arbitrators, even if convinced that a plant closing would violate a collective bargaining agreement, consider themselves impotent to order the reopening of a plant.

Furthermore, under the National Labor Relations Act, an employer is required to bargain with the union about the *effects* of its decision to terminate its business operations but not about the decision itself. Therefore we would propose that Sections 9(c) and 10(l) of the National Labor Relations Act be amended to require an employer to bargain about its *decision* to close down, sell, transfer, remove, or subcontract out any and all of its operating facilities, and to require the National Labor Relations Board to seek appropriate injunctive relief whenever a party refuses to bargain in this respect.

The concept of balancing employer and employee rights is not a new one. As the National Labor Relations Board in Ozark Trailers, 161 NLRB 561 noted:

> ". . . It is equally true, however, and ought not to be lost sight of, that an employer's decision to make 'major' change in the nature of his business, such as the termination of a portion thereof, is also of significance for those employees whose jobs will be lost by the termination. For, just as the employer has vested capital in the business, so the employee has invested years of his working life, accumulating seniority, accruing pension rights, and developing skills that may or may not be saleable to another employer. And, just as the employer's interest in the protection of his capital investment is entitled to consideration in our interpretation of the Act, so too is the employees' interest in the protection of his livelihood. . . ."

While subsequent Board decisions have split on some aspects of the Ozark decision, it is clear that federal policy requires that employers' and employees' rights must be balanced. As the Supreme Court stated in 1964, John Wiley & Sons, Inc. v. Livingston:

> "Employees and the union which represent them, ordinarily do not take

> part in negotiations leading to a change in corporate ownership. The negotiations will ordinarily not concern the well being of the employees, whose advantage or disadvantage, potentially great, will inevitably be incidental to the main considerations. The objectives of national labor policy, reflected in established principles of federal law, require that the rightful prerogative of owners independently to rearrange their businesses and even eliminate themselves as employers be balanced by some protection to the employees from a sudden change in the employment relationship." 376 U.S. 543, 549.

In short, the power to achieve results through collective bargaining must be strengthened by legislation. While the Rheingold experience ultimately resulted in reasonable severance benefits to the employees, with the proper assistance, it is my belief that those 2,000 men would still be employed at the Brewery.

The CHAIRMAN. Could I come back to Rheingold with you, Mr. Merker, and ask you about the decision to close the Brooklyn plant? That was in 1975, right?

Mr. MERKER. Excuse me, Senator, Mr. Sipser is more familiar with the Brooklyn closing.

The CHAIRMAN. When Brooklyn closed, Orange picked up, is that right?

Mr. MERKER. Yes, sir

The CHAIRMAN. What was the story there? Was this interpreted by you folks as a commitment to continue brewery operations?

Mr. MERKER. Yes. We were called to a meeting and told that the company would be able to feasibly operate in Orange, but that the cost in Brooklyn, namely energy cost and taxes, and so on, was so great that they felt if they could consolidate their operations in Orange, that they could feasibly exist.

In accordance with that, we negotiated with them an agreement to keep the Orange plant open. We made enormous concessions. For instance, we took no increases except a normal COLA clause without any yearly increase, plus we cut our vacations in half, we eliminated the holiday, eliminated some welfare benefits, in order to make the price right, so to speak, for the company to keep operating in Orange.

The CHAIRMAN. Then what happened?

Mr. MERKER. Then finally, in 1977, and around September, we had heard of the plant being sold to Schmidt's of Philadelphia. Prior to that, which I did not know at the time, a group known as Gartenburg, a group which included a person who had many, many outlets in Pennsylvania, of Rheingold, was a Rheingold distributor, and had about 75 to 100 beer city outlets, which is a roadstand where you drive in and pick up cases of beer, he had all of these over Pennsylvania, and he was interested in coming in and buying a plant.

I had not known this at the time. From January to July of that year he had unsuccessfully been trying to meet with the company, and somehow somebody in that company was sabotaging his meeting with William Black, who was the president of Chock Full O'Nuts, who then in turn had bought Rheingold from Pepsi for that dollar, plus $10 million, and so-called liabilities.

Finally, some people reached out to me, to see if I could make an appointment with Bill Black, president of Chock Full O'Nuts. Accordingly, I was successful in doing it.

I attended a meeting, together with Mr. Seinmann, with this so-called Gartenburg group, we met with Black, and there was a firm offer. There was a firm check put on the table guaranteeing the operation of the Orange brewery. They wanted to take it over. They also wanted New York distributorship, which they would have kept open with the New York people that still had the routes over there in New York City and the Island. And somehow it was sabotaged.

We met on September 13 and September 29 with the employers, with this Gartenburg group, but the offer was always being sabotaged, belittled, and so forth, until finally in October we found out that they sold to Schmidt. Without notice they closed the Orange plant.

Our men came to work on Sunday night and found the gates closed. They were prepared at that time to even dump the beer, which was about a half million dollars worth of beer stocked, that was processed and ready for shipment, down the sewer, the same way Pepsi had threatened that in New York sometime before. We immediately filed, went through the motion of filing unfair labor practice charges, lockout charges, all of that. Finally we got to a meeting, and in that meeting an attorney for the employer, by the name of Mr. Arbock stated why do you guys not do something about the brewery. He said we will sell it to anybody but Schmidt's, which is a competitor.

He suggested to me that I ought to take a trip to Europe and see if a foreign plant, a foreign brewer, might be interested in buying the plant. But they cannot sell it to anybody who would be in competition with Schmidt of Philadelphia, who bought the label, and decided that they were going to close the brewery.

Rheingold, so the beer would not be sabotaged, was prepared to dump it in the sewer at that time, and leave our people out. Eventually we worked out an agreement whereby we worked until the beer was sent out, and then gradually the plant closed.

The CHAIRMAN. How many employees were there in both Brooklyn and Orange that lost their jobs when Rheingold closed down?

Mr. MERKER. In Brooklyn there were 2,000——

Mr. SIPSER. 3,000.

Mr. MERKER. About 3,000. In Orange we had approximately 600 or 700. There was also another plant that Rheingold had in Massachusetts, and another brewery that closed up prior to the closing of the Orange plant.

The CHAIRMAN. How difficult was the transition to other jobs? How did they make out?

Mr. MERKER. The people who were displaced?

The CHAIRMAN. Your people, yes.

Mr. MERKER. I still have most of them out of work, as far as brewery jobs are concerned.

The CHAIRMAN. It has been a year——

Mr. MERKER. The plant officially closed—well, my last member worked there around December of 1977. So far I have been able to place 14 people in Budweiser, and about 5 people in Pabst. And only by attrition in those plants. The rest are not working as yet. We have arbitrations going right now against Chock Full O'Nuts, because they have not paid their vacations, they have not paid pension payments that they were due prior even to the shutdown, and the welfare payments to the people have not been paid according to our contract.

The CHAIRMAN. How about pensions?

Mr. MERKER. Well, it was pensions, welfare, balance of vacations, the 1977 vacations, full vacations for 1978, because you earn vacations by working 125 days in 1977, and you earn your following year vacations, so that was not paid, plus we had given up a holiday.

Mr. SIPSER. Senator, there is an interesting statistic which has not been brought up today, but that the general unemployment situation, as I am sure you know, has now bankrupted 20 unemployment insurance trust funds in 20 States of the Union.

So what we now have in addition to the failure of jobs in these areas, and the taxes they would pay, both Federal and State and municipal taxes, you also have the problem of the Federal Government having to resuscitate the State trust funds in unemployment insurance to the tune of tens of millions of dollars, which was again an outrage, an imposition upon the Treasury of the United States.

None of that, incidentally, is brought out when the testimony was elicited about welfare and other human problems that arise with workers.

But the question of 20 States going bankrupt on their unemployment insurance, that has not received any widespread publicity at all.

The CHAIRMAN. It is there. We know it.

Mr. SIPSER. It certainly is, Senator.

Mr. MERKER. There is one other thing that I am just reminded of, and that is that last year, 1978 and 1977, and I think you might look it up, Chock Full O'Nuts got a terrific tax refund, that it made their company very profitable, Chock Full O'Nuts' operations for the last 2 years. They in turn bought Rheingold for a dollar, plus liabilities. They sold Rheingold to Schmidt for $7 million, of which I believe some of it is finished, paid off by 1982. That is so much a month, and they took, according to our information, and we are involved with arbitration that may go on for years with them, it has gone on a year already, they have gotten terrific tax writeoffs in both of those 2 years, Chock Full O'Nuts, the parent corporation.

Mr. SIPSER. Is there some possibility along the line that Ben just indicated, that your proposed legislation indicate disclosure of the tax writeoff, or tax rebate that they might earn? I know disclosure is a dirty word. I know our late Senator Metcalf tried to get some disclosure of corporate ownership in this country, and was rebuffed time after time. But is there not some way that there can be disclosure in the piece of legislation that you are proposing, that would demonstrate what effect that closing would be on tax writeoff or tax rebate?

The CHAIRMAN. We will certainly analyze it, because I can see that this is perhaps a very essential part of the understanding of what these acquisitions leading to closings, or what it is all about.

Of course, we are dealing in this particular area in the matter of tax law impact, which is not our responsibility in this committee, that is our in-house problem, to see how we can analyze it for consideration by the tax writing committee. It is something that has got to be understood. You are absolutely right.

Mr. SIPSER. Without that underlying premise, the corporation—assuming that your bill was passed in the form in which you propose it—the corporation will take a look at it and hand it over to its accountants and say, OK, supposing we comply with this law, how do we do?

If the tax writeoff is going to be sufficient, they will say, OK, we can adopt. They will adapt themselves to the problem in connection with it unless the bottom line shows if they close the obligations under it, it will be very, very substantial and they will not get a tax writeoff. As soon as they do not get a tax writeoff, the ball game is going to be entirely different.

I might say, incidentally, Senator, and I know that you are not responsible for this, but the inequity of the tax law, even with respect to plant closures, and plant transfers—well, why does not an employee who has lost income, lost seniority, et cetera, why can he or she not be able to get to go to the IRS and say that I have seniority for 30 years, and that 30 years is worth *x* dollars, and my unemployment and my losses are *y* dollars, and therefore why can I not also get a tax writeoff for investment which I made in my job, investment I have made in the community, why can there not be a tax writeoff for that worker?

All of these people talking about the holiness of tax writeoffs in individual enterprise, et cetera, might also consider the question of the worker who has lost all of these things after 25 or 30 years, the contribution to the community, to the State, to tax coffers of municipal, State and Federal Government.

Maybe that worker ought to be entitled to a tax writeoff comparable to a corporation, if we cannot effectuate that.

The CHAIRMAN. This whole question of corporate entity having a tax writeoff, and a tax loss that can be transferred to other owners is something that we should understand. It is built in now, incentives to promote acquisitions, mergers, which are not always for sound economic reasons, but solely for tax advantage.

Mr. SIPSER. Pepsico did just this. Pepsico knew in advance it was going to discontinue the beer business, that it was going to lose all of this, $57 million, staggering investment. They knew they were going to lose it.

The CHAIRMAN. I am surrounded by some sterling labor lawyers here. I think we will give them a graduate course in tax laws for this purpose.

Mr. SIPSER. You can include me when you do that, Senator, because anything I get free at this point would be welcome

The CHAIRMAN. If my general counsel is around, and he hears this, he is the former general counsel to the Banking Committee, and now the Labor Committee, I am sure he wants to dig right into this—there he is. [Laughter.]

The CHAIRMAN. It shows the crippling human impact, all because of that tax code. Not for reasons of productivity.

Mr. SIPSER. I would disagree with the use of the word aberration. I think it is a carefully thought out tax program, has all the I's dotted and T's crossed. No aberration at all.

The CHAIRMAN. I am certain it was not created to give advantage to financial manipulators.

Mr. SIPSER. Senator, I have great regard for your acumen, great regard for you in Congress, but let us leave it that you and I disagree on that minor problem.

The CHAIRMAN. I will say you know more about it than I do.

Mr. WEINMANN. Your own statement this morning has a sentence in it which strikes home.

You say:

> We know, that while some closings are necessitated by economic reality, corporate decisions to abandon plants are sometimes dictated by the corporation's own development strategy, and not because the specific plants are unprofitable.

I think that really points out the necessity for broadening the Labor Management Relations Act which has previously been suggested, so at least one area of remedy there would be an opportunity to bargain over that kind of situation, so a decision to close would become a bargainable matter.

If there is bad faith, as I call it, when the plant is closing for reasons other than complete unprofitability, and so forth, I think the unions ought to have a right, for example, to not only bargain about it, but eveything that follows from that, and resist a closing of that type. At least that would give them some leverage which they do not have now.

The CHAIRMAN. We wrote in the tender offer bill a provision which requires a disclosure of what the tenderor was going to do with the company if acquired. That runs, of course, to owners and stockholders. We are now trying to establish here basically an interest, the employee's interest, and define it so that it is in law, so that there are certain responsibilities that run to them in this area.

Mr. SIPSER. I would suggest that the Supreme Court, in Wiley against Livingston, set forth early as could the fact that employees have no way in which to affect corporate decisions on reorganization, and that employees have a direct interest in what takes place in terms of their jobs and the security of their pensions

In Wiley against Livingston, which I cited in my testimony—well, ought to be a jumping off point.

Mr. MERKER. Senator, one other thing I have had the job of top officer of Local 102 of the Teamsters for 30 years, and I have breweries and industrial plants, and I think you and I were involved with Singer itself several years ago, Somerville operation, and going back to about 1966 in Elizabeth, and Singer and George Lamont, and many other plants that went out of business, and after following some people here like Pete Valentinuzzi, and Archer Cole, who also I consider very responsible labor leaders, and do everything they can to keep a plant open, and each one of these instances that I was involved in, and I know they do it, too, we have broke our plant in order to keep a plant open, we have withheld wage increases, and we have offered to extend contracts so that in no instance was the real reason the cost of labor.

I want to make this very clear. In no instance did labor put these plants out, or chase them out of the State of New Jersey.

Mr. WEINMANN. I have one last thought. In my experience with the Rheingold situation in East Orange, it was Mr. Black, as chairman of the board of Chock Full, who himself said the company was at a breakeven point at the time of selling out.

There ought to be some remedy, or situation, for which the company which wants to close, and refuses to sell to a successor—well, there is a plant in New Jersey now called Nesco, that makes containers, and there are people that would buy that plant and operate it in the container business, but Nesco will not sell it to them because Nesco is a subsidiary to another company called United in Philadelphia. United is still in business. They just want to close the Nesco operation. They refuse to sell to a successor

In the Rheingold case, Rheingold would not sell to anybody who would compete with Schmidt as a successor to operate the plant. I think that kind of situation ought to be legislated against. That should not be permitted.

If there was a bona fide successor available that can be produced, at least every avenue should be used to exhaust that possibility before a plant could be permitted to close.

The CHAIRMAN. Gentlemen, excellent. Thank you very much.

Mr. SIPSER. I might say, incidentally, Senator, that Mike Forscey is one of the best young men I have met, and any time you are prepared to part company with him, he has got a job in my office.

The CHAIRMAN. Wait a minute now. You are running afoul of policy here. [Laughter.]

[Discussion off the record.]

The CHAIRMAN. Next we are going to hear from Dick Lynch.

STATEMENT OF RICHARD A. LYNCH, EXECUTIVE VICE PRESIDENT, NEW JERSEY STATE AFL-CIO EMERITUS

Mr. LYNCH. I am retired now.

First off, I would be remiss if I did not express to you profound gratitude for your humane instincts, and the fine work you did in getting compensation for coal miners whose lungs were destroyed by coal dust; for the most abused people in the work force, the migrant workers; for the minimum wage bill, and for portable pension that you drove through Congress.

Unfortunately, your portable pension bill, through no fault of yours, came too late. I can cite an example where a plant, Raybestus—Manhattan—Passaic, was closed, and a man with 42 years of service did not get one penny's pension. He had started when he was 15, as an apprentice in the machineshop. They closed down, and he was 57 years of age, but the pension contract required to be eligible you must be 60. So here he was 57 years of age and did not get a penny after 42 years of service.

I want to thank you I think you should be complimented for the excellent staff you have.

Some of the things I was going to say were covered eloquently by Brother Cole. I will not go into that. But it is not just a New Jersey problem, as you know. It is the Northeast, the Mid-Atlantic States, Michigan, Illinois, Ohio, all these States that are losing industry. It is these corporations, the large major corporations in the United States, without any concerns for their people, that are shutting down these factories.

As an example, RCA has closed eight factories. They laid off 6,000 workers at Camden, and 450 workers at Moorestown, and so on.

GE is perhaps the biggest offender of all. General Electric has closed 15 factories, and in addition has laid off another 80,000 at Lynn, Mass., Bridgeport, Philadelphia, Newark, and elsewhere. Laid these people off in most instances I think to avoid paying pensions.

The company from which I came, Westinghouse, has closed down the Belleville plant.

Earlier Brother Konowich said how Westinghouse had moved the meter division to Raleigh, N.C. Perhaps it is too late to do anything, for they built that plant under an accelerated program, rapid appreciation, which was in effect from about 1950 to 1952, and they built other plants, too, under that program.

Here is what happened in my town, Bloomfield, N.J., when GE closed that factory. It was about 1,500 jobs. All the work was sent to Tyler, Tex. It has had a devastating effect. There have been sharp reductions of force in my company—Westinghouse, Bloomfield. As a result 25 little merchants, little storekeepers have gone out of business; a florist, beautician, two drugstores, two bakeshops, and so on. I will leave this list with you. Also a shoe repair shop, dress shop, supermarket. Another little independent supermarket, and so on.

When a factory closes down, the workers are the immediate victims. The merchants in the area adjacent to the plant are also victims as they are forced into bankruptcy.

There are other victims—the supply houses that sell fuel oil, the hardware, the lumber, and all of these things, to the company. Then there are no more special buses. The bus drivers union has lost about 1,500 members.

No telephone service is required at a vacant store, an empty factory, and there is a reduction in force for telephone company employees.

What happened in Bloomfield when GE closed down? They were paying the town $80,000 a year in property tax. They sold it to a real estate firm. Immediately that new owner dashed down to the county tax board and got a reduction in the tax, because he claimed there was a reduction in revenue from the plant. They cut the tax on that building from $80,000 to $20,000 a year That means in order to maintain the town of Bloomfield, the rest of the citizens and the property owners had to pick up that extra $60,000 that was lost when General Electric moved the shop out.

These giant corporations have sent our latest technology to Asia and all around the world, paying, as Brother Cole said, maybe 30 cents an hour, and so we can no longer compete.

I would like to point out something else that I think is important. That is mergers and acquisitions.

McGraw acquired Edison at West Orange. They closed down the West Orange plant—2,200 workers lost their jobs.

Litton bought Monroe Calculating, and shut the factory, and there was 700 jobless. They bought up Sweeda in the Passaic area, and the factory in Dover, and closed those factories.

U.S. Pipe and Foundry bought A. P. Smith in East Orange. They shut it down and went to Alabama.

United Technologies acquired Otis Elevator. They had 3,000 workers, and it is down to 155 right now.

Manhattan Rubber Co. was acquired by Raybestus, shut it down, sent some work to Japan, and elsewhere.

Magor Rail Car in Passaic was bought by Fruehauf. This was shut down.

Here is a current one, and maybe you can stop it. I do not know. Wiss was established in 1848 in Newark. It operate successfully for 130 years making scissors, shears. It was acquired by Cooper Industries of Houston, Tex. Cooper is closing the Maplewood plant. They are only keeping a small machine department and forging department operation in Newark. Seven hundred and twenty-five jobs will go to Georgia unless they can be saved. Maybe there is an outside chance of affecting this.

I have some figures which show if those 725 jobs close down, the area will lose over $13 million in purchasing power, personal income.

Now, another one. Litton has gobbled up 100 firms. I will give you an example of one of them. Litton bought Royal Typewriter. They closed down the Hartford factory, and put 2,600 people out of work. They sent the work to England and Portugal. They followed this up by closing another Royal Typewriter factory in Springfield, Mo., making another 1,200 jobless. This work also went to Europe. It is virtually impossible now to get an American-made typewriter.

The Smith-Corona latest model is being made in Japan.

Tung Sol was acquired by Wagner. They had factories in Bloomfield, Newark, and Livingston. Today there is not one of these jobs left. About 2,200 jobs have been sent to Georgia by Wagner.

Another one is Wilbur B. Driver, just bought by General Television and Electronics. Already they have moved one department, 80 people, down to Orangeburg, S.C.

You will notice in each and every instance of acquisition the New Jersey factory was shut down.

Huge conglommerates and giant international corporations are buying up smaller competitors to gain a monopoly in an industry. Once they have secured this monopoly, they enter into secret agreements to rig and fix prices, and for collusive bidding on contracts. With their competitors smashed, they skyrocket prices and roll up exorbitant profits. The consumer is the victim of these crooked deals.

It is hoped that Congress, with the cooperation of the Justice Department, will break up these monopolies.

I know there was a big one before Judge Foreman of Philadelphia some years ago, when Westinghouse, GE, Allis Chalmers, et cetera, were found guilty of this very thing, price fixing on a massive scale.

One of the things, Senator, is—and I want to go into this—is tax exempt industrial bonds.

The CHAIRMAN. Dick, I am just told that you did submit this, and we have all of this. It is invaluable.

Mr. LYNCH. Well, let me say that on the labor reform bill 21 of the 22 Senators from the Old Confederacy voted to continue to filibuster. Eleven of the 12 from the so-called Sun Belt, the hot belt, I should say, and 11 of those 12 voted to continue the filibuster. Every Northeastern and Mid-West Senator, Republican, Democrat alike, voted to stop the filibuster, to cease debate and vote on the bill

Unfortunately, three Republicans sold us out. That was Roth of Delaware, Luger of Indiana, and Griffin of Michigan If two of those three had voted to stop the filibuster and vote on the bill, you would have had your labor law reform bill today.

We are up against some terrific opposition in trying to get these bills.

Companies can build a brand new factory and equipment with no cash outlay. There is a maximum of $5 million now. They can build a $5 million plant without a penny outlay, without any cash at all. They can use this plant at a nominal yearly rent. They will never pay any property tax. Then after it is over, they can secure the lease for 99 years at a dollar a year.

The impact on the community, the total community, is great.

When Wiss closed down, the United Fund in Newark lost $33,000. Workers gave $22,000, and the firm gave $11,000. This money is gone. This money went to Retarded Children, Mental Health, Associated Catholic Charity, Jewish Community Federation, and other charitable organizations.

Senator, you should be commended, as I said before, for your efforts in this direction. These corporations do not give a damn for the town, the mayor, the city council, the Governors or the States, the religious leaders, or anything else.

When GE closed down in Bloomfield, Reverend McGee, Methodist Minister, and Father O'Doyle, Father Sullivan, pleaded with them not to do it. They were ignored.

The same thing happened elsewhere. They do not give a damn for anything. They will go ahead without regard for people, the economy, or the country, or anything. They go ahead and do what they want.

I would hope to God you would be able to do something about it.

The CHAIRMAN. You inspire us, believe me.

Thanks.

Over the years you have been out there in the front line. Whenever the effort was to make this a better place for people to live, with some degree of security, tranquility and self esteem, you are a front line fighter, Richard Lynch.

You are still on that front line. Thank you

[The information referred to and material subsequently supplied follows:]

CONTRIBUTIONS LOST BY UNITED WAY BY PLANT CLOSINGS OR FORCE REDUCTION

PASSAIC VALLEYUNITED WAY
****

THESE PLANTS CLOSED

COMPANY	JOBS LOST	1973 Corp Gift	1973 EMployees Gift
Uniroyal	I,500	$ 7,000	$ 9,500
Raybestus Manhattan	I,300	2,000	7,000
Fruehauf-Magor	600	2,500	--
Litecraft	300	---	--
Gulf Plastic	250	350	I,000
Latham Foundry	200	----	---
American Bakery	250	500	267
Goerlichs Inc.	I50	200	II6
Burroughs Corp.	200	250	I,005(I972
Parker Kalon Corp	300	500	---
Sweeda	350		
Pope & Gray(Div of Martin-M	70		

2 SHOE MANUFACTURES

Corp.Total== $ I3,300 Employees Total=$ I8,888

Grand Total------ $ 32,188 LOST BY U. W.

$33,000 ANNUAL LOSS FOR UNITED WAY

GIFTS LOST BY ESSEX*WEST HUDSON UNITED WAY

		CORP GIFT	EMPLOYEES CONTRIBUTION
Wiss & Son	Newark & Maplewood	-- $ II,000	$ 22,000 $33,000
R.C.A.	Harrison (I972-73	27,000	48,704==Total $ 75,704

COMPLETE SHUT DOWN - 5,000 LOST JOBS.

LOST BY UNITED WAY ANNUALLY

R C A employees gave=

I968-69--	4,305	gave --	$78,970
I969-70	4,302	" --	90,000
I970-7I	3,726	" --	54,7I0
I97I-72	3,346	" --	53,678
I972-73	3,600	" --	48,704

WESTINGHOUSE ELECTRIC CORP. RELAY INSTRUMENT** NEWARK

I968-69--	Corp. Gift $ 7,000--I80022	employees gave	$ 27,00 =$ 34,000	
I969-70	" " 7,500--I,800	" "	$ 29,458	
I970-7I	" " 7,500--I,6I4	" "	$ 30,000	
I97I-72	" " 7,500--I,774	" "	$ 30,475	35,168
I972-73	" " 7,000--I,759	" "	$ .24,I70	7,500
I976--	Employees gave $ 26,688			
I977--	" " " 35,I68	average $ 36.90		$42,668

THIS GENEROUS UNITED WAY CONTRIBUTION ANNUALLY BY NEWARK WESTINGHOUSE EMPLOYEES WILL BE CUT BY ONE HALF IF THE CORPORATION TRANSFERRS ONE HALF OF THE REMAINING JOBS TO CORAL GABLES, FLORIDA.

THE BLOOMFIELD UNITED WAY IS LOSING $ 23,599 ANNUALLY BY THE SHUT DOWN OF CHEVROLET, LEHN & FINK, TUNG SOL, G.E. APPLIANCE SERVICE, M.G.M. RECORDS, A.P. SMITH, MC KIERNAN-TERRY, CHARMS CANDY & FOUR SMALLER FIRMS.

From RICHARD A LYNCH 201-338-9792
25 ATLANTIC TER
BLOOMFIELD NJ
07003

AIRCO Welding Products
575 MOUNTAIN AVENUE, MURRAY HILL, NEW JERSEY 07974 · TEL. (201) 464-8100

B. J. WERNER
PRESIDENT

January 18, 1979

The Honorable Harrison A. Williams, Jr.
Chairman, Committee on Human Resources
Washington, D. C. 20510

Dear Senator Williams:

Although I regret that because of previously scheduled meetings I will not be able to accept your January 9 invitation to appear and personally testify at the Senate Labor Subcommittee hearings in Newark on Monday, January 22, I have prepared the following statement, which I hope will be constructive assistance in your deliberations.

Perhaps the best starting point is to give you a brief summary of Airco's operations and involvement in New Jersey. Airco is a diversified company with annual sales just over one billion dollars. We have nine operating divisions which manufacture and distribute the following: industrial gases, cryogenic fluids and systems, welding and cutting equipment, ferroalloys, carbon and graphite products, medical gases and equipment, carbide-acetylene, electronic components and vacuum products.

In New Jersey, where our corporate headquarters is situated (Montvale), we have facilities in some 14 locations, and have approximately 1800 employees with an annual payroll of over $37.4 million. Airco has in New Jersey a total invested capital of nearly $46 million (includes land, building, inventories, trucks, etc.). This includes a just-completed new headquarters building in Murray Hill for two of our divisions (Industrial Gases and Welding Products). This new building, which provided several hundred construction jobs over the past two years, is itself assessed at well over $6.5 million. Our New Jersey corporate income and franchise taxes plus property tax (but excluding N. J. sales taxes) totaled approximately $1.2 million in 1978. In addition, our employees paid N. J. payroll deduction taxes of over $700,000.

I think the above summary shows we play a significant role in the economic, social and civic well-being of New Jersey and its citizens.

However, having provided you with a general overview, I recognize your subcommittee's interest is more directly focused on my Welding Products Division announcement in October, 1978, stating that we are closing our Union, N. J. manufacturing facility, affecting approximately 280 hourly people.

This decision was reluctantly reached after a thorough analysis of the conditions which have made this facility only marginally profitable during the past several years. We recently moved some 400 of our divisional headquarters staff into a new building, and this relocation still further significantly reduced the economic justification for retaining the old plant.

I would like to stress that more than 75% of the 280 affected employees are vested in the company's pension plan and that all eligible employees will receive severance pay as provided for in the current labor agreement. Additionally, Airco will provide every reasonable assistance in helping those employees seeking new employment.

I also would like to emphasize that the facility is expected to continue to operate on a full-time basis through the end of 1979, and we very likely will further continue on a gradual reduction through the first quarter of 1980.

As you may know, we are in final negotiations to sell a building complex previously occupied by the divisional staff, and it is our sincere hope that the new owners will provide additional employment in the community. It is anticipated that the remainder of the facility will be sold to a buyer with comparable employment needs.

As earlier stated, our decision to close the Union, N. J. plant (which produces welding and gas apparatus equipment) was based on a very thorough analysis. Among other findings, it showed we would realize significant cost benefits by the additional transfer and merging of arc welding equipment production from the Union plant to our division's Chicago plant, which already produces similar products.

In the gas apparatus area, we concluded that only a completely new manufacturing approach would provide the cost benefits vital to recapture our competitive position versus other gas apparatus producers who already had taken similar steps to reduce their manufacturing costs substantially. Since this manufacturing approach permits the use of a smaller, modern plant and a less skilled labor force, a search was conducted for a suitable location and Virginia Beach, Va., was selected.

I sincerely hope we have been fully responsive to your letter and that the foregoing information will be helpful in enabling your subcommittee to arrive at well-reasoned, constructive conclusions.

If you would like any further specific information, don't hesitate to contact me or our Industrial Relations Director, Bob Mayers, directly at 201-464-8100.

Sincerely,

BJ Werner

B. J. Werner, President

BJW:jw

The CHAIRMAN. The committee stands adjourned.

[Whereupon, at 2:06 p.m., the committee adjourned, subject to the call of the Chair.]

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