

ON THE WATERFRONT, REVISITED 1978

-by-

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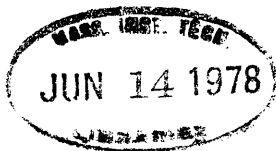
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SUBMITTED TO THE SLOAN SCHOOL OF MANAGEMENT  
ON MAY 26, 1978 IN PARTIAL FULFILLMENT OF THE REQUIREMENTS  
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ABSTRACT

Acme National is a small company located in the New York Metropolitan area. From its single facility, Acme engages in dry and cold warehousing, and real estate. Serious and continuous labor problems plague Acme on a day to day basis. These, coupled with severe financial problems, a paucity of managerial talent, and changes within each of the three industries that Acme is involved in call into question the long term viability of the operation.

The tone of the relationship between the teamsters (who represent most of Acme's employees) and management is characterised by both parties as being the most hostile in many years. The union perceives the management as both inept and unwilling to fulfill contractual obligations, while the management perceives the union employees to be unproductive and unwilling to participate in the creation and implementation of solutions to the many problems whose continued existence would force the company out of business.

The purpose of this paper is to describe some of the problems currently plaguing the operations of Acme, examine the probable sources, and suggest some of the potential solutions. The facts of the case have been altered only to preserve the companies true identity.

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This thesis is dedicated to my mother, who had the strength to see me through all of this.

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## INTRODUCTION

Acme National is a small company located in the New York Metropolitan area. From its single facility, Acme engages in dry and cold warehousing, and real estate. Serious and continuous labor problems plague Acme on a day to day basis. These, coupled with severe financial problems, a paucity of managerial talent, and changes within each of the three industries that Acme is involved in call into question the long term viability of the operation.

The tone of the relationship between the teamsters (who represent almost all of the employees of the company) and management is characterised by both parties as being the most hostile in many years. The union perceives the management as both inept and unwilling to fulfill contractual obligations, while the management perceives the union employees to be unproductive and unwilling to participate in the creation and implementation of solutions to the many problems whose continued existence would force the company out of business.

The fact that other companies conducting business in each of Acme's three business areas have remained successful leads this author to believe that the major causes for this company's disastrous performance over the past three years are internal.

The real estate market that Acme National participates

in is a regional market. Commercial occupancy rates that started declining in 1972 reached a 25 year low by the end of 1975. This shift impacted upon Acme's operations in two very important ways. Until 1975, Acme's real estate operations consisted of the leasing out of approximately 75% of the facility that they operate to various tenants. Because of depressed market conditions that existed, Acme found itself unable to rent major portions of the facility at what they considered to be reasonable rates. Other realtors were so desperate for tenants that the going rates for commercial space did not allow Acme to attract new tenants, and in some cases didn't even allow them to keep older tenants whose leases were coming up for renewal. The largest tenant, who had been in the facility for almost 45 years was lured away. This single tenant had provided 30% of the entire rental revenues. Management refused to re-rent the vacant 500,000 square feet because the long term costs of entering into a lease at the then current rates seemed prohibitive. This led to the decision to operate the newly vacated space as a dry warehouse. In retrospect, this turned out to be a very difficult course to embark upon because, during the start up of the new operation, the company's total revenues were reduced rather substantially (due to the loss of the tenant), and expenses for the additional labor and equipment increased costs.

Normally such a move might be financed through additional debt. Acme is a personal holding (as opposed to a corporate entity) of a private individual whose major business is real estate in the New York area. Because he was experiencing the same depressed market conditions, but on a much larger scale, and also due to the generally tight money market at the time, the option of additional financing was not open to Acme.

The recession of 1974 led to one of the largest drops in inventories on a national basis during the post war period. Because much of public warehousing (1) depends on either overflow from private warehouses or seasonal products, inventory levels tend to fluctuate much more than in the private warehouses. This is analagous to the greater fluctuation in spot prices for oil tankers vs. long term contractual rates.

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(1) A public warehouse is distinguished from a private or dedicated warehouse by the nature of its clientele. It is not uncommon for a public warehouse to have many thousands of customers that store freight with them, but at any point in time only a fraction of the accounts would be active. On the other hand, a private or dedicated warehouse usually services only one client or product line, and many times the warehouse will be owned or operated by the organization that owns the products that are stored within. Additionally, many dedicated warehouses are not considered profit centers if they are part of the company that manufactures and distributes the products they are handling. Most large corporations, and many of the larger supermarket chains have private warehouses exclusively for their own products- and in many instances for only a single line of their products.

General market conditions, and public warehousings' traditional sensitivity to those conditions did not combine to create an ideal setting for the start up of a new dry warehouse in the New York area. By 1978 the dry warehouse was still not operating at a profitable level, but as was suggested earlier, this may have more to do with the overall problems that are afflicting Acme than specifically with the dry warehousing industry.

Finally, in late 1974 Acme encountered severe problems due to unsanitary conditions in the freezers and coolers resulting in the closing of the refrigerated portion of the warehouse and quarantine of affected merchandise by the Food and Drug Administration. Since 1970, Acme's refrigerated warehouse has primarily handled large quantities of dairy products, fresh and frozen fruits, and canned meats. The majority of these products were imports. Because of the scarcity of dairy products in this country during 1972 and 1973, the Nixon Administration started relaxing many of the import quotas on dairy products. By late 1974 Acme was literally swamped with so much dairy business (running at 115% of capacity) that the freezers and coolers were overflowing into the aisles and loading docks. Due to the tremendous activity, people didn't make time to take the needed sanitary precautions, and so the stage was set for the FDA debacle.



By early 1975, Acme was still reeling from the negative effects of the shutdown. These included a loss of business, destruction of a reputation, and lawsuits by old , but angry customers. To make matters worse, there was a growing surplus of dairy products within this country, and quotas were again being raised. Parenthetically, by 1977 the dairy quotas were back to the levels that they had been preceeding their relaxation in 1974.

Partially in response to all of these problems, a new management team was installed during late 1975. Although during the tenure of the current management revinues have grown at a healthy rate, costs have unfortunatly grown even faster resulting in a \$1.6 million cash flow loss last year.

The purpose of this paper is to describe some of the problems currently plaguing the operations of Acme, examine the probable sources, and suggest some of the potential solutions. The facts of the case have been altered only to preserve the company's true identity.

There are three major sections to this paper. At the outset I position the current operations in an historical context. This is followed by a description of Acme and its problems today. Finally, I offer some reasonable solutions to the many problems plaguing the company.

My focus is on the labor management relationship at Acme, but the labor problems are so inextricably linked with

the other problems affecting Acme's operations that an understanding can only be fostered by including an analysis of the greater problems affecting the company.

Most of the information about Acme was obtained from on-site interviews conducted by the author with selected key actors who are either present or past employees. Also, many of the people chronicled in this paper have been personal acquaintances of the author which has served to enrich the analysis.

## BACKGROUND

## a) The Facility

Acme National operates a waterfront facility located in the New York Metropolitan region. Able to service water, rail, and other overland forms of transportation, the facility was one of the largest of its type when built during the early depression years. Large even by today's standards, the complex is actually ten separate structures all interconnected by a common enclosed quarter mile long two lane road. The facility was designed to handle up to thirty railcars, three ocean going ships, and eighty tractor trailers simultaneously. There are approximately three million square feet of floor space within the facility, and almost as many cubic feet of separate freezer and cooler space.

Originally built as a major facility for a national railroad, Acme National has been owned by a private individual for the last twenty years. During the years of operation by the railroad, there were as many as 5000 thousand people employed at the facility. Although Acme National now employs less than 80 people, a large portion of the facility is now operated by independent tenants, bringing the total number of people working in the complex to just under 600. As the business within the facility changed, so did its appearance. Gone are the luxury and

specialty shops as well as the restaurants that used to line the enclosed roadway. In earlier times, the roadway was always waxed, the paint fresh, and the complex immaculate. Oceangoing ships that once graced the piers for the loading and unloading of international freight have all but disappeared due to the trend toward mechanization for which only the larger port facilities are designed. (2)

b) The Owner

The owner of the facility has spent less than one hundred hours there since he assumed ownership. He has maintained frequent contact with the managers of Acme, but his major exposure to the operations comes from the flow of financial information. Although Acme is only a small part of the owner's business endeavors, during recent years it has required a disproportionate amount of his time.

Having been able to build a rather substantial empire from nothing to one with a combined gross value in excess of \$300 million over a thirty year period, the owner has been exceptionally successful without ever developing a pool of

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(2) Compared with twenty years ago, cargo ship are many times as large, and sevicng these ships is much more complicated. Whereas ships used to be unloaded with simple cranes and lots of labor, now they require huge complicated machines because of the large containers in which much of the freight is shipped. This type of machinery can only be housed at the very large waterfront facilities.

managerial talent- or a respect for traditional management techniques. Both because of the nature of his primary business activity (real estate), and the owner's independent spirit, he has almost singlehandedly built this amalgamation of enterprises. In his offices (as opposed to those of Acme or its "sister" company-Redbank Warehousing Inc.) where 95% of all activities are controlled, he retains sole authority over most major decisions. Having never perceived the need to build an "organization", the owner runs an office that has grown tremendously over the years in what, at best, could be described as a haphazard fashion. Because of the owner's almost instinctual dislike for formal management structure, employees working directly for him have expressed dissatisfaction with what is perceived to be a tremendous amount of arbitrariness in his decisions. This has often lead to disillusionment among many of his key employees. On the other hand, for those who have stayed, they have often times found a large amount of flexibility in their jobs because the lack of organization is such that, almost by default, a person can often do what he wants to do. With the exception of two notable cases, almost all of the employees that work directly for the owner feel that they are underpaid and as a result perceive their jobs as an unparralled training opportunity, but not something for the long term.

Ken Olsen, President of Digital Equipment Corporation, has often said that one of the perceived benefits from selling most of the equity capital in the infant Digital Equipment Corporation of 1957 was the separation that occurred between ownership and management. The top management was no longer in the position, after the sale of most of the equity capital, to regard expenditures as coming directly from their own pockets. This allowed them to objectively assess the value of expenditures on such things as salaries, perquisites, and facilities.

Although the owner of Acme never even attempted to foster that kind of separation by delegating major authority to his employees, he has been extremely successful, from a financial perspective. What has been lost, however, is the ability to attract and keep top quality managers. The one or two notable exceptions to this have been in cases where, although reporting directly to the owner, the individuals have 1) maintained physical distance by having their offices located at the operations for which they were responsible, 2) forced the owner to relinquish some of his authority over their operations, and 3) maintained a "levered" position by always having options to work with other organizations-allowing them to demand what seems reasonable from the owner, and making it clear that they would leave if certain conditions were not fulfilled (such as salary).

The tremendous financial success enjoyed by the owner has brought much publicity to him and the few associates with whom he has been involved with over the past years. Not all of the publicity was flattering, and at best, only a portion of the negative publicity was undeserved. At the same time that the press was seeking to sensationalize his phenomenal success, it also sought to uncover various problems and practices within the empire.

In the same way that television executives are often still amazed at the public outcry when it became known that the game shows were rigged in the late fifties, a practice that was common knowledge among everyone within the industry, the owner of Acme National has always been appalled at the bad publicity he received over the years. The major difference is that the practices that he engaged in were not universally employed, but rather were performed only by those willing to take the inherent risks. Delinquency in tax payments, negligence in building maintenance, and reputed ties to the underworld were all claims of the press. Although a number of local and state government agencies did extensive investigations and never were able to substantiate any of the claims about ties to the underworld, the owners strict policy of silence to the media seemed only to confirm these allegations in the public's mind. Because, for a number of reasons, the owner

has severed ties with his former associates, and at the same time reduced the number of properties in a move to greatly upgrade his real estate portfolio, he should receive much less publicity in the future.

Both the owner's operational style and his publicity have had tremendous impact on Acme over the years. For the union, the main impact has been to believe that "the big man in New York" has lots of money and so he should be able to afford whatever demands are made. From the point of view of the top management at Acme, they have in the past been told to do things that they felt were not in the best long term interests of Acme, but nonetheless, did it because, in the final analysis, the owner is the boss.

c) The Management

The management that assumed responsibility for Acme when the present owner bought the facility in the late fifties made a rather drastic change in the operations. Rather than retaining operational control over most of the facility, they subdivided it into many units and leased out much of the complex to approximately forty tenants, retaining only the freezers and coolers to operate themselves.

Five years ago there were four men in top management. At that time the President had been with Acme for over fifteen years, and the three Vice Presidents had been with



the company for an average of well over ten years. One of the Vice Presidents handled the bulk of the real estate work (such as leasing) while the other two informally shared operational control- one specialising in finance and the other in sales. Up until that point the management perceived themselves to be, and were perceived by the owner, to be reasonably successful.

From the owners point of view the investment in Acme had really paid off. Originally purchased for \$500,000. in cash, with the assumption of a \$4 million mortgage, the owner had been able to pull close to \$500,000 per year out until 1971 when he was able to completely refinance the company. This refinancing netted close to \$5 million in cash to the owner. He did not feel that the additional burden of the refinancing would be excessive because the value of the new total indebtedness was still only 40% of the \$25 million offers that he had been recently receiving by parties interested in purchasing Acme. From the management's point of view, they felt the excess burden from such a large mortgage would be too much to carry with comfort. This was one of the many issues where the management really came head to head with the owner. Although it was just possible at the time to cover all of the payments of such a mortgage from the approximately \$3,500,000. in revenues, the management knew that such a

move signalled a hand to mouth existence for many years to come. Having debt service increase from approximately 12% to 30% of revenues placed such strains on the finances that management was forced to cut all expenses and wherever possible stretch payments of bills. Although it had always been a company policy set by the owner to delay tax payments as long as possible, by 1972 the company owed more than four years of property taxes to the local government. Maintenance was reduced even on essential machinery and the facility fell into an even greater state of disrepair. Under such circumstances the possibility for a healthy amount of job satisfaction for the employees of Acme was beginning to recede into the past. The management seems to have adopted a rather fatalistic attitude. Looking back over those years, the then Vice President of Finance (who is no longer with Acme) remembers that management simply got tired of fighting with the owner over what was best for the long term prospects of the company. By that point in time (around late 72) they were beginning to perceive their task as running the company into the ground at the owner's request. The owner very clearly did not see the situation in the same light, but by not acknowledging or providing support for the many problems that the management was starting to have with the finances, he simply pretended that management was beginning to lose or had already lost their

ability to manage effectively.

The spirit of the company seems to have drifted slowly down hill until late 1974 when the freezer operation was closed by the FDA due to unsanitary conditions. The closing of the warehouse shattered whatever reputation the warehouse had been able to maintain. By most accounts, 1974 was a tough year for the company. In the summer of that year, the General manager had been fired because he was suspected of stealing from the company and extracting payments from drivers who wanted their trucks unloaded. During the early fall the Vice President in charge of Real Estate had died from a sudden heart attack. Finally, by the end of the year the President was fired after it had become apparent to the owner that he had been drinking excessively, and had in fact been an alcoholic for the previous two years.

Ironically, while moral was at a low point, revenues from the operations rose to an all time high in 1974 of \$4 million. The company did in fact show a rather substantial profit, and looking back, it is obvious that the profit was mainly do to the 115% utilization of the refrigerated portion of the warehouse. (3)

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(3) Because Acme is a personal holding rather than a corporate entity, funds have always been shifted to the owners other operations so that Acme very rarely posted a profit- on which income taxes would have to be paid. For this very reason it was difficult to gain any real insight

Acme started the new year with only two remaining executives, a new General Manager who had little likelihood of working out satisfactorily, and a closed refrigerated warehousing operation. Feeling that the owner would never acknowledge his responsibility for the problems plaguing the company, the Vice President of Finance left Acme in late 1975 to work with another company in the industry.

Still believing that there was a tremendous amount of potential for Acme, the owner asked the head of Redbank Warehousing Inc, another business which he owned, to add Acme to his other responsibilities. The President of Redbank was, and is, one of the few highly competent managers who have stayed with the owner for more than a few years. Over the twelve years that he has run Redbank, the company has grown from one warehouse to five, increasing revenues more than six times. Assuming responsibility for a sinking ship was not an easy decision, but the potential rewards (both psychic and monetary) seemed to be worth the risks. Redbank took over Acme in December of 1975. The Vice President of Sales was asked to remain, while an employee of Redbank was transferred to Acme to become Vice President of Operations and Finance. The President of Redbank became the President of Acme and has since devoted

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from past financial data- on those few occasions when it was able to be located.

approximatly 40% of his time to that entrprise. Where previously there had been four top executives of the company, there were now two full time executives, and one part time chief executive.

When the new management team took over in late 1975 (including some other people from Redbank as well- such as one foreman and a part time consultant) they found a sinking ship. Financially, the company was a disaster. Acme was strapped with what then appeared to be a ridiculously high mortgage, lower revinues because of the loss of business precipitated by the FDA shutdown (the warehouse had soon reopened but the company lost many old accounts), tremendously high product claims relating both to the FDA debacle and also an increased rate of pilferage among the employees, the prospect of a further revinue loss from the impending move of a \$60,000./month tenant, and finally, threats of being placed in receivership if back taxes were not soon repaid. A least with respect to the back taxes, a plan was worked out with the taxation authorities to stretch repayment over the next two years, at which point Acme would be current. But even with such a plan, the yearly payments came to almost \$720,000. When one adds this amount to the yearly mortgage payments of \$1,100,000., this accounted for fully 45% of the year's expected revinues. When one adds the immediate repairs on the neglected physical plant that

were necessary, and the many other things that management felt were needed if the operation was ever going to survive, it is not hard to understand why the operation ran a deficit of almost \$800,000. in fiscal 1976 and an even more astounding cash flow loss of \$1,600 000. in 1977!

As if the financial problems were not enough, management was strapped with a labor contract that ran through June of 1978. The actual contract was never signed by the union, but both parties signed a letter of agreement covering most of the provisions in the unsigned contract. This contract was one of the last things that the previous management had worked on and in the eyes of the new management the contract was clearly a "sucker's contract" meaning that they perceived it to be clearly advantageous to the union.

The other major problem that management was faced with was the impending move of the facility's major tenant. Management didn't feel that they could ever rent the space given the then current real estate conditions in the area for anything close to the amount they had been receiving. The decision to operate the 500,000 square feet as a dry warehouse was made, but it was realized that there would be an immediate loss of \$60,000. per month in revenues, and that these would only be reproduced after an initial start up period while the space was being filled with merchandise-

if at all.

By their admission, management may have been a little overly optimistic when they first came in. There have been so many problems that the operation has basically been run on a day to day basis for the past two years. Although the President has some notions of where he would like to see the operation in the future, few others in the company have been able to remove themselves far enough from the day to day problems to get an overview of where it is that the company is, or should be going.

d) The Labor Force

With the exception of management, clerical workers, and the three engineers, all of the employees at Acme are represented by a local of the International Brotherhood of Teamsters. While the engineers are members of another union, the office personnel have no union affiliation. The particular local of the Teamsters represents 20 other sites, all within a fifteen mile radius. Because of the varying size of the other plants under the local's jurisdiction, Acme's employees account for approximately 10% of the union membership, and are currently the largest unit within the local. Since Acme is also one of the older companies represented by the union, it should not be surprising that many of the officers of the union have been former employees

of Acme. The current Secretary-Treasurer of the union previously held the position of shop steward at Acme, and this was also true for his predecessor. (4)

The current shop steward, who is also the header for the facility, has filled that position for the past eight years. In almost all cases where the management wants to confront the union on an issue of contention, it is this shop steward along with six other individuals that collectively see the management. The six other people include the Secretary-Treasurer of the union and the "committee" of five elected representatives of the union employees. The union members openly acknowledge that this system of "seven" was devised as a safeguard against any one or pair of individuals becoming too powerful. Management interprets the existence of the committee of "seven" as confirmation of their belief that union members don't trust each other. Any time a grievance is aired between management and the union, it is these seven people who form

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(4) As is true in many locals of the Teamsters, the position of Secretary-Treasurer is the seat of power within the local union. Although there is also a President and Vice President of the local, neither of these two men are considered principle officers of the union. Additionally, the Secretary-Treasurer and his secretary are the only paid full time employees of the local. Should the Secretary-Treasurer leave his position, it is highly unlikely that he would be succeeded by either the President or the Vice President, but rather his successor would probably be one of the more popular shop stewards in the union.



the representative body of the union, and it is these seven people who also bargain for the union during contract negotiations.

Still very much in effect is the old practice of shaping up daily, in which the company specifies before opening how many people it wants to hire for that day. At opening time (usually 8:00 A.M.) this number of men is hired from the group who are present at that time. The hiring is done on the basis of seniority, with the people having the most seniority hired first. (5)

Warehousing is one of the few remaining industries where the practice of shaping can be observed on a daily basis. Even within the industry, there is only a small percentage of companies which still shape on a daily basis, and these companies are mostly found on the coasts or near major waterways. In former years the practice was more popular for two reasons. (6) During earlier years when the

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(5) There has been an on-going debate between the union and the management over the exact order of the seniority list. Theoretically, the list is constructed on the basis of the first day of employment at Acme. Management cites a number of individuals who are misplaced on the union's version of the list, according to management's employment records. Rather than ever refuting the charges the union simply avoids the issue by claiming jurisdiction over the list.

(6) An analysis of structural changes within the industry performed by looking at labor contracts would not fully reveal the extent to which the practice of shaping has diminished over the years. Rather than changing the traditional format of labor contracts which included the

distribution and communications systems within the world were less well developed, the ability to schedule business activity days and months in advance was greatly reduced. This factor, combined with the greater degree of labor intensity found in almost all phases of the physical distribution of goods created tremendous variability in the labor needs of a business. Before the advent of computerized car control on the railroads, advanced forms of communications for ships at sea, and the almost instantaneous order processing capabilities of the telex, companies in the industry could only guess within days (and sometimes weeks) as to the actual time of arrival for goods shipments. Before the advent of the many forms of mechanization now employed at different points along the "distribution system", tremendous quantities of manpower were required for the handling of freight. The unexpected early or late arrival of a ship would alter a terminal's labor needs tremendously. An example will help to illustrate: 25 years ago a large ship might have had a capacity of approximately 5000 tons of freight. Such a ship

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shape, managements tended to leave the shape on paper. For many of those companies that have the shape on paper, it does not really exist because they are hiring the same exact work force on a daily basis, and when a specific individual is absent the company generally will not hire a replacement for that individual for the day. This is very definitely not the case at many piers in this country where the labor force still fluctuates on a daily basis.

could conceivably carry 75,000 bags of raw coffee. To unload the ship, reload the coffee onto trucks, unload the trucks at the warehouse, and finally store the coffee into the warehouse was an operation that could have conceivably taken 5800 man hours. (7) By comparison, such a sequence of operations might require only 1000 hours today.

In a private or dedicated warehouse (unlike Acme which is a public warehouse) there is generally a smaller fluctuation in labor needs, and when and if those fluctuations occur, they generally are on a seasonal basis instead of on a daily basis (e.g., a large supermarket chain's distribution facility would probably have very little fluctuation in its labor needs, whereas a warehouse that handled construction materials would probably have differing labor needs depending on the season).

At Acme, on the other hand, there is less opportunity for scheduling the work force weeks in advance. As a public warehouse that stores over 5000 different products (including frozen peas, printing presses, photographic paper, copper ingots, bales of spices, and 55 gallon drums of apple concentrate) it is very hard to project future

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(7) This estimate was given by a current employee of Acme who has worked within the industry for over thirty years. He cautions that such an estimate might differ by as much as 25% depending on which major port the example was based on.

product mix or activity. From management's point of view, the shape has two very tangible benefits. Not only does management have the daily option of how many people it wants to hire, but it is always assured that it will be able to hire exactly the number that it wants to on any particular day. Unfortunately, the question is not: "What are the benefits from the shape?" but rather: "Are the costs too high?" With a shape, if a person only wants to work a four day week, so be it, he just doesn't shape on the fifth day. His only loss is that fifth days pay, and in many cases he won't even lose the pay because of the liberal benefits in the labor contract that might allow him to call it a sick day or holiday if he so chose. The next time he wants to work, all he has to do is shape, and if he is high enough on the seniority list, he is virtually guaranteed work on that day. (8)

It is not hard to understand why the company would prefer the same people to perform the same jobs every day. While working at the same job or location, a person learns the special handling requirements of products in the area. He also learns the locations of freight (which are changing all the time), and in a warehouse that still maintains its

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(8) His seniority, as currently defined, is not based on the number of cumulative hours that he has worked, but on the first date that he worked for Acme.

inventory manually, this is very important. Finally, people naturally tend to become somewhat protective of something that they feel is in some way "their own". In the warehouse, this translates into people making sure "their freight" is carefully stored, and all accounted for. It has not been uncommon for employees who feel that they are responsible for a section of the warehouse, to be able to quote daily the exact piece counts for over two hundred products! By contrast, with a person who is unfamiliar with the freight he is handling or with a person in a new location, there tends to be more damaged freight, longer retrieval times for stored freight, and more losses due to pilferage, and theft.

The union, as well has interest in maintaining the shape. In the past, a union member has had to work only 24 days in a quarter (out of a potential 65) to be covered by the union's pension and welfare plans. (9) The union has

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(9) Two of the issues which are currently confronting the two parties during the contract negotiations is the eligibility requirements for the pension and welfare plans, and the actual plans themselves. Management has arbitrarily made a new cut-off point of 48 days rather than the historical 24 days as a means reducing absenteeism. Additionally, the current pension plan has an unfunded liability of \$22,000,000. that is growing at a rate of almost 10% per year. Management has notified the union that it no longer wants to participate in the union's pension plan, but would rather create a new plan that would give employees a larger pension, vest them in the plan earlier, and all at a reduced cost! Because of the "higher" mathematics involved, the union has not believed the

effectively had many more dues paying members than it would have if the shape was replaced with a stable work force.

Over the past six to eight years the management has vacillated between wanting to maintain the shape because of its inherent flexibility, and wanting to abolish the shape because of its perceived high cost. During any discussions with the union over abolishing the shape, and replacing it with a guaranteed minimum work force, the two parties have never been able to agree on the size of the guaranteed force. In essence, Acme would want the guarantee to go both ways, meaning that Acme would assure x amount of people employment, but these people would be obligated to show up for work. In contrast to the present situation, an employee's absence would be cause for dismissal if it happened often enough.

Another of the major issues that are currently being discussed at the contract negotiations is at what point seniority stops. Past practice has been that a person was both hired and placed in a job on the basis of seniority. Because the most senior men can bid and get the jobs that they want, it has often times been the case that the person filling a job is not the most qualified, but rather the one with the most seniority.

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management's claims and still wants to continue with the present plan.

Currently there are 11 job classifications, and these are listed in Article XX of Appendix 1. With the exception of maintenance men and porters (there are only 4) there are only four classifications, but for each classification there is a \$.135 per hour differential if the job is performed in the coolers as opposed to the dry warehouse. These four jobs are; header, checker, hilo driver, and laborer. The laborer, for obvious reasons, is the least desired job among the men, and also the lowest paid of the four. (10) Although the checkers and hilo drivers are paid at the same rates, their jobs are really quite different in a number of ways. The best hilo drivers can be four times as productive as the worst, and their skills can be easily, and quickly determined. On the other hand, it may not be until weeks after merchandise is checked into or out of the warehouse that a checker's mistakes will be noticed. Because there is usually a trucker that also signs the checker's documents, mistakes that are made in the favor of the warehouse will usually get noticed by the trucker, but those that are in the favor of the trucker will not be brought to the checkers attention (for obvious reasons).

The functions of the header have been changing over the

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(10) It should be noted that the difference between the highest pay category and the lowest is only \$.50 per hour, and when the maintenance men and porters are removed from the list, this differential narrows to \$.20.

past few years. Originally, the functions of the header were theoretically similar to those of the current foremen. Historically, the header for the cold storage operation has also been the entire facility's shop steward, and this is still the case. When Acme also was unloading ships from its piers, there was be an additional and temporary header assigned to that operation. The header was the valve thru which management would funnel all instructions to the labor force. The header would assign all of the union employees to their jobs for the day, and with the General Manager of the facility, he would plan the upcoming work. Although the union employees knew and had contact with the General Manager, they felt that they were primarily responsible to the header. It would have been a rare occurrence for the General Manager to order any of the men to do anything. For all intents and purposes, the header was a manager that carried a union badge. As a result of this set up, he was uniquely able to sit on the fence that delineated the union from the management.

There has been a dramatic shift in this relationship over the past seven years, and it is only conjecture as to which of the following factors was the most important for the shift. In 1970 over 50 of the top 70 men on the seniority list had worked for the company for over fifteen years. A substantial portion of those 50 men had been with



the company for over twenty years. Thirty of these men have retired since the beginning of this decade, and the employees that have replaced them are younger, more militant, and less concerned with the commercial success of Acme. Ten years ago, a majority of the employees would have been concerned with the unsanitary conditions that existed in the freezer, and might have, even on their own, taken steps to clean up the freezers. During the shutdown in 1974, many of the younger employees openly expressed satisfaction from this disaster, and had they known about the conditions (which is very probable) they would never have done any thing to prevent what did, in fact, happen.

Pilferage and theft has grown by a factor of ten in as many years, and this could only happen with collusion from the employees. It is certainly possible that some of the foreman are involved with the thefts as well, but even the Secretary-Treasurer of the union considers this unlikely.

To blame the reduction of productivity and increased rates of pilferage and theft solely on the changing composition of the labor force would be naive. Clearly, at least another major factor is the story which has been told above. Inadequate machinery, a facility in disrepair, and many changes in the management all are important factors as well.

As the changes in the labor force were occurring, the

header found it increasingly difficult to maintain a seemingly neutral position because he was also the shop steward, and therefore the representative of the union employees' interests. The number of conflicts between the union and the management were growing, and this caused many strains between the header and management. Management no longer felt comfortable having the header vested with his traditional responsibilities. Their response was to start adding foreman in the warehouse that would now fulfill some of the functions that the header previously fulfilled. In 1970 there were two managers for the physical complex- one of which was the General Manager, and the other who was basically assigned to be a trouble shooter for simple problems along with part time responsibility for maintaining the complex's security. Although it is difficult to compare 1970 figures with those of today because job definitions have changed, and the company is also now operating a dry warehouse, there are now nine outside foremen or managers vs the two then, and the labor force has only increased on average, by 20%.

Rather than leading to increased control, productivity has declined and claims for damaged or stolen merchandise have increased (this may be an unfair comparison because many things have changed along with this shift in managerial

structure) (11)

The Secretary-Treasurer explains that management lost even more control rather than gaining it by adding managers for the following reason: Not perceiving the need for formal organizational structure, the management never installed a strict chain of command. Although everyone knows who their immediate boss is, it has been unclear to them what their relationship with their boss's boss is and this is just as confusing as having no boss at all. This has led to many instances where a union employee has been told to do one thing by the header, and then within the space of the following hour, two or three managers have come up to the same employee and told them to do three completely different things. The Secretary-Treasurer maintains that such an arrangement simply gives his men the excuse to do nothing at all. Unfortunately, the header often sees this going on, and quite understandably derives a modicum of satisfaction from seeing the operation go around in circles. The fact that the most pivotal union employee, along with a

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(11) Productivity measures have never been used by the management at Acme, and generally are very difficult to establish in service industries. Because no satisfactory measure exists, one must rely largely on one's intuition that is built with experience. For this author, it was quite apparent during recent visits to the warehouse that productivity had declined from visits four years ago because the same type of railcars were now being unloaded in almost twice as much time.

majority of the other union employees, holds such an attitude may be the most revealing indictment of the current crises at Acme. Unless a mutual respect can be fostered between the two parties, and the tone of relations shifted from one of hostility to one of co-operation, it is highly unlikely that Acme will once again become profitable. Unfortunately, such a shift is only one of a number of prerequisites that must be filled before there is a turnaround in the operations at Acme.

## THE CURRENT OPERATIONS

In the minds of management, the two most pressing problem areas are labor relations and the finances. They realize that it would be to little avail to concentrate their efforts on sales because, until these two problem areas show improvement, Acme has little to offer customers in the way of services, and for those accounts that are active, Acme doesn't have the ability to handle them profitably. In fact, they don't know which way to turn, because, given the present state of affairs, the perception is that any increase in activity would lead to increased losses, but any decrease would lead to a reduced cash flow. But by maintaining the same level and quality of activities, the average number of days that bills are past due will inevitably increase from the already untenable level of 120!

While the degree to which Acme is financially crippled is known only to top management, the low levels of service that Acme has been providing and the tremendous quantity of thefts that have recently surfaced are becoming common knowledge within the industry. The following examples will help to illustrate how such knowledge becomes "public" within a close-knit industry.

For the past seven years, Acme has run a special operation during November and December to distribute turkeys for one of the areas largest supermarket chains.

Because of the tremendous volume of turkeys that this particular chain handles for the Thanksgiving and Christmas seasons, Acme runs a six day a week, twenty four hour a day distribution operation. This year, by the end of the Thanksgiving rush, Acme had already sustained losses due to theft of over 1500 turkeys, or an average of thirty-five turkeys per man involved in the operation. The account had already made an irrevocable decision to continue through to Christmas, and by that time, the losses had increased by another 30%. Such losses are easily five times the industry average for such an operation. (12) During the last week of the Christmas rush, employees were coming to work in states of such reduced capacity (due to both drugs and alcohol) on the midnight shift, that trucks were leaving the warehouse at 11:00 A.M. instead of the normal 5:00-7:00 A.M. During one of the last nights of the operation, a foreman was mugged in the freezers, and if the employees had not been so inebriated, he might have been seriously hurt. Not only was all of this relayed to the management of the supermarket chain by their truckmen, but, to add insult to injury, the chain's distribution department calculated that fully 50% of the trucks left the warehouse with the wrong orders. Rather than having 200 10-lb turkeys and 500 15-lb turkeys the

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(12) Even at five times the average, one can appreciate the size of the industry average!

truck might have been loaded with 700 assorted turkeys. In a number of cases, the total number of turkeys on the trucks was even incorrect. After four years of what the account considered declining service, they pledged never to return. While seeking a new distribution facility for this year's turkey operation, the chain inevitably relays these stories about Acme to its competitors.

Acme has stored the same type of imported hams continuously for the last three years. For reasons that have to do with Acme's inadequate inventory control methods, the management will not be able to get an accurate inventory count of the many hams (spread throughout its twenty-four freezer rooms) until the stock is completely run down. At that point it will become clear how many hams have been lost over that period of time either through misshipments or theft. Management was recently lead to believe that the losses will be rather substantial because reports have filtered in from well conected friends that over ten restaurants in the New York Metropolitan area have been offered the hams (for which Acme is the sole warehouse) at cut rate prices. For obvious reasons, this could only occur if the hams were stolen from the warehouse.

Finally, on March 15th of this year, a shipment of 5000 cases of stereos were received by the dry section of the warehouse. By mid April, a potentially very large customer

had removed all of his merchandise from the warehouse because in that one month period, 350 master cartons with a wholesale value of \$60,000. had disappeared! This list of thefts, is regrettably, far from inclusive. What makes the situation especially damaging to the warehouse, is that monthly storage charges are typically .01-.1% of the value of the stored merchandise. If the company pays claims for missing merchandise in full, they will potentially have to store 10,000 of the same items for every one stolen just to break even, and this is before operating costs are included!

(13)

a) Management Style

The current Vice President of Operations and Finance continues to be the most visible executive at Acme. Unfortunately, in the two and one half years since he has filled that position, he has been unable to generate the respect of many of the union employees, and at best, his relationship with the Secretary-Treasurer could be described

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(13) Although Acme carries insurance for theft, this historically has covered only 50% of the claims. Generally, for small claims the customers have not sued for the remaining 50%. For those suits that have been successful, Acme has had to pay the remaining 50%. Because of the many thefts in the past years, Acme's insurance company has begun to countersue Acme for negligence, which means in those cases which are successful, Acme is effectively responsible for 100% of the losses.



as lukewarm and solely on a professional basis. The author believes that this is only partially due to the quite natural level of conflict inherent in his position. The Vice President could not be characterized as having either an affable or outgoing personality. His Pennsylvania country background has little, if anything, in common with the lives of the union members, or foremen. His style of dress which often includes saddle shoes and club ties reminiscent of the fifties is a constant reminder of this to the men. In a dozen or more instances where the author was able to observe the Vice President attempting to "talk shop" with his subordinates, it was clear that the discussions rarely broke through a "shell of superficiality".

Perhaps management's most negative trait is perceived as a lack of consistency. Over the past two years the author has seen at least ten incidents where out of desperation (it was unclear whether management perceived it as such), a new policy was instituted where the institutional framework for implementation was never properly created, or, within a period of days, or weeks at most, the idea was quietly dropped after much fanfare about its importance. This lack of consistency creates little incentive for either middle management or the union employees to follow directions from "the tower". A few examples should suffice.

Over a period of a year, union employees, on an

increasing basis, engaged in the practice of clocking their friends in and out of the facility. This was done so that friends could come in late, leave early, or not show up at all without any loss of pay. When the Vice President found out about this, he was quite predictably incensed. Rather than assigning certain foremen to keep an eye on the clock, and also filing a written grievance, the Vice President simply started going down to the platform at break and closing time to personally clock the men out. For the three days that he did that, there was understandably a drop in the practice. By the next week, however, he was bored with clocking the men out, and he assumed that the "men had been taught a lesson". Unfortunately, by the following week, it was obvious to the author that the practice was once again in full swing.

Employees were told that if they came in either under the influence of drugs or alcohol, they would be immediately suspended. While the practice continues (at least until recently), few men have been suspended. In every case but one (where the employee had committed other offences as well) the union has forced the management, at the threat of a strike, to reinstate the individuals with back pay. In one especially notable case, a certain individual was almost completely incapacitated because of drugs, and he was directly causing the others on his team to do his work as

well as theirs. In what may be the only instance in the author's experience of the union members breaking the "street code" by complaining about the individual to management and asking for him to be suspended, the General Manager refused. Although it is difficult to imagine, the union member's esteem for management fell to an even lower depth. At that point, it seemed that all constraints had been removed from union activities. The appalling display of a lack of decisiveness allowed management to let a golden opportunity pass by.

Perhaps one more example will illustrate part of the problem. One night during the fall, the warehouse was working overtime and one of the hilo drivers ran into and damaged some freight. One familiar with a freight platform will know of the high speeds that forklifts travel at in such an operation. From the Vice President's point of view, he saw this particular driver run into and damage some freight, and without asking for an explanation he told the driver to clock out. The Vice President was not in the best of moods, as is often the case when he is out in the warehouse, and after the beginning of a protest by the driver, the Vice President made it very clear that he was uninterested in the drivers explanations, so he personally clocked the driver out. Apparently, from the driver's point of view, he could have either run over another worker (who

was in the wrong place) or run into the freight. Clearly he made the right choice under the circumstances. Similar incidents have occurred over the tenure of the current Vice President and collectively, do not create an atmosphere conducive to co-operation. I do not mean to lay all of the blame on this individual for poor relations at the warehouse, but rather simply to illustrate certain continuing practices which are not very constructive.

b) Contract Negotiations

During the last contract negotiations that occurred in 1975, management and the union never reached full agreement on all of the portions of the contract. The solution to the impasse was to leave the contract unsigned, and in its place, sign a letter of agreement that bound the two parties to the economic portions of the contract. Reproductions of these documents can be found in Appendices 1 and 2.

Neither parties have fulfilled all of the conditions set forth in the unsigned contract, and management, by its own admission, has rather creatively interpreted its obligations imposed by the letter of agreement. For instance, although not specifically spelled out in the unsigned contract, it has been past practice (that dates from a letter in the 60's) that union members would qualify for contributions to the Union pension and welfare plans in

any quarter that the employee worked at least 24 days. As was mentioned above, the management arbitrarily decided to change this requirement, beginning with all employees joining the firm in 1976, to 48 days. Management didn't feel they were going against the contract, because they interpreted "economic portions" as the dollar amounts, and not a description of who was eligible to receive those dollar amounts. There were only three people that were affected by this rule change, but the Secretary-Treasurer felt that this would be one of the two major issues during the current contract negotiations. He felt the other major issue would be wages. Inspection of the union's preliminary demands (dated May 1, 1978 and presented as Appendix 4) will show that wages and benefits were, in fact, the major contractual issues from the union's point of view.

Management has been planning for the current negotiations since December. In a rare display of planning, management asked the union to be prepared to begin contract negotiations by early March. In written correspondance dating back to January, management has repeatedly stated that it would not participate in the area wide negotiations. Rather than participating in the Inland Dry and Cold Storage Warehouse Industry of the Port of New York negotiations, as it had done in the past, Acme wanted to attempt to negotiate an individual contract. In the past, the only

difference between the contracts of the various members of the area wide negotiations were things that related only to the various individual members' warehouses (e.g., see Article XVIII of Appendix 1).

The union had verbally agreed to begin early negotiations, but it was not until May 1, that the union actually presented its demands. During a one day strike in early April, the management, the union, and their respective lawyers drafted a signed statement. As a condition of ending the strike (which was over the suspension of an employee) the parties bound themselves to begin negotiations within a weeks time. Management's proposals (presented as Appendix 3) were ready the next day. The Secretary-Treasurer employed such stalling tactics as not returning calls and pretending to forget that he had obligated himself to begin negotiations. When the author interviewed him in mid April, two weeks after negotiations were to have begun, he still professed to only have a vague idea about what his proposals would include. Although his office is located in the Acme complex (the local is a tenant of Acme's) he said that he still hadn't had a chance to "talk to the men and see what was on their minds".

Management very clearly perceives the outcome of these negotiations as crucial to any improvements at Acme. Although the proposals, as reproduced herein, cover many

different facets of the operation, they can be divided into three groups. The first group, which might include such proposals as 1, 4, 12, 22, and 25 are considered absolutely essential for a turnaround at Acme. These proposals cover such issues as a change in the union's jurisdiction over the tenants' freight platforms and elevators, management's rights to establish work rules, re-classification of job descriptions, shift to a permanent work force where employees are expected to work daily, and the abolishment of the practice where union employees bid for job assignments on the basis of seniority. This last proposal does not affect union employees' rights to be hired on the basis of seniority, but proposes a change in the way employees are placed at their jobs once they are hired. Proposals 2, 3, 8, and 15 are issues that management feels strongly about, but will not "fight to the bitter end" over. These proposals include changes in new employees' probationary period, amendment of hiring procedures, revision of vacation scheduling, and a shift to a new Pension and Welfare plan. Finally, proposals such as 7a and c, 16, and 17a and b were literally thrown in as irritants. The Vice President of Operations felt that the tone of the negotiations would best be set by originally making some ridiculous demands, so that when management backed down on demands for reductions in premium pay on the weekends,

prosed changes in jury duty pay, and sick day policies, the union would see the management in a light of reconciliation.

Management did not include any wage offers in its proposals because it preferred to confront this issue after all the others were settled. The union's wage and benefit demands were the same as those presented to the area wide negotiations, but the management proposals were all drawn up without the consultation of other industry associates. Although the union demands call for a 40% increase in wages over the next three years, there is little likelihood that they will get such an increase, or that they really expect it.

One of the more interesting aspects of the current negotiations is that management has decided to negotiate the contract without any outside help. The President of Acme has delegated most of the work on the negotiations to the Vice President of Operations and Finance. The President explains that, with his time constraints, he has had to let the Vice President "basically go it alone, and learn by his own mistakes". Here is a man who has only a few years of warehousing experience and far from a proven track record, negotiating his first contract with a group of people who have little, if any, respect for him, and who also have twenty years of negotiating experience! And it is on the outcome of this negotiation that Acme's future depends!



The major proposals from management deal with the abolishment of the shape- and shift to a permanent labor force, revision of most job classifications, withdrawal from the Teamster Pension and Welfare Funds, and abolishment of the union's jurisdiction over the tenant freight platforms.

(14)

There were two major reasons for management wanting to abolish the job classification system. Because of the eleven classifications (see Appendix 1, Article XX) many employees are paid at different rates for each day of the week. The processing of such a payroll is very expensive and complex. More importantly, however, by having all employees (with the exception of the header and maintenance men) being hired as "warehousemen", management will gain a tremendous amount of flexibility. Currently, checkers and hilo drivers feel free to refuse to touch any merchandise with their hands. What is rather ironic, is that many of the same people who refuse to touch the merchandise, are often hired as laborers. (15)

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(14) The charges that tenants must pay for freight handling, which are in addition to rent, are usually 50% higher than what the tenant would have to pay his own labor to get the job done. For prospective tenants this has been a major deterrent.

(15) Paragraph XXIIa of the unsigned contract specifically states that freight handling work can be done by checkers and hilo drivers- but then again, the contract was unsigned.

The author has seen a number of instances where a hilo driver has been driving his machine recklessly, and merchandise has fallen off. Usually, the driver will refuse to touch the freight, and a laborer working elsewhere will have to stop doing whatever it is that he is doing to come over. This would force a second hilo driver to stop what he was doing because he would need a laborer. Finally, the first driver will generally just sit on his stalled machine waiting until all of the freight is picked up.

Other times, the author has seen men refuse to work on a railcar with less than a crew of four, consisting of a checker, laborer, and two drivers. The work that is produced by such a team can usually be reproduced by a pair of men who do their own checking, and laboring. Because, in this case, the railcars that are being referred to, are for tenants, the checker is unessential because the tenant rechecks the freight anyway. But men will still not work without four people. When the union members were asked "where it was written" that there had to be a team of four, they said that it was a contractual agreement. Although the foremen also thought such a rule stemmed from the contract, scrutiny of the last nine years' of contracts revealed no such provision.

By the third week in May, the negotiations between the management and the union (which included the Vice President

of Operations, the Vice President of Sales, and the "committee of seven") had not produced agreement on any of the substantive issues. The two parties were at a standstill after nine meetings that averaged four hours per meeting. Management felt that the union was stalling until the area wide negotiations had been completed. This would give the union what they considered a base, against which to measure the negotiation's outcome. Management perceived that there was very good chance of a strike on June 1, and started warning key accounts.

It was also the belief of the author that there would be a strike. If there is a strike, it is very likely that it will be a long one, lasting perhaps four months. If the main issues were economic, that gap between the two parties would be relatively small. Because of the importance that management attaches to the changes in the working conditions, they will probably want to let the union strike in the hopes of the union finally giving in on the most important proposals. Unfortunately, the major constraint in letting a strike continue will be the depletion of the already miniscule company funds. It is unlikely that the owner will allow the company to drain even more funds, but if the management is persuasive enough, he might just allow it.

## c) The Finances

Unfortunately, very little can be added with respect to the finances, other than what has already been stated. Because Acme's profits and losses are consolidated directly into the owner's personal income, the present method of bookkeeping does not allow one to accurately segregate all of the relevant financial data on Acme's operation from the rest of the owners holdings. Although money is collected and disbursed from Acme, all of the yearly financial statements are drawn up at the Owner's New York office. Rather than utilizing accounting data created by his outdated bookkeeping system as a management tool, the owner has traditionally used his accountants to shift funds rather haphazardly between various entities to minimize his tax bills. There are no forecasts created, and comparative analysis between periods is used only sparingly. The inadequacy of the present accounting techniques was highlighted when the author questioned the owner and the management independantly about the amount of cash he had transfered to Acme in the last year. Management said that the figure was approximatly \$700,000., but it was obvious that such a number was impossible just from preliminary inspection of certain documents in the Owner's office. The owner's response was "You know, Acme management has no understanding of the numbers because, off the top of my head

I know of much more than \$700,000. in transfers". Still persuing the question, the author pressed the owner for his estimate. "Actually, I don't really know how much we transferred to Acme, but I wouldn't want to look because I know it would make me sick- if I knew where to look." Such candidness is rare for him.

Keeping such sloppy records has had its benefits over the years as well. During the 1971 refinancing, the figures that the insurance company based the mortgage on were almost manufactured out of thin air. Everytime Acme has to provide financial statements for such things as licenses, loans, and leases, they can make up almost any financial statement they want (within reason) and be assured that it won't be able to be cross-referenced because they are a private, and personal holding. For a restructuring of debt obligations, they can show huge losses, which necessitate the stretching out of the payments. For equipment leases, they can show how healthy the company is financially. Ironically, the most notable case where such deception backfired on the owner, was with the 1971 refinancing. Because he had statements drawn to make the company look tremendously successful, he probably deceived himself into thinking they were realistic. Although the refinancing did net him \$5,000,000. the mortgager forced the owner to give a personal guarantee on the mortgage. Rather than having the mortgage secured by

the property and buildings owned by Acme, the owners entire net worth was now collateral for the mortgage. Had it not been for the personal guarantee, the owner has stated that he would have "walked" from the operation three years ago. "Walking " from or "dropping buildings" is , unfortunately, a practice of questionable morality that realtors often engage in once a building turns unprofitable. For a highly leveraged operation, the equity content of any building is minimized, and the profits are maximized. But when a building turns unprofitable when it is highly leveraged, proportionatly, the losses are also much greater. In most cases where there are no personal guarantees all a building owner need do to drop a building is stop paying any expenses for the building, with a period of time, either one of the mortgagers, or the local authority will start operating the building and take legal title. The owner would have wanted to walk from Acme, but the personal guarantee barred him from doing so.

Although the top management of Acme is aware of the personal guarantee, the union is not, and should they find out about the existance of the personal guarantee, they would be able to exert additional pressure at the negotiations.

## STRATEGIES FOR THE FUTURE

From an ostensibly objective viewpoint, somewhat influenced by attendance at a leading business school, it seems that there has been an appalling lack of creativity applied to finding viable solutions to the many problems plaguing Acme's operations. This is tempered, however, with the realization that an organization such as the one described, simply as a matter of survival, exists on a day to day basis, often referred to as management by crises. As a prerequisite to change, management must create a vision or plan of where they want to go, how they are going to get there, and what the means of measuring the progress are.

There seems to be two ways of instituting change at Acme. Major changes could be instituted within the current corporate framework, or the company could be restructured. Restructuring might occur by dividing the company into a number of operating units, some or all of these units could be operated by independent managements, or the entire management team at Acme might be replaced.

Within the existing structure, there is undoubtedly room for improvement. If the present team of executives are to remain in their jobs, they are going to have to concentrate their efforts, and achieve results in the four following problem areas: Union/labor relations, managerial style and competence, information systems, and

communications with the owner.

a) Union/labor relations

Although it is the author's belief that the relations between the union and management are so filled with suspicion and lack of credibility, that meaningful change may be all but impossible, for the current management to remain, they have little choice but to try. Management must gain a better understanding of what makes "the union tick", gain a perspective of how the union sees the world, and what their motivations are based on. On the broadest level, the union and management perceive their roles as adversaries, and so every time the parties meet to discuss an issue, they find themselves in a win/lose situation. Currently, there are no forms of institutionalized problem solving sessions where both parties would feel that they have common interests on the solutions to the problems. Whether such meetings happened at formalized, periodic times, or they occurred during informal encounters, an entire new dimension would be added to the experiences of the parties. Unfortunately, the Vice President of Operations must probably accept that his role is as the prime adversary. Rather than trying to attempt to continually shift between "nice guy" and "tough guy", he should probably accept his position, and at least initially, delegate the responsibility for the



fostering of this level of communications to a group of the better respected foremen.

Currently, the grievance procedure, although functional on paper (see Appendix 1 Article XIII), it is far from so in reality. The two one day strikes that occurred during the first half of 1978 were over employee suspensions. Because all greivances had been handled on an informal, verbal level, the company had virtually no documentation to back up its actions. Had the management been keeping careful written records with copies going to both the particular employee and the Secretary-Treasurer, the suspensions would probably not have provoked the strikes. The Secretary-Treasurer was certainly in favor of the institution of written procedures (although this might have been little more than lip service)because, at least in one of the suspensions, he claimed to have favored the action taken, but felt compelled to support his men because there had been no "formal" warnings given prior to the suspension-although there were numerous discussions with the employee.

Management must necessarily take any first steps that are required to improve the tone of the relations. Although the many areas of conflict must be improved, it will all be in vain if there aren't meaningful changes in management's style and methods for operating. Management might reduce the level of tension in the relations if they were able to

"mellow out", but unless the quality of managers, and the sophistication of operations is improved, management will never gain the respect of the union.

b) Management Style

The Secretary-Treasurer of the union characterized the foremen and managers at Acme as "quite frankly, a bunch of idiots", and after observing many of the managers at Acme, it is not hard to understand why. Warehousing, by many accounts, is not a very attractive industry to work in. Because the pool of talented managers is so small, unless a company is willing to pay top dollars, it will be unable to attract the more talented people within the industry. Probably, in part a reflection of the owner's other operations, Acme has never paid any premium for managers. When one includes the many benefits accorded union employees, and accounts for a standard amount of overtime, a union employee's total remuneration comes close to \$20,000. per year. As recently as two years ago, the General Manager's salary was \$17,500! The "greater long term potential of a manager" is little solice to a new foreman that is paid less than the union employees that work for him. When asked, union members said they would never accept a position in management because of the greater responsibility, longer hours, and lower pay.

While the current General Manager does receive much more than his predecessor, he is still underpaid for the job. The salary offered was not enough to attract an experienced cold storage warehousemen, but only one who was willing to learn. This individual has now spent the last two years learning how to be the General Manager of a huge facility- with most of his knowledge coming from the older union members. Clearly, such a hiring policy does not attract top talent, but now the company needs it more than ever. If management made a commitment to hiring better people as managers and foremen, the premiums that would have to be paid for the new employees would probably be the best investment opportunity the company currently has.

Unfortunately, placing better managers outside will be a wasted move unless the Vice President of Operations changes his managerial style as well. Although there is some question as to just how flexible the Vice President is, he must learn to control his temper, which makes him look like a complete fool when he is trying to chastise employees as if they were his own kids.

More importantly, however, he must install and learn to adhere to a formal chain of command so that employees at all levels perceive some consistency in management's actions. He must also learn to follow through and force his subordinates to do the same when instituting company

policies. This might have the beneficial impact of forcing him to more closely analyze the framework for designing, implementing, and evaluating new policies. It will also force employees to follow the policies with more gusto than they have in the past because they might think that the policies are no longer "whims from the tower".

c) Information Systems

The information systems are wholly inadequate. This covers both the accounting and inventory control systems. If Acme was a public corporation, or even a private corporation, it would be forced to produce many types of records it does not now collect. It has only been during the past two years that Acme has used an accounts payable journal. Before that, they figured that if a bill got lost somewhere, they would eventually hear about it from the bill's issuer. Although it would not be a priority for the owner (it should be) management has a vested interest in creating a set of books that clearly delineates the operations from the other holdings of the owner. Learning "the bottom line" once a year does not allow Acme to properly utilize accounting as a tool for management. The creation of a valuable accounting system will force Acme's management to understand how the various components of the operation interact financially.

Because rates for storage and handling have traditionally been set primarily by competitive pressures, Acme has never developed the capability to analyze the profitability of an individual account. It is the author's impression, after inspecting many of the existing financial statements, that a major portion of the deficit in last years operations happened as a result of a few very unprofitable accounts. At this point in time, Acme doesn't have the ability to analyze its accounts on an individual basis to determine their profitability. Such an in house capability can only be created if the inventory control procedures are modernized as well. While a computer is never "the answer", the process of designing and implementing a computer with the aid of professional consultants, would help management to focus on the critical elements of inventory control. A computer system that was properly designed would provide timely information that has never been available to management before. Because much of the merchandise that is stolen leaves the warehouse piece by piece, so a computer might aid in the detection of thefts before they get out of hand. Obviously a computer would help in inventory control and scheduling, but it would also be able to provide a data base that allows the company to measure productivity and facility utilization factors that now, are just too complicated to measure because of the

constantly varying product mix.

d) Productivity Measures

Productivity measures for a service industry are always difficult to establish. In a warehouse where merchandise arrives and leaves on many different forms of transportation and where few products are the same size or require the same type of handling, it is very difficult to establish a relationship between activity and labor costs, or overall revenues, or profits. Potentially, what could be used to measure productivity would be a concept developed by the author called "pallet equivalents". (16) The numerare for such a measure would be a clean 40' trailer with palletized freight on it. When operating efficiently, a good hilo driver can unload 20 pallets in a half-hour. This would be considered 20 pallet equivalents. A railcar which has 50 pallets on it would normally be considered 100 pallet equivalents because it usually takes twice as much time per pallet to unload or load a railcar. Finally, a truck that was hand loaded (meaning the merchandise was

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(16) A pallet is usually a 48"x40" wooden platform that large quantities of freight are shipped and stored on. While there are dozens of types of pallets, the food industry has established a standard pallet, and many non food items are now shipped on these pallets as well. A fully loaded 40' trailer can hold 20 or 40 of these pallets depending on whether the pallets of merchandise are stored "one high" or "two high".

sitting on the floor rather than pallets) and then unloaded at the warehouse onto 30 pallets might be considered 120 pallet equivalents because it normally takes four times the amount of man hours to unload a hand loaded truck.

If the various products that Acme stores were broken down into six or seven "pallet equivalent" categories, and if these categories accurately represented the differing labor content involved in handling those products, there would quite possibly be a stable relationship between "pallet equivalents" handled in a month's time, and the labor costs for that month. If this were the case, then the ratio between pallet equivalents and labor costs would be a valid basis for a productivity measure. Unfortunately, the complexity of accumulating and tabulating the number of pallet equivalents demands a sophisticated computer system.

e) Relations with the Owner

Under the best of circumstances, working with the owner would not be a pleasant task. His constant demands for "more, more, and more", combined with his total refusal to accept any responsibility for the many problems affecting Acme create a dialogue between him and Acme's management that is closer to typical union management relations than it is to the way most managements interact with their company's owners. Unfortunately, he seems to spend more time trying to

figure out ways of getting out of Acme than he does trying to help solve the problems. In the back of the minds of Acme's executives, they realize that the additional capital needed to restore Acme's health may only come during a confrontation where management has to put their careers on the line. This is a truly sad state of affairs for any manager to find himself in, but at this point in the owner's career, it is probably unrealistic to expect that he is going to change his style of operating. This is certainly an unpleasant side of the job, but both the President of Acme and the Vice President of Operations and Finance knew the owner's style well in advance of their move to Acme. Changing the owner's habits has recently become even more unlikely because the major part of his business, which is real estate, has had two boom years, and 1978 should be one of the best ever. His philosophy of not arguing with success, serves to let Acme management know that he thinks their problems should be able to be solved, because with 95% of his business endeavors creating the most profitable year ever, he must be right.



## f) Restructuring the Company

Restructuring the company into two or three separate operating units would probably do little other than to cosmetically change the operations. Anything that could be accomplished by such a restructuring, could be accomplished with less fanfare simply by following the above suggestions. However, if labor relations and finances don't radically improve by early 1979, one possibility might be to find an independent operator for the coolers and freezers. There are potentially many benefits from such a move. The Vice President estimated that over the last four years, the freezer operation has generated on average, between \$.25 and \$.50 per square foot per year in net profits. An indication of how low that is was found when the author checked local realty rates. The freezers, it was estimated, could rent for almost \$4.00 per square foot which would net over \$2.00 per square foot. This means that by operating the freezers themselves, Acme is losing almost three times as much as it is making, and even more because the tenant would have to presumably show a profit. At least the possibility exists that if operations continue in their present form, a deal could be offered to an independent operator that would allow him a cut rate lease while Acme too, would be better off. The assumption of course is, that someone can be found who thinks they can deal with the union more effectively and

operate the freezers more efficiently.

g) A New Management Team

One of the thoughts which has crossed the owner's mind recently has been to replace the entire management team at Acme- which would make the new team the third in as many years. Although it should be clear that the present management team does not deserve all of the blame for the current problems, this does not suggest that a different team might not have done better. It is not enough for a manager to be loyal, dedicated, honest, and hard working. He must also have the ability to be creative, and inspire confidence in his superiors and subordinates. Even this may not be enough because the President of Redbank fits all of those descriptions, and yet few other people that he has hired do. This is as much of a reflection of his managerial skills as many other measures. Because the owner has never installed a planning or forecasting group, he has nothing against which to measure performance, and when he is feeling badly, great isn't good enough. Perhaps the best tack that the President could take, if he wants to assure that he will have time to effectuate change, is to formalize some forecasts and at least tacitly get the owner's approval. Hopefully this could start a process whereby the management would be measured against their own forecasts rather than

against a man's whims.

h) A Scanlon Plan

If management makes it through the present crisis period, it must start looking for long term direction. One goal which the author advocates is the eventual establishment of some plan that allows the employees to participate in any benefits that accrue to the company as a result of productivity increases. The present situation would probably not allow for the institution of any such plan because of the level of communication and mutual respect that are required before any such plan could be successful.

One such plan that might eventually have a very beneficial impact on the operations is what is commonly referred to as a Scanlon plan (after its originator- Joseph Scanlon). Through various joint committees and measures that are instituted, the firm's employees receive, on a monthly basis, a portion of any savings that accrue to the company as a result of productivity increases. Obviously, without a workable measure for productivity such a plan could never be installed. But much more importantly, the success of any such plan is highly dependant on management's and the union's ability to forge a new direction in their relations so that they can learn how to solve problems

together, and co-operate with each other. In a company where productivity is perceived to be less than one-half of what it could be, the potential benefits to the company of installing such a plan can not be overlooked.

### Conclusions:

Acme National is a small company beset with big problems. The problems affect every facet of the operations, and therefore its survival. Acme is not unique because it has problems. But it seems that only those companies that can be creative in their response to a changing environment ultimately survive, while those that are unable to adapt or cope with the many problems must fail.

Acme is perhaps now fighting the last round. By not forging ahead in a new direction with viable solutions to its many problems, the last few shots that it is now attempting will be all in vain. But if, in this final round, Acme can muster the necessary strength to strategically channel its remaining energies, it may end up the winner.

This paper has attempted to give some insight to the reader about how a particular small business is run, and what the consequences might be if the direction does not change. Unfortunately, even if Acme does finish this fight as the unexpected victor, it will be a momentary triumph, because the next fight is inevitably around the corner.

APPENDICES

Note: The many typographical errors, misused words, and inconsistencies in both grammar and structure found within these appendices are exact reproductions from the original documents.

A P P E N D I X 1

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AGREEMENT

-between-

THE ACME NATIONAL COMPANY  
NEW YORK METROPOLITAN AREA

-and-

WAREHOUSEMAN'S UNION LOCAL XXX  
INTERNATIONAL BROTHERHOOD OF  
TEAMSTERS, CHAUFFERS, WARE-  
HOUSEMEN AND HELPERS

Effective: June 1, 1975

Expires: May 31, 1978

A G R E E M E N T

AGREEMENT made this 1st day of June, 1975 between THE ACME NATIONAL COMPANY, hereinafter called the "Employer" and the WAREHOUSEMEN'S UNION LOCAL XXX, an affiliate of INTERNATIONAL BROTHERHOOD OF TEAMSTERS, CHAUFFERS, WAREHOUSEMEN AND HELPERS, hereinafter called "Union", on behalf of itself, its members and successors.

In consideration of the covenants and terms herein contained, the parties hereto mutually agree as follows:

## ARTICLE I - RECOGNITION &amp; JURISDICTION

a) The employer recognizes the Union as the sole and exclusive collective bargaining representative for the employees within the bargaining unit.

The bargaining unit covered by this Agreement shall consist of all warehouse and maintenance employees employed by the Employer at its Acme National Co. Facilities including working foremen known traditionally by the parties as floormen ("headers"). The collective bargaining unit shall exclude all management personnel including office and plant clerical employees, watchmen, guards, professional employees, platform foremen and supervisors.

b) Employer agrees that, for the purpose of providing job opportunities for the employees covered by this Agreement, the bargaining unit shall have jurisdiction to perform the work described in Paragraph A, in the following locations:

1) All truck platforms and elevators used in employer's in cold and dry storage operations in units 1 & 2 (east & west). All common tenant and freight elevators in units 1 & 2 (east & west).

2) Pier 9.

3) Elevators Nos. 5 & 6 in Unit 3

4) In the event that any dry or cold public warehousing operation returns to unit 3 under the control of the employer jurisdiction for the work to be performed in said operation shall vest with the union.

c) The Union acknowledges that the employer is engaged in both a warehouse and real estate operation. The employer shall have exclusive and unencumbered right to lease or otherwise transfer or dispose of any part of its facilities.



## ARTICLE II - PERIOD OF AGREEMENT

This Agreement is effective as of June 1, 1975 and shall continue in effect until midnight May 31, 1978, and thereafter from year to year unless either party serves written notice upon the other party of a proposed termination or modification at least sixty (60) and not more than ninety (90) days prior to such expiration date.

## ARTICLE III

a) All employees included in the collective bargaining unit who as of the effective date of this Agreement are members of the Union in good standing and all employees who thereafter become members, shall, as a condition of continued employment maintain their membership in the Union in good standing for the duration of this Agreement.

b) All employees included in the collective bargaining unit who as of the effective date of this Agreement are not members of the Union in good standing and all employees hired thereafter, shall, as a condition of continued employment become members of the Union in good standing on or after the thirtieth (30th) day following the beginning of such employment or the effective date of this Agreement, whichever is later.

c) The Union agrees to admit all employees to membership on the same terms and conditions which were applicable to employees who are members in good standing on the effective date of this Agreement.

d) Upon receipt of a voluntary written assignment which shall not be irrevocable for a period of not more than one (1) year or beyond the termination of this Agreement whichever occurs sooner, the Employer shall deduct from the wages due such employees, each month, the regular monthly dues as fixed by the Union. Such deductions shall be made on the fifteenth (15th) day of the month for the preceding month and shall thereafter be remitted to the officer of the Union duly designated by it in writing as the proper party for the receipt of such remittances.

## ARTICLE IV - EXTRA EMPLOYEES

The Employer agrees that in the event he requires extra employees includable within the bargaining unit, such employees shall be hired through the employment facility of the Union. In the event the Union's employment facility is unable to supply employees satisfactory to the Employer within forty-eight hours after request therefor, the

Employer shall be free to hire the needed employees in the open market. In such event, the Employer shall promptly notify the Union of such hiring. The Union employment facility shall be operated on a non-discriminatory basis and referrals through such facility shall not be based on or in any way affected by Union membership, by-laws, rules, regulations, constitutional provisions, or any other aspect or obligation of Union membership, policies or requirements. The Employer shall retain the sole right to reject without discrimination, any job applicant referred through the Union's employment facility.

#### ARTICLE V - MANAGEMENT'S RIGHTS

Subject only to such limitations as are expressly set forth in this Agreement, the Employer shall retain the sole and exclusive right to manage its business and to direct the work force in the operation of its facilities.

#### ARTICLE VI

##### DISCHARGES, DISCIPLINE, DISMISSALS, LAYOFFS, AND PROMOTIONS

- a) No employee shall be discharged or otherwise disciplined without just cause. Any employee who claims he has been discharged or otherwise disciplined without just cause may through the Union file a grievance under the grievance procedure appearing in this Agreement.
- b) If an employee is wrongfully dismissed or laid off by the Employer and thereafter reinstated, such employee is to be paid for the time lost during such layoff.
- c) In the event of a dismissal owing to a layoff, regular employees shall be given one week's notice or the equivalent thereof in salary, as applicable to their rating. Where a regular employee's job classification is reduced, one week's notice in writing of such reduction shall be given.
- d) All promotions shall be in accordance with fitness, ability and seniority.
- e) Ability being equal, seniority shall govern all layoffs and rehiring. No new employee shall be hired until all available old employees now on the seniority list are working.

## ARTICLE VII

ACCESS TO EMPLOYER'S PREMISES BY UNION OFFICERS OR AGENTS  
Business agents or any officers of the Union shall have admission to the Employer's premises any time during working hours for the purposes of ascertaining whether or not this Agreement is being carried out by the Employer and the employees and for the purpose of adjusting greivances.

## ARTICLE VIII - HOURS OF WORK

Forty (40) hours shall constitute a regular work week; eight (8) hours per day beginning Monday, 7:00 A.M. and ending Friday, 6:00 P.M. for all employees. It is expressly understood and agreed tht the Employer shall have the right to establish shifts beginning at any time between the hours of 7:00 A.M. and 9:00 A.M. and ending at any time between the hours of 4:00 P.M. and 6:00 P.M. Shifts established during those hours shall be paid at the straight time rate provided for in Paragraph 19 of this Agreement. Any starting time after 9:00 A.M. shall receive a premium rate except for those shifts that have traditionally started after such time.

## ARTICLE IX - OVERTIME, SATURDAY, SUNDAY, HOLIDAY WORK

a) All time over eight (8) hours per day and forty (40) hours per week shall be considered overtime and shall be paid for at the rate of time and one-half, at the pay rate applicable to that day.

b) All work performed on Saturday shall be considered overtime and shall be paid for at the rate of time and one-half for all employees.

c) All employees, working on Saturdays, shall receive a minimum of eight hours work or eight hours pay in lieu thereof. Should additional work be required after eight hours, overtime rates shall prevail. Exceptions to this provision shall be in the cases of emergencies and as may be agreed upon between the shop steward and the company.

d) All time worked on Sundays shall be paid for at the rate of double and one-half time for the first eight hours, after that the premium rate shall prevail.

f. Employees required to work Sundays or Holidays shall be guaranteed at least eight hours work.

g) Any employee who is required to work during his lunch hour, shall have the option to receive compensatory time in order to provide for a later lunch period of regular length,

or to receive pay for the time worked and reducing the lunch hour period accordingly.

h) When it becomes necessary for employees to work overtime they shall not be laid off to equalize such overtime.

i) In the event an employee works two (2) or more hours overtime beyond their regular quitting time, they shall be given a half-hour overtime pay in lieu thereof.

j) Overtime shall be evenly distributed among employees who can competently perform such work.

k) Employees shall be granted the last four (4) hours of their shift off with pay on Christmas Eve and New Year's Eve. In the event an employee does not receive the aforesaid four (4) hours off with pay he shall receive double time for the last four (4) hours worked. When Christmas or New Year's Eve falls on a Sunday or Monday, the previous work day shall be the celebrated eve.

#### ARTICLE X - EMERGENCY WORK

The Employer and the Union agree that in the event of an emergency the Employer shall have the right to instruct the necessary employees to fulfill the operation, except that such operation shall not be carried on beyond a twenty-four (24) hour period. It is further agreed that the employees performing such an emergency operation shall be paid at the rate applicable to his normal assignment or to the emergency assignment, whichever is greater.

#### ARTICLE XI - VACATIONS

Any employee who has worked one hundred fifty days or more in the year beginning June 1st and ending May 31st, shall be granted two weeks vacation with pay, provided such employee is working for the company at the beginning of the vacation period. Any employee who has worked for seventy-five days during the same period and who working for the company at the beginning of the vacation period shall be granted one week's vacation with pay during the same vacation period. Provided further, however, that if such employees have been on the Company's seniority list for five (5) consecutive years prior to the start of or during the regular vacation period they shall receive a third week's vacation with pay, based on straight time weekly earnings exclusive of any holiday which may occur during the third week's vacation period. Five (5) year employees who work one hundred twenty-five (125) days but less than one hundred fifty (150) days shall receive two (2) week's vacation with pay.

Employees with fifteen (15) or more years of service shall be entitled to full vacation if he worked seventy five (75) straight time working days in the qualifying year.

The regular vacation period shall commence on June 1st and terminate on October 31st.

- a. Pay for vacation shall be based on the rate covering the position held by an employee during the week prior to the beginning of his vacation. If such work is divided between two or more classifications, then the rate applicable to the classification in which the maximum number of hours of straight time worked, shall be the basis for the vacation rate per hour of pay. If the hours of straight time worked in such prior week are equally divided between two classifications, then the rate applying to the higher classification shall apply.
- b. Employees called for military service shall receive vacations prior to June 1st, provided the necessary seventy-five (75) or one hundred fifty (150) days have been worked in accordance with the foregoing provisions of Paragraph 10 and further provided that notice of such call to service has been exhibited to the Employer.

#### ARTICLE XII - STRIKES AND LOCKOUTS

a) Neither the Union nor the employees shall engage in any strikes, sit downs, slow downs, sessions, or stoppage of work, picketing, boycott, or other interference with the operations of the Employer.

b) Neither the Union nor its officers, agents, or representatives shall directly or indirectly authorize, assist, engage in or in any way participate in any strike, sit downs, slow downs, sessions or stoppage of work, picketing, boycott or other interference with the operation of the Employer nor shall they honor picket lines imposed by others, or lend support to or condone or ratify any such conduct or action on the part of others. If any employee or group of employees violate the provisions of this section, such employee or employees shall be subject to immediate discharge without recourse to the grievance procedure appearing in this Agreement. In the event of a violation of the provisions of this section, the Union through its officers shall promptly notify any employee or employees engaged in such violations of its disapproval of such

activity and shall take immediate steps including but not limited to appearances at the site of such activity to effect a prompt discontinuance thereof.

c) The Employer shall not engage in any lockout of employees within the collective bargaining unit.

#### ARTICLE XIII - GRIEVANCE PROCEDURE

It is understood and agreed that all disputes, grievances and/or complaints involved in the interpretation, application or operation of any of the terms of this Agreement shall be processed and disposed of as follows:

Each party shall select one representative who shall determine the question or questions which have arisen and such determination shall be final and binding upon the parties hereto.

In the event the said two (2) representaives are unable to agree, it may be referred by either party to an arbitrator appointed pursuant to the regulations of the Federal Mediation Conciliation Service. The arbitrator shall base his decision on this Agreement, and shall have no authority to change, alter or modify any of the terms of this Agreement. His decision shall be final and binding upon the Company, the Union and the employees affected.

The fees and expenses of the arbitrator shall be shared equally by the Company and the Union.

#### ARTICLE XIV - HOLIDAYS

a) All regular employees are to be paid for an eight (8) hour day for the following holidays without being required to perform any work, at the straight time rate set forth in Paragraph 19, provided such regular employee has worked one day in the week in which a holiday falls.

New Year's Day  
Washington's Birthday  
Election Day (one per year)  
Thanksgiving Day  
Decoration Day  
Labor Day  
Lincoln's Birthday  
Good Friday  
Armistice Day  
Christmas  
Independance Day  
Columbus Day

Employees Birthday (or a straight day's pay in lieu thereof)

b) Extra employees who work three (3) days in the work week beginning Wednesday and ending 6:00 P.M. the following Tuesday, in which a holiday falls, shall be paid for the holiday without being required to perform any work.

c) Pay for holidays shall be based on the rate covering the position held by the employee for the day preceding the holiday or the day following the holiday, if the day preceding the holiday was not worked. If the hours of straight time worked on such preceding day or day following a holiday are divided between two or more classifications, then the rate applicable to the maximum number of hours of straight time at the highest rated classification worked shall apply. If the hours of straight time worked are equally divided between two classifications, then the rate applicable to the higher classification shall apply.

d) Absence on paid sick leave days, paid days off for the death in family, father-in-law, mother-in-law and paid days on Jury duty shall be considered days worked in qualifying for holidays and vacations.

e) Effective June 1, 1976 all employees who are in the employ of the employer for six (6) months or more shall be entitled to a paid personal day in each contract year. Requests for paid personal leave days shall be made in advance and the employer agrees that these requests will not be unreasonably denied.

#### ARTICLE XV SENIORITY

Seniority list shall be maintained by the Union and the Employer for all employees including those on the extra list, it being understood that the Employer has the sole right to determine the number of eeemployees to be maintained on the regular list. All other employees shall be considered as extra.

- a) All hiring will be done in accordance with the seniority list and requirements as set forth in Paragraph 4, 6d and 6e.
- b) Not later than 4:00 P.M. each day, the Employer will advise the Shop Steward in writing, of the number of extra employees required for the next scheduled day's work.

- c) Regular employees may be removed from the regular list on one (1) week's notice in writing, or upon payment of one (1) week's salary in leau thereof. Such employee will be returned to the regular list if he works five (5) consecutive days, in any work week beginning Wednesday and ending Tuesday, of his extra service. Reinstatement shall otherwise be at the Employer's discretion.
- d) The Employer agrees to supply the Union with the names and addresses of all new employees covered by this Agreement.

#### ARTICLE XVI - JOB CLASSIFICATION

No person shall be employed by the Employer to do work covered by the classifications set forth in this Agreement unless he is a member of the Union, except as otherwise provided herein.

#### ARTICLE XVII - GOVERNING LAW

The interpretation of this Agreement shall be governed by the grievance procedure as heretofore set forth and by the Statutes and Laws of the State of New York and of the United States.

#### ARTICLE XVIII - EMPLOYER'S BUSINESS

It is expressly agreed between the parties hereto that as the Employer is engaged in both a warehouse and real estate operation, it shall have the exclusive and unemcumbered right to lease or otherwise transfer or dispose of any part of its facilities. Any leases of the Employer shall have the right to use its employees to perform any maintenance or repair work on the leased property without in any way being subject to the provisions of this Agreement. It is further understood and agreed that no one but members of the Union will perform any handling work on the platforms under the control of the Employer, except as covered by memorandums in effect at the geginning of this Agreement and those that may be subsequently mutually agreed upon.

#### ARTICLE XIX - UNIFORMS

All uniforms required by passenger elevator operators, shall be designed by the Employer and shall be paid for by the Employer. The Employer shall be the sole judge of how these uniforms are to be made, from whom purchased and by who maintained. The Employer shall not participate in any expense for uniforms on more than one occasion during a two



(2) year period and shall be the sole judge of whether the replacements are necessary. The cost of any maintenance or repairs to the uniforms during the two (2) year period shall be at the expense of the employee, except that passenger elevator operators shall be entitled to have their uniforms pressed once each week in the company's tailor shop at the company's expense. No employee shall be permitted to remove the uniform or any part thereof from the premises of the Employer.

## ARTICLE XX - WAGES

Employees shall be paid for work performed at the following rates:

	EFFECTIVE 6/1/75 to 5/31/76	EFFECTIVE 6/1/76 to 5/31/77	EFFECTIVE 6/1/77 to 5/31/78
COLD STORAGE			
HEADER	\$5.72	\$6.12	\$6.52
CHECKER	5.62	6.02	6.42
FORKLIFT			
OPERATOR	5.62	6.02	6.42
LABORER	5.57	5.97	6.37
DRY STORAGE			
HEADER	5.595	5.995	6.395
CHECKER	5.495	5.895	6.295
FORKLIFT			
OPERATOR	5.495	5.895	6.295
LABORER	5.445	5.845	6.245
PORTER	5.265	5.665	6.065
LEAD MAIN-			
TENANCE MEN	5.84	6.24	6.64
MAINTENANCE			
MEN	5.645	6.045	6.445

Effective 6/1/75-- All newly hired employees shall start at the starting rate equal to forty (40) cents per hour less than the rate assigned to the classifications set forth above.

Progression to the contract rate for newly hired employees shall be as follows:

Employees working or being paid for fifteen (15) days or more in any two (2) consecutive month period shall receive an hourly increase of ten (10) cents.

Employees who successfully complete this period, and

work or be paid for fifteen (15) or more days in any next two consecutive month period, shall receive an additional hourly increase of twenty (20) cents.

Employees who successfully complete the above two (2) periods and work or receive pay for fifteen (15) or more days in the third two (2) consecutive month period shall be elevated to the contract rate.

It is also agreed that employees when required to work on merchandise (inbound or outbound) in cork insulated rooms, shall receive seven and one-half cents (7.5) above the dry storage rates.

The Employer will pay a premium of ten (10) percent for work performed on the night shift.

The Union Shop Steward shall be paid ten (10) cents per hour over and above the rate applicable to his classification.

Wages shall be paid on Friday for work performed during the week ending the previous Tuesday; however, in the event of a holiday interfering with the usual distribution of pay drafts, the following work day shall be pay day.

ARTICLE XXI - "CHECKERS" AND "HEADERS"

a) It is expressly agreed that the Employer shall have the right to assign employees working as checkers to perform freight handling work as required to be applied reasonably with the consideration of seniority.

b) It is further agreed that there shall be no increase in the number of employees in the classification floormen ("headers"), nor shall there be any replacement of such employees without the prior written consent of the Employer.

ARTICLE XXII - SNOW CLEANERS AND PORTERS

Where inspection of work areas by Shop Steward or his designee indicate unfavorable working conditions because excessive snow ice or debris he shall have the right to so advise the company with a view towards taking reasonable steps in its discretion to remedy same including engaging snow cleaners and or porters.

## ARTICLE XXIII - PENSION AND WELFARE

The Employer shall participate in the Welfare Fund of the Inland Dry and Cold Storage Warehouse Industry of the Port of New York, or otherwise make available the insurance specified below, and such welfare fund, or insurance shall provide, at the Employer's expense the following benefits:

## FOR THE EMPLOYEES:

- (1) \$10,000.00 Life Insurance;
- (2) \$10,000.00 Accidental Death and Dismemberment Insurance on an Occupational and Non-Occupational basis;
- (3) Disability Payments in Accordance with the laws of New York;

## FOR THE EMPLOYEE AND HIS FAMILY

- (1) Blue Cross Hospitalization -enefits to be made available through the Associated Hospital Service of New York, or a private insurance carrier. This shall include maternity benefits for the wife of the emember;
- (2) G.H.I. Family Doctor Plan;
- (3) Dependents shall include the employee's wife and all unmarried dependant children under 23 years of age in accordance with G.H.I. Blue Cross requirements;
- (4) Major Medical coverage of \$50,000.00.

b) Pursuant to the Inland Dry and Cold Storage Warehouse Industry of the Port of New York agreement, the Employer shall contribute one and one half (\$.015) cents per hour per employee to Teamster Joint Council XX and Management Hospitalization Trust Fund.

c) Failure by the Employer to participate in the said Welfare Fund of the Inland Dry and Cold Storage Warehouse Industry of the Port of New York and to make the payments required therefor, or otherwise to provide the insurance specified above, shall render the Employer personally liable to the employees (or their beneficiaries or dependants as the case may be) for the payment of the said benefits and the rights of the employees to collect said benefits shall

be enforceable in the same manner and on the same basis as wages.

d) The enactment, whether prior to, or during or subsequent to the term of this contract of any compulsory Federal, State or Local Welfare legislation effective during the term of this Agreement which covers any of the foregoing benefits, shall under the circumstances require the Employer to furnish such legislative benefits in addition to the foregoing coverage. If permitted by such legislation, continuation of the foregoing welfare fund or insurance coverage shall be deemed full compliance with such legislation. If, however, such legislation does not permit the foregoing coverage as an alternative to the legislative program, the Employer shall discontinue so much of the foregoing coverage as listed in Paragraph 21a above as is provided under the legislative program. Nothing herein contained, however, shall require the employees to contribute to the cost of any of the above enumerated benefits in Paragraph 21a above, it being understood that such cost shall in all events be borne solely by the Employer.

e) The Employer agrees to continue to contribute for the duration of this Agreement the sum of twelve and one half (\$.125) cents per straight time hour per employee for every straight time hour actually worked during the work week and per straight time hours paid for holidays and vacations with a maximum of eight (8) hours per day, forty (40) hours per week. The maximum contribution per employee under this paragraph shall be one (\$1.00) dollar per day, five (\$5.00) per week. Said contribution shall be made to the Pension Fund of the Inland Dry and Cold Storage Warehouse Industry of the Port of New York.

f) It is further agreed that should there be any changes in the Inland Warehouse Group rate, during the life of this Agreement, same shall be applicable to the Acme National Company employees.

g) It is hereby agreed to by and between the Association representing the Inland Cold Storage Industry of the Port of New York, and the Teamsters Local AAW, BBB, XXX, and YYY that the current labor agreements which expired at midnight May 31, 1975 shall remain in full force and effect until midnight May 31, 1978, except for the following changes which were arrived at through collective bargaining effective June 1, 1975.

## WELFARE IMPROVEMENTS:

- 1) Life Insurance and A.D. & D. of \$10,000.00;
- 2) Major Medical coverage of \$50,000.00;
- 3) Disability payments in accordance with Statutes of the State where employed;
- 4) Up to \$10.00 for doctors visits to office or home;
- 5) Dependent coverage to age 23 in accordance with the G.H.I.- Blue Cross requirements.
- 6) An additional contribution of one half (\$.005) cent per hour to XX or for the Local's disposition;
- 7) The G.H.I. D-3 plans with \$175.00 normal delivery. Doctor's hospital visits as in the D-3 plan;
- 8) Effective June 1, 1976 a \$1.00 G.H.I. deductible drug perscription plan;
- 9) Effective June 1, 1976 an improved dental plan as outlined by Dr. Jones.

## PENSIONS EFFECTIVE JUNE 1, 1975

- 1) Vesting at 10 years at 3% payable at age 65.
  - 2) Joint survivor benefit.
  - 3) The Employer agrees to contribute the sum of 49.25 cents per hour in addition to the current contribution. This additional contribution of 49.25 cents per hour will be spread out over a three (3) year period. The Trustees shall use this money to purchase improvements in the present plan. The Company also agrees that if the law prohibits the spreading of the contributions over the three (3) year period, then the company will accelerate contributions to the extent required by law.
  - 4) Effective June 1, 1976 normal retirees at age 57 or over with 25 years or more shall receive a paid up life insurance of \$1,000.00. effective June
- h) Effective June 1, 1976 normal retirees, at age 57 or over with 25 years or more shall receive a paid up life insurance

of \$1,00.00

i) Effective June 1, 1975 the Company and the Union attorneys will redraft the Trust Agreement of the Pension and Welfare and it shall provide two (2) Cold Storage Management representatives and one (1) Management Dry Storage representative, and three (3) Union representatives, with all Trustees having an equal position.

j) The company will provide basic dental and vision care through the Inland Welfare Fund.

k) The company will provide out-patient care through the Inland Welfare Fund.

l) The company will provide basic Major Medical coverage through the Inland Welfare Fund or comparable.

m)

#### ARTICLE XXIV - JURY DUTY

Employees with six (6) months or more of continuous service who require time off from actual work to attend as Jurors during straight time working hours shall be compensated for the difference between such employee's total jury compensation and their straight time hourly rate of pay for such straight time working hours attended by them as Jurors, not to exceed, however, eighty (80) straight time hours within any consecutive thirty-six (36) months' period following the commencement of such jury attendance. When an employee is excused from so attending during said period or any portion thereof, he must thereupon return to work, subject to the letter dated September 8, 1960.

#### ARTICLE XXV - ILLNESS, SICK DAYS

a) All employees on seniority list as of May 31st, 1975, if ill, shall receive no more than eight (8) sick days leave within each contract year.

b) New employees shall become eligible for such sick leave after sixty (60) days of employment if then on seniority list, shall be entitled to one half (1/2) day sick leave after each month of employment retroactive to date of original employment.

c) No more than three (3) shall be consecutive days for non-occupational illness or non-occupational injury at one time.

d) No more than six (6) shall be consecutive days allowable for occupational injury.

e) If all or any portion of sick leave is not used up by the end of each contract year, employee may take time off or pay for days per mutual agreement.

f) No doctor's certificate required to be furnished by employee.

g) An employee is required to report his illness to the Union Shop Steward by 4:00 P.M. of the preceeding day in order to qualify under this provision. Such day shall be considered as a sick leave day within the meaning of this provision. All subject to the letter dated September 8, 1960.

#### ARTICLE XXVI - ACCRUAL OF SENIORITY

A senior employee's seniority will be preserved while he has taken leave on Union business, in an official capacity providing he reports back to the company for employment within ninety (90) days after his employment with the Union is terminated.

#### ARTICLE XXVII - MILITARY SERVICE

If any employee shall enter any branch of the armed services of the United States, such employee, upon completion of his service, shall be returned to his former position and credited with seniority for the time spent in the armed services, provided he has been honorably discharged, is physically able to do the work and applies for reinstatement within sixty (60) days of such discharge. Any such employee reinstated shall be entitled to any wage increase and other improvements in working conditions made effective during his absence and to have his vacation period thereafter computed as though he had not been absent. The provisions of this paragraph shall not apply if such employee fails to furnish evidence of call to military service to the employer prior to his induction and shall not apply to voluntary enlistment.

#### ARTICLE XXVIII - BEREIVMENT PAY

An employee with six (6) months or more of continuous service who requires time off from actual work on straight time working days by reason of death in the immediate family shall be entitled to a maximum of three (3) straight time working days off with pay. The "immediate family" shall be limited to the employee's father, mother, brothers, sisters, spouse and children. The counting of the three (3) days

shall commence on the day of death, or the day following, depending on which day the employee first requires time off. In the event of an employee's father-in-law or mother-in-law's death, the employee has the day of the burial off with pay, provided it is a working day.

If an eligible employee does not or cannot attend funeral due to very long distance, he shall nevertheless be entitled to two (2) days off with pay.

#### ARTICLE XXIX - CHANGE OF WORKING CONDITIONS

No other conditions of employment except working rules may be imposed by the Employer on any employee coming under the terms of this contract than those specifically incorporated in this Agreement, unless mutually agreed to by the parties signatory to this Agreement.

#### ARTICLE XXX - NOTICES

Any notice provided for in this Agreement shall be deemed to have been given if given in writing as follows:

- a) To the Employer, by delivering personally to the President or an officer of the employer, or by mailing by certified or registered mail addressed to it at its main office.
- b) To the Union, by delivering it personally to the Principle Officer or any Officer of the Union, or by mailing by certified or registered mail addressed to the Union at its main office.



A P P E N D I X 2

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May 27, 1975

Memorandum of Understanding

It is hereby agreed to by and between Acme National Company and Local XXX I.B.T., that the economic conditions pertaining to wages welfare, pension, life insurance, dental, optical, retiree benefits, holidays, sick days, vacations, and all other miscellaneous economic conditions negotiated between Teamsters Locals AAA, BBB,XXX, etal, and the Inland Cold Storage Warehouse Industry of the Port of New York, shall be made applicable to, and effective as the Agreement between Acme National Company and Local XXX I.B.T. effective June 1, 1975.

In the event the current Labor Agreements with the Inland Cold Storage Warehouse Industry of the Port of New York which expires at midnight May 31, 1975, are extended, the same shall be applicable to the Acme National Company.

It is specifically understood and agreed that all other terms and conditions of the contract shall be negotiated between the parties.

Dated 5/27/1975

For the Company

For the Union

XXXXXX XXXXXXXX

XXXXXXXX XXXXXXXXXXXX  
XXXXXXXX XXXXXXXXXXXXXXXX

A P P E N D I X 3  
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CONTRACT PROPOSALS

Re: Acme National Company

-and-

Warehousemen's Union Local XXX, I.B.T.

The following is a list of contract proposals by the employer, Acme National Company. The employer reserves the right to amend, supplement or modify these proposals at any time during negotiations.

INTRODUCTION

I

All proposals hereinafter made refer to the written agreement submitted by the attorneys for the employer after the June 1975 negotiations.

II

Under no circumstances shall the employer continue to recognize Local XXX if the latter continues to refuse to sign a Collective Bargaining Agreement.

III

Due to unprecedented changes in economic conditions and in order to insure the continued operation of Acme National the employer shall no longer participate in either the Inland Dry & Cold Storage Pension Fund or The Welfare Fund.

IV

The employer shall not be bound by any industry-wide wage or benefits package. The entire agreement to be negotiated shall be on a local basis only. The hiring of employees shall no longer be on a "shape" basis. Employer's facility shall be considered a union shop.

PROPOSALS

1- Article I (B) to read as follows:

Jurisdiction to perform work shall be over truck platforms and elevators used by the employer in its cold and dry storage warehouse operations in Units 1,2,3,4 and Pier "9" platforms. Space or elevators, solely under the control of the tenants shall be excluded. Paragraphs 2,3, and 4 to be deleted.

2 - Article III (B) - Change probationary period to 90 working days.

3 - Article IV - To be amended to indicate that the employer will consider extra employees supplied by union. However, employer shall have right to interview extra employees and screen same without interference from union.

4 - Article V - Management's rights shall include the ability to establish work assignments, transfers, disciplinary and work performance rules. Same shall not be deviated from unless agreed to, in writing, by the employer.

5 - Article VI - Paragraph (C) Delete Language after "salary", delete Paragraph (D).

6 - Article VIII - Work week - Monday 7:00 a.m. through Friday 7:00 p.m. Shifts may begin 7:00 a.m. and 10: a.m. and end between 4:00 p.m. and 7:00 p.m. Any starting time after 10:00 a.m. will be subject to a .50 premium.

7 Article IX

a. No premium pay for Saturdays or holidays after 8 hours.

b. Minimum Saturday Tour in four hour increments.

Exceptions to this schedule shall be in case of emergency as solely determined by the employer.

c. Sunday work at double time no matter how many hours

worked.

d. Holiday work at rate of time and one-half for all hours worked.

e. Four hour increments minimum work for Sundays and Holidays.

f. Employees required to work a portion of lunch hour shall receive time and one-half pay for 40 minutes of work.

8 - Article XI -

Vacations shall be spread throughout the year as determined by the employer. To qualify for vacations the following will apply:

Based on hours worked in previous year -

Less than 500 hours - no vacation.

500 - 1000 hours - 1 week

Over 1000 hours - 2 weeks

Over 1200 hours - 3 weeks (For those with Five or more years of service)

9 - Article XII - Union shall guarantee that tenant operations shall not be interfered with.

10 Article XIV -

a. For regular list Men must work day before and day after

holiday to be eligible for Holiday. Any extra employee must work three (3) days prior and after Holiday.

- b. Work week shall be Monday thru Friday.
- c. Employee must work one year to be eligible for personal day or substituted day.
- d. Eliminate personal day and substitute day to be designated by the company.

11 Article XV - Paragraph (B) delete

Paragraph (C) work week shall be Monday thru Friday.

12 Article XVI- All Acme Local XXX employees to be considered warehousemen. The only exception to be those classified as Porters and Maintenance men.

13 Article XIX - Delete

14 Article XX - Wage to be discussed after all demands and issues have been resolved and agreed to.

15 Article XXIII - Delete. Company will propose Pension and Welfare Plan.

16 Article XXIV - One year's service required for jury duty pay.

17 Article XXV -

a. Due to the abuse of sick days, the first sick day shall not be paid.

b. New hirees shall be eligible for sick days after 18 months of continuous service.

c. Sick days will not count for Holiday remuneration.

18 Article XXVIII - Employee must have 18 months of continuous service to be eligible for bereavement pay. Must provide proof.

19 - Employees must work 48 days per quarter to be eligible for any health or welfare benefits offered by employer.

20 - Employee must work 30 days to be eligible for each sick day.

21 - The checker for XXTenant shall be eliminated.

22 - All employees are expected to work on a day to day basis. If employee is habitually absent without a satisfactory excuse, he will be subject to the appropriate disciplinary action.

23 - Since the company does recognize Seniority, it is requesting a realigning of the current Seniority List which we deem incorrect.

24 - Any employee who does not work for a period of 30 days shall lose his position on the Seniority List and placed last. Unless otherwise agreed to between Union and Management.

25 - All Seniority shall cease at 8:00 a.m.

Employer retains exclusive control of assignments after hire.

26 - Union will be liable for damages or losses resulting from employee negligence or theft.

27 - Company reserves the right to stagger both breaks and lunch periods.

28 - All side agreements or verbal understandings made in the past regarding work rules or conditions of Employment are null and void. All future agreements must be in writing and signed by both parties.



29 - The Shop Steward is responsible for the efficient performance and productivity level of employees.

30 - The company expects employees to be on the job a full 8 hour day. Two 15 minute break periods are provided for employees. Employees will also be allowed a 15 minute washup time at 4:45 p.m. provided, however, that their area is clean.

31 - All regular employees will be expected to punch their own time card prior to the work day and be at their assigned work area at 8:00 a.m., or their regular starting time, ready to work. All employees will also be required to punch their own time card in and out at lunch time, and at the end of the regular work day.

32 - Sanitary Conditions - No food or beverages will be permitted within the warehouse work areas.

33 - A three step warning program will be established to handle absentee and disciplinary problems.

34 - Standards to be established for work performance.

35 - Employees assigned to handle Tenant freight will be separate and distinct from the warehouse operation. In the event of any disagreement arising out of the warehouse operation, this will in no way affect the operation or movement of freight delivered by the trucker over the tenant platform.

## A P P E N D I X 4

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UNION PROPOSALS

MAY 1, 1978

1. Three (3) year Contract.
2. Wages:  
1978 \$1.50 per hr. 1979 \$1.00 per hr. 1980 .25¢ per hr.
3. Cost of Living:  
Cost of Living clause- First Year.
4. Sick Leave:  
Twelve (12) days.
5. Holiday Pay:
  - A. Change from 2.5 times pay to 3.5 times pay.
  - B. Thanksgiving Friday as a paid holiday
  - C. Christmas & New Years Eve.-change last  
four hours from double time to double  
time and half.
6. Vacations Eligibility:
 

50 days	- 1 week
100 days	- 2 weeks
5 years	- 3 weeks
10 years	- 4 weeks
15 years	- 5 weeks
25 years	- 6 weeks
- 7 Health & Welfare  
Life Insurance- changes from \$10,000 to \$15,000.  
Doctors Fee-Office \$15.00 - Home \$25.00. Optical-changes  
from \$18.00 to \$35.00 for glasses every two years. Petires  
Insurance changes from \$1,000 to \$5,000 paid up policy.
8. Pension  
Raise pension to \$500.00 at age 55 and twenty-five (25)  
years service.

9. Severance Pay:

One (1) week pay for each week of Service.

10. Seniority:

Extend period to maintain seniority to twenty-four (24) months.

11. Platform checkers and Machine Men to receive 25¢ more.

Motion to take a strike vote was made and seconded.

STRIKE- 76      NO STRIKE- 3

These are our minimum contractual changes. We reserve the right to change, add or modify any or all proposals during the course of negotiations.

Secretary-Treasurer

XXXXXXXXXX XCXXXXXXXXXXXX

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