



**TESTIMONY OF WILLIAM H. WYNN  
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Before the U.S. Senate Committee on Banking  
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Mr. Chairman and members of the committee, I am William H. Wynn, International President of the 1.3 million member United Food & Commercial Workers International Union.

On behalf of our members, I want to thank the committee for this opportunity to discuss our views of the takeover storm raging in our nation. Takeovers, mergers, and leveraged buyouts are very much on the minds of our members.

In the past year, tens of thousands of UFCW members and their communities in every region of this country have felt the hurricane force of “merger mania” and stock manipulation.

Thousands have lost their jobs. Thousands more have been threatened with the choice of losing their jobs or working at poverty wages -- all to pay off a few investment bankers, bondholders, lawyers and corporate raiders.

As a union, we are attempting to negotiate job rights for our members in the event that pieces of companies survive after a takeover. Failing that, we are seeking severance pay and extension of health insurance benefits to cushion the fall.

The protections we are able to achieve for our members through our collective bargaining agreements, can however, only mitigate the pain.

The financial manipulators and “quick buck” takeover artists are paid hefty salaries for juggling figures to determine how to make the most lucrative deals for bankers, company executives, investment houses, and stockholders.

Our members, in contrast, earn their paychecks with their sweat -- hour by hour, task by task. Without them, there would be no companies to be manipulated and sacrificed in the takeover game. Our members are people, with mortgages, children in college, and plans for retirement. Their anguish is real.

But neither the buyers nor the sellers in these takeover schemes -- nor the middlemen brokers, bankers, and lawyers -- give a thought to the human beings caught in the middle.

In just the last 12 months, three of our largest employers -- Safeway Stores, Lucky Stores, and Supermarkets General -- have been victims in the corporate raiding game. Altogether, the UFCW represents about 150,000 people working at these companies.

All three companies were regarded in the investment community as efficient and profitable firms. Yet they were still targets for attack by Wall Street raiders who figured out how to extract substantial sums of money by manipulating the rules of the stock trading game.

We estimate that a minimum of 15,000 Safeway workers will lose their jobs by the time the holding company that executed Safeway’s leveraged buyout last year finishes selling off divisions and closing stores.

In addition to those who have been thrown out of work, tens of thousands of other workers are being forced to accept substantial income cuts. Safeway’s bargaining tactics amount

to calculated extortion. Their idea of negotiating with workers about the sale or closing of stores is to demand cuts of \$5 to \$6 an hour in wages and benefits from people whose total compensation is generally in the \$10 to \$12 per hour range and who work considerably less than a 40-hour week.

Lucky Stores fended off an attempted raid by selling off all divisions but its core food business. Last fall, Lucky closed and sold its 84-store Gemco subsidiary, eliminating the jobs of 14,000 UFCW members. The new owner will not recognize the union contract, and is not legally required to do so. When the stores reopen, workers likely will be paid close to minimum wage. Employees will have fewer dollars to spend, and communities will suffer as a result.

The Supermarkets General situation is just beginning to unfold. The company has received notice from the Haft family, the same raiders who initiated the Safeway ploy, that they own 5 percent of the firm, and want to discuss acquisition.

As workers' representatives, we are not rigidly opposed to mergers, divestitures, and internal corporate restructuring, when these kinds of undertakings strengthen a company's operating ability. That kind of restructuring is good for earnings stability, and therefore for job security as well.

At the same time, however, it is very important -- especially for legislators and others who design public policy -- to recognize that much of the corporate restructuring going on today has nothing to do with efficiency and performance.

Instead, many of the changes are related to stock market speculation and other forms of "money churning," in which millions of dollars in assets and "payoffs" such as greenmail and golden parachutes, are taken out of healthy firms regardless of the consequences.

Many of the best business minds in this country are now devoted to “get rich quick” schemes of this sort, rather than the building up of strong firms.

Unlike some other industrial sectors, this restructuring does not occur in response to foreign competition or similar factors that may be outside the direct control of corporate management.

In our experience, this costly and debilitating turmoil comes from within the American corporate system. It comes from the greed of those in positions to manipulate its levers. In every instance, top corporate officers have been able to insulate their personal and financial situations from the turmoil and disruption they inflict on everyone else.

Our nation can ill afford to let “merger mania” continue. The cost in human terms is devastating.

It is imperative that Congress act quickly to correct the inadequacies and abuses in our system that allow this type of takeover activity to continue virtually without restriction.

The destruction of healthy, competitive firms must be stopped. The process of money-churning deal-making should not be permitted to jeopardize our financial system and the local and national economies that depend on its integrity. And the “sweat equity” investment of employees and communities also must be adequately protected and rewarded.

Our members are now alert and will not play the role of “helpless victim.” On Monday, 25 busloads of UFCW members employed by Supermarkets General came down to Washington to convey their concerns to the House and to their Representatives and Senators. We put you -- and the Wall Street bankers and money manipulators -- on notice that we have only just begun to make our voices heard.

From our experiences, we have developed a number of suggestions for legislative reform, which I would like to summarize briefly.

The current takeover process is so rapid that it invites panic. Slow it down.

“Greenmail” is, plain and simple, economic extortion. Outlaw it.

The investment of time and energy and talent by workers in a company has a value as sure as that of any shareholder. Protect it.

Golden parachutes save only a few in management and distort their obligations to shareholders and employees. Cut the rip cords.

Communities have a major economic interest in keeping facilities and workers employed. Protect them.

Mr. Chairman, the future of our economic system and the workers who make it work is at stake. There is not a moment to lose.