United States Attorney's Office

Central District of California

Thom Mrozek, Public Affairs Officer
(213) 894-6947
thom.mrozek@usdoj.gov
www.usdoj.gov/usao/cac

NEWS RELEASE

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RALPHS GROCERY COMPANY PAYS $70 MILLION TO RESOLVE CRIMINAL CASE OF REHIRING WORKERS DURING LABOR DISPUTE

Federal Judge Formally Sentences Supermarket Chain in Deal that Brings Nearly $50 Million to Reimburse Locked-out Workers and Unions

Ralphs Grocery Company has paid $70 million dollars in criminal fines and compensation for Ralphs' workers, their health benefit and pension funds, and their unions, after pleading guilty to several criminal charges for illegally rehiring hundreds of locked-out union members during the 2003-2004 grocery store labor dispute. After Ralphs paid the fines and compensation in recent days, a federal judge in Los Angeles today formally sentenced the company to probation, which will place Ralphs, the owner of about 300 supermarkets across Southern California, under court supervision for the next three years.

At today's hearing, United States District Judge Percy Anderson said that he was "surprised, disturbed and disappointed" by Ralphs crimes, which were committed to gain a "tactical, unfair advantage" over its employees and unions. The company's conduct, according to the Judge, had the effect of "eroding public confidence in the collective bargaining system." Ralphs, Judge Anderson stated, had a "pervasive and powerful corporate culture" that "exalted profits" with a "win-at-any costs" approach.

After being indicted in late 2005, Ralphs in June agreed to plead guilty to the criminal charges, admitting that it covertly rehired locked-out workers under false names and social security numbers during a lockout of approximately 19,000 Ralphs grocery clerks and meat cutters. In addition to rehiring locked-out workers under false identities, Ralphs admitted that it submitted false tax information to the Social Security Administration and Internal Revenue Service for the employees working under false identities.

The company also admitted that two of its executives, who served as trustee and alternate trustee to the trust funds that provide health and pension benefits to current and retired grocery workers, breached their fiduciary duties to the funds. When directly asked if Ralphs had illegally rehired locked-out workers, the executives concealed from other trustees the illegal rehiring. At the time of this criminal conduct, these two executives were serving as Ralphs' top negotiators with the unions. The company has admitted it benefitted from this concealment because the unions did not learn of the illegal rehiring.

Ralphs entered the guilty pleas in United States District Court on July 26. The company pleaded guilty to five felony counts: conspiracy, use of a false social security number, identity fraud, falsifying and concealing material facts in matters within the jurisdiction of the Internal Revenue Service and the Social Security Administration, and concealment of facts from an employee benefit plan.

"As a major company and a large employer, Ralphs had a responsibility to abide by the law in dealing with its employees, the unions who represented them, and government regulators," said George S. Cardona, the Acting United States Attorney on this matter. "Its failure to do so affected large numbers of Southern California residents by unnecessarily prolonging the length of the labor dispute. By its guilty pleas and agreement to pay not only restitution but a substantial fine, Ralphs has accepted responsibility and paid the consequences for its actions. We hope that other corporate employers will recognize that, like Ralphs, they must abide by the law or face the consequences."

Gordon S. Heddell, Inspector General of the Department of Labor, stated: "Ralphs Grocery Company caused great harm to thousands of workers by prolonging a labor dispute by secretly rehiring locked-out employees and failing to make required payments to the pension and benefit plans of the labor unions. This sentencing sends a stern warning that we are committed to working with other law enforcement agencies to vigorously investigate crime schemes that are detrimental to American workers."

Pursuant to a plea agreement with the government, Ralphs paid a $20 million criminal fine. It also paid $50 million into a restitution fund, which largely will be used to give backpay to 19,000 locked-out Ralphs workers. The government and the unions estimate that the restitution fund should provide approximately seven weeks of backpay to each worker. The seven unions that represent the workers will receive some money to reimburse them for financial assistance given to the workers during the labor dispute. The restitution fund will provide approximately $675,000 to the trust funds to reimburse them for unpaid contributions.

In exchange for the $50 million restitution payment, the unions have withdrawn certain unfair labor practice charges pending before the National Labor Relations Board.

This case against Ralphs is the result of a labor dispute that started on October 11, 2003, when the unions struck the Vons supermarket chain. Pursuant to a secret agreement among three grocery store chains, Albertsons and Ralphs locked out their grocery workers on October 12. While workers picketed their stores, Ralphs, Vons and Albertsons continued to operate with management and temporary workers. During labor disputes, federal law allows an employer to lockout all union employees, but prohibits “selective lockouts" where only a portion of the union workforce is locked-out.

On Halloween, the unions decided to stop picketing Ralphs stores, which led to a huge increase in business at its supermarkets. The increase in business caused problems at the store level because Ralphs was operating without its normal workforce. In order to deal with the influx of customers, Ralphs began selectively rehiring locked-out workers – many under false names and false social security numbers – in order to operate with experienced personnel. The lockout and strike lasted approximately 4½ months and affected approximately 65,000 to 70,000 grocery workers, making it the longest and largest labor dispute involving the grocery industry in the United States. Ralphs admitted that during the course of this labor dispute it falsified hundreds of employment records and filed hundreds of false tax forms with IRS and SSA. Ralphs also admitted that a number of its executives participated in the criminal conduct.

Under the plea agreement with Ralphs, the United States Attorney's Office may continue to investigate and could prosecute current or former executives or employees of Ralphs or related entities if they were involved in the criminal conduct.

Ralphs today was placed on corporate probation for three years, during which time it will be required to establish court-supervised training and compliance programs. Ralphs and its parent company, Kroger, have agreed to fully cooperate with the government in its continuing investigation.

Debra D. King, Special Agent in Charge of IRS - Criminal Investigation in Los Angeles, stated: "Ralphs Grocery Company re-hired locked out workers. In an effort to conceal this, Ralphs made false statements to the government, intentionally concealing this fact by reporting payroll information that included false names and Social Security information for the re-hired employees. This sentence sends a message to the business community that IRS - Criminal Investigation, in cooperation with our law enforcement partners, will investigate and prosecute violations of law committed for the sake of profitability."

The case against Ralphs is the product of an ongoing investigation conducted by the United States Department of Labor - Office of Labor Racketeering and Fraud Investigations, Department of Labor - Employee Benefits Security Administration, Social Security Administration - Office of Inspector General, and IRS-Criminal Investigation.

CONTACT: Assistant United States Attorney Adam H. Braun
(213) 894-0332
Assistant United States Attorney Jeremy D. Matz
(213) 894-0649

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