



September 2, 2011

Negotiations Update - A Quality of Life Issue

A copy of this Negotiations Update message is posted on the “Negotiation Update 2011” page on the ARCA/MCA website (www.arcamca.org). You may distribute copies of this update to all of your employees.

Your ARCA/MCA negotiation committee has continued to meet with the union negotiation committee in an effort to reach a new collective bargaining agreement. Although your committee has made several proposals to the union which address the serious issues confronting the union signatory contractors in difficult economic times; the union has continued to reject management’s proposals while failing to offer any revised proposals to address these serious issues.

The Association is well aware of the efforts each of the contractors have made the past three difficult years to keep the employees gainfully employed; receiving weekly paychecks and maintaining the health care programs. The employees recognize the efforts of their individual company, and have a personal understanding of this difficult situation. The people who work in the field and interact with the customers on a daily basis know how fragile our business environment has become. Unfortunately, the union has not acknowledged nor indicates any appreciation for the responsible efforts made by contractors.

- Due to the difficult economic times of the past 3 years, if a Service Company attempts to pass on to customers an increase in costs, there is a good chance they may lose customers. The result would be a loss of work hours and pay, and perhaps the loss of a field technician’s job, as well as a loss of future business at that building and any other buildings managed by that customer.
- The number of active working members of Local 250 has declined by more than 300 men since 2008. For the same three years Local 250 has had more than 100 technicians on the out of work list.
- Even in the face of these difficult times the Association offered to Union Local 250 a one year agreement with an increase in the hourly wage of \$.65 per hour for the journeyman classification, and the appropriate percentage for all other classifications. This \$.65 is made up of \$.50 new money and moving \$.15 cents per hour from the Health & Welfare contribution to the hourly wage. The ACRT Health and Welfare Plan has maintained a level of cash reserves that allows for the \$.15 per hour transfer to the hourly wage.
- The other union locals would receive the same percentage of new money increase, resulting in \$.43 per hour for the journeyman classification and the appropriate percentage for all other classifications.



- The union negotiating committee has proposed a \$2.00 per hour increase for the Journeyman Classification. Every company and field technician should be deeply concerned about the effects such a cost increase would have upon the union customer base.
- ARCA/MCA believes having a "package" that is competitive in the market place will provide the best long term results for its companies and their employees who are members of the Southern California local unions.
- **Your negotiation committee has discussed with union representatives all of the points reviewed above. Unfortunately, the unions apparently fail to appreciate the economic condition of the industry that has deteriorated during the past few years with adverse impacts not just on the contractors, but the contractor's employees and union membership.**
- **The union negotiating committee has advised us that no union locals will be voting on an ARCA/MCA offer until such time as the Union Local 250 membership has conducted its vote.**
- **Your negotiation committee is prepared to return to the bargaining table when the union negotiating committee is prepared to engage in constructive negotiations.**

Another issue of significance is the health and welfare plans and the pension plans for the areas outside of Local 250, Local 364 and Local 398. This affects the San Diego regional area, the Bakersfield regional area and the Santa Barbara/Ventura regional area. These three regional areas have their benefits provided through the Southern California Pipe Trades Benefit Trust Fund.

The costs to maintain these benefit plans are too expensive to continue to have these benefit programs support the service industry. In fact, the health and welfare program requires an increase of \$1.61 per hour this year alone, bringing the current health plan contribution rate to \$7.61 per hour, and a projected minimum increase of \$.66 per hour next year.

The Southern California Pipe Trades Pension Plan actuarial valuation report dated January 1, 2011 shows this pension plan has an "Unfunded Vested Benefits" liability of \$270,918,635. A copy of the page of this actuarial report is posted on the "Negotiation Update 2011" page on the ARCA/MCA website (www.arcamca.org). And with the current volatility in the 2011 stock market it is likely the unfunded liability will increase. This will most likely result in an increase in the current pension contribution rate of \$6.97 per hour.

This amount of money is not even a possible consideration. We proposed transitioning the employees in these three regional areas into the Inland Refrigeration Benefit Trust Fund for health plan coverage. We also proposed that employees hired on or after September 1, 2011 be included in the Inland Refrigeration

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pension plan. Employees currently participating in the Southern California Pipe Trades Pension Plan will be grandfathered in that plan.

Although the Service Master Labor Agreement expired on August 31, a temporary extension to that Agreement has been reached by the bargaining parties. In the event the union should decide to call upon the membership to vote to take economic action against the ARCA/MCA member companies, and should such economic action occur, you may advise your employees that they will be allowed to continue working, should they so choose. In the event you find it necessary to seek additional help to continue your operations during an economic action you should consider employing other skilled workers, or people on the out of work list who would like to be employed.

Questions about this memo or any other questions related to negotiations should be directed to the Association office.