

*State of New Jersey
Commission of Investigation*

**THE NEW JERSEY
GARMENT INDUSTRY**

April 1991



State of New Jersey
COMMISSION OF INVESTIGATION

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April 1991

Governor James J. Florio
The President and Members of the Senate
The Speaker and Members of the General Assembly

The State Commission of Investigation herewith formally submits, pursuant to N.J.S.A. 52:9M, a report on its investigation into matters relating to the garment industry including its public hearing held on October 23, 24 and 25, 1990.

Respectfully,


James R. Zazzali
Chairman

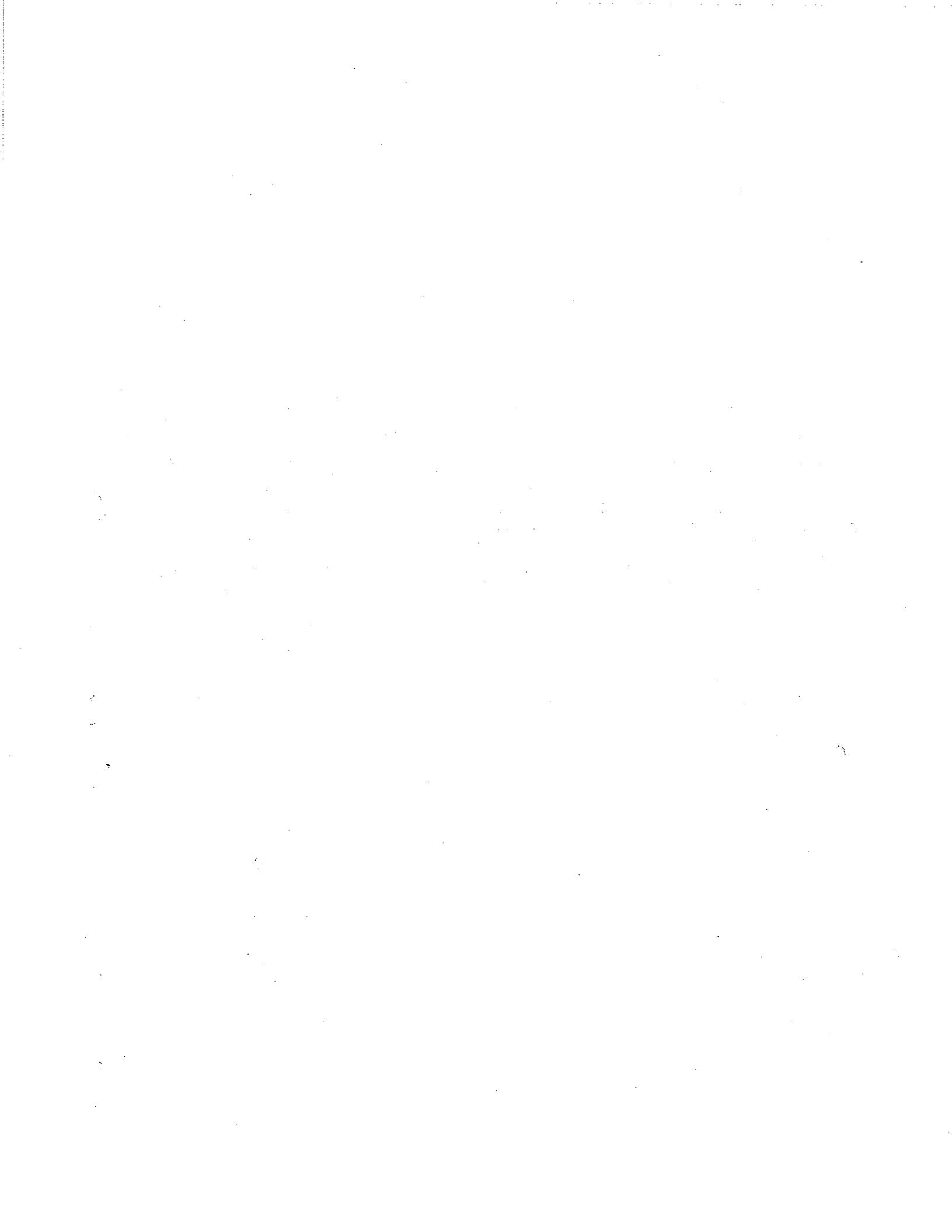

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SUMMARY AND RECOMMENDATIONS

The inquiry and public hearings by the New Jersey State Commission of Investigation into the garment industry have revealed a myriad of problems of enormous complexity. The problems can be broken down into three major issues, the first two of which are economic and are inextricably intertwined.

First, the Commissioners are greatly concerned about the welfare of the thousands of workers in New Jersey in this industry and how best to protect them. Second, the Commissioners are concerned about the economic health of the industry itself and how to preserve what is left of it.

The Commission is acutely aware, for instance, that the garment industry in the nation as a whole has been hurt badly by imported goods made abroad by workers earning a fraction of the wages their counterparts in this country make — wages which, by the way, are just barely adequate. Overregulation of the industry could price some contractors and manufacturers out of business. Yet fundamental human decency requires that this industry treat its employees fairly.

The Commission heard much testimony about how difficult it is for some entrepreneurs to make a living in the garment industry. But some are making money — and lots of it. Are they doing well on the backs of their workers, or are they doing well because they are good businessmen who out-hustle their competitors? And do some have an unfair advantage because they play by different rules?

It is this latter concern that represents the third major issue raised by the hearings — the organized crime dominance of some major garment trucking

companies and the acceptance by all concerned of this insidious, longstanding presence in the industry. And the Commission was especially troubled to learn of the extent of the migration to New Jersey of organized crime elements from the New York garment center.

* * *

Three years ago, the Commission conducted a lengthy investigation into the check cashing industry and the extent to which it was influenced or controlled by organized crime. During the course of that investigation, the SCI staff discovered that many companies in the garment industry were cashing what seemed to be a large amount of checks payable to their own businesses through check cashers.

Although this information was not pursued at the time, publicity from that hearing caused garment industry sources to contact the Commission. New information from these sources, combined with that already in hand, led directly to the garment investigation.

One reason that financial instruments are negotiated through check cashers is that banks in New Jersey will not cash business receivables but instead require that they be deposited in a firm's account, where the transactions are recorded. Cash generated through check cashers, on the other hand, does not leave a record in an account.

The garment investigation showed that cash thus generated can be used to pay workers under the table, avoiding the need to report their existence to state and federal authorities. Hiding workers allows

a manufacturer or contractor to avoid paying contributions to state unemployment and disability funds, federal Social Security taxes, and obligations to union health, welfare and pension funds. Workers are similarly hidden from immigration authorities, from insurance companies, state Labor Department officials and from municipal, fire and safety inspectors.

If cash serves the purposes of garment contractors, it suits many workers as well. A substantial portion of workers in this industry today are immigrants, many of them illegal aliens and many who insist that they be paid in cash so that immigration authorities will not learn of their presence. Some of the workers are also collecting money from other sources and want to conceal their garment earnings from authorities, either because they want to evade their legal obligations or simply because they distrust or fear government. As part of a vast underground economy, many are thus ripe for exploitation by unscrupulous or heartless employers.

Some workers, for instance, receive wages from which deductions have already been taken, but dishonest employers pocket the deducted funds rather than turn them over to the government as required by law. Because they are paid "off-the-books," many garment workers have no benefits such as sick leave, paid vacations, workers' compensation, medical insurance, social security or pensions. As for working conditions, although they are nowhere near what they were in the days of the ghastly sweatshops near the turn of the century, sewing machine operators still must toil under any physical conditions their employers dictate, simply because the workers cannot complain.

The majority of garment workers are women. Many get jobs in the industry because they already have sewing skills when they enter this country. Since most speak little or no English, they find it difficult to get other employment, but since language skills are not necessary to operate a sewing machine, they remain in garment jobs at low wages.

To deal with the problem, the State enacted the Apparel Registration Act under which the Department of Labor is charged with enforcing New Jersey's wage and hour laws in the garment industry. But that unit, which is severely understaffed, cannot enforce the laws for employees it does not know exist. (The Labor Department was aware of the SCI's investigation almost from the outset and cooperated fully with our staff.)

* * *

Organized crime is rarely discussed openly in the garment industry, but then it doesn't have to be anymore. Participants all know the rules and, perhaps more importantly, know the players. The history of the industry is so replete with violence that a mere suggestion today delivers a message that may have taken many broken legs to deliver years ago. And we are, after all, talking about second generation organized crime figures who, by and large, are ostensibly more sophisticated and less violent than their fathers.

Although there is intense competition in the manufacturing segment of the industry, the situation is entirely different with trucking, an area that organized crime expert Ralph Salerno called "the circulatory system of the garment industry." A handful of firms dominate not just the transportation of goods but actually decide in some cases which contractors will get the bulk of the work. This is so because most truckers adhere to the illegal "property rights" concept that was employed for such a long time in the garbage collection industry. Truckers who solicit business from a manufacturer or contractor already being serviced by one of a handful of the "right" trucking companies learn quickly to seek work elsewhere or suffer the consequences. And infractions rarely go unpunished. Trucks laden with finished goods are sometimes delayed en route to the retailer, break down unaccountably or are hijacked. Time, after all, is money in the garment industry.

Contractors have similar troubles. In an attempt to meet a deadline or simply to save money, contractors sometimes try to deliver finished goods to the garment center in Manhattan themselves rather than use a trucker. Those that try this invariably have difficulty parking because space is occupied by certain trucking companies' vehicles. On the rare occasions when street parking is available, goods are frequently stolen while being unloaded when a "foreign" vehicle is left unattended. Even when goods are delivered without incident, the contractor learns quickly that the trucker still is paid, even though the product was delivered by someone else.

Although financing in the garment industry is complicated and economic conditions are fragile, the Commission is frankly skeptical of testimony regarding the beneficence of some garment truckers towards contractors in the lending of money, the permissiveness concerning repayment of debts and other instances of financial generosity. Testimony such as this would raise eyebrows if it concerned more gentlemanly areas of commerce. In the rough and tumble world of the garment trade, it defies credulity.

* * *

Check Cashing

One thing the Commission is certain of is that our recommendations made in 1988 regarding the operations of check cashers are more important than ever. The marginal nature of some garment enterprises causes many to use check cashers to conceal assets, hide workers, avoid payment of union benefits, pay bribes and perhaps for other nefarious purposes.

At the very least, the state must abolish this easy vehicle for the unscrupulous — in the garment industry and elsewhere — to get access to large amounts of unreported cash. **Licensed check cashers must be regulated properly and prohibited from cashing business receivables. Unlicensed**

check cashers must be put out of business. The Commission supports the proposal for legislation contained in a recent letter from Banking Commissioner Jeff Connor to Chairman Zazzali and urges that it be enacted into law as quickly as possible.

That proposal would limit to \$2,500 the amount of a single check that could be cashed by a check casher or the total amount of checks that could be cashed in a single day. The proposal would also prohibit the cashing of checks "made payable to a payee which is other than a natural person," thereby incorporating the SCI recommendation dealing with cashing business receivables. Violations of these provisions would be third degree crimes.

Apparel Registration Act

Since the Commission's public hearing on October 23, 24 and 25, 1990, S-3202 sponsored by Senator Lesniak has been released from a Senate committee. That measure would strengthen and make permanent the Apparel Registration Unit, which would otherwise cease to exist July 1. The Commission strongly urges passage of this bill.

The Commission believes that the Apparel Unit is severely understaffed, but since resources in most agencies of government today are severely limited, any large infusion of manpower into the Unit at this time is unlikely. However, S-3202 would give the inspectors already on staff the tools to do a better job. This new authority would allow these inspectors to be more aggressive in searching out violators rather than accepting limited registration information as submitted without verification or challenge.

Among other things, S-3202 provides for an expansion of penalties, including confiscation of articles under certain circumstances.

The bill permits confiscation of partially or completely assembled garments as a partial penalty for violation of the law, if the manufacturer or contractor has previously been found liable for a civil or

administrative penalty for two or more separate violations of the law within the preceding three-year period.

The bill also provides for the Commissioner of Labor or his designee to make public a list of manufacturers and contractors who have been found guilty of violations of the law or any other act for which the manufacturer or contractor may be subject to revocation of registration or confiscation of items for a subsequent violation. The list would be updated in a timely manner. Further, the list would be made available to any requesting manufacturer, contractor or organization representing same.

The Commission believes the bill should be amended so that the list includes the business name as well as the name of the firm's principals, to preclude an individual from changing his corporate identity to escape legal obligations.

Manufacturers and contractors would be required by the bill to keep accurate records regarding their production employees for the preceding three-year period and to make those records available to the apparel unit upon request. Those records would include: names and addresses of employees and ages for minors; number of hours worked and the time of day that work begins and ends; wages, wage rates and piece rates paid during each payroll period; contract worksheets indicating price per unit agreed upon between manufacturer and contractor.

The Commission believes the bill should be amended to require that such records also include the agreed-on time period within which contractors must complete a given job. Such a figure is important in terms of setting a realistic price for a legitimate garment business.

The bill also requires that any manufacturer or contractor who contracts with any other manufacturer or contractor whom the manufacturer or contractor knows does not hold a valid registration shall be deemed to have violated the act. Violations of

this section within three years after having been found liable for a civil or administrative penalty for violating the same section would be a fourth degree offense.

Any manufacturer or contractor who falsely holds himself out as registered for such work and who does so within three years after having been found liable for another civil or administrative penalty would be guilty of a fourth degree offense.

The bill provides for civil penalties up to \$1,000 for initial violations and \$2,000 for each subsequent violation and, alternatively or additionally, an administrative penalty up to \$250 for the first violation and a maximum of \$500 for each subsequent violation.

It should be noted that under the bill, failure on the part of the manufacturer or contractor to comply by registering or renewing registration could result in the Commissioner seeking an injunction in a summary action in Superior Court to prohibit the unlawful activity. Further, an intentional failure to comply with the registration requirements of the act would be a fourth degree offense.

Two violations of the same provision of the act within a three year period or a second violation of any other labor law applicable to the employment of production employees within a three year period would require posting of a surety bond as a condition of continued registration, after a hearing and after due consideration of the size and past experience of the business and the seriousness of the violation. The surety bond would be payable to the State and for the benefit of the production employees damaged by the failure of the manufacturer or contractor to pay wages or benefits or otherwise comply with the law.

Beyond these provisions of S-3202, the Commission believes that the statute should be clarified so that there is no question that inspectors have the authority to see current books and records of gar-

ment contractors on demand, without prior notice, rather than requiring the inspectors to make an appointment for inspection at a later date. Those records should include current day wage and hour information. The inspectors should also be authorized to inspect shop premises at any time.

The statute of limitations for wage and hour violations should be lengthened from one year to a more realistic two years to reflect the fact that it often takes that long for violations to become known and prosecutions to be completed.

The law should be amended to require that the registration form for garment entrepreneurs be properly and completely filled out and that a complete list of contractors and manufacturers used by the applicant be included. Copies of the business' last annual report, the firms' trade names, certificates of incorporation and copies of the latest corporate tax returns should also be included. False submissions should be punishable as false swearing and the signature line on the form should clearly say so.

Embroidery, single sewing machine operator enterprises and one- and two-person silk screen operations should be eliminated from coverage of the act, thus allowing the Department of Labor to redirect its limited resources.

Department of Labor Procedures

The Commissioner of Labor should immediately institute procedures requiring the Apparel Registration Unit to do a computer cross check with the Division of Unemployment Compensation, the Division of Workers Compensation and the Division of Taxation. Such checking would expose those persons gainfully employed at the same time they are also receiving unemployment compensation or other such payments. It would also help detect tax cheats.

The Apparel Unit should automatically notify

municipalities of the existence of a garment business in their area so local officials can perform the appropriate fire and safety inspections and check for zoning or building code violations.

Job specifications for inspector should be rewritten so that new hires are bi-lingual to better communicate with the immigrant populations currently working in the garment industry.

Registrations should be staggered to avoid an end-of-the-year administrative crunch in the Apparel Registration Unit.

Other Legislation

Just as violations of the state's tax laws are criminal offenses, conspiracy to do so should also be made criminal.

When the penal code was revised in 1979, the legislature deleted from the statute a measure making it a crime for employers to demand that workers kick back any overtime pay or other such funds the payment of which was compelled by the Department of Labor. The Commission believes this statute, N.J.S.A. 2A:170-90, should be reenacted and raised to a fourth degree crime.

The Commission recommends that New Jersey follow the lead of other states, including New York, which require state agencies which grant licenses (including permits, certificates, approvals, registration, charters or any other types of permission to engage in a profession, trade, business or corporation) to obtain the social security number, federal employer identification number and other information to furnish these numbers and other requested information to the Division of Taxation. The purpose of the law would be to identify individuals, businesses and others who have been delinquent in filing tax returns or who may have understated their tax liabilities and to generally identify persons affected by the laws administered by the Division of

Taxation. Such legislation should be considered not just in the context of the garment industry but in other businesses as well.

THE WORKERS

The garment industry in the United States traditionally has been both a source of succor and of anguish for many immigrants new to this country. For those who could not speak English or who had limited skills, the industry provided needed employment when few other industries did. At the same time, it fostered some of the most degrading, unhealthy and unsafe working conditions our country has seen. Beyond the working conditions, wages were low and benefits virtually non-existent.

According to Sidney Reiff, executive director of the New Jersey Apparel Manufacturers Association and of similar organizations in New York, the garment workers early in the 20th century were mostly Eastern European Jews, followed by Italians, then Hispanics and now Asians. "I think as immigration flows came into the country, [the garment industry] became a place of employment for lots and lots of people," Reiff testified.

The major focus of the SCI investigation was on manufacturers and contractors whose primary products were ladies' and children's garments sold mostly at discount department stores and chains, although some manufacturers who made "high end" garments were examined also. Men's clothing manufacturing is an entirely separate industry, generally with different manufacturing associations, different unions and different working conditions. That industry also has a different history regarding ties to underworld elements.

* * *

As with any industry its size, some operations in the garment industry are complex and, in some respects, relatively fluid, but the basic structure of

the industry is relatively simple. Once a garment is designed and ready for manufacture for the general retail market, manufacturers or jobbers have the material cut and distributed to contractors whose employees sew the pieces together. The garments are then consolidated for delivery to retailers.

Obviously, there are variations of this basic scenario. Sometimes, for instance, finishing touches are done by the manufacturer, sometimes by a company that does nothing but finishing. Sometimes a company is both manufacturer and contractor. Sometimes a manufacturer is unionized, sometimes not. But despite the many possible variations, two factors about the industry remain constant:

- The person at the bottom of the economic ladder is the sewing machine operator — the garment worker who actually makes the article of clothing.

- The goods and materials are moved from place to place by trucks.

Both these factors will be discussed in detail in the pages that follow.

* * *

In 1987, the Apparel Registration Unit was created in the State Department of Labor to protect garment workers by requiring the registration of manufacturers and contractors in the industry. Labor Commissioner Raymond L. Bramucci, a former official of the International Ladies Garment Workers Union (ILGWU), testified before the SCI that the Unit is severely understaffed and must, of necessity, concentrate on those contractors believed or

known to be disregarding the statute. The majority of licensees, he testified, file timely reports that appear to be reasonably accurate, so the Unit concentrates its limited resources on the fly-by-night operators, the ones most likely to abuse workers and ignore the law.

One of the requirements of the law is that garment contractors and manufacturers register with the Unit. Those that do not must be found and compelled to comply. But finding them is sometimes difficult, and when they are located mere registration is frequently insufficient to protect workers. Thomas W. McLean, head of the Unit, testified that his staff has used a number of methods to find the sewing shops — “through our Department, through the unions, and even through the yellow pages....” The Unit has nine field investigators to police about 1,500 firms; only two of those investigators speak Spanish.

The problem, as Sidney Reiff testified and as the SCI investigation revealed, is that major established and responsible shops are easily identifiable. The marginal shops are another matter. Often they are hidden in boarded-up warehouses or other locales away from the prying eyes of immigration officials, local safety and fire inspectors, zoning officers, union officials and state labor inspectors. Because shops sometimes open, close and move within a matter of days, getting them to register, maintain records and provide any worker benefits beyond wages is all but impossible.

Since it began operations in 1988, the Apparel Registration Unit has found violations that include hiding of illegal aliens, failure to pay overtime or minimum wages, child labor violations, violations of homework regulations, failure to carry workers' compensation insurance and failure to pay payroll taxes. Commissioner Bramucci testified that because of these kinds of violations and the failure of these firms to make tax payments or to carry workers' compensation insurance, the state is basically “subsidizing a segment of an industry that is not in

our interest to subsidize.”

The state is subsidizing the industry, according to Harvey Borak, Chief of the Office of Criminal Investigation of the State Division of Taxation, because too many companies and individuals are avoiding paying their fair share of taxes. A former chief in the Criminal Investigation Division of the IRS, Borak has had long experience investigating the garment industry and check cashing cases in New York.

In his testimony, Borak described for the SCI various illegal tax schemes he had seen in the garment industry, most of which, he said, had been used at one time or another by the Gambino organized crime family. He said those hurt most often by the schemes are the workers who are paid off-the-books and thus have no benefits. But he said the state is also a loser. Referring to a potentially large amount of unreported income, Borak called it an “underground economy, or what's often referred to as the tax gap. Basically, I find it to be an affront to the honest taxpayer and has a direct effect on all of us.”

Bramucci testified that competition at the contracting level of the industry is so fierce that entrepreneurs feel they must do whatever it takes to keep costs down. And the Labor Commissioner told the SCI that contractors are so financially unstable that they go in and out of business almost daily. They spring up, he said, “like mushrooms in the woods,” with all the implications of instability and unwholesomeness that phrase implies. “That's why they defy orderly enforcement. You don't have an industry that you can track in a continuous way.”

Many contractors fight unionization because they believe the added costs will force them out of business. Thus, most garment workers toil for low wages, have few benefits and no protection against employers who steal from them or otherwise abuse them. Witnesses told the SCI that union benefits generally add about 23 per cent to labor costs in the

garment industry.

Michael Eliasof

Michael Eliasof of Passaic represents the kind of garment contractor that is difficult for the Apparel Registration Unit to find and police.

Eliasof testified before the Commission in executive session up to a point but then decided to invoke his Fifth Amendment privilege, as he did during his entire appearance at the public hearing. Eliasof has a record of ignoring Labor Department and municipal directives and of folding one company and starting another — often at the same location — whenever fines or other sanctions from the state and local government got too high. To this day, several thousand dollars worth of fines and penalties remain unpaid to the State, the City of Passaic and the U.S. Immigration and Naturalization Service (INS).

The Commission's investigative staff found that Eliasof has a long association with Richard Doren of Rutherford, a man identified in the SCI check cashing investigation as an associate of the Genovese organized crime family. Doren, a Passaic check casher, has been Eliasof's landlord, business partner and check casher for more than five years.

Doren himself has been involved in the garment industry for many years as a trucker and a contractor in partnership with Eliasof and several others. He has also been a landlord for Eliasof and other garment contractors and, perhaps most importantly, a check casher who has served the needs of truckers, contractors and many others with a need for cash. In his executive session testimony, Eliasof was vague and forgetful regarding details of his relationship with Doren.

Eliasof operated garment manufacturing firms at 18-20 Howe Avenue in Passaic from 1985 until April, 1989. According to testimony of SCI Senior

Special Agent Richard Hutchinson, during that period Eliasof operated more than six different businesses at that location, using names such as Julie's Corner, Adam's Rib, Fashionable Fashions of New Jersey, Inc., Eldau Enterprises, Elson Manufacturing Company and MI-JO Fashions. Eliasof is now operating at 91 Highland Avenue in Passaic as Elson Manufacturing and is associated with two other corporations there, BJ Sportswear and Kimee Contracting Corporation.

Agent Hutchinson said that Eliasof has run afoul of the Apparel Registration Unit and the office of Wage and Hour Compliance of the State Department of Labor, the INS, the City of Passaic and the State Division of Taxation.

He has frequently been delinquent in filing wage and hour reports. In 1988 he was directed to register with the Apparel Unit, which eventually rejected his application because he did not have workers' compensation insurance — in fact, he had never had such insurance until 1988. And when he finally got it, he grossly underrepresented the number of his employees in order to reduce his premium. He has misrepresented the number of his employees to his insurance carrier and in testimony before the SCI. In fact, on February 15, 1989, at the very moment Eliasof was telling the SCI he had "about 60" employees, SCI agents conducting a surveillance of his Passaic operation counted 95 workers. Whenever any inspectors visited his factory, Eliasof showed them the 50 or so workers on the ground floor but never revealed an equal number working in the basement. When Apparel Unit investigators tried to examine his employee time cards on October 15, 1990, Eliasof refused them access. Lacking the authority to compel Eliasof to comply, the Unit had to make an appointment to see the cards at some time in the future.

When served with an SCI subpoena for records of his company, Adam's Rib, he said, "I don't even have a scrap of paper, not even one." In executive session, Eliasof testified that he had not kept formal

books and records for 10 years. To investigators, Eliasof tries to portray his business as a small, shoestring operation but his lifestyle and the amount of his check cashing activity at Doren's Passaic Check Cashing Services, Inc. belie that representation. In fact, during 1988, Eliasof cashed more than \$646,000 worth of checks drawn on one of his companies at check cashers rather than at banks. An examination of the check casher's microfilm records established that another Eliasof company had a weekly payroll of \$13,000, hardly the size of a business that would keep no records.

Eliasof rented the Howe Avenue site from Richard Doren and was in the process of buying the garment contracting business from him as well. Doren has been cited several times by the City of Passaic for code violations because he allowed Eliasof's sewing operation to operate in a building located in a retail zone. Doren has engaged in an ongoing battle with the city and the fines that were imposed were eventually downgraded from \$6,000 to \$50 on the order of the city construction official.

Information about Eliasof uncovered during the investigation has been referred to various state and federal law enforcement and administrative agencies.

Jerome Finkelstein

Jerome Finkelstein of Englewood, who spent 54 years in the garment industry in Passaic as both a contractor and a manufacturer, was a reluctant and combative witness. Finkelstein admitted pleading no contest to a 1987 federal charge of withholding \$212,945 in taxes from employees and failing to turn it over to the federal government. He conceded that the government contended those employees were illegal aliens but he said he disputed that characterization and was preparing litigation to challenge it.

The U.S. Department of Labor determined that

Finkelstein kept two sets of books. One set labeled "W.B. payroll" represented employees he did not report to government agencies and whom he paid under-the-table. The "W.B.," he conceded, was short for "wetback." Most of these workers were illegal Polish immigrants. Federal investigators have said the scheme was the largest payroll tax scam in U.S. history.

During his SCI testimony, Finkelstein likened the federal government to the KGB, saying that [federal prosecutors] "once they latch onto a victim" they use that person as a vehicle to obtain promotions and improve their status. And in response to a question from Commissioner Barry H. Evenchick about ways to improve the garment industry, he said:

I think you are a little late with your question, Mr. Evenchick. You're trying to close the door to the barn after the horse is out of the barn. You've destroyed the industry personally—you, the legislature, the Congress of the United States, between your welfare freebies and your inability to constructively run this country. So I don't know what you want to find out now for.

Finkelstein balked when Chairman James R. Zazzali tried to question him about his personal lifestyle. And he was evasive about the ownership of various properties bought by him but which apparently are now listed in names other than his own. (Finkelstein is fighting an IRS judgement arising out of the criminal prosecution against him.)

BY MR. ZAZZALI:

Q. Just a couple more questions, Mr. Finkelstein, and as I ask these questions, I want you and everyone to understand that I have no quarrel with your right or the right of any businessman to earn a comfortable living and to live a comfortable life. You live in Englewood, correct?

A. Yes, sir.

*Q. You have an indoor pool and tennis court?
A. I don't think my house is anybody's business.*

*Q. I'm asking you the questions. Isn't it a fact that you have a pool and tennis court up there?
A. I've --*

*Q. I'm not going to go further with that.
A. I cannot offer the relevance of it to this setting.*

*Q. Would you answer the question? You're under oath. Would you answer the question?
A. The house is not mine, it's my daughter's house. I'm a Florida resident, so I stay up here for part of the year.*

*Q. And you have a house in Florida?
A. No, my family has a house in Florida.*

*Q. And you have a house in the islands, don't you?
A. No.*

*Q. Does your family have a house?
A. No, they don't.*

Finkelstein said he went out of business in May, 1990, after operating mostly in New Jersey but sometimes in New York, as well as in South Carolina and Spain. He said that there has been a drastic decline in American made products in the garment industry over the years because of increased costs.

While he declined to answer questions about whether he ever engaged in "double breasting" — that is, operated both union and non-union shops simultaneously — he said most of his operations have been non-union. Finkelstein also declined to answer questions regarding the reasons his operations have been all non-union since 1982.

He said that in 1990 he paid most of his sewing machine operators between \$4 and \$5 per hour. And after nearly 50 years in the business, he said he

began paying hospitalization benefits for the first time beginning sometime during the last four to six years. But he said that after a couple of years, because of increasing costs, he required the employees to contribute if they wanted to keep the benefit. Finkelstein said he had no pension plan for his workers, no annuity plan, and gave them "about five" paid holidays a year. He said he did provide a vacation plan based on the amount of an employee's salary, but at the wages he paid, in reality any annual vacation would have amounted to barely a week at the longest.

Chairman Zazzali asked Finkelstein whether he was ever troubled by the low wages he paid his employees over the years or by the lack of other benefits. Finkelstein responded:

Mr. Commissioner, my door is open. People walk in that door and walk out that door, and if my wages were not competitive, I'd have an empty factory. Now why don't you talk about the China goods coming into this country made by people getting 10 cents an hour, 15 cents an hour, 20 cents an hour? Why don't you talk about that? There's freedom of choice in America. I don't take a bull whip, I don't take a gun, I don't give them heroin. They don't come in to me involuntarily. People have walked in my door, walked out my door. If they could get a better job, they were free to go.

At the conclusion of Finkelstein's testimony, the Commission's public hearing recessed. On reconvening, Chairman Zazzali noted for the record that following his testimony, Finkelstein drove away from the State House complex in Trenton in a new Jaguar convertible.

Mario DePinto and Joseph Gadaleta

Mario DePinto of Alpine and his nephew Joseph Gadaleta of Teaneck are examples of garment entrepreneurs who are making large amounts of money in

the industry. DePinto has become especially wealthy. Yet the records show that despite their financial well-being the two have resorted to unfair labor practices to thwart unionization by the ILGWU while they pay low wages and provide virtually no benefits to their workers.

The SCI investigation demonstrated that many garment manufacturers feign ignorance when queried about working conditions in contractor sewing shops, saying that all they are trying to do is get clothing made at the best possible price so they can sell it at a decent profit to retailers. Working conditions, they say, are the concern solely of the contractors and are beyond their knowledge or control. But the SCI staff determined that these pleas of ignorance often are simply not credible, especially in the case of manufacturers who either own or control contracting shops.

DePinto and his partner, Irving Brothman of Manhattan, own a firm named Ashley Scott, Inc., which manufactures women's coats and jackets. The firm has its principal operation in Secaucus and an office in Manhattan. Testifying under a grant of immunity from prosecution, DePinto said that when he and Brothman decided seven or eight years ago to form Ashley Scott, he "gave" the three sewing shops he was then operating in Hoboken to his nephew. (Gadaleta has since opened a fourth shop, also in Hoboken.) Although the records reflect that DePinto did indeed transfer ownership of the companies to his nephew, the evidence suggests strongly that DePinto still controls them and takes enormous sums of money out of them.

The four companies are MDP Fashions, MAG Fashions, Island Manufacturing and Whirlwind Corporation. All their work and revenue are derived from sewing they do for Ashley Scott. According to testimony as well as information compiled by the SCI staff, MAG, MDP and Island paid "rent" to DePinto in the amount of \$146,000 for the year 1989. MAG and MDP also paid DePinto "consulting" fees of about \$208,000 in 1989, of which

\$100,000 was used to buy a Rolls Royce, more than \$97,000 was for landscaping at his Alpine home and \$8,500 was for the purchase of another automobile. Gadaleta, also testifying with immunity, said he got no itemized bills or vouchers from his uncle for the "consulting" services provided. Records of MDP and MAG indicate that Gadaleta, as president and owner, received less in income from those two firms than the "rent" money his uncle received.

Ashley Scott's tax return for the fiscal year ending June 30, 1989 showed that the firm had gross receipts of \$48,054,000, and a net profit of \$7,000,599. The records also show that DePinto and Brothman each took about \$4,000,000 in profit distribution and salaries during that year. The return also showed that Ashley Scott paid \$657,000 in rent to DePinto and Brothman during 1989 and that members of the DePinto, Gadaleta and Brothman families are on the company's payroll.

In addition to these payments, Ashley Scott in 1988 and 1989 paid Christmas bonuses totalling \$112,500 to various persons including \$55,000 to Gadaleta, \$25,000 to the foreman at Island Manufacturing, a total of \$22,500 to the two foremen at MDP, a total of \$5,000 to the two foremen at MAG, \$2,500 to another foreman at MAG and \$2,500 to a foreman at Whirlwind. Asked why he, as the owner of Ashley Scott, gave bonuses to employees at companies he no longer owned, DePinto explained:

Because they work for Ashley Scott and they perform. They do — bend all over for me when I need a lot — when I need different style. They'll do anything for me and this compensates. I pay back with — generously.

While DePinto and Gadaleta were enjoying princely incomes from Ashley Scott and the four contracting firms, they were paying most of their employees minimal wages and providing no benefits. Gadaleta, in fact, tried to use an undated "sweetheart contract" with a friendly union his workers had never heard of as a subterfuge to ward

off unionization of his shops by the ILGWU, a tactic the National Labor Relations Board found to be one of several unfair labor practices to which he resorted.

According to the NLRB, Gadaleta and two of his companies, MAG Fashions and MDP Fashions, in order to thwart organization by Local 138 of the ILGWU, trotted out a purported contract with Local 157 of the Journeymen's and Production Allied Services International of Queens. That "contract" was characterized on March 21, 1990 by Administrative Law Judge Steven Davis of the NLRB as follows:

The undated "barebones" Stipulation Agreement which purports to be a recognition agreement, shown to a Local 138 agent on August 11, was nothing more than a "desk drawer" document designed to be produced on occasions such as this when an outside union sought to represent the employees. The document contained no terms and conditions of employment, but just indicated that Local 157 represented a majority of employees and that it and the employers would, at some unspecified date in the future, meet to bargain.

Judge Davis also ruled that Gadaleta and his foremen committed other unfair labor practices including:

- Threatening to close the companies if employees did not choose Local 157 over ILGWU Local 138 as their union.
- Granting Local 157 favored access to employees to assist organizing efforts.
- Promising employees raises, paid holidays and overtime if they signed Local 157 authorization cards.
- Interrogating employees about their union membership, sympathies and activities.

- Installing video cameras at strategic places in the factories to cause employees to believe they were being observed by management.

As for Ashley Scott, DePinto claimed to be negotiating with Teamsters Local 966 to block legitimate ILGWU organizing efforts at that company, negotiations which have been ongoing since April, 1989. During that time he has made no payments to union health, welfare or pension funds on behalf of his employees. In executive session, DePinto testified that if the ILGWU were to organize any of his shops, he would move his operations either to Asia or to Alabama to avoid the higher costs.

Between June 20 and June 27, 1989, during the period when the company was negotiating with Teamsters Local 966, six Ashley Scott checks payable to cash in the amount of \$9,800 each (totalling \$58,800) were negotiated. (Checks of \$10,000 or more must be reported on federal Currency Transaction Reports.) In response to a question from SCI Counsel Ileana N. Saros, DePinto denied using any of the money in connection with Ashley Scott's labor difficulties. Instead, he said, it was used for some of his own personal expenses. In an attempt at explanation, DePinto claimed in executive session that he spends a lot of money on personal goods, including \$200,000 a year on his clothes alone.

Continuing the same line of questioning in the public hearing, Counsel Saros asked DePinto about a series of checks issued in 1988 and 1989 to Al Tambe of Wayne, who is executive director of the Master Truckmen of America, an organization in New York that represents garment truckers and negotiates contracts with garment manufacturers.

DePinto said Tambe has been on his payroll for between five and seven years. The SCI determined that Tambe is paid \$200 a week although he cashes his checks five or six at a time rather than weekly. DePinto said Tambe works two or three hours a day for him doing various kinds of jobs and also offers

advice on a range of matters. DePinto denied that Tambe offered any advice to him on how to deal with his unionization problems.

Tambe had been affiliated with the ILGWU in jobs all over northern New Jersey for 32 years, eventually attaining the post of District Manager of the Bergen-Hudson District Council, New Jersey Region. He left the union January 1, 1984.

For his part, Tambe refused to answer questions about whatever role he may have played in the labor negotiations, invoking his Fifth Amendment privilege against possible self incrimination.

"Contractor A"

A foreign-born woman identified in the public hearing only as "Contractor A" testified from a remote location with her voice and appearance electronically disguised because of her fear of reprisals from shadowy figures in the garment industry. Because of her broad knowledge of the industry as well as her demonstrated accuracy and truthfulness during the course of the investigation, the colloquy between her and Commission Counsel Charlotte K. Gaal bears setting forth here in some detail.

Some of her testimony contrasts markedly with that of other witnesses, many of whom had reason to withhold as much as possible from the Commission. As much as practicable, her comments regarding garment trucking will be reserved for Part II of this report.

Contractor A said she came to this country in the early sixties, already knowing how to sew. She has worked as a sewing machine operator, a floor person, a supervisor and has owned her own contracting businesses.

.....

Q. Have you owned sewing contracting

businesses?

A. Yes, I did.

Q. Can you recall for us, say, back in 1965, what were they paying sewing operators then?

A. Four dollars an hour.

Q. What are they paying them today?

A. A union shop will pay from six to six-fifty. A non-union shop will pay minimum wages and less.

Q. When you say "and less," does that mean that some people are getting less than minimum wage today?

A. Yes, they do.

Q. Have the wages gone up since 1965?

A. Yes, they did. The cost of living went up.

Q. How about what the workers are getting paid?

A. It's going down instead of up.

Q. Have you done home work?

A. Yes.

Q. Is that common in the garment industry in New Jersey?

A. Yes.

Q. And just so we know, can you tell us what the cost of a sewing machine is today?

A. A sewing machine can go from \$600 to \$2,000.

Q. I'd like to discuss just an example of the typical cost today of -- for some garments. Can you give us an example of how much a contractor will get paid to, say, make a dozen garments and then how much they will be sold for and ultimately how much one of those garments will sell for in a retail store today?

A. If the price is \$36 a dozen, that will be the price of one garment in the store.

Q. In other words, the contractor gets \$36 to sew a dozen and the garment sells for \$36 each in a store?

A. Exactly.

Q. I'd like to ask you a few questions about the conditions that exist today in the sewing factories in New Jersey. Can you describe the conditions right now in the factories here?

A. Union factory or non-union factory?

Q. Let's talk about the non-union.

A. They are very filthy, how can I tell you, they don't have no toilet paper, the bathrooms are in a very bad condition.

Q. Do the workers have to bring their own toilet paper?

A. Yes, they do.

Q. Do they get vacation pay or any other benefits?

A. There is no vacation, there is no holidays, is no overtime.

.....

Q. But they work long hours?

A. Yes, they do.

Q. Does anything happen to the workers if they make complaints about the situation?

A. They just let them go.

.....

Q. You earlier mentioned the union shops. Are they different?

A. They are a little bit better.

.....

Q. Are there situations where operators are receiving net pay from their employers and the employers are not remitting the money to the government?

A. Yes, they are.

Q. Have you yourself had a situation where you were getting a net check with withholding and other monies being taken out of the check each week only to find out at tax time that none of that money had been sent to the government?

A. Yes, that happened to me.

Q. Does it happen to other people?

A. A lot of them.

Q. Is it common?

A. Right now, yes.

Q. Do many operators believe that the owner is paying their taxes and Social Security and unemployment and disability insurance?

A. Yes.

Q. And is it happening?

A. It's happening ... they are never paying the money.

Q. Are there also a lot of people who want to work for cash?

A. Yes.

Q. Have you worked in shops where contractors keep many of their operators off the books?

A. Yes.

Q. Do contractors have what we are going to call a cash payroll?

A. A lot of them.

Q. Why do these operators have employees that are getting paid off the books?

A. Why they are getting paid off the books? I suppose they are collecting unemployment or they are on welfare. Something like this.

Q. And the employees don't want to get paid on the books?

A. Exactly.

Q. Are you familiar with the term, quality control person?

A. Yes.

Q. What is a quality control person?

A. Every manufacturer, depending on the size, has one or two people where they go from factory to factory checking the work.

Q. Do they come to the shops on a regular basis?

A. Every day, every other day.

Q. Do they demand money from the contractors?

A. Yes, if you don't give them money they start looking for trouble in the garment.

Q. So how much do you have to pay them?

A. Depending on the price of the dozen.

Q. Could you give us an example?

A. You end up with \$200, \$300 a week.

Q. That you have to pay off the quality control people?

A. Exactly.

Q. Is that on a weekly basis?

A. Yes.

Q. Can you tell us, what are some of the things that manufacturers do to underpay contractors?

A. They cut them on the price.

Q. How do they do that?

A. They start complaining about certain things when they give you the garment. They say, "Here, this is a cheap garment," and then they start complaining and they cut you off.

Q. So are you saying that when you get your payment it's less than you agreed upon?

A. Yes.

Q. Just give us an example. How much might they cut off on the price?

A. In a \$5,000 statement, you can lose \$1,100-\$1,200.

Q. Have you heard of the term "charge back?"

A. Yes.

Q. What is a charge back?

A. All these garments are cut in very cheap pattern books and they don't watch for damages. When it gets to the contractor and you can't put the garments together, they charge you for the full amount of the garment.

Q. Just so we all understand, let's use an example. If you are sewing that garment, how much would you normally get paid to sew it?

A. Four dollars a set.

Q. And if you can't put that garment together because the pieces don't match, how much will they charge you back for that one garment?

A. Some they charge you \$10, some, they charge you \$18, \$19.

Q. Per garment?

A. Yes.

Q. And they subtract that from your payment?

A. Yes.

Q. Can you recall for us some of the amounts that you've been charged back by manufacturers?

A. It goes into thousands of dollars.

Q. Do manufacturers often say that the quality isn't good when they don't want to pay?

A. Yes. They complain about the quality, they complain about the delivery.

Q. Can you talk about that issue from the manufacturers' side? In other words, what do the contractors sometimes do that gets them into trouble? Do they ever take on too much work?

A. Yes, they do.

Q. Why do they do that?

A. Because, according to them they have to ship certain amount of stock to be able to cover their payroll.

Q. So they take on more than they can really handle?

A. Exactly.

Q. Are they desperate?

A. Sure.... they can never catch up.

Q. The contractors?

A. Exactly.

Q. Do manufacturers send more complicated or more elaborate work to a contractor than the item the contractor originally agreed to sew for a certain price?

A. Yes, they do.

Q. Do they only pay you the price for the simpler garment?

A. Yes.

Q. Are you stuck with it, so to speak, where you have to take it?

A. Yes, you can't make ends meet.

Q. Do the manufacturers sometimes use other excuses like, "You didn't understand," "You misunderstood," things like that?

A. That's a very common excuse.

Q. Do they change the styles on you?

A. Yes.

Q. Have you ever complained to your truckman, the person who got you the work, about this?

A. Yes.

Q. Is it also common that the contractor will complain to the truckman?

A. Yes, but there is nothing they can do.

Q. What do they say?

A. Well, they say, they tell you that the market is very low, as you know. You have to do the best you can.

Q. Do they tell you they can't do anything about what the manufacturers pay you?

A. Exactly, they can't do anything about it.

Q. In the recent past have you had weeks when you couldn't take any money home for yourself?

A. Many of them.

Q. By the way, do the manufacturers pay you on time?

A. Sometimes they supposed to pay you Friday and they pay you Monday or Tuesday.

....

Q. When do the workers typically get paid?

A. Friday.

Q. Now, let's suppose the check is due Friday.

A. Yes.

Q. And the manufacturer doesn't pay you on Friday. What do you do as a contractor?

A. You can't cover your payroll.

Q. So what can happen then?

A. Well, you have to close Monday, open up Tuesday when you can pay the people.

Q. Is it possible that the people will leave you if you can't pay them?

A. It gets to the point that they will believe you, but they have their own problems.

Q. Right, so do they come back when you are able to open again?

A. Yes. Some, they come back; some, they start looking for other jobs.

Q. Okay. Do you also have to go into New York often and get the pay from the manufacturer?

A. Yes, sometimes go for one day.

Q. When you get to New York do they pay you on time or do they make you sit?

A. They make you sit three hours, four hours.

Q. Now, if you get the check late in the day, in order to make your payroll what do you, as a contractor, have to do?

A. You have to take them to the check cashing.

Q. You have to go to a check casher?

A. Exactly.

Q. Does the check casher charge you to cash that check?

A. They charge you 1 1/2 percent.

Q. Do you know of any instances where garment contractors have ended up borrowing money from check cashers?

A. Yes.

Q. What happens then?

A. They can never finish paying it off.

Q. They never finish paying the check casher off?

A. No.

Q. Do you know the interest rate that the check cashers charge?

A. You never know how much is in interest. You never finish paying.

Q. Have you ever had a situation where someone connected with a union asked you for money?

A. Yes, we did.

Q. What happened?

A. They asked you for money.

Q. Why did they want the money?

A. Well, they said they want so much or they are going to picket your shop.

Q. If you don't pay the person the money they are going to picket your shop?

A. Exactly.

Q. What union was that?

A. International.

Q. Do you recall the name of the person that asked for the money?

A. Al Tambe.

Q. Was Mr. Tambe associated with the union?

A. Yes, he was.

Q. Do you recall what locals this occurred in?

A. Hudson County ...

Q. Did you hear from other people that he did this to others, other contractors?

A. Yes, he did.

Q. Do you know approximately how many others were involved?

A. I know [at] a certain time it was over 50 contractors.

Q. Has the ILGWU lost its strength over the years?

A. Yes, they did.

Q. Do you have any opinion as to why or what's happened?

A. When they have work they have strength. When they don't have work they don't have no strength.

Q. So, they don't have work either for their people?

A. They don't have no work.

Q. Have you ever heard of non-union shops sewing in the union label?

A. Yes.

Q. Do a lot of union shops or union manufacturers use non-union labor?

A. Yes, they do.

Q. Do you know of instances where people who were in the union in New York closed in New York, came over to New Jersey and opened as non-union?

A. Yes, I do.

....

Q. Have you ever heard of instances where there's been violent behavior towards shops by the union?

A. Yes, they broke into a shop.

Q. Were you working there at the time?

A. No, I didn't.

Q. But, you know about it?

A. Yes.

Q. Generally how do you know about it?

A. We were in the same industry in the same town.

Q. Did you know the owner?

A. Yes.

Q. What happened to the shop?

A. It had to give up the manufacturer.

Q. And what did the -- when they broke into the shop what was done to the shop?

A. They burned garments, they spilled oil, ink -- they made a mess out of the place.

Q. Did you say they poured oil on the garments?

A. Yes.

Q. Another question along this line, do you remember an incident recently where one of the ladies got ready for retirement and discovered that after many years she was not eligible for a pension?

A. Yes, I do.

Q. What happened to her?

A. I really don't know what happened, but I know she worked for the same boss for 27 years and he used to deduct the union dues but he never used to pay them in.

Q. For 27 years he deducted her union dues?

A. Yes, but he didn't pay them in.

Q. Did she try to retire and collect a pension?

A. Yes.

Q. Is this a recent occurrence?

A. About two years ago.

Q. So, she was not able to collect a pension, is that correct?

A. Exactly.

Q. With respect to running a union shop, what kind of problems do they face?

A. Well, they face is to be a union shop you have to pay the union about a 23 percent of your payroll. With that they would pay vacation, holidays and the funds, the pension funds and 23 percent is a high percentage of your payroll.

Q. Are they [able] to compete right now?

A. No, they are not.

CHAIRMAN ZAZZALI: The 23 percent is for fringe benefit contributions, right?

CONTRACTOR A: Yes.

Q. As it stands today, if you want to run a contracting shop, you want to open a factory, can you run it legally and survive?

A. No.

Q. Why not?

A. Because there is not enough money around to pay the rent, to pay your people, to pay your activities, to pay -- to take a pay home.

CHAIRMAN ZAZZALI: ... You said that the union shops, that is, the contractors who are organized by the union, were better off than the non-union shops. That is, the employees were better off. How are the employees better off?

CONTRACTOR A: Let's say the manufacturer has financial troubles, the union will intervene to make sure their people get paid. If you are a non-union contractor and they have a factory that doesn't want to pay you, that is the end of that, you just don't get paid.

CHAIRMAN ZAZZALI: Well, as far as the employees go, is it generally true that the wage rate in a union shop is higher than a non-union shop?

CONTRACTOR A: Yes, it is.

CHAIRMAN ZAZZALI: You just mentioned before that about, I think it was 23 per cent of the wage rate is contributed into the benefit fund for fringe benefit contributions.

CONTRACTOR A: Yes.

CHAIRMAN ZAZZALI: What are those fringe benefits that the union employee gets as opposed to the non-union employee?

CONTRACTOR A: Holiday pay, two weeks vacation and a pension fund.

CHAIRMAN ZAZZALI: What about medical and hospitalization?

CONTRACTOR A: They aren't counting on that benefit. They still have some, but they are counting on that benefit.

COMMISSIONER DUMONT: You indicated that there is some union violence towards some of these shops, is that correct?

CONTRACTOR A: *When they try to unionize a shop.*

and the union shop, they are both.

.....
COMMISSIONER DUMONT: *The violence is carried out in order to get the shop to unionize, is that correct?*

.....
COMMISSIONER MERIN: *You have told us that there is not much work for the union shops and that is why the union does not have very much control, because there is very little work, is that correct?*

CONTRACTOR A: *Yes.*

CONTRACTOR A: *Yes.*

COMMISSIONER DUMONT: *How common is this violence at this time, would you say?*

COMMISSIONER MERIN: *We also know that the working conditions are not as good or much worse in the non-union shops than they are in the union shops, is that correct?*

CONTRACTOR A: *At this time it's not that common because most of the work is done overseas.*

CONTRACTOR A: *Yes.*

COMMISSIONER DUMONT: *Well, would you say that most of the shops are unionized at this point in time or non-unionized?*

COMMISSIONER MERIN: *Over the years you have had many, many people work for you and with you who needed the money to survive that they got from working in these shops. Based on your knowledge of those people and having known the circumstances in which they come to this country, what will happen to those people if these non-union shops close down? Where will they work? Will they be able to make a living?*

CONTRACTOR A: *The most of them are -- they work for good manufacturers are unionized.*

COMMISSIONER DUMONT: *Let me ask you this: You indicated that there were payoffs made to the unions from time to time?*

CONTRACTOR A: *They will wind up on welfare.*

CONTRACTOR A: *Yes.*

COMMISSIONER DUMONT: *What is that all about?*

COMMISSIONER MERIN: *Is there any source of income or any other types of jobs that people that come here from overseas can find? Do you know of any other types of work other than sewing that they might go into.*

CONTRACTOR A: *How can I explain it to you? They look for money under the table.*

COMMISSIONER DUMONT: *And is this by both union and non-union shops?*

CONTRACTOR A: *They do clean offices, they do clean homes -- today it makes more money ... the house than a sewing machine operation.*

CONTRACTOR A: *The non-union shop is the quality control that looks for the money*

CHAIRMAN ZAZZALI: *Contractor A, you mentioned something before both in response to the attorney and to Commissioner Dumont about violence. What was the incident of violence that apparently happened to you that people threw oil on your garments?*

CONTRACTOR A: *Two unions were fighting over a manufacturer. The one wanted the manufacturer, the other one wanted the manufacturer. This particular manufacturer had a lot of garments in one shop and that's what happened, they broke into the shop and they make a mess out of place.*

....

CHAIRMAN ZAZZALI: *How long ago was that?*

CONTRACTOR A: *About eight to nine years.*

....

COMMISSIONER DUMONT: *I just have one question. I want to make sure I understand this. Are you saying it is your view that at this point in time it is impossible to run a legal operation in this industry?*

CONTRACTOR A: *Yes, it is impossible to run a legal operation.*

COMMISSIONER DUMONT: *Because it's just not profitable, is that correct?*

CONTRACTOR A: *Exactly.*

The International Ladies Garment Workers Union (ILGWU)

Both State Labor Commissioner Bramucci and

Sidney Reiff of the Apparel Manufacturers Association agreed that for several decades the presence of a union — specifically the ILGWU — resulted in some stability and fairness in the industry. Even today, ILGWU contracts, honestly enforced, guarantee workers fair wages and fair fringe benefits. Unlike some of the marginal contractors today, contractors and manufacturers organized by the ILGWU have substantial plants, maintain adequate records and generally honor their contracts. Employees who work under such contracts benefit.

That said, matters were brought to our attention during our inquiry which are a cause of some concern. These concerns are briefly outlined here.

The New Jersey Region

The New Jersey Region of the ILGWU covers the entire state except for the southern part, which is under the jurisdiction of the union's Philadelphia-South Jersey Region. Although there have been pockets of problems in some local unions in the past, such as the activities of Al Tambe which are discussed elsewhere in this report, the leaders of the New Jersey Region appear to be discharging their responsibilities as trade unionists. The New Jersey Region vigorously supports the proposed legislation to provide additional enforcement tools, including the seizure of goods, to the New Jersey Department of Labor in its battle against unscrupulous employers. The New Jersey Region has also challenged unscrupulous sweatshop owners who enter into sweetheart contracts with other "independent" unions.

The Philadelphia /South Jersey District Council

A different situation has existed at least through the mid-1980's in the Philadelphia-South Jersey region, which has its office in Philadelphia.

On February 13, 1991, several months after the conclusion of the public hearing, the Commission was able to obtain the testimony in executive session of Ronald C. Chance, Supervisory Special Agent of the Office of Labor Racketeering, United States Department of Labor. Chance was unable to appear during the hearing because a related prosecution in which he was involved was going to trial and his public testimony at that time might have prejudiced that case.

In his SCI testimony, Chance noted that from the time his Department was created in 1913 in the wake of the deadly fire at the Triangle Shirtwaist Factory in New York, the Department's mission closely paralleled that of many unions, including the ILGWU — that is, to protect people and improve their working conditions.

Beginning about 10 years ago, the U.S. Department of Defense began investigating instances of fraud and bribery on the part of Southern New Jersey garment contractors making clothing for the military.

By way of example, Chance explained that when a military garment maker began sewing a new line of clothing, the contract with the Philadelphia/South Jersey District Council, ILGWU, permits a 13-week break-in period during which the manufacturer trains workers to make the new goods. Since the plant is not productive during this period, the manufacturer is not required to make contributions to the union health and welfare funds. Full contributions are required when production at the factory resumes.

But Chance said that local ILGWU officials solicited non-military garment contractors who do not require such a training period, offering them the same 13-week exemption from benefit payments in return for a percentage of their savings in the form of kickbacks.

The ILGWU problem became so acute in the

Philadelphia-southern New Jersey area, according to Chance, that manufacturers in other industries solicited the union to organize their workers under the same kind of "sweetheart" contracts in order to keep other unions out of their factories. Such "sweetheart" agreements, were rewarded with bribes or kickbacks to ILGWU officials. If the manufacturers could not raise cash for the kickbacks, they simply gave a no-show job to a relative of the corrupt ILGWU business manager or agent.

Chance defined a "sweetheart" contract as one that gives one employer an unfair advantage over others in the same industry. Once such contracts are in place, he said, they result in a "permanent advantage" to that employer and represent "a cycle of fraud that can't be broken" unless government detects it and prosecutes.

Chance also told the Commission that local ILGWU agents brokered sewing work in return for payments from contractors of 25 cents per garment. Ironically, in an interview subsequent to his testimony, Chance said that many of the fraudulent schemes were initially uncovered by vigilant ILGWU auditors in southern New Jersey.

We do not suggest that sweetheart contracts are typical of ILGWU contracts, although they have existed in South Jersey. On the other hand, evidence indicates that in other areas the ILGWU has been the victim of sweetheart contracts between unscrupulous sweatshop employees and other unions, particularly "independent unions."

The conduct that was the subject of Chance's testimony took place from the late 1970's to the mid 1980's and was confined to South Jersey. The culpable union officials have not worked for the ILGWU for the last five years.

* * *

Another matter relating to the ILGWU was explored at the Commission's public hearing. It is the subject of violations of the ILGWU's own contracts which have not been discovered by the union.

For example, union manufacturer Norman Golub of Cliffside Park, a 30 per cent owner of Sharlyn Fashions of East Newark and New York, testified at length about the company's practice of using non-union contractors to sew garments when his regular, unionized contractors were too busy. By way of background, Golub testified that although he initially would contact ILGWU Local 220 seeking union shops, the local had not been able to provide any in the last three or four years. Eventually, he abandoned the practice of contacting the local and simply used non-union shops which he located through his truckers or other industry sources. Under the terms of his contract with the union, Golub was still liable for benefit payments for non-union employees.

Although Golub initially appeared to be open and candid when testifying in executive session, he balked when confronted with evidence of a scheme to conceal payments to non-union contractors, which was uncovered by the SCI staff. Golub and Sharlyn's other officers created a fraudulent paper trail in company books to make it appear that the firm was paying for fabrics and other supplies. In fact, however, the checks for these "materials" went to three fictitious companies that were no more than checking accounts from which payments were then made to the non-union contractors. The false invoices and other such documents were designed to hide the payments from union auditors.

When confronted with evidence of the subterfuge, Golub eventually admitted to it, but he insisted that he paid proper taxes and other fees. He also said he used the scheme only "to avoid a confrontation" with the union. But he conceded that payments to

union pension and other welfare funds added more than 20 per cent to the cost of his doing business, payments he did not have to make when he used the non-union contractor. Golub said the scheme enabled his company to hide about 35 per cent of its labor costs from the union.

On a different subject, Golub also testified that non-union shops sewed the union label into the garments they made. Otherwise, he said, the unionized employees at Sharlyn would have refused to handle the goods. Golub also said that truckers and others with whom he did business, many of them unionized, never questioned phony billings and, in some cases, assisted the scheme by creating fictitious paperwork that flowed between the firms.

Asked by the SCI Executive Director James J. Morley whether any ILGWU inspectors or auditors ever picked up any discrepancies or asked any questions about the paperwork, Golub said they did not.

Q. Does the union, to your knowledge, ever make any effort to compare the number of garments that are going through your shop and -- through your union contractors, which are the only ones they know about -- and the number of union labels that you've been buying from the union?

A. Not to my knowledge.

Golub speculated that the practice is common in the industry. Asked whether he believed that the union is aware of the practice, he said "I sometimes think so."

* * *

The ILGWU has both problems and potential. The problems involve a declining industry, extraordinary overseas competition, lack of resources and the concerns discussed above. Some of the prob-

Items are of its own making, others are not. It serves no useful purpose to debate their causes in any detail here; it is sufficient to note that they exist and express our hope that the ILGWU will take vigorous action to address these concerns.

But the Union also has the capacity to achieve its full potential, to continue to protect and enforce its rights and the rights of its members. The Union must examine its procedures to make certain it is adequately protecting the employees it represents. The ILGWU should continue its tradition of cooperation with the Department of Labor, and it should work with law enforcement authorities in addressing the concerns discussed in this report.

II

GARMENT TRUCKING

"I would have to describe trucking as the circulatory system of the garment industry. If you can clamp your hands on the blood flow, cut it off, cause it to run better, you can have a tremendous impact. That's the role of trucking. It's the key to success in that business or it's key to causing someone to be engaged in problems."

— Ralph Salerno

The SCI has found that trucking firms with long involvement in the garment industry seem to have a decided advantage over those trying to break into the business. Normally, that should not be surprising since anyone seeking a service of any kind usually looks for an established firm, one with experience and a good reputation, to ensure getting the best possible value for the money.

In the garment industry, however, that advantage is considerably greater than the normal edge an experienced firm would have over a new competitor in some other business. By some accounts, the advantage amounts to a virtual stranglehold over the ability of a contractor or manufacturer to choose his own trucker, to change his trucker or to truck goods himself. It is also a stranglehold over costs in an industry that traditionally is financially risky, unstable and, because of imports, increasingly marginal. In fact, the only real stability in many segments of the industry is that imposed by the major trucking companies.

In a 1987 report, Economist Peter Reuter of the Rand Corporation wrote:

Garment producers (jobbers and contractors) are forced to deal with particular trucking firms, and there is anecdotal evidence that a

property-rights system has evolved with respect to individual customers. However, racketeers are also heavily involved in financing of jobbers and contractors and are also more openly active in the individual trucking firms. The relevant local, 102 of the ILGWU, is an important and active enforcer of the restrictive agreements among the truckers.

Some of the major garment trucking firms, the SCI has determined, are dominated by powerful organized crime figures from at least two of the five New York-area LCN families. As with any other area of commerce, whenever organized crime is involved, the rules are different, a matter that will be explored in the pages to follow.

* * *

The history of organized crime is replete with examples of how mobsters have insinuated themselves into various kinds of legitimate businesses, often by using strongarm tactics to collect debts of one kind or another incurred by businessmen who made the mistake of dealing with the underworld. But as Ralph Salerno pointed out to the SCI, the underworld was actually invited into the garment industry in the 1920's by management when it needed strikebreakers to deal with a primarily Jewish immigrant work force dissatisfied with low wages and poor working conditions.

By the end of the 1920's, powerful Jewish gangsters from the lower east side of Manhattan were no longer content with their role as strikebreakers "on call" to do the bidding of management. Wanting more of the action, they simply declared themselves in. Once in, they began to play a more

dominant role in the industry.

By the early 1930's, Italian gangsters had formed an alliance with the Jewish underworld, but the Italians gradually became more assertive, and the organization we now call La Cosa Nostra (LCN) was formed. With the decline of the Jewish underworld, the most significant organized crime figure in the garment industry became Thomas Lucchese, boss of one of the five New York LCN families. Joining him in the industry was Carlo Gambino, another LCN boss.

Thomas F. Gambino

The single most powerful organized crime figure in garment trucking today is Thomas F. Gambino of Manhattan, the eldest son of Carlo Gambino and now a caporegime in the crime family once led by his father. Thomas Gambino is married to one of the daughters of Thomas Lucchese. His brother-in-law Robert Lucchese, a son of Thomas Lucchese, is his partner in a New York garment manufacturing firm.

The SCI staff determined that the trucking firms owned or controlled by Thomas Gambino and his brothers Joseph and Carl include: Greenberg's Express, Consolidated Carriers Corporation, GRG Delivery Corporation, Clothing Carriers Corporation, Dynamic Delivery Corporation, Dynamic Delivery Services, Dynamic Consolidated Corporation, Airdock, and three leasing firms, JHT Leasing Corporation, JCT Leasing Corporation and GEE Equipment Leasing Corporation. The leasing companies own most of the trucks used by the other entities. In addition to these 11 firms, the Gambinos own, control or influence other garment related companies, some of which do business in New Jersey. This information developed during the SCI investigation marked the first disclosure of the extent of Gambino family garment-related activity in New Jersey.

SCI Investigative Accountant Arthur A. Cimino testified that, based on his examination of records subpoenaed from Greenberg's Express, that firm alone does 81 per cent of its business in New Jersey. Greenberg's does solely garment contractor trucking.

In 1988, the 11 Gambino companies had total assets of \$34.5 million and revenues of \$41,261,931. Cimino cautioned that no one should assume other truckers do as well. "[I]n New Jersey...this is really the giant. There's nothing close to the Gambino companies." Cimino added, "Financially, this is as solid a group of companies as I have ever seen."

SCI Special Agent Quaranta testified that his research revealed that the Gambino companies have a minimum of 175 trucks registered in New Jersey but he said the true figure is probably higher. Quaranta said Thomas Gambino was once a sewing contractor in eastern Pennsylvania and is still in the sewing business in New York.

On October 18, 1990, five days before the beginning of the SCI's public hearing, Thomas and Joseph Gambino along with five other persons and 10 companies were indicted by a New York County Grand Jury on charges of extortion and other offenses involving the garment industry. The Commission assisted the investigation that led to the indictment.

* * *

In addition to the Gambinos, other significant figures in garment trucking and related businesses are Vincent Aloï Sr. of Suffern, N.Y., a capo and former acting boss of the Colombo/Persico/Orena LCN family, and Joseph N. Gallo of Queens, a former consigliere (counselor) to the Gambino/Gotti family and once a close associate of Carlo Gambino.

Ralph Salerno pointed out that from the time the underworld moved into the garment industry, there

has been a marriage of convenience between many ostensibly legitimate entrepreneurs and organized crime. The Commission has found that these entrepreneurs today take full economic advantage of the fearsome aura organized crime imparts to their companies, to the competitive disadvantage of other firms.

That aura is also intimidating to any who might be tempted to give evidence against them in official proceedings. During its two-year investigation of the garment industry in New Jersey, the SCI staff interviewed scores of persons, examined thousands of documents, took the private testimony of 61 witnesses and testimony of 33 witnesses in the three-day public hearing. Some witnesses testified willingly. Others had to be immunized from prosecution and compelled to testify and, once immunized, testified with apparent candor concerning most aspects of the garment industry. Remarkably, only when the questions dealt with Gambino and Aloï and their trucking companies did some witnesses become vague and uncooperative. Others who spoke freely in executive session balked during the public hearing when asked about those truckers and had to be prompted by reference to transcripts of their private testimony.

"Contractor A"

The testimony of "Contractor A" is instructive regarding the general relationship of contractors and manufacturers to trucking companies. She was questioned by SCI Counsel Charlotte Gaal.

Q. How does a sewing contractor get work?

A. They go into the city to a truckman.

Q. Are there many truckmen out there?

A. I would say 10, 15.

Q. Can you tell us the names of some of the big truckmen that handle contractor trucking?

A. Greenberg, Consolidated, L & M, Roxy,

Hudson Valley.

Q. When you say Greenberg, do you mean Greenberg's Express?

A. Yes, I do.

Q. Is that the biggest?

A. Yes.

Q. Is that also connected with Consolidated?

A. Yes, that's owned by the Gambino family.

Q. What do you say as a contractor to the truckmen when you go to the truckmen for work?

A. We are looking for work, we have so many machines.

Q. Will the truckman send you to a manufacturer?

A. Yes, they do.

Q. In your mind is there a relationship between manufacturers and truckmen?

A. Yes, they do.

Q. What do you think the relationship is?

A. They are connected.

Q. Do contractors go to truckmen for financial assistance?

A. Yes, they do.

Q. And do truckmen give contractors money?

A. Yes.

Q. Can you give us some examples of the amounts of money that truckmen give contractors?

A. That depends on the amount of machine, that depends on which is the manufacturer they gonna work for, okay? It could go from \$2,500 to \$10,000 and maybe more.

Q. Have you heard the term that the truckman "buys a stop?"

A. Yes.

Q. What does it mean when you say a truckman "buys a stop?"

A. When they give you money or they sell you the factory, nobody else can bring or take garments from your factory.

Q. Have you heard the term "selling the stop" or "selling the shop?"

A. Yes.

Q. What does that mean?

A. When you go to a truckman, ask him for work and you take money from them in return, you sell your stop.

Q. Have you ever gotten money from Greenberg's Express when you started a business?

A. Yes, I did.

Q. Was it a substantial amount of money?

A. A couple thousand dollars.

Q. And in return did you become their stop?

A. Yes, I did.

Q. When you got the money, did you talk to one of the Gambinos?

A. Joe Gambino.

Q. Did they in turn call a manufacturer for you?

A. Yes.

Q. And a couple days later, did the work arrive trucked by Greenberg's Express?

A. Yes.

Q. Did the truckman bring a book of invoices to your shop?

A. Yes, they do.

Q. Is that a common practice?

A. Yes.

Q. Is that one of the first things the truckman does when they arrive, drop off that book?

A. Yes.

Q. Have you heard the term "showing respect," with respect to one truckman showing respect to another?

A. Oh, yes.

Q. What does it mean?

A. Well, they won't go into somebody else's territory.

Q. They show respect?

A. Yes.

Q. Do you know why the truckman drops off that book?

A. To make sure that they get paid. That's the way they get paid, through that book, through that invoices.

Q. Have you gotten money from other truckmen?

A. Yes.

Q. Is the trucking price a round trip price?

A. Yes.

Q. Now, are there situations where the contractors themselves might deliver the garments?

A. Yes.

Q. Can you give us some examples of when the contractor would deliver the goods?

A. When they need the money in a hurry to cover the payroll.

Q. So they don't wait for the truckman?

A. Exactly.

Q. Are there also situations where the manufacturer might pick up the garments?

A. Yes.

Q. That's the same situation?

A. The same thing. It is basically the garments [that have] to be shipped and they take them up themselves.

.....

Q. Does the truckman get paid anyway?

A. Yes.

.....

Q. Do you as a contractor have to fill that invoice out for the truckmen, even if you truck the garments or if the manufacturer trucks the garments?

A. Yes.

Q. If you try to do your own trucking today is it getting dangerous for a contractor to go into New York?

A. Yes.

Q. Has it been dangerous for awhile?

A. Yes. You get robbed. You can't leave the merchandise alone. And even when you start unload it, you get robbed anyway.

Q. Let's take that one step at a time. If you get to New York, first of all, can you find a parking space?

A. No.

Q. Why not?

A. Because all the big streets from the garment industry are covered by the trucking companies.

Q. Are there sometimes streets where all the

trucks belong to one company?

A. Yes.

Q. Which company?

A. Greenberg.

.....

Q. With respect to Greenberg's Express and the other companies owned by the Gambinos, can you compare their price with the price of other truckmen?

A. I would say 50, 60 per cent higher.

Q. Are they always more expensive?

A. Yes.

Q. Is there anything about their service that distinguishes them?

A. No.

Q. Would you know why contractors would stay with the Gambino companies if they have to pay so much more for the trucking and the service isn't any better?

A. Because they can't get out. . . They can't change truckmen.

Q. Are they afraid?

A. Yes, they are.

Q. Are there things that happen to them if they try to change truckmen?

A. Yes.

Q. For example, what can happen to them?

A. Can be a lot of different circumstances, but I know people where they are afraid to make the changes.

Q. Will they have trouble getting work?

A. Yes.

"Contractor B"

"Contractor B" is another immigrant sewing shop operator, so afraid for his safety that he too testified for the SCI from a remote location with his voice and appearance electronically disguised. He is particularly fearful of anyone from Greenberg's Express.

A garment manufacturer for 12 years, "Contractor B" has sewn every kind of clothing made. He said that several years ago he was having financial problems and trouble finding work. He went door-to-door looking for sewing work and finally placed an ad in *Women's Wear Daily*, an ad that was answered by a man who came to his shop. In his testimony, he told Counsel Gaal that the man told him he had a lot of work and told "Contractor B" to come to New York. He said he thought he would be going to a manufacturer's showroom but the address where he was directed was that of Greenberg's Express. He said he met a man there named Julie who said he would give him work, that Greenberg's would do the trucking and he wouldn't have to worry about anything.

Q. Was that the first time you dealt with [that] truckman?

A. Yes.

Q. And did Julie send you to a manufacturer?

A. Yes, he send me to a manufacturer.

Q. Did the manufacturer send someone to look at your shop?

A. Yes, he did.

Q. Did they offer you a price?

A. Yes, they offer me a price.

Q. And can you tell us, was that price a good price or a low price?

A. It was a low price.

Q. Okay. Did you take it?

A. Yes, I took.

Q. Why did you take that price?

A. Because I was desperately need work.

....

"Contractor B" testified that the work from that manufacturer began to decrease so he went back to Julie who sent him to another manufacturer. He said the price from that manufacturer was also low but, again, he took it because he had no other work.

....

Q. Did you have any trouble getting paid?

A. Yes, I did.

Q. Tell us briefly what happened.

A. When I receive the work on the second manufacturer I made the work, I ship the — he told me when you ship work out I pay you on the Friday and the Friday comes in, he say he take care of — he say he has some problem with the quality of the work.

Q. Let me stop you there. When Friday came and you were supposed to get paid he said there was a problem with the quality?

A. Yes.

Q. Did he tell you there was any problem before you went for your check?

A. No.

Q. And did you believe there was a problem with the quality?

A. There was nothing -- no problem with the quality because he came to the shop himself and he checked three times.

....

Q. So you knew there was no problem with the quality?

A. Right.

Q. And did he refuse to pay you?

A. Right.

Q. Did you call Greenberg's Express and tell them that the manufacturer they sent you to—

A. Yes, I did.

Q. —refused to pay you?

A. Yes.

Q. Did you eventually get some money?

A. I—I receive about —about a third of it.

Q. So you lost two-thirds of the money?

A. Right.

Q. Did you complain to Julie about this?

A. Yes, I did.

Q. And what did he tell you?

A. He told me he's going to talk to the guy, he's going to straighten it out.

Q. Did he straighten it out?

A. No, he didn't.

.....

Even though he was working, "Contractor B" testified that his financial condition worsened and he decided he no longer wanted to be trucked by Greenberg's or for them to find him work. But when he began going door-to-door again seeking work, manufacturers always asked who his trucker was. When he mentioned Greenberg's, everyone said that firm was too expensive and they wouldn't give him work.

Q. And did you try to hide the fact that Greenberg's Express had once trucked your shop?

A. Yes, I did.

Q. What did you do? Tell them you didn't have

a trucker?

A. I say, "I don't have a trucker," and then I said, "I'm trucking my own—I use my own trucks. I have one truck and I'm delivering it myself."

Q. Now, were there times when they found out that Greenberg's had trucked you?

A. They used to cut me off.

.....

Q. So even if they started with you they would then cut you off?

A. Right.

During the period when he was dealing with Greenberg's, he found a manufacturer some distance away in another state who gave him work. Another trucker brought him the goods to be sewn, but Greenberg's learned of the arrangement and the other trucker notified "Contractor B" that he could no longer service him, that Greenberg's had to do it. He said the trucker told him, "This is somebody else's stop and we cannot pick you up."

Q. Now, eventually was there a compromise of sorts worked out whereby Greenberg's Express would pick up the materials from a terminal in New Jersey and go in and out of your shop with it and the other truckman would have to transport it from the manufacturer to the terminal and, in turn, pick up the finished goods at the terminal and take it back to the manufacturer?

A. Yes. They have somebody like that to take it back to the truckers.

Q. Some kind of agreement was worked out?

A. Right.

Q. Now, did that mean that that manufacturer now had to pay for two truckmen?

.....

A. Yeah, I believe he pays two truckers for that.

Q. And did the work from that manufacturer begin to slow down?

A. Yes.

.....

Q. Did you offer to drive the materials yourself to the out-of-state manufacturer?

A. Yes, I did.

Q. How long, if you recall, did you have that arrangement where Greenberg's took the work in and out and the other truckman took it to the out-of-state manufacturer?

.....

A. I would say about a year-and-a-half, a year, something along there.

Q. Now, did this two-truckmen situation add additional time to the transportation time of the garments?

A. Yes...

.....

Q. Can you tell us approximately how much more time it added?

A. Between one and three days.

.....

Q. What did that mean in terms of the amount of time you had to sew it?

A...I didn't have any time to sew. Everything was rush.

Q. You didn't have enough time now because everything was rushed?

A. Rushed, right.

Q. Is that because the manufacturer still wanted it back quickly?

A. Yes.

Q. And how much time would the manufacturer generally give you to sew the lots?

A. Between two [and] two-and-a-half weeks.

Q. Okay. And you now lost one to three days?

A. Right, exactly.

Q. Did you talk during this time to other truckmen and learn what happens if Greenberg's Express is your trucker?

A. Not with the other trucker but I spoke to another contractor.

Q. And what did the other contractors say?

A. They told me one truck comes to one shop, that's their shop and no other trucker you are able to go that shop.

.....

Q. At that point did you begin to realize you had a problem?

A. Yes, I did. I realized I had a problem.

.....

Q. And can you characterize for us — did you think it was a serious problem?

A. Yeah. I thought it was a serious problem.

Q. What was your financial situation then?

A. It was real bad.

Q. Did salesmen come to your shop from Greenberg's Express?

A. Yes, they come.

Q. Now, I'm not talking about drivers, right?

A. Salesmen.

.....

Q. What did salesmen do when they came to the shop?

A. It really was, how you doing, and he was going around seeing what we have on the racks and what we making and that kind of stuff.

Q. He was looking at the racks and looking at what you were making?

A. Correct.

Q. Did the salesman look for the labels?

A. Yeah. He was looking at the labels.

.....

Q. And what were they looking for when they looked at the labels?

A. Who was the manufacturer. I believe he was looking for a manufacturer.

.....

Q. How often did the salesmen from Greenberg's Express come to your shop?

A. Usually on a weekly basis.

.....

Q. And do you ever recall a time when one of the drivers discovered the labels of another manufacturer in your shop other than one that they trucked?

A. The driver, he was coming inside the shop. He was coming to pick up the finished goods so he was working and also he was looking at the labels, see what we [were] making inside the shop, what we have in the production and that kind of thing.

Q. Would the drivers or the salesmen ask you questions about who the manufacturer was?

A. I think once they asked me.

.....

Q. Did you find that you lost work from other manufacturers?

A. Yes, I did.

Q. And did you suspect what was going on?

A. Well, yes, I did.... I thought probably they saw—they called them off or didn't want to give [me] work.

Q. You thought Greenberg's Express was calling them up?

A. I don't know or not but that was my feeling.

.....

Q. Now, with the loss of the additional manufacturers were you about to close your shop?

.....

A. Yes, I did.

Q. By the way, what did other contractors tell you about what would happen if you didn't work with Greenberg's Express with respect to the union?

A. I heard in the market if you have them, you're not to do your trucking and you start to do—you start to do even the trucking so they can call your union up, they can organize you.

Q. Let me just take that one step at a time. You heard in the market. You mean in the marketplace?

A. Yeah, between contractor and that kind of...

Q. From contractors and other people?

A. Right.

Q. That if you tried to stop using Greenberg's Express as a trucker—

A. Yes.

Q. —they would call the union and unionize your shop?

A. Right.

Q. Given all these problems were you afraid at that time?

A. Always.

.....

Q.[D]id you also hear anything in the market or in the marketplace about whether or not Greenberg's Express was a strong company or whether they could control whether a manufacturer would give work to a contractor?

A. Yeah. I heard Greenberg, they are a big company and they have a lot of trucks and they controlling most of the garment business.

.....

Q. Did anyone ever tell you that maybe your shop would burn down?

A. I believe — I think somebody told me once.

Q. You mentioned earlier that the Greenberg's Express dropped off that shipping book.

A. Right.

Q. What did you hear from other people about what happens once they dropoff that shipping book to a shop?

A. I heard when they drop off the shipping book, a shop almost drops dead. There's no other trucker can come for delivery.

Q. In other words, once they drop off that book, no other shop — no other trucker can come into a shop?

A. Exactly, it is true.

Q. Did you realize at that point that you were not going to be able to get away from Greenberg's Express or that it was going to be very difficult to get away from them?

A. I thought there was going to be very difficult.

.....

Q. Did you think about a way to devise a plan to get away from them?

A. Yes, I did.

Q. Can you tell us approximately how long you thought about that plan?

A. About eight months.

.....

Q. And did you decide to secretly move away?

A. Excuse me. Yes, I did.... Yes, I did it on a weekend.

Q. And did you dissolve your company, so to speak?

A. Yes, I did.

Q. Did you form a new company? And did you incorporate under a new name — don't tell me the name?

A. Yes, I did.

Q. Did you come up with a story that you told the people in your building to say if anyone came around and looked for you?

A. Yes ... I say, "I'm closing my business. I'm out of business. I'm not going to be in this business any more."

.....

Q. And were they to say that they didn't know where you were?

A. Right.

.....

Q. And did you — don't tell us where you went — but did you relocate and open a new contracting shop?

A. Yes, I did.

Q. And how long did it take before someone from Greenberg's Express found you?

A. Two weeks.

Q. And did you try to prevent them coming into your shop?

A. Yes, I did.

Q. And did you keep the door locked?

A. Yes, I did.

Q. And did you tell your employees not to let anyone in from that trucking company?

A. Yes, I did.

Q. And the first time they came were they able to get into the shop?

A. No.

Q. Okay. Did they come back again?

A. They did.

Q. About how long?

A. After I would say about a week-and-a-half, two weeks. I don't remember exactly.

....

Q. And did you tell people like your employees to say that if anyone asked for you, you were dead?

A. Yes, I did.

Q. Okay. And did you yourself say to someone connected with Greenberg's Express when they asked for you that you were dead?

A. Exactly. I say —

Q. Don't say your name.

A. Okay. Actually, really, I was not dead but I was still upset about it so I said, "He's not alive, he's dead."

Q. And did they continue to come around, the people from Greenberg's Express?

A. Yes, they did.

Q. And were they these salesmen you were referring to?

A. Yes, the salesmen.

Q. And did you prepare a story to tell them in the event that they found you there?

A. Yes, I did. I prepare a story.

Q. And was the story basically that you had sold the shop to someone else and you were just staying on for a little while to help that person learn how to run it?

A. Yes, I did — yes, exactly.

Q. And did they believe that story?

A. I don't — I don't know if they believe or did not but I told them this two or three times.

....

Q. And did they keep coming back and saying, "What are you still doing here"?

A. Yes.

Q. And did they come back and ask to talk to the new owner?

A. Yes.

Q. And did they try to find out who the owner was?

A. Yes.

Q. And did you do things like eventually install a bell out front so that they would have to ring the bell?

A. Yes.

Q. And did there come a time when this Julie from Greenberg's Express called you and confronted you with the fact that he was able to reach you on the telephone?

A. Yes.

Q. And did you continue to tell the story that you had sold the shop to someone who lived far away and you were just trying to help them out?

A. Exactly. That's what I did.

....

Q. Now, at some point after they had been coming around to the new location did you start to have problems at your shop during the night?

A. Yes, I did.

Q. And did you start to experience burglaries?

A. Yes.

Q. And can you tell us approximately how many times your shop was burglarized?

A. Six times.

Q. And did they do things like damage the goods?

A. Yes, they did.

Q. What did they pour on the garments?

A. Oil.

Q. And did they do other damage to your shop?

A. They steal some office supply and some garments, I think, the first time or second time. I don't know who did it, Greenberg or somebody else. I don't know who did it.

....

Q. Now, each time they broke in did you do things to the shop to try to make it more secure?

A. Yes, I did.

Q. And did you put up razor wire over the ceiling?

A. Yes, I did.

Q. Did you install a burglar alarm?

A. Yes, I did.

Q. Did there come a time when the shop was so secure they couldn't get in?

A. Yes, I did.

Q. And after the shop was so secure what else started to happen?

A. They broke in — they tear off the roof and they come through like chimney.

....

Q. They tore up the roof and came in through the roof?

A. Right.

Q. And did you do something to make that secure?

A. Yes, I did.

Q. What did you do?

A. I blocked it with bars and also with some razor wire underneath.

Much of what "Contractors A" & "B" told the Commission regarding the relationship of truckers to contractors and manufacturers was confirmed in part by other witnesses, especially in interviews. In on-the-record testimony, however, some of it was disputed, a development that came as no surprise.

Manufacturer Norman Golub testified that the trucking firms he uses are Greenberg's Express and HHIS Express, Inc. of Jersey City. He said that when he gets notices of prospective rate increases he discusses them over the phone with people at HHIS but he meets in person with the people at Greenberg's. His explanation for the different approach was that he felt comfortable dealing over the phone with HHIS but felt face-to-face discussions were better with the Gambinos. He estimated that although his firm spends between \$100,000 and \$200,000 per year on trucking he has no written contract with either HHIS or Greenberg, a situation that is common in the garment industry.

Golub was one of those witnesses who had problems with his memory when it came to discussing the Gambinos. In the public hearing, he testified that he dealt only with Joseph Gambino when he goes to Greenberg's. Executive Director Morley asked:

Do you ever have any dealings with Thomas Gambino?

A. No. I had made a mistake when I spoke to Ms. Gaal a year-and-a-half ago, and I thought it was Tommy that I was negotiating with, but it was—it had been Joey, and only with Joey Gambino all along.

Q. Have you ever had any dealings concerning your business with Greenberg's with Thomas Gambino?

A. No.

During Golub's executive session appearance, however, his testimony clearly was different.

Q. The Gambino you meet with is Tommy?

A. Yes.

Q. You've mentioned Joey. Have you met with Joey?

A. I don't recollect. I may have. At the beginning when I walked in there the first time I was in awe, the name, and I may have met just Joe the first time and then subsequently whoever was available. If Joe was there I met with him or Tommy. I met once a year or once every two years, so the faces weren't that familiar to me. I couldn't differentiate between Joe and Tom.

Q. Can you now differentiate between them?

A. Vaguely, because now I do most of my dealings with Tom. I don't know, if I met Joe on the street, if I'd remember to say hello.

Vincent Aloï

Colombo capo Vincent Aloï Sr. had been convicted of perjury in 1973 for lying to a Manhattan grand jury about his knowledge of the murder in New York's Little Italy of Joseph "Crazy Joe" Gallo. He was also convicted of federal securities fraud and served a total of nine years in prison, being released in February, 1985.

One of Aloï's former business partners was Louis Bettelheim of Fort Lee, whose father 30 years before had been Aloï's partner in a New York trucking firm called City Carriers. Testifying under a grant of immunity from prosecution, Bettelheim said that when Aloï first bought into City Carriers as a part owner, Aloï had been in the coat manufacturing business but had never been in the trucking business, and he brought no new customers to the company when he joined it. The company trucked finished goods from manufacturers to retailers. Bettelheim said that he ran the trucking end of the business while Aloï's role was that of an "outside" man trying to get new business from retailers, settling complaints from customers and trying to get increases in trucking rates.

Nine or 10 years ago, Bettelheim and Aloï merged City Carriers with TSI, another garment trucking firm, to form TSI-City Carriers, a Jersey City company in which Aloï and Bettelheim each had a 25 per cent interest. According to Bettelheim (Aloï refused to testify), after his release from prison the second time, Aloï eventually became dissatisfied at TSI-City because he wanted his sons to become partners with him and run the business. When Aloï saw that that would not happen at TSI-City, he took his 25 per cent share of the business, which amounted to about \$1 million worth of accounts and trucks, and in December, 1985, formed a new trucking firm in South Kearny called Via Motor Services, sometimes referred to as VMS.

Through his wife Elizabeth, Aloi is now a partner with David Gross of Westbury, N.Y., in VMS. His sons, Vincent Jr. and Sebastian, are also partners in the firm, which employs his daughter. The firm's drivers are members of Local 102 of the ILGWU. At the present time, VMS is flourishing and getting an increasing amount of new business while TSI-City is floundering. VMS is doing so well, in fact, that between 1986 and 1989, Aloi, his wife and two sons took a total of \$1,212,343 in salary out of the company.

Those TSI-City customers whose accounts were arbitrarily transferred to VMS were not asked if they wanted to switch firms. They were simply told that from a certain date forward, their trucking would be done by the new concern.

Meanwhile, TSI-City is losing customers to VMS above and even beyond the 25 per cent share Aloi took with him. One of those customers who opted to switch was Ashley Scott which, according to its president Mario DePinto, suddenly became dissatisfied with TSI. DePinto's firm has also given generous Christmas bonuses and cash gifts to Aloi's sons and loaned \$60,000 to VMS interest free to buy a new truck in 1987. He claimed the loan was repaid in trucking services.

Bettelheim testified that during the period when Aloi was in prison the first time, City Carriers diverted Aloi's salary to his wife although she did no work. When Aloi was in prison the second time, after the merger of City and TSI, the new company again diverted his salary to his wife. According to Bettelheim, no one filled Aloi's role at the company during any of the time he was incarcerated.

When Aloi and Bettelheim merged City Carriers with TSI in 1979, one of their new partners was Harvey Brody of Tenafly who, along with his partners in HHIS, shared the other half interest in the newly-created company. Brody, meanwhile, was also a major partner in another trucking firm, HHIS Express of Jersey City, which trucks cut materials

and finished goods between manufacturers and contractors. Aloi had no ownership interest in HHIS. Truckers from both HHIS and TSI-City are members of Local 102 of the ILGWU.

In testimony before the Commission, Brody testified freely about his own involvement in the garment industry but invoked his Fifth Amendment privilege when asked about his relationships with Aloi and Thomas Gambino, about how truckers get work, about financial arrangements between truckers and contractors, about buying and selling stops and customers, and about territories.

Brody also refused to answer questions regarding allegations that Aloi controlled the Master Truckmen of America (MTA) and the Greater Blouse, Skirt and Undergarment Association. Brody and Bettelheim are both members of the executive board of the MTA, the association of which Al Tambe is executive director. Brody's son Dean, a salesman for TSI and HHIS, characterized Tambe as a "friend" of his father. In his testimony, Bettelheim said he didn't know how Tambe was appointed, only that he had not participated in an election; nor did he recall how Tambe's predecessor was selected. One of the questions Tambe refused to answer was whether Aloi or Brody helped get him the MTA position.

Joseph N. Gallo

Former Gambino consigliere Joseph N. Gallo is currently serving a 10-year prison sentence imposed in May, 1989, for labor racketeering. He was once the labor consultant to the Greater Blouse, Skirt and Undergarment Association. His son, Joseph C. Gallo of Jericho, N.Y., was released from federal prison in March, 1985, and is on life parole for a conviction for drug trafficking. Joseph C. Gallo was called as a witness at the public hearing but he invoked his Fifth Amendment privilege and refused to testify. State Police Superintendent Justin J. Dintino testified, however, that the younger Gallo

had recently been formally inducted as a member of the Gambino/Gotti LCN family.

The SCI investigation revealed that Joseph C. Gallo owns or controls five garment-related companies in New Jersey. They are Toni-Linda Productions, Incorporated; Randello Enterprises, Incorporated; 1040 Grand Street Associates, Limited, and FLP Distributing Services, Incorporated, all of Hoboken, and Railroad Enterprises, Incorporated of Ridgefield. All five companies are non-union and do garment cutting, warehousing and shipping. They also broker sewing work to various contracting shops in the metropolitan area. The companies are all run by a close associate of Joseph N. Gallo, Peter Porcelli of Staten Island, and Porcelli's nephew, Leonard Tagliavia of Hoboken, both of whom have long experience in the garment business.

From 1986 through 1988, these companies received 94 per cent of their business from a single Manhattan garment manufacturer, Norton McNaughton of Squire, Incorporated. Since Norton McNaughton is a New York firm, its records were unavailable for examination and its executives refused to talk with SCI staff.

In the mid-80's, Norton McNaughton had resisted unionization of its shipping department and the ILGWU struck the company as well as any contracting firms that it learned did work for Norton McNaughton. These labor troubles spilled over and also caused problems for the Gallo companies.

In tracking Norton McNaughton's contractors, the union discovered Toni-Linda and learned that it was also doing work for another company owned by Porcelli. That firm was a unionized garment cutting business called Kip's Bay Cutting Corporation in Brooklyn. It was there that young Joseph C. Gallo was employed before he went to federal prison. On his release, Gallo went to Toni-Linda, and eventually became an owner. The ILGWU eventually accused Porcelli of "double breasting" by having non-union workers produce goods for a unionized

firm. In fact, another Gallo company, Randello Enterprises, appears to have been created solely as a vehicle through which to funnel Porcelli's salary from Toni-Linda so as to keep his name off Toni-Linda books and conceal his relationship to this non-union company.

The investigation revealed that 1040 Grand Street Associates paid \$1 million in May, 1986, for a building in Hoboken to house Toni-Linda, Norton McNaughton's cutting contractor, as well as other Gallo controlled enterprises. The money was raised by a \$750,000 bank loan, investments from Porcelli and advances from Norton McNaughton.

Railroad Enterprises operates a huge garment consolidating warehouse and shipping depot in Ridgefield that stores more than 500,000 garments for Norton McNaughton.

Between 1986 and 1988, total revenue for the five Gallo firms was \$12,525,716, of which \$11,817,681 came from Norton McNaughton. During that period, the Gallo family took \$781,689 out of the companies, Porcelli, \$307,248, and Tagliavia, \$360,600. The investigation found no evidence that any member of the Gallo family invested any of his own money in the companies.

* * *

The SCI investigation revealed for the first time the Gambinos' intentions of expanding their garment empire beyond New York and New Jersey to Philadelphia. On May 20, 1989, Joseph Gambino, his business associates Ray Buttafusco and John DiSalvo, and Gary Chan came to Philadelphia and toured sewing shops in the Chinatown area. Gambino, Buttafusco and DeSalvo are among the defendants with Thomas Gambino in the pending New York indictment.

CONCLUDING OBSERVATIONS

The Commission is well aware of the difficulties in proving criminal conduct by organized crime operatives engaged in ostensibly legitimate enterprises. Certainly, New York authorities have had limited success over the decades in rooting out organized crime influence in the garment trucking industry, although the pending indictments brought by the Manhattan District Attorney, if proven, will be a significant step in that direction.

Armed by this report with knowledge of the presence in New Jersey of Gambino business operations, as well as those of Vincent Aloï and Joseph N. Gallo, the Commission is confident that our state's

law enforcement and regulatory agencies will be vigilant in policing these enterprises and use every available tool to free them of organized crime influence.

Finally, the Commission calls on those in the wholesale and retail segments of the garment industry to exercise some social responsibility to avoid doing business with persons or companies with demonstrated organized crime connections or with those who manufacture garments under sweatshop conditions. The world of commerce is healthier when everyone adheres to the same rules of conduct and when workers are treated fairly.

This investigation was conducted under the direction of Counsel Charlotte K. Gaal, who was assisted by Investigative Accountant Arthur A. Cimino, Senior Special Agent Richard S. Hutchinson, Special Agents Marilyn D. Cichowski, Robert Diszler and Anthony J. Quaranta, and Intelligence Analyst Paula A. Carter.

According to Peter Chan, who, at the request of his brother Gary escorted the three around the city, Gambino and his associates wanted to compare the quality of sewing in Philadelphia with that of New York. Gary Chan is a sewing contractor in New York's Chinatown whose shop is trucked by Consolidated Carriers one of the Gambino companies. Peter Chan is a trucker with one truck who transports cut work from his brother's shop to sewing shops in Philadelphia and takes finished goods back to New York.

Captain Joseph O'Connor of the Philadelphia Police Department's Organized Crime Intelligence Unit testified at the public hearing that the group used the Joy Tsin Lau restaurant as its meeting place that day. A principal owner of that restaurant, Captain O'Connor said, is the past president of the Philadelphia branch of the On Leong Tong, an organization with close ties to the Gambino crime family in New York.

O'Connor told the Commission that the informant who alerted him to Gambino's visit also said the visit marked the opening of a Gambino attempt to take over garment trucking in Philadelphia and to force out of business small firms such as Peter Chan's.

Commenting later during the public hearing, State Police Superintendent Dintino said the meeting was "an indicator" of a broader effort by the Gambino family to take over some of the territory of the weakened Bruno/Scarfo LCN family, which has been in disarray in recent years because of internal violence and law enforcement pressure.