OPENING STATEMENT
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OVERSIGHT AND INVESTIGATIONS SUBCOMMITTEE
HOUSE COMMITTEE ON EDUCATION AND THE WORKFORCE
MAY 19, 1998

Good morning.

Chairman Goodling would have been here this morning, but he is otherwise occupied at home in his district today. He has asked that his written statement be made a part of the record. Without objection, it is so ordered.

I am eager to hear from our witnesses this morning, because the focus of today's hearing is a very important issue that has philosophical, financial and practical implications. That is, who is going to pay for the rerun of the Teamsters union election now scheduled to occur this summer?

I'll touch briefly on what has become the rather complicated history of this entire unfortunate affair, by way of setting the stage for what our witnesses will be discussing in a few minutes.

THE IBT BOSSES ARE RESPONSIBLE FOR THE MISCONDUCT THAT CAUSED THE RERUN

In 1989, there was a consent decree between the Justice Department and the International Brotherhood of Teamsters. This consent decree came about because the Justice Department had sued the IBT in a civil racketeering case, alleging felonies and organized crime connections.

As part of the consent decree, the government ran the 1991 election – at the expense of the IBT – and had the option of overseeing, or supervising – at taxpayer expense – the 1996 Teamsters election.

As we all know, the government opted to do so, and the costs incurred by the American taxpayers came to approximately $20 million.

As we also know, the 1996 election was corrupted by illegal activities inside the Marble Palace and the Carey campaign, and Carey's re-election was thrown out by a federal Election Officer.

Thus, the need for this summer's re-run election.

THE U.S. TAXPAYERS SHOULD NOT HAVE TO PAY FOR THE RE-RUN

Last fall – because I felt the taxpayers already had done more than enough to bail out the IBT – I introduced an amendment prohibiting the Justice Department from using its 1998 appropriation to pay for further Teamster election activity.

I do not feel taxpayers should foot the bill for Teamster bosses' illegal conduct. I am not unmindful that by asking the IBT to pay for the re-election, I am also asking the rank-and-file Teamsters to pay. This is a Hobson's choice. What I would like to see is a reimbursement to the IBT from the people and organizations who caused the 1996 election to be thrown out.

Most importantly, I want the IBT to rid itself of the financial albatross of federal supervision, such as the election officer, the Independent Review Board and the million being spent because past union bosses did not take care of the members' dues.

Last December, the Election Officer sought a court order to secure the funds to pay for this re-run. The IBT argued at that time that the taxpayers should pay – yet one more time. Judge Edelstein in New

York disagreed. He said, and I quote: "The time has come when the IBT must bear its own costs for cleansing its Augean stable. In plainer words, they made the mess. It is their job to clean it up at any price."

Not willing to pay for cleaning up its own mess, however, the IBT appealed Judge Edelstein's decision to the Second U.S. Circuit Court of Appeals. On March 30, a divided panel of the court voted, 2 to 1, to reverse Judge Edelstein. The two judges held that if the United States Government feels the need to supervise the re-run election, the Teamsters need not pay for it.

I'm sure we all agree that the idea of holding this re-run and not having it supervised is completely unthinkable, given the IBT's recent history and the fact that several dozen officials loyal to Ron Carey still occupy high positions of authority at the Marble Palace.

So, once again the IBT bosses' intransigence, their unwillingness to meet their obligations, their disrespect for the taxpayers and their disregard for the best interests of the Teamsters' own rank-and-file members have left us in a very difficult place.

As we'll hear in more detail from our witnesses, the Justice Department does not have adequate available funds to pay for this re-run. On May 14, the Department asked the full Second Circuit appeals court to rehear the funding question.

Although I hope the full court can reach a different conclusion than the three-judge panel did, I am concerned that the status of the law today raises the possibility of further delay and even postponement of the election.

THE INDEPENDENT FINANCIAL AUDITOR IS NOT A AUDITOR

I am also looking forward to hearing from the Justice Department this morning on another issue – the authority of the Independent Financial Auditor appointed by Justice to monitor the finances of the troubled IBT.

I was disturbed – and I think many of my colleagues shared my dismay – when Mr. Marvin Levy testified to this Subcommittee on April 29 that he is a CPA, not an auditor; that he does not function as an auditor with regard to the IBT's finances; that he does not perform any investigatory function; that he does not attempt to determine the "prudent business use" of any particular expenditures, and that – although the agreement under which he operates appears to give him veto power over IBT expenditures – he has not come close to exercising that authority in the approximately six months he's been on the job.

In fact, Mr. Levy acknowledged that – hypothetically speaking – he might well approve the purchase of a Lear jet by the IBT if the paperwork appeared to be in order.

I look forward to being educated by our Justice Department witnesses today about this arrangement.

THE IBT SHOULD ABIDE BY THE SUBCOMMITTEE'S SUBPOENA AND TURN OVER ITS TAPES

Finally, I want to say a word about the tapes of IBT's General Executive Board meetings that this Subcommittee has subpoenaed. Why have we subpoenaed these tapes? For several reasons:

- Because there were discussions by Board members who had – and have – statutory fiduciary obligations to their rank-and-file members under federal law. In our March 26 hearing, Mr. DeRusha testified to this Subcommittee that he was thrown out of a Board meeting when he questioned union finances and expenditures;
- Because there were discussions that – as we know from sworn testimony before this Subcommittee – involved manipulation of pension funds containing millions of dollars belonging to the IBT membership.

- Because these were meetings that we know – from federal Election Officers – touched on financial misconduct at the Marble Palace, on threats and intimidation toward International Trustees of the union, and on improper and likely illegal activities on behalf of the Carey campaign.

After many weeks of delay and resistance, lawyers for the IBT appear to have agreed in princple to produce these tapes.

The IBT's lawyers agreed to production only after this Subcommittee went far beyond what is required by House rules or the law, and offered to appoint an independent third party to redact from the tapes discussions involving collective bargaining strategy, even though Congress has the legal right to obtain these tapes in their entirety.

In spite of that extraordinary step of cooperation on our part, some members of the Minority still question why this Subcommittee needs tapes of the IBT's board meetings.

The IBT's former director of government affairs, Bill Hamilton, recetly was indicted. The Department of Justice's charges discussed possible illegal financial dealings between the IBT and the Democratic National Committee.

So it's not hard to see why some members of the Minority would demagogue our requests as fishing expeditions and mischaracterize those board meetings as "private conversations" and try their best to keep them from the rank-and-file Teamsters and the public.

Mr. Sever, who is the Secretary-Treasurer of the IBT and is effectively running the organization these days, is with us this morning. Mr. Sever, you would do a great service to this Subcommittee and to the pursuit of truth if you could use your good offices to make this turnover of the tapes happen.

I believe this Subcommittee could do no better service to the rank-and-file members of the Teamsters than to help pull back the dark curtain of secrecy that has enveloped the Marble Palace for too long.

Mrs. Mink.

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