February 11, 2004

David B. Dillon
Chief Executive Officer
The Kroger Company
1014 Vine Street
Cincinnati, OH 45202

Dear Mr. Dillon:

Your employees have been locked out of your stores for over three months now and, to date, you have not made any serious efforts to reach any agreement with the United Food & Commercial Workers. It is evident from your failure to even consider proposals that would save the supermarket industry in southern California literally tens of millions of dollars and that it is your intention to decimate the retail food industry's longstanding practice of providing family wage jobs with affordable healthcare benefits.

While you have suggested publicly that you and the other employers merely wish employees to pay modest copays, an analysis of your proposals indicate that such public pronouncements are clearly intended to mislead the public. It is our understanding that your offer would under-fund the current health care program by nearly $700 million over three years. In addition to this massive underpayment, your proposals would create an unfair two-tiered health care system that establishes two categories of employees. It is a mischaracterization to suggest that you are asking for employees to pay their fair share when you would completely undermine their health care benefits.

We have reviewed the employers' benefits funding proposal for new hires. It is clear that your proposal will provide almost no health benefits for new employees. Moreover, as new hires replace incumbent workers, employees of your company will no longer have access to affordable family health benefits. Your proposal specifically directs that benefits be cut and employee costs be increased without limit. Given the meager company funding proposed and current projected increases in health care costs, it is obvious that your intention and that of the other employers is to eliminate health benefits in the future. Do you expect the taxpayers of California to take on the burden of providing health care for the new class of poverty wage workers you are attempting to create?

Moreover, it is obvious that the impact of segregating new hires from current employees would have a devastating effect on the funding of health care coverage for current employees. As employees are replaced, the funding base for those now current employees will continue to shrink until benefits have to be cut or co-pays have to be increased enormously. Comprehensive, affordable family health benefits simply cannot be maintained under your proposal.

The bottom line is that 70,000 jobs that now come with affordable, family health coverage will not come with that coverage in the future. Hundreds of millions of dollars will be taken out of the pockets of working families and out of the Southern California economy into corporate coffers. If you succeed in accomplishing your goals in Southern California this year, it is obvious that you will be making the similar demands in Northern California next year.

Your employees have made your company one of the most profitable and successful in the supermarket industry. They deserve the right to affordable health care and a decent standard of living. Your industry can remain profitable without destroying the middle class lives of hundreds of thousands of hard working Californians and their families.

We urge you to stop misleading the public, withdraw your unreasonable demands to gut health care benefits, and that you return to bargaining in good faith and reach an agreement that provides dignity, living wages and comprehensive health benefits for working families. These workers have helped make billions in profits for your company. It is time that you consider doing the right thing. Settle this strike and end this lockout now.

Sincerely,

John Burton
President Pro Tem
State Senate

Herb Wesson
Speaker of the Assembly

Fabian Nuñez
Speaker-Elect
State Assembly

Kevin Shelley
Secretary of State

Steve Westly
Controller

John Garamendi
Insurance Commissioner

Phil Angelides
Treasurer