

VIA: _____
(SPECIFY AIR OR SEA POUCH)

DISPATCH NO. EGMA-27940

SECRET
CLASSIFICATION

TO : Chief, IO
THRU: Chief, EE
FROM : Chief of Base, Munich

DATE: 30 July 1957
INFO: COS, Germany

SUBJECT: GENERAL— Operational/DTDOHIC/QKACTIVE

SPECIFIC— Further Information on the "Canteen Case"

Reference: MUNI-2662 (IN 29849) dated 23 July 1957
(KAPOK)

ACTION REQUIRED: None, For your information.

1. On the off chance that you have not received copies of the material, and in the hope that we may contribute to your better understanding of the somewhat muddled "Canteen Case," we are forwarding under separate cover two documents which should serve to bring you pretty much up to date. One attachment is a Memorandum for the Record prepared by ; the other is an excerpt of the pertinent section of the minutes of the meeting between PBCHORD officials and the Betriebsrat on 26 June 1957.

2. You will note from Memorandum that the original agreement whereby the off-again, on-again operator was to be restored to his concession was based on a loan arrangement. PBCHORD was to lend the DM 3,500 (the amount of damages involved in the breach of contract with the contemplated replacement) to the old operators. They in turn would repay the loan in twenty-four monthly installments at the rate of DM 150.00 per month.

3. This arrangement was highly satisfactory to all parties concerned except to the Betriebsrat for the reasons outlined in the attached documents. Thus it was that a solution was adopted whereby PBCHORD would pay the DM 3,500.00 damages involved, but the amount would be considered as a rightful obligation of the restored concessionaires. The singular feature of the agreement, however, was that instead of redeeming the obligation by cash payments, the debtors would do so by having their total penalty reduced at the rate of DM 100 monthly for each month during which the quality of their canteen service met certain standards established by PBCHORD.

4. The other important part of this case about which you should know, and which is not covered in the material we are forwarding, is concerned with the question: "Where is the money coming from?" During the several conversations which MOB personnel had with PBCHORD representatives on this matter the impression was apparently created in the minds of the latter that all conferees were in agreement that KUBARK and not QKACTIVE should be responsible for paying the DM 3,500 damages. MOB however is not in agreement with the PBCHORD position on this point. They point out that the latest solution based on Betriebsrat

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demands was presented to them as a fait accompli and without their foreknowledge and, further, that the only agreement they knew about was the one whereby the operators themselves would be held responsible for paying the damages.

5. However, in view of the firm position taken by Rudolph N. Hamish that under the circumstances the DM 3,500 is the responsibility of KUBARK, this solution has been proposed for Headquarters approval. The one remaining concern here is that the transfer of funds between KUBARK and PBAFFIRM as required by this arrangement may be accomplished without in any way divulging the operational circumstances involved.

Approved: []

3 Attachments:

a/s - UNDER SEPARATE COVER
REC'D IN AUG 57

Distribution:

4 - Chief, IO w/l set attach.
2 - COS, Germany w/o att.

[]

200-124-39/3

25 July 1957

EXCERPT FROM MINUTES OF MEETING BETWEEN ADMINISTRATION AND WORKS COUNCIL ON
JUNE 26, 1957, 1500 HRS.

NOT SUITABLE FOR MICROFILM

Asst. European Council Canteen Operator

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BR: We still have another matter which we would like to bring up: the case of the canteen. I do not know if the problem has been definitely settled, that is, that Mirumjan will have to pay DM 3,500. to the new leaseholder of the canteen who should have taken over but did not, after all.

Mirumjan was to receive these DM 3,500 as a Committee loan in order to be able to pay this other concessionaire. The employees who eat at the canteen are of the opinion that they will have to pay these DM 3,500 and not Mirumjan.

Mirumjan does not have any money in the bank. The 3,500 he has to pay he will have to earn from the employees in the form of increased prices.

Woods: Tell them to be assured that prices will not be higher. This is a business proposition. I don't want to rip the cap at all. I could have removed the man six months ago. This is a matter not of the Works Council but of the condition which existed between the Committee and the canteen. The only condition under which the Mirumjans will remain is that the prices will not be higher.

BR: For about two years we have been fighting for lower prices in the canteen. This seemed impossible. But now, without this debt resulting from the new agreement, prices could have been lowered. The employees think that they have to pay the money. We think the Committee should take over these DM 3,500.

Woods: This is not a penalty on Mirumjan. This is a business proposition. Under the circumstances Mirumjan would not be here without these 3,500. We were going to remove Mirumjan and upon your petition he did not stay. We proceeded to get a new concessionaire. The Committee does not have funds at the present time to subsidize the canteen. It is a "Betriebskantine". Since the proposition was made, the Committee and the other side, as took over the canteen, the Committee will pay the DM 3,500.

ENCL

Woods:

BR: But if you had consulted the Works Council beforehand, the DM 3,500 could have been saved for Mirumjan and thus for the

Woods: You would resent very much if he would start to measure according to your salaries.

BR: The fact is and will be that the employees will have to pay DM 3,500.

Woods: Prices would not rise for any more. You would still pay it.

BR: Our point is that the Administration took a step by which the employees are charged with DM 3,500.

Woods: You are not protecting the employees. How Mirumjan handles the finances of the company.

BR: He now starts a new contract with more debts than two years ago. He regards this as a negotiation which took place without informing the Works Council. It was an unnecessary one, the only reason which is that he incurred an additional DM 3,500 debt.

Woods: We did not charge him. This is a negotiation between the company and Mirumjan.

BR: For us this is a perfect clear-cut case.

Woods: There is not a third person. It is a negotiation between the company and the other concerned. Nothing else but that we have to pay money to Mirumjan.

BR: On May 1st he had a contract with the company. There was a decision at that time to terminate the contract and to charge the contract. Now he has new debts, he can sue the Committee because of the

Woods: He has a contract with the Committee according to which he can terminate it at any time. When separation from the company is his interest the termination is his. If he fails to live up to the agreement he will be terminated. You are interested in the employees. Why do you take up the case of Mirumjan?

BR: We do not resent the employees in this particular case, but they will have to pay the money. And we urgently request that the Committee take over these DM 3,500.

Bunker: I think we postpone this and I study the case and look at it later.

BR: We had a discussion before whether we should bring this up today or later. We decided to bring it up today, because Mr. Woods is here and because of the approaching end of the fiscal year. I thank Mr. Bunker for his intention to study this case.

Director of Administration
European Council
Canteen Operation

July 24, 1957

Attached for your information please find two copies of a memorandum for the record which highlights some aspects of the canteen operation. You may recall that the draft included a paragraph to the effect that Mr. and Mrs. Pirumijan accepted the offer of the Committee to write off the loan on condition of their continuing good behavior. Since, as far as I know, this offer has not been communicated to the concessionnaire I believe that the memorandum for the record should not refer to it at this time. If New York approves the proposed settlement an appropriate short statement can always be drawn up for signature by the concessionnaire and her husband.

PAUL E. MOELLER

2 Enclosures a/s.

PS:et

HI COPY

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ENCL 2

July 24, 1957

MEMORANDUM FOR THE RECORD

An agreement, entered into in 1955, between the American Committee for the Liberation of the People of the Soviet Union (ACLSU) and Mrs. Mirumijan, in consideration of Mrs. Mirumijan's operation of the canteen on the premises of the American Committee in New York City, permits Mrs. Mirumijan to use the mess hall free of charge and furnishes the necessary utilities also without charge. Mrs. Mirumijan agrees, among other things, to supply food and authorized beverages of good quality in adequate quantities at reasonable prices to the employees of the American Committee. Any violation on the part of Mrs. Mirumijan of the said agreement is cause for termination. Even without specific cause the agreement can be terminated by either party on four weeks notice.

Mrs. Mirumijan, jointly with her husband, Asnat Mirumijan, has been operating the canteen on the basis of the said agreement and of a lease with the Paulaner-Thomas-Brewery. It was expressly provided that termination of the agreement with the American Committee will entail simultaneous termination of the lease with the brewery.

In the course of canteen operations numerous complaints were voiced by individual employees patronizing the canteen as well as by the works council representing the employees in general. The American Committee was repeatedly requested to make changes in the operation of the canteen, either by establishing a new canteen or by finding another concessionaire. After considerable difficulties in finding a replacement a new concessionaire was found who seemed satisfactory. Josef Berger was notified on May 17, 1957, that subject to approval by New York the canteen would be leased to him. Approval was duly received and the Committee made an appropriate oral contract with Josef Berger. Furthermore, with the Committee's concurrence Josef and Maria Berger signed a lease with the brewery on May 25, 1957. On May 27, 1957, the brewery, and on May 28, 1957, the Committee notified Mrs. Mirumijan that the respective contracts were being terminated effective June 30, 1957.

It appears that upon receipt of these termination notices, Mr. and Mrs. Mirumijan solicited testimonials from numerous Committee employees to the effect that the canteen operation was satisfactory. Approximately 90 employees signed an appeal to the American Committee to rescind the termination. The petition was presented to Administration on or about June 6, 1957.

The American Committee, prompted by the desire to comply with the employees' wishes, negotiated with the new concessionaire for a period of time to rescind his contract. The concessionaire was willing to release his rights provided he received compensation for his services in the amount of DM 3,000. The American Committee agreed to advance this amount to DM 300.

The Committee also advised Mr. and Mrs. Mirunijan that if they would not pay the DM 300 in her case, they and her husband would pay the penalty demanded by their proposed successors. (The concessionaire was willing to consider with any concessionaire who would be acceptable to the American Committee.) Mr. and Mrs. Mirunijan agreed to pay DM 300. However, they requested the Committee to advance the necessary funds and undertake to repay the loan in 24 equal consecutive monthly installments of DM 150 each, beginning on July 1, 1957.

On June 7, 1957, a check for DM 3500 was issued to Mrs. and Mr. Mirunijan. Receipt of the loan of DM 3500 was acknowledged by Ashut Mirunijan with the understanding that the original loan agreement would be executed.

Shortly after completion of this transaction the staff council approached the Committee with the request to cancel the loan. The works council contended that the canteen operator would have to be replaced or reduce services in order to raise the funds necessary for the discharge of the loan and that, as a consequence, in effect the employees would have to pay the cost of this transaction. When the works council was notified that the Committee had done only what according to the employees' and works council's representations was in the best interests of the employees who had organized the canteen, and that the sole reason and purpose for this change was to remedy the unsatisfactory canteen situation about which so many complaints had been voiced, the works council and individual employees declared that prices and quality had measurably improved, and that the operators had promised further improvements but were saying that they were unable to keep their promises unless the burden of the loan were removed.

In order to demonstrate its desire to further satisfy the staff the Committee is willing to forgive the aforementioned loan of DM 3500 in the following manner:

Beginning July 1, 1957, the American Committee will each month credit to the loan account of Mr. and Mrs. Mirunijan an amount of DM 100.00 until the loan is fully discharged. This credit will be made on the condition that prices, services and operation of the canteen in general will be and remain satisfactory. Whether or not Mr. and Mrs. Mirunijan's per-

SECRET

The Council of Economic Advisors
has advised that the price of
oil is expected to rise sharply
in the near future. Such a rise
in the price of oil would have
serious effects on the economy.
The Council has recommended that
the Government should take
steps to reduce the demand for
oil. The American Committee
shall have a meeting with
immediate effect. The
cause as above or the
loan shall be
further notice.

PAUL E. ROSS

ENCL. 3 to
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