

Summary of the Proposed ABF Economic Relief Plan



The Wage Reduction—Job Security Plan (“Plan”) Memorandum of Agreement was negotiated with the express purpose of enabling ABF the ability to compete, protect health, welfare and pension benefits and provide job security for Teamster bargaining unit employees. Upon being presented with the facts surrounding the company’s need for economic relief that were verified by both internal and independent financial experts, the union engaged ABF in talks this month to hear the company’s concerns about its financial future. This occurred after the membership was polled and guidance was received from our Local Union officers and regional freight coordinators. Only after the company agreed to the principles of equal sacrifice among all ABF employees, including nonunion and management employees; a formula for pay-backs and snap-backs if the company becomes profitable again; and no changes to benefit plans would the Union agree to formal negotiations. What follows is a summary of the results of those negotiations: the MOU on the ABF Wage Reduction—Job Security Plan: its coverage and terms, key provisions/conditions and protections. The plan also provides for additional monitoring and compliance mechanisms.

Plan Coverage and Terms

The plan calls for a reduction in gross wages and mileage rates of 15 percent effective the first payroll period after ratification through the term of the NMFA—March 31, 2013, subject to certain operating performance measures that can reduce that amount by 5 percent each year if reached. The wage and mileage increases called for under the NMFA will also be reduced by 15 percent. The cost of living adjustment, if any, will be unaffected by the Plan insuring some protection against runaway inflation. (Sections 2 and 4)

The economic relief provided in the Plan is limited to the 15 percent wage reduction. **There are no changes to any health, welfare and pension contributions.** These plans are funded as provided for in the NMFA. (Section 5)

Key Provisions/Conditions for the Wage Reduction

There are a number of key provisions the union insisted upon as a condition of the wage reduction:

- **Equal Sacrifice:** First and foremost is the concept of equal sacrifice. Management and non-union employees are required to participate in cost sharing in an equal manner as ABF Teamsters. If cuts made to these individuals already in 2008 (changes in health care premiums and co-pays, reductions in defined contribution pension plan, increased cost of health care and elimination of wage increases for 2009 and 2010) do not meet the 15 percent compensation reduction, then additional wage and benefit cuts must be implemented. The employer is obligated to achieve similar cost reductions from its other non-Teamster and non-NMFA bargaining units. (Section 3)
- **Earnings Plus Plan:** Second is the opportunity for Plan participants to earn some of the wage reduction back each calendar quarter when the company returns to profitability. This will occur under the “Earnings Plus Plan” that will pay back employees’ wage sacrifices as a percentage of quarterly earnings based on publicly announced operating ratios every three months. Payback will begin when a quarterly operating ratio falls below 98.0 and monies will increase as the operating ratio meaningfully improves. While unlikely to occur in the near term, one could see some possible upside if ABF does particularly well in the latter years—similar to the operating levels experienced in the 2004-2006 period. (Section 10)
- **Decrease in Wage Reduction:** Third is a “snap-back” feature that will automatically reduce the wage cut by 5 percent each April if ABF achieves an “operating ratio” of 97.0 or below and/or an EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) level that exceeds



\$99.5 million annually for any prior calendar year during the life of the Plan. The Union was responding to the members' and Locals' concerns that ABF is not likely to remain as distressed as other motor carriers will due to its historic operating margins and superior performance. Just like ABF's financial fortunes dropped off with the general economy in late 2008, it may pick back up in equal measure during the inevitable recovery. While no one can predict when the industrial and retail sectors of the U.S. economy will see this rebound, we need to limit the Plan, if and when it does, to protect Teamster incomes. In fact, one would have to go back to the freight recession of the mid 1990s to see ABF's operating ratios at levels experienced over the last two years so a "snap-back" is a distinct possibility. Fortunately, the Negotiating Committee was able to achieve this "snap-back" feature and maintain the Earnings Plus Plan for income protection in the event of a stronger than expected economic turnaround. (Section 2(b))

- **Termination/Amendment of Plan:** Fourth, if during the term of the Plan ABF "increases its full-time, active Teamsters workforce by 20 percent or more from the level of full-time, active Teamsters employed in the NMFA bargaining unit on the effective date of the Plan, the Union reserves the right to terminate this Plan with 30 days written notice ..." In the event the freight economy improves for ABF, this provision gives the Union the right to snap back the wages to the full NMFA rate. (Section 17)
- **Work Preservation:** Fifth, ABF is prevented from purchasing any non-union regular route trucking entity without approval of the union and must work with the Union Sub-Committee created to oversee the Plan on a whole range of issues, including the expansion of bank debt, ensuring access to detailed financial records, and the requirement that any funds generated by

the wage reduction must be used to improve only the operations of ABF Freight System. (Sections 15 and 16)

- **Extension of Recall for Laid off Teamsters:** Sixth is the increase of recall rights from five (5) to ten (10) years for any Teamster on layoff as of the effective date of the Plan or who becomes laid off during the term of the Plan. (Section 13)
- **No Additional Financial Relief from Teamsters:** Seventh, the Plan provides that, if ABF needs additional funds to satisfy its liquidity needs beyond those that exists on the date of ratification, it must obtain the additional funds from its lenders. (Section 16)
- **Snap Backs to Full NMFA Wages:** Eighth are a series of additional protections that provide wage restoration to the full NMFA rate if the plan is terminated, if the employer files bankruptcy or if there is a material change in ownership (i.e., if the company is sold). There is a snap back to full NMFA wages on March 31, 2013. (Sections 4, 17, and 21)

Monitoring and Compliance

In addition to the key provisions, the plan contains additional language on monitoring and enforcement rights. The employer is required to share financial information sufficient for the union to monitor compliance with the plan and pay for an annual audit to determine compliance. (Section 6)

A subcommittee is created to monitor compliance, resolve disputes and discuss other pertinent information including the implementation of the employer's business plan. Disputes if not resolved by the Subcommittee, will go to the grievance procedure in the NMFA (Section 6 and 7).

Please consult the actual plan and your Local Union for specifics on each item of the Plan. Additional material will be posted on www.teamster.org as it becomes available.