



# ABF CONTRACT

# UPDATE

MAY 20, 2013

## Leaders From ABF Local Unions Unanimously Approve Tentative Agreement

Leaders from about 160 Teamster local unions that represent ABF members unanimously approved the tentative master agreement and supplements today in Chicago, paving the way for a vote by the members.

“Our members’ number one goal was to protect their health, welfare and pension benefits and we achieved this despite all the financial challenges the company is facing,” said Gordon Sweeton, Co-Chairman of the National ABF Negotiating Committee for the Teamsters National Freight Industry Negotiating Committee (TNFINC). “We also protected good Teamster freight jobs.”

The union negotiating committee has unanimously endorsed the tentative agreement.

“The company lost \$22.5 million in the first quarter of 2013 alone, so protecting these hard-fought benefits was one of the greatest challenges we have ever faced, but our committee got the job done,” Sweeton said. “Every ABF member should be proud of this committee’s perseverance, hard work and dedication to achieve the number one goal of our members and the union’s number one goal.”

The tentative agreement does call for a 7 percent wage reduction, but that will be entirely recouped by the fifth year of the contract.

“Nobody ever wants to see a pay cut, but in light of the company’s struggles and our desire to see the company survive, something needed to be done,” Sweeton said. “It is in our best interests, as well as ABF’s, that this company be given a chance to climb out of this deep recession so that our members’ futures are protected.”

The Teamsters committee endured challenging negotiations to get to this point. Committee members all knew going into negotiations that ABF needed some help. Its labor costs were the highest in the industry and it had excess capacity. Unfortunately, ABF seemed wedded to using a sledge hammer approach to bargaining.

**The unanimous support from local leaders clears the way for a vote of the membership. Ballots will be mailed out on or about JUNE 3 and will need to be returned by JUNE 27. Full voting instructions will be included in the ballot packages.**



The week of May 1, however, was a turning point in negotiations. The company seemed nervous. On Tuesday April 30, ABF’s parent corporation held a public conference call to discuss its first quarter earnings. The union’s committee listened to that report. The earnings report was not good—the company lost \$22.5 million in first quarter.

Teamster committee members think that company executives were afraid of losing freight and stock value as negotiations dragged on. It was already a month past the original contract expiration. Also, perhaps the fear that a lower stock price might make ABF a takeover target for YRC or others motivated them.

After months of insistence on unreasonable terms, the company finally made some significant movement and the union was able to secure the tentative agreement. It is hardly what ABF claimed that it needed. The union committee believes, however, that it will provide a bit of breathing room.

“Nobody ever wants to negotiate concessions,” Sweeton said. “But in this case, the committee accomplished the members’ goal of protecting health, welfare and pension contributions and benefits and ended up with an agreement that while tough in the short term on our members, will hopefully allow for their long-term benefit.”

Members should also visit the “ABF Update” section at [www.teamster.org](http://www.teamster.org)

# Summary of the ABF Tentative Agreement

The Teamsters National ABF Negotiating Committee achieved its goals and the members' goals of protecting good jobs and maintaining the best health, welfare and pension benefits for the foreseeable future. This was the product of many months of hard fought battles, but we did it.

Getting to this point was not easy: the company's goal was to throw out the NMFA and its integrated supplements and start from scratch with a new agreement that read more like an employer's wish list handbook than a collective bargaining agreement. Two full months alone were spent beating back the company's attempts to change decades' worth of the employee protections contained in the NMFA.

We achieved our objectives through the support of the ABF membership and their local union officers who provided valuable input before and during the prolonged talks. The Teamsters National Freight Industry Negotiating Committee (TNFINC) believes that the new ABF NMFA represents a combination of balanced relief on the economic side while also allowing some industry standard, operational practices that were hindering ABF's ability to compete in the highly competitive L-T-L marketplace.

## PRESERVATION of HEALTH and WELFARE and PENSION

The ABF National Negotiating Committee held strong to the core issues that Teamsters have fought for in the NMFA and nothing received more attention than the maintenance of both the Teamster Health & Welfare and Pension Plans and insuring contribution levels necessary to support them. ABF had sought until the final days of talks to essentially "flat rate" their contribution at a set amount for the life of the contract and expect all the various funds to adapt to whatever they offered to pay.

In most cases, it would have meant the end of health and welfare and pension as freight Teamsters know it, with the funds either unable to accept the new practices or force the funds to cut benefits dramatically or possibly even collapse mid-contract term from lack of adequate funding levels. Instead, we were able to keep ABF in all the current benefit funds and secure a contribution level of up to \$1.00 annually that should maintain existing benefits throughout the term of the contract for most ABF Teamsters. This is a monumental achievement when compared to what we were facing from ABF for the first four months of talks as the company sought everything from high

employee premium weekly co-pays to dramatic increases in numbers of hours worked to qualify for benefits monthly, and other major benefit take-aways. The Teamsters committee fought back against all these proposed company takeaways.

## The Need for Economic Stability

The economic realities facing ABF and its parent have been hard to avoid: the Teamster-represented company inside Arkansas Best Corp. (ABC) lost more than a quarter billion dollars since 2009 including \$22.5 million loss in the first quarter of this year alone. Your union spent considerable resources over the past six months poring over the company's financial and operating position. The union looked at ABC's expansion into non-ABF business endeavors including the purchase of Panther Expedited. While we have strenuously emphasized the need to fix ABF instead of focusing on corporate expansion elsewhere, the conclusion that ABF itself faces its own unique and weighty financial challenges going forward cannot be ignored. With a still shaky freight economy persisting into 2013, it is simply unrealistic to conclude that ABF's mounting losses would reverse without some level of employee sacrifice. This tentative agreement represents targeted relief in a handful of areas that are critical to move ABF toward positive operating margins. While any wage reduction and loss of paid time off is challenging for ABF employees and their families, the concessions in the tentative agreement should be viewed as the minimum level of direct economic relief that we believe ABF needs to restore meaningful financial stability to its operations.

## Wage Reduction Necessary

A seven percent (-7 percent) wage reduction will be in effect from the payroll period commencing after ratification through June 30, 2014, when all hourly and mileage rates will increase by 2 percent on July 1, 2014. The contract then provides for additional 2 percent increases each July thereafter with a 2.5 percent increase in 2017 that raises wage rates in the final year above the current levels. The wage reduction has some important work preservation features attached to it including:

- 1) demands equal wage and benefit sacrifice for all employees, union and non-union;
- 2) the amount saved annually by any Teamster wage reduction amount will be dedicated to purchasing new rolling stock (freight equipment);

- 3) ABF cannot transfer any bargaining unit work to any other trucking company unless authorized in the agreement;
- 4) the wage reduction can be terminated by TNFINC if the company files for bankruptcy or is sold;
- 5) a profit sharing bonus of 1 percent of W-2 earnings if operating ratio is 96.0 or below, 2 percent if 95.0 or below and 3 percent if 93.0 and below, and
- 6) the union's right to audit the company's finances to ensure compliance with the MOU.

While no one wants to see a reduction in paid time-off, in the end there were few options left to provide the level of economic relief required to fund the health and welfare benefit obligations we needed to secure for the next five years. The company spent much of the talks attacking all forms of paid time off including holidays, sick leave, funeral leave and jury duty in addition to vacations and how they are paid (see attached table). Rather than suffer reductions in each of these important categories, the union focused on one area that would provide direct economic relief but also allow employees to continue to work and support income maintenance despite a give back—in this case, the loss of one week's vacation for all employees. The lower vacation accrual rate will not affect any vacations earned through March 31 of this year so most employees will not lose a week until the use of the new accrual period commences in 2014.

## Cost-of-Living Allowance Modified

Because inflation has been generally so moderate over the past decade, the current COLA clause has only paid 10 cents over that time and that was in 2006 under the 2003-2008 NMFA. The company demanded the removal of the clause throughout talks and the union insisted the core language remain intact. In the end a compromise was struck to keep the clause but limit it only to inflation in excess of 3.5 percent annually and cap the annual payment at five cents per hour.

## Operational Realities Addressed

Unfortunately, ABF has also found itself in 2013 with some severe competitive disadvantages as it attempts to provide premium freight service in almost every corner of the United States through a large footprint of terminals but with a relatively small shipment, equipment and employee base.

When compared to both union and non-union

competitors in the modern L-T-L arena, ABF has operating practices that are no longer industry standard and have prevented the company from moving freight efficiently through its network. These include historical practices in all areas of the workplace: on the dock, in the yard, on the street and over-the-road.

### ABF's Linehaul System Needed Changes

As several trucking analysts' have noted, ABF runs a unique network in the freight industry: a large, single system (combined long haul and short haul) network built on relays that emphasize speed and the efficient transfer of freight through many, mostly small, terminals. In order to maintain a premium service position in the industry, ABF has to guarantee excellent local cartage while maintaining transit times. In order to get road drivers in mid-sized terminals through the network and on their way, the union agreed to allow them to push or pull their equipment from the dock in terminals with 75 or fewer local cartage employees in this new agreement. While this practice is already commonplace in smaller, end-of-line terminals, it does represent a change for medium sized terminals in ABF's system. In addition, in areas where the supplement may not have permitted such, linehaul drivers may be asked to "drop and pick" a shipment en route (one outbound, one inbound) as long as it does not take them 20 miles or more off one's scheduled route. While these two practices are not uncommon in the industry, it may represent a change in some supplements.

### Purchased Transportation

Because ABF services freight throughout the entire country utilizing a more limited network of drivers than most mid-sized L-T-L carriers, it has a significant number of "empty miles" attempting to get excess drivers and equipment out of consumer demand driven states such as Florida, Texas and areas such as the Northeast where the outbound loads simply do not match the inbound freight flow. In order to preserve the current network and hopefully grow some new business that could not be served efficiently under the current contract, the union agreed to let the company use a small percentage of its total over-the-road miles (4 percent in 2013 and 6 percent thereafter) using outside motor carriers for the terminal to terminal line-haul portion of the run in areas where little if any backhaul opportunities exist. It's important to note is that the union secured strong road driver

protections as part of this new flexibility, insuring that all road drivers are protected by name from any adverse impact, even short term layoff, connected to this new feature of Article 29 purchased transportation. ABF also demonstrated in negotiations that certain new business opportunities with key shippers have been lost to non-union competitors over the past five years because ABF could not respond to customer demands and re-position sufficient numbers of drivers and equipment quickly enough to adequately service such events as a new product launch. The limited use of outside carriers for one-way hauls that would feed the entire ABF network and provide significant driving and dock work has also been contemplated under the Memo of Understanding on Purchased Transportation. Similar to Article 29 intermodal rail protections protecting relay runs and hiring of new drivers when overflow work warrants such, TNFNC is fully committed to policing both the numbers of miles and types of carriers that ABF can use to help stem the current losses associated with road operations that generate significant "empty miles," lost business opportunities and occasional service failures due to lack of manpower to move loads.

It should be noted that the committee repeatedly emphasized to ABF that to meet its newly established service standards in most lanes, the company needs to replace retiring drivers and keep staffing levels up in all job classifications. In virtually every circumstance, whether it is over-the-road operations or local pick-up and delivery work, it is more cost effective and service oriented to have Teamsters handle and move the freight rather than contract it out and the company understands this reality.

### Local Cartage

ABF's stated goal was to loosen or eliminate the vast majority of its operating practices under the NMFA and again the union stood fast against wholesale destruction of Teamster job security, job classifications and job responsibilities. The company sought the right to subcontract both road and city work and essentially replace Teamster drivers on a daily basis without protections. In the end, the parties agreed that ABF could only subcontract a small amount of local cartage work (generally intended for zip codes with little or no permanent business) only if all employees at a particular location are either working, have been offered work or are scheduled to work. ABF must also call unscheduled employees (percenters) and offer the work to

them (verified by records) before utilizing a subcontractor. We believe these contractual protections will improve most of the current areas where members have identified subcontracting as a significant problem.

While much of the debate was over road dispatch procedures and job bidding, the company also wanted to merge various job classification responsibilities so that drivers could be forced to work the dock and road drivers could be asked to make city runs or hostle equipment at the end of their workday if so directed. While the union rejected the broadest of these demands, we did accept a few proposals that affect yard operations including that there would be no "forklift driver only" bids under the new agreement and that bid hostlers could be required to move (in seniority order) during their shift to where work is most needed in the yard. Lastly, the company would now be able to designate three new start times in addition to what is currently established but no more than 12 in a 24-hour period. This represents a far cry from ABF's original demand of a two-tier wage system for all non-CDL holders in the terminals where 30 percent of the dock complement could be part-timers with limited benefits.

### Other Economic Changes

The union was able to shorten the wage progression for CDL qualified drivers and mechanics to a first year rate of 90 percent with 100 percent of the top rate after one year of service. This should make it easier for the company to hire drivers off the street and was a top priority for both the membership and local unions based on surveys we took in 2012. As mentioned, until the final days of negotiations, ABF proposed a permanent two-tier wage scale for all non-CDL qualified employees (dock, office, etc) which the union vigorously rejected throughout. In the end the compromise was to extend the new hire progression for one additional year for those employees but keep the starting rates the same as under the previous agreement.

### Other changes include:

- 1) Combination casuals (after taking the initial reduction) will receive 85 percent of the nominal increases rather than 80 percent as has been in the past
- 2) Break times in areas that have two 15 minute breaks per day will have them reduced to 10 minutes per break

# Summary

The tentative ABF NMFA reflects the economic realities that are confronting both parties in 2013: the desire by TNFINC to maintain the best jobs and benefits in the freight industry for the foreseeable future while also acknowledging ABF needs economic relief to restore its place and footing in the L-T-L industry. Your Teamsters National ABF Negotiating Committee has worked very hard in 2013 to beat back the employer's attempt to essentially throw out the existing contract in its entirety. The committee believes this agreement represents the best opportunity to maintain Teamster standards and employment in the freight industry.

As you discuss the pros and cons of the new ABF NMFA with your families and fellow Teamsters, please understand TNFINC has used great diligence and professional resources in evaluating the wage, benefit and operational changes contained in the proposed agreement. Careful financial evaluation of the various proposals presented leads us to conclude there are no "unnecessary give-backs" in this tentative agreement. Your committee is unanimous in recommending the agreement and asks for your approval as the best chance for ABF Teamster members and the company to succeed in the future.



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**Leaders From ABF Local Unions Unanimously  
Approve Tentative Agreement**