



# TEAMSTERS Freight UPDATE

JULY 14, 2009

## *Freight Leaders Support Economic Relief Plan to Protect Jobs*

### **Plan Calls for Shared Sacrifices by Teamsters, YRCW**

On Tuesday, July 14, leaders of freight local unions overwhelmingly endorsed an economic relief plan for the YRC Worldwide Inc. (YRCW) companies that protect thousands of Teamster members' jobs and their retirement security.

"We are confident this plan balances the need to provide job security while maintaining good quality jobs," said Tyson Johnson, Director of the Teamsters National Freight Division. "This is a tough situation for the company and our members, but we believe this plan protects our members and allows the company to survive the worst freight recession in several generations."

"This plan also sends a message to the industry players who are slashing prices in an attempt to force YRCW out of business that YRCW will have the resources to be here for the long haul," said C. Thomas Keegel, Teamsters General Secretary-Treasurer.

"In the midst of the worst economic recession in our lifetime our Union negotiators have crafted an agreement with YRCW that requires shared sacrifice while preserving good

jobs and benefits for 35,000 YRCW workers and their families and tens of thousands Teamster retirees," said James P. Hoffa, Teamsters General President.

#### **Why This Plan is Necessary**

As the past eight months have shown, no one can predict where this economy is going, especially in what has become a global industrial and manufacturing recession that finds new lows each month. As our Locals and members know, this slump is occurring in precisely those sectors of the economy that most directly drive results for America's largest trucking companies, including housing, automotive and consumer goods.

TNFINC and the Freight Division have engaged in an unprecedented amount of financial 'due diligence' and operational evaluation of YRCW since the last MOU was ratified six months ago. We have a full-time team of economists, financial analysts and freight

experts assembled in Washington, DC that have challenged YRCW's assumptions about the future of the business and what it needs to survive this downturn every step of the way.

Needless to say, we have not agreed with the company on many items, including appropriate staffing levels, terminal consolidation and transfers of work and made this explicitly clear to senior management especially during the recent two weeks of negotiations. Nevertheless, we believe, as do the professionals who work for the Union, that the economics contained in this Revised Plan create the only plausible scenario that allows YRCW to continue to weather the economic downturn over next 12-18 months.

A full copy of the plan will be mailed to members in the ballot packages. Ballots are scheduled to be mailed out to members on or about July 17, and ballots are tentatively scheduled to be counted on August 6. About 35,000 Teamsters are actively employed at the affected YRCW companies—Yellow Transportation,

**For more information, please go to [www.teamster.org](http://www.teamster.org). Documents included on the website are: the MOU, an explanation of the economic relief plan, stock option plan, a summary on the pension plan and questions and answers.**

Roadway, USF Holland and New Penn.

This economic relief plan comes as trucking companies continue to suffer in this worsening economy. As the largest LTL trucking company in the country, YRCW has felt the general freight industry's downturn the most, but lower volumes have been reported at other carriers for some time.

*See "Economic Relief Plan" on page 5*

## Why This Revised Plan is Necessary

**Q: You said our last giveback would save the company? What will be different this time?**

A: As the past eight months have shown, no one can predict where this economy is going, especially in what has become a global industrial and manufacturing recession that finds new lows each month. As our Locals and members know, this slump is occurring in precisely those sectors of the economy that most directly drive results for America's largest trucking companies, including housing, automotive and consumer goods. TNFINC and the Freight Division have engaged in an unprecedented amount of financial 'due diligence' and operational evaluation of YRCW since the last MOU was ratified six months ago. We have a full-time team of economists, financial analysts and freight experts assembled in Washington, DC that have challenged YRCW's assumptions about the future of the business and what it needs to survive this downturn every step of the way. Needless to say, we have not agreed with the company on many items, including appropriate staffing levels, terminal consolidation and transfers of work and made this explicitly clear to senior management especially during the recent two weeks of negotiations. Nevertheless, we believe, as do the professionals who work for the Union, that the economics contained in this Revised Plan create the only plausible scenario that allows YRCW to continue to weather the economic downturn over next 12-18 months.

**Q: Why should we give more money to what is essentially the same failed management team?**

A: TNFINC addressed this issue directly with YRCW management during recent negotiations. The company's response was that in June it revamped its entire executive management team and streamlined functions across all operating groups to improve efficiency and response time to problems. It elevated someone familiar to the union, Mike Smid to CEO of all North American trucking operations, a move viewed positively by the Union. While the elimination of excess management in Overland Park addressed some specific issues and those individuals participating in bargaining suggested a new level of dialogue with senior management is coming, the Union was not convinced. The Union's doubt in this area resulted in three significant items that are now contained in the Revised Agreement. First, if ratified, the union will gain a seat on the YRCW Board of Directors on the same terms as all other Directors. This is a major accomplishment and will give YRCW Teamsters a new voice and level of influence with

the company's senior most decision-makers. Secondly, YRCW bargaining units will get an additional 20% worth of company stock options under terms similar to those of the last MOU, potentially increasing our members' position to 35% of all outstanding YRCW stock. Finally, TNFINC secured the right to approve the selection of a new person and position in the ranks of senior executive management, essentially a 'designated' senior officer that works directly with the CEO on issues influencing major corporate decisions, including personnel and financial, at the highest levels of YRCW.

**Q: What other options did the union have to help YRCW survive?**

A: With our YRCW members already working under a 10% wage reduction, the Union's Subcommittee fought the company's demand for an additional 10-20% more in wage reductions. Coupled with these deep wage cuts, the Union faced an economic proposal from the company that would have destroyed the integrity of the NMFA and its supplements, affecting many more items than just our wage and benefit package. This included substantial changes to nearly every aspect of our Agreement, changes that would have been near impossible to ever get back, even when the economy meaningfully improves. The 5% additional wage reduction that was ultimately agreed to recognize that TNFINC has never allowed a distressed freight company to go more than 15% below top NMFA wages. Unfortunately, the amount of savings that result from even this level do not 'move the needle' and afford the company enough cash or 'liquidity' to survive. The only economic item that would provide the type of short-term and dramatic relief the situation requires can come from a temporary cessation of pension payments.

**Q: Where are their banks during this process? Are they giving anything up?**

A: The banking group that lends to YRCW has been involved in the process and the Union has approached them directly at the highest levels about their stake in the game. The only way those institutions can recover all the money they've loaned to YRCW is if the company survives and we have emphasized that fact to them directly. Consistent with 'equal sacrifice' both inside and outside the company, the Revised Agreement is largely conditioned on requiring all other stakeholders, including all banks and bondholders, to offer additional considerations by contributing immediately to ease the cash crunch that is occurring. To date in 2009, the banks have given up significant

collateral and freed up hundreds of millions of cash for YRCW's immediate use through seven amendments to its credit agreement but they need to do more. Unfortunately, since they are in the most secure position of all YRCW's constituents, getting banks that are already reluctant to extend additional credit to anyone or to move quickly has been very difficult.

***Q: What's going to happen to my benefits under this new tentative Revised Agreement?***

A: Please refer to the attached piece on how this Revised Agreement may impact your health and welfare and pension benefits. The Union fought to make the changes in this area as temporary as possible and believes we have achieved this result. The company sought a permanent restructuring of all benefit plans including introducing health insurance premium co-pays and replacing defined benefit pension plans with inferior defined contribution plans. The union denied the company's moves in all these directions but did agree to non-permanent modifications to the pension plans.

***Q: Will the company survive if we agree to these contractual changes?***

A: We believe that the best opportunity for the company to survive the current economic crisis is by adopting this Revised Agreement. As difficult as the terms are to embrace, we are firmly convinced it will take economic changes of this magnitude for a plausible scenario of survival and turnaround at YRCW to develop. Recent positive signs of freight volumes stabilizing and service levels returning to pre-integration highs (on time delivery, bills per hour, etc) of Yellow and Roadway give credence to our effort to save YRCW. Coupled with the additional economic relief provided by the Revised Agreement, we believe YRCW companies have a good chance of achieving sufficient liquidity to make it through 2010 and regain much of the freight that has been diverted over the past 12 months.

***Q: What additional cuts are non-union YRCW employees taking at YRCW?***

A: The 10% cut that YRCW non-union employees took in January 2009 has been made permanent under the Revised Agreement. They will also have further adjustments made to their total compensation package to bring their total wage and benefit package in line with what reductions are proposed in the Revised Agreement. For the 18 months that Teamsters at YRCW are under the Non-permanent Pension Contribution Termination Period, no YRCW employees will receive any retirement benefits or 401-k contributions whatsoever. Increases to wages, if any, can only be made in proportion to increases Teamsters will receive each April under the Revised Agreement.

## **Pension, Health and Welfare Benefits**

***Q: What exactly is a Non-permanent Pension Contribution Termination?***

A: During the period of the non-permanent cessation of the Company's obligation to make pension contributions, the Company's participation in the funds will be terminated and there will be no accrual of additional benefits or credit for covered participants.

Because the cessation of the obligation to make contributions is not considered a permanent cessation, the MOU contemplates that the funds will not assess withdrawal liability.

At the same time, participants with vested benefits under any of the affected Teamster plans will not lose what they have already accrued.

***Q: How long will the Company not pay Pension Contributions?***

A: The proposed MOU provides for the non-permanent cessation of this obligation effective from July 1, 2009 through December 31, 2010 – a period of 18 months.

The MOU provides that effective January 1, 2011, or earlier if the Company satisfies financial benchmarks to be established by a joint labor management committee described in the MOU, the Company's obligation to make pension contributions will resume, at "rates, terms and conditions approved by the funds."

***Q: What does the non-permanent cessation provide to the company?***

A: YRCW contributes roughly \$40 million per month to various Teamster pension funds. The net effect of this non-permanent cessation of the obligation to make pension contributions is as much as \$760 million in additional liquidity and cost savings for the Company during the period of the temporary cessation.

***Q: What about the deferral of the contributions from earlier this year that I've heard so much about?***

A: The MOU also addresses several months (four months for most funds covering March thru June) of pension contributions the Company did not make immediately prior to July 1, 2009.

***Q: How is the deferral different than the non-permanent cessation?***

A: For the deferred months, the Company and the banks arranged for collateral to be provided to the funds with respect to these unpaid pension contributions, and have asked the funds to sign pension deferral agreements.

During the period of pension contribution deferrals (i.e., this several month period – which differs slightly based on the funds

involved), participants earned pension accruals and credits.

The Company has agreed to repay the deferred contributions with interest, at which time the collateral will be released.

The net effect of this deferral is roughly \$120 million in additional liquidity for the Company, (but with no cost savings since the obligation must be paid in the future with interest).

***Q: Why didn't the MOU just defer payment for all months?***

A: Deferrals require the amount to be repaid with interest. The Company's financial position and existing debt load isn't sufficient for it to take on more debt or pay interest on that debt.

***Q: What about Health and Welfare Fund contributions?***

Under the NMFA, the Company was obligated to pay an additional \$1 per hour on August 1, 2009, August 1, 2010, August 1, 2011 and August 1, 2012, which was to be allocated between health and welfare and pension contributions.

The MOU provides that the contribution increases scheduled for August 1, 2009 and August 1, 2010 will be reduced to \$.20 and \$.40, respectively, and allocated entirely to health and welfare. The MOU does not change the 2011 and 2012 contribution increases.

The Company has otherwise agreed to continue to make health and welfare contributions to the funds for the duration of the contract.

## **Stock Option Plan**

***Q: The prior MOU provided stock options in exchange for the 10% wage concession. Is there a similar plan in the Revised Agreement?***

A: Yes. The Revised Agreement provides that an additional Stock Option Plan will be established for eligible employees with options to purchase 20% of YRCW outstanding shares. This "New Stock Option Plan" is in addition to the previous Stock Option Plan ("Prior Option Plan") that was established in the prior MOU.

***Q: How can the option plan provide value?***

A: The terms and mechanisms of the New Stock Option Plan will be similar to the Prior Option Plan. Under both plans options are granted to eligible employees individually. The New Stock Option Plan will grant options on the Effective Date of the Revised Agreement. At that date the "strike price" – the closing price of stock on the Effective Date – is set. The strike price reflects the base price from which the stock needs to appreciate or increase in order for the options to provide value. At a point in time – likely one year after the grant date and before the end of the 10-year expiration – individual participants can choose to "exercise" their options if the stock has an "exercise price" greater than the strike price.

This means that the decision on when to exercise the options is in the hands of the plan participants. Plan participants will have an account set up by an administrator to monitor the shares and provide technical guidance on how to exercise their options.

***Q: How many shares will I get?***

A: Like the Prior Option Plan, the number of shares going to individuals will be calculated based on Earnings. For tax reasons it is in your best interest that each participant's level of stock options are designated in the plan at the same time as the options are granted. In order for the grant, vesting, exercise and payments of awards to occur in a uniform and transparent method and to avoid the negative tax implications of Section 409A of the IRS Code, the plan had to be set up in such a manner.

***Q: Why does the plan require Shareholder Approval?***

A: As with the Prior Option Plan, this one also requires Shareholder Approval. Because of the dilutive effect the issuance of new stock options has on all shares of common stock outstanding (new stock in the marketplace makes all existing stock have less relative value of the company), the Union Employee Option Plan requires YRCW shareholder approval to be obtained within a year time period. The union believes a positive shareholder vote on the plan will enhance the opportunity for recovery of some of the monies our members have sacrificed and is encouraging all shareholders, especially Teamster members who currently hold YRCW stock, to vote "Yes" on this issue when ratification is conducted.

***Q: What happens if the Shareholders do not approve the New Option Plan?***

A: In the event the Union Employee Option Plan is not approved by shareholders within one year, it terminates and an alternative plan—Stock Appreciation Rights ("SARs") Plan becomes effective. Although the union fully expects YRCW shareholders to approve the Union Employee Option Plan, in the event that does not occur, the union and the company have negotiated a contingent plan that values the 20% option plan very similarly but does not use actual stock to accomplish a potential recoupment of lost wages. Rather than the granting of actual stock options, the company would use SARs to make a cash payment to plan participants based on the appreciation of the common stock, if any, above the strike price. This plan does not require shareholder approval but mirrors the features of the Option Plan although the aggregate fair value of the SARs would be calculated differently. In the event the New Option Plan is approved by shareholders, this SARs Plan does not go into effect and is terminated.

# Economic Relief Plan continued from page 1

## Key Provisions/Conditions of the Revised Plan

There are a number of key provisions the union insisted upon as a condition of the economic relief plan:

- JP Morgan Chase and the other banks enter into agreements with YRCW in which they provide a fair share of the economic relief given to the company.
- Equal sacrifice. Management and non-union employees are required to participate in cost sharing in an equal manner.
- For those taking the additional 5% wage cut, they have the opportunity to earn some of that money back if the company's stock appreciates, in the form of stock options.
- Work preservation. The employer is prevented from purchasing any non-union LTL entity without approval of the union and limits the employer's use of savings achieved by the economic relief to expand non-union North American or any international operations.
- Expansion of recall rights.
- A series of "snap back" protections that provide wage snap backs to the full NMFA rate if the plan is terminated.
- The right of bargaining unit employees to take a leave of absence without pay during the 18th month period of the Non-Permanent Pension Contribution Termination Period.
- The appointment, with the union's approval, of a corporate official who has the authority to make operational, financial and personnel changes to YRCW and its subsidiaries.
- Management must certify its representation to the union that, to the best of its ability, the business plan it presented is likely to succeed.

## Details of the Plan

TNFINC has not been satisfied with the dialogue between senior management at YRCW. If the agreement is ratified, the union will gain a seat on the YRCW Board of Directors on the same terms as all other Directors. Second, YRCW bargaining units will get an additional 20% worth of company stock options under terms similar to those of the last MOU, poten-

tially increasing our members' position to 35% of all outstanding YRCW stock. Finally, TNFINC secured the right to approve the selection of a new person and position in the ranks of senior executive management, essentially a 'designated' senior officer that works directly with the CEO on issues influencing major corporate decisions, including personnel and financial, at the highest levels of YRCW.

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## Your Benefits Under this Agreement

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# Economic Relief Plan continued from page 5

after the grant date and before the end of the 10-year expiration – individual participants can choose to “exercise” their options if the stock has an “exercise price” greater than the strike price.

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## The Role of the Banks

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way those institutions can recover all the money they’ve loaned to YRCW is if the company survives and we have emphasized that fact to them directly. Consistent with ‘equal sacrifice’ both inside and outside the company, the Revised Agreement is largely conditioned by mandating all other stakeholders, including all banks and bondholders, come to the table again offering additional considerations by contributing immediately to ease the cash crunch that is occurring. To date in 2009, the banks have given up significant collateral and freed up hundreds of millions of cash for YRCW’s immediate use but they need to do more. Unfortunately, since they are in the most secure position of all YRCW’s constituents, getting banks that are already reluctant to extend additional credit to anyone to move quickly has been very difficult.

# BALLOT INFORMATION

The ballots will be mailed on or about July 17.  
Counting will begin August 6.

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