# ABF CONTRACT UPDATE

APRIL 12, 2018

## Leaders From ABF Local Unions Overwhelmingly Approve Tentative Agreement

Leaders from about 150 Teamster local unions that represent ABF members overwhelmingly approved the tentative ABF National Master Freight Agreement, paving the way for a vote by the members.

"In recent years our members have had to make tremendous sacrifices in order to maintain jobs and keep the unionized freight industry alive," said Ernie Soehl, Director of the Teamsters National Freight Division and Co-Chairman of the Teamsters National Freight Industry Negotiating Committee. "This tentative agreement reverses the trend by providing our members with numerous improvements, including winning back the week of vacation they had to give up years ago.

"Our negotiating committee, which overwhelmingly endorsed the agreement, also negotiated annual wage increases," Soehl said. "The committee also negotiated protections for our members involving purchased transportation and the tentative agreement provides for annual increases to health and welfare funds, among other improvements. There are no concessions. We strongly believe this contract protects our members and their families over the next five years."

In addition to the many improvements, the union committee was able to defeat several attempted company takeaways, including demands for no wage increases, taking away holidays and overtime cuts.

"The union held its ground and made it clear we would never, ever accept concessions and that we needed to address our members' priorities, both of which we were able to achieve," Soehl said.

"We believe this tentative agreement improves the lives of our ABF members and their families while also making sure the company remains competitive so that our ABF members keep their jobs—the best jobs in the freight industry," Soehl said. "Despite the many challenges we faced in negotiations, our committee remained united and focused and got the job done for our more than 8,000 members at ABF."

Ballot materials will be mailed to members on April 19, votes are due by May 8 and will be counted on May 10.

To access the tentative agreements and related contract information, go to https://teamster.org/abf-contract-update

The 2018 ABF tentative agreement ratification will be conducted by secret ballot as it has been done in the past, but this time ABF Teamsters will be using the telephone and Internet through the BallotPoint Election Services voting system.

All members will receive a standard ballot packet in the mail which will include the actual agreements, a summary and highlights, and a questions and answers sheet. But instead of a paper ballot that needs to be mailed, each member will receive an individual access code and simple instructions on how to use the access code to vote by telephone or internet.

This ballot process will be conducted by BallotPoint, an election services provider which has specialized in electronic balloting and polling since 1999. They have conducted nearly 4,000 union elections with over 1,800,000 votes cast, and have never had an election compromised. Their system is secure and protects the secrecy of each member's vote. In other words, no one will know how you voted!

The Teamsters Union has used BallotPoint extensively over the past three years to conduct contract ratifications. All of the ratifications were conducted without incident or challenges.

***For more information on BallotPoint visit their website at www.ballotpoint.com***

# THE 2018-23 ABF NMFA TENTATIVE AGREEMENT– MOVING IN THE RIGHT DIRECTION

For a decade, our contracts in the freight industry have included concessions designed to maintain jobs and allow the unionized freight industry to survive. Teamster members have made tremendous sacrifices. The tentative agreement for a new ABF National Master Freight Agreement (NMFA) reverses that trend. Specifically, the tentative agreement:

1) Restores the week of vacation that was previously given up;
2) Contains annual wage increases;
3) Significantly improves protections for members from purchased transportation;
4) Provides for annual increases to health and welfare funds;
5) Maintains the current contribution rates for all pension funds and provides protection to members if a pension fund expels ABF; and
6) Contains additional contractual improvements in the areas of equipment standards, discipline, and family and medical leave.

Not a single penny was given up in wages or benefit contribution rates. No employee will suffer a wage reduction as a result of this tentative agreement. Nor were any holidays, sick days, or other paid days given up. The tentative agreement reflects a positive change in direction for Teamster members and their families.

## ABF JOBS ARE GREAT TEAMSTER JOBS

Teamster jobs at ABF are among the best, if not the best, jobs in the freight industry. In some communities these jobs are among the best overall jobs regardless of industry. The membership at ABF is comprised of dedicated hardworking professionals who are also great Teamster members.

## THESE NEGOTIATIONS WERE EXTREMELY COMPLEX

These negotiations were very complex. Many factors had to be taken into consideration. As reported by analysts, non-union LTL market share has been increasing at the expense of union carriers.

Specifically, ABF's labor costs are significantly higher than all of its competitors. It is unrealistic to expect that ABF can simply continue to pass along significant labor cost increases without pricing itself out of the market and losing market share. Indeed, ABF's labor costs (total wage, overtime, holiday, vacation and benefits) consume the vast majority of its revenues. Its labor costs are on average at least $9.00 per hour higher than at the YRCW companies. Its costs are also higher than those of UPS Freight and between $10.00 and $14.00 higher than at its nonunion competitors.

Here is the challenge TNFINC faced with ABF: To obtain as much as possible for the members without leaving the company so uncompetitive that it would be doomed. It would make no sense to squeeze so hard that it left the company on death's door so that catastrophic cuts would be needed in short order to keep it alive.

TNFINC certainly held the power. It had the "atom bomb" of a strike at its disposal. But, a strike even of short duration would have likely put ABF out of business. In fact, even a few negative press releases would have driven customers away. The local union strike authorization votes, by themselves, caused some customers to leave. Those strike authorization votes, however, were necessary to make the company understand the realities of its situation and withdraw some of its more extreme proposals. Of course, throughout bargaining non-union competitors were actively trying to steal ABF's customers by peddling the fear of a labor dispute at ABF.

## THE EASY ROAD WAS NOT THE *RIGHT* ROAD

The easy thing for TNFINC to have done with ABF would have been to simply make unrealistic demands and then go on strike. In other words, it would have been easy to sacrifice the 8,400 good Teamster jobs at ABF, put the company out of business, and crow about how tough we were. But that would not have been the right path to take. We were not about to play games with the livelihoods of more than 8,000 Teamster members. Only three major unionized LTL carriers remain in business: ABF, UPS Freight and the YRCW operating companies. The YRCW operating companies, however, operate at a significant cost advantage due to years of extreme sacrifices made by the Teamster membership in order to keep those companies afloat. Likewise, UPS Freight has its own non-traditional labor contract that also affords it significant cost advantages.

So that was the environment facing TNFINC in negotiating with ABF. TNFINC needed to be tough in bargaining but not overplay its hand and place the decent jobs and quality benefits of 8,400 Teamster families at risk. The entire union Negotiating Committee supported the strategy.

## TNFINC'S EXCELLENT BARGAINING COMMITTEE

The bargaining committee put together to represent TNFINC in negotiations with ABF was made up of dedicated and experienced Teamsters from all regions of the country. Each member of the committee was connected with the ABF membership. Some members of the committee were former ABF employees with significant insight into ABF's operations. Attorneys, economists and administrative staff were made available to assist the bargaining committee and the committee made full use of these resources throughout the process.

## TNFINC'S PRIORITIES IN BARGAINING

Prior to the start of negotiations, TNFINC conducted member surveys, solicited and accepted proposals from every affected ABF local union, and spoke with many ABF members and local union Business Agents. What became clear was that the members were primarily interested in addressing the following issues with the company:

- Restoring the week of vacation that was given up in the last contract;
- Improving protections against the use of purchased transportation;
- Avoiding cuts to Health and Welfare and Pension contributions (in order to avoid a YRC type of situation) and
- Providing wage increases.

Throughout bargaining, TNFINC remained focused on those objectives.

## THE BARGAINING PROCESS

TNFINC's economists studied the company's finances as well as the state of the economy. The initial exchange of proposals took place in December 2017. The parties met for seven weeks from January through March for negotiations. The union's negotiating team worked hard. The company initially demanded a "cost neutral" contract and kept pressing its "highest in the industry" labor costs as justification. The company sought drastic reductions to its pension contribution rates as well as radical changes to health benefits. The union negotiating committee stayed focused and eventually fought back the company's efforts and obtained a favorable result on its own objectives.

# *HIGHLIGHTS OF THE TENTATIVE AGREEMENT*

Below are some of the more significant changes contained in the tentative agreement:

### Vacation Restoration:

Restoration of the vacation week that was previously given up under the last contract was a top priority of the members. In the tentative agreement, TNFINC was successful in gaining back the 2008-13 vacation schedule based on eligibility and years of service that was taken away under the terms of the 2013-18 financial settlement. Because each ABF Supplement addresses the earning and accrual of vacations differently, the removal of the one week was also handled differently across the U.S. during the 2013 and 2014 period. To insure fairness and compliance with the contract as we transition to the new ABF NMFA, the vacation schedule will essentially be restored in a similar manner to which it was removed so that no member is disadvantaged under a particular Supplement's rules. Members will need to speak with their local union Officers/Regional Coordinator to determine how this will take place over the course of the next several months because it varies in each region of the country. The union did fight hard and was successful in getting the complete schedule restored, including the 6th week at 30 years, something the company finally agreed to at the last bargaining session.

### General Wage Increases and Bonus:

The union successfully opposed the company's attempt to have only a bonus in the first year of the agreement and no wage increases for the life of the agreement. Instead, **effective each July 1st of the Agreement, hourly wages and mileage equivalents will increase by 30 cents, 35 cents, 40 cents, 45 cents and 50 cents in the last year. Total increases, absent any COLAs, will grow by $2.00 per hour or 5 cents per mile for road drivers over the term of the contract. In addition, the union was able to also leverage the recently enacted tax cut legislation and secure a $1,000 lump sum signing payment for all active, full-time employees and $500 for all active casuals upon ratification.** TNFINC's economist estimates that this achievement for the membership will consume virtually all of the expected tax gains that ABF could enjoy for 2018. This was also designed by your negotiators to cover the period from the end of the contract to the next wage increase on July 1, 2018. Lastly, casuals will see annual wage improvements each year of the contract after seeing their rates frozen for long periods at various points over the last two NMFAs.

### Profit-Sharing Bonus:

Although it narrowly missed making a profit-sharing payment under the old agreement, the profit-sharing language was maintained in the tentative agreement, including language preventing the company from playing games with accounting rules to avoid paying a potential employee bonus. Because of a relatively strong freight environment and changes to corporate tax rates, it was important to keep the possibility of an upside on future operating success at ABF. The union will continue to monitor the company's performance to force, hopefully, a payout during the term of the new agreement.

### Health and Welfare Funds Preserved:

Health and welfare benefits were among the most difficult and exhausting aspect of the recently concluded talks. The union's negotiating committee knew that maintaining superior health benefits for members and their families was a top priority for ABF Teamsters coming into talks for a new contract. From the outset, however, the company was looking radically to alter how all benefits are delivered to Teamsters and was insisting on having all future health and welfare contributions be "fixed" with hard numbers at rates lower than what it was paying to most funds. Initially, the company attempted to put all ABF Teamsters under one national plan, which would have upset how large groups of Teamsters and their families obtain their health benefits, especially in the Eastern and the Western areas. It would have meant changing doctors and other health care providers and that was simply unacceptable to the union's National Bargaining Committee.

ABF also wanted to force all Teamsters to work 130 hours a month (about 30 hours a week) in order to qualify for a monthly health and welfare insurance contribution. If an employee didn't work enough hours, no contribution for that month would have been made. The company also refused in all but a few health plans to commit to a "maintenance of benefits" provision which would have allowed each fund to set their annual contribution increases. In the end, the union's negotiating committee prevailed in requiring the company to continue to stay in all health and welfare plans and rejected efforts at imposing a monthly hourly qualifier. The union committee performed a detailed analysis of what exact amounts of increased employer contributions would keep the existing plans whole and settled on those fixed amounts for the largest health and welfare funds with ABF participants. In other areas, the union persuaded the company to commit to increasing its contributions up to 50 cents per hour each year of the agreement in order to maintain benefits and/or comply with legally mandated benefit levels. Most importantly, the union also secured a new format to resolve disputes regarding the appropriate amount of annual increases to better ensure that the company meets all the terms and conditions of the health and welfare settlement.

### Pension Contribution Rate Maintained

By far the hardest and most complicated issue involved the hotly debated status of defined benefit pension plans. The company, until the very end of the negotiations, was insisting on a uniform flat rate contribution for each of the funds based on the lowest rate they currently pay into Teamster pension plans. The least healthy pension funds would get even less: a nominal rate of under $3.00 per hour plus a small 401 (k) Plan contribution. Despite vigorous and loud objections from the union side, ABF remained wedded to this concept until the very end, insisting for months that it was not going to contribute monies to funds that, in its opinion, have little or no hope of delivering any meaningful benefits to its employees. As the "last man standing" paying the full rate for benefits in freight and contributing to over 23 Funds, ABF made this a deal breaker and was prepared to accept the consequences. Nevertheless, the union committee held firm and persuaded the company to stay in all pension funds and continue contributing at the rate required by the various funds to be paid as of March 31, 2018 for the duration of the contract. The contribution rate was NOT reduced in any funds. More than 90% of the bargaining unit is covered by pension funds that did not require an increase in contribution rates. The tentative agreement also provides that neither the company nor the funds could mandate any payments or assessments from the members.
Unfortunately, there was simply not enough money left after the other contractual improvements to fund some of the smaller funds' demands for increased contribution requirements, many of which would have required several additional dollars per hour over the term of the agreement just to keep treading water. As a protection to the members, however, if a pension plan expelled the company, the company would be required to pay, in addition to any withdrawal liability assessments, $6.00 per hour on behalf of each affected employee to the Teamsters National 401(k) Savings Plan, which contributions will be 100% immediately vested in the employee's account. The company is also expressly prohibited under the tentative agreement from seeking to withdraw from any of the pension funds. Finally, the tentative agreement contains a reopener with a right to strike in the event that pension legislation is passed.

### Significantly Improved "Purchased Transportation" Language:

One of the most important issues identified by ABF Teamsters for the committee to address involves the company's use of subcontractors for certain linehaul movements. Those concerns were addressed in the tentative agreement and significant improvements were obtained. Specifically, under the tentative agreement, all road drivers as of the date of ratification will be "red-circled" by name and afforded protection against layoff directly caused by purchased transportation and entitled to run-around compensation. Additionally, the company will "backfill" the "number" of people who are entitled to red-circled protection on a 1 for 2 basis. Specifically, for every two red-circled people that retire or otherwise leave employment, one non-red circled person will be given red circle protection. Furthermore, the red circle protections were clarified to include every person who is on the seniority list as of ratification for single line seniority locations, even if they are not currently a road driver, and who bid into a road driving job at some point in the future. Also, the overall amount of purchased transportation the company is allowed to use in any given year was reduced from 6 percent of its total miles to 5 percent and the new tentative agreement will also require all PT carriers to "sign-in/sign-out" when entering or leaving an ABF service center. Lastly, minimum weekly and monthly road driver wage protections in Article 29 were updated for those instances where the loss of work or layoff was due to an Intermodal Change of Operations that forced the re-domiciling of road drivers. While the specific details are outlined in the tentative agreement, the minimum average wage guarantee for the bottom 25 percent of the drivers at a gaining facility was increased from $700 a week to $850 per week, further protecting the earnings of drivers who may have been impacted by an Article 29 Change of Operations.

### Paid Time-Off Improvements

Several significant achievements were made to paid time off addition to the vacation restoration. They include:

- Moving the payout date for unused sick leave from March 31 to December 31 and clarifying the language for those employees working 4-10s.
- No longer allowing ABF to force an employee to take the last unscheduled week of vacation when the employee is on FMLA leave.

### Equipment and Safety Improvements:

Regarding safety and equipment issues, the union was able to negotiate:

- An increase in maximum tractor speed up to 65 MPH.
- Forklifts purchased after the date of ratification will include seat suspension (spring type suspension underneath the seat), incline adjusters and a way to slide the seat backwards and forward.
- Trailer jockeys or hostling tractors newly assigned to the specified southern and southwestern states (including Southern California) after March 31, 2018 will be

# ABF Tentative Agreement: Questions and Answers

**Q: How is the vacation being restored over the next year?**

A: The question is complicated because all vacation language and the conditions for earning this paid time-off, often called "accruing vacation" is contained solely in each Supplemental agreement. The best answer is that the full restoration of the week of vacation will be handled in a similar manner to that which it was taken away. This has to be done for two reasons. The first is fairness so that no employee is disadvantaged under his or her particular Supplement based on their date of hire or years of service. The second reason is that a vacation for this year is generally earned in a prior period so just as one's "accrual" of the reduced vacation occurred over time (i.e. post ratification of last agreement), the new accrual must happen per the Supplemental rules going forward. The one exception is that employees who have yet to earn a first week of vacation due to the two-year lag will earn a week's vacation based on time already worked with the company.

**Q: Is my health care protected for the next five years?**

A: The union committee fought very hard to protect the health care benefits of ABF employees and their families during these difficult negotiations. Unlike past negotiations, the company insisted on setting as precise and fixed contribution rates as possible so that all health and welfare costs were known to the company for the foreseeable future and beyond. That process required the union committee to perform a detailed study of what annual hourly contribution rates were most likely to insure that sufficient funds would be available to maintain health benefits for the most number of employees during the life of the agreement. We believe that goal was achieved by having specific hourly rates allocated for the largest funds as they indicated were needed and with other, smaller funds having an "up to" rate of 50 cents per hour annually.

**Q: How did you help protect road drivers from subcontracting and PTS in this TA?**

A: First, the ABF Committee negotiated a <u>reduction</u> in the maximum number of road miles that can be run by subcontractors each year. Teamsters Union staff did a thorough analysis of ABF's use of PTS and found that the company has been using the service to reduce empty miles and run linehaul to areas where there are few if any backhauls as intended. But that analysis also concluded the company could <u>use less PTS</u> and still make service commitments so we fought hard for lowering the PTS cap in bargaining and succeeded. Second, all road drivers as of ratification will be "red-circled" or protected by name from any layoffs due to PTS use and will be protected from runarounds. Third, the agreement is clarified so that any driver at a single line seniority operation as of ratification is entitled to red circle protection if, in the future, he/she bids into a road job. Fourth, new drivers will backfill red-circled drivers who leave employment for any reason on a 1 for 2 basis, enhancing all drivers' job security. In addition, all PTS carriers moving ABF road freight must sign in and sign out of the yard which will improve a local union's ability to track freight and coordinate with the IBT on compliance and the volume of work going on PTS. Lastly, weekly and monthly wage guarantees were increased in the event an Article 29 Intermodal Rail change of ops displaces drivers and causes a loss of work in a gaining location.

**Q: Can you explain the pension contribution rates?**

A: There are over 20 pension funds involved in this tentative agreement. They all have varying degrees of funding, different rules, regulations and participation requirements. Regarding pensions, TNFINC refused to cut the contribution rate. TNFINC and ABF did, however, agree to maintain the current contribution rate. This is acceptable to the pension funds that cover more than 90% of members.

There are some pension funds, however, that may not accept the negotiated contribution rate. Some of those funds are in critical and declining status and were/are seeking significant annual increases from the company. It is impossible for TNFINC to solve the current pension crisis through this collective bargaining process. Nor could TNFINC address every fund's needs. In fact, in many of those funds, ABF members make up only a small fraction of the participants.

In short, there simply wasn't enough money in the pot. The committee, however, did the best for the most and tried to protect all members. If a pension fund refuses to accept the contribution rate and "kicks out" ABF, not only may ABF be required to pay "withdrawal liability" assessments but it will also be required to pay $6.00 per hour per affected employee into the Teamsters National 401(k) Savings Plan. This contribution will be 100% vested in the employee's account immediately and would total more than $12,000 per year for the average full-time worker.

equipped with air conditioning and will be maintained in proper operating condition throughout the year.

- New forklifts for use in the U-Pack operations purchased after ratification will be all-terrain forklifts and have flashing strobe light and all flatbeds are to be equipped with four (4) orange cones.
- All equipment purchased, ordered, and/or introduced to the Pickup and Delivery operations will be equipped with air-conditioning and will be maintained in proper operating condition throughout the year rather than just during summer months.

### Miscellaneous Other Improvements:

- The union was able to have the dubious term "dishonesty" removed from Article 26, Section 3 (video evidence) and replaced with specific acts of document falsification as a cause for discharge.
- New language prohibits the company from scheduling employees for modified duty who have been prescribed medications by a doctor where such medications prevent them from driving to and from work or where the treating physician certifies that the injury itself prevents the employee from driving to and from work.
- As uniforms are replaced after ratification, they will have an American flag placed on the left shoulder. In addition, during the period May 1 through September 30, employees will be allowed to wear appropriate Employer approved polo shirts in addition to shorts.
- An employee unable to pass the CDL examination will be allowed to take a leave of absence from driving for a period not to exceed two years without loss of seniority. The employee will be given work opportunities ahead of casuals to perform non-CDL required job functions. Such employee shall be allowed to claim any open non-CDL bid his/her seniority will allow. This bidding provision shall not apply to combination facilities with the exception of locations that have an established practice or agreement providing for disqualified employees to bid on non-CDL positions.
- Increased mileage and vehicular transportation expenses caused by a change of operations.

## *Make Your Voice Heard*

- Ballot Materials to be mailed on April 19;
- Votes due by May 8;
- Votes counted on May 10.

**International Brotherhood of Teamsters**
25 Louisiana Avenue, NW
Washington, DC 20001

**ABF CONTRACT UPDATE**

First Class
Presort
U.S. Postage
PAID
Washington, DC
Permit No. 4481