Important Questions and Answers for YRCW Members

Summary of the Q & A section of the Teamsters Teleconference regarding the 2010 YRCW Restructuring Plan, held on October 5, 2010

NOTE: The question and answers were edited in some instances for content and to provide additional clarity from the Teamsters National Freight Industry Negotiating Committee.

Q: Some Teamsters at my terminal are saying vote it down and send the Committee back to the table to get a better deal. Will there be second chance for YRCW Teamsters if this is rejected?

A: The short answer is there will be no second bite at the apple and the parties have no "Plan B".

Time has essentially run out on YRCW to straighten out its finances. The company's revolving credit agreement expires at the end of this month and the banks will not renew the facility unless they see a workable financial future for the company that includes long term changes to its cost structure. The banks will not wait until YRCW burns through its remaining cash – they will get out while there's still some cash and receivables to count on.

Your Committee has challenged every assumption that YRCW put forward over the last several months and hired industry and financial experts to aid in the evaluation of every detail and proposal. No stone has been left unturned and we believe this is the best, most realistic settlement we can expect under the circumstances. Individuals who are saying "vote no" must have lined up another job somewhere else because that's what they have to look forward to – not a second offer coming from YRCW.

Q: Holland is hiring again and New Penn seems to be doing better this year as well. Why are we are all tied up together on this Restructuring Plan?

A: In addition to the companies being all under one agreement, namely the National Master Freight Agreement, and still subject to the two previous MOUs, all of YRCW's assets and liabilities are controlled by the parent with its secured debt cross-collateralized between the rolling stock and property of all the operating subsidiaries. If one carrier goes down, they all go down since the banks have claim to all assets through secured lending agreements. This includes Reddaway, Glen Moore and any other companies under the YRCW banner.

While it is troubling that each company cannot be evaluated on its own or have terms and conditions that reflect its unique characteristics, the reality is Teamsters at YRCW subsidiaries are all under one agreement and have one common corporate parent that ultimately controls the destiny of each motor carrier.

Q: Why does the contract have to be extended another two years?

A: The Restructuring Agreement contemplates a complete overhaul of how YRCW and its subsidiaries finance their freight operations which will include major additional contributions from both its traditional banking partners as well as new investors. In order to meet the extended timelines that allow YRCW to repay debt and also provide a realistic horizon for monetary returns for new investors, a four to five-year timeframe of employee sacrifice and cost cutting is needed. It would be impossible to attract the level of capital required to finally realign YRCW's cost structure with its revenue base in only a two- or three-year period since the company does not project a completed turnaround in that time span. In addition, because of the very soft nature of the US economy, one cannot predict with much confidence that future volumes will return to previous levels over the next two years and a sustainable business plan be fully enacted.

Q. What has happened to the concept of 'equal sacrifice' in regards to this newly proposed Plan?

A: The mandate is still a core principle in this plan and management continues to drive out costs from the wage and benefit package for non-union YRCW employees with proportionate cuts that exceed $150 million since the last MOU. The company will continue to reduce headcount according to its business plan and enforce similar work rule and benefit reductions on all employees, union or not, NMFA or not, going forward, including all staff at Reddaway and Glen Moore and its general offices in Kansas City and Akron, Ohio.

Q: We have heard that there is the possibility of some profit-sharing or wage restoration in the agreement. What are the details?

A: Several aspects of the term sheet, including triggers for profit-sharing and additional stock for Teamsters, have been communicated to the company but are conditional on future negotiations with the banks and potential investors. The ultimate benefits of those talks with outside parties depend on successful ratification of the Restructuring Plan, and we hope to reveal the "upside" potential in the Plan for YRCW Teamsters as soon as discussions with the banks and others conclude over the next two to three months. Suffice to say, the positive terms or "upside" that TNFINC will demand for YRCW Teamsters who are sacrificing the most are significant and have both a cash repayment component based on operating performance and a future equity stake in the restructured company.

Q: Was it a coincidence that CEO Bill Zollars announced his retirement last week?

A: Call it what you like. Over the past 20 months Teamsters at YRCW have voiced their opinions about the effectiveness of YRCW management. Your negotiating committee and leadership delivered that message loud and clear to YRCW and its new Board. Fortunately, we think all parties recognize what needs to happen to facilitate a comprehensive restructuring and believe the Zollars retirement announcement reflects that line of thinking. As soon as the Board of Directors finds a suitable replacement, Mr. Zollars will be gone.

Q: If we ratify this Restructuring Plan can you guarantee that the company will be around next year?

A: There are no guarantees. A positive ratification will keep us in the game but will only enable us to have the conversation with the lenders and potential new investors around a comprehensive solution. We can't force a new investor to put money in but we do think that this Restructuring Plan creates the right framework for additional investments from both the existing lenders and a new investor based on all our projections to date.

That's much better than the alternative, which may well be a bankruptcy and liquidation. The reality is that no national carriers are hiring right now. FedEx Freight just realigned its national network laying off almost 2,000 drivers. If YRC and its regional carriers fail it will be an extremely difficult freight job market with many drivers competing for so few jobs.

Q. Last year a few bargaining units in Chicago and elsewhere did not vote in the last round of changes including wage cuts. What's happening with those groups this time?

A: Per the Teamsters General Executive Board initiative taken last November, the driver and dock units in Suburban Chicago, and Locals 705 and 710 were brought under the Central Region NMFA so they will be included in the collective vote being held for Teamsters employed at YRC and Holland across the United States and come under the Plan. There are still white paper units around the country at all three companies covering office, mechanic and maintenance bargaining units (primarily in the Eastern and Central Regions) whose ballots will be tallied separately as they were in the past.

Q. How will my pension be affected by the continued abatement and reduced contributions?

A: As some pension funds have already indicated by letter to plan participants, the proposed schedule for YRCW companies to return to making 25 percent of previous pension contributions on June 1, 2011 will undoubtedly result in benefit reductions. Because YRCW Teamsters participate in more than 20 different pension plans, members will have to contact their respective funds for detailed and specific information. Unfortunately, due to the timing of various pending financial matters, we are not able to provide specifics in this regard and rather need to rely on the respective funds and their Trustees to perform their own diligence in these matters. We remain convinced however that these alternative scenarios are an improvement over a YRCW shutdown.

Q. We've heard a lot about pension and work rule changes but what is happening to my health and welfare coverage?

A: TNFINC has negotiated annual increases of 35 cents per hour to go to health and welfare coverage every August 1 for the remainder of the Restructuring Plan. These amounts reflect the historical levels of what has been allocated and necessary to keep Teamster coverage the best in the trucking industry. We believe this feature will provide adequate monies to protect the Teamster health and welfare coverage you and your family enjoy for years to come but ultimately the level of benefits is determined by your particular Fund's Trustees. While we fought back against across-the-board employee premium co-pays, YRCW Teamsters will now have to have at least three compensated days to qualify for a week's worth of health and welfare coverage, a condition that does not affect the vast majority of YRCW Teamsters. For those Supplements on an hourly contribution, they will continue their respective practices. That's the only change to health and welfare coverage in the Restructuring Agreement.