

Questions & Answers for ABF Members



Q: How did we get here? I thought ABF was doing well.

A: ABF Freight Systems, like all freight companies, is doing its best to weather the worst operating period it has ever experienced. ABF, with a reputation as one of the best and most efficient motor carriers in the LTL industry, has suffered an unprecedented drop in shipments and revenues since late 2008 coinciding with the near collapse of the entire U.S. economy. Due to prudent business decisions throughout its growth as a Teamster-represented carrier, ABF has been able to survive the throes of this recession because it carried little debt on its books and always maintained adequate cash reserves. In contrast, YRC Worldwide, Inc. (YRCW) had very high levels of debt and very little cash reserves to weather the drop in freight volumes and aggressive pricing environment.

Unfortunately, 18 months later with an economy that continues to struggle and a freight environment beset with high costs and over capacity, ABF's situation is now changing. It is losing more than \$10 million a month and other economic factors are worsening (see information below).

Q: ABF has been profitable over the years, and it's not facing imminent bankruptcy. Why act now?

A: ABF's financial situation has worsened dramatically as this recession continues. ABF lost \$99.9 million in 2009 after a \$49 million profit in 2008—almost a \$150 million swing in the wrong direction. Revenue was down 21 percent from 2008 to 2009. ABF is exhausting its cash reserves and cannot sustain the losses it faces for much longer, especially in a tight credit market where alternative financing has dried up. We estimate the company will continue to lose more than \$10 million per month in 2010 and liquidity continues to worsen. So, while the company has been profitable in the past, it no longer is and something needs to be done to help it make it through the recession.

Q: How can wage concessions help the company?

A: A temporary wage concession now by all of ABF's union, nonunion, and management employees (there will be equal sacrifice by all employees if the plan is approved), will provide ABF with the adequate liquidity to survive the recession. The paramount goal of the union is to make sure ABF Teamsters' jobs and benefits are protected.

Q: What happens to the wage reduction if the economy improves?

A: If the economy improves and ABF operates at a 97.00 operating ratio for any calendar year during the life of the agreement, the 15% wage reduction will be reduced by 5% each year. Also, if ABF increases its full-time, active Teamster workforce by 20% or more from the level of fulltime, active Teamsters employed on the effective date of the agreement, the Union has the right to terminate the entire wage reduction and snap back to full NMFA wages. In addition, under the Earnings Plus Plan in the agreement, as soon as ABF generates an operating ratio of at least 99.00 or below for a quarter, employees will begin getting a payment each quarter based on a percentage of their earnings during the quarter.

Q: Why should we help ABF when the company spends so much money on NASCAR advertising?

A: ABF doesn't own a stock car or NASCAR team as some have alleged. The company's involvement in NASCAR is possible through a bartering agreement where it leases ad space on cars in exchange for hauling freight for NASCAR related companies. This arrangement does not drain its cash reserves but actually adds business that supports jobs of its Teamster-represented employees based on our independent investigations and on written explanation from the company. Also, the



company has been able to generate other business that moves within its LTL network because of the NASCAR relationship.

Q: Why should we help ABF when the company is allegedly forming non-union moving and storage services?

A: ABF has served the self-move consumer market through its U-Pack service for many years. Customers load their belongings on to ABF trailers or small containers and ABF Teamsters haul them to their new location. ABF estimates 95 percent of these trailers are spotted by ABF city drivers and once loaded they are picked up by ABF city drivers and moved over the road by ABF road drivers. Recently, ABF started a new subsidiary, Moving Solutions, Inc., to comply with certain household goods licensing regulations that require distinct corporate ownership if the long haul

motor carrier piece (ABF's role and business segment) is separated from the loading and unloading end of the industry. Because some customers need the loading and unloading service as well, ABF's parent bought a small household goods company and created an entity that acts as a household goods freight forwarding agent. This freight forwarding agent can bundle all services including the packing/unpacking and loading/unloading function through local agents in the United States. This new subsidiary is committed to having ABF and its drivers continue to provide the underlying city and road portion of the service insuring more ABF Teamsters will continue to be adequately compensated as it has been in the past for its role in the U-Pack business.