



ABF TEAMSTERS Freight UPDATE

May 4, 2010

Additional Details on Equal Sacrifice, Money Earned Before Effective Date, U-Pack and Executive Compensation

Dear ABF Member:

Over the past few weeks, after listening to members at meetings, on the docks and on conference calls, we wanted to bring to your attention additional details about the following issues.

Equal Sacrifice

A number of questions have been raised as to whether non-union employees and management are required to equally share in the effort to return ABF to profitability. As you are aware, the proposed ABF Wage Reduction–Job Security Plan requires in Paragraph 3 that all union and non-union employees, including management, sacrifice equally in the effort to assist ABF in surviving the worst economic recession since the Great Depression. To ensure that the non-union employees and management are bearing their share of the sacrifice, International Union officials and experts will go to ABF headquarters and review payroll records and other financial documents to verify that all employees are sacrificing equally. Non-union and management employees must have decreases in wages and benefits which equal at least a 15 percent reduction.

Money Earned Before Effective Date

To address another issue that has been raised by members, an agreement has been reached with ABF to clarify that monies earned under the NMFA, prior to the effective date of the ABF Wage Reduction–Job Security Plan, but not paid until after the first payroll period after ratification of the Plan, will be subject to the wage reduction. However, on the back end, monies earned during the effective period of the Plan, but not paid until after a snap back provided in the Plan or after the termination of the Plan on March 31, 2013, will not be subject to the wage reduction. This agreement includes wage payments, sick leave, vacation pay, personal holidays,

or any other monies earned under Teamster bargaining agreements.

U-Pack

Some questions have been raised regarding the financial impact of the U-Pack business on ABF Freight System. Based on our inquiries of ABF officials and review of relevant records, we believe that ABF is being fully compensated for hauling U-Pack trailers and ReloCubes and those payments are contributing positively to the earnings of ABF Freight System. Unfortunately, the U-Pack business, while growing substantially over the past year, is not sufficiently profitable to offset the net losses ABF has posted recently. We have been assured that no U-Pack profits are being unfairly attributed to any other ABC subsidiary to the detriment of ABF Freight System. We also believe that the hauling of U-Pack trailers has in fact kept some ABF drivers employed who otherwise would be facing layoffs if the work was not handled in the traditional L-T-L terminal network. Considering the reality that ABC, the corporate parent, has also been reporting quarterly losses in tens of millions of dollars over the past year during the expansion of U-Pack (and related services), this clearly indicates the U-Pack business segment is not yet contributing substantial earnings to any ABC affiliate at this time.

Incentive Pay

Senior management at ABF have not received any incentive pay since 2007 and will likely not be eligible for future payments for the foreseeable future because the formula for incentive pay is tied to financial performance. The company has not met the benchmarks necessary to trigger such pay lately and will not going forward until the company has substantial positive net income on an annual basis. In addition, all discretionary bonuses for management have been eliminated

for the life of the agreement per the MOU.

Other compensation increases for non-Teamster employees are tied to the overall percentage increases that Teamsters receive annually unless specific permission is granted by the Union Subcommittee created in the MOU. Essentially the “snapbacks” in the MOU are geared so that ABF would have to roll back the wage deduction and pay significant Earnings Plus payments simultaneously to the reestablishment of incentive pay plans.

Finally, some people are asking whether the union has a Plan B if the MOU is not ratified. The answer is that after the review of the company’s financial records by the International Union experts and the independent auditor, it was determined that a 15 percent wage reduction was the minimum economic relief that the Teamster members could give to assist ABF in its effort to survive the worst economic recession since the Great Depression. If the Union believed that a 5 percent or a 10 percent wage reduction would have been enough, then that is what it would have negotiated. In the event the members fail to ratify the proposed MOU with the 15 percent wage reduction, then the only Plan B is to risk the security of their jobs and health, welfare and pension benefits as ABF seeks to avoid losing more than \$35 million a quarter as it did in the first quarter of 2010.

We hope that this letter clarifies some of the major concerns raised by the members as you consider whether to help secure your job and health and pension benefits by voting “Yes” on the ABF Wage Reduction–Job Security Plan.

Fraternally yours,

Tyson Johnson,
Co-Chairman, TNFINC