HIGHLIGHTS

OF THE NATIONAL CARHAUL TENTATIVE AGREEMENT

Important Background Information

As has been discussed in other recent national carhaul negotiations, the bargaining parties acknowledged that the current method of pay is outdated in a modern auto transporting environment where most loads are not being generated from plants anymore but rather railheads, ports and hybrid distribution centers. Unlike past talks which produced no new union response to dwindling Teamster carrier market share, the parties have constructed a pay system that raises all per-mile rates significantly while rolling in certain piecemeal pay items into those rates.

It is the union's position that based on a traditional five-day workday, this tentative agreement lifts earnings by containing annual increases for all hourly employees as well as the opportunity for all drivers to improve their incomes under a simplified pay system. The traditional method of pay served drivers well into the 1990s, but that is no longer the case. With much shorter trips now occurring on average and "competitive rates" and "new business" traffic becoming more common in the typical workweek, data indicates overall driver earnings have been generally flat over the prior two contracts.

New Mileage System

Unfortunately, the rising cost of employer-paid health and pension benefits, which now exceed $35,000 annually, are consuming more and more total compensation dollars over fewer and fewer revenue miles. For the parties to reverse this trend, a detailed analysis of current traffic and potential future traffic (off rail) was done and a new system was constructed that rationalizes trip pay while also increasing earning opportunities. This new mileage-based system **eliminates all two tier pay trips**—there's one rate for the headhaul (out bound) trips based on distance travelled and one rate for all backhauls. This new pay system incorporates formerly "New Business," "Old Business," "New or Used Car" into one blended simplified pay system. Drivers will be able to easily calculate their expected earnings during the week rather than rolling back home empty wondering which leg of the tour paid the "new business" rate, a rate which was often only 50 percent of the rate just paid to go about the same distance. No doubt the new pay system will take some adjustment which is why it will not go into effect until later in the year.

The parties faced some hard realities in this summer's talks. The NMATA was largely written in the 1960s and '70s—an era of a simple out-and-back trips of widely varying distances from plants to dealers as the principal traffic pattern where 50 percent loaded was often the norm. Longer trips paid well and the empty miles didn't matter as much with 95 percent of the industry organized—every carrier had them. With union majority status in carhaul at just over 50 percent now, the trend is clearly negative and the contract has to change with the times if we are to survive.

The compensation emphasis in the industry has shifted more to how many loaded miles a driver can cover in a week or a tour of duty rather than how many vehicles are on the load or drops occur during a trip. The OEMs simply aren't paying for anything other than on-time, damage-free service based on the miles hauled. Using equipment that is some of the most expensive in the industry while also experiencing the worst MPG and laden mile stats in trucking, the cost per mile for unionized carhaul has eclipsed the ability to continue to run empty or sit idle **the equivalent of two days a week**. Simply put, if unionized carhaul companies are not able to reduce the 35- to 40-percent empty miles they experience annually going forward under this new contract, they will not be around for another one.

Difficult Times

No greater reality drives that fact home than what's occurred over the past 10 years—three prolonged and complicated motor carrier bankruptcies involving the largest NMATA carriers, two of which resulted in more than 2,500 Teamsters permanently losing their jobs as their employer or terminal simply no longer exists. These drivers went somewhere and are now working for the competition. While those NMATA companies were not well managed and couldn't even price their business to cost, the reality ends up the same for the organized industry: Teamster carriers lost 25 percent of their market share to non-union competitors since 2005. The situation has been even worse for the Teamster members who haul large trucks to dealers, as "driveaway" suffered a deep recession and is now predominantly staffed by either so-called "independent contractors" or non-Teamster drivers.

No Concessions

With only two truckaway and one driveaway company left under the NMATA, the National Committee recognized the trendline for Teamster carhaulers and how it would put us in minority status in 2016 unless something was done. Knowing our carhaulers' expectations, this also had to be achieved without compromise or concession. It is the position of TNATINC that this contract, by preserving and maintaining all benefits even under a new pay system, is in fact without concessions. When we ran hundreds of actual trips and weekly tours for drivers under the new pay system, the majority of drivers improved their weekly income, often while driving the exact number of miles or, in some cases, fewer miles during the week. Admittedly drivers do better making up the rolled in loading and unloading pay the longer a trip runs, but overall the system is designed to improve an average driver's weekly compensation.

The New Pay System—Major Features

- Simplified pay system (see more information below) that accounts for some driver activities in the mileage rate. Drivers will still get paid delay time and breakdown pay and reloads, for example, as currently paid.

- Pay rates will increase over the life of the contract. Effective 12/27/15: $0.25 per hour (includes yard and office); $0.40 per hour for all mechanics; 1.04% etc, for flat/zone/shuttle/incentive or other wage rates; (includes tool allowance and all other monetary items in the Supplements). Driveaway rates will also increase by 2 percent.

  Effective 9/1/16, 9/1/17 & 9/1/18: $0.25 per hour (includes yard and office); $0.40 per hour for all mechanics; 1.12 cents per loaded mile HH & BH; 1.03% etc, for flat/zone/shuttle/incentive or other wage rates; (includes tool allowance and all other monetary items in the Supplements). Driveaway rates will also increase 2 percent on 9/1/16, 9/1/17 with a 2.5 percent possible on 9/1/18 if workers comp costs can be controlled during the contract.
- A higher hourly increase for mechanics was negotiated to reflect the marketplace reality that our technician pay rate has fallen further behind the industry average while hourly rates for NMATA yard and office workers will still be industry-leading under this proposed contract.
- Short hauls, now defined as trips up to 100 miles, will be paid under the exact same formula as currently paid, with formulas expanded up to that limit (ex. Zone rates now that may go out 70 miles will be calculated out to 100 miles, and continue to get loading and skid drop, etc.).
- Loading pay and the first two skid drops have been averaged into a distance-based, loaded mile rate that reflects the relative economic importance of loading and unloading pay in trips that run a shorter length:
- A Rate: trips from 101 – 200 miles: $1.50 per loaded mile
- B Rate: trips from 201 – 275 miles: $1.40 per loaded mile
- C Rate: trips 276 miles and over: $1.35 per loaded mile
- Because some trips have three, four or even five or more skid drops per trip, the formula needed to account for that. All skid drops beginning with the third and beyond will pay $5 per skid drop.
- In general, we found the longer trips at $1.35 will more than make up for any loading pay, skids and fueling pay, the latter which has also been factored into the loaded mile rates.
- There are no more "competitives" or "new business" rates (Article 22 is eliminated): all backhauls, regardless of length, will pay $1.10 per loaded mile for the first year. This will include all traffic headed in the direction of one's home terminal. Other pay items that may be in a "competitive" or Local Rider are subject to negotiations at that level.
- Deadhead miles will continue to be unpaid, as they are now, subject to 50% rule. However, a major "economic backstop" to prevent a driver's tour from having an excessive number of loaded miles at the backhaul rate is the assurance that **no tour of duty can have more than 50 percent of total loaded miles paid at a rate less than $1.35 in Year 1.** That means if a driver runs a 300-mile head haul trip, deadheads 200 miles for a 700 mile load home, at least 500 miles of the tour will be paid at $1.35 per mile, significantly protecting income in that unusual circumstance when backhaul miles are the preponderance of the tour's paid miles.
- See trip examples—and how much they pay—at the end of the enclosed information.

Other Economic Improvements:

BENEFITS: Per the Union's Member Survey and feedback from Local Union meetings, the number one objective for the Committee was to protect the members' health care and pension benefits at all costs and that was achieved. The Employers' reluctantly agreed on the final day of negotiations to maintain all benefits plans, including in the Eastern and Western Regions, under the terms under which they currently operate—negotiating significant increases that will keep all our NMATA benefits the best in the trucking industry.

VACATIONS AND PAID TIME OFF: Although the employers' insisted on "two tier" benefits for new hires, the union Committee was able to keep all vacations, holidays, and sick leave, etc. under the current terms and, for the first time, allows truckaway drivers outside of the West to split a week of their vacation into single days as long as they have at least two weeks of vacation.

DIRECT DEPOSIT and PAY PERIOD: Many terminal and locations were still not on Direct Deposit, even at this late date. The new agreement has all employees enrolling in Direct Deposit or being paid through a debit card if no bank account can be established. In addition, all employees will now be paid weekly as part of this change.

COST-OF-LIVING ALLOWANCE: The COLA, which is also the best language in all the Teamster transportation Master agreements, was maintained and will provide excellent income protection in the event inflation picks up in the coming years.

MEAL ALLOWANCE AND LODGING: Language negotiated in the supplements increases the meal allowance to at least $30 per day and streamlines the procedures for lodging making the process easier and more transparent for the driver.

DRIVEAWAY: Acknowledging that Driveaway Teamsters have made pay concessions under the last agreements, their increases will be 2% each of the first three years and possibly higher in Year Four assuming workers' compensation costs fall in line with historic averages during 2016 and 2017.