TEAMSTERS
YRCW UPDATE
APRIL 10, 2019

Local Union Leaders Overwhelmingly Endorse Tentative YRC Freight, Holland and New Penn National Master Freight Agreement

Leaders of all local unions that represent workers at YRC Freight, Holland and New Penn met today **and with the exception of one local voted unanimously to endorse** the tentative National Master Freight Agreement covering approximately 30,000 Teamsters, paving the way for a vote by the membership.

"Negotiations were very difficult and complex, but we strongly believe we have negotiated an agreement that will protect the livelihoods of our members over the next five years," said Ernie Soehl, Director of the Teamsters National Freight Division. "Every member of our negotiating committee believes that the YRCW companies cannot afford any more money than what is contained in this tentative agreement and that there is not a single penny more to get. We pushed the company to the absolute limit."

The tentative agreement contains numerous improvements, including:

- $4.00 in wage increases over five years for the vast majority of workers (an 18% increase for most drivers and dockworkers) including a $1.00 wage increase retroactive to April 1, 2019 (a 4.5% increase for most drivers and dockworkers);
- Significant increases for dock-only, clerical, maintenance employees, janitors, and porters hired after February 2014 including a minimum of an immediate $1.00 wage increase retroactive to April 1, 2019;
- Restoration of the week of vacation that was given up (in other words, employees otherwise entitled to four, five and six weeks of vacation) effective April 1, 2019. This will require the three companies to restore approximately 14,000 additional weeks of vacation every year;
- Protection of health and welfare benefits with no employee premium co-pays. Up to $0.50 per hour increases each year for most funds. The company agreed to provide other funds with fixed guaranteed amounts to maintain benefits;
- Improved language to curb excessive executive bonuses; and
- Prohibitions against using driverless trucks.

(For a longer list of improvements and answers to frequently asked questions, see inside this newsletter.)

For the past decade, the YRCW operating companies have operated under a series of Memoranda of Understandings (MOUs) that contained significant economic concessions necessary to allow the company to survive. At the outset of bargaining, in addition to seeking to reverse the trend of giving concessions, the union committee determined that it was necessary to get out from under the MOU structure and return to a traditional NMFA contract structure. The members had not had a new contract in nearly a decade. The tentative agreement accomplishes that, restores the traditional contractual structure and provides for significant economic and non-economic improvements for Teamsters. This was no small task because the YRCW companies continue to face financial difficulties, need to upgrade equipment and must seek to recapture market share.

The Teamsters National Freight Industry Negotiating Committee (TNFINC) for these negotiations was made up of nearly 30 officers and agents from numerous local unions across the country. At all times, the focus was about trying to restore as much as possible for the members and get improvements wherever possible. "The entire committee was, and remains, completely committed to the membership," Soehl said. "The livelihoods of nearly 30,000 workers hang in the balance and 30,000 families count on the health care provided under this contract."

Soehl said the union committee worked extremely hard and dug into the minute details of the companies' operations, finances and how to maximize protections and benefits for the members. In the end, every single member of the bargaining committee supports and recommends this tentative agreement.

The tentative agreement contains significant economic and language improvements for the membership, as well as creative tools for the companies to use to increase market-share, expand into new areas of opportunity, and improve service while at the same time protecting and enhancing jobs, seniority, working conditions, and earning opportunities for the membership (see inside for more information). The committee also beat back numerous efforts by the companies to impose health care premium co-pays and other givebacks.

On or about April 19, members will be mailed voting information. The vote will be by secret ballot as it always has been, but this time members will vote via the internet or phone.

The vote will be conducted through the BallotPoint Election Services voting system. In the packet being mailed, members will find the agreement and a summary of the highlights including questions and answers. But instead of a paper ballot, members will find an individual access code and simple instructions on how to use the access code to vote by telephone or internet.

The Teamsters Union has used BallotPoint extensively over the past four years to conduct contract ratifications, including the recent ABF Freight, UPS, UPS Freight and Costco elections. All of the ratifications were conducted without incident or challenges.

Votes will be counted on or about May 3.

HIGHLIGHTS OF THE NATIONAL MASTER PORTIONS OF THE TENTATIVE AGREEMENT COVERING YRC FREIGHT, HOLLAND AND NEW PENN

The following are some of the improvements in the Tentative Agreement:

ECONOMIC HIGHLIGHTS

- $4.00 in wage increases over five years for the vast majority of workers (an 18% increase for most drivers and dockworkers) including a $1.00 wage increase effective (retroactive to) April 1, 2019 (a 4.5% increase for most drivers and dockworkers).
- Significant increases for dock-only, clerical, maintenance employees, janitors, and porters hired after February 2014 including a minimum of an immediate $1.00 wage increase retroactive to April 1, 2019.
- CDL employees and mechanics currently in progression will go immediately to the top of their scale at ratification.
- Restoration of the week of vacation that was given up in 2015 (in other words, employees otherwise entitled to four, five and six weeks of vacation per their Supplement) effective April 1, 2019. This will require the three companies to restore approximately 14,000 additional weeks of vacation every year. Eligible employees can take the restored week in a cash payment if so desired.
- Restoration of the former higher payout schedules for vacation (in other words, 1/52, 45 hours, or 50 hours as applicable)
- Protection of health and welfare benefits with no employee premium co-pays. Up to $0.50 per hour increases each year for most funds. The company agreed to provide other funds with fixed guaranteed amounts to maintain benefits.
- Pension funds with funding improvement plans or rehabilitation plans in effect that require contribution increases each year can receive those increases in accordance with their plans up to 8% each year.
- Enhanced vacation benefits and cash out options for employees in the military who are called up to active duty. [Article 15]
- Unused sick leave for any year will be paid out by January 31 instead of March 31. [Article 38, Section 1]
- Increased moving expenses payable in the event of a change of operations. [Article 8, Section 6]

LANGUAGE HIGHLIGHTS

- Elimination of the MOU structure and a return to a normal contract structure. [See Addendum]
- Elimination of the MOU subcommittee and a return to the traditional grievance committee system. [See Addendum]
- New language totally prohibiting the use of on-board video cameras for disciplinary purposes. [Article 26, Section 2]
- New language totally prohibiting the installation of inward facing cameras in trucks for any purposes. [Article 26, Section 2]
- New language strengthening disciplinary protections against the use of video evidence from outside the vehicles (for example, in the terminal) by eliminating general "dishonesty" as a permissible use and limiting such use to "theft of property, violence or falsification of documents." [Article 26, Section 2]
- New language prohibiting the employer from using electronic equipment, ELDs, cameras or other technology to harass or excessively monitor employees. [Article 26, Section 3]
- New language prohibiting the company from operating "driverless trucks, drones or remotely operated vehicles to move freight over public roads." [Article 32]
- Elimination of the "garnishments" [Article 34] provision which had allowed the company to effectively discipline an employee for multiple garnishments.
- Revised purchased transportation language with improved earning protections as well as the ability for the union, in its sole discretion, to

limit or completely cut-off the use of purchased transportation. [Article 29] Improvements include removal of the "red-circle" limitations and instead create protections for all road drivers regardless of hire date, as well as enhanced run-around protection and increased compensation if it occurs.

- Creation of a new non-CDL driving position (also known as a "box truck driver") designed to decrease the number of local cartage subcontractors, grow the bargaining unit and provide more opportunities for bargaining unit employees to become drivers while at the same time protecting seniority and traditional CDL positions.
- Creation of dock-only positions at terminals that were previously CDL-only thereby allowing drivers with CDLs to actually drive. CDL drivers could also bid to the dock-only jobs if they choose and maintain their CDL rate of pay.
- Implementation of the 34-hour restart and 70-hour work week in order to minimize the use of nonunion road purchased transportation and maximize earning potential for bargaining unit drivers. Such changes are 100% voluntary on the part of the driver at all times and the company cannot use the changes to alter or reduce bids. This program is designed to allow the individual driver the flexibility to perform extra work on a weekly basis if the driver so chooses. No driver can be forced to work the additional runs. Again, it is 100% voluntary on the part of the driver.
- Enhanced Family and Medical Leave benefits stating that the employer cannot force an employee to take scheduled vacation leave as FMLA leave and cannot force the employee to take the last unscheduled week of vacation as FMLA leave. Additionally, all locations of the employers covered by this agreement are covered by the Family and Medical Leave provisions regardless of the size of their terminal or number of employees at the location. [Article 38, Section 3]
- Improved card-check and neutrality language to allow local unions to organize unorganized workers at locations or operations of the company which are not yet fully organized (for example, office clerical, mechanics, porters, janitors, etc.). [Article 2, Section 3]
- A written commitment from YRCW acknowledging that job security is a core purpose of this agreement and committing that HNRY Logistics will not be used to divert work away from the bargaining unit.
- Improved transfer of interest provisions stating that the contract will apply to "any operation or portion thereof" that is sold or transferred. [Article 1, Section 3]
- New provisions stating that the applicable road steward shall be paid his/her hourly rate for time spent in grievance hearings/meetings with the employer before or after his/her run. [Article 4]
- Enhanced transfer language [Article 5, Section 5] that allows laid off employees to transfer to hiring locations at any of the three companies covered by the agreement and have moving expenses paid.
- Significant equipment and safety improvements including but not limited to provisions dealing with ABS warning indicators, improved forklift equipment (tires, lights, mirrors and adjustable seats), and air conditioning in new hostling jockeys (yard goats) in warm weather states. [Article 16, Section 6]
- Protections against injured employees being forced to perform modified duty if the employee has been prescribed medications that prevent the employee from driving a vehicle or where the treating physician certifies that the employee cannot drive to and from work. [Article 14, Section 2]
- Express provisions stating that no employee shall be subjected to random drug/alcohol testing unless required by applicable law. [Article 35]

FREQUENTLY ASKED QUESTIONS

QUESTION: What happens if the tentative agreement is voted down, and why did TNFINC grant the company an extension?

ANSWER: Every single member of the Teamsters negotiating committee as well as TNFINC's economists all believe that the companies cannot afford *any* more money, not one penny. If the National Master portion of the agreement is voted down it will constitute a strike authorization in accordance with the IBT Constitution. In all likelihood it would never come to a strike, because the customers would likely pull their freight away from the companies before that could happen. We saw this beginning to happen in the final days leading up to the tentative agreement.

The extension agreement was given only after we reached a tentative agreement. The companies wanted an extension earlier but the committee was unified that an extension would only be given after a tentative agreement was reached. The customers, however, were paying close attention to the negotiations and were threatening to pull their freight away from the companies. This put a lot of pressure on the companies and helped at the table but also resulted in some accounts being lost. In short, the extension agreement until May 31 is necessary to keep the customers in place while the ratification process takes place.

QUESTION: Why are YRC Freight and Holland allowed to use Purchased Transportation (PT) and why is the language different for each company?

ANSWER: The reality is that some use of PT is necessary for the companies to move less time- sensitive freight but also acquire new work, service existing customers and grow. Plus, there is an industry-wide shortage of CDL drivers that is particularly hurting the YRCW group of motor carriers since 2014. Also, the restoration of the additional week of vacation amounts to over 14,000 additional weeks of vacation per year. It is also important to note that YRC Freight and Holland, however, have very different freight operations. The PT provisions were carefully crafted and limited to apply to each company's unique operation. For example, Holland uses a "system-wide dispatch" and does not have the national "breakbulk" system or long-haul road "lanes" that YRC Freight operates. Plus Holland has never had the ability to use PT before, whereas YRC Freight has been able to use a limited amount of PT for the last five years. Both PT provisions contain significant protections for the bargaining unit. Both PT programs expressly require the companies to engineer the use of any PT to maximize bargaining unit work and minimize PT and **TNFINC, in its sole discretion, can limit or shut off completely the use of PT by either company.** The use of PT is intended to allow each company to grow and meet service requirements but not replace Teamsters or deprive Teamsters of work opportunities. In fact, the company is expressly prohibited from using PT to avoid hiring bargaining unit employees and both programs provide strong (and in YRC Freight's case, enhanced) earnings protections for Teamsters plus enhanced monitoring of PT use by TNFINC.

QUESTION: Does the IBT own 25% of YRCW?

ANSWER: No. There are a few rumors out there that the IBT itself received a significant portion of stock during the YRCW restructuring through the MOUs. Those rumors are false and misleading. The facts are that in 2011 as part of the restructuring that saved YRCW from liquidation, Teamster members (not the IBT) were granted a 25% share of certain YRCW stock in the restructured company. For various tax purposes those shares were divided up among the qualifying employees, and put in each individual employee's 401(k) account administered by Prudential Financial Company. Thereafter, the employee was free to maintain the shares in his/her individual account, sell the shares, or otherwise dispose of those shares as he/she saw fit. This was accomplished in 2011 and was completed by the end of that year. In short, the IBT does not own, and has never owned, those shares.

QUESTION: Was the issue of YRCW executives taking bonuses addressed in negotiations?

ANSWER: Yes. We have a new system in place that we believe will go a long way toward stopping YRCW executives from giving out excessive bonuses and will allow for employees as well as executives to benefit if the company does well. In 2014, the YRCW executives received certain bonus payments. Those bonuses, in the eyes of the union, were wrong and offensive. Earlier this year, YRCW executives received performance bonuses for last year. The total amount of the bonuses for 2018, while a lot of money for a few individuals, is not a huge amount when spread across all 30,000 employees of the entire corporation. Nevertheless, the bonuses were a significant issue in bargaining and stirred up a lot of anger and resentment from TNFINC. Although corporate executives normally have some sort of incentive program, and may even deserve to receive bonuses, the union was, and continues to be concerned that YRCW corporate executives not take bonuses on the backs of the members. As a result, the union committee insisted that our members should also receive bonuses if the executives got bonuses going forward under the new agreement. The tentative agreement addresses that issue in a couple of ways. First,

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for calendar years starting in 2019 and each year thereafter, (i.e., bonuses to be paid next year), for every $1 that the YRCW executives receive in monetary bonuses, the bargaining unit will receive $2 to be split equally among the membership. For example, if the executives receive a total of $10 million in bonuses next year, the members will receive twice that amount or $20 million. The result is that the $10 million bonus pool for the executives will actually cost the company $30 million ($10 million + $20 million for the membership). This was designed as a disincentive and should make the YRCW Board of Directors think twice before handing out millions of dollars to the executives. If the YRCW Board of Directors seeks to give stock instead of cash, the tentative agreement requires that each bargaining unit member be given $750 in a cash bonus. This cash bonus, if the executives receive stock bonuses, will total approximately $18.5 million for the members (for example, 25,000 members x $750 each). This too should make the YRCW Board think hard before handing out stock bonuses instead of cash. Also, if they do both cash and stock in a given year, the members receive the higher of the two bonuses discussed above: either 2 times the amount of cash bonus or $750 for a stock bonus.

QUESTION: Why didn't we get more money, either in wages or in pension restoration?

ANSWER: Quite simply, TNFINC stretched the companies as far as possible with this economic settlement. The union negotiating committee initially demanded a full wage and pension restoration, and the companies admitted they probably need to pay higher wages in order to hire and retain more CDL drivers. But after a thorough review of YRCW's financial position, the money just isn't there. For example, the cost of even a $1.00 per hour increase in either wages or benefits costs more than $50 million in just one year ($1.00 x 25,000 employees x 2,080 hours per year). The cost is actually more for wages when overtime and employer-paid payroll taxes are factored into the total. That amount obviously also rises as the figures are compounded multiple times over the next five years.

Plus, the union committee drew a line in the sand against the companies' efforts to put limits on other economic items that are highly important to the membership. One of these concerns was maintaining the current medical benefits without employee co-pays on premiums which is a huge cost to the companies. Also, restoration of the forfeited week of vacation for senior employees alone costs over $14 million per year. Indeed, there are over 14,000 members who will receive the restored vacation week. These are just a few of the new costs of the tentative agreement. In fact, the union estimates that the tentative agreement will cost the YRCW companies more than **a billion dollars** in new money over the course of the next five years. The company opened its books up to the union's economists and made its chief financial officer available for multiple weeks to review all of the companies' finances and calculations. Several meetings were held and, in the end, the union committee determined that there was simply no more money to get without putting the companies at significant financial risk during the term of the agreement.

QUESTION: Was HNRY Logistics addressed in negotiations?

ANSWER: Yes. In late 2018, YRCW created HNRY Logistics to try to offer one-stop shopping to its customers. TNFINC has spoken directly with the CEO of YRCW and received assurances that any and all LTL freight and the type of freight normally carried on YRC Freight, Holland, New Penn and Reddaway, will continue to be carried by those companies and that HNRY will not use any other LTL carriers. TNFINC requested and received those assurances in writing. [See the letter on YRCW letterhead at the end of the National Master Portion of the Tentative Agreement.] In fact, YRCW expressly committed to the fact that job security at its Teamster- represented operating companies is a core principle of the new contract and that not only will the traditional work of Teamsters be protected but that YRCW will also seek to use the YRCW Teamster carriers first to try to perform new types of work that they do not normally perform (e.g. specialty hauling, custom truckload movements) before allowing HNRY to use an outside source for those items. The purpose of HNRY is to provide customers with options so that they will use YRCW for managing their freight and increase the amount of shipments that Teamsters handle. In short, HNRY will not be used to divert any Teamster work away but will hopefully bring more work into the bargaining unit.

QUESTION: Can I be forced to use the 34-hour restart and work 70 hours in an eight-day work week?

ANSWER: No. Use of the 34-hour restart combined with a "70 in 8" work week is **<u>100% voluntary</u>** on the part of the driver. It is completely up to the driver if he/she has enough DOT hours left to work an extra shift. Plus, the use of the 34-hour restart and "70 in 8" cannot be used to alter seniority, bids or runs. It is simply a way to reduce the use of nonunion contractors and allow Teamsters to perform more work and earn more money <u>if they so choose</u>. It is a tool for the driver to maximize earning opportunities and balance personal time, not for the company to force anyone on extra trips.

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