

On The Labor Front

Key labor actions are playing out what will ultimately impact transportation costs as the carriers come out of the economic downturn and the supply and demand is rebalanced.

The good news from shippers' perspective is that ABF Freight System and the Teamsters union has reached an agreement on a 15% wage reduction to help the carrier cope with losses that were triggered by the recession. The plan includes a provision that managers and other non-union workers receive the same percentage reduction, including the benefit, pension and wage adjustments that already have taken effect for the teamsters.

These actions were taken even as Arkansas Best Corp. reported a \$21.4 million, or 85 cents a share, in the first quarter, compared with a loss of \$18.2 million, or 73 cents, a year ago. Revenue rose 6% to \$359.9 million, while tonnage per day at less-than-truckload unit ABF Freight gained 3.3%, the company said.

"Local union leaders understand that we need to take a bold step to help ABF get through this terrible economy and that we must act now to prevent far worse problems down the road," Tyson Johnson, director of the union's National Freight Division, said in a statement on the union's Web site. The agreement also provides for gradual restoration of the cuts for union workers as ABF's profitability improves. Leaders of union locals recommended approval of the plan to the rank and file after learning of these details. The union said ballots will be sent out April 29.

The ABF Freight labor concessions come after YRC received significant labor concession to stay afloat. Last summer YRC employees saw their wages reduced by another 5% and agreed to other cuts that will save the company about \$870 million. The plan suspended pension payments for 18 months and reduced health and welfare contributions while giving the Teamsters an option for an additional stake in the company.

These concessions provide large union carriers an opportunity reorganize their business. The survival of ABF and YRC are key to maintaining a reasonable equilibrium in the marketplace between supply and demand. As fuel costs and other economic pressures continue to create challenges, carriers need to operate in a resilient fashion. It is in the best interest of the shipper community that the large union carriers are able to successfully navigate in a difficult business environment to ensure they succeed. The price wars are over and the carriers who will survive will be seeking to win business based on service performance and innovation in meeting customer requirements.