

# Transport Topics **Online**

Updated:

## Teamsters Approve Plan to Extend YRC Pay Cuts

*By Rip Watson, Senior Reporter*

This story appears in the Nov. 8 print edition of Transport Topics.

Teamsters union employees at YRC Worldwide Inc. approved by a wide margin a third round of wage and pension concessions to buoy the less-than-truckload carrier's financial future, by providing a \$350 million annual cost reduction.

The plan extends a 15% pay cut until March 2015, restores just 25% of pension contributions that are now suspended and requires the company to raise \$300 million in new equity. In previous votes, union workers had agreed to a 15% pay cut until March 2013 in exchange for company stock.

The union earlier agreed to a complete elimination of pension contributions until Dec. 31. YRC won't be contributing to union pension plans until June, when 25% of the contribution will be restored.

"This new labor contract positions our company for improved performance by providing a long-term market-competitive cost structure as well as enhanced efficiency," said Mike Smid, YRC Worldwide's chief operations officer. "Given the progress we have made over the last two quarters, this new labor agreement provides a strong foundation for long-term growth."

YRC in the past two quarters has earned about \$90 million before interest, taxes, depreciation and amortization, altering a pattern of losses that stretched back to the fourth quarter of 2007. Since 2007, YRC's net loss, including taxes, interest and one-time restructuring costs, has topped \$2.5 billion.

Two days after the approval was announced, Arkansas Best Corp.'s ABF Freight System unit announced a \$750 million lawsuit against the union and YRC's trucking business, alleging violation of the National Master Freight Agreement that covers union workers at both carriers ([click here for related story](#)).

The union announced Oct. 30 that 62% of workers at YRC's national trucking unit and its Holland regional LTL business had approved the changes, while 69% of Teamsters at the New Penn regional LTL carrier voted in favor. About two-thirds of eligible voters participated.

"We firmly believe this plan is the only hope for saving our members' jobs as this recession continues to cause so much hardship," said Tyson Johnson, who directs the union's freight division.

YRC's LTL trucking companies have about 25,000 active union workers today, compared with 44,000 Teamsters at the end of 2007.

The vote was conducted against the backdrop of a company proposal — known as a change-of-operations — that would have shut down New Penn Northeast if the latest concessions had been rejected. The operational change would have integrated New Penn's business into YRC's existing Northeast network.

YRC did not comment when asked whether the change of operations would be dropped now that union members have ratified the plan.

Analyst Justin Yagerman from Deutsche Bank said the ratification removes some uncertainty about the company, which still has to raise at least \$300 million in equity to reduce its debt by March 31 of next year under terms of the agreement ratified by union workers.

If YRC raises the funds, the future value of its shares will be diluted by the \$300 million in equity to be issued, Yagerman said.

That \$300 million exceeds YRC's current market value of about \$230 million based on 48 million shares outstanding and the stock price that was \$4.71 a share late last week.

Smid said that the changes resulting from the approval vote "address the concerns expressed by analysts and the rumors promoted by our competitors," while significantly improving YRC's competitive position.

On the financial front, YRC has shored up its finances by making nearly 20 revisions to lending agreements. Most recently, it gained access to \$325 million secured by its assets.

In the past 12 months, YRC engineered a debt-for-equity swap in December to avert bankruptcy and raised about \$140 million through a private equity placement and selling off control of its logistics unit.

The latest round of concessions also gives the union a second seat on the company's nine-member board and a 38 cents per hour wage increase annually for four years. Without the concessions, the wage increase would have been 45 cents an hour.

In a separate development, Daniel Churay, an executive vice president at YRC, submitted his resignation Nov. 1. In a regulatory filing, YRC said Churay will take over as CEO of Rex Energy Corp. on Dec. 1. A successor wasn't immediately announced.