



ABF Freight System, Inc.

High **V**elocity **E**Xchange **P**oint (*HVXP*)

Change of Operations

Presented to the

National Utility Employee Review Committee

Regional Performance Model 3.5

2008

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LOCAL UNION INVOLVED & INTERESTED LOCAL UNIONS

LOCAL UNIONS INVOLVED

Eastern Region:

<u>Term.</u>	<u>Local Union</u>
CLT	Local 71
DUB	Local 110
PVD	Local 251
BAL	Local 355
BUF	Local 375
WNS	Local 391
BUF	Local 449
PHL	Local 470
AVN	Local 560
BRO	Local 653
BKN	Local 707
CAR	Local 776

Central Region:

<u>Term.</u>	<u>Local Union</u>
CMI	Local 26
KCI	Local 41
RAC	Local 43
CIN	Local 100
IND	Local 135
DSM	Local 238
FFL	Local 238
ARR	Local 179
MKE	Local 200
DET	Local 299
RFD	Local 325
SBD	Local 364
CMB	Local 413
OMA	Local 554
LNN	Local 554
SOC	Local 554
CGI	Local 600
PTC	Local 614
DPL	Local 705
SCH	Local 710
WCT	Local 795
DAY	Local 957

Southern Region:

<u>Term.</u>	<u>Local Union</u>
TPA	Local 79
JTE	Local 217
NVL	Local 480
JFL	Local 512
ALX	Local 568
MNR	Local 568
SHV	Local 568
RGV	Local 657
MEM	Local 667
TUP	Local 667
ATL	Local 728
DAL	Local 745
MIA	Local 769
LIT	Local 878
GVL	Local 891
JAN	Local 891
HOU	Local 988
PEN	Local 991

Interested Parties

Eastern Region:

<u>Term.</u>	<u>Local Union</u>
GBG	Local 30
SWB	Local 401
OCT	Local 443

Central Region:

<u>Term.</u>	<u>Local Union</u>
AKR	Local 24
LOU	Local 89
TMA	Local 662
MLI	Local 371

Southern Region:

<u>Term.</u>	<u>Local Union</u>
LAF	Local 5
ORL	Local 385
KTN	Local 519
MGA	Local 528
BHM	Local 612
STX	Local 657

May 30, 2008

Mr. Tyson Johnson, National Freight Director
International Brotherhood of Teamsters
25 Louisiana Avenue, NW
Washington, DC 20001-2198

Mr. Jim Roberts, President
Trucking Management, Inc.
566 El Dorado Street, Suite 201
Pasadena, CA 91101

Gentlemen:

In accordance with Article 3, Section 7 and Article 8, Section 6, the Company is respectfully requesting a National Utility Employee Review Committee change of operations hearing that involves the Eastern, Central and Southern Regions.

The Company's proposed change of operations is included in this filing and we are in the process of meeting and discussing this change with all of the affected and interested Local Unions. The change will enhance service by reducing lanes with three and four day transit times to two days.

We are requesting this hearing as provided for in the new language of Article 3 on an expedited basis in order to commence an implementation on or about July 7, 2008.

If you should have any questions regarding this matter or require any additional information, please contact me immediately.

Sincerely,

Michael S. Scalzo, Sr.
Senior Director, Industrial Relations

cc: Affected Local Unions
Interested Local Unions
Gordon Sweeton - IBT Assistant Freight Director
Ernie Soehl - IBT Eastern Region Freight Coordinator
John A. Murphy - Local 25 Assistant Eastern Region Coordinator

Ken Bryant - IBT Southern Region Freight Coordinator
Walt Lytle - IBT Central Region Freight Coordinator
Bob Paffenroth - IBT Western Region Freight Coordinator

Wes Kemp - Sr. Vice President Operations
Roy Slagle - Sr. Vice President Sales
A. J. Phillips - Vice President Industrial Relations
Murray Babb - Vice President Terminal Operations
Jim Keenan - Vice President Sales
Shannon Lively - Vice President Transportation
Sean Bumgarner - Director Engineering
Gordon Ringberg - Senior Director Industrial Relations
Rick Porter - Director Industrial Relations
Les Blalock - Director Industrial Relations
Ron Fetty - Director Industrial Relations
Tony Nations - Regional Manager Industrial Relations
Tomm Forrest - Regional Manager Industrial Relations
Steve Dusko - Regional Manager Industrial Relations
Bob Wade - Regional Manager Industrial Relations
Ron Cook - Regional Manager Industrial Relations
Regional Vice Presidents - Operations
Regional Vice Presidents - Sales
Branch Managers Involved Locations

OPENING STATEMENT

Article 3, Section 7 of the National Master Freight Agreement states that “*the parties recognize the need for the Employers to compete effectively in a changing environment.*” ABF Freight System, Inc. continues to focus on the dynamics of an ever changing business climate. In our efforts to enhance our business relationships through superb performance for our customers, it is quite obvious we need to expand our two (2) day service footprint. This is necessitated by the aggressive tactics and the effectiveness of the growing non-union competitors we face each and every day. For confirmation of this, just ask any of our employees, union and non-union alike, as they see it and hear it every day.

This instant Change represents our operational plan to better compete with the non-union carriers in a fashion designed to better utilize our current resources. We need to implement this plan quickly, as currently we continue to lose market share in the two and three day markets which has caused additional lay offs over and above those necessitated by the softened economy. Less freight in our operation creates inefficiencies in our line haul operation due to increases in empty and circuitous miles. It creates inefficiencies in our pickup and delivery operations by not allowing us to give each route sufficient work to operate productively. Market erosion equates to lost revenues, profits, and jobs.

The Company’s Premium Service Employee (PSE) Phases 1, 2, and 3 changes of operation provided for 243 Next Day Exchange Point (NDXP) runs and 59 supplemental meet-and-turn road runs. In addition, a total of 28 meet-and-turns between PSEs and various road domiciles were created, resulting in higher earnings per trip for our Road drivers. Despite the significant down turn in business within the entire industry, PSE markets grew and we created 300 new jobs for either laid off employees or new hires. We penetrated the non-union market in next-day lanes dramatically, as was the intent of Article 18.

Our newly negotiated *Utility Employee* (UE) language contained in Article 3, Section 7 is a significant recognition that the signatory carriers can alter their methods of operations to improve transit service, at least equal to that provided by the non-unions. Once that playing field is leveled, our other value-added services and benefits will distinguish us in the industry. Many customers now find our safety record, cargo claims ratio, information technology, and professional work force

compelling reasons to choose ABF. Many more will follow when transit times become competitive.

We have had many bumps in the road to growth over the last 2 ½ years. However, *this is not our first rodeo*, and we have engineered a plan that, once implemented, will insure a superior product is readily available for the marketplace.

GENERAL CURRENT OPERATION

The Company has Distribution Centers located throughout the continental United States in major market areas and supports these DCs with road operations. Additionally, and as a result of our approved Premium Service Employee changes of operations, we have established *High Velocity Exchange Point (HVXP)* locations in the Eastern, Central and Southern Regions of the country.

Currently, we run freight from end-of-the-line terminals to the HVXPs to accomplish next-day service, four nights per week. The numbers of drivers used vary by terminal each day depending upon freight volume and flow. Via dispatches are often found to be most cost and service effective for multiple terminal locations depending upon operational circumstances at a given moment in time.

While the physical locations of both the DCs and the HVXPs are based upon market demands and facility availability, the mission of each HVXP is to transfer freight quickly and efficiently. In fact, we have moved several HVXP locations over the years to resolve facility size issues as well as to centralize their locations enabling more terminals and employees to benefit from the market. We continue to analyze this so that we can continue to make such improvements. In fact, our Phase 4 change of operations, which is still in the planning stages, will create HVXPs in the Western Region of the Company, further enhancing our Regional Performance network. Our intent is to implement that change this year.

This instant change will involve DCs located in the following areas as well as several of our HVXPs:

EASTERN REGION:

Carlisle, PA

Winston-Salem, NC

SOUTHERN REGION:

Atlanta, GA

Little Rock, AR

Dallas, TX

CENTRAL REGION:

Dayton, OH

South Chicago, IL

Kansas City, MO

GENERAL PROPOSED OPERATION

This is our *Regional Performance Model (RPM) 3.5* change which will allow us to use the *High Velocity Exchange Point (HVXP)* operations more effectively by dynamically adding 3-4 day service freight to runs into and out of the HVXPs. In many cases, this freight will move on loads currently moving with unutilized capacity. These changes will position freight to improve service performance in approximately 16,000 lanes by reducing lanes now requiring 3 and 4 days transit to **2 days**. Unlike the current operation, the newly routed 3-4 day service freight will move to the HVXPs three (3) nights per week versus the existing four (4) nights for the next-day market. The reason for this is that freight picked up on Thursday or Friday can still flow through our DCs and arrive in time for second day delivery. This helps maintain and insure that our long haul market linehaul balance is not interrupted on the week end.

As a result of all this, the before and after service footprints are nothing less than *spectacular*. A sample is shown further in this brief.

Because of prior and recent relocations of some HVXPs, even more terminals will get to participate in this operation than is currently the case and thus our expected growth rate increases. We will continually monitor and adjust HVXP locations to insure that they are positioned for the best case scenario in the markets we are targeting.

Our technology is such that we will alter daily load plans dynamically based on the circumstances at hand, allowing us to flow shipments through our network to best leverage DC schedules, relay operations, meet points, and Utility Employees.

While there are a number of efficiency gains and work eliminations as a result of this change, we will propose transfer opportunities, sufficient to accommodate job losses and fill newly created positions.

Implementation of this change will involve the following:

1. **Utility Employees** based at end-of-line terminals will move loads as necessary to HVXPs. Upon arrival, they will hostile, strip, and load i.e. process the appropriate shipments before returning to their home domicile in the same shift.

2. Road drivers will move loads from specific DCs to HVXPs where the group of UEs will process that freight while the road driver either continues on his dispatch or takes his statutory rest. (As these dispatches develop they will be handled as extra loads in those domiciles or relay points.)

3. Any load generated by one HVXP to another HVXP will be moved by the Road driver most positioned to move the load with the promptness and efficiency necessary to meet advertised transit time

Following the service comparison maps on the next few pages is a table that shows the projected work that the road operations will perform on any given day noted as *“DC-HVXP or HVXP-HVXP”*.

Following those exhibits is another set of tables that show the possible runs from “end of line” terminals to the HVXPs on any given day, noted as *“EOL to HVXP”*.

In both instances, these are **not** guaranteed runs, **nor** are we establishing precedent with regards to which domiciles perform what work.

DC STATISTICS & TRANSFER OPPORTUNITIES

As a result of the load plan changes, the DCs will realize the following differentials in weekly bill count and, as a result, the following gains and losses result.

Distribution Center Load Plan Impact			Gains/Losses
Terminal	Shipments/Week	BPH	Positions
042-CAR	-78	3.13	-1
064-DAY	-2,838	3.22	-22
051-WNS	-1,301	3.51	-9
086-ATL	-398	2.86	-3
034-SCH	-727	3.20	-5
004-LIT	-373	3.67	-2
003-KCI	-484	3.42	-3
070-DAL	87	2.35	1
	-6,122		-44

As a result of the planned HVXP activities and the history of our PSE operations, the following new positions will be available as listed.

Utility Employee Requirements		GAINS			
Region:	EAST	PSE	Current	Required	Need to
Terminal	City/State	Approved	U E	U E	ADD
O48	Baltimore, MD	5	3	5	2
O54	Charlotte, NC	6	3	5	2
218	Brooklyn, NY	3	1	3	2
352	Avenel, NJ	6	3	5	2
O26	Buffalo, NY	5	2	3	1
O42	Carlisle, PA	1	1	2	1
O44	Dillon, SC	2	1	2	1
O47	Providence, RI	3	1	2	1
O49	Philadelphia, PA	4	2	3	1
O51	Winston-Salem, NC	1	0	1	1
O52	Raleigh-Durham, NC	3	1	2	1
189	Brockton, MA	3	1	2	1
219	Bay Shore, NY	4	2	3	1
231	Vincentown, NJ	4	3	4	1
252	Charleston, WV	1	1	2	1
256	Wheeling, WV	1	0	1	1
298	Dubois, PA	2	1	2	1
380	Carlstadt, NJ	3	2	3	1
		57	28	50	22

Region:	CENTRAL	PSE	Current	Required	Need to
Terminal	City/State	Approved	U E	U E	ADD
OO2	St. Louis, MO	4	3	5	2
O30	Detroit, MI	5	3	5	2
114	Aurora, IL	0	3	5	2
O32	Terre Haute, IN	1	1	2	1
O33	Wichita, KS	1	0	1	1
O37	Champaign, IL	2	1	2	1
O39	Milwaukee, WI	6	3	4	1
O40	Bedford Park, IL	0	3	4	1
O50	Indianapolis, IN	4	2	3	1
O63	Columbus, OH	7	4	5	1
O64	Dayton, OH	2	2	3	1
O67	Cincinnati, OH	8	5	6	1
O83	Cape Girardeau, MO	1	0	1	1
100	Omaha, NE	1	0	1	1
101	Lincoln, NE	1	0	1	1
102	Des Moines, IA	3	1	2	1
106	South Bend, IN	4	3	4	1
115	Rockford, IL	2	2	3	1
148	Fairfield, IA	0	0	1	1
216	Des Plaines, IL	0	2	3	1
327	Racine, WI	2	3	4	1
332	Sioux City, IA	1	0	1	1
349	Pontiac, MI	3	3	4	1
		58	44	70	26

Region:	SOUTH	PSE	Current	Required	Need to
Terminal	City/State	Approved	U E	U E	ADD
OO9	Memphis, TN	3	1	3	2
O94	Nashville, TN	8	3	5	2
221	Miami, FL	3	2	4	2
OO6	Shreveport, LA	1	1	2	1
O12	Jackson, TN	1	1	2	1
O25	Greenville, MS	0	0	2	1
O59	Jackson, MS	3	3	4	1
O70	Dallas, TX	3	1	2	1
O71	Fort Worth, TX	4	2	3	1
O75	Houston, TX	7	3	4	1
O86	Atlanta, GA	6	2	3	1
125	Jacksonville, FL	2	2	3	1
129	Rio Grande Val., TX	2	1	2	1
201	Monroe, LA	1	1	2	1
202	Alexandria, LA	1	0	1	1
220	West Palm Beach, FL	2	1	2	1
223	Tampa, FL	3	1	2	1
316	Pensacola, FL	2	1	2	1
424	Tupelo, MS	0	0	1	1
		52	26	49	22

167	98	169	70
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CARLISLE, PA – LOCAL 776

Current Operation:

Carlisle is a major distribution center and linehaul domicile servicing primarily the Eastern section of the country.

Proposed Operation:

Upon implementation of the load plan changes, Carlisle will have a decrease of approximately 78 shipments per week which will have an adverse effect of ONE less DC employee in their current staffing. However, this change provides that Carlisle will run a second Utility Employee to an HVXP on certain nights and as such, we propose to **add another UE position** in Carlisle. Carlisle currently has one position which was approved in a prior change, but a second position will be required and offered in this change.

Carlisle will further develop periodic loads which will dispatch to HVXP locations. These will be handled by Road drivers as operational needs dictate and will be governed by our dispatch rules and practices.

Carlisle is also an HVXP location and they may supplement the UEs on an as-needed basis during the HVXP operation.

DAYTON, OH – LOCAL 957

Current Operation:

Dayton is a major distribution center and linehaul domicile servicing primarily the Central section of the country.

Proposed Operation:

Upon implementation of load plan changes, Dayton will have a decrease of approximately 2,838 shipments per week which will result in the loss of twenty-two (22) positions from the distribution center operation.

Dayton will further develop periodic loads which will dispatch to HVXP locations. These will be handled by Road drivers as operational needs dictate and will be governed by our dispatch rules and practices.

Dayton is also an HVXP location and may supplement the UEs on an as-needed basis during the HVXP operation.