ABF Freight in Talks With Teamsters To Obtain Reduction in Expenses

By Rip Watson
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Arkansas Best Corp.'s ABF Freight System is negotiating with the Teamsters union to obtain cost cuts as a competitive response to a new round of wage and pension expense reductions at less-than-truckload carrier YRC Worldwide.

"ABF is focused on remaining competitive in the LTL marketplace," Arkansas Best spokesman David Humphrey told TRANSPORT TOPICS. "As a result, we are currently working with the IBT [International Brotherhood of Teamsters] in that regard."

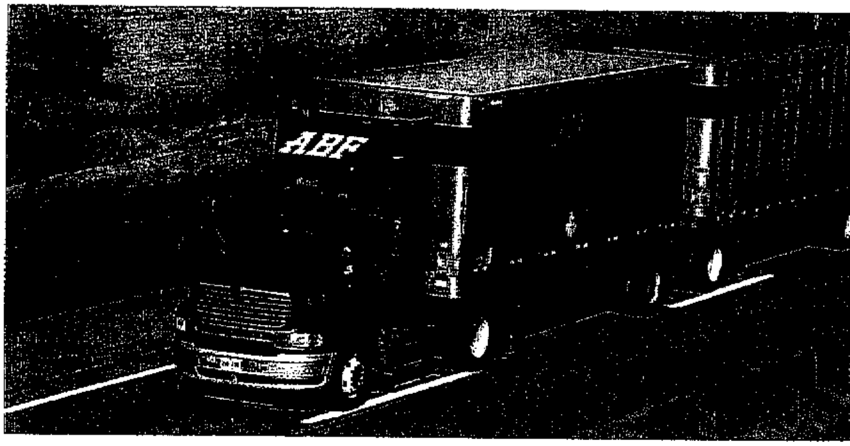
Teamsters spokesman Galen Munroe did not respond to requests for comment.

Humphrey declined to give more detail about the talks.

Teamsters at YRC's national LTL unit on Aug. 6 approved a second wage cut this year and agreed to let the company skip 18 months of pension contributions meant to help YRC cope with losses that reached $255 million from operations last quarter.

Earlier this year, union employees took a 10% cut in wages paid under the National Master Freight Agreement.

Together, the 15% wage cuts give YRC a cost savings of more than $3.30 an hour, as well as saving the company about $40 million a month in pension costs.



Tom Biery—Trans Pixs

An ABF Freight truck on the Pennsylvania Turnpike. The less-than-truckload firm is discussing cost cuts with the Teamsters.

The 18-month hiatus doesn't apply to Arkansas Best, which continues to make pension payments. Last year, Arkansas Best paid $111.1 million, or $9.3 million a month, in union pension contributions, the company said in a regulatory filing.

"There is a cost disparity that has to be addressed," Arkansas Best CEO Robert Davidson said during a July 22 conference call with analysts. "We do not believe the proposed agreement between YRC and IBT is appropriate for our company, just as we felt like the first level of concessions were not."

During the second quarter, ABF posted a loss of $15.4 million, compared with a profit of $16.2 million in the prior-year period. Its operating loss was $26.6 million in the second quarter, when its salary, wage and benefits totaled about $278 million, or 72% of its costs.

Based on those results, ABF could save $13.9 million to $19.5 million if it can reduce those costs by 5% to 7% through a contract modification.

In addition to the wage gap, ABF also was required to pay $1 more an hour starting Aug. 1 for health, welfare and pension costs under the NMFA. YRC, by comparison, had to pay just 20 cents an hour under the recently approved modification.

"ABF has experienced employees who continue to be highly productive during the current, recessionary environment," Humphrey told TT. "They are a valuable asset to our company."