ABF CONTRACT STRAIGHT TALK

December 19, 2012

ABF STATEMENT ON TEAMSTER CONTRACT NEGOTIATIONS

ABF Freight System, Inc. on December 18 began pivotal negotiations with the Teamsters National Freight Industry Negotiating Committee (TNFINC).

The company's goal is to secure a new contract that allows ABF to substantially lower its costs, become more flexible and better compete in a rapidly changing marketplace that has seen hundreds of union carriers go out of business and non-union carriers proliferate. For the first time, ABF is negotiating for its own national contract, creating an unprecedented opportunity for both parties to work together and fix the labor cost problems that have led to $230 million in losses since 2009.

ABF was disappointed to see a public update distributed just prior to the start of these important negotiations stating that "management labor costs" are excessive, and that an economy growing at four percent would somehow fix ABF's problems. Neither of these statements is correct, and it is important to clarify misconceptions and focus on what ABF really needs to compete.

When it comes to executive compensation, here are the facts. Comparing the combined ABC CEO salary and incentive to our publicly traded large LTL peer companies, Judy McReynolds' salary and incentive was 58% of the average of the other companies in 2011. In other words, she was paid about 40 percent less than her peers. In addition, all of the compensation of ABF officers including Ms. McReynolds adds up to less than one-half percent of ABF's costs.

In contrast, ABF Teamster employees are at the highest levels of pay relative to all of their peers in the LTL industry in total compensation including wages, health and welfare, and pension. Last year alone, ABF paid $244 million in just union pension, health & welfare. More than half of that huge amount, $132 million went to union pension expense alone.

It is important to review the f-acts about executive compensation at the only other NMFA LTL carrier left, YRCW. YRCW's CEO in 2011 was paid $2.5 million in total compensation for just five months, nearly twice what Arkansas Best's CEO was paid for the entire twelve months of 2011.

This was despite the fact that Teamster leadership has acknowledged that Arkansas Best's ABF is the best-run carrier in the LTL industry. In addition, two Teamster representatives sit on YRCW's board of directors, which approved the $2.5 million 2011 compensation package for the YRCW CEO.

Clearly then, the compensation of ABF executives cannot be excessive when compared with their peers and particularly that of YRCW, which received numerous concessions from lenders and employees to stay afloat. ABF encourages all Teamster employees to review YRCW's 2012 proxy statement located on its website, http://investors.yrcw.com/annuals.cfm, and compare figures themselves.

It is also a fact that ABF's problems will not be fixed by an improvement in the economy but must be solved by lowering its costs and gaining greater flexibility.

Since 1999, six out of 10 union LTL jobs have disappeared while non-union jobs have increased 160 percent. Even during periods when the economy was strong, this trend continued. Following a peak of 500,000 Teamsters covered by the National Master Freight Agreement in the 1980s, ABF is now negotiating on behalf of just 7,500.

These structural changes and job trends in the LTL industry will not be fixed by an improvement in the economy. In any case, there is no projection or past level going back to historical growth trends since the 1930s that will produce the levels of growth needed to bring ABF back to its pre-recessionary earnings.

This is precisely why ABF is negotiating for a vastly different contract. As company officials have told the Teamsters leadership, if the company is not able to dramatically lower its union labor costs and gain flexibility through mutual agreement with the Teamsters, extensive changes to the network including closure of terminals and distribution centers will occur. The severity of those changes depends upon the savings ABF is able to achieve.

ABF has been informing its Teamster employees about the reality that the current cost structure of wages, health & welfare and pension simply is not sustainable. Burdensome costs have directly resulted in lost market share and lost jobs at ABF. That is a fact.

In the coming months, ABF hopes to engage the Teamsters' negotiating team in a meaningful dialogue about ways to lower costs, preserve jobs and grow market share.

ABF will continue to provide accurate information to its own employees and correct misstatements, and encourages everyone to be informed about the facts.

After 90 years in business, ABF looks to the Teamsters to work from factually based information and help craft a much better contract so that a vibrant, healthy ABF can continue to provide good jobs and superior customer service for another 90 years. Without such an agreement to lower costs and create much greater flexibility, continued market share and job loss will certainly result.