Hostess to liquidate in wake of strike by US bakery union

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Snack food maker Hostess says it is going out of business and closing all its bakeries and distribution centers in the wake of a strike by members of the Bakery, Confectionary, Tobacco Workers and Grain Millers union (BCTGM).

The action threatens to eliminate 18,500 jobs. Hostess operates 33 bakeries, 565 distribution centers, 570 bakery outlet stores along with some 5,500 delivery routes.

The company had previously given striking workers a Thursday 5 p.m. deadline to return to work or face losing their jobs. Hostess CEO Gregory Rayburn reacted angrily to the refusal of workers to back down declaring, “I don’t know if they thought that was a bluff.”

“It’s over, this is it,” he added.

Hostess filed a petition Friday with the US bankruptcy judge overseeing the company’s reorganization for permission to shut down its operations and sell its assets. It plans to close its bakeries and distribution centers as soon as November 20 and fire all its remaining workers except for the handful needed to prepare its facilities for sale.

Bakery workers struck on November 9, one month after a bankruptcy court gave Hostess the go-ahead to unilaterally impose massive concessions that had been previously rejected by an overwhelming 92 percent vote. They included cuts to wages and benefits in the range of 27 to 32 percent, including an immediate 8 percent wage reduction. The contract also imposed changes to work rules, including the elimination of overtime pay after 8 hours.

The concession rejected by the BCTGM members included a provision granting the 12 unions at Hostess a 25 percent ownership stake in the re-organized company, representation on its Board of Directors and $100 million in interest-bearing Hostess debt.

The announcement by Hostess that it was going into liquidation follows its closure earlier in the week of 3 bakeries employing 627 workers. The company had warned that a protracted strike would force it to cease operations.

The closures will devastate communities across the United States. Many of the cities where Hostess has bakeries are small and the closures will have a heavy impact on the local economies. It comes as new US Census data shows that nearly one in six Americans are living in poverty.

Hostess, maker of products such as Twinkies and Wonder Bread, filed for Chapter 11 bankruptcy protection in January 2012. It was the company’s second bankruptcy filing in less than a decade. Management cited a declining market for its products as well as pension and health care costs as major factors contributing to its financial difficulties. The company stopped paying into the BCTGM pension plan last year. The company currently has some $2 billion in unfunded pension liabilities to the Teamsters and BCTGM.

The BCTGM is the bargaining agent for 5,680 Hostess workers. Another 7,500 workers are covered under a separate contract with the Teamsters. In September members of the Teamsters narrowly approved concessions similar to those rejected by bakery workers. Reports indicate that Teamster members have been largely honoring the bakery workers’ picket lines, despite the refusal of the Teamster leadership to endorse the strike.

A striking Hostess worker in Biddeford Maine, Jerry Leighton, told the Maine Public Broadcasting Network, “It’s too bad it has to come to this. But in order to stop them from basically grilling people into the ground we

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have to do it."

Another striker added, "I am sure the whole nation is looking. We gotta stand strong and do whatever it takes until the bitter end."

In a statement posted on its website the BCTGM said, "Our members are on strike because they have had enough. They are not willing to take Draconian wage and benefit cuts on top of the significant concessions they made in 2004 and give up their pensions so that the Wall Street vulture capitalists in control of the company can walk away with millions of dollars."

However, the BCTGM has advanced no strategy to defend workers' jobs. Its calculation in calling the strike appears to have been to force Hostess into liquidation in the hopes that a new owner would recognize the union.

The majority stakeholder in Hostess is the private equity firm Ripplewood Holdings. The head of Ripplewood, Tim Collins, is a financier with connections to the Democratic Party. The firm acquired Hostess after it came out of bankruptcy in 2009, in the process imposing massive concessions on the unions.

Hostess' major lenders are the hedge funds Silver Point Capital and Monarch Alternative Capital. Known as "vulture funds," they buy the debt of distressed companies at a steep discount in order to squeeze out profits by slashing jobs, pay and benefits. As the senior secured debt holders of Hostess, Silver Point and Monarch stand to lose little, and could even profit, from the liquidation of the company, especially if a buyer can be found for most of Hostess' assets.

Among those potentially interested in Hostess is Mexican billionaire Daniel Servitje Montull, who runs Grupo Bimbo, a bakery that ranks as the world's largest bread maker. Last year Bimbo bought US bakery company Sara Lee for $709 million.

The liquidation of Hostess raises a number of fundamental issues, in the first place the destructive character of the private capitalist ownership of the means of production. The subordination of economic life to the drive for private profit threatens the immiseration of ever-wider layers of the population.

The alternative is the struggle for socialism, including the nationalization of the food processing industry under the democratic ownership and control of the working class. Only in this way can the vast productive forces of mankind be organized in a rational way to meet human needs, not corporate profit.

The needs of workers and their families for jobs and decent living conditions must take precedent over the interests of the financial aristocracy.

This requires a political struggle. The working class must break with the Democrats and Republicans, the two parties of Wall Street, and construct a political party of its own. It must fight to establish a workers government to reorganize economic life in the interests of the majority, the working class, not the ruling elite.

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