

Judge approves Hostess liquidation, eliminating 15,000 jobs

Patrick Martin

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A federal bankruptcy judge in White Plains, New York, issued a ruling Wednesday endorsing the immediate liquidation of Hostess Brands, the maker of Twinkies and Wonder Bread. The company began sending out layoff notices to 15,000 workers and closing dozens of plants and distribution centers.

The frontal assault on a section of the American working class came in response to the second week of a strike by members of the Bakery, Confectionery and Tobacco Workers and Grain Millers International Union, which has halted operations at most of the company's bakeries.

Hostess management asked for Judge Robert Drain's approval of the liquidation to speed the sale of the company's assets to outside bidders, which at least one banker told the judge could net \$2.4 billion.

The banker, Joshua Scherer of Perella Weinberg Partners, cited more than a dozen inquiries from potential buyers, calling it "a once-in-a-lifetime opportunity to get iconic brands separate from their legacy operators."

Stripped of business jargon, this means that purchasers want to acquire the company's products but not employ its workers, or take any responsibility for the benefits owing to retirees.

Hostess management claims that it has been spending \$1 million a day in payroll for headquarters and security personnel, as well as a relative handful of workers who have crossed picket lines, while receiving zero revenue from sales. The company also asked the bankruptcy court to approve payment of \$1.75 million in incentive bonuses to 19 senior managers during the liquidation.

Hostess CEO Gregory Rayburn said the company had begun to send out termination notices to its workers, declaring, "Those employees now need to look for

work."

The bakers' union called the strike November 9 after members overwhelmingly rejected the company's demand for a further slash in pay, on top of the cuts imposed in 2005. The strike halted production at some three dozen plants, and dried up the supply of products to hundreds of distribution centers, where Teamsters union members are employed.

The Teamsters, the largest union at Hostess, imposed an 8 percent cut in wages and 17 percent cuts in benefits on union members at Hostess, in the name of saving the company, but Hostess management simply pocketed the concessions, gave themselves raises—the CEO's annual compensation shot up from \$750,000 to \$2,550,000—and demanded further cuts.

Teamsters general secretary Ken Hall, the number two official in the organization, issued a statement lamenting the shutdown but proposing no action. "This is a tragic outcome and our thoughts and prayers go out to all Teamster Hostess members and all Hostess employees," he wrote, as though the company had been shut down by an earthquake or Hurricane Sandy, not a decision by highly paid corporate executives and their hedge fund backers.

Officials of the BCTGM, the smaller union at Hostess, have sought to maneuver with potential buyers of the company who might be willing to retain the skilled bakers, even as they dispense with the less skilled warehouse workers and truck drivers.

According to a column in the *Wall Street Journal* published Wednesday, executives of the bakers union and of the Teamsters union were at each others' throats, with the BCTGM looking for a deal that would eliminate work rules at the expense of Teamsters jobs, but cutting costs enough to make continued operation of the bakeries profitable.

In a filing before the bankruptcy judge, the BCTGM noted “what everyone in the baking industry knew: Hostess’s production costs were neither excessive nor out of line with the market but its distribution costs were—to the tune of between \$80 million and \$130 million annually.”

Hostess filed bankruptcy in January 2012, its second trip to bankruptcy court in eight years. The company sought permission from Judge Drain to impose a five-year contract including an 8 percent cut in wages the first year, the same cut already agreed to by the Teamsters. The union did not oppose the cuts, but the rank-and-file bakers voted to walk out and forced the strike.

In a court session Monday, Judge Drain noted, “The bakers union did not object to the relief that was sought,” referring to the wage cuts. He called the union’s silence “somewhat unusual, to say the least, and perhaps illogical.”

In other words, there is not a shred of principle in either of the two unions, each seeking to cut the wages and benefits of all the Hostess workers, albeit shifting the worst of the cuts onto the members of the other union.



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