Yellow freight and Apollo Global Management: What are workers up against?

Alex Findijs
26 July 2023

Attend the online public meeting "The way forward against the sellout Teamsters contract at UPS," hosted by the UPS Workers Rank-and-File Committee, this Saturday, July 29, at 7:00 p.m. Eastern Time. Register for the event here.

Yellow, the third largest less-than-truckload (LTL) freight company in the US, is planning to file for bankruptcy on Monday, according to a report in the industry publication *Freightwaves*. Thirty-thousand workers could lose their jobs, including 22,000 members of the Teamsters.

It is clear that the only effect of the Teamsters bureaucracy's decision to call off the planned strike on Monday has been to give the company time to move freight off its docks and position its trucks and other equipment in the most convenient place to auction them off.

Yellow's financial problems stem from its decades of massive debt accumulation. In 2003, Yellow borrowed $675 million to purchase competitor Roadway for $1.1 billion. Shortly after, in 2005, it purchased USF for a further $1.37 billion. The next year the freight market crashed, and Yellow's revenue dropped by a staggering 40 percent. With the additional economic pressures of the 2008 financial crash, Yellow's situation worsened, and it lost hundreds of millions of dollars.

During this time, the Teamsters agreed to hand over massive concessions to the company. In both 2009 and 2014, the Teamsters pushed through a 15 percent wage reduction, and Yellow's benefit obligations were sharply reduced. Today, Yellow pays only a quarter of what it should to the Central States Pension Funds, the joint union-employer trust which provides benefits for 360,000 retirees and beneficiaries.

Still desperate for cash, Yellow issued $700 million in bonds in 2014 and borrowed a further $450 million. This debt could have sunk Yellow, but in 2019 Apollo Global Management stepped in to grant Yellow a lifeline with a $600 million loan. It then leveraged its connections with the Trump administration to win Yellow a $700 million loan from the United States Treasury at the onset of the pandemic.

Apollo was founded in 1990 by investment bankers from Drexel Burnham Lambert and close associates of Michael Milken, the "junk bond king," who pocketed $1 billion over four years before the Wall Street firm collapsed in 1990. Milken would later serve two years in prison for securities fraud after accepting a plea bargain that included a lifetime ban from the securities industry.

The international capital investment firm, with nearly $600 billion in managed assets, has a long history of targeting struggling companies, stripping their assets and attacking workers' jobs, wages and pensions, and loading them up with debt to pay off investors before "flipping" the companies, like a real estate speculator flips houses. It is a prime example of the financial parasitism that characterizes American capitalism.

In just the past few years, Apollo has swallowed up the craft store Michael's, car rental company Hertz, Verizon Media, Venetian Resorts and Casino in Las Vegas, Kindred Healthcare and call center company Alorica, among others, and it has invested billions of dollars in AirFrance-KLM, tech manufacturer Wolfspeed, and car rental company Carvana.

With its major investments, it has doubled the number of workers employed by its purchased companies to more than 550,000, technically making it the fifth largest employer in the United States behind the likes of Amazon and Walmart.

Apollo has a long history of purging workforces after acquiring a company. In 2012, it acquired the chemical manufacturing company Momentive Performance Materials and forced through huge pay cuts. Conditions at the plant worsened so considerably that several workers were severely injured in a chemical accident.

Prior to the pandemic Apollo had bet on Hertz failing to repay its debt, purchasing shares in insurance claims on Hertz's debt. When the pandemic exacerbated the car rental company's debt situation, in the billions of dollars, Apollo swooped in to invest billions of dollars in Hertz, coinciding with the elimination of 10,000 jobs at the company.

Last year Carvana fired 2,500 workers in May, followed by another 1,500 in November. And this year, Yahoo!, an internet media company owned by Apollo, announced that it was laying off 1,000 workers, 12 percent of the workforce, and that it would seek to reduce the number of employees by 50 percent by the end of the year.

Warrior Met Coal

One of the most notorious examples of the financial looting by Apollo and the collusion of the trade union bureaucracy involves Warrior Met Coal. In 2016, Apollo was part of a group of private equity firms, including Blackstone and KKR, that agreed to take over the mines of bankrupt Alabama coal company Walter Energy in exchange for covering its debt claims.

As part of the agreement in the federal bankruptcy court, the private equity firms that formed a new company, Warrior Met Coal, were allowed to abrogate the terms of the prior labor contracts, terminate pension plans and dump retiree obligations into the US government's Pension Benefit Guaranty Corporation. Far from opposing this, United Mine Workers officials acted as the debt collectors for these financial parasites by blackmailing workers into accepting a $6 an hour pay cut and other concessions to supposedly "save" their jobs.

With the low-cost labor agreement in hand, the owners of the private equity firms enriched themselves. According to the *Financial Times*, before its initial public offering in 2017, Warrior paid Apollo and the other private equity firms a $190 million dividend from cash on hand. "A few months later it paid a $600m dividend funded with cash as well as a $350m debt offering," the newspaper reported.

On April 1, 2021 more than 1,100 Warrior Met coal miners went on strike after rejecting by 99 percent a contract backed by the UMW which restored less than a quarter of the hourly wage cut the union accepted.

Union officials responded to this resounding rebuke by deliberately isolating the strike. After rank-and-file workers courageously struck for nearly two years, the UMW called off the strike in March 2023 and ordered miners back to work without a new contract.

Yellow freight

While Apollo does not own Yellow, it is a major investor that has taken near direct control over Yellow's financial decision-making through a dedicated representative in its corporate management, which was granted in exchange for more lenient conditions on debt payments.

There is little doubt that Apollo executives were behind Yellow's refusal to make required pension and benefit contributions to the Teamsters Central States Pension Funds last week.

Apollo's ultimate goal with Yellow is uncertain. It may seek to bankrupt Yellow and sell its parts for scraps, or it may be trying to keep Yellow alive long enough to make an eventual purchase—accompanied by the customary slashing of jobs and wages—cheaper than it would be currently.

Regardless of Apollo's particular plans it is clear that Wall Street is demanding that workers pay for its profits.

Apollo is not just seeking to buy out companies either. Apollo, through its insurance investment subsidiary Athene, is a major player in the Pension Risk Transfer market (PRT). PRT is when a pension provider seeks to offload the risk of pension funds in an insurer. According to *Businesswire*, Athene tends to "reinsure most of its assumed pension obligations to affiliates based in Bermuda." The bonds backing the obligations would be sold and replaced with "relatively illiquid investments" many of which "were originated or managed by other Apollo affiliates, which resulted in additional fees paid to Apollo."

PRTs reach into the billions of dollars every year. Athene alone has purchased the corporate pension plans of JCPenney, Lockheed Martin, Lumen Technologies, AT&T and Alcoa in deals worth tens of billions of dollars.

Teamsters Central States Pension Funds

Apollo does not have a stake in Teamsters pension funds, but Blackrock, an even larger private equity firm with trillions of dollars in managed assets, is the named fiduciary for the Central States Pension Funds.

The trade union bureaucracy is not merely a spectator in this financial looting, they are junior partners. Half of the trustees on the Central States Pension Funds and Health and Welfare Fund are Teamsters bureaucrats or officials tied to the union bureaucracy. The union chair of the fund, for example, is Chuck Whobrey, president of Teamsters Local 215 in Evansville, Indiana, and vice president of Teamsters Joint Council 94.

Founded in 1955 by Jimmy Hoffa, the Central States Pension Funds has long been a source of income for the corrupt and criminal Teamsters bureaucracy, from the issuing of loans to the Mafia to fund Las Vegas casinos to the kickback schemes from real estate investments in California and Florida.

At the same time, the collusion of the Teamsters bureaucracy in the deregulation of the trucking industry has reduced the number of employers contributing to the fund from 11,000 in the 1960s to 1,000 today. Adding to the precariousness of the fund was the collapse of risky investments during the bursting of the dot.com bubble in 2001 and the 2008 financial crash.

Despite the public relations campaign by the Teamsters and other unions against "private equity firms," the unions have worked with these Wall Street investors time and time again, particularly in the restructuring of the trucking, airlines, mining, steel and auto industries. The union bureaucracies have traded away the jobs, working conditions and pensions of their members in exchange for positions on corporate boards, control over massive retiree health and pension funds and billions in corporate shares.

Apollo and the broader financial oligarchy are bearing down on Yellow and logistics workers in general. They are demanding that workers pay for increased profits for finance capital through squeezing every last dime from them.

Despite the threat to 22,000 jobs, the Teamsters are totally prepared to work with another set of financial parasites or let the company collapse without lifting a finger to defend workers' livelihoods. "These executives are completely incompetent," Teamsters President Sean O'Brien said. "They have destroyed this business. Our members have already made a lot of sacrifices. They have made enough sacrifices. A poor job may not always be worth it."

Although O'Brien has claimed the union will make no more concessions, the agreement to prevent a strike and to give Yellow another month to make $50 million in pension payments coincided with the resumption of talks with the company. According to a union press release, its negotiating committee was scheduled to meet with Yellow representatives last Sunday night in Washington D.C. "to review the state of the company and the current contract."

O'Brien did nothing to oppose the elimination of 2,000 jobs at Yellow last winter, and he will once again use the threat that Yellow will go out of business to impose even greater concessions on workers.

The Teamsters called off the strike because it feared that a walkout by Yellow workers would encourage similar actions by 340,000 UPS workers. Two days after preventing the Yellow strike, the Teamsters announced that it had reached a deal to prevent a strike by UPS workers. The agreement is a miserable sellout that maintains poverty wages and hours for part-time workers and a pathetic 15 percent increase for package delivery drivers by 2028, amounting to a substantial further cut in real wages.

The fight against job and pay cuts cannot be left in the hands of the Teamsters bureaucracy. Yellow workers should take up the fight for the formation of a rank-and-file committee to link up their fight with UPS workers and broader sections of the working class to fight for the right to secure and good-paying jobs and fully paid health care and pension benefits for all.

This is not a fight against simply one financial firm but the entire capitalist system, which funnels the wealth produced collectively by the working class into the hands of the corporate and financial aristocracy. The Biden administration and both big business parties have endless resources to bail out the financial speculators, while repeatedly blocking strikes by railroad workers and others to defend their livelihoods.

That is why a militant fightback must be combined with a political struggle by the whole working class to take political power into its own hands and transform the giant logistics, industrial and financial firms into public enterprises, collectively owned and democratically controlled by the working class as part of the socialist transformation of the economy.