Days after Teamsters calls off strike, Yellow freight prepares to declare bankruptcy

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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 Corp, the third largest less-than-truckload freight company in the United States, plans to declare bankruptcy on Monday according to a report from FreightWaves. Three employees of Yellow's sales team spoke to FreightWaves after the company's senior vice president of sales informed them of the plan Wednesday morning. The executive advised them that they were approved to discuss the bankruptcy with customers.

That same vice president then backtracked the statement after the news was leaked, informing the sales team that afternoon to "correct" any news of bankruptcy to customers and that "Yellow's talks with the IBT are ongoing. As previously stated, and in keeping with fiduciary responsibility of the company's executives, the company continues to prepare for a range of contingencies."

However, this appears to be just a "correction" to the company's public messaging on its financial situation. A bankruptcy has been widely expected for months as the company is deep in debt and continues to burn through cash. FreightWaves reported that a tech employee was also told that the company would file for bankruptcy on Monday and that they should start sending out resumes for other jobs.

The news comes only days after the International Brotherhood of Teamsters (IBT) called off a strike by its 22,000 members at Yellow, which had been due to begin on Monday. Instead, the union bureaucrats announced a "deal" under which the company would have another 30 days to pay a $50 million pension obligation, which it missed in mid-July, "with the understanding the company will do so within the next two weeks." Instead, the company is using the added time to file for bankruptcy within *one* week, putting the pensions and jobs of thousands of workers on the chopping block.

The cancellation of the strike was a major betrayal whose aim was not only to sell out workers at Yellow, but to clear the deck for a betrayal at UPS. Two days later, the union announced a miserable tentative agreement to head off a strike of 340,000 workers at the logistics giant, sparking mass outrage among the rank and file.

Yellow has so far not made an official announcement of its bankruptcy plans, but the financial situation of the company is dire. Corporate liquidity was reported to just be $100 million at the end of June. Market analysts from Stephens, a financial services company, estimated that Yellow was losing $4 million a week during the second quarter of this year. Additional reports of customers leaving Yellow after the brief threat to strike point to a rapid loss of revenue and cash on hand.

The Stephens analysts estimated that Yellow spent $20 to $25 million in cash just in the last week and that it could be losing as much as $10 million a day due to the drop in volume. If these numbers are accurate then Yellow is most likely well below $35 million in cash and could possibly be out of money entirely.

Thirty-five million dollars in cash is the threshold set by Yellow's lenders, led by Apollo Global Management, in an agreement between lenders and the company earlier this summer to relax Yellow's debt conditions in exchange for direct oversight of Yellow's finances by lenders.

Once Yellow drops below $35 million in cash holdings, it will be in breach of the debt covenant and Apollo and other lenders could demand immediate repayment on hundreds of millions of dollars. Lacking the funds to repay its investors, Yellow would be forced to declare bankruptcy and sell off its assets, putting 30,000 jobs, including 22,000 Teamsters, at risk.

Wall Street, however, has made it clear it will not inject additional cash without major cuts at Yellow.

Over the past few years Yellow has worked to implement its One Yellow plan, a consolidation of its subsidiaries including the closure of several hubs and the conversion of many jobs into “utility” positions, in which workers both drive trucks and work the docks. The intention is to cut expenses by shuttering physical locations and slashing labor costs.

Yellow’s investors have demanded that Yellow demonstrate its ability to eliminate jobs and cut pay and benefits before it is given another infusion of cash.

While phase one of One Yellow has already been implemented and thousands of jobs already lost, the Teamsters have offered no opposition to this consolidation except on the grounds that Yellow must codify the changes in contract language—in other words, that it carry out these cuts with the involvement of the union bureaucracy.

Over the past three contracts, the Teamsters agreed to a total of 30 percent wage cuts and the reduction of Yellow’s contributions to the Central States Pension Fund to a quarter of what it was. Workers received an 18 percent wage increase in 2018 which was promptly wiped out by inflation as the pandemic caused double-digit inflation rates.

Since the deregulation of the trucking industry under the Carter administration in the late 1970s, union membership in freight has collapsed. Union pay at Yellow is regularly below what non-union freight companies now offer.

Teamsters President Sean O’Brien has attempted to present himself as a reformer and a new militant voice of workers following the years of concessions under James Hoffa Jr. In reality, O’Brien was the right-hand man of Hoffa during his administration and a key architect of the 2013 UPS contract. The new administration’s top concern, as with the previous one, is the containment of worker’s anger at UPS and the prevention of strikes. The months-long theatrical “strike ready campaign,” in which O’Brien pledged thousands of times to strike UPS by August 1, was designed to get in front of this anger before it escaped their control.

Last winter he had the same objective when he sold out railroad workers, blocking strike action and working with the Biden administration to enforce a substandard contract that failed to meet workers needs.

O’Brien has spouted off tough talk about refusing to allow further concessions at Yellow, but has no strategy to oppose it. He has even stated implicit support for Yellow closing, stating that sometimes “a bad job isn’t worth it” and posting a meme on Twitter of a gravestone with Yellow’s logo on it.

O’Brien and the Teamsters appear unconcerned by the idea of Yellow closing and 22,000 union jobs being eliminated. As of this writing, they have made no public comment about the potential of an imminent Yellow bankruptcy. As far as the Teamsters are concerned the loss of 22,000 jobs is a small price to pay to keep UPS workers isolated. Moreover, Yellow’s reduced pension payments make Yellow workers a burden on the Central States Pension Fund, long used as a slush fund for union officials.

While the collapse of Yellow is the immediate fault of management and the vultures of Wall Street, the Teamsters would bear responsibility for the loss of jobs as well. They have made no effort to defend jobs and there has been no talk of what will happen to Yellow workers if the company goes under.

The defense of jobs cannot be left in the hands of the Teamsters bureaucracy. They have no solution to the shuttering of Yellow and its scavenging by Wall Street. The defense of jobs, pay, and benefits can only be taken up through the broader mobilization of the working class to defend workers at Yellow and join their struggle with the fight of other workers across the country and around the world.

Yellow workers should make the broadest possible appeal to workers at UPS, USPS, striking writers and actors, and workers of all industries to build a mass movement of the working class to put rank-and-file workers in control of their struggle and wage a counter offensive against the assault on wages, benefits and jobs.

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