

Wall Street moves to profit from mass layoffs as Yellow prepares to file for bankruptcy

Alex Findijs
5 August 2023

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After laying off 30,000 employees, national less-than-truckload company Yellow is set to be looted by Wall Street. Since its shutdown, Yellow has seen large investments from Boston-based hedge fund MFN, and a group of investors led by Apollo Global Management is reportedly preparing an investment to restructure Yellow's debt under a bankruptcy filing.

The immediate cause of Yellow's collapse was its inability to pay off its debt, totaling \$1.6 billion with \$1.2 billion due next year. Of this, \$700 million is due to the United States government and over \$500 million is due to Apollo, a major private equity firm with close to \$600 billion in managed assets.

Apollo played a leading role in Yellow's management over the last few years. It had kept Yellow afloat in 2019 by loaning it \$500 million, and Apollo co-founder Marc Rowan used his connections with the Trump administration to secure a bailout from the CARES Act.

Despite the influx of new cash, Yellow was still unable to manage its debt, and its only way out of potential bankruptcy was to cut costs. This took the form of Yellow's One Yellow plan, a massive consolidation program designed to sell off facilities, slash jobs and cut wages and benefits.

Phase two of One Yellow was delayed by contract negotiations with the Teamsters. With One Yellow stalled, Yellow was unable to convince Wall Street it could extract value from workers effectively. Investors made it clear that no new money would be made available until Yellow could prove that it could force workers to pay for its debts and Wall Street's profits.

Struggling to post a profit, Yellow quickly ran out of money and shuttered its operations last Sunday.

Yellow could easily enter into bankruptcy, which it

apparently has not done yet, and sell off its assets to pay back its investors. But Wall Street appears to have other plans for Yellow.

The hedge fund MFN has rapidly bought up shares of Yellow, now owning more than 40 percent of the company's shares (22 million). This seemingly peculiar move from MFN is a maneuver by the hedge fund to manage its investments in Yellow's rival XPO. Should Yellow declare bankruptcy and go under, MFN will see profits from XPO absorbing some of Yellow's volume. If Yellow survives bankruptcy and returns as a competitor, MFN will profit from its stake in the company. This investment sent the price of Yellow shares up by 78 percent to \$3.14.

MFN's gamble that Yellow might survive bankruptcy was accompanied by reports that Apollo and a group of other lenders are preparing to loan Yellow money as part of a debtor-in-possession (DIP) bankruptcy plan.

DIP is a form of Chapter 11 bankruptcy filing that allows for the debtor, Yellow, to continue with its operations on behalf of its creditors, such as Apollo. If Yellow does file for a DIP program, its creditors would be able to form a committee to oversee the company and manage its operations. If the committee believes that the company is not operating in its best interests, it can ask a court to appoint a trustee.

Essentially, Apollo and its associate lenders would take control over the company and its operations.

However, this does not necessarily mean that Apollo plans on resuscitating Yellow as it was operating previously. Under DIP, and even currently, Apollo has the first lien on Yellow's debt obligations. This means that it must be paid back first before anyone else, including the US government.

By loaning Yellow more money to restructure its debt under DIP, Apollo is able to guide how Yellow liquidates and take the prime pieces of Yellow's assets for itself.

Tom Goldsby, a professor of logistics at the University of Tennessee's Global Supply Chain Institute, told *Sourcing Journal*, "There appear to be all kinds of financial shenanigans going on around Yellow—none of which have anything to do with bolstering its potential as a viable trucking company into the future."

Apollo has used bankruptcy to attack workers and restructure companies before. In the case of Warrior Met Coal, Apollo and other private equity firms used the company's bankruptcy to erase pensions for workers and enforce massive pay cuts. And Apollo has reportedly been in talks to carry out a similar DIP program with Scandinavian airline SAS, which is also considering bankruptcy as it fails to force through concessions from airline workers. Apollo could be planning something similar at Yellow.

Regardless of Apollo's plans, it is clear that the working class has been made to pay for Wall Street's profits.

Effectively managed by Apollo, Yellow has carried out a major offensive against the working class on the behalf of finance capital and the US government. Worker resistance to exploitation was met with the annihilation of 30,000 jobs by Wall Street, which intends to use the collapse of Yellow to extract as much wealth from the working class as possible.

With the US government owning 27 percent of Yellow through its CARES Act bailout, the Biden administration has also played a critical role in the fall of Yellow. The US is fighting a two-front war against Russia abroad and the working class at home. In order to pay for the war—which is costing as much as Yellow's debt every week—and to enforce labor peace at home, the Biden administration has relied on the trade union bureaucracy to enforce sellout contracts and has intervened against workers directly where necessary.

The Teamsters are willing participants in this effort. Teamsters President Sean O'Brien met with Biden several times ahead of the congressional intervention against railroad workers last winter and was holding meetings with the Biden administration in the days before the announcement of a sellout contract at UPS this summer.

In response to the collapse of Yellow the Teamsters have hardly lifted a finger. It had canceled a strike at the last minute over the company's non-payment of its pension obligations, and announced a deal which supposedly gave the company an extra 30 days to pay. Instead, the company predictably ceased operations and

moved towards bankruptcy within only a few days.

In announcing that the company had ceased operations O'Brien simply stated, "Today's news is unfortunate but not surprising." In other words, nothing will be done to protect the livelihoods of 22,000 union members at Yellow. Instead of mobilizing the hundreds of thousands of Teamsters across the country to defend jobs, O'Brien and the union bureaucracy have allowed Yellow to lay off thousands of its members at one of the few remaining unionized trucking companies in the United States.

The idea that Yellow's demise was an inevitable and unfortunate event is a farce and is aimed at disarming the working class. Yellow is partly owned by the United States government and its investors are some of the wealthiest and most powerful financial organizations in the world. Yellow did not destroy 30,000 jobs because it had no other choice, but because Wall Street and the entire capitalist class demanded that workers pay the price for corporate profits.

It is worth noting that Yellow controlled 10 percent of the LTL market with revenues near \$5 billion. Its shuttering has shifted a mass volume of freight to other companies and prices have risen as a result. Rival companies and their investors will enjoy profiting from Yellow's fall while 30,000 workers are now out of a job.

The collapse of Yellow and the vulture circling of Wall Street is a warning to the working class as a whole, especially as 340,000 UPS workers begin voting on a sell out contract that fails to meet their demands. The capitalist class is prepared to annihilate jobs on a mass scale to bolster their profits and suppress labor unrest.



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