Yellow bankruptcy auction raises $1.9 billion for Wall Street

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7 December 2023

The bankruptcy auction of freight company Yellow was completed on Monday, with what formerly had been the third-largest less-than-truckload carrier in the US selling its real estate assets for nearly $2 billion. This sale has generated significantly more revenue than required to pay back Yellow's extensive debt, which totaled nearly $1.6 billion, including a $700 million loan from the United States government.

According to industry publication *Freight Waves*, several rival freight companies snatched up large swathes of Yellow's 170 terminals across the country. XPO purchased 28 terminals for $870 million; Estes Express, which had offered $1.525 billion for all of Yellow's terminals, purchased 24 for $248.7 million; Saia purchased a further 17 for $235.7 million; and Knight-Swift purchased 13 for $51.3 million, while several other companies purchased a handful of terminals each.

XPO is seeking $585 million in senior unsecured shares and a further $400 million in senior secured debt to finance the purchase and to refinance existing debts. Saia saw a significant increase in volume, up 18 percent over last year in quarter four, after Yellow's bankruptcy as it absorbed much of Yellow's volume. It has increased its workforce by 1,000 to 13,000 along with its bid for Yellow's terminals to meet this new demand.

Court documents show that Yellow still retains 46 terminals that remain to be sold. Objections to auction sales may be made through this Friday and the bankruptcy court is expected to hold a hearing to finalize the sale of terminals on December 12.

In addition to Yellow's terminals, it also owns 12,000 tractors and 35,000 trailers that will be sold in separate auctions through auction houses Nations Capital, Ritchie Brothers and IronPlanet. Liquidating Yellow's rolling stock is expected to take up to six months and could generate millions in additional funds.

The auction of Yellow's terminals comes after a bidding war between Estes Express and Old Dominion, which had both offered at least $1.5 billion to take over all of Yellow's terminals. Estes Express's most recent bid of $1.525 billion was accepted as a "stalking horse bid" which meant that it set the floor for all additional bids.

Yellow's management will be pleased with their decision to auction their terminals separately, however, as they have raised substantially more money than Estes offered. With $1.9 billion raised, and with additional terminals and assets up for sale, Yellow will not only be able to pay off its immediate debt obligations, it will be able to consider payments to unsecured creditors.

The largest of these unsecured creditors is the Teamsters Central States Pension Fund. Tom Nyhan, executive director of the Central States, Southeast and Southwest Areas Pension Fund, said he believes they are owed almost $5 billion because Yellow withdrew from the fund prematurely. Yellow's sale is incapable of raising enough funds to pay the pension fund what it is owed, and it is unclear how the Teamsters might seek legal action over the outstanding funds.

Yellow's auction also disrupts a last minute offer by auto shipping company Jack Cooper to purchase Yellow and revive the company. Jack Cooper, whose main customers are Ford, General Motors and Stellantis, offered nearly $2 billion to purchase Yellow, repay its debts and fund the resumption of its operations, potentially rehiring thousands of the 22,000 Teamsters whose jobs were eliminated by Yellow's bankruptcy.

Jack Cooper's offer received support from the

Teamsters and from several US senators, including Elizabeth Warren and Bernie Sanders. In a letter authored by Democratic Senator from Ohio Sherrod Brown, the senators argued that, "At the end of the day, there are thousands of American families that want to see the company's doors reopen. Treasury needs to be clear-eyed that union families and the strength of our economy rely on jobs like the ones that were lost."

A major obstacle to the plan was the request by Jack Cooper for the US Treasury to extend the due date of a $700 million Cares Act loan by two years to 2026. The US Treasury was reportedly reluctant to do so. According to a report by the *Wall Street Journal*, Treasury officials argued that Congress would have to vote to extend the loan.

Yellow's demise and dismemberment has been, and will continue to be, a massive payday for Wall Street at the expense of the livelihoods of its 30,000 employees. Major creditors MFN, a Boston-based hedge fund that purchased a significant stake in the company as it was declaring bankruptcy, and Citadel, a private equity firm that purchased $500 million of Yellow's debt from Apollo Global Management, will reap a healthy payout from the auction. The two investment firms made a joint offer to take over as "debtor-in-possession," meaning they would fund Yellow's final operations as it prepared for auction in exchange for oversight of the liquidation process. They and other creditors will take home a sizable cut of Yellow's sale, recouping not just their investments but the interest on their loans.

Blame for Yellow's bankruptcy has been placed on corporate management for their inability to manage the company's massive debt. But blame also lies with the Teamsters, who gave billions of dollars in concessions to Yellow and refused to mount any resistance to the elimination of the jobs for 22,000 of its members. Yellow ultimately declared bankruptcy because it could not meet the demands of Wall Street that it force workers to pay for its debt. Wall Street investors, as well as the United States government which held a 30 percent stake in the company, decided that it was more financially beneficial to allow the company to perish than to make any effort to save the jobs lost. Even months after Yellow declared bankruptcy, former Yellow workers have found it difficult to find work elsewhere.

The bankruptcy of Yellow is a warning to the working class globally that the capitalist class is willing to put thousands of jobs to the sword to maintain the flow of profit. Tens of thousands of jobs were sacrificed to generate profit for Wall Street, with billions of dollars generated to satiate the demands of finance capital that the working class pay for its profits.