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TEAMSTERS SET THE RECORD STRAIGHT ON HOSTESS

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Failure To Execute Business Plan Led To Bankruptcy

(WASHINGTON) – The Teamsters Union today criticized assertions by Hostess Brands Inc. management that the company's current bankruptcy is the direct result of the costs associated with labor agreements. The Teamsters represent more than 7,500 delivery drivers and merchandisers at Hostess.

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Over the course of the nearly five years from 2004-2009 that then Interstate Bakeries Co. was in bankruptcy, the union workforce negotiated two rounds of concessions to do their part to help return the company to profitability. It was these concessions that led to the company's exit from bankruptcy in 2009 and laid the groundwork for substantial new investment from the company's current lenders and shareholders.

"Our members made real sacrifices to help pull this company out of bankruptcy," said Dennis Raymond, Director of the Teamsters Bakery and Laundry Conference. "It was not a failure of Hostess' workers that led to this bankruptcy, it was the inability of management to execute their business plan."

Hostess negotiated the current labor contract and incorporated that cost structure into its business plan before exiting bankruptcy. The company moved forward on this basis, fully knowing its cost structure and incorporating that cost structure into its subsequent projections – projections the company consistently failed to meet on the revenue side. All of the capital raised at the company's exit from bankruptcy - over \$500 million - was based on this cost structure and labor terms, all of which remain in place today.

However, as shown in the company's own public filings, the company's failure to achieve its projected revenue and business plan triggered its current financial problems. In fiscal year 2008, the company generated over \$2.8 billion in revenues. At the time, the company forecast achieving over \$3.1 billion in revenues in the most recently completed fiscal year, 2011.

Instead, Hostess achieved less than \$2.5 billion in revenues – a huge decline that accounts for all of the company's cash flow shortfall. In fact, one of the few areas in which Hostess achieved its forecast was in its labor costs, which remain entirely consistent with the original projections.

There are many other examples of management missteps since the company emerged from bankruptcy, including failed product promotions, limited product innovation, limited marketing and inadequate local management support. Evidently the board agreed with these failures and terminated the previous CEO, Craig Jung, but not before a great deal of damage was done to the company and, by extension, the union workforce. While the current CEO, Brian Driscoll, has taken a number of positive steps, it proved to be too little, too late to overcome the mismanagement prior to his hiring.

"We have given so much to help this company but it seems that whatever we give is never enough," said Lawrence Snitkoff, a Teamsters Local 550 member who has worked for the company for 34 years in New York, NY. "I am three months away from retiring and now I don't know if I will be able to."

"Hostess management is trying to cast the workers as the scapegoats when the facts are clear – they failed to adjust their business plan to a changing and more competitive marketplace. As further evidence that labor costs were not the defining factor in Hostess' slide into bankruptcy, they still had to file bankruptcy despite unilaterally stopping pension payments in August 2011," said Ken Hall, Teamsters International Vice President. "Our members are dedicated to this company and plan to work to save it, if possible, but they should be thanked for their sacrifices, not blamed for the failure of the Hostess management team."

"As we have previously stated, it will take all parties – management, lenders, shareholders and employees – working together and sacrificing in order to fix this company. We remain committed to doing our part, but we are not going to do it alone," Hall said.