

## Oak Harbor Freight Lines

# Memo

**To:** All Employees  
**From:** Ron Kieswether  
**CC:**  
**Date:** 7/30/2009  
**Re:** Negotiation update

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At our last negotiation meeting we told the Mediator that “the Company will work on a concept to start a process that will hopefully get to a settlement” We have worked on that and, on June 5<sup>th</sup>, sent the attached letter to the Teamster Negotiation spokespersons outlining some items where we can start discussion in negotiations. We received a response to this letter from Al Hobart on June 23<sup>rd</sup> stating “I will contact the Federal Mediator soon to schedule dates to reconvene negotiations”. We understood that the Teamster Union was busy with contract negotiations with YRC & Reddaway that resulted in the agreement to reduce wages by 15%, reduce the Health & Welfare contributions, and eliminate pension participation and contributions for 18 months, so we have been waiting patiently for them to contact the Mediator to schedule dates.

On July 17<sup>th</sup>, we received a copy of a letter sent to the mediator Al Hobart suggesting dates to reconvene negotiations. We are currently working with the mediator to schedule dates.

It appears that the letter sent on June 5<sup>th</sup> with ideas of issues that need to be discussed has been copied and shared with some and we would like to make sure each of you have an opportunity to see the original, complete copy. It is posted with this memo.

A lot has happened in our industry and the economy since our last proposal in September 2008. There are many issues to discuss in order to find greater efficiencies. This letter is our attempt to begin the negotiation process again by giving some ideas of areas we can discuss that have been agreed to in other Teamster contracts.

In light of what is happening in the economy and in our industry especially, our goal is to negotiate to ensure Oak Harbor remains flexible and strong to meet any challenges. As we have stated many times, we want to celebrate our 100<sup>th</sup> anniversary strong, stable and viable.

*for our union employees if you have any questions about our proposal you may ask us. If you have feedback or input about our proposal you must bring that to the union, the union is the lawful representatives of our union employees. We simply want employees to know what we are offering and why*

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June 5, 2009

Mr. Buck Holliday  
Teamsters Local 690  
1912 N. Division St., #200  
Spokane, WA 99207

Mr. Allen Hobart  
Teamsters Joint Council 28  
14675 Interurban Avenue S., #301  
Tukwila, WA 98168

Mr. Ken Thompson  
Teamsters Local 231  
1700 N. State  
Bellingham, WA 98298

Re: Oak Harbor Freight Lines

Dear Negotiating Spokespersons:

We are writing to you as the Spokespersons for the several Unions currently negotiating for a new labor agreement with Oak Harbor Freight Lines. As we resume our negotiations, the difficult economy has had an adverse impact on the trucking industry. The several Teamsters Union locals representing Oak Harbor employees are no doubt well aware of the difficulties facing truckers. The media is filled with stories of trucking companies facing intense economic pressures and negotiating reductions. The Employer's Doc. #8 offer was offered as a package. It was rejected. It is withdrawn, and the Employer is reassessing the totality of its position given the new economic climate.

With regard to our negotiations, the economy has placed Oak Harbor in a position of desiring greater efficiencies. We are suggesting that together we look at several concepts leading to increased efficiencies.

The first area we think is appropriate to discuss is employee scheduling. With an overall acceptance of the principle of qualifications and seniority similar to the expired agreement to be included in a new agreement, we would like to discuss changes in daily/weekly guarantees and work assignments. Also, the ratio of fixed and floating starts, overall use of all employees to get the work done for our customers and scheduling time off needs to be revisited. We are examining these areas of

the expired labor agreement, and we welcome your thoughts. For example, here are some items that are in other Teamster agreements we think we need to discuss with the Unions:

- 10% reduction in wages
- Make guarantee for 4, 6, or 8 hours
- After 40 hours worked, the Employer has no obligation under seniority to continue to work the employee that workweek and may use a junior employee at straight-time
- Adjust the number of employees allowed on vacation each week based on service levels
- Increase the percentage of floating bids
- Change lump sum pay out of vacation pay to "pay as you go"
- Other items that improve economic efficiencies
- Pension changes

Another area we think is appropriate to discuss is efficient use of time at work. This includes unresolved issues like union visitation, time off from work (including leaves), and the use of Utility B employees.

Other economics will also need to be addressed. Unresolved topics should be looked at again with recognition that a competitive efficient package should be established. Among the concerns are wage rates of utility workers, guarantees for workdays, wage rates in general, and benefits savings.

There are also some discussions that need to be had with regard to returning strikers and their status. For example, there are several returning strikers who have not responded to a recall letter or have not returned from leaves of absence. What is the Unions' position on these individuals?

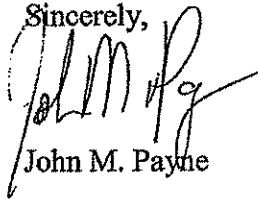
As the Employer weighs its options, we would like to know how the Unions prioritize the economic and non-economic language items before us.

We want to be clear that we are not pleading inability to pay. There are economic adjustments that Oak Harbor is reviewing to improve its economic efficiencies. How flexible do you believe the Unions can be? If you would prefer some "what if" discussions, we would be willing to so engage.

As we work toward a new labor agreement in this new economic climate, it is our goal to ensure that Oak Harbor Freight Lines is one of the trucking companies that remains flexible and strong in meeting the challenges we perceive to success. We believe celebrating the Company's 100<sup>th</sup> anniversary with a strong viable company is in everyone's interest and we will be working with the Unions to achieve such an agreement.

Please let us know your comments.

Sincerely,

A handwritten signature in black ink, appearing to read "John M. Payne", written in a cursive style.

John M. Payne

JMP:tac

cc: Bob Braun