

# Unresolved Hostess Contract Disputes May Hinder Bankruptcy Agreement

by Joel R. Glucksman on April 19, 2012

Union workers and Hostess Brands management have failed to reach an agreement in employee contract negotiations, which may serve as another obstacle to the company's bankruptcy reorganization.

The company filed for protection under bankruptcy law in January, and since that period, Hostess has been working on new union contract negotiations that will allow it successfully to reorganize and avoid liquidation, according to The Associated Press. Although Hostess has said it will petition the court to throw out existing union contracts if workers fail to agree with its final offer, the union submitted a counteroffer last week and threatened to strike if the contracts were tossed, the AP reports.

New contracts drafted by Hostess would reduce pension benefits, employ cost-cutting measures related to work rules, and outsource more delivery positions. The counteroffer submitted by the union workers offers \$150 million in concessions each year, which would serve as an addition to the \$110 million in concessions that the union agreed to three years prior, the AP reports. Workers also requested that safeguards be put in place to ensure that concessions are not "squandered" by Hostess executives.

In addition, union members offered to suspend pension contributions until next summer. With the majority of its workers belonging to the union, rising pension and medical benefits costs were one of the primary reasons cited by the company in its bankruptcy filing last winter. Currently, only 3,100 of the 19,000 Hostess employees are not union members, the AP adds.

Despite ongoing negotiations, Hostess representatives say that the union offers may not be enough to entice the company, which hopes to raise at least \$400 million in order to exit bankruptcy.