Twinkies Maker Hostess Gives Unions 'Final' Offer

David Koenig, AP Business Writer

DALLAS (AP) — The company that makes Twinkies, Wonder bread and Ding Dongs says it's making a final offer to workers to accept cost-cutting before it asks a bankruptcy court to impose the cuts.

Hostess Brands Inc. wants the Teamsters and bakers' unions to accept reduced pension benefits and changes in work rules to lower costs. It wants to outsource some delivery work.

The company said Saturday that if the unions reject the offer, it will push ahead with efforts in bankruptcy court to throw out the unions' collective bargaining agreements. A union official warned that could lead to a strike.

Hostess Brands filed for Chapter 11 protection in January, its second trip through bankruptcy court in less than a decade. A trial to decide the fate of the union contracts is scheduled to start Tuesday.

Hostess wants to withdraw from some multi-employer pension plans, although it opened the door Saturday to possibly rejoining a few of the financially strongest plans. New hires would be covered by the same 401(k)-type retirement accounts used by nonunion and management employees.

The company's new CEO, Gregory F. Rayburn, said Hostess wants to cut annual pension contributions from $103 million to $25 million. Hostess also wants to change work rules that sometimes require two trucks instead of one, and to outsource deliveries to small stores.

Ken Hall, general secretary-treasurer of the Teamsters, said the union would reject the company's proposal and make a counteroffer Sunday. He said Hostess had provided only the barest details of how the new pensions program would work, and that employees already accepted big concessions in 2008.

Workers represented by the Teamsters and the bakery and confectionary workers' unions voted in February to authorize a strike, and Hall vowed Saturday that workers would walk off the job if the bankruptcy judge agrees to the company's cuts.

Rayburn said that if workers strike, the company will be forced to shut down and liquidate.

Hostess makes sugary confections familiar to generations of Americans and it bakes Wonder bread, a leading white bread.

Consumers increasingly have been buying other snacks, such as yogurt, and more wheat bread. White bread's popularity has plunged — in 2000, it was eaten in 54 percent of all U.S. homes compared to 36 percent last year, according to consumer-marketing research firm NPD Group.

Rayburn blamed Hostess' problems on high pension and labor costs that led to insufficient investment in the company and new products. Rayburn said he doesn't buy the healthy-diet explanation.

"If that were the case and that was sort of the downfall, there wouldn't be any chocolate companies out there either," he said. "There's a market for Twinkies and Ho Hos and Ding Dongs."

As part of its turnaround plan, Hostess wants to raise at least $400 million from current lenders or new investors or by selling brands. Rayburn said he has talked with a potential buyer of one of its small, regional brands.

Before the company filed for bankruptcy protection, eight top executives got pay raises last year of up to 80 percent. This month, some agreed to take $1 a year until the company comes out of bankruptcy or Dec. 31, whichever comes first, while others gave up their pay raises.