Hostess: Talks To Stave Off Shutdown Have Failed

The Associated Press

NEW YORK (AP) — Hostess Brands Inc., the maker of Twinkies and other snack cakes, said late Tuesday that it failed to reach an agreement with its second-biggest union. As a result, Hostess plans to continue with a hearing on Wednesday in which a bankruptcy court judge in White Plains, New York, will decide if the company can shutter its operations.

The renewed talks between Hostess and the Bakery, Confectionery, Tobacco Workers and Grain Millers International Union came after the company declared last week that it would move to wind down its business and start selling off its assets in bankruptcy court. The company cited a crippling strike that was started on Nov. 9 by the union, which represents 30 percent of Hostess workers.

After making its case to liquidate on Monday, the bankruptcy court judge noted that the two sides hadn't yet tried resolving their differences through private mediation. The judge noted that 18,000 jobs were on the line and urged the company and union to try to resolve their differences. Both sides agreed to hold mediation proceedings on Tuesday.

In a statement late Tuesday, Hostess said it would not comment on the breakdown in talks other than to say that mediation "was unsuccessful." A lawyer for the bakers union said he had no comment, citing mediation ground rules.

Hostess shut down its three dozen plants late last week after it said the strike by the bakers union hurt its ability to maintain normal production. The union says the company's demise was the result of years of mismanagement, however, and that workers have already given steep concessions during that time.

Hostess, weighed down by management turmoil, rising labor costs and Americans' changing tastes, is making its second trip through Chapter 11 bankruptcy restructuring. The company, based in Irving, Texas, had brought on CEO Gregory Rayburn as a restructuring expert in part to renegotiate its contracts with its labor unions.

The company reached an agreement with its biggest union, the International Brotherhood of Teamsters, on a contract that dramatically reduced pension contributions, as well as slashing wages and health benefits. But the company said the bakers union stopped returning its calls about a month ago.

The Teamsters urged the smaller union to hold a secret ballot on whether members wanted to continue striking. Many workers in the bakers union decided to cross picket lines last week but Hostess said it wasn't enough to keep operations at

normal levels.

Teamsters General Secretary Ken Hall said the failure of the mediation talks Tuesday and the likely shuttering of the company was a "tragic outcome" for Hostess workers.

Rayburn said that Hostess was already operating on razor thin margins and that the strike was the final blow. The bakers union meanwhile pointed to the steep raises executives were given last year as the company was spiraling down toward bankruptcy.

The company's announcement last week that it would move to liquidate prompted a rush on Hostess treats across the country, with many businesses selling out of Twinkies within hours.

Even if Hostess goes out of business, its popular brands will likely find a second life after being snapped up by buyers. The company says several potential buyers have expressed interest in the brands. Although Hostess' sales have been declining in recent years, the company still does about $2.5 billion in business each year. Twinkies alone brought in $68 million so far this year.

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