Judge Asks Hostess To Mediate With Union

The Associated Press

The tasty cream-filled golden spongecakes known as Twinkies won't die that easily after all.

Hostess Brands Inc. and its second largest union will go into mediation to try and resolve their differences, meaning the company won't go out of business just yet. The news came Monday after Hostess moved to liquidate and sell off its assets in bankruptcy court citing a crippling strike last week.

The bankruptcy judge hearing the case said Monday that the parties haven't gone through the critical step of mediation and asked the lawyer for the Bakery, Confectionery, Tobacco Workers and Grain Millers International Union, which has been on strike on Nov. 9, to ask his client, who wasn't present, if the union would agree to participate. The judge noted that the bakery union went on strike after rejecting the company's latest contract offer, even though it never filed an objection to it.

"Many people, myself included, have serious questions as to the logic behind this strike," said Judge Robert Drain, who heard the case in the U.S. Bankruptcy Court in the Southern District of New York in White Plains, New York. "Not to have gone through that step leaves a huge question mark in this case."

Hostess and the union are expected to begin the mediation process on Tuesday.

Irving, Texas-based Hostess, weighed down by debt, management turmoil, rising labor costs and the changing tastes of America, decided on Friday that it no longer could make it through a conventional bankruptcy restructuring. Instead, it's asked the court for permission to sell assets and go out of business.

It's a far cry from when the maker of Twinkies, Ding Dongs and Ho Ho's filed for bankruptcy in January, its second bankruptcy protection filing in less than a decade. The company had hoped to emerge with stronger financials. It brought on CEO Gregory Rayburn as a restructuring expert and was working to renegotiate its contract with labor unions.

But Rayburn wasn't able to reach a deal with the bakery union, which went on strike Nov. 9. Rayburn said that Hostess was already operating on razor thin margins and that the strike was the final blow.

The company's announcement on Friday that it would move to liquidate prompted people across the U.S. to rush to stores and stock up on their favorite Hostess treats. Many businesses reported selling out of Twinkies within hours and the spongy yellow cakes turned up for sale online for hundreds of dollars.

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 along brought in $68 million so far this year.

Source URL (retrieved on *08/27/2014 - 12:16pm*):
http://www.impomag.com/news/2012/11/judge-asks-hostess-mediate-union?qt-recent_content=0&qt-digital_editions=0&qt-most_popular=0