

May 27, 2009

Economic Recession and Auto Industry Crisis

All Bargaining Unit Employees

Over the last several months, a tectonic shift has occurred in the auto industry. Managements, Labour Unions, and Governments have signed on to massive changes in the way that the industry conducts business.

Demand in North America has plummeted, and no segment or brand has been immune. By mid-year, Allied will be looking at a greater than 50% year-over-year decline in business.

The survival of the North American auto industry will not be without significant sacrifice from all of its constituents. Government imposed time limits and targets along with industry demands required CAW employees at Chrysler to take close to a thirty percent reduction in their overall compensation. GM has now reached a comparable agreement, and new procurement practices being employed by the OEM's are requiring suppliers to make similar sacrifices.

Allied has undertaken a number of initiatives to reduce our cost structure, i.e., permanent reduction in salaried staff, non-bargaining furloughs, non-traditional layoffs of Terminal supervision, re-negotiation of our IBM contract, closure of regional offices, exiting non-performing locations and the elimination of all non-essential expenses. Unfortunately these initiatives alone still leave a substantial competitive gap. The simple facts are: our customers must cut costs, and there are carriers competing against us with cost structures (therefore prices) 30-40% below ours.

Only with Labour cost relief can Allied expect to retain or compete for business in this new economy. Therefore, we are meeting with the respective Local Union principals, requesting that bargaining begin immediately. Your co-operation and support is essential if we are to remain a viable company in what has become the most challenging of industries.

Respectfully,



John Jansen
Vice President Labour Relations