

Hostess without the Mostess

By Reg P. Wydeven
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When I was a kid, it seemed everyone had a cute mascot that promoted their message. There were the cereal mascots: Tony the Tiger, Cap'n Crunch, Cuckoo the Bird, Digg'em the Frog, The Trix Rabbit and the Honey-Nut Cheerios Bee. Then there was Charlie the Tuna, Woodsy the Owl, Smokey the Bear, and the Jolly Green Giant. My personal favorite, however, was Twinkie the Kid.

Twinkie the Kid was an oblong cream-filled cake who wore a cowboy hat and boots, a kerchief and brandished a lasso. I can't imagine what he would try to catch with his lasso and he probably didn't fare well under the Western sun, but I still thought he was cool. Unfortunately, Twinkie the Kid may be put out to pasture.

Last week a federal bankruptcy judge approved Hostess Brands, the manufacturers of Twinkies, winding down its business and selling all of its assets. The Irving, Texas-based company claims that its "inflated cost structure" put it at a competitive disadvantage. The cause of the inflated cost structure allegedly stems from collective bargaining agreements covering 15,000 of its employees.

These employees belong to the Hostess' second biggest union, the Bakery, Confectionary, Tobacco Workers and Grain Millers International Union. The snack manufacturer released a statement saying, "Hostess Brands is winding down the company after a nationwide strike initiated by the BCTGM that commenced on November 9 crippled its operations at a time when the company lacked the financial resources to survive a significant labor action." Hostess has been paying almost \$1 million a day in wages without any income since it halted operations last week.

The court's ruling came after Hostess was unable to end the strike through court-ordered mediation with the union. Conversely, while the union called the company's closing a "tragic outcome," it insists Hostess executives are to blame. The union released its own statement claiming Hostess' "six management teams over the last eight years were unable to make it a profitable, successful business enterprise."

Hostess anticipates terminating 94% of its workforce over the next four months, keeping only about 3,200 employees to help with the liquidation, which should take about a year. Company officials claim the winding down needs to begin quickly to take advantage of outside interest in its brands, which could sell for up to \$2.4 billion.

So not all hope is lost. Hostess has indicated that several potential buyers have expressed interest in their products. While sales have decreased in recent years, Hostess still generates about \$2.5 billion in sales each year. So instead of being put out to pasture, Twinkie the Kid will have to turn on the charm to try and woo Little Debbie or Dolly Madison.