

barriers to entry. Costs associated with an expansive LTL network, including investments in or costs associated with real estate and labor costs related to local pickup, delivery, and cross-docking of shipments, are to a large extent fixed in nature unless service levels are significantly changed.

ABF Freight offers regional service with its traditional long-haul model to facilitate its customers' next-day and second-day delivery needs in most areas throughout the United States. Development and expansion of the regional network required added labor flexibility, strategically positioned freight exchange points, and increased door capacity at a number of key locations. Regional service offerings within the ABF Freight network have resulted in reduced transit times and allows for consistent and continuous LTL service. ABF Freight defines the regional market, which represented approximately 60% of its tonnage in 2015, as tonnage moving 1,000 miles or less.

During the year ended December 31, 2015, no single customer accounted for more than 4% of ABF Freight's revenues, and the 10 largest customers, on a combined basis, accounted for approximately 12% of its revenues. In 2015, ABF Freight managed 5.1 million customer shipments weighing a total of 6.6 billion pounds for an average weight of 1,298 pounds per shipment. As of December 31, 2015, ABF Freight utilized approximately 4,200 tractors and 20,800 trailers in its linehaul and local pickup and delivery operations.

### ***ABF Freight Employees***

As of December 2015, ABF Freight had approximately 11,000 active employees. Employee compensation and related costs are the largest components of ABF Freight's operating expenses. In 2015, such costs amounted to 61.2% of ABF Freight's revenues. As of December 2015, approximately 77% of ABF Freight's employees were covered under a collective bargaining agreement, the ABF National Master Freight Agreement (the "ABF NMFA"), with the International Brotherhood of Teamsters (the "IBT"), which extends through March 31, 2018. The ABF NMFA included a 7% wage rate reduction upon the November 3, 2013 implementation date, followed by wage rate increases of 2% on July 1 in each of the next three years, which began in 2014, and a 2.5% increase on July 1, 2017; a one-week reduction in annual compensated vacation effective for employee anniversary dates on or after April 1, 2013; the option to expand the use of purchased transportation; and increased flexibility in labor work rules. The ABF NMFA and the related supplemental agreements provide for continued contributions to various multiemployer health, welfare, and pension plans maintained for the benefit of ABF Freight employees who are members of the IBT. The estimated net effect of the November 3, 2013 wage rate reduction and the benefit rate increase which was applied retroactively to August 1, 2013 was an initial reduction of approximately 4% to the combined total contractual wage and benefit rate under the ABF NMFA. Following the initial reduction, the combined contractual wage and benefit contribution rate under the ABF NMFA is estimated to increase approximately 2.5% to 3.0% on a compounded annual basis throughout the contract period which extends through March 31, 2018.

Amendments to the Employee Retirement Income Security Act of 1974 ("ERISA"), pursuant to the Multiemployer Pension Plan Amendments Act of 1980 (the "MPPA Act"), substantially expanded the potential liabilities of employers who participate in multiemployer pension plans. Under ERISA, as amended by the MPPA Act, an employer who contributes to a multiemployer pension plan and the members of such employer's controlled group are jointly and severally liable for their share of the plan's unfunded vested benefits in the event the employer ceases to have an obligation to contribute to the plan or substantially reduces its contributions to the plan (i.e., in the event of a complete or partial withdrawal from the multiemployer plans). The Multiemployer Pension Reform Act of 2014 (the "Reform Act"), which was included in the Consolidated and Further Continuing Appropriations Act of 2015 (the "CFCAA") that was signed into law on December 16, 2014, includes new multiemployer pension provisions to address the funding of multiemployer pension plans in critical and declining status by reducing accrued benefits under those plans. Any actions taken by trustees of multiemployer pension plans under the Reform Act will not reduce benefit rates ABF Freight is obligated to pay under its current contract with the IBT; however, management believes the Reform Act is a constructive step in addressing the complex funding issues facing multiemployer pension plans and their contributing employers. See Note I to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K for more specific disclosures regarding the multiemployer pension plans to which ABF Freight contributes and the actions taken by one of these plans to seek approval for benefit reductions under the Reform Act.

ABF Freight operates in a highly competitive industry which consists predominantly of nonunion motor carriers. ABF Freight's nonunion competitors have a lower fringe benefit cost structure and less stringent labor work rules, and certain carriers also have lower wage rates for their freight-handling and driving personnel. Wage and benefit concessions granted to certain union competitors also allow for a lower cost structure than that of ABF Freight. ABF Freight has continued to address with the IBT the effect of ABF Freight's wage and benefit cost structure on its operating results.