

Dear Colleague

Since I wrote to you on 7th April explaining that pay negotiations with BT had reached a critical stage, the company has tabled its 'final offer' which the union's Telecom Executive has today rejected as wholly inadequate. The Executive has agreed that the union has no alternative than to issue a ballot for industrial action.



BT's offer is as follows:

- A 2% consolidated and pensionable increase in base pay which will apply to pay related allowances, including the pay and pension supplement, from 1st April 2010;
- A non-consolidated, non-pensionable profit-related award of £250 for all Team Members employed at 1 December 2010 to be paid in December 2010 salaries (subject to tax and NI);
- **Potential** for an additional non-consolidated, non-pensionable profit related award of £250 to be paid subject to BT achieving invisible⁽¹⁾ end of year financial targets (subject to tax and NI).

The Executive unanimously rejected the offer because it fails to reflect your contribution to BT's success and because an improved offer is affordable as shown by the company's third quarter accounts, which include:

- Profit growth of 11%
- Reported Earnings Per Share growth of 188%
- Savings of £1.6bn in the first nine months

The 2% offer represents a 1.7% cut in your pay in real terms at a time when headline inflation is running at 3.7%, and the Executive agreed this is unacceptable.

The CWU does not believe that non-consolidated, non-pensionable 'lump sum' payments are sufficient in rewarding you for your part in delivering BT's profits. These payments will not make a permanent improvement to your base pay, pension, overtime or allowances. Increases in your cost of living on the other hand are permanent.

Last year's pay award did not flow through to pensions and a below inflation award this year will reduce the value of your pension in real terms and forever. That's unacceptable, especially after the changes BT Pension Scheme members accepted to sustain the future of the pension scheme which resulted in changes to future benefit entitlements. BT is now undermining your pension benefits through its approach to pay regardless of your scheme. BT continues to pay huge sums into the pension pots of all senior executives, including an extra £172k⁽²⁾ for Hanif Lalani who had overall responsibility for the company's finances at the time of BT's financial difficulties last year.

BT has had the audacity to try and spin October salary reviews into a pay increase. Incremental pay progression is a contractual entitlement which has always been separate from the annual pay review and reflects an individual's development within a role rather than increases in the cost of living.

All the indications are that BT is in a good position to grow revenues over the coming year. The UK has now emerged from recession and the Bank of England is predicting positive growth of around 1.3% for 2010. Given the importance of telecommunications to UK industry, consumers and the wider economy, BT can expect to be one of the organisations leading growth out of recession.

BT argue that inflation is forecast to fall back towards the end of 2010, but financial experts still expect the headline rate of inflation to remain relatively high at 3.2% for the year end, with an overall figure of 3.6% for the calendar year. The CWU has traditionally benchmarked BT pay settlements against the March inflation figure (Retail Price Index) published in April and we have no intention of abandoning this principle. Average forecasts for March are currently running at 4.0%⁽³⁾. The cost of essentials like food, fuel and public transport which you and your family rely on have risen significantly, and we are well aware of the extra strain this puts on your finances.

Given BT's strong performance and the sacrifices you have made to deliver that performance, BT is in a good position to increase your pay in real terms now. If BT is to offer the best quality of service and outperform the competition at every level, it needs to motivate and retain its workforce through a fair and appropriate level of reward.

Industrial action is always a last resort for the union and not something we enter into lightly. However, we believe it is now the only way we will secure a pay deal this year that upholds the value of your pay in real terms and properly reflects your talent, commitment, and the pressures you face in helping to deliver ongoing success for BT.

Regular bulletins will be sent to members to keep you updated. Please visit the BT page of the CWU website to access these and other information. Please keep regular contact with your branch for further information and ensure that your membership details including home address and private email are up to date. Send any comments and enquiries to my office via email to btpay2010@cwu.org.

Yours sincerely



Andy Kerr

Deputy General Secretary (T&FS)

- ¹ Targets are not published due to commercial sensitivities and financial services regulations
- ² Forbes (<http://people.forbes.com>)
- ³ IDS Pay Report March 2010

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