

*Dear Colleague,*

The CWU has reached a critical stage in this year's pay negotiations with BT, and I am writing to give you some detail on our current position and to explain the union's approach.

In February this year, the CWU submitted a claim on behalf of our NewGRID members for a 5% increase on current salaries to flow through to all allowances and the pay and pension supplement.

Despite setting out a clear and compelling rationale for our claim, during the course of seven meetings BT have been unwilling to move towards a pay offer that we believe fairly reflects your contribution to the Company's financial recovery and ongoing success.

BT's latest open offer is 2% consolidated but not flowing through to pensions. On 30th March BT proposed a slightly improved offer, not open for publication, which the CWU's Telecom Executive Committee swiftly rejected.

We now have one final meeting arranged in which to come to an agreement. If we cannot find an agreed way forward with BT during that meeting, the union will initiate a ballot for industrial action.

BT has said they wish to recognise, as part of this year's pay review, the contribution you make to the business. However, they have also said that a pensionable pay award would place an unacceptable risk on the BT Pension Fund deficit. BT argue that the external economic environment remains fragile and that headline inflation is a short term spike that is likely to return to a lower level later in the year.

The CWU rejects BT's rationale, and we strongly maintain the view that CWU members in BT deserve a consolidated, pensionable pay award this year that delivers an increase to your pay in real terms.

Last year, the CWU recommended and members accepted a £400 non-consolidated pay award out of a recognition that inflation was negative and an acknowledgement of affordability problems caused by management failures of senior executives in Global Services.

This year the situation is very different. BT delivered an 11% growth in profit in the third quarter and savings of £1.6bn in the first nine months. CWU members have helped significantly towards these figures through acceptance of changes to terms and conditions and pensions. Additional multi-million pound savings are set to flow through as a result of changes to attendance patterns in Openreach and BT Operate. The union has made clear that you are not prepared to allow BT to use wage restraint to further boost profits for the sole benefit of shareholders.

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. The telecommunications industry has remained relatively strong through the recession with businesses and individuals treating their telephone and broadband connections as essential services.

Whilst it is generally agreed that inflation will fall back towards the end of this year, the headline rate of inflation is still expected to remain relatively high at 3.2% for the year end, with an overall figure of 3.6% for the calendar year. The cost of essential goods like food, transport and energy have risen significantly, and we are well aware of the extra strain this puts on your finances.

The CWU fundamentally disagrees with BT's position that a pensionable pay award would place an unacceptable risk on the BT Pension Scheme. A consolidated pay rise would have no impact on BT's pension deficit or its recently announced deficit repair payments. Since the triennial funding valuation at December 2008, BT's pension assets have increased by £3bn and there is every possibility that this, and a continued improvement in the performance of investments will put BT in a position to review its pension deficit payments at the 2011 valuation.

A second year in which your pay award does not flow through to your pension will have a noticeable impact on your pension benefit. The union has made it clear that this is not acceptable, particularly after the reductions BT Pension Scheme members have already seen to their pension entitlement.

The CWU recognises the scale of BT's competitive challenge, but we believe that in order to rise to that challenge the Company needs to motivate and retain its workforce through a fair and appropriate level of reward. If BT wishes to offer the best quality of service and outperform the competition at every level, it must continue to offer an attractive level of remuneration.

At the present time we have one meeting remaining with BT in which to come to an agreement on pay, and we remain committed to reach a settlement through the Union's pay claim negotiation. However, if BT is unwilling to make an offer that fairly reflects your contribution to the Company's success, and the rise in the cost of living, the CWU will have no alternative but to initiate a ballot for industrial action.

Whilst industrial action is a last resort for the union, it may be the only way to achieve an acceptable pay award this year. The next time I write to you it will either be to inform you of an industrial action ballot, or to recommend a pay offer. I hope it is the latter, but if a ballot is necessary, I would urge your support for the union's claim made on your behalf.

Yours sincerely,



**Andy Kerr**

Deputy General Secretary (T&FS)

Any comments or enquiries regarding this letter should be sent via email to [btpay2010@cwu.org](mailto:btpay2010@cwu.org) or via my office by calling Bill Taylor, Senior Policy Advisor on 0208 971 7396.

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