

8 September 2017

**Royal Mail Group**

Terry Pullinger  
Deputy General Secretary (Postal)  
Communication Workers Union  
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Dear Terry

I am writing to you following our discussions around the Four Pillars and the CWU pay claim. Having reflected on the discussions and I believe it is appropriate to make an improved offer on pay. I believe this offer reflects the appropriate place for our discussions to focus and recognises the increasing confidence of the business that if we are able to build detail around the different streams of talks, on the back of the work already completed through the principles document we should be able to jointly build a deal that goes a long way to meeting your members aspirations, whilst ensuring the business continues to improve and take advantage of future growth.

Since our formulation of the Agenda for Growth, we have seen a much changed marketplace, less opportunity in parcels, a more challenging rate of decline at the top end of our expectations on letter volumes, and a strengthening of competition and significant increases in capacity in the marketplace.

All of these things drive a very competitive marketplace where in order to grow we have to ensure a strong focus on our quality, our brand, our reputation and our costs whilst also seeking to get ahead of the marketplace in matching current and future customer needs.

I believe we all share a joint aspiration to grow the business and see it successful for the future, and I believe we also all recognise that our enemies lie outside of the business, not within. However I think we have to recognise that the market has changed and pressures on the business to meet those changes has grown.

### **Improved Pay Offer**

The improved offer we propose seeks to build around aspects of development we believe are necessary in the next one to two years to deliver immediately needed change and build the platform to meet future customer need, giving us space to work together on longer term scenarios that could help deliver on aspects of the Four Pillars as well as build an appropriate and successful business for the future.

The improved offer will be made public to our people by the business.

**2017/18**

It is recognised that there is an expectation of an offer from April this year, and that we all face a pressure from our people when the talks lag past this date. In order to try and deal with that as an



issue and provide an offer that meets a realistic expectation around what is affordable against the activity taking place this year as well as getting monies into our people's pockets as quickly as possible, we propose for this financial year the following:-

A lump sum of £375 (around 1.5%), payable on agreement of the pay deal and related matters. This is offered on the basis of continuing a number of business as usual activities that are currently underway (detail to be articulated during stream talks) in the business, and initiating a number of other activities which will support the development of the business going forward and therefore contribute to the productivity of the business and therefore the pay of our people.

In terms of new activity we would expect to agree and initiate the following within the year:-

- Further trialling of methods across a much wider number of units to incorporate such as multi-bundle outdoor delivery, new indoor preparation methods, upstream automation (i.e. door to door collation) large letter walk-sort and first wave sequencing.
- Trialling of ways to alleviate the day to day pressures of lapsing and absorption through greater focus on our people being able to work closer together to self manage walks and groups of walks, which should in turn help us to identify better ways to manage holidays and improve service to our customers.
- The trials of automated data capture to better and more accurately understand our resourcing needs and therefore plan ahead, giving all parties more understanding and potentially stability in the resourcing of the business in line with customer needs and workload.
- The continued introduction of LAT's this year to meet immediate customer demands and then build together an approach to delivering customer requirements around next day delivery in a cost effective manner for future years. Including the use of new employees to fill the changed afternoon work requirements where appropriate.
- Continued joint work to review our attendance processes, with specific agreement around the automation of AR1 and 2's, the introduction of an expert community to deal with the latter stages of the process in a consistent and fair manner and the reintroduction of the 12 month period to replace the current 6 month reference period.
- The opportunity to take a lump sum payment in exchange for current legacy allowances. The offer would be to exchange the legacy allowance (or allowances) for a lump sum payment, equivalent to 18 months worth of the allowance. The allowances would then end at the end of March 2018, at which point the lump sum would be payable. The process would be for individuals to actively elect to retain the legacy allowances or it would default to a lump sum buy out. This is a voluntary basis.

If we are able to demonstrate genuine progress and conclude trials with an agreement for implementation from April 2018 onwards for the first four bullet points then the business would be happy to consolidate 1.5% into base pay from 31<sup>st</sup> March 2018 as the progress towards a future shape for the business would give confidence to the business that an increase to base is affordable.

**2018/19**

The positive work envisaged in 2017/18, along with a positive approach to delivery of the background changes as well as the trialling work should ensure we have a good outturn to 2017/18 in terms of efficiency improvement.

The business is prepared to offer an increase to base pay for 2018/19 of 1.25% plus a further increase calculated on a share of the weighted items per gross hour measure (WIPGH) for 2017/18, at a 60% share of any improvement above the initial 1.25% up to 3.5% in total.

This is offered on the basis that the trials of 2017/18 being implemented across the business in 2018, at a pace, will impact the efficiency for 2018/19 and also present a strong platform for future increases based on this basis for the future. This will also support the opportunity to look to the discussions on a shorter working week as possible paths to reducing hours in an affordable way become available through the work we do together.

If CWU does instigate industrial action or the reaction of our customers to the ballot is such to make the offer unaffordable the offer will be withdrawn. Equally any national industrial action or action of a national nature could lead to the withdrawal of protections under the Agenda for Growth Agreement.

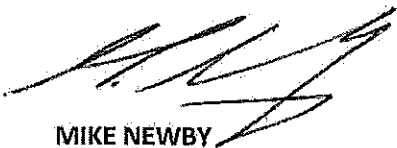
#### **Parallel Discussions**

In addition to the focussed debate around pay and related items we also have a need to continue in parallel discussions around aspects of the four pillars and the related items included in the principles discussions.

As we develop a joint vision and explore the scenarios that will face us over the coming years in these discussions it will be important to also develop a good understanding of how we better work together. Especially around the more challenging issues where being the most cost effective and high value provider of delivery services does come with a mutual benefit of the greatest level of security we can offer and the best pay and terms and conditions in the UK Postal Sector.

Our Agenda for Growth agreement sets us a very clear path in seeking to find agreement even when the circumstances are challenging and our positive path should be to find a way to do this which results in an agreement we are all able to say we own. This does not mean we shouldn't challenge each other, but it does require us both to listen to each others views and concerns and respect them in trying to find solutions together. I would hope we can develop that spirit in our talks as we move forward together. A public debate only benefits the competition.

**Yours sincerely**



**MIKE NEWBY**

**Director ER/IR**

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