

LATE DOCUMENT

COMMUNICATION WORKERS' UNION

CIRCULATED TO THE
POSTAL EXECUTIVE ON
1 April 2008

68/08 (PE) 'A'

For consideration at the
Postal Executive Meeting
1st April 2008

Pensions/Political Campaign – Next Steps

Introduction

The purpose of this document is to:

- Provide a comprehensive report on all recent developments.
- Comment on the key aspects influencing the pension debate and explain the rationale for our next steps.
- Set out clear recommendations that will enable immediate implementation of our next steps.

Key Aspects of the Pensions Debate

The Trustees Decision – Although the Trustees endorsement of the company's position is disappointing, we understand that given the legal obligations and priorities covering their role, this was always likely to be the outcome.

The Union did take a number of steps prior to the Trustees meeting in order to influence the outcome. Firstly, we met our solicitors on a couple of occasions. Secondly, we met the Chair of the Trustees, Jane Newell. Thirdly, we followed this up with a formal letter setting out the Union's position (copy enclosed).

We will elaborate on the Trustees position at the meeting – but we strongly hold the view that the Trustees decision in itself must not distract us from our ongoing campaign. It will be our intention to give the Union Trustees the opportunity to report back on what took place at the second day of the Postal Executive meeting.

Royal Mail Imposition of Change on the 1st April 2008 – We are not in a position to stop Royal Mail imposing their pension reforms on the 1st April 2008.

When this was debated at Northampton our reps understood it was very likely we would reach this position – but that this did not mean the end of our campaign.

The decision to undertake a consultative ballot first – supported by all the feedback from Northampton – was also taken in the full knowledge that April 1st was not the end of the debate. We also understood that effective coordination of our political and industrial activities would take us beyond the 1st April.

The rationale put forward at Northampton remains relevant. Change in retirement age does not happen until 2010. Also in the vast majority of cases closure of final salary will not impact on membership benefits until April 2009.

Although we are in a difficult position, we are confident that with the right campaign and full support of the Postal Executive all Royal Mail's decisions, including new entrants, are reversible.

The key for the Postal Executive is to remain focused and positive on our response hereon in.

The Consultative Ballot – The result of the ballot is attached. This will be communicated to Branches and the media alongside other PEC decisions later today.

The result represents overwhelming rejection of Royal Mail's position – albeit the turnout could have been a lot better.

We will elaborate at the meeting on some of the logistical difficulties encountered during the ballot and how we intend to put these right in the future.

Nevertheless, the result is a good platform for the Union to now move forward.

Although Royal Mail will no doubt try and discredit the result and continue to refer to the Consultation Joint Statement – they know the outcome of the ballot means we have now entered a new phase.

What cannot be denied is that CWU members have been consulted and have had their say. Publicly we will contrast this with how the company treated the legal consultation process as a total sham.

UNITE's Position – We have had a further positive discussion last week with Unite's key postal leaders. Both Unions recognised that once the CWU consultative ballot was concluded it would be extremely powerful for the two Unions to continue to work together on pensions. We have told Unite it is inevitable that we will need to ballot our members for strike action. In response Unite have said they would also be prepared to recommend a strike ballot to their Executive. However, they believe the immediate response should be for both Unions to use our consultative ballots as a means to make one final approach to Royal Mail in order to find an acceptable solution. They also are committed to launching a major political campaign.

In our view the two Unions standing together industrially and politically would be seen as a very powerful development. It would bring a fresh dynamic to the dispute and place Royal Mail under enormous pressure. Therefore, the prospect of moving forward in a joint policy with Unite must be a key consideration for the Postal Executive.

Pensions in Perspective – Although the consultative ballot confirms that the Union's Executive and its membership are now in opposition to Royal Mail's pension reforms – it does not mean we can dismiss everything that has gone before.

Pensions is a genuine problem and finding a solution will be difficult. It remains a fact that without pension reform the company would need to pay in excess of £800 million per year for the foreseeable future in order to maintain the existing arrangements. This is simply not sustainable. We also know that the pension debate externally means virtually all companies and workers have already or are facing similar problems. Unfortunately, Royal Mail are facing a pension crisis at the same time as dealing with the impact of competition and overall market decline.

To remain credible the Union must continue to acknowledge that some kind of pension reform is necessary. This is consistent with the policy adopted by the Postal Executive earlier this year and presented to the Northampton Briefing.

Our Next Steps – The Postal Executive have already adopted the position that winning further concessions from Royal Mail can only be achieved if we have serious political pressure aligned to a strong industrial policy. We know that we will need to ballot our members for industrial action in the near future. We are, therefore, asking the Postal Executive to agree, in principle, to an industrial action ballot. However, we also recognise that there is a lot of work to be done in order to galvanise the members and at the same time put in place the right

tactics to win the dispute. Our recommendation is that we seek a Joint Statement with Unite that cements the two Unions working together and agrees an appropriate timetable for a strike ballot.

Given that Branches will have concentrated most of their efforts in recent weeks on the consultative ballot, it is likely that the political campaign outlined at Northampton has not yet got into full swing. This must now be our immediate priority. We will be meeting with Regional Secretaries within the next week to review the work done with Branches so far. From this meeting a fuller report will be presented to the next appropriate Campaign Committee meeting to intensify the campaign further.

A meeting took place with Patrick McFadden on the 31st March. Unsurprisingly, there was no comfort offered by the Minister. But he was obviously concerned about suggestions that Royal Mail's Business Plan is unravelling, and that a further dispute is inevitable. A fuller report will be given verbally to the PEC. We need also to reschedule the meeting of the PEC with Richard Hooper from the Review Team. The proposal is to invite him to the PEC meeting on April 16th.

For us to succeed in any industrial action campaign our political activities must be visible to our members, all MP's and the public. It is essential we now step up the political campaign. Within the next week we will send a copy of the CWU's Review submission to all MP's and MEP's, with a covering letter which will alert them to the fact that a further briefing is imminent on our pensions dispute with Royal Mail. We will also need to similarly mail members of the devolved government bodies with this material. In the same timeframe we will also focus Branches on pressuring their constituencies and local MP's.

In our next communication to our members we will highlight the actions we have taken politically and the likelihood of an industrial dispute.

We will only succeed if the Postal Executive remains united and in turn gives a positive lead to our Branches and representatives in every meeting we attend. We are of course willing to consider any alternative strategies that will help us achieve our objectives. However, we believe that the policies laid out in this document do represent the best approach at this point in time.

RECOMMENDATION 1:

That within the next week we write to all MP's and MEP's setting out the Union's position as outlined above.

RECOMMENDATION 2:

That the Campaign Committee meeting on Monday 7th April will consider further steps necessary to intensify our political activities.

RECOMMENDATION 3:

That the Postal Executive agrees, in principle, to ballot our members for industrial action on pensions.

RECOMMENDATION 4:

That we seek a Joint Statement with Unite to cement both our political and industrial campaigns this will include an agreed industrial action timetable.

RECOMMENDATION 5:

That we invite the Union Trustees to the 2nd day Postal Executive meeting.

RECOMMENDATION 6:

That in conjunction with the Senior Deputy General Secretary we carryout a review of the workplace ballot arrangements and make any necessary recommendations for future workplace ballots.

RECOMMENDATION 7:

In conjunction with the Chair a Special meeting of the Postal Executive will be arranged in the next two weeks to report back progress on the position with Unite.

RECOMMENDATION 8:

That suitable publicity be given to the Postal Executives decisions.

Billy Hayes
General Secretary

Dave Ward
Deputy General Secretary (P)

**Letter to Jane Newell Chairman Royal Mail Pensions Trustees LTD -dated 27th
March 2007**

Dear Jane,

Royal Mail Pension Arrangements

Prior to the Trustees making their decisions on Royal Mail's proposed pension reform we want to set out the position of CWU on key aspects of the pension's debate.

1. The Pension Consultation Joint Statement

The Union's Postal Executive committee did agree a joint statement with Royal Mail supporting the need for pension reform as part of the consultation process.

From the outset we have been clear and consistent with Royal Mail and CWU members that the joint statement was agreed on the following basis:

- The consultation joint statement did not constitute an agreement to the final outcome.
- CWU wanted an informed debate and would undertake regional and branch seminars / meetings.
- We would listen and act on the views expressed during the consultation.
- At the end of the consultation and following further discussions with the company we would carry out our commitment to ballot CWU members on the final position.
- Pensions was decoupled from the pay and modernisation agreement. A letter from Brendon Barber (TUC General Secretary) was the mechanism that allowed decoupling to take place. Royal Mail agreed CWU members would be balloted separately on the pay and modernisation agreement.

Royal Mail know the afore-mentioned is the factual position.

2. The Pension Consultation

In work time briefs letters and DVD's Royal Mail told its employees the following:

- The consultation proposal did not represent the final outcome.
- The company were committed to ensuring the consultation was meaningful.

- The company would take into account the views of its employees before reaching the final decision.

The CWU wrote to Royal Mail on the 20th December 2007 setting out the reasons why we did not believe the company were carrying out a meaningful consultation. We also put the same views forward at meetings of the formal consultation group and in separate meetings with Royal Mail.

The Trustees will have seen the results of the consultation exercise. CWU believe these demonstrate the company have not carried out any of the commitments made to its employees. Royal Mail have treated the consultation exercise as a total sham.

3. The Reasons why CWU cannot support the Company's Pension Reforms

- The Union continues to recognise there is a need for some kind of pension reform. However, we are convinced there are alternative and more acceptable ways of introducing such reforms.

Since Christmas the Union has discussed a range of potential solutions and alternative approaches. These options have been formulated following independent advice from our pension advisors, First Actuarial. They have also been formulated in conjunction with views expressed during the consultation. Regretfully, Royal Mail have failed to consider any of these alternatives even though they reflect many of the views expressed during the consultation.

- The announcement of the government review of competition is a crucial development.

Royal Mail consistently state that pension reform is being driven by the economic and competitive pressures facing the company.

The government review provides Royal Mail and CWU with a fresh and significant opportunity to finally get to grips with the core of the problem.

The truth is unless Royal Mail gain major concessions from government in both its regulatory and financial framework – the pressures facing the company will continue unabated. This means CWU members will face further pension reform in the near future.

The company and the Trustees must prioritise the future financial strength of the company if we are truly acting in the best interests of all pension scheme members.

The government review is due to conclude mid-summer 2008. There really is no need for the company or the trustees to act with undue haste. Decisions on pension reform should only be taken when the government review has been concluded.

- During the consultation it has come to light that the company's business plan is falling further behind the financial targets set. This in turn is linked to the government investment package.

In our view the priority should be to ensure the company has a viable business plan going forward. The facts demonstrate otherwise. The business plan is fundamentally flawed and based on incorrect assumptions. This means the government investment package is completely inadequate.

The very same government package and business plan was originally heralded by the Chief Executive as the vehicle for ensuring the company could maintain a final salary scheme for existing employees. The Chief Executive wrote to all employees last year making that commitment. The company clearly got it wrong.

The correct course of action now is for Royal Mail to be honest about their mistakes and call upon government to review the investment package.

- The CWU believe that the government, as the owner and share-holder of Royal Mail, have a legal and moral obligation to protect CWU member's pensions arrangements.

When government announced the investment package and the Escrow account it presented itself to the media as saving the pension arrangement of Royal Mail employees. It is now incumbent upon all stake holders to tackle these issues again directly with government and also through the review team. This should include the scrapping of the ill-conceived ColleagueShare scheme in favour of releasing more funds to protect pensions.

- Royal Mail's approach to the consultation exercise is unacceptable to the Union. The company should have explored alternatives and listened to the views of its employees. By contrast, the Union has listened and acted on the views expressed. Furthermore, we are currently in the process of undertaking an individual member work place consultative ballot. Early results indicate CWU members will overwhelmingly reject the company's reforms. The full result will be declared on the 31st March.
- The Union cannot support the introduction of inferior two-tier arrangements for new entrants.

- The Union is concerned that the assumptions underpinning the last actuarial evaluation are too cautious. We believe these need to be urgently reviewed.

Summary

The Union does recognise the Trustee Board acts independently of Royal Mail and we are grateful for the opportunity to submit our views.

We remain convinced there are alternative and more acceptable ways of reaching agreement with the Union on pension reform.

We believe it is now incumbent upon the company and the trustees to take a step back and consider pensions in conjunction with the bigger picture.

There is an overall responsibility on Royal Mail and the Trustees to explore all avenues to ensure pensions are protected. In light of the points we have raised we respectfully ask the Trustee Board to reject the company's plans.

Yours sincerely,



Billy Hayes
General Secretary



Dave Ward
Deputy General Secretary (P)

Pension Consultative Ballot Results

Ballot Papers Issued:	140,800
Ballot Papers Returned:	86,230
Yes Vote:	79,387
No Vote:	6,763
Spoilt Ballot Papers:	80