

CWU AND ROYAL MAIL PAY AND MODERNISATION AGREEMENT - APRIL 2007/2009

1. INTRODUCTION

In order for Royal Mail to thrive as a business and to ensure that it remains able to compete effectively it is recognised that change is going to have to happen at a scale and at a pace never experienced before. Both Royal Mail and CWU are jointly committed to working together to deliver that change by agreement, continuing to protect jobs (in line with our commitments in MTSF) and provide high quality terms and conditions for all employees. Both parties recognise that a fresh start is needed and are committed to moving away from the adversarial relationships that persist in too many parts of the business. This needs to be replaced by respect for different viewpoints and a determination to work together to find common sense solutions that are mutually beneficial. This agreement lays the basis for changing how we work to ensure a successful future for the business, its employees and how the business and CWU will work together.

2. SCOPE OF THE AGREEMENT

The agreement covers the following grades:

- OPG's
- OSG's
- Engineers (excluding HWDC)
- MDEC
- Mail Screeners
- International
- LAs
- Professional drivers (area distribution drivers)
- Professional drivers (network – see section 6)

The agreement is in four sections, the first outlining the elements relating to employee pay, benefits and job security; secondly outlining the phased

approach to delivering change and flexibility, thirdly the efficiency agreement, fourthly the Network 2007 Deployment Agreement.

3. SECTION 1: EMPLOYEE PAY AND BENEFITS

1.1 A non-consolidated lump sum of £175 per FT employee pro-rata for PT employees (covering the April to September period). This is funded by the ESOS pot. (Area based and Network drivers will not be eligible for the lump sum.)

1.2 October 1st 2007: A pay increase of 5.4% for all grades (except network drivers) on basic pay (including London pay ranges), weekday overtime and Scottish Distant Islands Allowance only.

1.3 Early shift allowances in delivery retained as grandfather rights (for those in receipt since April 2007), including those in receipt of equivalent MTSF payments for changes made since May 2005. We will agree how this money, and equivalent MTSF payments for early shifts, may be used going forward as part of the pay restructuring process in Joint Working Group 2 – if no satisfactory solution is found then grandfather rights will be retained. The early shift payment is ceased in delivery on agreement to pay restructuring.

1.4 To support modernisation phase one and two:

- 50:50 productivity scheme as set out in the appendix of this offer
- £400 of the potential ColleagueShares dividend payment will be made in April 2008 to offices which have completed their deployment of the agreed unit plan in Phase 2 of the modernisation process.
- The remaining potential dividend payment from ColleagueShares scheme over this year and next, split as follows:

- o £400 for achievement of Group profit in 2007/08
- o £200 for achievement of the local target for 2008/09.
- o £200 for achievement of Group profit in 2008/09

1.5 April 2008: A 1.5% increase for all grades on basic pay (including London pay ranges), weekday overtime and Scottish Distant Islands Allowance only.

This payment will be made locally when the flexibility defined as phase 3 in section two of this agreement has been implemented.

1.6 ESOS will be closed immediately and the pot has been exhausted (subject to the ongoing joint audit) but will continue to accrue monies from the automation projects and closure plans already in the scheme at 10 October 2007.

1.7 The next pay review will be April 2009.

4. SECTION 2 – DELIVERING CHANGE AND FLEXIBILITY

Change is to be shaped and implemented in four phases.

Phase 1 – Immediate Operational Changes

Start times and Network 2007

Royal Mail has introduced later start times for operational reasons. CWU note these changes. Given that there has been little or no opportunity for discussion about these changes at local level, both Royal Mail and CWU are committed to resolve any outstanding issues. Royal Mail and CWU will urgently review these arrangements at local level in line with the following:

- Henceforth the normal start times will be between 0600 and 0630

- Changes in start times should take account, as far as possible, of individual circumstances
- Saturday start times and the overall length of attendance on a Saturday will remain as before unless agreed otherwise locally
- Saturday attendances will be reviewed in the Joint Working Group (2) as part of the introduction of a new delivery model

Network 2007 will be implemented on 22 October in line with the deployment framework set out in section 6.

Nightshifts in delivery units

Increasing levels of automation has created an opportunity to make better use of indoor time in delivery. The majority of night shifts will cease by March 2008. This will be undertaken in line with normal IR procedures. Exceptions are likely to be required by City Centre units and those with a high proportion of firms deliveries. Account will, of course, be taken of individuals' circumstances and health, safety and security issues.

Weekend working

Weekend and bank holiday work in mail centres will be focussed on time critical products (1C and Express Products). The CWU note that ROYAL MAIL will cease Sunday collections from 21st October. The impact on employees of this change will be the subject of urgent local consultation.

Phase 2 - Enabling local flexibility

In order to become a competitive and responsive business, while upholding high standards of employment, Royal Mail needs to be able to use its resources effectively, efficiently and to adapt at pace. All offices will jointly draw up an agreed plan to be implemented by the end of January 2008 to enable local flexibility.

Objectives

The plan will meet the following agreed objectives:

- To provide the best possible customer service.
- To continue to offer reasonable local earnings levels.
- To improve efficiency and company profitability.
- To create a more flexible working environment where the aspirations of employees and the company can be more easily met.
- To improve the local relationship between Royal Mail and CWU.
- To actively encourage the participation of employees in supporting change.
- Effective workload alignment
- To reduce the use of agency and casual staff.

The two key strands in this modernisation package are:

- New technology – As the new £1.2 billion investment equipment is rolled out; Royal Mail is committed to providing a comprehensive training programme to ensure a safe and effective operation and improve the working environment which will provide opportunities for new ways of working. In conjunction with this, CWU and employees will be fully involved in trial activities. There will need to be a generic deployment framework agreed by Royal Mail and CWU by the end of January 2008 to deal with the trialling and implementation of all new technology and automation.
- New ways of working – Employees will be treated fairly, with respect, and will be expected to be flexible. The opportunity to perform more flexible attendance patterns will be introduced to improve alignment to workload, increase efficiency and provide a better work-life balance for employees.

Enablers

The following enablers have been agreed nationally and will be deployed in each unit, to meet the above objectives. Discussion and agreement between Royal Mail and CWU representatives will take place to ensure safe, fair and sensible implementation of these taking into account local

circumstances and the application where relevant of the MTSF agreement. This will be achieved in line with our agreed IR procedures, weekly resourcing meetings and the fresh approach described in the introduction to this agreement. There will be provision for review of the agreed local plans on a regular basis.

It is all about managers, reps and employees working together sensibly with a bit of give and take, applying equally to all. This is not about employees not knowing what job they are on, or when they start and finish from one day to the next. Nor is it about anyone refusing reasonable requests. Account should of course always be taken of individual circumstances.

- Longs and shorts – a structural change where the normal work pattern may be rebalanced across the week to reflect the traffic profile. For example individuals could be scheduled to work 7 hours on a Tuesday and 9 hours on a Friday. Total weekly contractual hours would not change.
- Variation of hours – Where necessary, for example when traffic volumes are unexpectedly high or resourcing issues arise, individuals may be asked and may themselves request to vary their duty times by up to 30 minutes on a swings and roundabouts basis. Again, individual circumstances will be taken into account and total weekly contractual hours would not change.
- Use of new technology – full cooperation and support for trials and subsequent deployment of new technology will take place, for example: iLSMs, walk sequencing, RDC automation, D2D automation, telemetry in area fleets, handhelds, collection handshake and materials handling. There will also be early deployment of flats automation, semi automated packet sorting and delivery method improvements.
- Efficient Summer staffing – each unit will utilise the opportunity offered by reduced traffic volumes to re-arrange responsibilities during the

summer period. This will offer employees additional opportunities for leave during the same period.

- Working in nearby offices – Areas will identify and agree with the CWU locally a approach (which could include the use of volunteers and reserves) to working in nearby offices within employees' contracted hours which will include travel times and appropriate travel and subsistence arrangements.
- Innovative Duty Structures: Units will take the opportunity to review existing duty structures and identify innovative approaches to meet the above objectives.
- Doing other work within your office: On occasions staff may be asked to undertake other work outside their normal duties. Employees would be appropriately trained, properly equipped and safe ways of working will always be in place.

Phase 3 – Transforming the way we work

Both parties are committed to introducing new ways of working throughout the business by April 2008. In order to achieve this there will be a trial in four offices per AGM area covering the following:

- New arrangements to cover for one another and develop sensible options to absorb absences, and increased workload, where time exists within normal hours
- To ensure all paid work hours are utilised
- To create a working environment where employees, CWU reps and managers feel valued and motivated.

This flexibility could also facilitate arrangements for employees to make their own arrangements to cover and swap duties (subject to approval from their manager) – within contracted hours, providing quality of service is not adversely affected and there are no additional costs to the business.

Local ideas will be generated, agreed and deployed through trials by early January 2008. The trials will be nationally evaluated to identify the widest range of options for national roll out.

Local offices will be entitled to the 1.5% pay increase from 7 April 2008 subject to deployment of these new arrangements. Any offices where deployment is deferred will receive the additional 1.5% from the date of deployment

5. PHASE 4

To assist development of a fourth Phase of Royal Mail modernisation, consultation and negotiation will now take place in the following working groups. The intention is for these joint working groups to develop national agreements, where appropriate, by no later than the end of April 2008, to be deployed as soon as possible thereafter.

Joint Working Group 1 – Relationships. will consider how to improve industrial relations within Royal Mail, including arrangements for negotiation, consultation and decision-making, the management of

change, personnel procedures and practices covering issues like attendance, conduct and performance management.

Joint Working Group 2 – New Reward Framework will examine pay simplification possibilities (within the existing pay bill), a new pay and reward package, different pay models, reviewing on what the local element of the ColleagueShare dividend for years 2 and 3 will be based and MTSF. The Group will also consider how to implement monthly pay. It will also review annualised hours or banked hours, flexible working, and possible changes to attendance patterns that could both benefit the business and employees and is in line with the company's family-friendly policy. The group will decide whether it needs to operate sub groups for any element of this.

Joint Working Group 3 – Future working. This group will look at the business' future mail centre / delivery / network strategies and have an opportunity to input to them.. It will develop proposals on how the business will best capture the benefits of new technology, whilst continuing to consider the implications for job security, and job design and the new delivery model. It will also look at the strategies needed to grow and develop the business in a changing, competitive environment

6 JOINT FRAMEWORK FOR THE DEPLOYMENT OF NETWORK 2007 AND MAIL ORDER RETURNS

Background

With effect from the 1st of January 2008, legislation will limit all 7.5 ton vehicles to a maximum of 56 MPH. This alone will slow down connections in parts of the 'Network' and thus change the current 'workplan' in regards to it being fit for purpose.

Against that backdrop and the joint commitment in the 'RTD Agreement', that Network and Distribution functions need to be reliable, economic, efficient, flexible, transparent and on time every time, the business has

conducted a total redesign of the 'Network', which has at its heart a £20 million per annum investment in a new 'Air Network'.

The impact of this redesign affects the number of 7.5 tons road services required, the introduction of more double deck trailers, revised hub operations and later/heavier arrival patterns at Mail Centres and Delivery Offices etc.

Because of the recent difficulties between Royal Mail and the CWU, the revised 'Network' proposals and implementation plans are at a very advanced state with no agreement in place.

The revised 'Air Network' slots drive the necessity for change from the 22nd October 2007. In the interest of resolution to the national dispute and in recognition of immovable deadlines generated by air slots and legislation and a mature reflection of Royal Mail and CWU aims and objectives, the following emergency approach has been agreed.

Process

- The full assumed impact of the redesigned Network on a site by site basis will be shared with the CWU at national level with immediate effect.
- All negotiations will be conducted in line with the National RTD Professional Drivers Agreement (PDA) between Royal Mail and the CWU.
- Immediate local negotiations will commence in regard to the current proposals and wherever possible the agreed final duties will be introduced on 22 October 2007.
- Where local agreement cannot be reached in time, a default set of duties will be introduced pending final local agreement.

- Any problems identified regarding the above should be identified with immediate effect and solution sought inline with the processes defined in line with the IR Framework.
- The current preference exercise dates will be extended until 17 October and to allow duty selection in line with usual local arrangements. Royal Mail will attempt to accommodate the wishes of anyone who has not expressed a preference, but their chances of receiving their preferred option may be reduced.
- The process as defined above will apply to both network and Area distribution.
- Final proposals will attempt to retain existing VOC resourcing profiles and where possible this will also apply to any 'default' proposals.
- A National Joint Working Party will be set up to review the effectiveness of this change and any potential improvements. This process will be supplemented by local joint reviews. The reviews are not intended to result in wholesale change, but to give both parties the opportunity to refine and improve affected duties.
- The nature of these changes are such that the MTSF Agreement will apply.

Network drivers basic pay will be increased by 2.7% from 7 April 2008, flowing through to weekday additional hours.

£400 of the potential Colleague Shares dividend payment will be made in April 2008 to VOCs provided we have co-operation on full deployment of the Network 2007 changes through the process above.

NATIONAL JOINT STATEMENT BETWEEN ROYAL MAIL AND CWU – RESTORING GOOD INDUSTRIAL and EMPLOYEE RELATIONS

Royal Mail and CWU recognise that the scale of the recent dispute has the potential to damage relationships between managers, reps and employees.

Everyone wants to put the dispute behind us and we are all committed to restoring good industrial and employee relations at all levels.

All of us are committed to treating everybody and each other with respect.

The following process will urgently be deployed and overseen by GM's and CWU Divisional Representatives.

1. All relevant managers/CWU interfaces will meet to calm situations down and find sensible solutions to any local issues.

Everybody should work together to bring about a fresh start in the spirit of the proposed national agreement.

2. All managerial executive action notified to take place on and from 24 October 2007 will be returned to stage 3 of the IR Framework and any disagreements previously at Stage 3 will be returned to Stage 2 for resolution. All parties will work together in a positive way to resolve outstanding issues within the spirit of the national agreement and to facilitate this any CWU representatives who have had their facility time suspended will have it restored.
3. Any revisions introduced during week commencing 22 October will be reviewed in line with the IR procedures and will still qualify for the 50:50 productivity scheme as long as they are within the terms of the national agreement and that there is full co-operation between all parties.
4. The CWU will withdraw all current and proposed industrial action relating to the national dispute.
5. Any Network 07 changes affecting processing will be dealt with in line with the National Deployment Framework and reviewed via normal IR Procedures.