



News brief – May 2009

The period since the March “News Brief” has been dominated by pay discussions and these have been the subject of separate circulars. The news brief gives a summary of the work of the NTUS and as usual we welcome your feedback.

CP3

Despite the outright NTUS opposition to management’s proposals to cut £45M from the “NERL” business we have been faced with accelerated job losses and severe reductions in the number of contractors. Up to date we have not yet seen any proposals as to how the workload for those remaining will be controlled, nor any plans which will reduce the workload in future to facilitate reductions either already made or for those yet to come. No doubt the NTUS will be briefed on these proposals once they are agreed at Executive level.

Unfortunately we are being made aware of many instances where members are already under untenable pressure due to increasing demands. While these are currently being addressed on an individual basis there will come a time that these issues are addressed centrally.

Even more worryingly perhaps is the increasing realisation among management circles that they are unlikely to be able to achieve their drastic “planned reductions” by voluntary redundancy or through natural attrition.

That realisation has not yet manifested itself in a tempering of the management’s position, even though they are constantly reminded of the NTUS position regarding compulsory redundancy. Management have however stressed that they will abide by the Redeployment and Redundancy Agreement (RRA).

In the context of the NATS proposed cost savings the decision of the Board to remove £43.5M from NATS business by way of shareholder dividend is at the very least questionable and our reaction to this can be found in the letter under the Pensions section of this brief.

The NTUS has now arranged a meeting with Jonathan Moore, the Department for Transport’s new Director General of Civil Aviation, on the 1st of June and I have no doubt that we will be discussing the impact of economic regulation on air traffic management provision among other topics.

Many members have voiced their views on the unions “Working Together” with management during a period of sustained attacks on their jobs and terms and conditions, and this will be a topic for discussion at the NTUS AGM on 19th June.

Pensions

The Defined Contribution Scheme opened to new entrants as scheduled on 1st April.

The CAAPS Pensions Committee met on 9th April to receive the interim annual report from the CAAPS scheme actuary. At that meeting we were informed of NATS proposals for the employer contribution rate for 2009/2010. The NTUS are disappointed that NATS have not proposed to pay the full underlying contribution rate as outlined in the actuary's report.

In response to NATS proposals on their contributions and also to the Board decision on shareholder dividends the NTUS has written the following letter to the Board: -

14th May 2009

Mr John Devaney
5th Floor South,
Brettenham House,
Lancaster Place,
London, WC2E 7EN

Dear John,

I am writing on behalf of the Prospect and PCS to express our concerns regarding two significant and high profile issues namely NATS contribution rate to the NATS Section of CAAPS and the decision to pay out £43.5m in dividends to the shareholders. These two issues cause the NTUS and our members real concern and we fail to understand the rationale and decisions made by the board. For clarity I set out our concerns on these two issues below.

Pension contribution

As you will no doubt be aware the NTUS has been engaged with NATS for over two years examining the position of the NATS Section of CAAPS (the Scheme) and the ability of the business to support its obligations to the Scheme. Having considered all the information on the Scheme and its relationship with the business we came to the conclusion that, in order to protect both the Scheme and the business it was necessary to take some action and we agreed jointly, with NATS, a way forward. The NTUS then went about explaining to our members (NATS staff) the need for action and explained the proposed course of action to be taken. The action agreed by our members means the potential risk to the business is reduced. However, this is achieved through our members agreeing to the potential for a reduction in pension growth. Additionally we have agreed to a two tier pension arrangement with the introduction of a new, defined contribution, scheme. This was, for us, a huge leap of faith but something we felt was necessary and therefore required us to act responsibly – which the NTUS and its members have done and continue to do.

Given the current state of the Scheme, as outlined below, it was our expectation that NATS would be increasing the contribution rate immediately (following the interim valuation) to

30% of pensionable pay into the Scheme. Indeed this was one of several figures that were mentioned by NATS, if the Scheme were to be in such a state, whilst we were jointly explaining the proposal to our members.

The December 2008 draft actuarial valuation of the Scheme identified the following:

Without the MoU	With the MoU
Funding level: 72%	Funding level: 76%
Deficit: £910m	Deficit: £700m
Underlying Rate: 44%	Underlying Rate: 38%

Indeed as part of NATS consultation process with staff, NATS made it clear that it was their understanding that if the Scheme were no longer in surplus that they would have to pay at least the underlying cost of the Scheme. Against that backdrop we do not consider increasing the contribution rate simply to 25% to be in the best interests of our members, the Scheme or NATS and therefore this course of action is not acting responsibly. We would urge the Board to reconsider the planned arrangement, to increase the pension contribution rate to 25% for 2009 and then to 30% for 2010, and consider moving to a 30% contribution rate immediately and then increasing the rate to 35% or greater depending on the Employer’s underlying contribution rate.

If following the results of the Triennial Report NATS, in the opinion of the NTUS, do not fulfil the obligations incumbent upon them, and which were made as part of the joint pension briefings (with reference to NATS paying the full underlying rate), the NTUS will have no choice but to consider action (including industrial action) to safeguard the future pension provision of our members.

The above comments are further compounded by the potential level of deficit within the Scheme and what appears to be a lack of urgency with regard to addressing the underlying funding requirements of the Scheme as well as the deficit. I am sure that you are aware of the recent pronouncements of the Pensions Regulator with regard to this issue and in particular that “pension recovery plan(s) should not suffer, for example, in order to enable companies to continue paying dividends to shareholders”.

Shareholder dividend

On this issue the NTUS and our members are incredulous at the dividend payment demanded by the Board for its shareholders. Given the current economic climate and the downturn in traffic together with the £45m costs NERL is looking to take out of the company (based on its strategy for Control Period 3); add to this the state of contracts within NSL and the current state of the NATS Section of CAAPS; then the decision to pay out £43.5m leaves us stunned.

We understand the expectation of shareholders to get a return on their investments even though this venture was entered into with a view of not receiving commercial gain. However to extract £43.5m cash out of the business at a time when we are facing the likelihood of a significant negative RPI (and the impact this will have on NERL’s pricing) together with the downturn in traffic does indeed cause the NTUS and our members real concern and as such we have to question the thinking behind the decision by the Board.

I hope you are able to understand the weight these two issues have with the NTUS and our members – we are all stakeholders here and we wish to see a successful NATS – a NATS that is sustainable and provides an excellent service whilst providing good jobs and job security with good pay, terms and conditions and pensions.

I look forward to your response.

Yours sincerely

Suresh Tewari

CC.	Peter Read	Chairman Airline Group
	Sigurd Reinton	Director
	Brenda Dean	Director

Pay

A pay circular was issued on 30th April outlining the final offer. The offer has been discussed by all three executive committees who will recommend acceptance in their individual ballots. The ballot period will commence on 21st May and conclude on 18th June. If the offer is accepted by members it is expected that it will be implemented in July salaries, including back pay to 1st January.

NATS AIRPORTS

As a result of discussions on the future viability of the airports division of NATS the ATCO Branch of Prospect called a Special Delegate Conference on 21st/22nd April to seek a mandate as to how they should proceed in those discussions. PCS have extended their Annual Delegate Conference for similar reasons. The NTUS will obviously take the decisions of both conferences into account in any future discussions.

Redundancy

Following legal advice from trade union solicitors the NTUS have agreed a change to the redundancy payments for those full time staff who are within 3 years of their normal retirement age (NRA - currently 65). Part time staff may be affected at a younger age and this will be dependent on their hours.

The change reflects the advice that it is not unreasonable to have a rule which prevents a "windfall" whereby a member of staff would receive more by way of a redundancy payment than they would earn in the period between their date of redundancy and their "retirement".

This change is underpinned in the agreement that such staff would never get less than their entitlement under statutory redundancy.

Initial activity scheduled for May/June 2009

- ❖ Pensions committee
- ❖ International Mobility
- ❖ Relocation
- ❖ HR Strategic Team Meeting
- ❖ CP3
- ❖ Redeployment and Redundancy Review Group
- ❖ Review of documentation as a result of pension changes
- ❖ Review of “Working Together” processes and the “Green Book”
- ❖ NATS Airports Issues/meetings with NSL Executive
- ❖ ATCO BEC
- ❖ ATSS BEC
- ❖ PCS Annual Delegate Conference
- ❖ NTUS AGM

Ian McNeill

Trade Union Co-ordinator