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Monday, 6th December 2010

Mr G Pates
Managing Director
Bakkavor Group
West Marsh Road
Spalding
Lincolnshire
PE11 2BB

Dear Mr Pates

Bourne Salads restructuring exercise

As you will be aware, Unite has been engaged in consultation with your management at the Bourne Salads site in Bourne since September 2010. Throughout that period we have attempted to engage in constructive discussions but have consistently stated that we believe there is no justification whatsoever for such savage attacks on terms and conditions of our members, and for so many full time jobs to be lost.

Our financial researchers have had an opportunity to take a detailed look at the company proposals and at the financial information that has been provided, and we are extremely concerned that, other than a few minor amendments to the proposals, the main elements of your blueprint for the future depend on your already very low paid workers making significant sacrifices that they simply cannot afford.

We have several reasons to support our view that your approach is not justified, and I will set some of these out below.

1. The financial position of Bakkavor at Bourne Salads

The way in which management have presented the financial position/losses at Bourne is wrong and is deliberately tilted to give the impression that the situation is worse than it really is.

- The operating loss already has the depreciation for the capital included. You cannot add capital investment on top of the operating profit as this is double counting so the chart showing the losses is misleading.

- Much is made of the £6 million of loss over the last 4 years as a result of fluctuations in foreign exchange. This is not just an unavoidable loss that you had no ability to influence; it is clear that management have failed to:
 - agree contracts with customers that protect Bakkavor against these fluctuations
 - hedge sufficiently to protect yourselves from such losses
- The losses you have had are nothing to do with the performance of the site but in our view are as a result of management failings over several years. Your management team has failed to:
 - protect the company against currency fluctuations as outlined above
 - provide consistent quality and service to customers resulting in the loss of some significant and important business with both Tesco and Sainsburys
 - ensure investment is properly commissioned – due to management incompetence, Track 11 is still not working which means **you are currently failing to make savings of £10,000 every week**

2. Alternatives

The losses caused by these failures cannot be turned around by forcing your workers into poverty as you are currently proposing to do. Instead you have a number of options available to you that will ensure long term sustainable growth back into profit. These include:

- **Improving standard of service to customers** to reverse the trend of losing business and to instead grow the business thereby increasing profit margin
- We believe that there will be **sales growth** over the next 5 years up to £10 million because
 - the overall market is growing, despite the gloomy economic outlook
 - despite having lost several big contracts there will be clear opportunities to gain one or more big contracts over the next few years but only if service to customers, which is currently seen in the market as being something of a joke, is improved to minimally acceptable standards.
- **Procurement improvement** – we believe that the combined purchasing power of the Group should be able to deliver significant cost improvements
- **Management / salaried staff structures** – even taking into account the proposed reductions we would suggest that management levels are still too high in some areas such as general management, finance and HR
- **Synergies with other Bakkavor sites** – there does not appear to have been a willingness to explore synergies with other sites involved in prepared produce to make further savings. It also appears to us, and we believe this may be management's view as well, that the charges levied on Bourne by the Bakkavor Group are excessive for the value provided
- **Exchange rates go up as well as down** – right now, sterling is appreciating against the Euro – so the company could soon be making money on foreign exchange
- **No equality of sacrifice by management/salaried staff** – despite being willing to attack the pay of the most vulnerable workers in the company there is to be no similar sacrifice by management and salaried staff who will see no cuts in pay and no attack on their pay and conditions – this is blatantly unfair and demonstrates very poor leadership in forcing cuts on workers that they are not prepared to accept for themselves.

Our estimation is that if the company explored the above options they could improve margin annually by at least £3 million every year and conceivably a great deal more.


One of our major concerns is that in addition to being an opportunistic attempt to cover up management incompetence by making the workforce pay for it, these proposals are also driven by a crude attempt to avoid your obligations under the pending Agency Worker Regulations due to come into force next year. However, we have been more than willing to explore ways of minimising the impact and also of ensuring you have a significantly lower dependence upon agency workers in the future.

It is our view that any competent management would see opportunities in the areas we have outlined and build them into your business plan so that you can return the business to profitability without the proposed cuts. This is not a matter of the survival of the site; there is no imperative that dictates the losses that the site has been making for the last four years must be eradicated in just 12 months.

I am taking the step of writing direct to you because your management at Bourne have made it clear they intend to implement their proposals early next year and they have shown no willingness to seriously explore any of the alternatives that have been outlined.

Unite sincerely wishes to continue to engage positively with Bakkavor management but we are not prepared to accept that our members will pay the price for management failures in the way that they are currently being asked to. I would be happy to meet you at any time to discuss any of the above in further detail, so please do not hesitate to contact me using the contact details shown above.

Yours sincerely



Jennie Formby
National Officer
Food, Drink and Tobacco Sector

cc Ian Michalski
Ed Sabisky, Unite Finance Director
Unite Shop Stewards