

27 February 2008

Mr Paul Reuter
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Dear Paul,

I have been passed a copy of your letter of 25 February to your members.

Apart from being misleading around Royal Mail's position on pension reform, you have failed to acknowledge the agreement reached between us on the subject last autumn and you appear to be renegeing on the commitments you gave in that agreement. That agreement relating to managers pay in Royal Mail for 2007 - 2009 states that:

"These further increases depend on the following: - Unite working with Royal Mail during the consultation period, supporting the company proposal in principle and the completion of the proposed pension scheme reforms by 1 April 2008.....". I have attached a copy of that agreement for your ease of reference, and similar terms were included in the other pay agreements with Unite. I am perplexed why you think it is acceptable to make no mention of this in your communication to your members. The union has a duty to tell its members the truth.

I fail to see how the agreement can be taken to say anything other than Unite supporting the proposed pension reforms and am therefore both surprised and disappointed by the tone of your letter.

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Over the last year you have repeatedly stressed to us the importance of working together and striving to reach agreement on key issues. We have a very clear agreement on pension reform which followed lengthy discussions and I expect you to honour the commitments contained within it.

Yours sincerely,

Jon Millidge
Group Director of People & Organisational Development

Royal Mail Managers Pay 2007- 2009

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This agreement covers managers represented by Unite CMA (other than senior managers) within Royal Mail Letters and Royal Mail Group Central Functions, including International, Network, Vehicle Services, Commercial (excluding Sales and Customer Management) Central Functions and Operational Support.

Operational Support is: Service Integrity including Security, Process Design, Assets and Programmes.

Letters Central Functions are: Group Procurement, P&OD, Finance, Engineering and IS.

Royal Mail Group Central Functions are: Group Property, Group IS, Group Finance, Group Security, Board Secretariat, Legal Services, Group Compliance, Group Corporate and Government Affairs, Data Protection, Audit Pension Trustees, Chairman's and Chief Executive's office, Strategy and Regulation, Wholesale and P&OD (excluding P&ODS).

Pay rates

A 2.5% increase in base salaries, weekday overtime, allowances and promotion increases from 1 April 2007.

Two further increases will be applied to the same elements of pay as follows

- 2.0 % from 1 April 2008
- 2.8% from 1 July 2008.

Groups already within or during 2007/8 moving into new pay and progression frameworks will have equivalent amounts available and deployed through the new salary review arrangements.

These further increases depend on the following:

- Unite working with Royal Mail during the consultation period, supporting the company proposal in principle and the completion of the proposed pension scheme reforms by 1 April 2008
- people in Group and Letters central functions moving to new pay and progression frameworks.
- agreement on the principles and design of new pay and progression frameworks for Letters Operational and Operational Support Managers by 31st March 2008. This

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will include the dates when people move to the new arrangements.

Royal Mail and Unite will work together to develop the skills, capabilities and performance of managers. This includes replacing the attendance, conduct, and improving performance procedures. To help people develop and focus on performance, recognised accreditation will be sought.

To rebalance our pay structure, following the drivers pay agreement, the operational ML5 pay scale is withdrawn from 1 October 2007 (which becomes the new incremental date) when all operational ML5s will assimilate to the ML4 scale as follows:

ML5 currently on the minimum pay point will, subject to the usual performance requirements, move to the minimum pay point of the ML4 from 1 October 2007.

ML5 currently on the mid point will move to the mid point of the ML4 scale from 1 October 2007.

ML5 currently on the maximum will move to the mid point of the ML4 scale from 1 October 2007. Moving to the pay maximum pay rate after one year on 1 October 2008.

The arrangements for 2008-10 are subject to review with Unite CMA as part of the implementation of the new pay and progression frameworks.

Network 2007: protection of early shift allowance

Assistant DOMs whose start times moved as part of Network 2007 changes made at DOs on or before 8 October 2007 will have early shift allowance protected provided they had been earning it for at least 6 months. This is on a personal basis, which continues until they move out of delivery, move to a role that did not previously qualify for early shift allowance, or change grade.

Bonus

The on-target bonus in the Managers' Bonus Scheme will increase to 10% of base salary with the potential to earn an

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additional 2.5% in stretch bonus. The MBS will become pensionable for bonus earned after 1 April 2008 upon the change to a career average defined benefit arrangement.

The next pay review will be 1 July 2009.