

AGREEMENT FOR THE IMPLEMENTATION OF THE NEW RESOURCING MODEL IN PACKAGES & EXPRESS.

1 INTRODUCTION.

- 1.1 The grades covered by this agreement are all CWU represented grades excluding secretarial and engineering grades.
- 1.2 The Packages & Express Business Unit of Consignia and the Communications Workers Union both recognise that year on year the parcels industry has become increasingly and immensely competitive, with hundreds of private sector carriers continually driving down costs and redefining products to attract new customers and fill capacity within their own expanding networks. It is clear that in order for P&E to return to a sustainable level of profitability it must be able to compete on equal terms with the leading players in this sector. The business has been in a serious loss-making situation for several years and both parties recognise that previous initiatives to recover that situation have not been enough. Against that background the Consignia board endorsed a business recovery plan requiring a number of key projects of change within the business, this agreement covers one element of that plan. In reaching agreement on this aspect of change it is recognised that not all the key requirements of transformation affect CWU grades and that there will be a balanced score card approach to the introduction and progression of all elements of the plan to ensure success and equal contribution.
- 1.3 The demands of working in a fiercely competitive and ever changing market and the concerns these create for employees have been fully recognised. To this end both parties are totally committed to an improved reward package, better job security of existing employees and the concept of optimising a directly employed well trained and highly motivated workforce, whilst providing the facility to exercise a more flexible and cost effective resourcing plan utilising a mixture of direct employees, self employed owner drivers, sub-contractors, agency and casual staff. This Agreement is structured to provide continued long term employment for employees in Packages and Express. To this end, it is agreed that no CWU represented grades will be forced to leave the business on redundancy grounds as a result of this Agreement
- 1.4 P&E recognise the CWU as the body through which all agreements will be negotiated for staff employed in the CWU grades covered by this agreement and that they have an integral role to play in this agreement and its associated processes. P&E and the CWU agree that a forward-looking negotiation and consultation process, which promotes strategic involvement at all levels, is key to the future success of this agreement.
- 1.5 P&E and the CWU are fully committed to the consultative and operational arrangements as outlined in this document, which they agree should be adhered to at all times and in all circumstances.

2 OBJECTIVES.

The purpose of this agreement is to:

- 2.1 Improve competitive labour costs and performance as part of the recovery plan to return Packages & Express to a sustainable level of profitability.
- 2.2 Optimise the deployment of directly employed labour whilst providing the facility to exercise a more flexible and cost effective resourcing plan.
- 2.3 Provide enhanced employment security and properly rewarded employment for existing and future directly employed employees.
- 2.4 Create a flexible and responsive organisation to retain and grow current business and secure new business.
- 2.5 Balance the interests of both employees and the business, optimising the deployment of the core directly employed work force, utilising the agreed mixed resource area and minimise the use of agency and casual resource.
- 2.6 To develop a positive industrial relations interface between P&E and the CWU at all levels and recognise the importance of establishing well understood and observed procedures and guidelines at all levels, including strategic involvement in order to ensure a positive and constructive relationship.
- 2.7 Improve the reward package for all P & E employees covered by this Agreement.

3. AGREEMENT.

- 3.1 Packages and Express acknowledges the value that directly employed labour brings to the business in respect of commitment, skill, dedication and quality. The business will maintain a substantial core force of directly employed labour. The spirit and intent of this agreement is to optimise the development of directly employed labour whilst providing the facility to exercise a more flexible and cost effective resourcing plan.
- 3.2 It is agreed that the flexibility provided by this Agreement will not be used to undermine existing agreements, terms and conditions or to generally depress productivity reward or earnings of existing employees. All areas, apart from those defined in this Agreement will continue to be resourced by directly employed employees unless there are temporary operating difficulties or whilst directly employed staff are being recruited.
- 3.3 Against the background of an absolute and meaningful commitment to optimise the deployment of a directly employed workforce and to the employment security of existing and future employees, the CWU have accepted that circumstances have been identified whereby the ability to use indirectly employed labour will be financially advantageous and help to recover business profitability.

- 3.4 This agreement between P&E and the CWU sets out the criteria for the use of a new resourcing model within the P&E business of Consignia. It also details how mixed resourcing should be applied in the context of a meaningful strategic approach at all levels and inline with existing consultative processes and agreements. It is recognised that the problems within this business are specific and require this decisive and radical solution to enable it to successfully meet the commercial challenges of the Parcels industry and to support the recovery plan of profitability by the end of the 2002/03 financial year. Against that background it is confirmed that this agreement is solely concerned with the issues faced by P&E.
- 3.5 P&E and the CWU accept the principle of the need for a more flexible, cost effective resourcing plan to meet the challenging demands of a fiercely competitive market and a continued spiral of profit loss. However both parties remain totally committed to the continued use of both existing and future directly employed staff and regard this agreement as both a job security commitment and the vehicle to sustain future secure and rewarding employment. It is agreed that non conformance with all relevant legislation, e.g. working time, driving hours etc. by other resourcing methods will not be accepted by P & E or allowed to undermine the cost effectiveness of using directly employed staff. The proper application of conduct and attendance procedures will continue and will not be used as methods to reduce existing directly employed staff to facilitate the introduction of mixed resourcing.
- 3.6 This mixed resourcing agreement is only one of a number of key projects that form part of the recovery plan to reduce profit leakage and P&E and the CWU are committed to ensuring that all elements of the recovery plan are delivering the benefits required. To this end each element of the plan will produce quarterly reports to test the assumptions of the plan and their progress, and these will be shared by the Personnel Director and / or the Managing Director with the CWU Assistant Secretary so he may be appraised of any foreseen difficulties or raise any concerns about progress on the plans. These reports will remain confidential. It is recognised however that such involvement should not compromise the ability of the CWU Assistant Secretary to carryout his responsibilities to the CWU executive and the membership he represents. Equally the performance and standards of non-directly employed resource will be constantly monitored to ensure that the good name and high standards of P&E are being maintained and that quality of service is being sustained.
- 3.7 It is agreed that if collection and delivery route operations are to compete effectively, the business needs to be able to deploy other resourcing options, as used by its competitors, to improve cost effectiveness and return the business to profitability. A mixed resourcing model for depot operations will therefore be introduced, including direct employees, sub-contractors, self-employed owner-drivers and agency and casual staff, although the ultimate aim is to reduce the use of agency and casual staff to a minimum.
- 3.8 Sub-contract and owner-drivers will be contracted using normal procurement disciplines; and will be expected to meet all necessary legal obligations

including those in relation to trade union recognition. To this end and in accordance with Annex 6, P&E will recognise the CWU as the representational body for those owner-drivers who join the CWU and that the CWU will be allowed an agreed induction session of 30 minutes during the recruitment process.

- 3.9 Non-directly employed labour will also be expected to maintain a level of conduct, appearance, attendance and customer service standards consistent with that of directly employed staff. (A sample draft contract is at Annex 1)
- 3.10 One of the key elements of the resourcing mix will be the use of owner-drivers. These will be self-employed individuals who contract to deliver and collect parcels. The opportunity to become an owner-driver will be offered internally in the first instance and externally if necessary. In the event there are more suitable applicants than vacancies for owner drivers, then the order of priority in making selections will be as outlined in Annex 2 Para 3
- 3.11 The processes for establishing interest in being an owner-driver, selection and future progression are detailed in Annex 2 to this agreement.
- 3.12 The process of determining mixed resource routes in each unit will be established via site specific analysis based on the current state i.e. based against typical week traffic and assuming full establishment. The CWU will be involved in the analysis process as detailed in Annex 3. It is agreed that a maximum of 25% of current state delivery/collection duties will be identified for other resourcing options other than directly employed employees. In determining the traffic to be outsourced, (which will represent 25% of model office duties under existing revision processes) any regular commitments to 'Project Moon' outlets must be included within the 25%. Additionally Project Moon may be utilised as a contingency to meet operational difficulties such as backlogged traffic, excess volumes of traffic, uncovered routes due to vacancies, sickness absence, annual leave and whilst recruitment takes place. The manpower and operational planning and consultation process to determine the use of contingencies is defined in Annex 7 to this agreement. However other resourcing options will only be introduced in each unit when there are sufficient vacancies to allow for its deployment. The duties identified for immediate or future other resourcing options will cover a mix of the full range of delivery/collection work covering the full span of service hours. This to ensure that there is an equal mix of duty range for both directly employed and non-directly employed manpower. Once the selection/de-selection process has been concluded and an end state duty mix is completed via the agreed revision process a full unit resign will take place. Identified mixed resource duties covered by directly employed employees until natural wastage allows for mixed resource deployment, will be classed as temporary duties. Where vacancies occur in the directly employed duty area, employees covering duties identified for the mixed resourcing area will move across. Where vacancies occur in the directly employed area and the mixed resourcing process has been fully deployed, recruitment of directly employed staff will take place.

- 3.13 A vacancy is defined as a duty, which is not covered, is covered by overtime, is shared amongst other drivers, is covered by agency or casual resource or by a temporary contract. Temporary employees will be treated in accordance with Annex 4.
- 3.14 It is agreed that the construction of duties for outsourcing should have no impact on the earnings potential of existing employees in general, except where individuals are covering more than one route.
- 3.15 Owner Drivers will be expected to provide their own cover for annual leave, sick leave or any other form of absence and also for deliveries/collections on their routes which they are unable to deliver/collect. In the event that no extra cover is provided the work will be offered to other Owner Drivers or to employees as extra bonus work or overtime. Any additional cost to Packages & Express may be pursued by the business and met by the appropriate Owner Driver. Performance of contractors will not impact upon front line productivity reward.
- 3.16 Following ratification of this agreement and upon reaching the 'point of introduction' of the approved mixed resourcing arrangements at a given depot, the benefits and reward to this agreement, will flow through to the directly employed staff at that location as detailed in Annex 5. The 'point of introduction' for benefits for staff employed in PDCs and the National Hubs is also defined in Annex 5.
- 3.17 Joint training programmes of depot managers and local representatives will be held to establish a common understanding of and commitment to the rationale, provisions, spirit and intent of this Agreement and its associated processes. Training requirements will be reviewed after Mixed Resourcing has been introduced in the Pilot offices and any agreed recommendations will be incorporated into the training programme that will be used for the full National roll-out of Mixed Resourcing.
- 3.18 This Agreement subsumes and replaces the Enabling Agreement regarding the Introduction of Mixed Resourcing (Project Moon) but not the Framework Agreement, the provisions and commitment of which remain unchanged
- 3.19 This Agreement will be the subject of a full joint review in February 2002. A summary report of the findings of the review will be issued to depot management and local CWU representatives. However should the Consigna Board make decisions regarding the future of UK Parcels which affects the product base on which this agreement is based, either party reserves their right to reopen negotiations to either redesign or change the arrangements detailed in this agreement. This agreement does not permit the extension of mixed resourcing beyond that defined in this Agreement unless agreed nationally by P&E and the CWU.

SIGNED BY TERRY PULLINGER AND JOHN MILLIDGE

T Pullinger
Assistant Secretary
Communication Workers Union
Date:

J Millidge
Personnel Director
Packages & Express
Date:

Annex 2

BEING AN OWNER DRIVER

It is anticipated that the majority of owner-drivers will convert from being existing employees of Package and Express on a voluntary basis. Prior to outsourcing commencing there will be a process for briefing employees on the package and implications of becoming owner-drivers. There will also be an opportunity for all employees to have an individual session on the conversion process.

1. Establishing Interest

- 1.1 Employees interested in becoming Owner-Drivers will be invited to attend a seminar which will provide them with detailed information on:
- which routes are planned for outsourcing
 - how the selection process will work
 - the 'Partnership Package' - i.e. contract support facilities available - vehicles, fuel etc.
 - terms of the contract
 - implications of being self employed

Both internal and external specialist advice will be available at these events

- 1.2 Each depot will advertise for existing employees who are interested in becoming owner-drivers. Advertising for owner-drivers may also take place externally if necessary
- 1.3 After informal discussions with the Depot Manager and other key contacts to ensure employees are fully aware of the commitment they would undertake if they became an owner-driver, an interested employee would be required to submit a formal application for a particular route (or routes).
- 1.4 Providing the criteria in section 2 is met, appointments will be made in line with section 3.1 - 3.5 of this Annex.

2. Criteria for selection of owner drivers

- 2.1. Owner-drivers will be selected on the basis of attitude and capability, and the following criteria
- 2.1.1 Pass credit checks - i.e. no CCJs on record
 - 2.1.2 Have experience of courier or multi- drop deliveries
 - 2.1.3 Have a clean driving licence
 - 2.1.4 Have no criminal record

- 2.2 The business will exercise discretion with regard to the requirements of 2.1.3 and 2.1.4 depending upon the nature and extent of offence and impact upon suitability of the individual to become an owner-driver with P&E .
- 2.3. Employees wishing to become owner-drivers will need to demonstrate to the business that they are fully aware of the commitment they are taking on and have a plan in place to manage the financial undertaking. They will do this via the production of a business plan.
- 2.4 Employees will not be considered for transfer to owner-driver status if:
 - 2.4.1 They do not meet the general criteria in 1 above
 - 2.4.2 They are in the final stage of the attendance procedure
- 2.5 The selection process will be conducted in line with P&E Equal Opportunities policy.

3. **Priority Order**

- 3.1 The following priority order will apply to applicants becoming owner-drivers:
 - 3.1.1 Suitable permanent employee in depot
 - 3.1.2 Suitable temporary employee in depot
 - 3.1.3 Suitable permanent employee in other depot
 - 3.1.4 Suitable temporary employee from another depot
 - 3.1.5 Suitable employee elsewhere in Consignia
 - 3.1.6 Suitable external applicants (including agency and casual staff).
- 3.2 Within each of the categories outlined in 3.1.1 to 3.1.6 above, if there is more than 1 suitable internal applicant for an owner driver route then seniority will be the deciding factor in making appointments.
- 3.3 The decision to appoint an owner driver to a particular route will be made by the mixed resourcing team and trained procurement professional, taking into account all available information regarding the suitability of an applicant for the owner-driver position. If the decision is not to offer an owner driver position to an employee, feedback regarding the reasons for the decision will be given. An individual will have the right of appeal to the Area Personnel Manager and may be represented by a CWU representative or friend who must be an employee of Consignia.
- 3.4 A list of suitable applicants for owner-driver status will be maintained and individuals on the list will be invited to tender for owner-driver routes as and when they become available
- 3.5 This process will continue to apply after the initial launch where there are routes targeted for outsourcing available within a depot.

OUTSOURCING PROCEDURE

1 INTRODUCTION

- 1.1 The following process has been agreed to assist Managers and CWU Reps within Parcelforce in carrying out the outsourcing process. The objective of the implementation process is to ensure a rapid and thorough deployment of mixed resourcing so that the benefits to the business and its employees will materialise as quickly as possible.
- 1.2 Upon ratification of the agreement, the first steps of this process may commence in all depots so that the current and relevant data is available for the formal planning element of the process.
- 1.3 Once the formal planning element of the process begins, then the review process will be targeted to take no more than 2 weeks. The review process will not commence until full training has been given to the local CWU representatives as outlined in paragraph 3.17 of the main Agreement. Throughout the review process, the CWU representative will be involved in validating the inputs, outputs and review of the final work to be outsourced.

2 INPUTS

The inputs to the process will be as follows:

- 2.1 MASSUB (or other software) Spreadsheet produced from depot data, providing baseline cost for existing depot routes and allowing comparison with potential Owner Driver Rate. This model costs existing routes based on national average staff costs (including A/L, Suppoc, Nipoc etc. assumes the national average percentage of Sick Leave - currently 5.7%, average vehicle leasing, maintenance and MPG costs based on the latest data available, average agency costs based on contracted suppliers in that particular depot area).
- 2.2 Contractor Profit & Loss Model, to calculate potential earnings of route to be outsourced (i.e. suitable volume within planned route to provide level of earnings required to attract and retain Contractors). This model contains detail of Contractor costs (based on the Partnership Package and estimated taxation).
- 2.3 INDICATION OF PRICE PER ITEM to be paid and level of earnings required to attract and retain Contractors.
- 2.4 LOCAL KNOWLEDGE: On practicality of operating that area as a route (gross area to be covered etc.), potential for growth of collection volumes, and any other relevant local information i.e. Commercial opportunity to outsource 1

area (Obtained from Monthly Local Unit Team meetings and LPT's where sales contact attends).

3 KEY ASSUMPTIONS :

- 3.1 Urban areas and areas where potential growth for collection traffic exists and geographical groupings (i.e: a clearly defined area where a group of routes could be out-sourced) to be given priority.
- 3.2 Look at converting P&E routes to Contractor Routes on a 5 to 3 ratio, and include collection work, which may currently be performed by a separate collection route.
- 3.3 Any routes can be out-sourced, not just current vacancies.
- 3.4 The initial aim is to avoid the need for a full depot revision, so outsourcing proposals should look at combinations of existing whole routes, rather than parts of existing routes.

4 STRATEGY

- 4.1 The objective of the exercise is to maximise savings opportunities for the business by identifying the work currently performed by the local depot (i.e: not work currently performed on our behalf by Service Delivery) which:
 1. Offer the greatest potential for growing customer collection numbers and volumes.
 2. Could be out-sourced at a cheaper rate than the current cost of performing them with employed resource.
 3. Leave an identified balance of routes with earnings opportunities for directly employed staff.
 4. Makes the most effective use of the full range of mixed resourcing options.
- 4.2 Although maximising savings is the key priority, local knowledge should also be used to identify the areas where interest is likely to be highest for employee conversion to Owner Drivers.

5 STEPS OF OUTSOURCING ARRANGEMENTS

Steps 1-11 below are a guideline as to how the outsourcing arrangements will work. They will be targeted for completion in a two week period.

STEP 1 Define Local Office Objectives and Communicate

Ensure that management, CWU and staff fully understand the reason for the introduction process including a full explanation of the National Agreement and the introduction process.

STEP 2 Preparation and Planning

Set out and agree a proper structure to carry out the revision. The application of national timescales will be built into the planning process with the depot.

STEP 3 Establish and Agree Current State

The review will be based on the current office state, in line with para 3.12 of the main Agreement . Therefore it is essential to ensure that all current systems used within the local unit are accurate and up to date. This will include information on current duties and traffic utilised within the unit and the staffing levels used to prepare and deliver the traffic. This will be conducted by the Depot Manager and CWU depot representative.

STEP 4 Incorporate Outsourcing Agreement Objectives

It is important that all the objectives outlined in Paragraph 2 of the National Agreement are considered by the Manager and CWU Rep and will be incorporated into the review. This must include a mix of the full range of delivery / collection work covering the full span of service hours.

KEY REVIEW STAGE 1

At the end of this first stage :

- The base systems and data will be up to date
- Local targets and reasons for the activities will have been confirmed
- All parties will understand the start point and the baseline
- Realistic levels of planning resource will be made available to meet the timescales
- All information required for the Outsourcing Agreement will have been received

All of the above will be carried out at a joint meeting of all the respective parties. Once the CWU representative and Depot Manager are satisfied that all of the first 4 steps have been carried out, they can sign off the Key Review Stage 1. All of the associated documents for steps 1-4 should be attached to this document.

STEP 5

Take the MASSUB file for the appropriate office and check the route data. Drop and route information will be within the Territory (on the round and drop sheet), item data will be input by the Network Development Team (on the item input sheet) from manifests which have now been returned to the depots.

Some discrepancies will be identified eg. information on the number of items for a route which has not been input by the territory therefore no costs have been attributed to it. Identify the missing data and obtain costs (route driver, agency, kind of vehicle etc) and update round and drop sheet with detail.

Enter the assumed Contractor rate in the item input sheet and then refer to weekly output sheet for cost comparison on a route by route basis.

STEP 6

Involve Depot Management Team and CWU representative in identifying areas where there is potential to grow collection volumes.

STEP 7

Take detail of routes from MASSUB which could be outsourced at a cheaper rate than currently and routes with potential for collection growth,. Using local knowledge of Depot Management Team, and the CWU Representative develop potential Contractor routes.

Contractor routes will be created from combining existing depot routes on a 3 into 2 basis. Scheduled collection and bulk deliveries can be added into a potential Contractor route (again using local knowledge of bulks to identify what would be feasible for a Contractor to handle (i.e. We anticipate that Owner-Drivers will have 400-530cf vehicles).The creation of Contractor routes should not significantly affect the remaining depot routes i.e. 50% of an existing route should not be combined with a Contractor route and 50% left for employed resource.

STEP 8

Again involve the depot management team and the CWU Representative in sense checking the proposed Contractor routes (are they physically possible with an 11 hour day? Will that volume of delivery and collection work fit on the appropriate vehicle?).

STEP 9

Enter the proposed Contractor routes into the Contractor Profit & Loss model on the route entry sheet.

Enter the anticipated daily mileage, daily number of drops and items and the anticipated rate for item used at step 1. Verify profit figure.

KEY REVIEW STAGE 2

By the end of the second week of the outsourcing procedure, the Depot Manager and the CWU representative will meet to confirm the routes proposed for outsourcing. They will also consider the projected effect of the proposals on overall earnings within the unit. Additional issues to be considered are the overall changes to the manpower and the timetable for implementation. The final agreement should clearly state the process adopted for the formal endorsement and communication of the revision to staff.

It is accepted that for the CWU to operate effectively and democratically it needs the active participation of its members. Reasonable time during working hours will be provided for CWU members to be adequately updated, discuss progress and ratify proposals. Such meetings should only be held with the express agreement from management and in considering the appropriate time for such meetings, both parties should ensure the safeguard of customer service and a mutually convenient time should be agreed which minimises any effect on the operation.

In the unlikely event that a final agreement is not produced by the end of the second week of the process, the specific obstacles to agreement will be identified and immediately communicated to the Regional Organiser and the Area Customer Service Manager for joint review, action as appropriate or resolution in the event of disagreement. Any disagreement must be resolved within 1 week.

STEP 10 Implement Outsourcing

Routes will be offered for outsourcing, with full co-operation and on time in accordance with the following:

1. Routes identified
2. Agreed routes allocated to 'mixed resource'
3. 'Mixed Resource routes advertised
4. Re-sign implemented for routes remaining 'in-house" - i.e. vacated routes will be offered on a seniority basis to drivers displaced from the 'mixed resource routes, pending future resign to allow implementation of the first tranche of outsourcing.
5. Revision of routes remaining 'in house, if necessary'
6. Re-sign No 2 implemented.

STEP 11 Review of Process

Eight weeks following the introduction of the outsourced routes, the Depot Manager and CWU representative will meet to discuss the process.

Both parties should take an objective view and discuss all the key criteria following implementation. Once these issues have been identified it will be jointly agreed as to whether any inadequacies are so great that they require an immediate action plan to correct the problems or if additional time should be required for a bedding in period. Issues to identify are:

- Customer Impact
- The cost of outsourcing duties
- Any potential growth of existing and new collections
- Information received from data is correct including validation of traffic
- How the revision was handled
- Office hours including any pressure hours used
- Impact on earnings within unit
- Impact upon quality of service of both the directly employed and outsourced areas - reviewed separately

This list is not exhaustive and any additional issues should be agreed and signed off at the initial review meeting. It should be noted that the implementation review would ensure that the claimed success in terms of the specification being achieved, has been fully met with shortcomings noted and improved.

The summary of the review in this step should be jointly recorded and sent to P&E and CWU Headquarters.

All processes above should be carried out in line with the Procedural Agreement and in the spirit and intent of Annex 7

Annex 4

SECURITY OF EMPLOYMENT - Temporary Staff and over 60's

On signing of this agreement, all temporary CWU represented employees in P&E who were in post on 1 November 1999 will be offered 'long term' contracts (subject to satisfactory attendance and conduct records)

Where there are opportunities for other temporary contract employees in depots to become owner-drivers, then they will be allowed to do so in line with the process in Annex 2. In addition, the business will make a genuine effort to find suitable employment opportunities within Consignia for any temporary member of staff who may otherwise have their contract terminated. If there are no suitable vacancies, or work on which they can be retained on a temporary or permanent basis then their contract will be terminated.

The 'Retention of over 60' Agreement is unaffected by this Agreement.

Annex 5

CHANGES TO THE REWARD PACKAGE FOR EXISTING AND FUTURE DIRECT EMPLOYEES

1 Shorter Working week

1.1 A reduction in the working week will be introduced for all CWU-represented grades in P&E, on a depot by depot basis and at all PDCs and the National Hubs when:

- i) the depot duties are revised in connection with operating the new resourcing mechanisms set out in the agreement and sub-contractors and/or owner-drivers have been introduced
- ii) Sort Centre and Admin. staff in all PDC's and the National Hubs have agreed the duties required to absorb the reduction in hours.

1.2 In order to contain the cost of this improvement, there will be a requirement for 80% of the working hours reduction to be absorbed at no additional cost to P&E and the hours reduction will not flow through into overtime or attendance premium costs.

1.3 Guidelines for the implementation of the working hours reduction in P&E are as follows:

1.3.1 Collection and Delivery Drivers

At the 'point of introduction', targets for each route will be reduced by 0.82%, representing a 1½ hours reduction in the working week assumption used to calculate payments, with 80% of this reduction being absorbed at nil cost to the Business. There will be a minimal change to route targets, and route revisions will not therefore be needed to implement this change, beyond that carried out in the process of selecting routes for owner-drivers.

1.3.2 Other Staff

At the 'point of introduction', there will be a 1½ hours reduction in the working week for all indoor and clerical staff in CWU -represented grades in sort centres, depots and admin. units, except for the National and International Hubs at Coventry where the working week has previously been reduced by 1 hour and the reduction will therefore be 30 minutes.

1.4 In implementing this reduction in working hours the following principles will apply:

- 1.4.1 in no circumstances may units avoid implementing the reduced working week by balancing the reduction in conditioned hours with a simple increase in overtime, and on no account may the total work hours of any unit increase as a result of implementing the shorter working week
- 1.4.2 Sort centres and indoor staff in depots will be expected to reduce the length of attendances and absorb 80% of the reduction in hours without cost to be business. In depots the enhanced rate of bonus in the Depot Indoor Incentive Scheme (formerly Indoor Sorting and Collection Incentive Scheme) will be increased by 0.82% to reflect the reduction in hours which they are not expected to absorb. In sort centres the PBIS payback table will be revised downwards to take account of the agreed proportion of the reduction in hours which they are expected to absorb. Where it is agreed locally and it proves possible to exceed the nationally agreed absorption level, employees will automatically enjoy increased bonus.
- 1.4.3 Clerical staff in admin. units are expected to be able to absorb the reduction in working hours, and only in very exceptional circumstances should there be any need for overtime as a result of the working hours reduction.
- 1.5 'The Point of Introduction' for a depot is the point at which revised duties and selected outsourced work has been agreed and the 1st owner-driver or contracting out arrangements are introduced. 'The Point of Introduction' for PDC's and the National Hubs is the point at which Mixed Resourcing has been introduced inline with the above criteria in 50% of our depots.

2 Annual Leave

- 2.1 On 1.4.2002 the annual leave entitlements for all CWU represented staff in P&E, which will include and replace the days previously taken separately as Post Office holidays ('Privilege Days'), will be:

<u>Years service</u>	<u>5 day week</u>	<u>6 day week</u>
On entry	4 weeks 2½ days	4 weeks 3 days
After 5 years	4 weeks 3½ days	4 weeks 3½ days
After 15 years	5 weeks 1 day	5 weeks 1 day
After 20 years	6 weeks	6 weeks

- 2.2 Clerical staff do not benefit from the proposal to increase the basic leave entitlement unless they have more than 20 years service. Therefore staff currently receiving in excess of the leave entitlement in paragraph 2.1 will continue to do so.
- 2.3 In addition to this standard leave entitlement, employees with less than 20 years service will be able to increase their entitlement up to a maximum of 6 weeks per annum by foregoing an element of basic pay. The choice must be

exercised for at least one whole leave year, and for each whole week of additional leave the basic pay will be reduced by 2%. In no circumstances may leave from the standard leave entitlement be reduced, and neither may un-taken leave or other time off in lieu be "sold", converted into pay or carried forward to the next leave year. In line with current practice, P&E may require employees to take leave during slack periods.

3 Pay

Pay arrangements will be enhanced as follows:

3.1 PDC's:

3.1.1 All PDC's will immediately agree changes to operational and working practices that will achieve 100 BSI by April 2002

3.1.2 Once step 3.1.1 has been achieved and when each PDC has reached and maintained 75 BSI for a period of 3 consecutive calendar months, or an average of 75 BSI for a period of 4 consecutive calendar months, then the first element of consolidation will occur. This will be equivalent to approximately 25% of the bonus paid for achievement of 75 BSI (i.e. £4.69p of £17.27, the bonus currently payable at BSI 75. The remaining element (i.e. £12.58p) will be paid as bonus, as present, dependent upon productivity.

3.1.3 When stage 4 (BSI 91-100) has been achieved for a period of 3 months, or an average of 91 BSI for a period of 4 consecutive months at each PDC then a similar principle will apply with a further £4.69p of the bonus payable being consolidated and the remainder (£20.10p at BSI 91) continuing to be paid as per current arrangements.

3.1.4 If each PDC has already reached the BSI targets outlined in 3.1.2. and 3.1.3 for the requisite periods at the point that Mixed Resourcing has been introduced into 50% of our depots (Point of Introduction), then consolidation of bonus at £4.69 or £9.38, as appropriate, will apply from the date that the 'Point of Introduction' is achieved.

3.2 Depots:

At the point of introduction (as defined above) the following will apply in depots.

To improve consolidated pay for all grades, the consolidated pay will be increased by £4.69p per week. This amount will be deducted from existing bonus payments and the remaining element will continue to be paid as bonus as present, dependent upon productivity being achieved.

At the 'point of introduction' in each Depot the final remaining RDP duties will be removed and all benefits will flow through to those individuals performing those duties.

If because of existing profiles it is impossible to introduce mixed resourcing until natural wastage takes place, the 'point of introduction' will be considered to be sign up to the completion of the 'Design, Identification and Selection of Routes to be Outsourced'.

CWU REPRESENTATION AND INVOLVEMENT

It is essential that the pace of change is consistent with commercial pressures without sacrificing a high standard of employee involvement.

P&E has committed to significant improvement in Employee Satisfaction scores in next years EOS. In order to achieve this a high degree of communication and involvement with trade unions and employees must be developed and maintained.

Both P&E and the CWU are committed to an open style of involvement, sharing issues and successfully and positively solving problems jointly where appropriate.

CWU involvement in the revision process is clearly set out in Annex 3. The key measures of success will be successful implementation within defined timescales with both sides working together to maintain and protect employee earnings, employment security and morale.

CWU has also expressed a desire to represent owner-drivers within the new structure. There are situations where this would impact adversely on the commercial interests of the business for example through breach of confidentiality of individual contracts and where other legal requirements would be affected.

However where an owner-driver appoints the CWU to represent him/her on individual personal or interpretation of contractual matters P&E recognises the right of the individual so to do and will afford the relevant local CWU representative appropriate facilities, Arrangements for ad-hoc and agreed levels of facilities for release time will remain unchanged by this agreement to enable the CWU to represent owner-drivers on such matters. However the business would expect the owner-driver to raise the matter with management in the first instance.

Annex 7

MANPOWER PLANNING AND USE OF PROJECT MOON FOR DELIVERY OF STANDARD PARCELS ON AN AD HOC BASIS

Within the overall agreed level of outsourcing, a pre-determined number of standard parcels may be delivered on a regular basis by Express Dairies or their partners. The actual number of standard parcels delivered by this means will vary from depot to depot according to operation requirements, support available from the contractors and the overall mix of resourcing

This Annex serves to give guidance on the use of Express Dairies, or their partners, to deliver standard parcels, generally for residential addresses, as a contingency measure above the agreed level of outsourcing to meet operational difficulties such as backlogged traffic, excess volumes of traffic, uncovered routes due to vacancies, sickness absence, annual leave and whilst recruitment takes place.

Within the use of this particular resourcing arrangement, it is agreed as a joint criterion that the service specification for standard parcels is that they be delivered the day after receipt at the P&E depot, consistent with the advertised three day service from day of posting.

1. Where parcels are delivered by Express Dairies or their partners on a contingency basis, it is agreed that there will be no pre-determination of specific parcels to be transferred and the parcels becoming available on a day-to-day basis will arise as a result of various influences, including:
 - Backlogged traffic.
 - Surplus traffic on a particular route or routes due to excess volumes which will not be cleared on the day.
 - Uncovered routes due to vacancies sick absences, leave etc.
 - Routes covered by agency or casual staff
2. Integral to establishing the requirement for the use of this particular resourcing aid and in identifying the traffic to be made available in relation to the factors above, will be appropriate joint local negotiation, consultation on manpower planning, traffic forecasting, and operational arrangements. Such considerations should be assessed at formal meetings over a 13-week period and on a weekly basis, and ad-hoc meetings where daily decisions are required
3. The opportunity to use Express Dairies as a contingency should be taken into account as part of the resourcing mix in the manpower planning. On the basis that anticipated vacancies, retirements, annual leave commitments, long-term sick, etc. will identify when a contingency may be required. In this context the use of Express Dairies should be fully taken account of in the development of the overall manpower plan before action is taken to arrange agency staffing. At the same time, ad-hoc situations will arise, through such factors as short-term sick

absence, daily traffic fluctuations etc. which will need to be taken into account as resourcing needs are jointly reviewed .

4. A resourcing plan will be prepared for each unit and discussed with the local CWU representative. These plans will be reviewed at the relevant weekly resourcing meetings between management and the CWU to ensure their robustness. To facilitate the production of these plans, it is agreed to train all those involved in the current processes, that input into the manpower plan and any improved systems that may become available hereafter.
5. The Manpower Plan will be jointly developed to fully achieve service specification and the aims of the Mixed Resourcing Agreement.
6. To this end it will be based on a traffic forecast, which dictates the resource requirements. The plan will take account of the seasonal traffic trends and identify what flexibility it gives to the resourcing mix required. To resource all office operations effectively the Manpower Plan will explore and utilise the agreed mix of resourcing opportunities. One of the enablers to a robust resourcing plan is the controlled use of Express Dairies.
7. Projected workload, based on accurate daily/weekly forecast traffic levels, together with historic data, will be used to establish realistic resourcing requirements across the 13-week period. This information will be available on an 'open book' basis to the CWU Unit Representative.
8. The Resourcing Plan will be discussed with the CWU in advance of deployment.
9. Hours of operation and the staffing levels of the Unit will be aligned to the workload requirements of the unit itself, using National Standard Procedures and Performance Standards.
10. Resourcing discussions will be dealt with using the processes defined in the procedural agreement.
11. It should also be noted that Express Dairies may be able to accept work from a restricted area within the P&E Depot catchment area, because of different areas of coverage. This may lead to a situation where traffic becomes available in the P&E depot, for any area which falls outside or only partly inside, the areas served by Express Dairies. In those circumstances it may be appropriate to transfer work in the area which is covered by them, and to adjust other P&E routes as necessary to deliver the uncovered work.
12. P&E agree that in depots where Standard parcels are transferred as a contingency to Express Dairies for delivery, work will be provided to give P&E drivers on the routes affected the opportunity to maintain their current level of bonus earnings. On short-term daily/weekly basis this will be done by adjusting routes to make sufficient work available to enable bonuses to be maintained. This approach to maintaining bonus earnings may be supported by taking account of traffic becoming available from arising vacancies or other uncovered work .

13. It is recognised by both P&E and the CWU that it is of paramount importance that the office resourcing base places it in the best possible position to be capable of handling all traffic on a daily basis.
14. The Unit Manager will have the overall responsibility for ensuring that the office staffing profile and contingency staffing plans are such that the use of agency and casual resource is kept to an absolute minimum.
15. Should the resourcing mix fail to achieve its objective, local management and the CWU will jointly establish the reasons for the failure and what remedies need to be introduced, if any, to avoid the service being jeopardised in the future. This will be done on a weekly basis and ad-hoc where necessary.
16. A record will be established of the daily resourcing methods and performance, containing the details of the decisions taken and why. This will be available to the CWU representative on an 'open book' basis.
17. The integral role of the CWU Representatives in this Annex and associated processes is fully recognised, as is the requirement for appropriate release in order for them to meaningfully prepare and participate.
18. Any questions of interpretation, implementation or application of this Annex shall be referred to the Regional Organiser and the relevant Manager as a matter of urgency and will be dealt with inside the provisions of the Procedural Agreement.