



REGION IRELAND

REGIONAL SECRETARY – JIMMY KELLY

Inquiry Manager
NIE price determination
Competition Commission
Victoria House
Southampton Row
LONDON
WC1B 4AD

29 November 2013

Dear Sirs

**Response to the Competition Commission's Provisional Determination
regarding NIE Transmission & Distribution RP5 Price Control**

Unite the Union is the largest Union in Britain and Ireland with over 1.75 million members covering both the Public and Private Sectors. In particular we are the biggest Union representing employees in the Energy & Utilities industry in both Great Britain and Ireland.

Unite represent the majority of employees within NIE who are employed predominantly within highly specialised trades comprising technicians, overhead lines persons, cable jointers, plant maintenance technicians, metering electricians, team managers and specialist administration staff.

We have over 500 members within Northern Ireland Electricity (NIE), all of whom are employed with the aforementioned categories. We are extremely concerned that the Competition Commission in its Provisional Determination has appeared not to recognise the unique nature of the skills and specialisation of NIE's workforce especially within the NI economy and has also failed to recognise the substantial productivity and efficiency improvements already delivered by our members since privatisation. It appears as if the Competition Commission has treated NIE as an inefficient company that allegedly pays unnecessary wage increases to staff who are non specialist and where there is an over supply of labour as a result of the current economic conditions – this is totally without foundation. The combined effect of the Competition Commission's proposed ongoing productivity challenges together with the decision not to provide an RPE allowance to recognise what is happening in the appropriate labour market for skilled staff within this sector will place NIE and our members within NIE at a disadvantage. The potential consequences of the Competition Commission's Provisional Determination are extremely unsettling for our members within NIE, many of whom have expressed their concerns and some have already left to take up other employment offers within the past 12 months at significantly higher salaries than they were on in NIE. The

current position outlined by the Competition Commission in the Provisional Determination will, if implemented, further exacerbate the situation.

It should be noted that our members work with NIE on a high voltage network and are trained within NIE using modern apprenticeship techniques to a highly specialised standard that cannot be achieved through normal apprenticeships. Our members are required to work in complex, demanding and high risk environments where mistakes can cost lives. They work with minimal supervision and are required to regularly update their skills and knowledge and be reassessed regarding their competence. Their skill set is significantly higher than an electrician working outside NIE and on JIB rates. They are also required to provide a 24/7 service, 365 days a year. Over a number of years we have worked in partnership with the company to ensure that all our members are employed on modern terms & conditions that facilitate maximum efficiency and effectiveness which benefits the company, the customer and our members. These efficiencies are not recognised in the Competition Commission's Provisional Determination.

Furthermore we do not believe that NI is the appropriate benchmark for our members any longer, given that they are a mobile workforce who can work anywhere across the UK and beyond. In recent years we have seen an increase in the number of our members leaving NIE to take positions throughout the UK on better contracts.

We have witnessed a significant increase in demand for High Voltage Craftspersons across the UK, ROI and beyond. This is driven by a number of factors:

- The ageing workforce within the sector where a large number of our members are "baby boomers" and who can retire over the next 5-10 years.
- The Renewal Energy Sector both offshore and onshore where billions will be invested and there will be significant labour requirements which have not yet taken effect. There is clear evidence to support the increased resource requirements in this area for the foreseeable future.
- The need to replace ageing assets across the UK and the investment plans of comparable T&D businesses who themselves have skills shortages.
- A miss-match between the skills and educational needs of this industry and the skills and educational qualifications of students leaving our UK schools and universities.

Our evidence suggests that NIE salaries for Skilled Craftspersons are on average 10-15% behind the rest of the UK (ignoring the significant salaries currently available and on offer in the region of £100-120k p.a.).

It should be noted by the Competition Commission that Unite, since the privatisation of NIE, have agreed significant changes to their members' terms and conditions and these have been negotiated and current salaries reflect the modern terms and conditions that are currently in place. In partnership with the company, changes in working practices have resulted in employee numbers reducing from **3,000** at privatisation to **c.1, 300** today. A reduction of this nature can only be achieved through significant increases in productivity as a result of increased working hours, more flexible working arrangements etc.

Unite have co-operated with the company in extremely difficult areas, for example, the closure of the Final Salary Pension Scheme in 1998 (NIE being one of the first DNOs to do so); the facilitation of longer working weeks to maximise productivity and a reduction in overtime payments to our members have not been easy discussions and have been negotiated by achieving modest increases in basic salaries.

All of these efficiency improvements are reflected in the current hourly rates and annualised salaries of our members.

A summary of key changes is as follows:

- 1998 Final Salary Pension scheme closed.
- 2000 The following changes to terms and conditions:
 - Longer working weeks (39.5, 40 & 42.5 hr weeks);
 - New employees receive on average 5 days less leave in line with contractor benchmarks;
 - Vehicle trackers fitted to facilitate more efficient employee utilisation and more efficient operation of the company's fleet. This also has resulted in greater customer service with response times decreasing.
 - Home to site working introduced to maximise the working day and to reduce travel-time payments;
 - Skills based progression arrangements have been introduced to improve efficiency by broadening skills sets and aligning salary progression to skill levels.
 - Incentive schemes have been introduced to improve productivity;
 - We agreed through negotiation the removal of rostered days off which were a significant benefit to our members and rewarded them for flexible working.

In 2000 we agreed that the majority of our members within NIE would be Tupe'd into NIE Powerteam to facilitate NIE Powerteam being compared directly with contractors. The terms and conditions agreed with NIE Powerteam in 2000, which have been previously referred to, were aligned with contractors' and were benchmarked directly against competitors within NI to ensure that NIE Powerteam could deliver a cost effective service.

As a result of the efficiencies achieved within NIE Powerteam, services that were previously outsourced were progressively brought back in-house and delivered more efficiently by NIE Powerteam than by contractors. For example, tree cutting, call handling and meter reading were insourced over the past number of years. Meter reading access rates by contractors was 60% however within a short period of being insourced to NIE Powerteam the access rates increased to 80%. Sickness absence levels within NIE reduced from over 5% at privatisation to 2.22% last year, private sector is between 3.4 – 3.7. This level of sickness absence reflects the overall commitment and effectiveness of our members who work outdoors in conditions that at times are extremely challenging and dangerous.

None of these achievements are taken into account in the Provisional Determination.

Conclusion

Unite requests the Competition Commission to review the Provisional Determination Decision not to provide an RPE allowance and not to allocate a specialist labour premium, combined with imposing a significant efficiency challenge on top of what our members have already achieved for the Company and customers.

As outlined in this paper our members within NIE have agreed to very efficient working practices and in our view this has not been considered by the Competition Commission in its Provisional Determination. In our view NIE's current existing salary levels after the implementation of annual wage awards are competitive and within the appropriate market ranges for the roles held by our members. Wage awards have been agreed within the context of ongoing efficiencies delivered by our members and are not therefore a direct pass through to consumers.

Unite the Union has significant members in all the GB DNOs and is very well placed to know that the CC is treating NIE (a UK electricity utility) differently to the GB companies in terms of the combined effect of the lack of RPE allowance and productivity challenge, given that we are of the view that NIE has already achieved significant efficiencies, market leading working practices and is operating in an isolated part of the UK compared to the other GB DNOs. It is very unclear to us why the CC has reached its current conclusion.

Yours faithfully

Terry Collins
Regional Officer
Unite