

To: **Air Traffic Control Officers [C009]**  
**Air Traffic Systems Specialists [C011]**

6 February 2018

2018/00211

Dear Colleague

### **NATS Pay offer 2018/19: member consultation**

I am writing with details of NATS' pay offer for the 2018/19 pay award and to announce the arrangements for our ballot of members. The **ballot** will be conducted electronically. It will open on Monday (12<sup>th</sup>) and will **end at 12 noon on 28 February**. You will receive an email on Monday with a link to your personal ballot form.

Both Prospect branches are recommending that members **ACCEPT** the offer.

Note: this circular has been sent to *all* members of Prospect's ATCOs' and ATSS Branches. Only members who are NATS Ltd employees in a negotiated grade are directly affected by the content of this circular and will be included in the ballot. If you are employed on a Personal Contract with NATS Ltd, it is for your information only. If you are not an employee of NATS Ltd, it is for your information only. (For the avoidance of doubt, this means that members employed by NATS Solutions Ltd will not receive a ballot email.) Members in Gibraltar are in a separate bargaining unit and are also excluded.

### **The context**

In the aftermath of the difficult 2016/17 pay negotiations, a lot of work has been done to improve the industrial relations environment within NATS. The latest pay talks were the first real test of the new relationship and both sides were keen to avoid the pay review derailing the progress we have made. We were also keen to try and reach a settlement quickly in order to clear the decks for some challenging issues ahead: notably ensuring the resilience of the operation, dealing with the RP3 consultation and, of course, dealing with the latest valuation of the DB pension scheme.

The economic context for the negotiations was a stagnating economy in which average earnings growth is struggling to keep pace with rising inflation. Average CPI in 2017 was 2.7% and average RPI maintaining its usual lead at 3.6% for the year.

NATS performance was strong financially and in terms of service performance. However, NERL suffered considerable operational stresses – most marked in TC – while NSL struggled commercially and faced significant staff shortages in some airports.

Against this background, the unions' claim was constructed around maximising the pensionable pay award allowed under the 'Memoranda of Understanding' agreed to help

manage the DB scheme deficit. We also sought to reverse the introduction of non-pensionable pay for DC scheme members which featured in the 2016/17 settlement.

Our claim was simple and was for one year (ie wef 1 January 2018):

- An increase on basic, consolidated pay rates and allowances of CPI+1% (ie 3.7%)
- Total basic pay to become fully pensionable for DC scheme members
- Measures to address low pay by complying with the Real Living Wage and uplifting TATC rates

## **NATS' offer**

The details of the offer were posted on the Hub by NATS on 2 February and the offer letter is on both branches' websites.

The headlines of the offer are:

- Two-year deal: 2018 and 2019;
- Year 1 (wef 1 Jan 2018): an increase in basic pay of 3.7%, made up of - CPI + 0.5% consolidated and pensionable on basic pay and allowances 0.5% consolidated, but non-pensionable on basic pay
- Year 2 (wef 1 Jan 2019): an increase in basic pay of - CPI consolidated and pensionable on basic pay and allowances 0.5% consolidated, but non-pensionable on basic pay for staff eligible for the DB Scheme 0.5% consolidated, pensionable increase on basic pay for staff eligible for the DC Scheme PLUS: Reversal of non-pensionable element from 2016/17/18 for DC scheme members  
Forecasts for CPI in 2018 are around 2.3-2.4%. So the increase in basic pay will probably be in the range 2.5-3.0%
- A cash underpin: in the event that the cash effect of the award for an individual is that the aggregate payment over the two years is less than £3,000 (pro rated as appropriate), the award will be made up to £3,000 with a cash lump sum top-up
- A commitment to review the application of the Real Living Wage – to NATS employees and contractors
- An immediate review of TATC rates
- A review of the CPRP to provide for exceptional circumstances

As in 2016/17, the complicated bit of the offer is the relationship between pensionable and non-pensionable payments. To put it in context, it is evident that DB pension costs are a significant challenge for NATS. There is a specific cap on the amount of increased pension costs relating to NERL that NATS is allowed to pass-through to customers. That cap is CPI. This compounds the technical issue presented by the MoU when designing annual pay awards.

Putting it starkly, NATS wanted the fully-pensionable element of the offer to be CPI. We wanted it to be the full amount possible under the MoU: CPI+1%. The award for 2018 splits the difference. But we did manage to achieve two of our aspirations in full: the

basic pay increase this year is CPI+1% and the application of a pensionable pay cap for DC members will be reversed, albeit in 12 months' time.

## **Why ACCEPT?**

Members should assess the offer on its value: both in absolute and relative terms. We are not going to attempt to sell it to you on the basis that the offer is fantastic. However, the 2018 award is towards the top of the 'league table' of pay settlements in the last 12 months. Across Prospect's bargaining units, the median award in Private Services is currently at 2.54% and the upper quartile is 3.2%. And average earnings growth across the UK economy remains pretty stagnant at 2.5%. Against that background, NATS' headline offer of 3.7% for Year 1 is attractive.

However, the 2016 and 17 award was below-par and we are, to some extent, recovering lost ground. Increases in non-NATS units were generally healthy in 2017 and almost universally better than NATS' 2017 increase.

The offer of CPI+0.5% for 2019 is not spectacular. If inflation falls further than forecast and average earnings start to go up considerably in real terms, there is a risk that the Year 2 award will look distinctly average. But there are two reasons why the negotiating team accepted this offer.

The first is the big prize: the reversal of the non-pensionable pay element for DC scheme members. Following the 2016/17 dispute, Prospect members in the DC scheme made it clear that they felt discriminated against because they were having to share the pain of managing the DB pensions deficit. The Branch Executive Committees listened to this argument and resolved to address it. It was a 'red line' in our strategy for the negotiations.

The second reason we went with the offer for 2019 is the proposal to review the Corporate Performance Related Payment scheme (CPRP). While the CRPP does not currently sit in the remit of pay negotiations, the intent is to review and agree a scheme which delivers corporate bonuses more effectively by distributing exceptional earnings appropriately. We do not know how that review will go, but the intent is to deliver the first payments under a new scheme in 2019.

Ultimately, if the inflation forecasts for 2018 turn out to be accurate, over the two years this offer will deliver a basic pay increase of around 6.5%. There are no strings. And both branches will be submitting sectional claims in the next few months to deal with the pay, allowances and working practices consequences of operational and technological changes.

All in all, both Branch Executives believe this is a decent offer, which should prevent pay being a 'bone of contention' for two years. The negotiations were a vast improvement on last time and the deal cements the improvement in industrial relations that we have been working hard to achieve over the last couple year or so. We ask you to demonstrate your trust and confidence in the union again by voting to **ACCEPT** the offer.

## **The ballot**

The ballots (one for each branch) will be conducted electronically. Your ballot will open on Monday (12<sup>th</sup>) and will **close at 12 noon on 28 February**. You will receive an email on Monday with a link to your personal ballot form.

If you have any specific questions, you are encouraged to attend one of Prospect's briefings. These are being held at most, if not all NATS units and at CTC. Please check your branch's website for details: [atcos.co.uk](http://atcos.co.uk) and [prospectatss.org.uk](http://prospectatss.org.uk).

It is anticipated that, if accepted, the 2018 increase will be implemented in the March pay run.

Yours sincerely

**STEVE JARY**

National Secretary