



25th September 2020

Ian Woodland
Unite
Unite House
41 Castle Way
Southampton
SO14 2B

5th Floor
Broadway House
Tothill Street
London SW1H 9NS
Telephone 020 7799 2000
E-mail
michaelhockey@ecia.co.uk

Michael J Hockey
Managing Director

Dear Ian,

Re: NAECI wage claim 2021 and beyond.

2020 has been unprecedented and has severely impacted the Engineering Construction Industry, challenging its future and the future of companies and their workforce. Since the onset of Covid-19 and the suspension of our NAECI Review talks in March, our industry has worked hard to maintain project commitments and keep the workforce employed. This has included the adoption of new social distancing practices in work and travel as well as using Furloughing. Clients are postponing some work and cancelling others. The workload continues to reduce and we are seeing little or no new investment opportunities that will result in NAECI work in 2021. The backdrop to the NAECI Review has changed beyond recognition. This fact is indisputable.

The assumptions in your wage claim, compiled and presented to us way back in November 2019, are no longer valid. Coronavirus continues to have a significant and sustained negative impact on the industry's market drivers and consequently many of the investment references in your subsequent correspondence are no longer relevant. Our industry and our member companies are faced with a threatening crisis.

We estimate that around 65% of employees were furloughed under the Job Retention Scheme at some point in recent months. They received 80% of their wages, for being asked not to attend for work. Employers initially found furloughing useful, but it became an increasingly costly alternative to actioning redundancies when the pandemic caused company's' workloads to wither away to almost nothing.

When we wrote to you on 30th June, we estimated that 25% of the workforce was at risk of being made redundant as a result of: the reduction in work; the impact of safety related

social distancing restrictions; and economic challenges. That number has already been exceeded.

The most recent statistics published by the NJC show a 30% reduction in the workforce since February. We estimate that a further 12% of the workforce on Category 1-3 sites has lost employment since that data was compiled, and HR1's (commencing redundancy consultation) have been issued covering a further 20% of the workforce. We could be faced with the loss of 50% of our pre COVID-19 workforce, before the end of 2020.

Future workload prospects are no brighter. NJC data forecasts that there will only be one major project (employing an estimated peak of 300 people) after the first quarter of 2021. Shutdown and turnaround work that was hastily postponed until next year is likely to be subject to either a reduction in scope, further delay or cancellation.

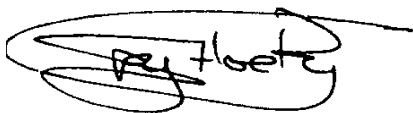
The UK economy has hurtled into its deepest recession in many decades. Inflation is extremely low with the most recent Consumer Price Index figure being just 0.2%

The industry's employer associations remain committed to trying to identify how and where there may be opportunities to promote the use of NAECI to clients with new and potential projects. However, the restrictions, brought about by the pandemic, are forecast to continue, and we see little or no investment opportunities that will result in new in-scope work in 2021. Investment in the oil and gas industries has fallen with the collapse of the oil price and low product demand. Regrettably, there is no money within the industry to fund any increase, so we must reject your claim and re-state the need for a freeze in the current NAECI wage rates and allowances during 2021. This may disappoint your members but the very survival of our industry (and with it the National Agreement) depends on it.

The objective of maintaining and expanding the use of NAECI as the agreement of choice for engineering construction remains common to both parties and we propose that we meet again in March 2021 to discuss and agree a way forward for 2022.

There must be a wage freeze to allow companies the best chance to survive, and stay in business, in these most challenging of times.

Regards

A handwritten signature in black ink, appearing to read "Michael J Hockey", enclosed within a hand-drawn oval scribble.

Michael J Hockey
Managing Director

CC Gary Cook, GMB
Jock Simpson, NJC