

30th June 2020



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Michael J Hockey
Managing Director

Dear Ian

RE: NAECI wage claim 2021 and beyond

As a result of the COVID-19 pandemic, we agreed back in April to postpone any further meetings, regarding your wage claim, for three months. Since then the effects of the coronavirus pandemic and the resulting lockdown have had devastating consequences on the UK economy in general and on the future shape and prospects for the Engineering Construction Industry in particular.

We estimate that 65% of the NAECI workforce were furloughed at the peak of the lockdown. In some instances employers agreed to delay implementing redundancies that would have ordinarily been made, by furloughing employees and temporarily securing an income for them, but this cannot continue. Furloughing of staff has brought an additional financial burden to companies, as annual leave entitlements have continued to accrue during periods of furlough, and employers' have incurred overheads and administration costs which have not been reimbursed.

As the slow easing of lockdown progresses, the full impact of Covid 19 on our industry has become evident. We are now facing a serious recession and significant job losses caused by an economic downturn of a magnitude not seen since the financial crash in 1932. While the Job Retention Scheme, VAT payment deferrals and government backed business loans have helped many of our members stay afloat during the lockdown, cash flow continues to be a problem for employers and VAT payments and loans have to be repaid.

Engineering Construction Industry Association



The most recent CPI figures (May 2020) stand at 0.5% and there is a strong possibility that, as we enter 2021, we could see a period of deflation. Brent crude oil is currently trading at less than \$40 a barrel and the offshore oil industry could be faced with as many as 30,000 redundancies. While we remain committed to training new entrants and upskilling of others, there is no likelihood of any significant skill shortages in the next 12 months. Many of our member companies have already implemented internal pay freezes and some have made cuts to their own staffs' salaries.

In our letter dated the 2nd March 2020, we said that our industry was in crisis. Since then that crisis has deepened significantly and much shutdown and turnaround work has been postponed. Some has been placed on indefinite hold with little prospect of it taking place in the next 12 months. Investment in the oil and gas industries has fallen with the collapse of the oil price, and investor confidence in our industry is now regrettably at an all time low. There is little or no indication of any sizeable new-build Category 1 project work, in scope to NAECI, commencing in the near / medium term.

We have now entered an unparalleled time when companies are fighting for survival. Redundancy consultations are ongoing and major job losses seem unavoidable. Any increase to NAECI rates of pay and allowances in 2021, would result in the erosion of our current clients' support for the agreement as well as presenting an unsupportable burden on companies who simply cannot afford any further cost increases.

In order to minimise redundancies and to protect as many jobs as possible, we now request that you agree to a freeze in the current NAECI wage rates and allowances for the whole of 2021.

We estimate that 25% of the workforce is at risk of being made redundant in the coming months as a result of economic challenges and safety related social distancing restrictions on numbers of people on work sites.

To help minimise redundancies some companies will want to maximum use of the shift pattern flexibilities within the agreement without incurring unsustainable additional costs. To achieve that we now request your agreement to the temporary relaxation of the following terms of the current NAECI from the 1st of August 2020 until 31st December 2021.

SHIFT PREMIA

No Additional shift premia to be payable for employees newly rostered since commencement of the Covid 19 pandemic, to work night shift, afternoon shift, double day shift, 3 shift and rolling shifts

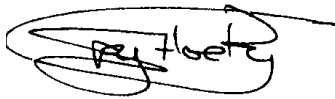
OVERTIME PREMIA

No overtime premia payable for the first 38 hours worked irrespective of when the hours are rostered.

We request your support of these temporary relaxations in the interest of keeping as many people as possible employed on our projects and sites, thus reducing redundancies and saving many jobs.

We are faced with a challenging period ahead of us but we believe that we share the common objective to maintain and expand the use of NAECI as the agreement of choice for the engineering construction industry. Only by working together can we achieve these goals.

Yours sincerely

A handwritten signature in black ink, appearing to read "M. J. Hockey", enclosed within a large, loopy oval scribble.

Michael J Hockey
Managing Director

CC. Gary Cook GMB
Jock Simpson NJC