centrica

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Darren Jones MP
Chair, BEIS Select Committee
House of Commons
London
SW1A 0AA

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Dear Darren,

Given our previous conversation on Centrica's restructure and Trade Union negotiations, I wanted to update you following news of the GMB's decision to hold a ballot on industrial action. As you know, since July we have been in negotiations with the aim of modernising our business, becoming more competitive and, ultimately, being fit to protect and grow jobs in the future.

On 3 November, we concluded sixteen weeks of negotiations on proposed terms and conditions with our Trade Unions and believed we had reached a position where our reps, principally from Unison and GMB, thought our proposals, which were significantly improved through negotiations and ultimately shaped by our Trade Unions, could be shared with colleagues. Unison has said that it unanimously believes that the proposals are the best that can be secured through negotiations and acknowledges the challenges the business faces. It is therefore a matter of regret that the GMB has completely changed its approach to the negotiations and, after hundreds of hours of detailed discussions, and despite explicit assurances to the contrary, they have today served notice of their intention to ballot for industrial action.

We now face a significant difficulty because the changes we are proposing are essential to securing the future of our company, protect the jobs of the many thousands of well-paid, unionised colleagues we have in British Gas and Centrica, and better serve our customers. The tough reality is that we have lost 2m energy customers, 1m services customers, and over half our earnings over the past 10 years. While others in the sector use a gig economy model, we remain one of the few companies operating a direct labour model, which we remain committed to despite the significant cost savings that could be made by moving to an outsourced model. Without the changes we are proposing, we will continue to lose customers, and this of course has a subsequent impact on jobs.

Our revised proposals represent a significant movement from the initial offer. As we have said from the outset, base pay and pensions are protected and, in fact, thousands of our engineers would see their pay increase. In addition, we proposed a new performance scheme which means our engineers could have the potential to significantly boost their total income. This would benefit engineers and mean improved service for our customers. Alongside movement on specific terms and conditions, we also agreed to one-off payments for some colleagues to help them transition through the changes. This includes, for example, a £1,000 lump sum payment each for almost 13,000 colleagues who are losing the discretionary flex benefits allowance and also £2,000 each for over 5,000 Service and Repair engineers to reflect the increase in average weekly working hours from 37 hours to 40 hours per week. The total cost savings from our proposals amount to £30m per annum, which is 2.5% of our total UK wage bill of c.£1.2bn per annum. With around 20,000 UK colleagues, you can see that our wage bill averages around £60,000 per person.

My hope and our efforts in the days ahead will focus on ensuring we avoid an industrial dispute, which would be damaging for colleagues, our customers, our still open defined benefit pension plans, and company at a time when we can least afford it. If we do end up in an industrial action situation, I would assure you that we have robust contingency measures in place that will ensure that we will continue to serve our customers to the very best of our ability, especially the most vulnerable.

This has been difficult road for all involved, but an important one in order to avoid losing further well-paid and highly skilled jobs and to grow jobs in the future. We will of course keep you updated as the situation develops, and I would assure you of our commitment to continue to work in good faith with our Trade Unions with the aim of avoiding industrial action if possible.

Please let me know if you require any further information. If you would value a further conversation, I would be very happy to discuss this with you.

Yours sincerely,

Chris O'Shea
Group Chief Executive