

REBUTTAL TO BT GROUP'S CLAIMS – CWU INDUSTRIAL DISPUTE

The dispute, which involves more than 40,000 CWU members working for BT and Openreach, was triggered by BT's unilateral imposition of real-terms pay cuts for all CWU-represented grades. CWU members voted yes to take strike action in June, and have shown rock-solid support for action. Despite the CWU entering into exploratory talks, in August, BT has failed to come to the negotiating table with any firm proposals. The CWU are willing to talk and negotiate but the ball is in BT's court to move their position.

CWU members wrote to their MPs asking them to put pressure on Philip Jansen the CEO of BT Group. Mr Jansen responded making a number of claims which the CWU refute. Set out below are the CWU's responses to each of BT's points.

BT STATE

We're in the middle of a once-in-a generation investments to upgrade our broadband and mobile networks (essential for both the UK economy, future success of our business and protecting jobs)

CWU RESPONSE

We're in a once-in-a-generation cost-of-living crisis, it's never been a better time to be a CEO. BT expects a large proportion of its capital spend on fibre roll-out to be eligible for the Government's **super-deduction regime**, which allows for **enhanced tax relief** on qualifying capital expenditure in 2022 and 2023. BT benefited from the super-deduction regime by paying **£nil corporation tax in 2022**, compared with a cost of £229m in 2021, and **£nil tax deductions on employees' pension and share schemes in 2022** compared with a cost of £181m in 2021. BT should be able to **reduce future tax payments in 2023** by offsetting its tax losses against profits.

The Government has committed to £5bn for broadband investment. BT will be beneficiary of this money and will benefit from this Government money.

BT STATE

We have awarded on average a 5% increase. That increase was effective from 1 April and was fully consolidated. It had a cash value of £1,500, so that it has a progressive effect and is worth up to 8% for those on the lowest salaries. This was the biggest pay increase we have awarded in the last 20 years.

CWU RESPONSE

Whilst this might be the biggest pay increase BT has awarded in 20 years, we are at the highest rate of inflation for 40 years. In reality none of our members have received an 8% pay rise. Up to two thirds of the £1500 uplift had previously been paid out in Jan 22, to address a recruitment and retention crisis in the company's call centres where new hires had been

placed on unagreed pay rates that were marginally over the Real Living Wage. In addition, if this group of workers took advantage of some salary sacrifice benefits their salary would have fallen below the national living wage.

Meanwhile, those at the top received the following:

- In 2022, CEO Philip Jansen received a total of £3,460,000, up by 32% from £2,628,000 in 2021.
- Chief Financial Officer Simon Lowth received a total of £2,235,000 up by 25% from £1,788,000 in 2021.
- Adam Crozier became Chairman of BT on 1st December 2021 and will be paid a fee of £700,000 per year.¹

The cost of living crisis means that the poorest 10% of households face significantly higher rates of inflation than the richest 10%, because they spend more of their total budget on energy and fuel.

BT STATE

It is also important to note the approach we took on pay for our frontline colleagues during the pandemic. In 2020, we awarded them a 1.5% pay rise and in 2021 we paid a special one-off bonus worth £1,500 (£1,000 in cash and £500 worth of BT Group shares).

Both of these awards were made at a time when the rest of the country was struggling with the pandemic, relying on the Government furlough scheme (which BT Group did not use) and many companies were laying off workers (we committed not to make any redundancies as a direct result of the pandemic). In those years, we froze the pay of our managerial grade colleagues – again prioritising our lower paid colleagues who worked so hard to keep our customers and the country connected.

CWU RESPONSE

Since 2020, BT pay for CWU grades has increased by 6.6% (including the £1500 imposed award for 2022), whilst RPI inflation has increased by 13.5% and CPI has increased by 9.4%. Without any improvement to the imposed £1500 award, this means a real terms pay cut since 2020 of 6.9% based on RPI and 2.8% based on CPI.

A further 5% on pay would cost BT circa £75m

If BT was to make an overall 10% pay increase, it would cost the business around £75m on top of the imposed £1500 award. This is equivalent to the cost of less than 1 pence of the shareholder dividend, or just 5.8% of BT's £1.274bn net profit.

BT is raising profits for the year to 31st March 2022

BT's prices increase each year by CPI inflation plus 3.9%², and its prices were up by nearly 10% in March 2022. By raising its prices, BT is able to protect its profits. BT's report states: *"We currently have index linked pricing across around two-thirds of our revenue...which will help to mitigate the impact of inflationary cost pressures...in FY23."* BT is amongst other major broadband providers who are reportedly set for a bonus windfall of £1.7bn when they impose inflation busting price increases next spring.³

BT STATE

With regard to our shareholders – it's critical for BT Group's continued success to ensure our shareholders receive a reasonable return and that we're profitable in order to fund investment into the future in our infrastructure.

CWU RESPONSE

BT announced an expected 7.70 pence per share dividend in May 2021, its share price was around 168p, making BT's dividend yield 4.6%. In comparison with average dividend yields for other sectors of the economy, 4.6% is relatively strong.

BT's proposed 7.70 dividend for FY22 will cost a total of £761 million, (60% of net profits) which is equal to 88% of forecast net income for FY22. BT's dividend yield has been broadly in line with the dividend yield of other selected major telecoms operators in Europe and the USA in the last few years, although it was in fact notably higher than its peers in 2018 and 2019.

As well as announcing a 7.70p dividend payment for FY22, the BT Board also said it expects to continue with a **progressive dividend for future years**, and to declare two dividends per year with the interim dividend being fixed at 30% of the prior year's full year dividend.⁴ This indicates that **BT is aiming to maximise shareholder satisfaction through strong future dividend payments** as far as possible.

We believe that some shareholders may be receptive to workers being rewarded appropriately in the current economic crisis. Based on the number of BT shares in issue (9882.19 million) transferring 1 pence of the dividend from shareholders to employees would amount to £98.8 million. This would represent 7.8% of BT's net profit of £1,274bn.

Philip Jansen, CEO owns a whopping 6,147,212 shares. In total he will receive £473,355 in share dividends this year on top of his £3.2million salary.

The shares alone would provide an average weekly household food shop, in a 2 person household, for 6,842 weeks or 131 years!!!

Simon Lowth, Chief Financial Officer, owns 698,492 in shares. In total he will receive £1million in share dividends on top of his £2.2 million salary this year.

BT STATE

At the start of the year, we were in exhaustive discussions with the CWU that lasted for two months, trying hard to reach an agreement on pay. As we discussed with the CWU during these negotiations, this is the best pay award we could make. When it was apparent that there was no prospect of reconciling our respective positions, rather than further extend negotiations and delay a pay rise, we implemented the award in April.

CWU RESPONSE

We had 6 meetings with the company on pay. This started on 1st Feb and ended 22nd March. Most of these meetings were no more than an hour. Any previous negotiations prior to 1st Feb were related to a difficult set of discussions on the Future framework agreement – where we were trying to reach a solution to BT's transformation programme.

We agreed a framework agreement in principle in July 2021 to increase job security and maximise the number of UK direct Labour jobs by reaching agreement on retraining and reskilling a voluntary redundancy agreement and foresight of workplace closures to mitigate compulsory redundancy.

Negotiations were long and protracted still taking place up to the end of Jan 2022. These were halted to agree a 2022 pay agreement. BT had agreed that they would make up for a lack of a pay rise in 2020 and 2021. We didn't reach agreement and BT decided to impose a £1500 flat-rate without the usual consultative ballot with our members.

BT STATE

With regard to food banks, some colleagues have set up donation collection points at several offices to pass on donations to local foodbanks. In addition, at our North Tyneside office, following an idea from frontline colleagues, a small collection of household items is available for colleagues' convenience, for example at the end of the day when they're in a rush to get home or who are working outside of the canteen opening hours. Colleagues then replace the items at a later date or they make a contribution to a Paypal account that they've set up; this self-serve pantry for colleagues should not be confused with a foodbank. We're proud of the proactive and generous actions our colleagues take to support each other. We are also proud of their efforts to support their local communities with foodbanks but the two things are entirely separate.

CWU RESPONSE

BT launched a community 'pantry' which was launched to specifically acknowledge that employees aren't paid enough to see the month through and this was to help with that. The call centre is next to a parade of shops which includes a Tesco, open until 10pm, within walking distance.

A little further from the call centre is a 24 hour Asda, another Tesco open until midnight and an Aldi, Lidl, Morrison's and Sainsbury's open until 10pm.

Colleagues at North Tyneside have the use of a caretaker, so if someone was *"in a rush to get home or who are working outside of the canteen opening hours."* they could very easily ask the concierge to do a supermarket run for them.

¹Report on Directors' Remuneration, BT, 11th May 2022 accessed at: <https://www.bt.com/bt-plc/assets/documents/investors/financial-reporting-and-news/annual-reports/2022/2022-bt-directors-remuneration.pdf>

²<https://www.bt.com/tell-me-more> and <https://www.uswitch.com/broadband/guides/bt-announce-price-hikes-what-can-consumers-do>

³UK's broadband firms set for £1.7bn windfall with above-inflation price rises, Guardian, 7th September 2022, accessed at: <https://www.theguardian.com/business/2022/sep/07/uks-broadband-firms-set-for-17bn-windfall-with-above-inflation-price-rises>

⁴BT half year results to September 2021, accessed at: <https://www.bt.com/bt-plc/assets/documents/investors/financial-reporting-and-news/quarterly-results/2021-22/q2/q2-21-release.pdf>



CWU Headquarters: 150 The Broadway | Wimbledon | SW19 1RX T: 020 8971 7200 | F: 020 8971 7300
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