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EDITORS: GREENWOOD & WILKINSON

NAKED

Stripped-down UU at the mercy of Market Forces

UU's high share price once provided a fig leaf for sceptics who don't believe the company to be at risk from foreign takeover; citing it as proof that this would be off-putting to any potential buyer. However, recent events in the far-east have triggered renewed bid speculation and further rises in UU's share price, and it seems that this would not discourage any interested parties. Something is afoot in the markets and the last month gave ample proof of this...

Early August saw the sale of EDF's UK electricity assets to companies controlled by the canny Hong Kong businessman Li Ka-shing. The £8.5bn price tag agreed for the sale, the biggest European investment on record for a Hong Kong company, whetted the appetite of many investors, providing as it did an estimated 20% premium to the regulated value of EDF's asset base. In turn, the share prices of UK water companies responded warmly, with UU as the biggest climber at 6%.

This turn of events sparked renewed predictions of a takeover frenzy in the water sector, as failed EDF bidders look elsewhere.

John Musk, an analyst at Nomura, said: "There's certainly read-across in terms of the price that was paid for EDF. If someone's willing to pay a 20% premium for electricity assets, then you could argue that they will pay that for the water companies."

"Juicy"

The UK water sector currently looks attractive to infrastructure funds for a number of reasons. Firstly, because Ofwat has set the current regulatory pricing regime until 2015, the sector has predictable cash flows and stable returns. It also has very low risk characteristics and inflation-linked pricing.

Elaine Coverley, a Brewin Dolphin analyst, believes the share prices of UU and Severn Trent

could see the largest upside from a takeover similar to EDF's UK assets, as they trade at the lowest premiums to their regulated asset bases, but thinks Severn Trent is probably the most likely candidate as it has now sold its waste business, Biffa.

The Investors Chronicle Review, a strong advocate of UU share buying, cited the company as "still our top pick as the most undervalued player, sporting a juicy dividend yield as well as takeover potential"

"The Fat Finger"

In mid-August, shares in UU fell almost 3% after financial services firm JP Morgan Chase cut its recommendations on the company from "overweight" to "neutral", claiming that earnings forecasts were at risk due to factors such as high property rates. Northumbrian and Severn Trent Water also saw their share price fall.

Within days of this downgrade, the London markets were believed to have fallen victim to a case of "fat finger failure", after trading in five stocks was temporarily suspended following wild swings in

their pricing. Officials at the London Stock Exchange (LSE) confirmed that its systems kicked in to briefly prevent trading in United Utilities and Northumbrian Water, amongst others, after 'violent movement' in their shares.

The two utility stocks soared, with Northumbrian up 5% and UU spiking by almost double. When

trading resumed in the stocks, the prices returned to similar levels to before they were suspended. The swings prompted LSE officials to contact those responsible to find out the cause.

While declining to disclose names, the LSE said its electronic systems had worked as they should to prevent further issues in the stocks.

Although it was not immediately apparent whether the trading patterns were a simple mistake or something more sinister, insiders said at the close of the session that after looking into the cases, "it looks like the fat finger".

Fat finger failure is traditionally attributed to human error, when traders input the wrong number of

shares or use the wrong price to buy or sell. The term has been stretched to include glitches in the electronic trading systems prevalent across global trading floors. Apparently, it is hard to tell if fat fingers are automated or manual.

"Interested Parties"

So, no shortage of incident and intrigue within the markets but, as the above clearly illustrates, UU and other UK-based water companies are now highly coveted by overseas interests, and a buoyant share price would appear to be no hindrance to any potential sale.

This is something of which Nomura's John Musk has little doubt: "I would not be surprised if we lost a listed water utility this year, because I imagine there are a number of interested parties examining all of them,"

Which suggests it could only be a matter of *when* UU is sold rather than *if*—a scenario that has been unfolding since Philip Green began divesting the company of its non-regulated businesses. As a substantial shareholder in UU, Mr Green could be deemed an "interested party" and may be keeping one eye on the markets and the other on the door marked 'Exit'. Could overseeing the sale of UU be his final act as CEO?

One thing is more certain, as the architect of UU's deconstruction, he now stands before his people as an emperor with no clothes.



No more fig leaves to hide behind



VERTEX REPORT

By Dave Faulkner



TUPE – UU ITO Agreement has finally been reached between UU and Vertex for the Vertex UUITO contract to be taken back in-house. UU and Vertex “have mutually decided to restructure the nature of their commercial relationship”. The UUITO services will TUPE transfer to UU.

UU have made the decision they must focus on their core regulated business and have greater direct control over its strategic assets. Vertex is driven by the completion of its recent strategic clarification, where they reinforced the decision to focus on CMO delivered via the service lines of Customer Management, Consulting, Decision Sciences and IT Applications. A challenging TUPE consultation, where up to 200 Employees will poten-

tially transfer, and we believe up to half are UNISON Members. Consultation starts near the end of September with a date of transfer being 1st January 2011. We await UU’s Statement of Measures for this TUPE, but UNISON will, as always, be seeking to protect the interests of Members. Considerable concerns are already voiced.

I am main point of contact for this consultation, should Members affected need help and support.

Vertex Pay 2010/ pay date change Both the Pathways and Tiger 2 have settled on pay after consultation and ballot. In both cases 1.6% is the increase to salary, Tiger 2 on a 100% Yes vote and Pathways on a 77% Yes vote.

Both settlements came with a heavy caveat: agreement for a change of pay date in that those currently paid 15th of the month agree to change to being paid on the 28th. Vertex has offered to ease such a change with ‘cashflow loans’ repayable over 3 months, and appropriate notice before implementing such a change. Consultation with Members showed heavy feedback that the best time for a change of pay date implementation was January. We returned with this strong view to Vertex and this date was agreed.

Those outside of Collective Bargaining have been faced with the same question – a pay award/ bonus payable on acceptance of change to pay date. Questions have been raised about the legality of pay reviews being dependent on accepting a variation to a term in a Contract of Employment (or pay date). In reality, legally it stands, the pay increase offer is discretionary and hence acceptance of a

Vertex Pension Update When the decision was made to close the Vertex UK Pension Plan (VUKPP) Defined Benefit schemes to future accrual at 31st May 2009, there were certain issues around benefits still at a point of disagreement between the company, the Trade Unions and Members within the consultation. A main one was access to pension on an unreduced basis following redundancy.

This related to specific sections of the Water Pension Scheme, Mirror Image Scheme and Local Government Pension Scheme, particularly around the wording and definition of a ‘Member’ within scheme rules and benefits.

However, U3 understands, after strong legal advice, the Trustees of the VUKPP have put into payment any such pension pay, on an unreduced basis, following re-

change of pay date counts as a ‘voluntary acceptance’. Morally, some may take a different view.

We now have a majority of a population in personal contract who have accepted the pay date change, but they will be implemented as 28th pay date in October, not January like the majority of the rest of Vertex’s population.

Some staff on personal contracts declined this change, deeming the small pay increase offered as not worth the bother of changing banking arrangements for regular bill payments etc. A small number were not even offered a pay increase and so do not feel suitably ‘incentivised’ to accept such a contractual change.

For these, the question is: can such a pay date change be simply imposed if they do not agree to it? Imposition - UNISON would have some cause to seek legal guidance around potential Breach of Contract if that was the case. We await next steps.

dundancy for those affected since the scheme closure.

This was on the heavily advised basis that should Vertex take matters further legally, and it proves otherwise, then any such extra pension paid would be subject to recovery.

UNISON Members in Vertex who feel they may be affected should contact me to seek appropriate guidance.

Germans to vote on banning employers' use of



In a move that could have widespread repercussions, employers in Germany could be banned from checking job applicants' Facebook pages if a new law is passed by the government.

Proposed legislation could make it illegal for potential employers to spy on candidates' private postings, including photos of individuals socialising. It is reported that chancellor Angela Merkel's cabinet gave its backing to the proposed law in late August.

The bill will now go to the German parliament for discussion, and could be passed later this year. The move to restrict what employers can use to filter job applications is a reaction to a growth in public concern about online privacy, as social networks blur the lines between public, private, professional and social information.

It is also a response to news that corporations in Germany check staff emails and have filmed them during coffee breaks. Such secret filming would also be banned if the law is passed.

Under the proposed changes, online checks would not be completely out of bounds for employers as they could still conduct general web searches on applicants. Apparently, employers would be allowed to draw on any information in the public domain, including postings on professional networks such as LinkedIn.

Michael Rendell, head of HR services at PricewaterhouseCoopers, said: "Employers in any jurisdiction need to tread carefully to avoid accusations of snooping on staff. While in some instances there may be legitimate reasons for accessing information, it will always be hard for firms to argue that they have not been unduly influenced by information obtained."

He said that even awareness of basic data such as age and marital status could prompt accusations of discrimination against prospective employees.

"By the same token, employees must recognise that information posted on websites may not be as private as they believe," he added.

While it's been a quiet Summer for the Branch, nationally UNISON prepared itself for the oncoming storm that is the government's Public Spending Review. It is going to be a testing time for our colleagues in the public sector and where we can we will lend them our support.

In the last few months UU has sold its electricity business and this has had a two-fold effect on the Branch: we are now the biggest union in United Utilities; and we now have a fourth Convenor, with Teresa McEntee representing our members in the new Electricity Northwest company.

The Branch also reached a milestone: we now have 3,000 members. This means an extra seat at National Conference for our Branch as well as giving us a higher profile in UNISON generally. Well done to all who have recruited new members. You are fantastic—keep up the good work. We could do with some more activists though.

I'd also like to ask you, our valued members, to help us in another matter. We have been taking part in a UNISON initiative, the “Virtual Branch” which is our Branch website with news, views, forums, contacts, advice, services etc. for all our members. It's a perfect communications tool for us as we have members in far-flung locations. We've been told to use it or lose it. Log on to www.unison-uu.org.uk and find out more about what UNISON, locally and nationally, can do for you.

Finally, welcome to Colin Baker, our new Regional Organiser who has taken over from Norman Walker. We'll keep you busy, Colin.

Phil

Phil yer boots... As UNISON gets stuck into its pay negotiations with United Utilities, The Eye ponders on how many of you would say no to a 37.5% pay increase? For that is what UU has given CEO Philip Green, the undisputed King of Fat Cats; the previous financial year saw his pay increase by a third and his annual bonus almost doubled, moving his gross salary from £1.27m to £1.75m. He ranks third in the UK Directors Pay List. This unjustified rise comes against a backdrop of company-wide cost-cutting, job losses, under-performance in the league tables, a heavily-criticised hosepipe ban, tough OFWAT pricing restriction, a downgrading of the final salary pension scheme, and a demoralised workforce sceptical about Green's World Class Vision. It hardly fits then that as UU strive to create "a leaner, more efficient company" its top directors total pay over the last year went from £3.23m to £4.24m. And as the religiously devout Philip Green expands into the fattest of the water industry fat cats, isn't it now time this company had "a leaner, more efficient" Chief Executive?...

Matthew 19:24: "It is easier for a camel to go through the eye of a needle than for a rich person to enter the Kingdom of God!"

United We Stand... The Eye hears that the stripped-down UU won't be rushing into changing its name back to North West Water or the more likely Northwest Water (see what they did there?) any time soon. It would appear that the price of an expensive corporate re-brand would be eye wateringly expensive (as U3 recently suggested it would) and will be put on the backburner for the foreseeable.

UU are probably also mindful of customer unrest over the recent hosepipe ban and are reluctant to encourage accusations of profligacy and further public outcry. But Mr Green's pay hike may scupper that one...

Rattus Norvegicus... Each week brings news of managers leaving UU for pastures greener. After recently being advised of a couple of high profile departures from the company's Health & Safety Section, one dismayed employee GMB member in that department was heard to exclaim: "Like rats deserting a sinking ship"...

True Confessions... In an about-face that is as refreshing as it is surprising, a senior manager has finally had the grace and decency to say what everyone in Network Ops has been saying for two years – "WFM...falls short of our requirements to operate efficiently." (Well, it's kind of like what they've been saying, minus the expletives!) He goes on to say, in what must be the understatement of the decade; "I know things aren't working well for you right now..." Indeed, you could say that; you could say WFM has pitched ORC staff against Field Operatives, union against management, even U3 against its own readers, while managers sat back, blamed it on teething problems and told staff to just get on with it while offering little more than false promises of "fixes" to come. In truth, it has surely led to increased stress levels and illness, to more missed cus-



tomers appointments than the company's ever known, to duplication, repetition, frustration, lost work, lost tempers, wasted time, wasted journeys, to more work-arounds than the Spectrum ZX, and a generally poorer system than any UU has had before. "We're working," the Manager adds, "to fix the problems and put in place the right solutions." This is welcomed and is taken as a genuine pledge to get it right. But The Eye wonders why, now, so many months down the line, a manager is willing to stand up and openly criticise this once praised system? Could it be that most of that generation of managers that foisted this deplorable system on its workers are no longer with the company?...

Grounds for Divorce... "this is extremely disappointing and completely unacceptable", wrote Operations MD Steven Fraser in reply to complaints from an irate UNISON Rep regarding this year's latest grounds maintenance cock-up. By mid-July, many wastewater sites hadn't received their first visit from UU's Framework weed killing contractor and had become excessively overgrown and hazardous. Despite previous assurances from management that the problem would be addressed, this year's orders were placed late, but the contractor should have been more than aware of its summer workload for UU and ready to deliver as required. Twelve months ago U3 wrote of the continuing disgrace of UU's grounds maintenance and was optimistic about Mr Fraser and his management team's plans to bring it back 'In house'. The Eye

understands that this is still going to happen, although no concrete plans as to how it will pan-out are forthcoming. One thing is certain, Wastewater management are throwing several thousand pounds at improving the general poor condition of its sites, via agency staff and overtime. As for the long term, in Mr Fraser's words: "we have struggled to achieve the required standard of grounds maintenance for many years, and it is absolutely key we get this right going forward." The best way is for UU to bring it back in-house, and into the hands of the people who would restore some pride to the condition of their sites...

I'm A Believer... "When I first joined I thought public sector was only negative, a pejorative term, but I don't believe that any more", said Philip Green in his recent *Sunday Telegraph* interview. A fairly frank admission from someone who joined UU with the brief to rid the company of its "town hall mentality" and then set about the task of weeding out many long-serving managers with pre-privatisation, public service roots. As a new convert to the "good, responsible aspects" of public service, the Eye would hope that Mr Green will be vocal in his support for workers in that sector under threat from the ConDem government's swingeing spending cuts. Indeed, it would be good of him to publicly suggest that it should be the reckless, greedy bankers and their directors who should pay for the financial meltdown they created. As a former non-executive director of Lloyds TSB, it's the very least he could do. And he can certainly afford it...

EUROPEAN WEEK FOR SAFETY & HEALTH AT WORK 2010

The European Week for Safety and Health at Work has become one of Europe's largest awareness raising campaigns for a healthier, safer and more productive workplace.

The 2010 European Week for Safety and Health at Work starts on Monday 25 October 2010 and the theme of the two year 2010-11 healthy workplaces campaign is Safe Maintenance.

The campaign is based on employers, employees and their health and safety representatives working together.

In some European countries as much as 20% of all workplace accidents are connected with maintenance and in a number of sectors

over half of all accidents are maintenance-related. Maintenance is essential to prevent workplace risks, but it is itself a high risk activity for the workers that carry it out. It is estimated that in Europe 10-15% of fatal accidents at work can be attributed to maintenance operations. It is vital, therefore, that maintenance is carried out properly, taking into consideration workers' safety and health.

The main focus and objectives of the "Safe Maintenance Campaign" are to:

- Raise awareness of the risks associated with maintenance

activities;

- Promote good practice and support EU and Member State policies, activities and initiatives in this area;
- Raise awareness and highlight the importance of maintenance (of plants, equipment, machines and workplaces) for workers' safety and health, of the risks associated with maintenance, and of the need to eliminate workplace hazards and carry it out safely;
- Raise awareness of employers' legal and other responsibilities to carry out safe maintenance, and of the business case for doing so;

- And to provide safer and healthier working conditions in workplaces throughout Europe;

The ultimate aim, of course, is to help to reduce the number of people who are hurt or are experiencing ill health as a result of inadequate maintenance or lack of maintenance, now and in the future.

The EU Commission's overall strategy is to cut all work-related accidents in the EU by 25% over the coming years. This campaign will help to raise awareness about maintenance-related risks, saving lives across Europe and bringing the EU closer to the overall goal for safer and healthier workplaces.

Joy as UU attains 'World Class' status

The sound of popping champagne corks echoed through the corridors of Lingley Mere last night as United Utilities finally achieved a world class ranking when figures revealed that its directors are the now the best paid in the Water sector and the country as a whole.

Chief Executive Philip Green, outgoing Business Development & International MD Charlie Cornish and former Finance Director Tim Weller all saw their salaries and bonuses rise significantly in the last twelve months.

A UU spokesperson told U3: "After a hectic few months of slashing hundreds of jobs, getting rid of buffets and brews and other cost-cutting initiatives, we have been able to pass the savings made on to our senior directors. To paraphrase Sir Winston Churchill: 'Never have so many given so much to so few' – it is a fabulous achievement."

Whilst cracking open a bottle of Krug, the spokesperson added, "What is particularly impressive is that Philip Green has achieved a pay rise of 37.5% whilst driving down employee engagement by 9%. Er...is that right?"

FRESH CONTROVERSY OVER CHARLIE CORNISH AIRPORT APPOINTMENT



Boris's Bonus Blast!

It appears that the years of executive salaries increasing at rates far in excess of inflation and the increase in average earnings are well and truly over - for now - according to a survey by business advisory firm Deloitte, (*Has anybody told UU this? - Eds*) but executive bonuses are close to their level before the financial crisis.

The survey found that the average bonuses for directors of FTSE 100 firms amounted to 100% of their basic salary, rising to 140% in the top 30 public companies.

It also found that more than 50% of top companies would not increase the pay of executive directors in 2010 - the second year in which many executives have had their wages frozen. Any pay increases this year were likely to be about 3%, it said.

Mayor of London, Boris Johnson, has backed comments by the leader of the RMT Union, Bob Crow, that attacked bankers for accepting large bonuses. He told the BBC: "Those distinguished, intelligent, highly remunerated people have got to understand the political consequences of doing nothing about the huge bonuses they are about to receive."

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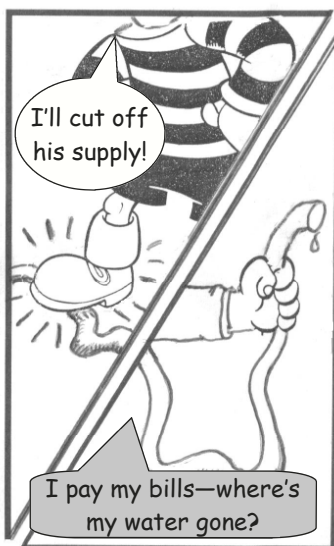
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*Calls may be recorded or monitored for training purposes or to improve our quality of service.

THE GREENO PHILIP the MENACE IN... "My Skool Hols!"



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