NAECl and the EfW Sector in the UK

Industrial Relations in the UK in general

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Chairman

EfW Conference, County Hall, Westminster, London
28th February & 1st March 2018
Constructing an EfW plant in the United Kingdom

• There are more than 60 EfW and biomass plants on line today* in the UK and the sector is still actively growing
• More plants will be built, we all agree on that (it’s why we’re all here)
• The common link is that all these plants need to be constructed
• Two basic contract models are available:
  • EPC (Engineering, Procurement and Construction)
    • All construction risks are placed into a lump sum turnkey contract
    • Full scope including the civil works (‘everything inside the perimeter fence’)
  • EPCM (Engineering, Procurement and Construction Management)
    • Some combination of disaggregated contracts (e.g. civil, process, balance of plant)

* WRAP database http://www.wrap.org.uk/content/list-energy-waste-sites
Resources needed for the construction of an EfW

• Process Technology and Process Designs
• Manufacturing of Plant and Equipment
  • Bespoke process designs such as combustion equipment and boilers
  • Standard ‘off the shelf’ items such as fans, pumps, instruments, valves etc.
• An understanding of Contracts used in the UK
  • I Chem E Red and Yellow Book, FIDIC Yellow and Silver Book, NEC, MF1, etc.
• Project management resources (for engineering, design and site)
• Site construction and erection teams – skilled and unskilled trades
  • Mechanical, electrical, instrumentation, civil and structural steelwork
• An understanding of the contracting environment in the UK
Which entity supplies these resources?

• Most process and technology ‘houses’ are located outside the UK

• There are a rather limited number of EPC Contractors for EfW; most of them (the successful ones) appear to be located outside the UK

• Most EPC’s act as management contractors, assembling all necessary designs, fabrications, plant, equipment, site construction and erection and dealing with the interfaces between them

• Where are the skilled and unskilled tradespeople to be found?
  • For the mechanical erection sub-contractors – mostly the EU
  • For electrical & Instrumentation sub-contractors – both the UK and the EU
  • For civil works construction companies and sub-contractors – always the UK
Union / pay agreements for civil engineering workers

- Civil workers are covered by the Construction Industry Joint Council: Working Rule Agreement (CIJC WRA)
- It is signed up to by most large employers and the unions
- The union lead is UCATT (which is now part of UNITE)
- This is the largest industrial agreement within the civil works sector
- It governs pay rates, working hours, travel allowances, overtime, holidays, sickness and redundancy (terms and conditions)
- Procedures for grievances and disciplinary
- It is seemingly quite successful, with relatively few disputes
Union / pay agreements for mechanical

• Mechanical, erection, scaffolding, welding, pipework, insulation, painting, craneage, steelwork (boiler and structural), electrical and cable pulling

• These trades are covered by the NJC and the NAECI agreement and represented by the GMB and Unite ("Unite the Union") unions
  • NJC – National Joint Council
  • NAECI – National Agreement for the Engineering Construction Industry
    • Colloquially known as the BLUE BOOK

• JIB – Joint Industry Board for the electrical sector

• JIB sets pay rates, employment conditions, welfare, grading, disputes & apprentice training in the electrical contracting sector in the UK

• Many UK electrical contractors are members – but few from the EU
The NAECI ‘Blue Book’ Agreement

• The Blue Book sets out terms and conditions of employment for hourly paid engineering construction workers; it governs pay, overtime, holiday, sickness, bonus payments, tea breaks, inclement weather working…..etc.
  • It is very prescriptive and significantly impacts both costs and working methods
  • It also provides protocols and procedures to resolve site issues
• Prior to NAECI dealt with a fragmented approach to industrial relations
• 1970s: stoppages of work and conflict was very common
• The NAECI agreement was designed to help stop these problems
• 1981: National Joint Council agrees NAECI to encourage stable industrial relations
• NAECI was widely used in the ‘dash for gas’ from 1990 – 2002 in the UK
Big Fossil Fuel and Labour Shortages

• 1990: gas fired power stations supplied 5% of UK generating capacity
• 2002: gas fired power stations supplied 30% UK generating capacity
• Most of these were very large CCGT projects –investment £10bn+
• Peak labour on site usually 700-800 and more for larger plants
• Almost 40 projects constructed (each more than 2 years duration)
• This caused a labour shortage, which is hardly surprising
• Mobility of labour from the EU was not as widespread as today
• Investment in labour & skills training in steady decline in the UK
The past application of the NAECI Blue Book Agreement

• The NAECI agreement was used on most of these contracts
• It did help to regulate the supply of labour, as terms, conditions and rates were broadly similar across the sector
• Business cases were good following market deregulation
• The EfW sector in the UK was in its infancy during this period
• The unions were not at all interested in ‘very small projects’ in the renewable energy sector
• As the EfW sector grew in the UK, the EPC and construction companies learned to use the sub-contractors they knew best
The current application of the NAECI Blue Book Agreement

- There are very few ‘new’ big fossil fuel power stations (some CCGT)
- Business cases are not very good as wholesale costs are low
- Nuclear is very slow, but subject to NAECI
- Oil refineries and other larger process plants are in decline in the UK
- Therefore small renewable energy has become attractive to NAECI
- NAECI is about the ‘black hand’ scope of trades (not civil works)
- Many renewable energy technologies do not need process trades
- Therefore EfW is ‘the only game in town’ for NAECI application
The current application of the NAECI Blue Book Agreement

- It is the sub-contractors to the EPC’s who generally employ the ‘in scope’ trades to NAECI
- The EPC companies are selected under highly competitive conditions against business cases which are often very ‘thin’ and depend on the EPC and the O&M companies absorbing all the project risks
- The EPC companies tender out to their sub-contractors under similar competitive conditions; these companies are mostly EU based
- So the downward cost pressure is huge, combined with risk acceptance for erection and performance activities
- The indirect engagement of the sub-contractor supply chain for EfW based mostly in the EU contrasts with the directly employed mostly UK based labour during the ‘dash for gas’ construction period
The current application of the NAECI Blue Book Agreement

2 Scope and Application

2.1 Work In-Scope

In accordance with the provisions of the NAECI this SPA covers the following work:

- Mechanical, including erection of Boiler,
- Electrical,
- Cable Installation,
- Pipework,
- Stack,
- Insulation,
- Craneage in support of all in-scope work incl. tower cranes,
- Scaffolding,
- Steelwork construction and installation works,
- All structural steelwork.

The SPA shall apply to construction work as well as work undertaken by NAECI operatives in support of pre-commissioning and commissioning activities.

Ref: Ferrybridge Multifuel Project, Supplementary Project Agreement
The current application of the NAECI Blue Book Agreement

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<tr>
<th>Categorised Work Rates for graded employees</th>
<th>Grade 1 Adult</th>
<th>Grade 1 16/17 years</th>
<th>Grade 2 Adult</th>
<th>Grade 2 16/17 years</th>
<th>Grade 3 Adult</th>
<th>Grade 3 16/17 years</th>
<th>Grade 4</th>
<th>Grade 5</th>
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Ref: Ferrybridge Multifuel Project, Supplementary Project Agreement
The current application of the NAECI Blue Book Agreement

• UK Minimum Wage

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<th>Age</th>
<th>Current rate</th>
<th>Rates from April 2018</th>
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<tr>
<td>25 and over</td>
<td>£7.50</td>
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<td>21 to 24</td>
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<td>18 to 20</td>
<td>£5.60</td>
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<tr>
<td>Under 18</td>
<td>£4.05</td>
<td>£4.20</td>
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</table>

• UK Living Wage
  • £8.75 per hour outside London
  • £10.20 per hour London rate
The current application of the NAECI Blue Book Agreement

- The NAECI agreement is not, and never has been, a compulsory agreement for employers in the UK; it is purely voluntary arrangement, usually signified by a willingness on the part of the employer to join the ECIA (‘Employers Construction Industry Association’).
- However, the unions do not see the situation in the same way.
- They would like to see the NAECI Agreement applied to all EfW construction projects.
- These leads to conflict situations in many projects, as they are rarely procured with NAECI rates specified in the procurement specifications.
- Employer reasons for not specifying are increased costs and programme.
- The unions argue that health and safety and employment conditions are improved and that ‘social dumping’ is avoided.
Accusations of ‘Social Dumping’

• This is defined and presented as the deliberate and intentional use of labour from the EU employed at rates below which UK labour who live close the construction site would be willing to accept

• Accusations that ‘Foreign Workers’ are not well cared for in terms of travel and accommodation (these have been upheld on several occasions)

• It is often presented in the media as a simplistic argument, but the reality is very much more complicated

• The correct skills and experience must be available to the EPC, who is under great pressure for cost, time and performance

• They rely on trusted sub-contractors, who are necessarily EU based

• Local labour – in fact UK based labour and skills – is usually not available in the required skills profile – and at the cost to satisfy the business case
Conflict at the Front Gate

KNOW YOUR WORTH

We believe that PARC ADFER should be built under our long standing National Agreement.

CAT 1 NAECI
Guarantees £16.97ph for Grade 5 Craftsmen.
Very good rates for other grades.

UNITE and GMB are joint signatory’s to NAECI and will ensure you get all the benefits of it at PARC ADFER

Stop selling yourself short!

We will not stand by and allow the terms and conditions of NAECI to be undercut at PARC ADFER.

JOIN our campaign to fight for what you are worth!
Conflict at the Front Gate

BABCOCK WILCOX AND VOLUND
PORT CLARENCE RENEWABLE ENERGY PLANT
PAY THE RATE
OR YOUR PROJECT WILL BE LATE
CHEAP LABOUR IS NOT SKILLED AND SKILLED LABOUR IS NOT CHEAP
£15.64 OR WE ARE AT YOUR DOOR
WE ARE NOT PUTTING UP WITH THIS ANYMORE

TEESSIDE IS NOT A SOCIAL DUMPING GROUND
WE HAVE 1000s OF SKILLED AND UNSKILLED WORKERS
ALL WHO ARE EXPERIENCED AND DONE THESE JOBS
FOR THE LAST 60 YEARS OR LONGER...

RIGGERS, PIPEFITTERS, LAGGERS, SCAFFOLDERS,
PLATERS, ELECTRICIANS, PAINTERS, MECH FITTERS,
LABOURERS WE HAVE THEM ALL HERE LOCALLY
SEPTEMBER 5th IS TOO FAR AWAY TO BE HAVING
MEETINGS, WE NEED BOTH PARTIES TO GET THIS
SORTED ASAP, WE DON’T WANT ANOTHER WILTON 11
CONSTRUCTION ACTIVISTS’ COMMITTEE

SITA E&W PROTEST WILTON 11

DAY 4 OF 20

Gate Protest

The SITA E&W Plant is being built outside of National Construction Agreements. Access to the site has been discussed on the 27th February 2015 and progress has been made and a timetable for access for Unite+ GMB & UCCAT is being worked out and this is a positive step in the right direction.

We believe that under-cutting of wages linked to National Agreements is taking place. We believe that agency labour is being used on site to the detriment of direct employment. We welcome investment in the area and need to ensure quality jobs are available as well as training opportunities for the next generation of workers within the industry. A wage rate anomaly had been identified and has now been corrected. The Trade Unions have asked for a letter of declaration indicating that all companies onsite are paying the minimum standards of industry rates of pay – they are awaiting confirmation. The two issues that the Trade Unions are asking for are:

- Minimum Standards of Industry Rates of Pay as stated in National Agreements
- Access to all contractors on site

MINIMUM BLUE BOOK RATES OR WE HIT THE GATES

DIRECT EMPLOYMENT – NO UMBRELLA COMPANIES – ADHERE TO NATIONAL AGREEMENTS – UTILISE HIGHLY SKILLED WORKFORCE

FAIRNESS – EQUALITY – DIGNITY – RESPECT

SITA E&W PROTEST WILTON 11

DAY 19 OF 50

Gate Protest – The Fight Continues

This SITA/Simcorp E&W Plant is to be the fourth E&W plant to be built in the UK by Sita – the National Agreement (NAG) has never been utilised before & this shows the contempt Sita has for the highly skilled workforce in the construction sector.

UPDATE

The Trade Unions of Unite – GMB & UCCAT as well as the Townside People’s Assembly, TARP & Unite Community members are continuing to support construction workers protesting outside of the Wilton complex on Townside. The Trade Unions demand an end to this exploitative situation that is being driven by the profit motive of Sita/Simcorp.

IMPORTANT – PROTESTS MAY BE IMPLEMENTED TWICE A WEEK - DAYS AND TIMES TO VARY

Sita / Simcorp still refuse to carry out a forensic wage audit to the protests will continue. We must make it clear to the workers that they must stick to site rules – YOU MIGHT NOT SPEED THROUGH PROTESTERS as you may have your pass withdrawn by security for driving in a dangerous manner. We would also urge protestors to be respectful to employees entering the site & to explain if asked why the protests are taking place. We will not stand by and allow under-cutting of rates of pay – Please Sign Our Petition – Sita / Simcorp Carry Out A Forensic Wage Audit.

UNITED WE STAND DIVIDED WE FALL

If you are angry at being held up in traffic due to the protests email Andy Stiles of Sita & Doug Amann of Simcorp to express your feelings.

Doug.aman@simcorp.com (Vice President of Simcorp)
Andy.stiles@data.co.uk (Project Director at Sita)

DIRECT EMPLOYMENT – NO UMBRELLA COMPANIES – ADHERE TO NATIONAL AGREEMENTS – UTILISE HIGHLY SKILLED WORKFORCE

FAIRNESS – EQUALITY – DIGNITY – RESPECT

Follow us on Twitter #PayTheRate
Arguments presented in favour of NAECI

Several arguments are often presented as to why NAECI should be used as an employment framework by the sector:

• Improved salary
• Enhanced opportunities for local employment
• No Umbrella companies
• No ‘Zero Hours’ contracts
• No ‘False Self-Employment’
• Adequate travel and accommodation allowances
• Avoid accusations of Modern Slavery (2015 Act)
• Good standards of site welfare and improved Health & Safety
Construction Labour – Reality

• Most EfW plant construction relies upon a large degree of ‘foreign’ labour to work on construction sites for process works.

• The brutal truth is that the UK does not have a large enough or well-trained enough workforce to provide the numbers of skilled construction workers to service the needs of the industry.

• These workers are either already ‘resident’ in the UK or arrive as part of temporary erection teams through the supply sub-contract.

• Political uncertainty over the status of EU workers in the UK is already affecting the attitudes of some about whether to stay.
Brexit

• The only certain thing is the uncertainty – but how much uncertainty?
• This phenomenon is, in itself, having an effect on the labour market
• Government impact assessments on the effect of Brexit:
  • Environmental Services Sector
  • Electricity and Renewables Sector
  • Construction and Related Engineering Sector
• These assessments are long on description but short on the actual anticipated effects
• Government has chosen not to publish the Sector Views!
• Discussion point
  • Does this lead to a return to 1990’s NAECI regime?
  • Will it lead to benefits or become an impediment to EfW construction?