

12th February 2015



Rt Hon George Osborne MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 1HQ

Budget 2015 and the UK Woodworking Industry

Dear Chancellor,

I am writing on behalf of the UK woodworking industry ahead of this year's Budget. The 700 members of the British Woodworking Federation represent a significant part of the £3.8 billion wood products manufacturing sector in the UK and support a workforce of carpentry and joinery that represents 7% of all employed in the construction sector.

Manufacturing, the heart of a strong economy

Our latest State of Trade Survey indicated that woodworking factories encountered their third successive quarterly increase in sales volumes in Q4 2014 and that 68% of our membership intend to boost investment in product improvement over the next year. This is encouraging, but we have an underlying concern that the rate of growth has slowed over the last three quarters and the number of joinery businesses with order books extending over a month has decreased. This may impact on confidence and stall much needed investment. This Budget must centre again on Business and Investment and ensure that this does not happen. Recent support for annual investment allowances has been positive, this must be maintained and where possible extended. We recommend that the Government look at ways of removing manufacturing plant and machinery from business rate assessments and keep the pressure on the banks. Late Payment remains an issue and starves the supply chain of much needed capital. The Government must continue to take a strong lead and set examples by not awarding contracts to perpetual poor payers.

Construction, the key to Growth

Housing is a national priority and critical to growth in our sector. We support the work of Homes for Britain and emphasise that whilst there has been much in the way of commitments to build from all of the main political parties, there is little behind these announcements to support the build levels necessary to tackle the housing shortfall. A renewed focus on incentives for custom and self-build, releasing sites from local authority and encouraging greater investment from social and affordable housing providers will help to meet the shortfall. Direct public sector investment (nationally and locally) should also be a bigger part of the mix.

Skills, closing the chronic skills gap

The Wood Trades will need a net increase in labour of 4,260 every year for the next four (a rise from 244,700 in 2014 to 260,860 in 2018) according to CITB figures. Historically this shortfall would yield growth in apprenticeships, but planned changes to the process and funding are causing uncertainty.

Our membership represents the most concentrated population of apprenticeships in the UK construction industry, but moving funding away from providers (please note we are not ourselves a

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provider) to employers, will create an administrative burden and put off many SME companies from taking on apprentices.

We made representations both through the consultation and directly to the government's Apprenticeship Commission at Parliament in late 2014, where Sharon Gorf, Director of BWF member company Parker Joinery and former Chair of the BWF's Woodworking Industry Training Forum (WITForum), made a passionate plea not to 'kill off' apprenticeships in the sector by implementing the government's proposals. Joinery is synonymous with providing structured apprenticeships that lead to fulfilling and rewarding careers and thriving entrepreneurial businesses. We work constantly with members, colleges and the CITB to ensure that the qualifications are kept up to date - all of this is in being undermined and could impact on the longer term competitiveness of the sector.

Companies invest significant time and resources in apprentices, imparting the skills, knowledge and training within the company – this must be recognised or it will stop. We will continue to work closely with government and CITB to ensure we make the process of employing an apprentice as simple and as cost effective as possible. By the government's own admission, the funding models through the PAYE tax system or an apprenticeship credit system would have problems with implementation. Beyond the admin and hassle factor that the proposals add, employers will have to make more upfront monetary contribution (potentially steering money away from investment).

A reduction in carbon emissions in the built environment

Forestry and timber is an £8.5 billion industry in the UK and at the forefront of driving low-energy manufacturing, producing high performance, low carbon goods and helping achieve UK carbon reduction targets. The Government has set clear targets for sustainability within the construction industry – targets that it will struggle to meet without encouraging the use of renewable materials. If we want to be a world leader, we should start to take a lead in carbon accounting and in doing so prioritise the use of materials that displace energy intensive alternatives and reduce pressure on the grid. In the case of housing, it is clear that incentivising the use of low energy products which lock up Carbon long-term (potentially through Allowable Solutions) will also open up a better range of cost-effective and technically feasible options which house builders can support to achieve the Zero-Carbon Homes Standard.

On behalf of the UK woodworking industry, I thank you for taking the time to consider our recommendations and remain at the disposal of your team to discuss or provide additional data on any of the points raised.

Yours faithfully,



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