

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

22nd November 2012

Dear Mr Osborne,

Autumn Statement 2012

I am writing on behalf of the UK woodworking industry ahead of the Autumn Statement. As a fundamental part of UK manufacturing, the woodworking sector represents an estimated £5.2 billion spread across 5,300 firms in the UK and employing 60,000 people. Our membership yields the most concentrated population of apprenticeships in the UK Construction Sector.

Stagnation in the construction and housing markets, combined with uncertainty and a lack of confidence has hit the industry hard over the last four years. Late payment, restricted cashflow and high fuel and energy costs continue to be barriers to growth. As a result 2011 saw a 12% reduction in turnover across our sector and a 7% fall in the number of companies operating - this decline has continued into 2012 and alarmingly, the proportion of our members anticipating that sales volumes will decrease further has more than doubled over the past two quarters.

A Strategy for Growth

To help look beyond market uncertainty, industry needs a clear Governmental vision and focus on growth. We support the call in the recent Heseltine report for a National Growth Council to create and support a vision for growth and to speed up decision making. This Council should be led from the very top of Government, supported by key industry champions and underpinned by cross-departmental support.

With every £1 invested in construction generating £3 in total economic activity, and 90% of building materials made in the UK, construction is crucial to growth. We are concerned that the current approach is piecemeal and consequently the outcome of current strategy does not equate to the sum of the parts. This is a key issue for the National Growth Council to address.

According to latest figures presented by DCLG, levels of house building remain far below that required to satisfy the 260,000 households per year that it is estimated will be created each year in Great Britain. Although we support September's measures aimed at delivering new homes, the coalition's Housing Strategy has not been successful so far and financial institutions are still reluctant to lend. We fully endorse and support the work of Homes for Britain, aiming to turn the current housing crisis into a catalyst for growth.

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We welcome the measures proposed to reduce cost and bureaucracy in the Planning Process. We urge you to keep the pressure on and ensure that changes are driven through the various local and central government bottlenecks that stand between good intentions and positive outcomes.

Now that the Green Deal has been introduced, government must ensure that the initiative picks up momentum after a low key 'launch'. The project has huge potential to deliver real benefits through the supply chain to the SME installers and product manufacturers in addition to the laudable environmental objectives. Our principal concern is confusion and the lack of clear guidance currently available.

The Green Deal cashback scheme may incentivise take-up, but government should explore further opportunities to improve scheme financing, for example by investigating with the Construction Products Association the possibility of stamp duty rebates for those making energy-efficiency improvements to their homes.

We and others in the sector have lobbied consistently for a reduction in VAT to 5 per cent for Green Deal measures and equivalent energy efficiency work. There is a strong fiscal argument that such a reduction should be applied to all private housing repairs and improvement work. We urge Government to look at all such creative solutions that will help encourage positive behaviours.

Fostering investment and tackling payment problems

Growth is vital and will alleviate much of the pressure on our sector, but for our businesses and the wider economy to fully benefit from construction growth, more support is required. Information gathered through our State of Trade Survey has indicated that members are postponing or cancelling crucial investment decisions on machinery (investment in machinery is set to fall by a third over the next 12 months) and that current lending conditions are hampering vital spending on R&D and product improvement.

The National Loan Guarantee Scheme and the Business Finance Partnership provide invaluable support here, but we cannot let the banking sector off of the hook - pressure must remain on banks to work with businesses in a flexible and "can do" way and ensure that rates remain competitive.

In addition to freeing up finance, the Annual Investment Allowance should be increased to reward forward looking companies.

Late payment remains endemic in the construction sector, with recent reports suggesting on public sector projects alone, 85% of contractors are paying late. This shameful practice puts additional and unwelcome pressure on our members. Just last month we have had two significant joinery manufacturers, who had between them worked on some of the UK's largest projects, going into liquidation with debt as the principal contributor.

We applaud the latest efforts of Francis Maude MP to bring attention to this issue and to name and shame persistent offenders – these companies should be penalized in the tender process. Project bank accounts will help to alleviate pressure and greater assistance and intervention should be available through the banks. We urge Government to continue liaising with the National Specialist Contractors Council on their Fair Payment Campaign, of which we are a strong supporter.

Fuel price has been the most significant contributor to a rise in unit cost in our sector over the past twelve months. This continues to put a strain on joinery businesses that are often forced to look further afield for clients - this at a time when margins are being aggressively squeezed by clients. Cancelling the planned rise in fuel duty should be a priority in this autumn statement.

Further to our request before this year's budget announcement, we have also been encouraged by the decision to freeze the development rate of the minimum wage. We hope this will incentivise SMEs to bring young people into the workforce and feel that a reduced rate of employers' NI for 1-2 years could be similarly beneficial. We are grateful for any attempts to reduce the burden of red tape on

business, and are supportive of the proposals within the Enterprise and Regulatory Reform Bill which aim to resolve employment disputes more quickly and cost effectively by limiting vexatious employment tribunal claims and enabling early conciliation.

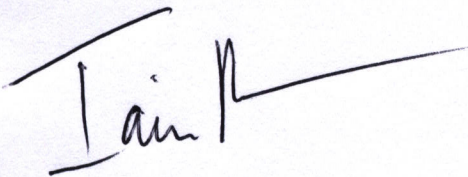
Building a sustainable future

With significant improvements and innovations from both a supply and performance perspective, the timber industry can hold its collective head up high as the sustainable material choice in key construction applications.

We firmly believe that initiatives such as a 'Wood First' rule, as endorsed in July's Defra-commissioned report by the Independent Panel on Forestry, would assist the UK in harnessing some of the wider economic, aesthetic, biodiversity and community benefits of using wood and wood products.

On behalf of the BWF Membership, I thank you for taking the time to consider our recommendations and remain at the disposal of your team to discuss any of the points raised.

Yours faithfully,



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Member

UK TIMBER INDUSTRY ASSOCIATIONS'
ACCORD

Member

NSCC
National Specialist
Contractors Council

member of
construction products association