

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

22nd November 2013

## **Autumn Statement 2013 and the UK Woodworking Industry**

Dear Chancellor,

As Chief Executive of the British Woodworking Federation (BWF), I am writing on behalf of the UK woodworking industry ahead of this year's 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 well over 100,000 people. Our members operate at the heart of the manufacturing sector and remain a vital part of a construction industry that contributes £90bn to the UK economy.

The new *Construction Industrial Strategy: government and industry in partnership* offers tangible and achievable targets and a clear vision for growth. Our sector is well placed to support this vision and keen to work with government to help deliver, but, there remain some significant hurdles.

### **Reduction in the Trade Gap**

Our most recent Quarterly Joinery State of Trade survey noted a balance of 43% reporting an increase in sales volumes, following on from two successive quarters of decline - it provided evidence that our members were beginning to utilise more of their manufacturing capacity. This is good news, but growth is being fuelled very much by the housing sector. For confidence to return and to drive a significant upturn in investment, businesses must be confident that policy will continue to drive supply not price and support growth in the wider construction sector.

Export, where appropriate, is important, but import penetration must not be overlooked and indeed may more than offset any upturn in export if continuing unabated. Between 2007 and 2012 the market share for timber windows rose by 5% - to account for 25% of the total window market. This is encouraging growth, however, in 2007 we imported £84 million of wooden windows into the UK - by 2012, this had risen to £113 - UK manufacturing share fell from 83% to 75% of the timber window market. This is a concern and we need to look at the factors that are driving this:

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- Overheads remain exceptionally high with business rates, fuel and energy prices in particular a significant contributor to a rise in sector unit costs. These additional costs show little sign of easing up and indeed business rates seem set to accelerate - this is not conducive to supporting investment and nurturing business. Small business rate relief should be extended, business rates frozen and fuel duties cut to support growth and investment.
- Late payment remains endemic in the construction sector - recent reports have suggested that on public sector projects alone, 85% of contractors are paying late – we see little sign of improvement. It is frankly unacceptable for the supply chain to be the first port of finance for the wider market and we urge government to continue liaising with the National Specialist Contractors Council on their Fair Payment Campaign.
- There remains little support evident from the banks in terms of access to lending. We urge the government to support SMEs in unblocking barriers to finance and to investigate the benefits of supporting the securitisation of SME loans in order to increase the overall supply of finance for SMEs.

### **Diversifying growth by Cutting the VAT**

The new build 5% VAT rate should be extended to cover all private housing repairs and improvement work. Such a measure would drive growth and help to bring the vast majority of construction work out of the cash economy (helping to offset any perceived loss in income for the treasury and improve professionalism in the sector).

### **Encouraging job creation and skills**

Apprenticeships remain at the heart of our industry's training - our membership represents the most concentrated population of apprenticeships in the UK construction sector, a statistic that we are very proud of.

We welcome continued support from government to allow our predominantly micro and SME businesses to invest in young people. We support the current funding regime that channels funding through training providers. This avoids up-front training costs and we would advise against changes in the framework on the grounds that this would increase these costs and may indeed create a barrier to small businesses to taking on new apprentices. We feel that this is particularly poignant given that finance and cash flow remain significant stumbling blocks to growth. We would also urge the government to widen the eligibility of fully-funded apprenticeships to all age groups, not just 16-18 year olds.

### **A reduction in greenhouse gas emissions in the built environment**

The government has set itself bold targets for sustainability such as applying the zero carbon standard to all new homes from 2016 and all non-domestic buildings built from 2019. There are exciting government led projects helping to lead the way (e.g. Grown in Britain), that are recognising the value of domestic forests as a carbon sink and products manufactured from natural materials as a carbon store – this is to be applauded.

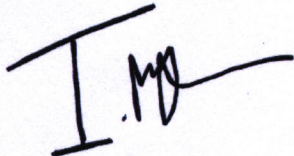
The benefits of using timber can be backed up by research such as the Heriot Watt University study showing that using a timber or aluminium clad frame window instead of PVC-U can save over 140kgs CO2e over 60 years. The Industrial Strategy aspires to a 50% reduction in greenhouse gas emissions in the built environment by 2025. To achieve these aims, the use of products that are both sustainable as well as energy efficient will need to be recognised in schemes such as the Green Deal and ECO, and be supported by national standards such as the Housing Standards which are currently under review.



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.

We would also welcome the opportunity first-hand to take you to a woodworking business to show how a traditional industry remains innovation driven and help you to understand our products' potential as a fully renewable material.

Yours faithfully,



**Iain McIlwee**

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