

10<sup>th</sup> November 2016



**Rt Hon Philip Hammond MP  
Chancellor of the Exchequer**

HM Treasury  
1 Horse Guards Road  
London  
SW1A 1HQ

**Autumn Statement 2016 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 the Autumn Statement on November 23<sup>rd</sup>.

The UK wood products manufacturing sector is a vital part of the UK economy; supplying furniture and products for the construction industry, adding over £3 billion to the UK economy every year. Our members operate at the heart of UK manufacturing and bring skilled jobs to both rural and urban areas, including many within the 'Northern Powerhouse' and 'Midlands Engine' regions. Taking installation into account, carpentry and joinery accounts for the third largest sector of employment in the construction industry.

**Industrial Strategy at the heart of the economy**

If the Treasury is to meet its stated aim of delivering short-term demand stimulus and addressing longer-term, structural problems in the economy, then support to retain and develop the UK's manufacturing capacity is fundamental. We have fed our views into the recent Industrial Strategy consultation and hope that this vital work will be fast-tracked and gain full and focussed cross-department support within Government. The Construction 2025 work under the coalition is a good example of how a strategy can help to draw a sector together - we were pleased to be a founder member of the new Build UK organisation. It is critical that the Industrial Strategy helps set a vision that includes the wider manufacturing sector. Too often talk of manufacturing focuses on Automotive and Aerospace, with vital sectors such as Construction Products, twice the size of automotive in the UK, slipping below the radar.

Brexit is not only about our foreign policy, immigration and trade, it is a fundamental chance to address core problems within our economy. It is vital that we embrace this opportunity to conduct a thorough and holistic review of how investment and employment are rewarded through business rates and taxation. Our taxation system is too complex and not fit for a modern world, made so much smaller and more complex through digitalisation. If we do not recognise this and adapt quickly, we will leave our domestic manufacturers hamstrung. It is encouraging to see proactive work underpinning Nissan investment, but we also cannot allow imbalance. An independent cross-industry panel must be established to help drive this, we would welcome the opportunity to do our bit to support this.

By way of example, the current business rates system discourages investment. Manufacturing plant and machinery needs to be removed from rates assessments and, at the very least, all new valuations of plant and machinery upgrades should be provisionally frozen. The Managing Director of one member calculated that his yearly council tax for their 4-bedroom semi-detached house is £1,570.00, the company's business rates for the year are £29,512.00, 34% of their rent which stands at £86,250 per annum.

Another area to consider is how socio-economic contribution to the wider economy is ingrained into any procurement decision where Government has influence – new opportunities will no doubt arise if State Aid obligations change. We are encouraged by the measures announced in Scotland to accelerate capital spending on projects to support and create employment, with funding assessed against criteria including; how quickly work can start, the number of jobs supported, impact on the supply chain and geographic spread. The Steel Charter also gives indication as to how we can focus procurement in construction and should be more broadly adopted.

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To address the trade deficit, we must also focus on ensuring that UK manufacturers are not left disadvantaged by imports. Imports of wood windows have increased (principally from the EU) from 19% of the market in 2008 to now representing over 30% of our market. Where we have lost ground, we should be targeting trade gain, supporting British manufacturing to help offset some of the £61.8 billion trade deficit that we have with Europe. It is fundamental that government fully assess the impact of any trade negotiations on all parts of the economy, not trading away our manufacturing heritage to the benefit of the financial products sector. It is also worth noting that the best way to support export is to ensure businesses are strong domestically and can use their profitability to resource international aspiration and are equipped to manage the new risks that exports present.

### **Encouraging Growth**

The BWF is optimistic about the future of the joinery sector, not simply because our members tend to be skilled SMEs, adept at innovating and adapting, but because wood is very much emerging as the construction material of the 21<sup>st</sup> Century. Modern engineering, scientific advancement and innovative product design are blending with the natural advantages of timber to overcome previous constraints and drive new timber solutions, leading the way in off-site manufacture in construction. Off the back of this, overall investment in product improvement and manufacturing equipment continues to grow and our membership have maintained ten successive quarters of sales volumes growth. Rising raw material costs and wages are, however, putting a strain on finances with 78% of surveyed members reporting that unit costs had increased in Q3 2016. With the full impact of currency devaluation still to be felt, investment decisions are more difficult for the next period.

Cashflow concerns are compounded when large companies at the top of the construction supply chain hold on to payment and use overly complicated contracts to push their risk onto suppliers and sub-contractors. Such practice destroys jobs and ultimately leaves the market exposed to growth in imports. Through Build UK we are seeing improvement, but Government must set a strong example by ensuring fair payment charters (including fair and plain English contractual terms) are a pre-requisite of any companies involved in public sector contracts.

We are also encouraged by the focus in Government on the Housing Crisis. Housing is critical to growth in our sector and a strong pipeline will support investment. It is worth noting, however, that to meet the government's ambition of delivering one million homes by 2020, yearly outturn would need to increase by 15% from the 2014/15 numbers and all independent forecasts point to this target being missed. The need and land are there - the CPRE estimates there are enough brownfield areas alone to accommodate 1.8 million homes. We have worked closely with organisation such as Homes For Britain and support the conclusions of the CBI's recent report by calling for further financial support for SME house builders, releasing of sites from local authorities for building. With current policies focussing heavily on home ownership over housing supply, Government should continue to utilise anything in its toolkit - increasing direct investment if necessary - to end the housing supply crisis. It is also important not just to set policy, but to drive it through all parts of Central and Local Government.

### **Building a skilled workforce to capitalise on growth**

We commend and endorse the findings of the Farmer Report and are currently mapping our own activity against the recommendations and seeing how and where we can scale up what we do. Developing the talent pool available is critical to realising a flourishing UK joinery industry. Whilst we support the principle, confusion and unintended consequences of the Apprenticeship Levy are a concern as we advised at the recent Select Committee Meeting on Education, Skills and Apprenticeships.

How schools, colleges and universities work with industry to support careers is fundamental. BWF has launched a pilot Centre of Excellence network of colleges and training providers to aid the survival of quality apprenticeship training. We are finding the pipeline hard to develop, with schools ill-equipped to provide effective guidance and nurture the full range of talents. Less academic subjects are simply being neglected in the current curriculum. A re-emphasis on Design and Technology, no longer a mandatory subject beyond Year 9, would support not just ourselves, but the other parts of the manufacturing sector - UK is recognised globally for our design credentials, yet we are seeing this vital subject take a back seat in schools. We also need to see mechanisms to better bridge elements of learning, there must be renewed efforts to create an effective national careers service, supported by a UCAS equivalent for apprentices.

### **Crafting a sustainable future**

Wood adds character and warmth, but as a natural, renewable product, it also offers unique sustainable credentials. Trees absorb and store billions of tonnes of carbon every day and the products derived from wood - such as doors, windows, staircases, furniture, structural timber - keep on storing carbon throughout their lifetime.

With the Paris Agreement now in force, the UK needs to stand up for environmental sustainability and support sustainable product manufacturers, especially with recent survey evidence post-Brexit indicating that the British public are strongly in favour of keeping or strengthening EU rules that protect our natural environment.

With 30-50% of lifetime carbon emissions now accounted for before a building is occupied, we cannot continue to ignore this. The UK timber sector has worked with the BRE to develop new tools to simplify the process of developing Environmental Product Declarations that have enabled us to unravel many of the complexity excuses about why embodied carbon cannot be taken into consideration in mainstream building decisions and we can give customers clearer information to support sustainable product selection and use. The opportunity to develop a Natural Capital approach to procurement (possibly replicating food marking) can help ensure that UK industries truly are world class.

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,

A handwritten signature in black ink, appearing to read 'I. McIlwee', with a long horizontal stroke extending to the right.

**Iain McIlwee**

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The British Woodworking Federation (BWF) is the voice for the woodworking and joinery manufacturing industry in the UK. With 700 member companies, we are the largest body representing the manufacturers of timber products and proud members of the Trade Association Forum, Construction Products Association, Build UK, Confederation of Timber Industries and Fire Sector Federation.