

17th October 2014

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

## **Autumn Statement 2014 and the UK Woodworking Industry**

Dear Chancellor,

As Chief Executive of the British Woodworking Federation, 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 £3.8 billion spread across 5,070 firms in the UK and employing well over 100,000 people. Our members range from global groups to family businesses and operate at the heart of a construction industry that contributes £90bn to the UK economy.

We have included a copy of our Manifesto, which sets down the four critical areas of focus that will help to ensure our sector can contribute fully to both economic and sustainable growth in the UK. Through this letter we aim to highlight the immediate changes that could help joinery and woodworking businesses fully support this growth.

### **Manufacturing, the heart of a strong economy**

Our latest State of Trade Survey indicated that joinery workshops are becoming busier with over two-thirds reporting an increase in sales volume in Q2 2014 and more than half of respondents operating at over 80% capacity (for the first time since Q4 2012).

This upsurge in demand is welcome, but uncertainty remains, material costs are high and margins thin. To improve confidence and to drive longer term rather than reactive investment, R&D Tax Credits should be extended to £500,000 until the end of 2015 and fuel duties cut with immediate effect. We recommend that Government look at ways of removing manufacturing plant and machinery from business rate assessments to further encourage investment.

### **Construction, the key to Growth**

Housing is critical to growth in our sector and whilst we are hearing commitments to build from all of the main political parties, we remain unconvinced that these announcements are doing much to support build levels over around 150,000 units. 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. This will, in-turn, create a visible pipeline and drive confidence that will further support investment decisions throughout the supply chain.

An encouraging sign is that we have seen less firms in our sector going out of business than we would have anticipated as we emerge from recession. This indicates that payment practices are

improving (backed up by the latest statistics from the NSCC, which report that record numbers of specialist contractors are getting paid in under 30 days). On this we must applaud efforts from both the Construction Leadership Council and Government on initiatives such as the Construction Supply Chain Charter. These have been beneficial in highlighting deep rooted payment issues within the construction industry. We urge you to keep the pressure on by supporting the NSCC in their call to ensure all companies engaged on public sector projects sign up to, and meet, the payment commitments set out in the charter or sanctions will be applied.

Renovation and refurbishment will inevitably be driven by confidence, but the Government must prioritise a belt and braces review of the Green Deal to encourage new activity.

### **Skills, closing the chronic skills gap**

The recent upsurge in demand has introduced new problems, such as the need to increase the workforce at short notice. A quarter of members are now listing labour availability as the most significant constraining factor for the next 12 month period. We need to attract new blood into the sector.

The Chairman of our Training Division, Sharon Gorf, recently addressed the Apprenticeship Commission, focussing on the plight of SMEs and the way our members have been working in recent years to shape and develop apprenticeships. Between the Richard's Review and the Business Secretary's recent proposals to simplify and boost the apprentice minimum wage, we are concerned that costs and administration are being driven upwards. This may well limit the growth potential for apprenticeships. Our sector boasts one of the highest ratios of apprentices within the construction industry – we are proud of this figure and want to build from here, continuing to provide excellent career prospects built on the solid foundations of an apprenticeship.

### **A reduction in carbon emissions in the built environment**

The Government has set itself bold targets for sustainability within the construction industry – targets that it will struggle to meet without encouraging the use of renewable materials, capable of displacing energy intensive alternatives and reducing pressure on the grid. The Allowable Solutions framework is a good place to start addressing the 30-50% of a buildings lifetime carbon emissions that are accounted for even before the building is occupied. This is a landmark opportunity to start to account for the carbon locked up in construction products and ensure this contributes to meeting our national environmental objectives.

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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