

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

29th June 2015

July 2015 Budget Announcements 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 the Budget announcement on July 8th.

The UK wood products manufacturing sector is a vital part of the construction industry, adding £3.8 billion to the UK economy every year. Carpentry and joinery also represents the third largest sector of employment in the construction industry and brings skilled jobs to both rural and urban areas.

A long-term plan for construction

One of the primary objectives for this Budget must be to start giving businesses a long-term strategic view of what they can expect from the new Government. In uncertain times, we need reassurance that this is a government focussed on manufacturing and supporting those businesses that are truly adding value and creating jobs for the economy. The *Construction 2025: Industrial Strategy* was a positive outcome from the last Government, and we would hope to see the principles agreed between Government and Industry carried over into this term.

Support for UK manufacturing investment

Joinery manufacturers operate in an environment where companies are constantly balancing cash-flow and seeking to use what is available to invest in growth and securing a strong future for their business – investment that should be incentivised through R&D tax credits. Banks remain reticent to loan money without unrealistic security expectations and payment practices continue to create problems, particularly for SMEs. The review of Business Rates is critical in this context, to ensure that growth and investment are not penalised and this tax does not leave UK manufacturers disadvantaged. In your review, we ask you to note that turnover and profit do not always walk hand in hand and remind you that our members are competing with aggressively priced imports and rising wage bills. In the previous quarter alone, our latest *BWF Joinery State of Trade Survey* indicated that raw material costs increased for 78% of respondents on balance, with wages/salaries rising for 73%, having increased sharply as a cost factor over the last two quarters.

Nurturing the skills needed to meet demand

The Skills Agenda is perhaps the most important area of focus right now. Our sector has the highest ratio of apprentices in construction; we need a net increase in labour of 4,000 into the wood trades for the next four years. Across construction it is labour shortage that is now emerging as the most significant restrictor of growth. We are still left with real concerns in the wake of the Apprenticeship Review and careful consideration needs to be given to the mechanics of future funding to ensure that it does not place an undue burden that will prevent companies taking on an apprentice. Work of the CITB is critical and the Triennial Review needs to be published to provide clarity around the future of this support.

As changes are implemented we must remain focussed on quality and also be wary of creating short-term pipeline issues. We understand that The Skills Funding Agency has written to training providers, putting into question funding that has traditionally been available for over-achievement on their contracted delivery. This postponement has led to heightened concerns regarding future support and is already potentially restricting activity that was successfully attracting new apprentices into the workforce.

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. The enclosed summary manifesto also offers a concise briefing on why the joinery sector is a vital part of our future, and how Government can work with us.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'I. McIlwee', with a stylized flourish at the end.

Iain McIlwee

Chief Executive
British Woodworking Federation
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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, National Specialist Contractors Council, Timber Industry Accord and Fire Sector Federation.