

# BMF Policy Outlook

2017-2018



The supply chain and government in partnership

“one **industry**  
one **voice**”

[www.bmf.org.uk](http://www.bmf.org.uk)



# Introduction

## The Builders Merchants Federation...

The Builders Merchants Federation (BMF) is the only UK trade association for businesses in the building materials' supply chain. Since 1908, we have represented builders, plumbers, roofers, decorators and timber merchants who distribute building materials, home improvement products and renewable energy systems.

The BMF exists to foster business-friendly conditions for its members. As our name implies, this predominately means merchants, but we also represent major manufacturers and specialist suppliers. We act to ensure the voice of our members is heard by parliaments, governments, journalists and other opinion-formers.

## ...and what we represent

BMF members perform a vital function in distributing materials and products from quarries, kilns, sawmills and factories to where they are used by their customers. Merchants are the most efficient route-to-market. They expertly manage the delivery of small, mixed or repeat loads and provide the 'last-mile' link in the supply chain.

The majority of merchants' customers are SME builders and allied trades, contractors or installers. The work they do is labour-intensive, carried out by trained and competent people, often by word-of-mouth referral, using local merchants and done sympathetically to various property types. Projects are handmade, on site, to agreed specifications, all year round, often with the customer present.

## Advocacy

Advocacy means influencing parliaments and governments to explain the role, value and importance of merchants – and the Federation itself – in creating jobs and growth. The BMF is the fourth largest trade association in construction and we are the 'commentator of choice' for our supply chain.

Buildings (especially housing) are not erected, nor are properties (especially homes) converted, extended or improved without the primary materials and valued-add products that our members make, stock and deliver.

Examples of our work in the last 18 months:

- the Budget 2016: lobbied to force a Government climb-down in the Commons to stop VAT on the supply and installation of energy-saving materials going up from 5% to 20%
- Housing and Planning Act 2016: briefed MPs on self- and custom-build, acoustic insulation, and upward housing extensions – and attended debates in which we were praised by the Housing Minister and other MPs
- brick supplies: to counter incorrect media stories, the BMF briefed the Housing Minister and the Construction Minister on brick supplies – and gave industry facts and figures to national newspapers to rebut erroneous claims
- home heating: helped the London Mayor to devise a boiler scrappage scheme to entice Londoners to replace old, inefficient boilers with modern, energy-efficient models.

### DID YOU KNOW?



The BMF has 600 members who together have combined annual sales in excess of £27 billion and employ over 120,000 people. Our 316 merchant members trade from more than 4,900 branches throughout the UK.

Source: BMF, July 2017



# The Next Two Years

The UK Government is (rightly) pre-occupied with complex negotiations to leave the European Union. However, the BMF urges governments in London, Edinburgh, Cardiff and Belfast not to forget domestic policy. We want the UK economy to grow in a steady, stable manner so our members can plan investment decisions, trading forecasts and future staffing levels.

## Leaving the European Union

The vote taken in June 2016 to leave the EU has serious implications for the BMF now the UK-EU negotiations have begun. We want politicians of all parties to understand that leaving the Customs Union without a comprehensive free trade agreement will be a retrograde step.

Since EU Article 50 clause was triggered, the BMF has been lobbying to persuade the UK Government to secure mutually-beneficial new trade and customs agreements based on zero or low tariffs. More must be done to prepare for the possibility of no deal with the EU and the unwanted bureaucratic and financial burdens that will be caused by non-tariff barriers.

If border inspections are not properly resourced, consignments will be stuck in ports, causing unnecessary backlogs, rising costs and delayed deliveries. Also unresolved is the question of paying customs duties and VAT on imports before release from the docks.

Nowhere is this more important than in Northern Ireland. No-one wants the return of border controls with the Republic of Ireland.

In Scotland, moves towards another Independence Referendum will unsettle business confidence.

## Industrial Strategy

The UK Government's Industrial Strategy deserves to succeed. We want it to be a long-term partnership between government and business. Boosting output, employment and educational achievement in less-well performing parts of the UK, compared to London and the South East, must be the aim – the so-called 'productivity puzzle'.

The BMF favours a strategy that showcases the entire construction industry, from top to bottom. A core component must be a resilient, functioning and enduring supply chain that serves businesses, public services and consumers alike.

This means creating the conditions for BMF members to thrive by:

- improving the flow of money – notably availability of finance and fair payment
- reforming business rates that are unfair on merchants and manufacturers
- extending capital allowances to boost spending on new plant and machinery
- assisting manufacturers with rising energy costs and merchants with road fuel costs
- investing in vocational training and skills and persuading parents that university is not always the right choice
- returning to a "Made in Britain" presumption in public purchasing
- addressing the continuing shortage of qualified HGV drivers
- challenging outdated rules to lessen the cumulative burden of regulation.

### DID YOU KNOW?



Total volume of timber and panel products used in the UK is made up of 39.8% from home-grown sources (6.5 million cubic metres) and 60.2% is imported (9.5 million cubic metres) - with 77.81% of these imports from Europe.

Source: Timber Trade Federation, October 2016



# Housing Demand and Supply

The BMF is pleased that housing remains high on the political agenda and has welcomed the Housing White Paper. However, we need strong political determination and concerted action to narrow the gap between demand and supply.

## New Homes

Public support for first-time buyers gives builders the certainty to recruit people and invest in land and materials. The BMF supports government policy on equity loan and shared ownership schemes and financial aid for small builders. Extending Help To Buy until 2021 is welcome. The £3 billion Home Building Fund is also good news.

At least 250,000 new homes are needed to keep up with annual demand. Volume house-builders put up between 136,000 and 150,000 units (170,000 in a good year). The balance comes from small builders, housing associations and others. While self- and custom-built homes are welcome – and better use of existing buildings plays a part – their contribution is limited. The BMF wants to see local authorities and small builders supported to ‘change the ratio’ between volume house-builders and the rest in a more diverse market.

The BMF wants Zero Carbon Homes and Allowable Solutions introduced. New homes cannot be built to inferior thermal and energy standards – only to retrofit them in the future. A clear timetable to tighten standards is necessary.

## Planning Permission

Meeting expectations means more supply-side efforts are crucial to shorten the time it takes to start onsite and accelerate the number of homes completed. Shifting the emphasis from planning being only about development control to a system where development is enabled and managed is the way forward.

The BMF supports action to simplify and speed up planning approvals to increase housing completions and at a faster rate. Initiatives such as Housing Zones, permission-in-principle, statutory registers for brownfield land, and higher planning fees can all help to narrow the gap between demand and supply. However, greenfield sites are also needed.

If the goal of having more homes of all tenures is to be achieved, local authorities must have an up-to-date Local Plan in place. Plans must be based on a genuine assessment of housing needs, who needs a home, and what type of housing they need. Identifying a five-year land supply must be part of this process.

### To narrow the housing supply gap, we ask for:

- improved availability of finance for SMEs on decent terms
- local councils to adopt Local Plans and uphold Duty to Co-operate
- flexibility in planning fees if it leads to an improved service
- exemption for older people from Stamp Duty when selling and downsizing
- further efforts to identify and bring forward small housing sites.

#### DID YOU KNOW?

Major barriers cited by SME builders are lack of available and viable land (67%), lack of finance (50%), and shortage of skilled workers (39%).

Source: Federation of Master Builders, September 2016







# Energy and Emissions

Building Regulations ensure new buildings use less energy and water and are pleasant to inhabit. But the majority of people live in existing properties. Many are poorly insulated, costly to heat and do not use water wisely. Owner-occupiers and landlords must be persuaded to invest to improve the thermal and energy performance of homes and workplaces.

## Thermal Efficiency

There are less than three years until 2020 and the effort required to improve millions of homes is unlikely to be completed. Decisions taken in recent years have undone household energy-efficiency policy that causes concern amongst BMF members.

The UK had the Green Deal and Energy Company Obligation (ECO) policies to meet its legally-binding targets. The 'pay-as-you-save' concept is fundamentally sound but the Green Deal was not working well and did not take off in the way it was hoped.

Extending the ECO to September 2018 until a successor for 2018-2022 is agreed makes sense. But the ambition is far too conservative in scope and scale. Insulating only a million homes by 2020 is simply insufficient to improve so many cold, draughty homes.

There is no compelling offer to persuade 'able to pay' residents to act to reduce energy use, lower emissions, cut bills and make homes warmer. Household energy-efficiency should be a national infrastructure priority. The Scottish Government has already designated it as such, putting Scotland ahead of England.

We hope to work constructively with government on the forthcoming Clean Growth Plan.

### DID YOU KNOW?

**4 out of 5 homes that will be occupied in 2050 have already been built – 25 million homes need refurbishing to the highest performance standards by 2050 – a rate of more than one home every minute.**

*Source: UK Green Building Council, Feb 2017*



## Heating, Diesel and Air Quality

Many residents struggle with home heating costs so replacing old, inefficient boilers with modern ones is crucial. It is better to adopt a 'fabric first' approach to reducing emissions from buildings. But in absence of coherent long-term policy, replacing boilers is one solution.

Whitehall recognises that emissions from heating contribute to poor air quality. The Government has failed to bring down air pollution to within legal limits. Ministers propose introducing Clean Air Zones to improve public health. Restricting access to towns and cities based on the type of fuel or vehicle used are planned.

Roads are more congested than ever and vans are the fastest-growing type of traffic – up 17.2% over the last 5 years. Urgent action must first be taken to alleviate harmful emissions from HGVs and LGVs.

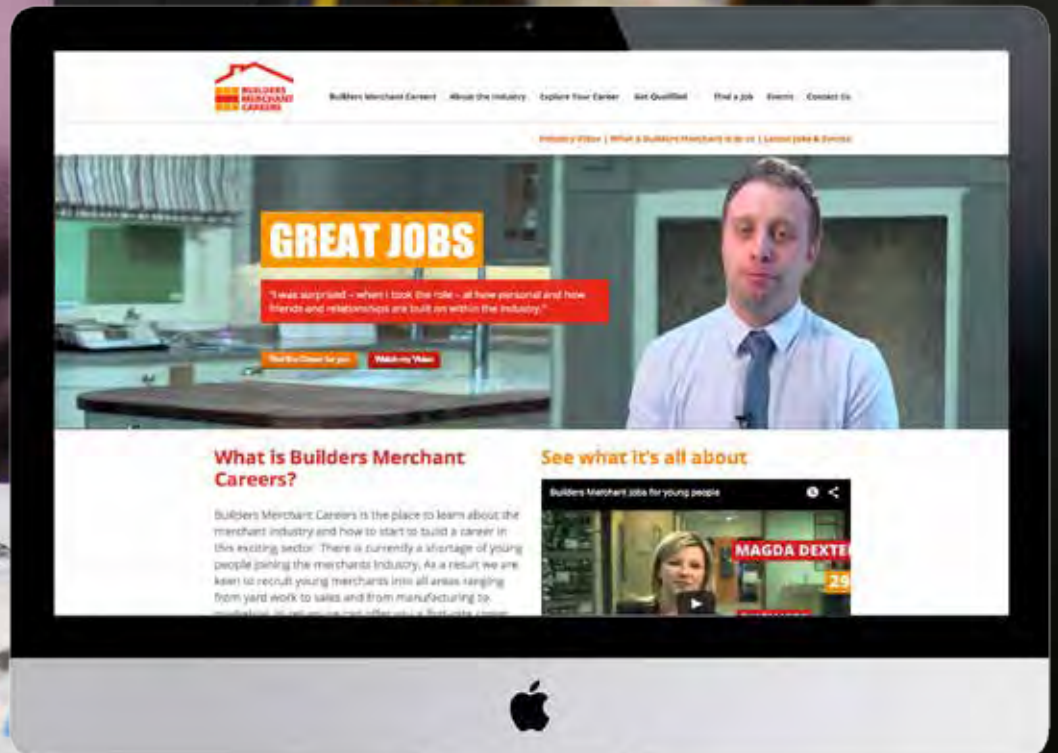
Merchants have no choice but to use diesel vehicles to deliver materials like bricks and timber requiring lifting gear to load/unload them. Funding should be made available to help SMEs replace old polluting vehicles with cleaner, greener models.

### To save energy and reduce emissions, we ask for:

- a comprehensive, long-term household energy-efficiency policy
- Council Tax or Stamp Duty incentives linked to energy-efficient improvements
- retention of 5% VAT on supply and installation of energy-saving materials
- funding to retrofit vehicles to limit emissions or replace old polluting lorries, trucks and vans.

## BUILD YOUR FUTURE

WORK FOR A BUILDERS MERCHANT OR SUPPLIER



# Creating Opportunities

Merchants have existed for hundreds of years to supply materials and products as building techniques have evolved throughout history. The BMF counts as members some long-standing independent companies run by third or fourth generation descendants of the family that started the business.

We want to see vibrant, prosperous and diverse businesses passed onto future generations. Only by retaining talented people and recruiting new faces can we succeed in building a resilient, functioning and enduring supply chain.

## New Faces

Our merchants report encouraging regional sales trends that show rising order books and grounds for optimism with hiring intentions. But there are many in construction (in general) and housebuilding and home improvement (in particular) who fear economic activity is at risk due to a worsening skills shortage.

Construction firms face real difficulty attracting new faces into businesses that our merchants serve. In 2015 the UK Commission for Employment and Skills found a need to recruit another 700,000 people to replace existing workers who will retire or leave in the next five years. This is in addition to the extra 120,000 workers needed to deliver growth in housing.

The BMF has begun a major recruitment initiative to make young people aware of the diversity of roles with our members. They offer opportunities for those with few qualifications and for those with A-Levels or degree-level qualifications.

Our initiative gives hands-on support to help young people choose a career. It is underpinned by

**DID YOU KNOW?**



**The BMF represents all types of merchants, irrespective of product, turnover or location. Our 316 merchant members have combined annual sales of £15.6 billion that equates to 80% of the market.**

*Source: BMF, July 2017*

the Builders Merchants Careers website:

**[www.merchant-recruitment.co.uk](http://www.merchant-recruitment.co.uk)**. This portal is a mix of inspiring videos from young people in a BMF member's business, guidance on which path is better for individuals, and links to employers and job vacancies.

## Vocational Training

Our members have an enduring commitment to vocational training and the BMF is the major training provider for merchants. Our training programme received the NCFE Skills Development Award from the Trade Association Forum in both 2015 and 2017. In conjunction with Birmingham City University, we offer a career ladder from an apprenticeship up to a Diploma, Foundation Degree and Post-Graduate Diploma leading to a Master's Degree.

The BMF has been involved in the Apprenticeship Levy since it was unveiled in July 2015. As a direct consequence, we have established our own Apprenticeship Training Agency to make it easier for BMF members to take on and support new apprentices.

We want freedom to use Levy payments to train apprentices in firms up or down our supply chain. We question ministers' belief that switching funds between employers is limited by State Aid rules. The Levy is not public money – it is employers' money being re-distributed. We also think payments should be allowed to go to more than one other employer.

### To support a modern supply chain, we ask for:

- politicians and officials to understand the role, value and importance of merchants
- schools and colleges to equip young people with skills to enter the workforce
- careers advisors and job centres to promote merchants as a career choice
- refining Apprenticeships Levy arrangements esp. across internal borders
- a fresh look at Driver CPC Training requirements and financing.



To find out more about the BMF and to discuss this Policy Outlook, please contact:

**John Newcomb**

Chief Executive  
E: [john.newcomb@bmf.org.uk](mailto:john.newcomb@bmf.org.uk)

**BMF Head Office**

1180 Elliott Court, Coventry Business Park  
Herald Avenue, Coventry CV5 6UB  
T: 02476 854980

**Brett Amphlett**

Policy and Public Affairs Manager  
E: [brett.amphlett@bmf.org.uk](mailto:brett.amphlett@bmf.org.uk)

**BMF London Office**

Third Floor, The Building Centre,  
26 Store Street, London WC1E 7BT  
T: 0203 581 1313

**Our vision is to be the authoritative voice of the industry..**

to represent as many merchants and as many suppliers within the industry and to have one collective voice.

**One Industry, One Voice.**

“one industry  
one voice”

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