

Policy Outlook 2019

The supply
chain and
government in
partnership



“building **excellence**
in materials supply”



Introduction

The Builders Merchants Federation...

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

The BMF exists to foster business-friendly conditions for its members. Training and development is central to the business support we provide for our members. As our name suggests, this largely means merchants, but we do represent major manufacturers and specialist suppliers. We work to have the voice of our members heard by parliaments, governments, journalists and other opinion-formers.

...and what we represent

BMF members perform a vital function in distributing materials & products from quarries, kilns, sawmills, factories and ports 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 & allied trades, contractors or installers. The work they do is labour-intensive, carried out by trained & competent people, often by word-of-mouth referral, using local merchants, and done sympathetically to various property types. Projects are hand-made, 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 & 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) repaired, maintained or improved without the primary materials and valued-add products that our members make, stock and deliver.

Some achievements in the last 12 months:

- post-Brexit trading: we voiced concern with HM Treasury on VAT and paying 20% more upfront on imports under a 'no deal' Brexit - and impact on SME cashflow & costs - and successfully persuaded ministers to allow postponed accounting to let our members account for import VAT on their quarterly return
- 2018 Autumn Budget: we were successful in making representations to the Chancellor of the Exchequer to keep Help To Buy but to reform it with regional thresholds, in tune with property prices, to help genuine first-time buyers
- air quality: as cities prepare to introduce Clean Air Zones next year, we argued that our members have no choice but to use diesel HGVs to deliver heavy materials - and successfully persuaded local councils to modify proposed fees and other criteria.

DID YOU KNOW?

The BMF has 680 members who together have combined annual sales of £29.7 billion and employ over 115,000 people. Our 359 merchant members trade from more than 5,640 branches throughout the UK and Ireland that equates to 85% of the merchant market.

Source: BMF, January 2019



The Next Two Years

Politicians have taken an inordinate amount of time on complex negotiations to leave the European Union. However, we urge the UK Government and Devolved Administrations in Edinburgh, Cardiff and Belfast not to forget domestic policy. We want the economy to grow in a steady, stable manner so that BMF members can deliver, grow and flourish.

Leaving the European Union

The 2016 Referendum has serious consequences for the BMF and the construction customers we serve. As a members' organisation, we have not taken a position on the merits of leaving or remaining. Our members hold conflicting views and what they feel the impact will be for their company and the building materials' supply chain as a whole.

Construction relies on migrant workers and the valuable contribution they make. The Immigration White Paper is clear there should be no dedicated route for unskilled labour from any source (except possibly farming). This is disastrous because:

- the definition and £30,000 threshold will apply to most low-skilled construction workers
- low-skilled workers like labourers are vital onsite to keep construction going
- it is hard enough as it is to hire bricklayers, drivers and other trades.

Since Article 50 was triggered, the BMF has lobbied to secure mutually-beneficial trade deals and customs' agreements – and against unwanted bureaucratic or financial burdens resulting from a 'no deal' exit. The move to replace CE Marking with a UK Conformity Assessment marking is one such extra burden.

Industrial and Regional Policy

The single most pressing problem is the need to boost output, employment and education levels in less-well performing UK regions, compared to London and the South East: the so-called 'productivity puzzle'.

A Spending Review is due this year – the last one in 2015 allocated public spending until March 2020. A Shared Prosperity Fund to replace EU funds was promised. Until it is established, the risk is delays and gaps between EU Structural Funds ending and the Shared Prosperity Fund opening. This has serious implications for regional productivity and employment.

Devolution for housing & planning, education & skills, and transport & infrastructure, has begun – especially to directly-elected Metro Mayors. They represent nearly 42% of all economic growth, covering 21 million people. As Mayors develop Local Industrial Strategies, the priority must be to help people gain skills to get better-paid work – because people in Birmingham (17%), Liverpool (14%) and Manchester (14%) have no qualifications.

To boost jobs and growth in the home nations, we ask for:

- mutually-beneficial trade deals and customs' agreements
- no weakening of regulations and standards on product liability, conformity marking, performance declaration, energy efficiency and responsible sourcing
- no border controls between Northern Ireland and Republic of Ireland
- return to a "Made in Britain" presumption in public purchasing
- improved availability of b2b finance and better payment practices

DID YOU KNOW?

Total volume of timber & panel products used in the United Kingdom is 37.5% from home-grown sources (6.5 million cubic metres) and 62.5% from overseas (10.87 million cubic metres) – with 86.47% of these imports coming from Europe.

Source: Timber Trade Federation, October 2018



Housing Demand and Supply

The BMF is pleased that housing remains high on the political agenda. Unrelenting determination at all levels of government is required to have millions more quality homes of all types and tenures completed. Self- and custom-build are part of the solution.

New Homes

The Government has set a target of 300,000 new homes a year by the mid-2020s. Official figures show 222,190 were built in 2017-2018, up from 217,350 in 2016-2017. This is welcome but more are needed to narrow the gap between demand and supply.

Involvement of small firms is critically important to get anywhere near 300,000. Ministers should use all available levers to 'Change the Ratio' between the small number of large builders and the large number of small builders to foster a diverse, functioning market.

Encouraging SMEs back into the market to do what they do best - build a few homes, in many locations, in keeping with local surroundings, that people want to buy - is the way to boost housing. Volume housebuilders will never build the number required because their business models are not designed to do so as the Letwin Review concluded.

Local authorities and housing associations have their part to play. Neither are constrained by the absorption rate of private homes into local markets. Removing the cap on what councils can borrow against Housing Revenue Account assets was very good news.

DID YOU KNOW?

In our most recent survey of BMF members:

- 74% voted for simplifying and speeding-up planning permission as their first priority
- 67% voted to keep the Help To Buy scheme as their second priority - not least because assurance on its future lets merchants invest in necessary materials & products.

Source: BMF, September 2018

Planning Permission

The BMF wants bold steps taken to simplify and speed up planning approvals to shorten the time it takes to start onsite, build more homes, and at a faster rate.

We welcome the revised National Planning Policy Framework that implements the Housing White Paper and subsequent policies. Guidance to developers so they know what is expected of them, before submitting applications, is also welcome.

In return, 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 is central to this - and both brownfield land and greenfields are needed.

Ministers are right to look at reforming developer contributions, pre-commencement conditions, permitted development rights, use classes, and planning fees. We support the concept of 'building up' in cities to reduce the pressure to 'build out' - not least, to protect the Green Belt and to avoid garden-grabbing.

To narrow the housing supply gap, we ask for:

- improved availability of finance for SME builders on decent terms
- local councils to adopt Local Plans and uphold Duty to Co-operate
- re-instatement of the Zero Carbon Homes Standard for new build
- Stamp Duty relief for older people to 'right-size' and release homes for sale
- make Sustainable Urban Drainage mandatory for new build in England.



Existing Buildings

BMF members serve two markets: new buildings and existing properties. For most merchants, sales relating to converting, extending, maintaining or repairing existing buildings are a greater market share. Many homes are poorly insulated, costly to heat and do not use water wisely. Regulation has a part to play but incentives are vital to persuade owner-occupiers and landlords to invest in existing homes and workplaces.

Insulating and Heating

The Clean Growth Strategy aims to reduce emissions while ensuring everyone has a comfortable, healthy and affordable home to live in. Action is needed to improve thermal performance and reduce energy demand. Building Regulations and product standards are part of the solution. But compelling offers to entice 'able to pay' residents are required.

Heating and hot water in buildings make up around 40% of energy use and 20% of greenhouse gas emissions. Many residents struggle with heating bills so a strong, long-term policy framework that combines better insulation and efficient boilers is essential.

The BMF fully supports a 'whole house' approach and wants targeted policies with short-term benefits that support long-term ambitions. 'High hanging fruit' must be part of this. Many obstacles are common to insulating and heating - e.g. the hassle factor, finding a reputable installer, and finance. Consumers tend to act when offered incentives - and businesses will invest if they are sure that incentives will stay in place for long periods.

There is still significant potential to install loft and other types of insulation - as well as modern boilers and heating controls - that are inexpensive and straightforward to complete.

Household energy-efficiency should be a national infrastructure priority, paid for from general taxation. Devolved Administrations have better energy-efficiency policies that put them ahead of England.

Water

Water is our most precious commodity. Everybody should take seriously the need to use water wisely. Demand is increasing and the National Infrastructure Commission forecasts at least 3,300 million litres per day more water will be required by 2050.

The Building Regulations set standards for water use: a minimum of 125 litres per person per day with an optional higher standard of 110 litres. Local authorities can adopt the higher standard in new buildings - about a quarter have done so, notably in Southern England.

By 2050, summer temperatures are likely to increase, as summer rainfall decreases, leading to more droughts. Weather factors - coupled with forecasts of UK population rising by over 10 million - means the tighter standard of 110 litres ought to apply to all new dwellings.

To conserve energy and water, we ask for:

- compelling, long-term vision and commitment on energy-efficiency
- retention of lower VAT rate on supply & installation of energy-saving materials
- boiler scrappage scheme(s) for heating and air quality reasons
- definition of what is meant by 'high carbon' and 'low carbon'
- wider adoption of industry-led Unified Water Label.

DID YOU KNOW?

About 30% of water used in UK homes is through flushing the toilet. Modern dual-flush systems typically use 4-6 litres of water compared to older, single-flush models which use 13 litres per flush.

Source: Waterwise, February 2019

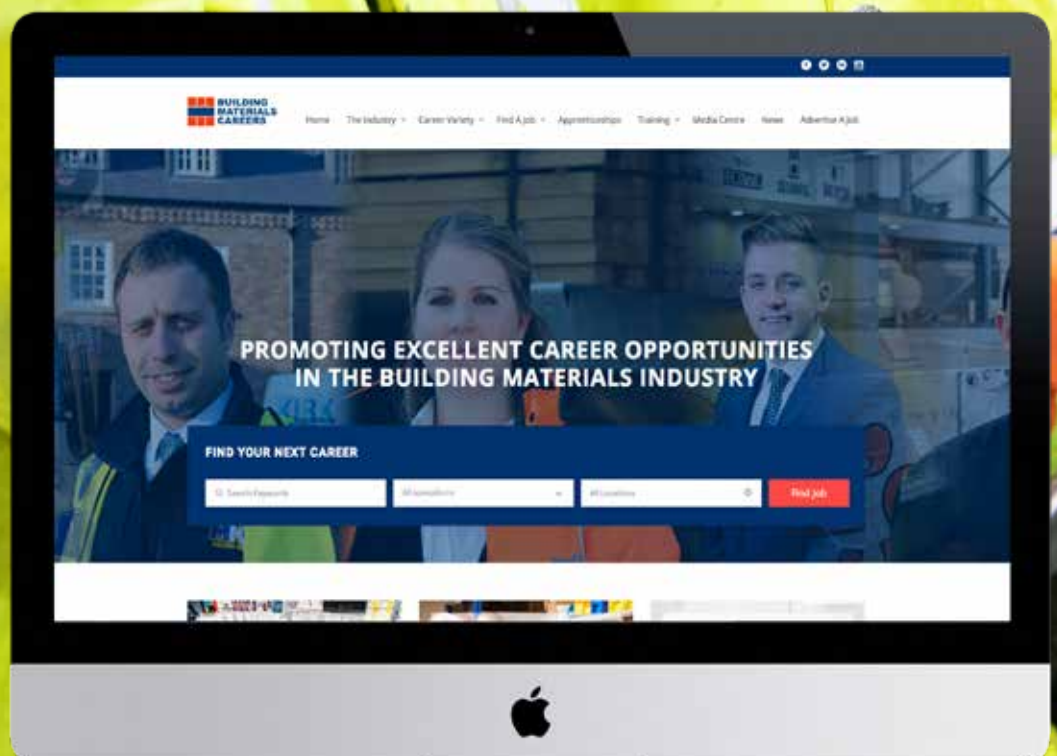
10

BMF POLICY
OUTLOOK 2019



BUILD YOUR FUTURE

WORK FOR A BUILDERS MERCHANT OR SUPPLIER



Creating Opportunities

Merchants have existed for hundreds of years and 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

BMF members report encouraging regional sales' trends that show grounds for optimism. But there are many in construction and the housebuilding & home improvement markets who fear economic prospects are at risk due to worsening skills and labour shortages.

Construction relies on migrant workers and the valuable contribution they make. If the Home Office's new immigration policy is implemented as proposed, it will seriously affect this industry.

The BMF has begun its own recruitment initiative to raise awareness of the range and diversity of roles with our members. They offer jobs for those with few qualifications and careers 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 our dedicated careers website:

www.buildingmaterialscareers.com. 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.

On gender diversity, the BMF has set a target to double the number of women entering the merchanting industry by 2020.

Vocational Training

Our members are committed to vocational training and the BMF is the major provider for our members. Our training programme received the 2015 NCFE Skills Development Award from the Trade Association Forum. We offer a career ladder from an apprenticeship up to a Diploma, Foundation Degree and Post-Graduate Diploma leading to a Masters' Degree.

We believe in the parity of esteem between academic education and vocational training. Parents must be encouraged to recognise that university is not always the right choice. Without good advice, the risk is young people go for a career that proves to be the wrong choice. Students leave university with no guarantee of a job and a hefty student loan. They could instead join the building materials' supply chain that offers rewarding opportunities for people of all ages and abilities.

The BMF has been involved in the Apprenticeships' Levy from the start. As a direct consequence, we established our own Apprenticeship Training Agency in June 2017 to make it easier for BMF members to take on and support new apprentices. More than 110 young men and women have begun a BMF Apprenticeship.

DID YOU KNOW?

A survey of 4,000 parents and children aged 11-16 found that 36% of parents and 68% of children did not know what an apprenticeship was. When asked who or what influences career choices, Mum & Dad was the top answer (66%), teachers (41%), lessons (31%) and friends (14%).

Source: ABM Facilities Management, July 2018

To support a modern supply chain, we ask for:

- politicians and officials to understand the role, value & importance of merchants
- schools and colleges to equip young people with skills to enter the workforce
- job centres and recruitment agencies to promote building materials as a career choice
- schools to engage with us to include BMF members in careers' advice provision
- clarity from ministers on how unspent Apprenticeships Levy payments will be used.



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

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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.

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www.bmf.org.uk