press **release**

construction products association

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Association Chairman: Confidence to Invest is Critical

The Chancellor's upcoming Autumn Statement is an opportunity for government to address key challenges facing the construction products industry and strengthen the fragile signs of recovery, said Chairman Geoff Cooper before an audience of nearly 600 senior industry leaders and government officials at the Construction Products Association's Autumn Lunch.

"Following a difficult start to 2013 we have begun to see growth; however, the recovery is in its early days and will quickly be put in jeopardy unless the government lends further support.

"We need policymakers to provide greater confidence and certainty to business, particularly now in three main areas: housing, infrastructure and energy supply. These key drivers of construction and product manufacturing will help the market to grow and promote a sustainable and robust recovery, also ensuring that the materials needed to deliver all of these projects add value to the UK."

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Energy

"The construction products sector in the UK is supportive of the government's intent to deliver a low carbon, low cost built environment whilst securing the future of a vibrant, modern and innovative manufacturing sector. However, like the ordinary householder, business is being considerably impacted by the rise in energy prices and the increasing insecurity of energy supply.

“According to a study conducted for the Department of Business, Innovation and Skills, by 2020 the UK’s electricity price is expected to have risen by more than three times that of Germany’s. A primary reason for this is the additional taxes on energy.

“Much of our manufacturing is energy-intensive: energy bills and taxes can be up to 30-35% of total production costs. The need to maintain diversity and security of energy supply, and to meet emissions reductions targets must be balanced against the ability of the industry to pay. Many firms have already invested in the latest technology to improve energy efficiency to the maximum level possible so further savings here are unlikely.

“The Chancellor has said, ‘We are not going to save the planet by putting our country’s manufacturing sector out of business’, and so end up importing these same products. His actions, however, speak louder than words as the minimal extra Climate Change Agreement rebate on electricity from April 2013 has been more than eclipsed by the increases in Renewable Obligation costs and Feed in Tariffs this year, neither of which are compensated for energy intensive users.

“In this year’s Autumn Statement, therefore, we are joining the ranks of many senior industrialists by calling on the Chancellor to abolish the Carbon Price Floor, or at the very least to a freeze to the rates of the tax.

“It is essential that the UK has a secure, low carbon energy supply at a price that does not jeopardise investment in UK manufacturing and sustained economic recovery. We need a level playing field to ensure we can compete against international competitors to keep manufacturing in the UK. This needs a concise and coherent regulatory environment and policy framework to allow confidence to invest.”

Housing

“First, we commend the government on the success of Funding for Lending and Help to Buy. These policy measures have clearly helped restart the housing market across the country and we hope this will continue as Help to Buy 2 begins to have an impact next year.

“Still, these schemes are potentially ending soon. Funding for Lending finishes in 2015 and Help to Buy technically finishes in 2016, but the finance may finish in 2015 if the rate of take-up continues at its present rate. It is therefore essential that we understand how the existing growth in the housing sector will be sustained as these schemes come to an end. Otherwise, uncertainty in the market will likely be felt before the elections in 18 months time.

"Of equal importance is the need for government to help improve the performance and energy efficiency of the existing housing stock, which accounts for nearly one-third of the UK's total carbon emissions. I cannot stress enough the importance of efforts to stimulate the £20 billion per year market for repair, maintenance and improvements, both from a sustainability and an economic perspective.

"Much has been made of the initial shortcomings of policies meant to support this sector, such as the Green Deal. We share some of those concerns, and in the absence of refinements and improvements to such programmes, we have invested considerable time and effort over the past year to create a better model.

"We want to give the general public confidence that installing these measures will not only make their homes more comfortable in the winter and summer; it will also reduce their energy bills and do a bit for the planet. Furthermore, when it comes time to sell, their homes will be more desirable as a consequence.

"We are calling upon the government to link the energy performance of the property to the stamp duty which the buyer pays, and offer a stamp duty refund where the new home owner improves the performance within the first 18 months of ownership. We believe this will be highly effective in driving change right at the time homeowners are most likely to make such improvements. Also, crucially, our model shows that such an incentive would not leave the Treasury out of pocket."

Infrastructure

"The current slow recovery in the infrastructure sector is driven by roads and rail construction. Even with the 'strike price' for the Hinkley Point C nuclear project now agreed, it will be the end of the decade before we see it operational and we need to see further certainty in terms of investment in energy infrastructure now.

"We were disappointed with the World Economic Forum's recent downgrade of the UK's infrastructure global ranking from 24th to 28th. We will continue to remind government that world class infrastructure is vital not only for the construction industry but also the wider economy. Government announcements must feed through into real activity on the ground.

"We hope the government will update the project pipeline and include information identifying what is holding up each of the 40 priority projects so these barriers can be addressed. We also want to see government developing a procurement pipeline to ensure major projects aren't delayed due to slow procurement. In doing this we would hope they also move to standardisation of prequalification requirements across all government departments – ideally based around the PAS 91 pre-qualification standard."

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Mr. Cooper concluded: "For construction product manufacturers there are enormous opportunities to innovate and champion UK production, especially as the market moves towards digitisation, low carbon and resource efficient construction.

"In addition, we have already seen how the work of the Association in developing and now delivering elements of the Industrial Strategy for Construction can help act as a tremendous catalyst to breaking down the construction industry's 'silo mentality' and coming together as one real partner for government.

"Ultimately, however, all of these opportunities are at risk unless government prioritises action on these important issues and provides the crucial clarity and certainty which business requires in order to confidently invest in the future."

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NOTE TO EDITORS:

The Construction Products Association represents the UK's manufacturers and suppliers of construction products, components and fittings. The Association acts as the voice of the construction products sector, representing the industry-wide view of its members. The sector has an annual turnover of more than £40 billion and accounts for more than 1/3 of total construction output.

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