

The Rt Hon Philip Hammond MP
Chancellor of the Exchequer
HM Treasury, 1 Horse Guards Road
London, SW1A 2HQ

6th November 2017

Dear Chancellor,

Timber Industry Budget Submission Autumn 2017

The timber industry forms a £9 billion supply chain in the UK, supporting some 150,000 skilled jobs across the country. In recent years we have seen steady and regular growth in UK timber production, timber imports and increased investment in downstream joinery and manufacturing businesses, supporting construction and RM&I work throughout the UK.

However, the recent depreciation of Sterling following the Brexit vote, along with the associated slowdown in the economy and erosion of consumer confidence is forecast to negatively affect this growth during the coming year.

Already, our forecasts for softwood imports in 2018 show growth of just 0.5% in volume against 2017. This is sharp drop from the 3.7% increase in growth from 2016 to 2017. Our forecasts have been shown to be accurate to within 1% margin over the past five years.

This is not simply a matter of lower imports which can then be taken up by UK production. The difference in grade, volume and quality of imported and home-grown timber means that our downstream joinery and manufacturing sectors – covering trussed rafters, staircases, windows, floors and other essential items - are largely dependent on imported produce.

These downstream sectors have seen increased investment over the past few years, putting on extra shifts, employing more skilled workers. Indeed, the offsite timber-frame construction sector has seen record growth, particularly in innovative housing solutions. Current output stands at just over 50,000 units per year. This could easily double to more than 100,000 units per year if the right long-term conditions are in place, and businesses are keen to invest and expand further.

The loss of confidence in the wider economy is putting that investment on hold.

However, there are a number of measures we believe would help unlock this growth:

- Government should provide a clear focus on ensuring suitable investment in ports and logistics infrastructure to clear customs bottlenecks and alleviate concerns that the bureaucracy will grind industry to a halt and restrict the import of crucial materials. The potential slowdown in deliveries adds cost and time to an otherwise lean supply chain.
- Government must ensure support is there for local authorities to make much needed investments and improvements in their housing stock. Activity in public housing RM&I sector fell 21.7% between July 2010 and July 2017 and is expected to fall again next year.

- Skills are vital to productivity. Government must maintain a careful eye on its Apprenticeship funding reforms and support for Further Education. Inadequate careers advice for school pupils and a failure to invest in vocational subjects at schools mean our woodworking and wider construction industries are experiencing a shortfall in new home-grown personnel. Campaigns such as 'Wow I Made That', designed by industry and being rolled out in schools, highlight what a vibrant and creative sector this is to work in, but Government should offer businesses tax breaks that incentivise the recruitment of young people.
- The timber industry is poised to unlock housing and deliver a sustainable and world-class construction sector. We regularly host teams of visiting architects touring the timber architecture we have designed and built in the UK. To continue this, the Government should recognise the innovation that has been driven through the low-carbon agenda, and ensure that all building projects consider their whole-life carbon impacts. Fundamentally, the Government needs to put direct investment into a sustained long-term house building program that gives companies the confidence they need to invest in capacity.

I hope that you find these points useful. I recognise this is a trying time for the Government itself and the economy as a whole. The timber industry would like to support you in providing solutions to these problems wherever possible.

Yours Sincerely,

Roy Wakeman OBE

CTI Chairman