

BRITISH
ceramic
CONFEDERATION

Federation House, Station Road, Stoke-on-Trent. ST4 2SA
Tel: (01782) 744631 Fax: (01782) 744102
E-mail: bcc@ceramfed.co.uk
www.ceramfed.co.uk

lc/sm
27 September 2018

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

Dear Chancellor,

CERAMICS SECTOR REPRESENTATION FOR THE AUTUMN 2018 BUDGET

The British Ceramic Confederation (BCC) is the trade association for the UK ceramic manufacturing industry, representing the common and collective interests of all sectors of the industry. Its 90 plus member companies cover the full spectrum of ceramic products and comprise over 90% of the industry's manufacturing capacity. The UK sector directly employs about 20,000 people, with at least as many in indirect jobs. Annual sales, including suppliers are around £2 billion with over £600 million in exports. Member companies range from SMEs (75% of BCC's membership) through to large multinationals, making a diverse range of products - including both foundation industries and advanced manufacturing / materials - that will contribute to the success of Brexit and improve the UK's balance of payments. With a concentration of the sector in Stoke-on-Trent / Staffordshire, we have been working with a range of Staffordshire partners to propose a 'Deal for Ceramics' ([summarised here](#)) as part of the Government's Industrial Strategy.

We are concerned that UK economic growth has slowed significantly in the last two years. This is compounded by uncertainties around Brexit which has also deterred major capital expenditure to improve capacity, productivity and energy efficiency. Now is the time to ensure that all available incentives are in place to tip business investment decisions towards the UK. With this in mind we propose:

- **Temporarily raising Annual Investment Allowances (AIAs).** To help mitigate policy uncertainties around leaving the EU, temporarily raising the AIA to £1 million until 2021 would help boost capital investment (CBI previous cost estimate £1 billion per year).
- **Establishment of an energy efficiency fund.** If energy-intensive industries such as ceramics are to decarbonise (as envisaged by the 2050 energy efficiency / decarbonisation industry roadmaps and action plan) such a support mechanism - analogous to those in already established in the power sector - will be required. We (and BEIS officials) have supported the creation of such a fund, of £100 million over the parliament to help unlock the substantial investment required in additional proven energy efficiency and decarbonisation measures.
- **Enhanced Capital Allowances (ECA) scheme expansion** - We have developed and talked your officials through costed plans for extension of the Energy Technology List (linked to ECAs) to cover more technologies relevant to heat-using industries (covering; 'ovens', 'heaters', 'control', 'insulation' and 'heat recovery'). The annual cost to government (over a five year term, but excluding interest costs) would be approximately £3 million for the ceramics sector.
- **Abolition or phase out of UK-only Carbon Price Support tax.** Against the background of rapidly rising EU ETS prices, the combined effective UK carbon price (EU ETS + CPS) is already well above Government's 2020 Carbon Price Floor (CPF) target. We cannot compete internationally with this unilateral UK tax undermining the competitiveness of UK industrial electricity users. This has contributed to some of our most electro-intensive members making further redundancies this year as our sector remains completely uncompensated, even electric arc furnaces operating at 2750°C.
- **Climate Change Levy (CCL):** We welcomed freezing of LPG rates from April 2019 to March 2022 (in Budget 2017) and urge for rates on other commodities to be frozen. In addition there should be no 'rebalancing' of the CCL rates towards higher rates on gas. When first established, the CCL main rates were based on the primary energy content of each fuel, such that CCL rates between electricity and gas were balanced. Changing the basis of comparison - from primary to delivered energy - must not be used as this would further reduce the international competitiveness of our sector in the UK.

- **VAT arrangements and deferral.** In a hard Brexit scenario, extra administrative support for businesses must be provided by HMRC for changes in VAT arrangements with the EU.
- Increasing the main and special rate pools for **writing down allowances** (WDAs) would help justify larger capital investments.
- **Introduce to the UK business growth accelerator relief:** introduced in Scotland as part of the Barclay review, this provides a 12 month business rates holiday for new buildings or businesses that are expanding or making improvements to their property.
- **Pick up the pace of Apprenticeship Levy reform** by unlocking some of the key blockers.
- **Employment of more customs officers** – there is an immediate and tactical need to invest in Customs operations. This is exacerbated around Brexit time, both with an uncertain negotiation outcome and CDS implementation to replace CHIEF.
- For Government to meet its house building targets, **more long term investment in social housing is needed.** Policies must take into account factors of quality and service life. Moreover, this could boost investment into UK construction product manufacturing as assets such as brick factories require long term demand. The economic benefits of retaining / growing UK construction product manufacturing (to meet a burgeoning housing need and maintaining alignment with the '*UK Construction 2025 Industrial Strategy*'¹ for a 50% reduction in the trade gap by 2025) are significant. We are happy to share case studies provided in our '*Evidence Pack to BEIS (A Deal for Ceramics: Appendices – Case Studies and Evidence*', October 2017) that help demonstrate the potential contribution that the UK ceramics sector can make to construction aims. It is important that Government does not distort the market by subsidising imported construction materials or untried technologies. UK-manufactured materials must not be disadvantaged.
- Establishment of a **specialist International Trade Advisor** for the sector. We are happy to share case studies justifying a two year project cost of £160,000 provided in our '*Evidence Pack to BEIS (A Deal for Ceramics: Appendices – Case Studies and Evidence*', October 2017) that help demonstrate the potential extra sales that the UK ceramics sector can make. This was recognised as critical in the event of a hard Brexit through our recent member Brexit workshops with BEIS and DIT as almost 60% of our sector's exports are to the EU.
- Along with other sectors we ask for increased funding for **trade missions** that are open to our sector.

In the meantime, we trust the concerns we have raised will be given serious consideration, and that relevant announcements will be included in this Autumn Budget. Please do contact me if you require more detail at this stage. We would be delighted if you would like to visit a ceramic manufacturing site so we can explain these issues at first hand.

Yours sincerely

Dr Laura Cohen MBE

Chief Executive

Tel: 01782 572845

Email: laurac@ceramfed.co.uk

Copy (by e-mail) to:

Rt Hon Mel Stride MP, Financial Secretary to the Treasury.

Robert Jenrick MP, Exchequer Secretary to the Treasury

Rt Hon Greg Clark MP, Secretary of State for Business, Energy and Industrial Strategy

Rt Hon Claire Perry MP, Minister of State, Business, Energy and Industrial Strategy

Richard Harrington MP, Parliamentary Under Secretary of State, Business, Energy and Industrial Strategy

Rt Hon James Brokenshire Secretary of State for Housing, Communities and Local Government

Rt Hon Liam Fox MP, Secretary of State for International Trade

HM Treasury – Jon Travis, Polly Sculpher, Julie Sorensen

BEIS - Niall Mackenzie, Dan Osgood, Rory Wallace, Charlie Lewis, Jo Symons / Eleanor Brooks, Emily Briggs, Alan Dick, Fergus Harradence, Andrea Whitworth,

DIT - Amanda Brooks, Gaynor Jeffery, Kirsty Wildgoose

MPs / MEPs with ceramic manufacturing interests

Shadow team and select committee contacts

BCC Board; Brick Development Association

Trade union contacts – TUC, GMB, Unite

¹ Balance of Trade - Construction 2025: Industrial Strategy: government and industry in partnership (July 2013)
https://www.gov.uk/Government/uploads/system/uploads/attachment_data/file/210099/bis-13-955-construction-2025-industrial-strategy.pdf (page 5)