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29th April 2020

Rt Hon Boris Johnson MP
Prime Minister
10 Downing Street
London
SW1A 2AA

OPEN LETTER - CORONAVIRUS - UK CERAMIC MANUFACTURING SURVIVAL

Dear Prime Minister,

We wish you well during your ongoing recovery and congratulations to you and Carrie on the birth of your son.

As the trade association representing UK ceramic manufacturers, our members need fast and simple solutions to enable them to keep cash in their businesses and their employees in jobs long-term.

We welcome the swift action the government has taken to support businesses. However, further steps are needed, which our letter details, but in summary:

1. It is essential loan support is delivered to businesses promptly, otherwise many in our sector will not survive to the end of next month.
2. Further measures such as deferring employers' National Insurance contributions, Corporation Tax and Business Rates for 3 months and council grant support to manufacturers supplying hospitality.
3. As ceramics is an energy intensive sector, provide support across several energy and carbon costs.
4. Prevent hostile takeovers as members' share prices have plummeted in sound businesses.
5. A major reset of the government's approach to support UK manufacturing and timely and effective future use of all the tools in the UK's trade remedies armoury.

Our sector appreciates the government has reacted swiftly to provide the Coronavirus Job Retention Scheme and loan schemes (Future Fund, CBILS, CLBILS, 'bounce back' loans and CCFF). However, at the start of this week, we are aware of only one member whose loan has been approved. Some of our members have tried several lenders and been rejected. Some were deemed to be not profitable last year despite both robust turnaround plans and subsequent increases in orders following the greater certainty brought by the General Election. Others were rejected due to stronger balance sheets and thus were pushed towards commercial loans at higher interest rates. It is essential the support is delivered to businesses promptly, otherwise many in our sector will not survive to the end of next month.

The deferment of VAT is welcome, it is a simple and effective measure. We urge you to take further measures such as deferring employers' National Insurance contributions, Corporation Tax and Business Rates over the next 3 months. This would increase the resilience of companies. There is a particular need for support to our catering ware ceramic manufacturers, who sell to the hospitality sector and therefore have lost almost all their customers during the lockdown, to have the same access to council grants as their pub, hotel and restaurant customers.

Our members welcomed the letter from Alok Sharma saying manufacturing could stay open where safe to do so and if following PHE guidelines. However, many members decided to shut down soon after 23 March as a result of unclear communications and it has caused much economic damage. While subsequent advice has clarified matters, it is vital future government communications are clearer and do not cause confusion.

We do not believe manufacturing businesses should be split into 'essential' and 'non-essential'. Instead we believe it is important for all manufacturing business to carry on. However, if Government splits businesses into 'essential' and 'non-essential', we believe essential industries must be documented. Many of our members are making essential supplies for the medical and food supply chains, power supply and construction materials. We need government to ensure refractories, technical ceramics, key material suppliers and construction materials for hospitals and essential home repairs are included.

Some of our members are experiencing problems with prompt payment by customers and would like Government help. We understand France has linked temporary short time working compensation or furloughing payments to prompt payments of bills, which helps make sure that money continues to flow through the supply chain. This could be something the UK government considers. The government could also remind house builders of the importance of the help Government provided in the 'Help to Buy' scheme to help them recover from the last recession and that pressure should be put on them to pay construction material suppliers promptly. We appreciate that UKEF credit insurance has been extended to a wider range of markets to help exporters.

As an energy intensive sector there are a number of energy related issues that need action due to large costs to our members:

- Energy purchasing, penalty clauses and fixed charges: with a steep decline in energy consumption, members have made enormous losses from selling forward-purchased energy back to the market (can be £millions per company). While a contractual requirement, it is a large and unexpected cost. We urge Government to provide support to alleviate the cost impact. This is a significant issue for many energy-intensive companies. In addition, support or reductions to fixed costs which continue irrespective of whether energy is consumed or not (e.g. standing charges) are needed very quickly: in the last recession code changes took many months during which some of our member sites closed permanently.
- Electricity non-commodity costs (Renewables Obligation, Contracts for Difference and Feed in Tariffs): economy-wide reductions in electricity demand will lead to increases in these costs. As nearly all our members are not exempted it could lead to large costs.
- Credit insurance: credit insurers are tightening requirements and removing cover even where there is a strong business with a good order book. We need the government to assist and prevent the widespread withdrawal of trade credit insurance.
- EU ETS (60 member sites): With most sites likely to see a sharp decrease in production we think all metrics from 2020 that impact future free allocation / target levels should be omitted from such calculations, regardless of the decision on a post-Brexit scheme.

Once the recovery starts the pent-up demand could be immense and unless we have protected the capacity and capability of the sector it will inhibit our return to healthy economic growth. Until then the government must also take action to re-ignite and support demand.

A major reset of the government's approach to support UK manufacturing is needed, to ensure a strong sector that supports the UK economy. Other countries are expressing strong pro-manufacturing positions and already looking beyond the crisis. For ceramics it includes making the UK's electricity prices internationally competitive, supporting the sector with grants on a pathway to net zero and giving support to retain company R&D capabilities.

It is essential the UK uses all the tools in its trade remedies armoury (safeguards, anti-dumping and anti-subsidy measures) if there is an import surge. This is particularly important if other countries don't play by the rules. We are aware imports have been increasing and could destroy much of our domestic market. There is a need for swifter, easier and more cost-effective mechanisms for UK trade remedies cases. For

our sector, one essential measure is retaining the current EU Common External Tariff as the future UK Global Tariff and not reducing this at all. Our members were adamant that import tariff reduction will damage our domestic manufacturing and we advocated accordingly in the recent consultation response. This risk to our UK ceramics sector has been raised significantly by the global pandemic making us even more vulnerable to import penetration and destruction of our members' sales in the UK.

We urge the government to prevent hostile takeovers as our listed members' share prices have plummeted in previously sound businesses. The EU have said they will bring forward legislation planned for October to protect strategic European companies weakened by the virus-triggered downturn from "predatory" takeovers, particularly by China.¹ There is specific action in Germany, Spain and Australia.

Finally, to stimulate the economy as well as meet a longstanding societal need, housebuilding also needs to be encouraged by help to buy linked to New Build as well as other options for private housing, coupled with a large expansion of social housing.

I would also like to put on record the outstanding support from BEIS officials both to our sector and also the 1:1 conversations with member companies.

Yours sincerely

Dr Laura Cohen MBE

Chief Executive

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CC:

Rt Hon Rishi Sunak MP	:	Chancellor of the Exchequer
Rt Hon Alok Sharma MP	:	Secretary of State for Business, Energy and Industrial Strategy
Rt Hon Robert Jenrick MP	:	Secretary of State for Housing, Communities and Local Government
Rt Hon Elizabeth Truss MP	:	Secretary of State for International Trade & President of the Board of Trade
Rt Hon Michael Gove MP	:	Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office
Rt Hon Dominic Raab MP	:	Foreign Secretary and First Secretary of State
Rt Hon Sir Keir Starmer MP	:	Leader of HM Opposition,
Anneliese Dodds MP	:	Shadow Chancellor of the Exchequer
Rt Hon Ed Miliband MP	:	Shadow Business, Energy and Industrial Strategy Secretary
Rt Hon Emily Thornberry MP	:	Shadow International Trade Secretary
Steve Reed MP	:	Shadow Communities and Local Government Secretary
Thangam Debbonaire MP	:	Shadow Housing Secretary
Rachel Reeves MP	:	Shadow Chancellor of the Duchy of Lancaster
BCC Management Committee		
MPs with ceramics manufacturing interests		
Trade Union contacts		Tim Page, Rosa Crawford (TUC); Jude Brimble (GMB), Tony Burke (Unite)
BEIS		Niall McKenzie, Andrea Whitworth, Alan Dick, Fergus Harradence, Rory Wallace
HMT		Paul Bedford
DIT		Gaynor Jeffrey
Cabinet Office		Emma Booth
MHCLG		Lonek Wojtulewicz

¹ EURACTIV, EU aims to bar 'predatory' takeovers of weakened firms:

<https://www.euractiv.com/section/economy-jobs/news/eu-aims-to-bar-predatory-takeovers-of-weakened-firms/>