

British Furniture Confederation Manifesto 2017

The Government and The UK Furniture Industry working together
November 2016



Bfc

THE BRITISH FURNITURE CONFEDERATION

The single voice of the furniture & bed industry



Dark grey upper wall cabinets with glass-fronted sections displaying glassware.

A large framed black and white photograph of a building.

A vertical stack of four small framed black and white photographs.

A window with white vertical blinds.

A white ceramic vase containing several red and yellow bird of paradise flowers.

A white ceramic jar with an orange lid.

A white ceramic jar with a black lid.

Decorative items on the island including a white mug, sunglasses, and a stack of magazines.

A white kitchen sink with a modern chrome faucet.

A black coffee machine on the countertop.

Two white ceramic jars on the countertop.



Jonathan Hindle
Chairman, British Furniture Confederation

After a tumultuous year in British politics, I am delighted to introduce you to the British Furniture Confederation's 2017 Manifesto. This document has been written with input from both our Associations' members and interested parliamentarians, with the single purpose of assisting the BFC with its mission statement:

To sustain a strong and influential dialogue with Government, ensuring that its policies support a thriving UK furniture industry.

The past year has seen monumental change both within stakeholders of importance to our sector and in their priorities within Government. Theresa May MP has committed to leading the United Kingdom out of the European Union, with Article 50 being triggered no later than March 2017.

Shortly after her appointment, the Prime Minister created the new Department for Business, Energy and Industrial Strategy (DBEIS), with Greg Clark MP as its Secretary of State. The Department for International Trade was also created, with Dr Liam Fox MP as its Secretary of State. The context within which the BFC campaigns on behalf of its members has changed radically since the start of the year.

In the wake of this change, I am pleased to report that the furniture industry has not stalled. Brexit has galvanised our industry to take a fresh look at new export markets, most notably the USA, Africa and India. We will be looking to the Government to provide the support needed to instil confidence in our exporters, whether they are looking to enter their first market, or are seasoned exporters.

The new Prime Minister's focus on industrial strategy should be

welcomed. DBEIS Secretary of State, Greg Clark, made the following three comments during his first speech on what the new focus would mean for industry:

'... An explicit commitment to a sustainable industrial strategy is to aim for stability and predictability...

'... A modern industrial strategy is as much about potential as it is about existing strength...

'Many of the policies and decisions that form our industrial strategy will not be about particular industries or sectors, but will be cross-cutting.'¹

These statements are reflected in many of the calls for action in this document.

What follows is an examination of the key issues that affect the furniture industry, and what clear actions the Government can take to ensure our industry thrives in the year ahead.

Jonathan Hindle
Chairman, British Furniture Confederation



¹ 'The Importance of Industrial Strategy', Gov.uk. 27 Sept 2016

About The British Furniture Confederation (BFC)

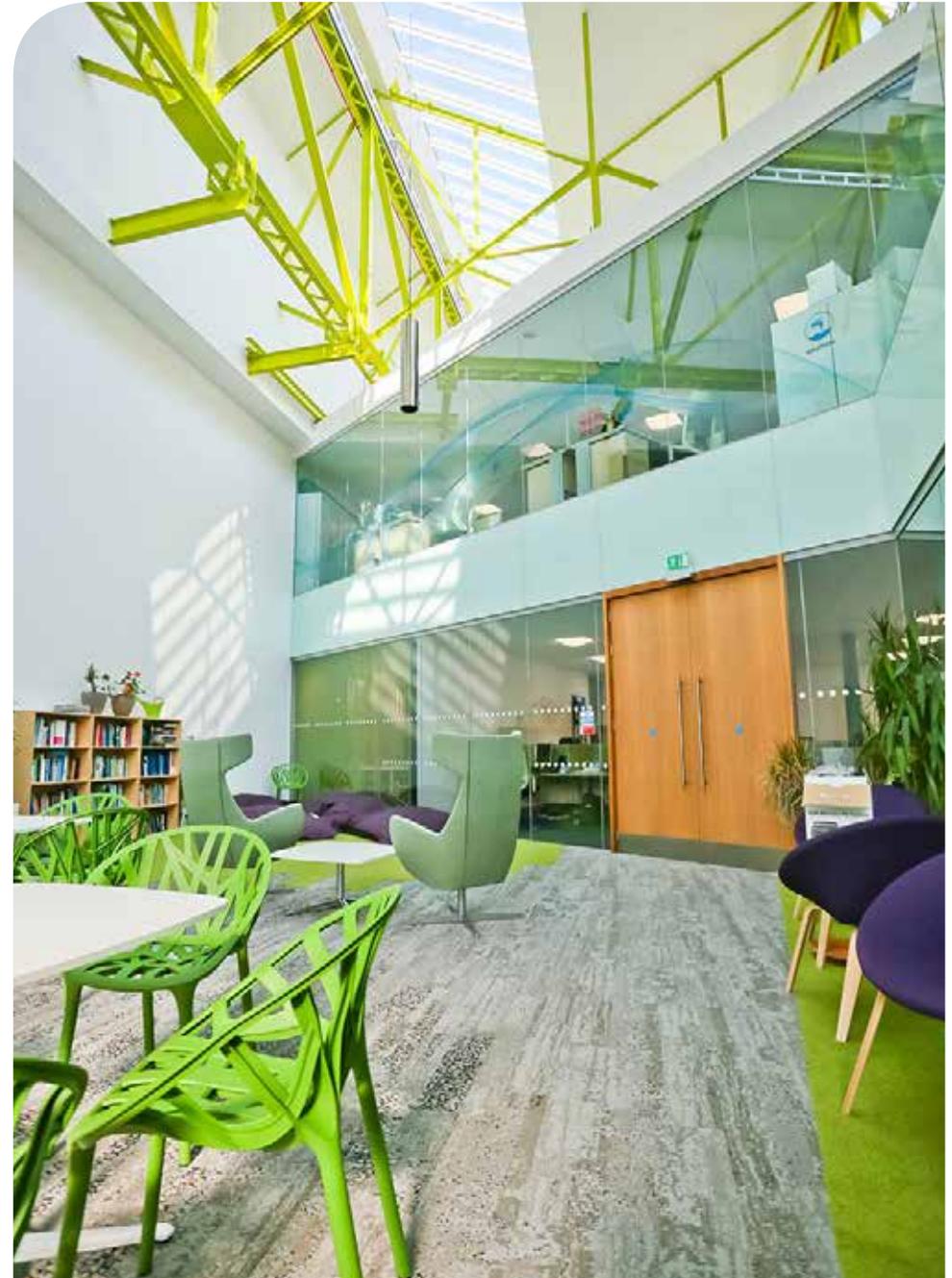
The British Furniture Confederation (BFC) maintains regular dialogue with Government and other influential stakeholders to ensure that all policies and initiatives support a thriving furniture, furnishings and bed sector. Many of its activities are channelled through the All Party Parliamentary Furniture Industry Group (APFFIG), chaired by Stephen McPartland MP.

The sector is larger than many envisage, operating within a diverse marketplace including houses, offices, hotels, schools, cruise liners, hospitals, restaurants, residential accommodation, stadia, airports and other public spaces.

8,000 manufacturers produce £10 billion of product and employ 106,000 people across the UK. In addition to this, 147,000 individuals are estimated to work in associated wholesale and retail activities.

The British Furniture Confederation is an executive body made up of representatives from the UK's leading furniture, furnishings and bed trade associations. It meets to discuss developments within the sector and to develop strategies to further its four aims:

- 1. To help secure the long term future and prosperity of the British furniture and furnishings industry.**
- 2. To raise the profile of the industry at a political level to ensure that the industry gains the recognition and attention that its size deserves.**
- 3. To formulate strategies for dealing with key industry issues.**
- 4. To support and inform politicians of all parties through the All Party Parliamentary Furniture Industry Group.**



The British Furniture Confederation Executive



Jeremy Stein
BCFA

Phil Gibb
LOFA

Phil Reynolds
FIRA

Pete Beele
BFC Secretary

Stephen McPartland
MP, chairman of the All Party
Parliamentary Furniture
Industry Group

Jessica Alexander
NBF

Jonathan Hindle
BFC chairman

Jackie Bazeley
BFM

Jonny Westbrooke
Furniture Makers Company

The following
associations
make up the BFC:



British Contract
Furnishing Association
(BCFA)



British Furniture
Manufacturers
(BFM)



Furniture Industry
Research Association
(FIRA)



Leisure and Outdoor
Furniture Association
(LOFA)



National Bed Federation
(NBF)



Worshipful Company of
Furniture Makers
(WCFM)

About the Industry - Statistics



Total provisional turnover for all furniture manufacturing in 2014 was £7.4 billion, which is 6.1 per cent higher than the previous year and 14.6 per cent higher than in 2011. This represents a significant recovery, with the largest increases occurring in 2013 and 2014.



Furniture manufacturing employs 106,000 people within 7,969 companies.



Consumer expenditure on furniture and furnishings was almost £14 billion in 2014. This represents an 8 per cent increase from 2011, fuelled by significant growth in 2014 (7 per cent greater than 2013).



UK furniture, bed and furnishings manufacturing contributes £10.1 billion to the UK's GDP, which equates to 1.9 per cent of manufacturing output.



The industry employs an additional 136,000 people in specialist furniture and furnishings retail and wholesale, 3,000 in repair, 10,000 in leasing and a proportion of the 53,000 registered specialist designers.



The provisional £930m figure for UK furniture exports in 2014 marks an improvement of 10 per cent on the previous year.

"I was grateful for the update on the success of the UK furniture industry. This is a highly competitive sector internationally and it is good to know that the UK's reputation for design and manufacturing excellence remains high, with an increasing contribution to the UK's exports."

– Lord Price, Trade Minister, BFC Correspondence, June 2016

Statistics taken from FIRA's Statistics Digest November 2015, a compilation of published statistics and market information which has been sourced primarily from the Office for National Statistics (ONS), HM Customs and Revenue, The Bank of England and the Communities and Local Government web sites.

The digest incorporates the latest available statistical information, relating to 2014 and, for certain criteria, also presents "time series data". In addition, where available and relevant, preliminary 2015 data are provided.

BFC Survey - Introduction

In 2016 the BFC completed its first survey of its Associations' members. Receiving responses from 147 companies across the sector, the questionnaire covered key issues such as export support, availability of skilled employees and business confidence.





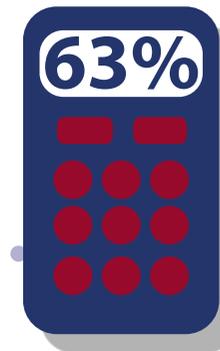
of respondents are experiencing a slowdown in business, from high to low end across retail, commercial and public sectors.



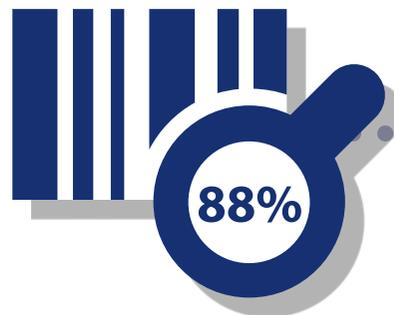
of respondents have difficulty recruiting good quality, well-trained staff.



of respondents use current industry apprenticeship schemes.



of respondents have experienced a material increase in costs since June 2016.



of respondents expect material cost increases over the next six months, and 40 per cent expect to pass these cost increases on to consumers.



of exporting respondents believe that access to the single market is 'important' or 'essential' to their businesses.



of respondents were unable to access EU or UK Government funding for new investments.

BFC Survey - Opportunities

When asked

'What support or intervention from Government would you like to see to ensure the best outcome for your organisation post-Brexit?'

the following themes were regularly mentioned:



'Greater liaison with the industry to fully understand the market conditions and the requirements the industry needs to protect, develop and promote.'



'Retain commonality of standards and ease of moving goods from Europe into the UK.'



'Access to the single market and, as far as is possible, access to the European labour markets for skilled upholsterers.'

When asked

'What could the Government do to encourage you to export more?'

the following themes were regularly mentioned:



'Provide more visible support to UK businesses in terms of simple and easily obtainable grants for exhibiting and travelling to trade shows, access to UK trade missions, and promoting UK export as a success globally.'



'Provide better, clearer advice or a central knowledgeable resource about a specific export country's minimum mandatory legal requirements.'



'Allow tax breaks for export investment and investigation.'



'Ensure competitive trade agreements are in place.'

Skills and Apprenticeships

Among furniture manufacturers and retailers, there is a sense that several factors have the potential to lead to a period of long term expansion of the sector. Having responded robustly to the 2008 financial crisis, the industry finds itself with positive growth trends against the backdrop of a growing economy, the apparent revival of centralised industry strategy, and renewed demand for high-quality, British made products.

To turn this potential into growth, the sector needs highly skilled people. Roles such as machinists, upholsterers and furniture designers all require high-quality training, whether that be through apprenticeships or other vocational programmes.

The BFC's 2016 survey found that 58 per cent of respondents have trouble recruiting and retaining staff with the appropriate skills. This is of particular concern when considering SME businesses, who have less capacity to find and recruit employees with the correct skills.

The survey also found that 44 per cent of respondents believe that the repatriation of non-UK citizens would widen the skills gap. Whilst the Government has tried

to allay concerns about the status of European citizens after the UK leaves the EU, the industry would clearly welcome more clarity on this issue.

The skills and apprenticeships agenda is intrinsic to the future success of the furniture industry. Without highly-skilled employees, the UK's reputation for high-quality, innovative goods will decline. The furniture industry takes this issue extremely seriously. In October 2015, the Furniture Industry Research Association and the Worshipful Company of Furniture Makers published 'Mind the Gap', an action plan which sought to fuel the development of industry-wide initiatives to ensure the skills agenda is comprehensively addressed. Based on survey data and interviews with 173 companies, the report provides the quantitative and qualitative evidence needed to formulate training strategies across the industry. The publication of this report demonstrates the onus the industry places on the skills and apprenticeships agenda, as well as its willingness to take action and find industry-led solutions. The BFC supports the reforms to apprenticeships which have been undertaken since 2010. Apprenticeships were overlooked

in the decades prior to this, damaging both the availability of manufacturing skills in the workforce, as well as the UK's ability to deliver vocational training. The industry supports the inclusive approach that has been taken by successive Conservative prime ministers, and is proud of its role in designing the Furniture Manufacturer Apprenticeship Standard. We believe this standard represents a significant improvement on previous apprenticeship syllabuses.



Skills and Apprenticeships

The BFC believes that the UK's apprenticeship infrastructure now needs to be given time to produce results. The Government needs to provide long term support, both in terms of funding to providers and in making employers and potential apprentices aware of the options and support available to them. Part of this needs to be a drive to make school children more aware of the varied careers that STEM subjects can lead to, and the various skills involved; design, management, use of technology.

The sector is not yet convinced that the Apprenticeship Levy will deliver quality over quantity. While this will serve the Government's commitment to deliver an additional 3 million apprenticeship starts in England by 2020, it may not serve the needs of the UK's employers.

Our survey found that 73 per cent of respondents are aware of industry apprenticeship schemes, but only 28 per cent use them within their own company. We hope the latter will dramatically increase in the coming years.

The easiest way to get young people to seek a design or manufacturing career is to teach these skills at school. The BFC strongly believes

that the Government should do all it can to encourage these STEM skills, and is very concerned about the effect that the English Baccalaureate (EBacc) and Progress 8 accountability measures will have on the take-up of Design and Technology GCSE qualifications. Design and Technology skills are critical to our industry, and we are concerned the Government is undermining these skills as an attractive choice for young people.



Skills and Apprenticeships - Calls for Action

1 The Government should commit to producing a long term strategy for the support it will provide to both employers and potential apprentices to make them aware of how apprenticeships can benefit them, and how they can become involved. This strategy should include spending commitments to ensure the campaign is sustained and given time to have a positive impact.

2 The Government should commit to producing open and transparent data about the number and quality of the apprenticeships being undertaken in the UK. Providing a set of concrete metrics would create a point of comparison for the industry.

3 The Government must ensure that Brexit does not widen the industry's skills gap. In the short term, this means confirming the status of EU workers currently resident in the UK. In the longer term, the Government must work with the industry to ensure that whatever immigration system is used after the UK has left the EU, barriers are not put up to employing skilled foreign workers. In particular, SMEs must not be priced out of being able to sponsor foreign workers.

4 The Government should accredit Design and Technology as an EBacc subject, and ensure it is properly represented in all accountability measures.



Trade and Exports

The UK furniture industry is entering a new era of trade. Beyond Brexit and the potential need to reduce reliance on one of its traditional markets, UK companies find themselves with the newly formed Department for International Trade whose Secretary of State sits on the Cabinet, and with a Government which has committed to increasing the UK's exports to £1 trillion by 2020 and the number of companies exporting to over 100,000.

The BFC welcomes this commitment, and hopes that the target will focus the Government's activities on delivering on these pledges.

Our 2016 survey was undertaken immediately following the EU referendum result and provides unique insight on the UK furniture industry's reaction to the vote. Some of the challenges raised by respondents included:



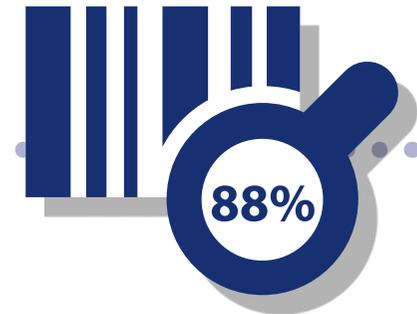
81% of respondents believe their imports from the EU single market are either 'essential' or 'important' to their business.



68% of exporting respondents believe that access to the single market is 'important' or 'essential' to their businesses.



63% of respondents have experienced a material increase in costs since June 2016.

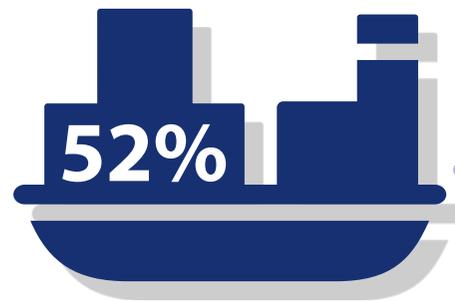


88% of respondents expect material cost increases over the next six months, and 40 per cent expect to pass these cost increases on to consumers.

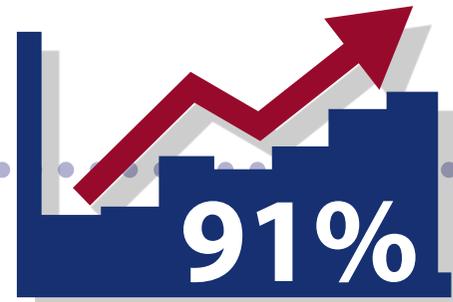
Trade and Exports

Clearly, access to the single market is a key priority for many of our members. The Government must ensure that as a new relationship with Europe is forged, the movement of both finished goods and materials is a key consideration of the negotiations. Tariff-free trading should be a priority.

On the other hand, our survey demonstrated how robust the industry is:



of respondents are planning to increase export activities over the next one or two years.



of respondents intend to maintain or increase investment over the next 12 months.



The vast majority of respondents in the high end, middle range and low end commercial and retail markets reported evidence of growth or no change in the export sector.

Beyond timely information, British furniture exporters require more tangible support. The BFC has worked with the Department for International Trade (DIT) to ensure that its services are targeted and effective at helping those looking to export. The Government should celebrate key successes, such as the Exporting is GREAT campaign, the creation of Trade Challenge Partners (TCPs), and the reinvention of UK Export Finance (UKEF).

However, issues persist, and in some cases are getting worse. There is currently no strategy for growing exports in the furniture and furnishings sector, there is no common approach to measuring performance between the various

stakeholders, and current Tradeshow Access Programme (TAP) funding is restrictive and inflexible.

We also have concerns about the availability of export finance. Whilst UKEF aims to help UK exporters by providing insurance, and providing guarantees to banks to share the risks of providing export finance, several companies have reported they have struggled to secure the initial capital needed to fund their export activities. This is particularly apparent when contrasted with the ease of securing finance for importing products into the UK. UKEF supports exporters who have already secured a contract in a foreign market. However, many first time exporters do not find

themselves in this position. The BFC will be examining this issue closely in 2017.

The BFC notes that HM Treasury has been leading on key announcements to help small businesses invest and grow, such as the alternative finance platforms scheme and the SME credit data sharing scheme. As the Department for International Trade continues to define its role, we hope to see evidence of close cooperation between HMT, UKEF and the Department itself.

With regard to the Tradeshow Access Programme, the BFC was told very late in 2016 that 2017 funding was to be announced in November

2016. Overseas trade shows are a vital part of our industry's export approach, but due to the nature of our products, require long lead times to plan. The Tradeshow Access Programme needs to be put on a more sustainable footing for the future, with a long term funding plan that is communicated to industry much earlier than it has been to date.

The BFC has campaigned for the expansion of the powers of Trade Challenge Partners to address some of these issues.

1 The Government must prioritise tariff-free access to the Single Market in goods. The cost of importing materials must be a significant consideration during the Government's renegotiation of our relationship with the EU. Regardless of how competitive new markets beyond Europe may be, if material costs from Europe make a product uncompetitive the exporter will struggle to be successful.

2 The Government must provide as much information about Brexit as is appropriate, to preserve confidence in the UK as a stable business environment and to assist business planning. In particular, we would welcome a clear timeline of when companies are likely to see changes to trade rules, and confirmation of which legislation the Government is likely to seek to repeal or amend following Brexit.

3 The Government should publish a Five Year UK Export Support Strategy, detailing the value of support that will be made available in each year, and any further policy reforms which will be implemented in that period.

4 The Government should publish sector specific support strategies that identify key strengths and export markets for those sectors. The Furniture industry is regularly grouped with the design sector despite its large manufacturing base – sectors that don't sit comfortably under an industry title should be identified and dealt with separately.

5 The Government should provide more powers to Trade Challenge Partners (TCPs). The BFC has campaigned for TCPs to be given more power in the follow areas:

- » *A role in coordinating sector-specific support strategies.*
- » *An enhanced role in distributing Tradeshow Access Programme across tradeshow and allocating the funds between exhibitors.*
- » *A responsibility to harness the exports knowledge base within their associations, and to use this to mentor new exporters and share best practice with exporters and other TCPs.*
- » *A role in creating sector-specific performance measures. TCPs would work in partnership with relevant government departments, exhibition companies and other associations to create a joined up approach, with agreed key performance indicators. This would ensure a robust system for measuring the Government's return on investment.*

6 The Government needs to ensure that British businesses remain the primary focus in the Brexit negotiations, and ensure that all options are considered for supporting businesses in the meantime. This could include reviewing Business Rates and other taxes, or reducing the risk in exporting to new markets through export finance guarantees. Other proposals suggested by survey respondents included providing tax breaks for export investment and investigation, increasing the number and volume of DIT trade missions, and simplifying UKEF's grant systems.

Flammability

The BFC is a strong supporter of the Furniture & Furnishings (Fire) (Safety) Regulations 1988, as amended. It believes that the Regulations have been fundamental in reducing the number of deaths and injuries in house fires.

Government research published in 2009 estimates that the Regulations saved approximately 54 deaths per year and prevented over 1000 house fires, which could have resulted in 780 non-fatal injuries. The furniture industry feels that it is important to preserve the safety levels contained within the current Regulations so as to protect the lives of the public and the emergency services.

It is recognised, however, that in the 25 years since the Regulations were first introduced that there have been changes, not only in materials and processes, but also to the risks within the home environment. The industry has been seeking a full revision of the Regulations since 2008, and, over this period has fully cooperated with the Department for Business, Energy and Industrial Strategy (and its previous incarnations) in its efforts to reform this legislation.

Unfortunately, recent proposed revisions do not take into account

many of the important issues that have been communicated to the Government over the years from a united sector. Whilst the industry is pleased that progress is being made, there are still a number of important criteria requiring consideration such as:

- **ensuring test protocols are practical, achievable and representative of materials in the market**
- **reflecting the now widespread use of combustion modified foams**
- **aligning requirements for upholstered headboards with those for mattresses and upholstered bed bases, which predominantly use the same materials**
- **addressing the confusion caused by a lack of definition of what constitutes a floor cushion, scatter cushion and seat pad**
- **including clarity in relation to which outdoor furniture products are in scope**
- **updating test procedures to reflect best practice, such as the need to line dry textile products**

that are subject to a water-soak procedure, thus trying to improve consistency across the testing sector

- **improving the requirements for labelling of products**
- **adding basic due diligence systems requirements, such as an indication of testing frequency**
- **improving clarity and scope to aid enforcement, which, it is believed, is at a low level across the UK.**

The BFC remains fully committed to supporting the Government in its efforts to revise the Regulations so that they are effective, enforceable, and future-proof.

More information on the BFC's stance can be found in its response to the September 2016 Furniture and furnishings fire safety regulations: proposed changes consultation document.



1 The Government should continue to consult fully with the industry, take account of the representations made, and ensure that final proposals have the full support of all interested stakeholders.

2 The Government must, as a matter of urgency, publish the current implementation timetable it is working to.



Environment and the Circular Economy

The Circular Economy has been a major policy area for the EU in recent years and we are in no doubt that, post Brexit, the UK Government will continue to seek to transform our economy into one that is sustainable, low carbon, resource-efficient and competitive. Diverting products from landfill, and recycling and reuse will be key features of this process.

The UK produces 1.6 million tonnes of furniture and bulky waste, of which 42% is furniture and mattresses.² We understand and entirely support the long term goals of reducing waste into landfill and turning waste into resource, thus closing the loop of the circular economy.



² RSA/SUEZ Rearranging the Furniture Report, September 2015

Environment and the Circular Economy

Across the furniture and furnishings sector, there is already a considerable amount of voluntary engagement in investigating packaging waste and carbon reduction, recycling and diversion from landfill, and resource efficiency. Currently, co-operative projects investigating re-manufacturing and reuse options are being undertaken, with a view to industry standards being developed. We are also engaging with existing Extended Producer Responsibility (EPR) schemes in operation elsewhere in order to learn from their experience and to share best practice.

We would like to engage with Government from the earliest stages to address the considerable challenges involved in improving the stewardship of the resources in our products. We hope to be supported in our aims through access to funding for appropriate research and innovation, realistic timescales to achieve targets, and full consultation and involvement in developing a Product Stewardship Framework and any EPR schemes.



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