

British Furniture Confederation Manifesto 2018/19

The Government and The UK Furniture Industry working together
April 2018



Bfc

THE BRITISH FURNITURE CONFEDERATION

The single voice of the furniture & bed industry



Foreword



It has been one year since Article 50 was triggered, initiating the two-year process that will see the UK leave the European Union. Since then, British politics has been more hectic and surprising than ever before. In this context, I am delighted to introduce you to the British Furniture Confederation's 2018-19 Manifesto. This document, the second of its kind, has been assembled to present the BFC's political vision for the coming year. It combines the views of our associations' members and learnings from the BFC's political conversations.

The past year has seen seismic changes in the political landscape. The triggering of Article 50 was only the beginning; on 8 June 2017, we voted in another General Election. The results were unexpected - a Conservative-led minority government, dependent on the support of Northern Ireland's Democratic Unionist Party.

Brexit negotiations have started. Whilst the final terms of departure are yet to be determined, progress has been made. Amid the uncertainty the furniture industry has not stalled, nor shows signs of stalling. Our hope is that the forthcoming agreement will facilitate frictionless trade, and address the skills gap in our industry.

In April 2017, the BFC submitted evidence to the 'Building our Industrial Strategy' consultation

hosted by the Department for Business, Energy and Industrial Strategy (DBEIS). We set out our recommendations for investment in science, research and innovation, developing skills, and encouraging trade. We were particularly interested in how the government proposed it would address the skills gap and how they would provide comprehensive export support.

In November DBEIS published the UK's Industrial Strategy, outlining the five foundations the government believes are key for an improved and transformed economy. We were disappointed that the skills gap and export support for our industry and the more traditional manufacturing industries were not discussed, but it was encouraging to see the government's grand vision for industry in the UK. We expect the government's renewed focus on industry to have only a positive impact and anticipate improved confidence in the industry.

The following pages present the action points that we believe will support the industry best in the following issues: Brexit, Skills and Education, Trade and Exports, Standards and Regulations, including Flammability, Environment and the Circular Economy. In order to implement those suggestions, the BFC remains committed to its mission statement:

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

This manifesto is an examination of the key issues that affect the furniture industry, and recommendations of what the Government can do to ensure our industry prospers in the coming year.

Jonathan M. Hindle FCSd
Chairman, British Furniture Confederation



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 (APFIG), chaired by Maggie Throup MP.

Furniture covers a wide range of products including: domestic interior chairs, tables and seating; cabinets and inbuilt storage; beds and mattresses; soft furnishings and upholstery; leisure and outdoor furniture; and commercial, office and residential fit-outs.

The sector is larger than many envisage, at approximately £17bn and growing. It operates within a diverse marketplace including houses, offices, hotels, schools and colleges, cruise liners, hospitals, restaurants, residential accommodation, stadia, airports and other public spaces.

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 strategies to further its four aims:

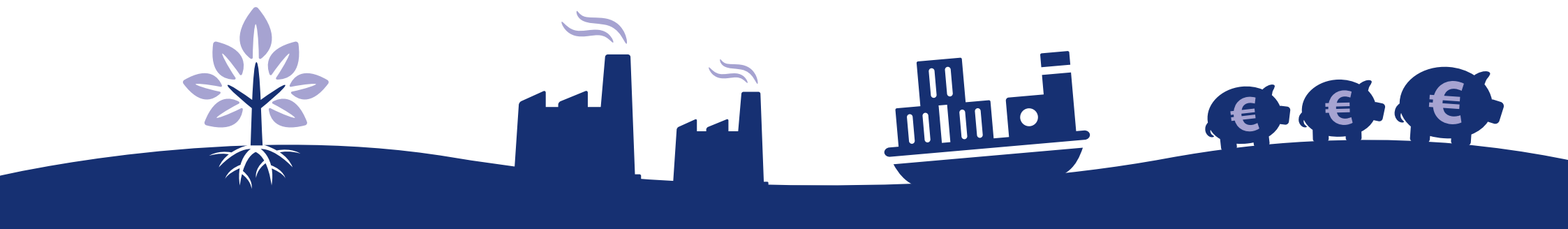
- 1** To help secure the long term future and prosperity of the British furniture and furnishings industry.
- 2** To raise the profile of the industry at a political level to ensure that the industry gains the recognition and attention that its size deserves.
- 3** To formulate strategies for dealing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



The following associations make up the BFC:



Statistics - The Furniture Industry



At nearly £17 billion and rising, the UK furniture, bed and furnishings manufacturing is a substantial growth industry for the UK. Latest verified government figures from 2016 put total consumer expenditure on furniture and furnishings at £16.7 billion, supporting 327,000 jobs across 50,000 registered companies in the wider furniture and furnishings sector, including specialist retail but excluding general retail.

Manufacturing turnover for the sector rose to £11.3 billion, emanating from 8,390 companies employing 118,000 individuals. Furniture manufacturing is one of the top three divisions driving manufacturing growth in the UK according to official statistics.

Furniture imports reached £5.8 billion in 2016, a significant proportion of which arrived from China (£1.9 billion). However, export performance has continued its upward trend, increasing by 13% from 2015 to 2016 to £1.13 billion.

Trade with the European Community continued to be the main source of export income and totalled £0.71 billion in 2016, an increase of £0.08 billion over the previous year. France, Germany, The Netherlands, Belgium, Italy and Spain are the primary recipients. However, whilst exports to the EU are significant, the persistent £2.20 billion trade gap remains.

The BFC works closely with the following organisations:



BFC 2018 Survey

In early 2018, the BFC undertook its second survey of its Associations' members. Sixty-five companies across the sector responded to our survey of 45 questions. The majority of responding businesses identified as either micro-businesses or small to medium sized businesses, with only 12% identifying as medium sized businesses. 60% of respondents employed less than 50 people, and 80% employed less than 100.

The questionnaire covered a range of key issues such as export support, apprentices, planned business growth, and business confidence.

Strengths



80% of respondents reported that the number of EU employees has increased or stayed the same since June 2016, suggesting that fears of an exodus of skilled EU employees has yet to materialise.



The majority of companies across all three sectors (retail, contract, public sector) reported that they expected their sales to increase or stay the same in the next twelve months.



38% of companies are planning on increasing investment in the next 12 months. Only 13% of companies are planning on reducing their investment plans in the next 12 months. Roughly half are not planning on any further investments in the next 12 months.



95% of respondents reported that they were aware of the health and environmental impact of the chemicals used in their products, and 92% were taking steps to reduce it. 62% of companies have initiatives in place to reduce carbon emissions.



95% believe that the level of product safety in the UK is adequate, and 89% believe the UK is right to maintain this high level of safety standards. This shows that the industry is committed to a high level of product safety.

BFC 2018 Survey

Challenges



30% of those companies which do not currently export plan to begin exporting in the next 12 months.



80% of respondents reported that at least 90% of their products are manufactured in the UK.



83% of respondents worry that the failure to secure an equivalent customs agreement with the EU would cause delays and/or price increases in their supply chain.



84% of respondents believe that their ability to recruit adequately skilled staff has not improved since June 2016, and 79% don't envisage any improvement in the next three years following Britain's exit from the European Union.



Every company reported a rise in their material costs since June 2016. The lowest was only a 1% rise; the highest 50%. Most - 94% - reported between a 10 – 20% increase. With 86% of respondents expecting further increases in material costs in the next 12 months, this may become an issue for some furniture businesses.

BFC 2018 Survey

Opportunities

When asked:

"What could the Government be doing to help furniture businesses grow?"

82% of respondents wanted furniture-specific tax reliefs.

59% wanted more targeted government grants.

Other suggestions included:



**Apprenticeship
Subsidies**



**Enhanced
Export Support**



**More Clarity on
Brexit Negotiations**

Most respondents to the questionnaire reported that their current turnover is either exclusively generated by UK sales, or by a small portion through export sales. Only 16 companies export more than 10% of their current turnover. Positively, this figure rises to 20% looking at export plans for the next 12 months. Clearly, there is an opportunity for the Government to do more to encourage exports within the industry. Somewhat worrying 58% of respondents did not know about services that the Department for International Trade offer to help businesses new to exporting.

The industry seems to be in broad agreement that the UK should stay in the EU standards body, CEN, with 78% of respondents favouring membership. A further 87% of respondents believe that the UK should continue to mirror product safety and environmental legislation such as REACH and the EU Timber Regulations. Only 35% believe, however, that the UK does not effectively enforce its product safety regulations.

Whilst 64% of responding companies have recycling or take back schemes for their products in place (or plan to within the next 12 months) there is potential

for the industry to become more environmentally sustainable. 42% of respondents are not considering re-use, remanufacturing or recycling when bringing new products to market, and 59% are not actively researching new materials which would make their products easier to be dismantled and recycled. However, as 87% were in favour of more government initiatives to divert their products from landfill (for instance, EPR schemes), our survey shows that there is a strong will from within the furniture industry to work collaboratively with government to make the industry more sustainable and environmentally friendly.

Skills and Education



It has been 10 years since the 2008 financial crisis. Over the past decade, the furniture industry has shown great resilience, and has gone from strength to strength. Among manufacturers, suppliers and retailers, there is a continued belief that the furniture industry can grow. Companies are exploring how to best sustain long-term growth, and safeguard against any future economic uncertainty.

Whilst the furniture industry's response to the crisis has been strong, and business confidence levels have increased, certain factors have been highlighted to the BFC as points of concern. One such factor is the ability of the furniture industry to recruit and retain highly skilled people.

In order to stimulate growth, the industry needs to recruit and train roles such as sewing machinists, upholsterers and furniture designers (particularly digital/CAD designers). As the production of furniture is a highly specialised job, all of these positions require high-quality training, whether through apprenticeships or other vocational programmes. Training employees to the high standards the UK furniture industry prides itself on takes time, and so the industry does in part rely on foreign workers to fill the growing skills gap.

That is not to say that the industry is ignoring the skills gap problem. The BFC found in its 2018 survey

that 92 percent of companies offer in-house training. This shows the industry understands the value of investing in its own employees, and the need to guarantee the reputation of the quality of its products.

In response to this need, trade associations from across the UK furniture and interiors industries have united under a single banner, the Furniture and Interiors Education, Skills and Training Alliance (FIESTA), to combat the threat of a widening skills gap. The vision for the Alliance is that FIESTA will unite and inspire the furniture and interiors industry, helping it become an industry of choice within the UK with world-class output, through facilitating internationally recognised skills development at all levels across the industry.

The BFC is supportive of the government's efforts to increase the take up and reputation of apprenticeships. Prior to the new apprenticeship agenda, the heavy focus on higher education in university institutions was damaging the furniture industry and increasing the skills gap.

However, the BFC is still not yet convinced that the Apprenticeship Levy is the best method of encouraging quality apprenticeships. The government remains committed to increasing the number on offer, and the industry is keen to

collaborate to ensure the quality of curriculum is present. The BFC would welcome much more information on how the system is working to date, and how the Government plans to support apprenticeships in the medium-to-long term.



Skills and Education

In any case, there is a low number of apprenticeships on offer in the furniture industry, and a low level of awareness among companies about the Apprenticeship Levy and the funding for training that is available for non-Levy payers. Our survey found that 84 percent of the respondents do not pay the levy. Of those that do, only eight use the levy to fund the training of their own apprentices. The furniture industry faces a skills gap, but it is not running apprenticeship schemes to correct this problem.

The BFC remains committed to the idea that the easiest way to get young people to seek a design or manufacturing career is to teach these skills at school. The Government should encourage development of these STEM skills. This could be through enhanced funding of Design and Technology qualifications, supporting collaboration between local manufacturing industry and school-level Design and Technology education. Design and Technology skills are critical to our industry and the UK's wider economy, and we are concerned at the Government's efforts to install standards such as the English Baccalaureate (EBacc) which removes the incentives for schools to teach and invest in Design and Technology. These skills are vital for any industry which relies on manufacturing.

UK based furniture manufacturers are concerned that, following Brexit, if restrictions are placed on

the movement of labour to the UK from other EU countries, their ability to recruit enough highly skilled workers will be impeded. Faced with a growing skills gap, the industry wants to see substantial action taken by government to support the industry. Without highly-skilled employees, the UK's reputation for high-quality, innovative goods - the very products that present the best export opportunities - will decline. The BFC was pleased that the government has confirmed that EU citizens and their families arriving during the implementation period, from 30 March 2019 to 31 December 2020, will be able to stay on the same terms (but will need to register if they choose to stay for longer than three months). The BFC made this case in its 2017 response to the Migration Advisory Committee's call for evidence.

The 2018 survey shows that 79 percent of employers are concerned that their ability to recruit adequately skilled staff will not improve over the next three years. If curbs are placed on this source of labour, the industry's skills shortages would worsen, notably among upholsterers, sewers, frame assemblers and wood machinists.

The BFC's 2016 survey found that 58 percent of respondents had in the past struggled with recruiting and retaining staff with the appropriate skill levels. This remains a particularly pertinent issue for SME

businesses, who have less capacity to find and recruit employees with the correct skills.



Skills and Education: Calls for Action

1 The Government must work with the industry to make the Apprenticeship Levy viable for our sector. It should work to improve awareness of apprenticeships and how the Apprenticeship funding is relevant to SMEs.

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

3 The Government should encourage schools to partner more with local businesses.

4 The Government must ensure that Brexit does not widen the industry's skills gap. By working with the industry, the Government must work 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. Looking beyond Europe, any future immigration system should be based purely on skills and qualification.

Trade and Exports

The furniture industry is cautiously optimistic about future trading prospects after Brexit. There remains a strong demand for quality British-made products, and there remains a will to export those goods. British furniture and furnishings companies look to the Government for support and stability during the transition period.

The BFC welcomes the aspirations of the Government, and hopes that the Department for Exiting the European Union (DeXEU) delivers frictionless trade in the negotiations.

Our 2018 survey found that 83 percent of respondents worry that the failure to secure an equivalent customs agreement with the EU would cause delays and/or price increases in their supply chain. Every company reported a rise in their material costs since June 2016, the month of the referendum. The lowest was only a one percent rise; the highest 50 percent. For almost 94 percent of businesses, material costs rose above inflation, with most reporting between a 10-20 percent increase. With 86 percent expecting further increases in the next 12 months, the rising material costs may become an issue for some furniture businesses. Uncertainty around Brexit is a clear concern.

There is clear worry that the eventual future partnership arrangement will not be beneficial

to the British furniture industry. The BFC's 2016 manifesto noted that access to the single market was a key priority for our members. Whether or not that will materialise is yet to be seen. The BFC has communicated to the Government on many occasions that the movement of both finished goods and materials is a key consideration of the negotiations, and that tariff-free trading should be a priority. We hope that our concerns have been taken on board, and we will continue to make such representations to DeXEU.

That being said, the industry is showing resilience. The majority of companies across all three sectors (retail, contract, public sector) expect their sales to increase or stay the same in the next 12 months. 38 percent are planning on increasing investment in the next 12 months.

UK based sales continue to be strong, yet exporting remains lower than many in the industry would like. 70 percent of companies which do not currently export have no plans to begin exporting in the next 12 months. Whilst Brexit is also inspiring companies to look to new exporting markets, such as America, Africa and India, the Department for International Trade (DIT) needs to be doing more to encourage and support SMEs to export. For instance, in our 2018 survey 33 percent of respondents listed 'export support' as one of the best ways the Government



Trade and Exports

could help their business grow. The Government and DIT must therefore both improve and increase awareness of the services offered by DIT to help businesses new to exporting.

The Government should of course celebrate key successes, such as the Exporting is GREAT campaign, the creation of Trade Challenge Partners (TCPs), and the reinvigoration of UK Export Finance (UKEF). However no Trade Strategy has been published for growing exports in the furniture and furnishings sector, there is no common approach to measuring performance between industries, and current Tradeshow Access Programme (TAP) funding is restrictive and inflexible. The lack of availability to export finance remains a concern.

Whilst UKEF aims to help UK exporters by providing insurance and guarantees to banks to share the risks of providing export finance, several companies say 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 the coming months.



Trade and Exports: Calls for Action

1 The Government must prioritise tariff-free access to the Single Market in goods so as not to impede the industry's ability to export. The cost of importing materials, both finished and components, must be a significant consideration during the Government's renegotiation of our relationship with the EU.

2 The Government must provide as much information about Brexit as is appropriate, as early as possible, to preserve confidence in the UK as a stable business environment and to assist business planning.

3 The Government must publish a Five Year UK Export Support Strategy, detailing the value of support that will be made available to exporters in each year, and further policy reforms which will be implemented in that period to target both knowledge gaps and the lack of in-market support. This strategy has been promised, by several Ministers, but has not been delivered.

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 the 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
- Reducing the risk in exporting to new markets through export finance guarantees
- Providing tax breaks for export investment and investigation
- Increasing the level of funding for TAP
- Increasing the number and volume of DIT trade missions
- Simplifying UKEF's grant systems.

Standards & Regulations



The BFC applauds the Government's decision to set up the Office for Product Standards and Safety (OPSS). Regardless of the outcome of Brexit negotiations on recognition and policing of standards, it is a positive development that the UK Government is taking product safety, monitoring and recalls seriously. Equally, BEIS' support of BSI in creating and publishing PAS 7100:2018 on recalls and corrective actions should be commended. The BFC believes this is a model example of stakeholder engagement on regulatory matters.

The BFC continues to be a strong supporter of fire safety in the form of the Furniture & Furnishings (Fire) (Safety) Regulations 1988, as amended. The Regulations are thought to have saved many lives, prevented many injuries, and stopped many 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 BFC is absolutely committed to preserving the safety levels of the furniture industry's products in order to protect the lives of the public and of the emergency services. This is a view that our members share: 88 percent of respondents in our survey believe that the UK is right to maintain its high level of safety in relation to furniture and furnishings.

The BFC also recognises that there are concerns around the use of some fire retardant chemicals due to potential environmental impacts. The BFC supports the aims of the REACH regulations in controlling the use of chemicals that may be harmful to health or the environment.

However, the BFC is concerned that the Furniture & Furnishings (Fire) (Safety) Regulations have not been updated in the 30 years since they were first introduced. Since 1988 the industry has seen huge changes, not only in materials and processes, but also to the risks within the home environment. For the past decade, the industry has been seeking a full revision of the Regulations in order to update them so they are fit for modern purpose. To this end, the industry has been cooperating entirely with the Department for Business, Energy and Industrial Strategy, but no response to the 2016 consultation to revise the Regulations has yet been published.

The BFC supports an inclusive approach to revising the Regulations and would encourage that all stakeholders are involved in agreeing the acceptable levels of fire safety and minimising environmental/health impact so as to get a consensus approach to ensuring the Regulations are revised to deliver safe products.

Standards & Regulations

The industry shows a strong commitment to a high level of product safety and standards. 95 percent of respondents to the BFC 2018 survey believe that the level of product safety in the UK is adequate, and 89 percent believe the UK is right to maintain this high level of safety standards.

Worryingly, 35 percent believe that the UK does not effectively enforce product safety regulations. We will investigate these concerns further and work with the Government to rectify this, as the safety of the furniture and furnishing industry's products is of paramount importance. Beyond a duty of care to our customers, the reputation of our industry relies upon the successful supply of safe and quality products.

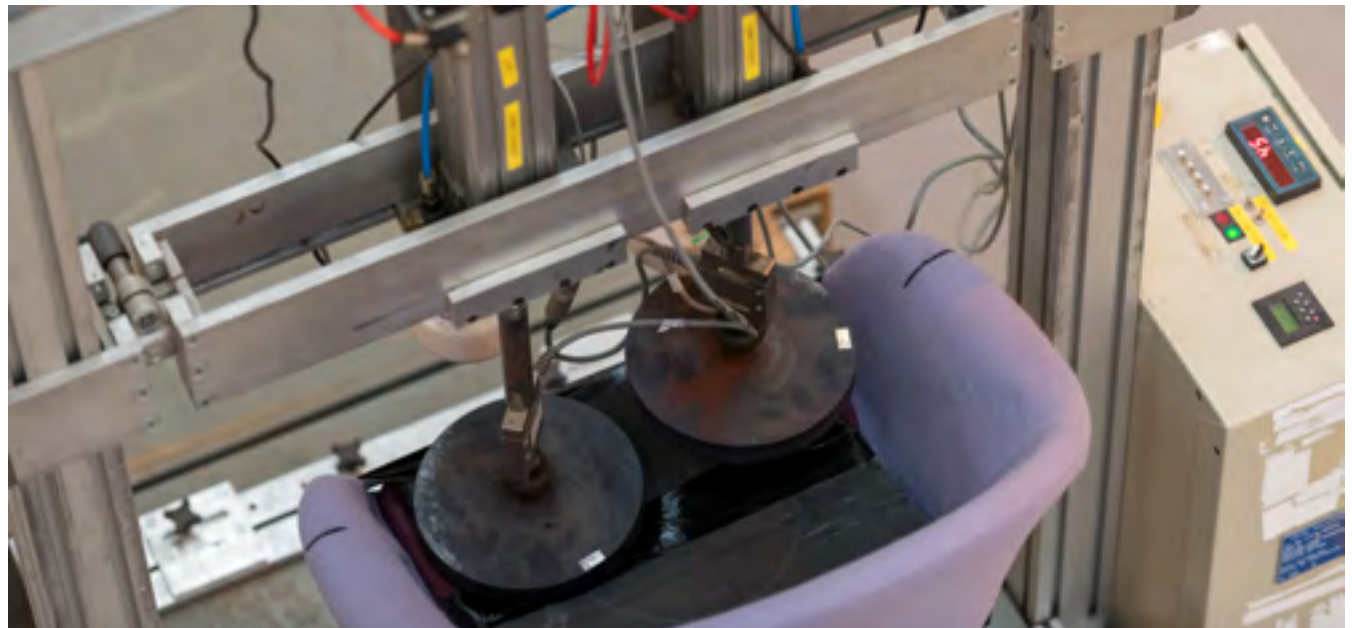
The BFC will continue to advocate for updates to the regulations, and will work in partnership with the Government and industry in order to develop robust, effective and enforceable standards.

Beyond Brexit, BFC members generally believe that the UK should maintain membership of the EU standards body CEN, with 78 percent of respondents in favour of membership. Respondents also overwhelmingly believe that the UK should continue to mirror product safety and environmental legislation such as REACH and the EU Timber regulations: 87 percent believe mirroring such EU schemes and legislation would be beneficial to the

UK furniture and furnishings industry. This high level of support may be because the Government hasn't set out a credible alternative to mutual recognition it will seek to negotiate ahead of Brexit. The industry urgently requires clarity on what the regulatory regime will look like after Brexit.

At the time of writing, the Government had yet to declare its preferred option for recognising trade standards and regulations to allow frictionless trade to continue. Through our survey, the industry has

made clear that it does not want to radically diverge from current EU standards – this could reflect an acceptance of the value of these regulations or concerns about divergence on trade. Whatever the final deal looks like, the industry has made clear that it hasn't been convinced of the need to diverge from EU standards and regulations. Furthermore, it will not countenance the imposition of increased fees or bureaucratic burden to retain its current market access.



Standards & Regulations: Calls for Action

1 The Government must provide clarity on the product safety and mutual recognition regime that industry will have to work within following Brexit, as a matter of urgency.

2 The Government should continue to consult fully with the industry on updating the Furniture & Furnishings (Fire) (Safety) Regulations 1988, take account of the representations made, and ensure that final proposals have the full support of all interested stakeholders.

3 The Government must ensure that post-Brexit the UK furniture and furnishings industry can work in tandem with the EU to reach an adequacy agreement for whatever safety regulations are put in place so as to encourage frictionless trade.

4 The Government should follow up the creation of the OPSS with increased resources across the regulatory landscape to police standards. In particular, Trading Standards needs to have the resources to carry out its duties if local businesses are to trust its efficacy.





Environment & the Circular Economy

Over the past decade the BFC has been delighted to see the strides the industry has taken to become more environmentally friendly. It has recognised that participation in the circular economy is both necessary to achieving sustainability and beneficial to our industry. Diverting products from landfill, and recycling and re-use have all been on the increase. As the UK produces 1.6 million tonnes of furniture and bulky waste, of which 42% is furniture and mattresses, the furniture industry understands it has a social responsibility to participate fully in creating a more circular global economy.

Our 2018 survey showed that 62 percent of respondents are committed to reducing carbon emissions and have developed internal initiatives to do so. It also showed a high awareness - 95 percent - of the environmental and health impact of the chemicals used in products and 92 percent have taken proactive steps to reduce them. Within the furniture industry, there continues to be significant voluntary engagement in investigating the reduction of packaging waste and CO2 equivalent emissions, recycling and diversion from landfill, and resource efficiency. Co-operative projects investigating re-manufacturing and re-use options are being improved and developed. However there are concerns that, without proper scrutiny and regulation, rogue traders passing off products

with potentially unsafe and/or unidentified used components could escalate, putting reputable traders' business at risk. The BFC believes that an Industry Standards Framework would be beneficial, guiding manufacturers towards a higher level of British best practice.

The Circular Economy has been a major policy area for the EU in recent years, and our European counterparts have contributed to policy development. Post Brexit, the UK Government must continue to aim for our economy to become one that is sustainable, low carbon, resource-efficient and competitive. Working in partnership with manufacturers, such as those in the furniture industry, is an essential component in achieving this aim.

The BFC is keen to work with Government on developing an appropriate and properly supported product stewardship scheme taking into account the best elements of Extended Producer Responsibility (EPR) schemes operating in other countries and for other products. 87 percent of respondents in our survey were in favour of our engaging in the design of such schemes. The BFC is also keen to work with Government to support more research and development initiatives that investigate materials which make products easier to be dismantled for re-use, re-manufacture or recycling. Our survey shows 59 percent of companies are not undertaking any such

research and development themselves. 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.



Environment & Circular Economy: Calls for Action

1 The Government should work with the sector to develop an Industry Standards Framework.

2 The Government should begin discussions to explore, in collaboration with the furniture and furnishings industry, a Product Stewardship Framework with a view to implementing a circular economy for all furniture industry products in the future.

3 The Government must support the furniture industry to increase research and development of more environmentally friendly materials, particularly targeting SMEs to make R&D for these environmental purposes to be more affordable.

4 The Government must support the industry in policing the use of second hand and re-used products and components to ensure the consumer is not subject to being sold misdescribed and/or unsafe products.

