



APPG for Excellence in the Built Environment
c/o Construction Industry Council (CIC)
26 Store Street
London
WC1E 7BT

3rd May 2013

Dear Sir or Madam,

Re: All Party Parliamentary Group (APPG) for Excellence in the Built Environment (EBE) Inquiry into Sustainable Construction and the Green Deal

On behalf of the Federation of Master Builders (FMB) I am responding to the APPG for EBE inquiry into sustainable construction and the Green Deal. The FMB is the UK's largest trade association in the building industry, with almost 10,000 companies. Established in 1941 to protect the interests of small and medium-sized (SME) building firms, the FMB is independent and non-profit-making, lobbying continuously for members' interests at both national and local levels.

The FMB welcomes this inquiry as we recognise that the UK's legal obligation to achieve an 80% reduction in carbon emissions by 2050 means that the need to create a low carbon built environment is greater than ever. It is essential that low carbon design and construction techniques are used for new work as well as to reduce the significant level of carbon emissions that come from the UK's existing building stock. SME construction businesses, including FMB members, have a key role to play and it is essential that they are engaged with, and actively involved in, helping to provide low carbon building solutions.

In light of this, the FMB is about to launch a new "Strategy for the Low Carbon Building and Refurbishment Market". This document will set out the FMB's strategy for how we will help our members engage and participate in this important and developing market. Its strategic objectives will include the need to develop knowledge and understanding; the need to create market opportunities; and the need increase participation. The strategy will be officially launched on 28th May and a copy will be sent to the APPG.

In terms of responding to this inquiry we have focused our comments on the following questions.

(1) Progress on sustainable homes – too much too fast?

The trajectory towards all new homes being zero carbon by 2016 was a policy timeline and commitment entered into in 2006, under totally different economic circumstances involving expensive on and near-site renewable energy provision by house builders. These were neither affordable nor deliverable on small sites by SME developers.

A survey of FMB members suggested that the expected cost of the Government's preferred option on 2013 changes to Building Regulations Part L would be likely to cost £2,660 - £3,636 per unit and this is likely to exacerbate the existing trend of a reduction in SME house builders. NHBC statistics show that in 1988, firms completing fewer than 500 units per annum delivered two thirds of the UK's housing. However, the number of SME house building firms is now in a state of long-term decline and by 2010 the proportion of new homes delivered by small builders had dropped to just one third. 1988 was also the last year in which 200,000 homes were built in England in a single year.

Against this background the Government needs to rethink the timeline for zero carbon homes and stop gold plating the Energy Performance of Buildings Directive. EU legislation requires Member States to ensure all new buildings are nearly zero-energy buildings by 31st December 2020 and introduce an intermediate step to improve the energy performance of buildings by 2015. The Government should adapt the policy, in line with the EU timetable, to one which emphasises the construction of energy efficient, cost effective fabric with reduced compliance costs, the performance of which will be improved over time, as the grid is de-carbonised.

(2) The Green Deal – what can be done to ensure take up?

Despite our serious concerns that the Green Deal has to date created little interest from either consumers or businesses, we continue to work closely with the Government to help ensure its success. In July last year, the FMB launched a route to certification as part of its 'complete solution' service to companies that are committed to delivering the highest standards of customer service and workmanship in the building industry. The certification service offers FMB members a route to Green Deal Installer Certification and Microgeneration (MCS) Installer Certification through a service agreement with NAPIT (a UKAS accredited certification body for Green Deal and MCS certification) including access to Competent Person Scheme Registration.

However, despite receiving a significant number of enquiries from FMB members about the Green Deal, very few have turned into applications for Green Deal Installer Certification. The feedback from our members strongly suggests that SMEs are reluctant to invest the necessary time and cost involved in achieving Green Deal Installer Certification while there is still so much uncertainty about the level of consumer demand for Green Deal and energy efficiency improvement work.

The FMB is therefore urging the Government to take the following action in order to ensure the success of the Green Deal:

- **Incentives to create demand** – the Government needs to introduce a range of fiscal incentives for consumers to help increase business confidence in the Green Deal and attract sufficient levels of investment. One such approach would be to reduce the rate of VAT to 5% on all energy efficiency improvement work. Other incentives could include Stamp Duty relief or a Council Tax rebate. Financial incentives such as these would help stimulate activity within the Green Deal while at the same time encouraging households and businesses that wish to pay for the refurbishment up front to also commission the work.
- **Promote the Green Deal** – the Government needs to boost the public's awareness and understanding of the Green Deal by stepping up its marketing and information campaigns. Although the Government has now commenced a £2.9 million marketing campaign to promote the Green Deal to UK homeowners, this sum falls far short of the amount needed to stimulate the necessary

level of consumer demand. A great deal more money must be invested in promoting the programme's purpose and benefits to the general public if it is to succeed. FMB members need to be confident that there is genuine demand for Green Deal work before they invest their time and resources into becoming Green Deal certified. According to a recent survey of FMB members, 27% intend on becoming involved in the Green Deal within the next 12 months which is fairly encouraging but so far it is not translating into actual applications to become certified.

- **Invest in new skills** – the Government needs to invest in the development of new skills in the construction sector to support the transition to a low-carbon built environment. According to research by Build Up Skills UK, almost 50% of employers think there is insufficient capacity in the current built environment workforce in the UK to meet the EU's target to improve energy efficiency by 20% by 2020.

(3) The Green Deal – is the policy the right one?

Although the FMB is keen to work with the Government to help ensure that the Green Deal is a success, it will only ever help deliver a proportion of the necessary energy efficiency savings from the built environment. If the Government wants to achieve its ambitious targets for carbon reductions, it must pull as many levers as possible. In light of this, the FMB has joined an alliance of more than 100 businesses, charities, trade unions, health, disability, environmental and consumer groups calling on the Government to redirect the funds from the European Emissions Trading Scheme and the Carbon Floor Price to fund a mass public sector programme of upgrade work of the UK's 26 million existing homes. This, we believe, would help the Government achieve a number of its stated aims by:

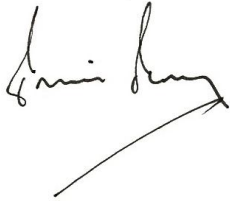
- **Boosting economic growth** – according to independent research by Cambridge Econometrics and Verco, such a move would boost GDP by 0.2%. Furthermore, as is all too often the case when investing in large-scale infrastructure projects, a programme of domestic energy efficiency upgrades would not be subject to a lengthy planning and approval process and therefore the benefits would be felt immediately by businesses, home owners and tenants.
- **Increasing employment opportunities** – the same research by Cambridge Econometrics and Verco shows that investing in domestic refurbishment on this scale would create 71,000 jobs by 2015 and up to 130,000 jobs by 2027.
- **Reducing the UK's carbon emissions** – the Government is committed to reducing its carbon emissions by 80% by 2050 and if it wishes to achieve this it must improve the energy efficiency of the UK's 26.9 million existing homes, which contribute around 27% of the UK's total carbon emissions. This is even more important when we consider that 85% of our existing homes will still be in use in 2050. Although the Green Deal initiative will help towards this if the right incentives are introduced, the Government needs to do much more if it wishes to successfully upgrade the existing stock and must not rely on any one approach.

In addition, the FMB continues to campaign for a reduction in the rate of VAT from 20% to 5% on all repair, maintenance and improvement in order to reduce the UK's carbon emissions – a single cut in VAT on home renovation and repair work would help millions of households to upgrade their homes to make them more energy efficient. Such a move would also have the added benefits of boosting economic growth, increasing employment opportunities and limiting opportunities for rogue traders.

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I hope these comments are helpful and I look forward to reviewing the outcome of the APPG's inquiry as soon as it is available.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Brian Berry', with a long, sweeping underline that extends to the right.

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