



The Voice of the Built Environment

BREXIT WHITE PAPER

February 2017



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EXECUTIVE SUMMARY

BSRIA represents and provides services to the Built Environment. The built environment is estimated to contribute £30.1 billion to the UK economy. As such, it is a larger economic contributor than the food and drink manufacturing industry. It accounts for over 1.8% of UK GDP.

The industry that supports the Built Environment is a technology intensive sector requiring a highly skilled work force which takes years rather than weeks to train and educate.

The sector is also very dependent on international trade. The sector spends some £4.6bn per annum on goods relating to heating, lighting, ventilation, waste management and air conditioning. Some 60% of the products used in the supply chain and in the delivery of the associated services are currently imported from other countries with much coming from the EU.

At present, the UK manufacturing base for these technologies is estimated to be £2bn, with exports in the region of £150m. The realignment of international trade post Brexit provides an opportunity to increase these exports.

The built environment industry relies heavily on non-UK EU workers with approximately 10% of employment in the sector coming from this category. The number of non-UK nationals working in overall construction was estimated by the Chartered Institute of Building to be 10% in 2010 and it is likely to have increased since that time.¹

For all these reasons, Brexit and the issues it raises are of great importance to BSRIA and the industry it represents. To assist government, BSRIA has undertaken a major engagement exercise with its members and the industry to identify the following in the specific context of the building services industry:

1. The opportunities arising from Brexit
2. The risks arising from Brexit
3. The issues that the government should prioritise in its forthcoming negotiations with the remaining EU states to protect and enhance the industry

The three major opportunities arising from Brexit that stand out from the work we have undertaken over the last 3 months are:

1. The possibility of greater international trade
2. The possibility of a more streamlined regulatory environment
3. An increased motivation to boost the UK skills base

The four threats arising from Brexit identified by our work are:

1. Potential lack of access to skilled labour
2. Potential lack of access to the single market, with potential consequences for tariff and non-tariff barriers
3. Future divergence from, and lack of influence over, European standards and regulations
4. Uncertainty over future research funding in the UK

As a result, there are a number of issues that BSRIA will be urging the government to pay high regard to when considering the options around Brexit and in the associated negotiations.

The priority issues were identified as:

¹ Page 9, Factbox 4 - https://www.ciob.org/ciob_perspectives: an_analysis_on_migration_in_the_construction_sector.pdf

- 1. Access to the remaining EU** - That the government seeks to ensure as full as possible access to the EU single market on the best possible terms.
- 2. International Trade** – That the government does everything possible to quickly secure new trade deals with countries outside the EU as well as with the EU with a particular focus on the services our industry provides.
- 3. Access to skilled labour from the remaining EU** - That the government ensure that EU nationals currently working in the industry, including at BSRIA itself, are given immediate formal assurances that they and their families will be free to continue to live and work in the UK. Further, that the government ensures a system is put in place that enables UK companies in this sector to continue to access the highly skilled labour they need in the future from the remaining EU and the worldwide market.
- 4. Research Funding** - That the government give an assurance that any short fall in research funds resulting from the UK no longer qualifying for EU research funds post Brexit will be made up from UK sources.
- 5. Standards and Regulation** - That the government works to ensure as much stability and comparability on regulation and standards as possible post Brexit. BSRIA stands by to assist the UK government in any review of how standards and regulations affect this vital industry. BSRIA member organisations are strongly of the view that the government should provide clarity by stating a minimum period of time during which there will be no variation of existing standards and regulations.
- 6. Skills Funding** – That the government takes the opportunity provided by Brexit to further invest in and promote the education and skills that the industry needs, by continuing to support apprenticeships, and increasing access to higher, and most particularly further and vocational education.

In Summary The health of this industry has a major impact on the overall UK economy and plays a positive role in supporting the government’s climate change and emissions reduction objectives.

Julia Evans
Chief Executive
8 February 2017

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1 INTRODUCTION

BSRIA represents and serves the industry supporting the Built Environment. That industry supplies the goods and services that make buildings work for people and businesses including, amongst others, services relating to heating, lighting, ventilation, and energy management.

Without this industry, buildings would be mere shells of walls, floors, and roofs. The industry supporting the built environment makes houses the warm, safe, efficient, and comfortable homes people want them to be. And it ensures that our offices and commercial premises are places in which people can do business. The industry makes buildings better. It makes them work for people and has a direct effect on productivity and has a beneficial link to health and well-being.

Buildings have become ever more sophisticated as technology has developed. As a result, the industry supporting the Built Environment has become an ever more important and distinct industry. It has issues that are different from those affecting the general construction industry that builds the shells of the buildings. Government and other agencies produce statistics which in most cases do not separate out the figures relating to the broader Built Environment. Therefore, for the purposes of this report, it has been necessary to estimate relevant statistics relating to the Built Environment from the overall construction figures.

BSRIA represents and serves an industry worth some £30.1 billion. To put this in context, BSRIA represents an industry that makes a bigger contribution to the UK economy than the food and drink manufacturing industry.

BSRIA represents an industry that is estimated to employ approximately 562,000 people, some 3 times the number directly employed in UK car manufacturing.

The health of this industry has a major impact on the overall UK economy and plays a positive role in supporting the government's climate change and emissions reduction objectives.

In addition, the BSRIA organisation plays a leading role in:

1. The development of a range of national, European and international standards and regulations
2. Assisting organisations on compliance and industry best practice by testing products and finished installations.
3. Research and innovation into building related technology

The size and economic importance of the sector it represents dictates that Brexit is of great interest to BSRIA. As a result, BSRIA has undertaken an extensive programme of member and customer engagement on the issues arising from the Brexit decision.

This paper encapsulates the outcomes of that engagement exercise. BSRIA intends to embark on a programme of government and parliamentary engagement to ensure that the industry's voice is heard throughout the negotiation process with the remaining EU. As this paper sets out, there are several issues that are of grave concern to our industry. Without satisfactory resolution, these could have a large negative impact on the industry and the 562,000 people employed within it. Likewise, the EU negotiation and the UK's new role in the world represent a real opportunity to strengthen and grow this vital industry with opportunities for greater international trade, better focussed regulation and developing a stronger indigenous UK skills base.

2 THE ROLE OF BSRIA

BSRIA is a member organisation representing some 750 corporate bodies that are active in the manufacture, supply, installation, operation, testing of and research into the multitude of services that are installed in buildings to make them fit for purpose.

BSRIA is the voice of the Built Environment industry to government and other stakeholders and a centre of thought leadership and innovation.

BSRIA provides a range of technical support and consultancy functions to over 5,000 companies across the industry.

The organisation is headquartered in the UK, but in addition to its operations in the UK has offices in the USA, China and France. BSRIA acts as a central source of information and guidance on a wide range of standards and compliance matters. It employs over 200 staff.

BSRIA houses the largest collection of documentation relating to standards, regulations, compliance and best practise in the EU. This unique resource underpins its role as a centre of thought leadership and plays a role in a wide range of our support services to the industry. BSRIA receives over 4,400 library access requests each year alone in addition to the numerous queries handled by our in-house experts.

It offers a wide range of services across four main areas:

- a. Consultancy services aimed at improving buildings in a wide range of areas including ventilation and energy efficiency. It has undertaken an enormous number and range of projects. One of the many projects concerned the design and testing on a cubicle to house patients with extremely infectious diseases such as Ebola in such a way as to protect the clinicians treating them and extensive work on Legionnaires' disease.
- b. The provision of a wide range of professional training for the industry.
- c. Testing and compliance services against many relevant national and international standards and regulations. BSRIA also supplies over 3,500 product lines of testing and associated equipment.
- d. Research services and associated consultancy services on an international basis. BSRIA has carried out such projects in many countries including the USA, Brazil, the UK, France, China and Spain.

3 PRIORITIES FOR BUILDING SERVICES INDUSTRY

This section gives more detail on the ‘priority issues’ identified during the member and industry engagement exercise:

3.1 ACCESS TO THE REMAINING EU

That the government seeks to ensure as full as possible access to the single market post Brexit on the best possible terms. This is for two main reasons. First, there was a clear and strong view from BSRIA members that such access would be required for the general wellbeing of the UK economy on which the specific sectors associated with BSRIA depend. And second, that with over £2.8bn of goods being imported into the UK in this industry, any impediment to trade, either tariff or non-tariff, will have a considerable impact. Specifically, the imposition of tariffs would have a clear and measurable negative financial impact on the industry. For example, if the UK were forced into a situation that incurred an import tariff, equivalent to the Common External Tariff applied to many goods in this sector from outside the EU (currently 2.7%)², this would on its own amount to an extra cost to the industry of some £74.5m in tariffs and the potential for the additional administrative burdens to add further costs of up to £56m³. This total bill of £130m would come on top on the additional cost that has occurred because of the recent depreciation of sterling.

3.2 INTERNATIONAL TRADE

That the government seeks to maximise the opportunity for UK organisations involved in this industry to exploit trading opportunities with other non-EU countries as part of the overall drive to forge new trading relationships. The UK is a leading centre of excellence across a range of related disciplines. Currently, £2bn of the £4.6bn of goods associated with this industry are manufactured in the UK with exports in this sector standing at roughly £150m per annum. Brexit provides an opportunity for this sector to expand within the UK and boost exports from what is currently a low base.

3.3 ACCESS TO SKILLED LABOUR FROM THE REMAINING EU

That the government ensure that EU nationals currently working in the industry are given immediate formal assurances that they and their families will be free to continue to live and work in the UK. Further, that any new controls on immigration are designed to provide for continued access to skilled labour from the remaining EU post Brexit. BSRIA estimates put the percentage of foreign nationals working in the building services industry at around 10%, which compares closely to the level in the overall UK construction industry which is over 10%. The CITB estimate that over the coming 5 years, the construction industry will require an additional 157,000 new employees⁴, of which we estimate 41,500 will be required in the industry represented by BSRIA. This would imply a possible shortfall of over 4,000 workers if the supply of skilled foreign workers were restricted.

On a separate matter, non-UK EU nationals make up 10% of the BSRIA workforce and provide skills, experience and links to other EU institutions that are invaluable. Should the ability to retain and recruit non-UK staff of similar experience and expertise be removed it would have a severe effect on BSRIA itself and the industry more widely in the UK.

It is imperative that clarity is provided around the status of those non-UK EU nationals currently working in the UK, those considering relocating here and those people who may not yet be planning to work in the UK but may wish to do so in the future. Non-UK EU nationals are often highly skilled, highly motivated individuals who make a large and positive to our industry and the wider economy.

² WTO Tariff Download Facility - <http://tariffdata.wto.org/default.aspx>

³ HMT – Estimate 2% transaction costs in addition to tariff - https://www.gov.uk/eumembership_trade.pdf

⁴ Page 2, CITB Industry Insights October 2016 <http://www.citb.co.uk/industryinsightspdf>

3.4 RESEARCH

That the government understands that the UK Built Environment industry both creates and is dependent on technology and innovation which requires a healthy and growing level of R&D funding. In addition, that the government understands that increased R&D funding will help the UK Built Environment industry to compete more successfully both in the UK and in existing and new overseas markets.

Currently, £19.4bn is invested in R&D across the economy with some £1.633bn⁵ or 8% invested per annum in activities most closely linked to our industry. In general terms, net funding from the EU to UK R&D equates to well over £300m⁶ per year of the total R&D spend in the UK. This implies that there could be a potential shortfall of £25m R&D funds in technologies most relevant to our industry as a result of Brexit. This is a relatively small amount and there are many arguments for increasing this level of investment, but small as it is it contributes essential 'seed corn' funding for projects which might never otherwise see the light of day.

There have already been reports of organisations being given the impression that they may have been ruled out of consideration to be partners in EU related researched projects due to the perception of uncertainty around Brexit and talented staff either turning down UK based jobs or making plans to leave the UK.

Therefore, the government should:

- a. Do all it can to ensure continued access to EU funding in the run up to Brexit with particular regard to ensuring that UK organisations are not discriminated against in this period. And take account of the fact that research projects agreed in this transitional period may have a timescale that extends beyond the eventual Brexit date which may require additional government support and reassurance.
- b. Strive to maintain strong working relationships with the remaining EU to maximise the potential for continued collaborative working. Give an assurance that, if their efforts relating to point are frustrated, any shortfall in research funds resulting from the UK no longer qualifying for EU research funds post Brexit will be made up from UK sources.
- c. That the amalgamation of the research councils and Innovate UK lead to strengthening and not a skimping on the growth of research and innovation by the UK government.
- d. Takes collaborative approaches with the UK industry to seek to increase the overall R&D spend in the sector.

The Built Environment industry is technology intensive. As such, it relies on a healthy level of R&D into new technologies.

3.5 STANDARDS AND REGULATION

That the government works to ensure as much stability and comparability on regulation and standards as possible post Brexit. BSRIA stands by to assist the UK government in any review of how standards and regulations relevant to our vital industry.

At present standards for the Built Environment industry are set at national level by the British Standards Institute, and at a European level by CEN (the European Committee for Standardisation) and CENELEC (European Committee for Electro technical Standardisation). The international counterpart is ISO (the International Organization for Standardisation).

The new relationship with the remaining EU will potentially have an impact on standards and UK involvement in how they are developed at European level. Currently, the UK enjoys a full

⁵ ONS, Architectural and engineering activities:

<http://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/researchanddevelopmentexpenditure/bulletins/businessenterpriseresearchanddevelopment/2015>

⁶ Lords Science & Technology Select Committee, EU membership and UK science, 20th April 2016, net benefit of €3.4bn over FP7 from 2007-2013

participatory role on the major European standards bodies. However, part of the work of these bodies is to develop certain standards at the request of the EU Commission. If the UK's new arrangement means that the UK is no longer 'close' to the EU (for instance by not entering an EEA or EFTA style arrangement), there is a considerable risk that the UK's role on CEN and CENELEC may be affected. There is also the wider risk of UK and EU standards diverging. Such divergence could result in extra costs to manufacturers who would have to supply products to different standards.

The government has announced that it will introduce a Great Repeal Bill that will take all EU regulations and law and put them into UK law so that there is no 'hole' in the law once we leave the EU. It will then be up to successive UK governments to amend and change laws where they see fit.

Against this background, BSRIA calls on the government to ensure the following points relating to standards and regulations are considered in the Brexit negotiations:

- a. That the government works to ensure as much stability and comparability on regulation and standards as possible post Brexit.
- b. That BSRIA expertise is harnessed in any review of standards and regulations for the Built environment industry
- c. That BSRIA is consulted on, and involved with, the development of any new standards that may be required.

3.6 SKILLS FUNDING

That the government takes the opportunity provided by Brexit to further invest in and promote the education and skills that the industry needs, by continuing to support apprenticeships and increasing access to higher and in particular further education. For too long the further education sector has been underfunded with often inappropriate expectations placed upon it. Brexit offers the UK an opportunity to take on the skills crisis head on, by investing in world class vocational education.

As indicated in point 3 above the Built Environment industry is likely to require 41,500 additional employees over the next 5-year period. Any additional restrictions on the movement of skilled labour from the EU will make the recruitment and development of these new employees more challenging. BSRIA and the wider industry welcome recent steps by the government to fund an expansion in apprenticeships and to lift the cap on higher education places. These policies must be delivered and expanded upon where necessary to ensure that the building services industry has the skilled workforce it requires going forward. Without an ongoing commitment to support and expand apprenticeships and the wider FE and HE sector the industry will struggle to deliver and make the most of the opportunities that exiting the EU represents.

Whilst the actions of employers are paramount in investment in the workforce both current and future the latest trend to to accuse employers of laziness during the UK's membership of the EU is to limit the conversation to their failings, if there be failings, rather than to their strengths. The employers surveyed in this report are strongly wedded to the training and development of staff; why wouldn't they be? This is the means by which they invest in their businesses and in their future success. Departure from the EU affects their intentions not one jot but it does influence the means by which these are achieved and it is to these ends that the proposals made here are directed.

4 CONCLUSION

The thoughts of the members surveyed for this report are clear. There is grave concern about the future post departure from the EU. Never the less they are resilient and adaptive and are looking for the government to support them in the uncertain days ahead by providing clarity and direction. The transitional period will undoubtedly be challenging and from time to time difficult however there is a sense of purpose around the subjects which affect this sector of the economy and they deserve and indeed demand attention.

Julia Evans
Chief Executive
8 February 2017