

press release

29 November 2011

FOR IMMEDIATE RELEASE

NFB: Government backs the construction industry – now banks should do the same

The government has set out its plan for growth and has given its backing to the construction industry to lead Britain out of recession. It is also keen to trumpet its support for SMEs by guaranteeing up to £20 billion of bank loans to small businesses over the next two years. The National Federation of Builders (NFB) is pointing out that for this to work banks must be encouraged to back the industry as well.

The chancellor's statement today drew together a number of initiatives designed to free up the construction sector to act as the catalyst for growth, including:

- A promised £30 billion of additional infrastructure spending
- The £400 million Get Britain Building fund to ensure funding for projects which have been shelved due to financing issues.
- A mortgage indemnity scheme to reduce the barriers for first time buyers.
- A reinvigorated Right-to-Buy with the promise of one-for-one replacement with affordable homes.

Julia Evans, chief executive of the NFB, said: "There is a lot to welcome here. We welcome the shifting of £6.3 billion of investment into infrastructure away from current spending. The NFB has been calling for capital investment to be prioritised ever since the coalition government took power. We welcome the promise of £20 billion of pension fund finance for key infrastructure projects. The major trade federations have been calling for new models of financing infrastructure spending. And we welcome the mortgage guarantee scheme. We have been pointing out for some time that the housing sector can never recover while so many first time buyers are locked out of the market.

"After a long period in which the industry appeared to be talking a foreign language which the government could not understand, they do appear to be finally listening."

She continued: "As most of our members and most of the construction sector are small and medium-sized businesses, we of course welcome the announcement of a National Loan Guarantee scheme to back up to £20 billion of bank loans to small business as well.

"The real question is whether this facility will simply enable SMEs already at the front of the queue to get cheaper loans (welcome as this is), or whether it will also support otherwise perfectly viable SMEs in sectors like construction, deemed toxic by the banks. Lending to the construction sector remains depressed and construction SMEs find themselves at the back even of the SME queue.

"We won't prejudge this until we see the details, but it amounts to a significant admission of failure on the government's part. The reality is that this government has already introduced mechanisms such as Project Merlin and the Enterprise Finance Guarantee scheme, designed to encourage the banks to lend to viable businesses. These, and other existing schemes, should have met the needs of businesses had the banks delivered on them, but they failed."

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“If our economy depends on a healthy construction sector, as the government appears to have realised it does, then it needs to find a way of getting that message through to the banks.”

Roger Humber, strategic policy adviser to the House Builders Association, a division of the NFB said: “The chancellor has made it clear that he is pinning hopes for economic recovery on the housebuilding industry. He also commented today that our manufacturing sector could not succeed if it was burdened by endless social and environmental goals. This exactly describes the future of the housebuilding industry – the very industry on which he has pinned so many hopes for economic recovery - unless he reduces its costs.

“In next year’s Budget, the chancellor must start to deliver on the government’s pledges to reduce the regulatory burden on the housebuilding industry, not now just for the sake of the industry, but for the very survival of his own jobs and growth strategy.”

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Word count: 646

Notes to Editor:

1. The NFB is one of the UK’s longest established trade federations for small to medium-sized (SME) builders, contractors and house builders across England and Wales. It was created 150 years ago to represent the building profession and to help create the conditions for its members to thrive and contribute to the economic success of the UK. Its members range from the sole trader to large, multi-million pound construction companies, with turnover ranging from below £500k to £500m plus. The NFB provides advice, training and business solutions to ensure members stay up to date.
2. The NFB campaigns on the issues that impact the construction industry such as procurement, utilities, sustainability and funding. It represents the industry at government and industry forums and is an active media commentator and policy influencer.
3. For further information please contact the NFB press office on 01293 586664 or email marketing@builders.org.uk