



**British Printing Industries Federation (BPIF)
and British Office Supplies & Services Federation (BOSS)**

Representation to the 2020 Comprehensive Spending Review – September 2020

Introduction

Print and printed packaging

The UK printing and printed packaging industry hit a record low in the second quarter of 2020. Both output and orders recorded their worst ever balances.

The standout issue preventing full recovery from the Covid-19 enforced slowdown is simply insufficient demand levels. The BPIF's most recent printing industry survey showed that a 'lack of demand' was by far the most significant operational challenge facing the industry. To combat this, members would like to see an extension to the Job Retention Scheme (43%) and an extension to business rates relief (33%). However, some members told us that they did not feel the Government should introduce any additional measures.

Expectations for Q3 2020 reveal some improvement is expected – but it is certainly not a dramatic return to pre-Covid-19 normality.

Office supplies and services

Recent data from BOSS shows that sales in June 2020 were approx. £116.6 million - 17.9% down on June 2019. The general trend has been that sales levels via online channels have benefited greatly from the Covid-19 disruption, however sales via wholesalers, contract stationers and dealers, high street retail and supermarkets suffered greatly in Q2 but have been showing in improvement in Q3.

Preliminary results of a currently live survey show that the top three priorities for national investment, for those in this industry, are jobs (64%), education and skills (62%) and infrastructure (61%). It was felt that the Government measures which would be most helpful in the recovery are an extension to the Job Retention Scheme, additional grant funding and an extension to business rates relief.

We have organised our submission on the basis of the Government priorities set out in the advice on representations. We have focused only on the priorities most relevant to our industries – 1, 2 and 4.

Priority 1: Strengthening the UK's economic recovery from COVID-19 by prioritising jobs and skills.

Skills – general

Skills will be a key priority for business and Government to work towards in order to level up.

The BPIF and BOSS agree with the Association of Employment and Learning Providers, of which we are a member, that key elements to consider are:

- 1) A sector-by-sector approach and employer need during this challenging time, along with generic support for new entrants to the market.
- 2) Some sectors will be losing significant numbers of staff at different levels of competency, ability and experience.
- 3) Some sectors will be needing to recruit staff at different levels of competency, ability and experience. Indeed, those with traditional staff shortages during the period of high employment may now find they are able to recruit.
- 4) Some sectors will be looking to widen the skills and competency of existing staff – especially where there is a shrinkage of the workforce and individuals are taking on a wider range of responsibilities.
- 5) Some sectors will be looking to transform themselves, either through lessons learnt during the Covid-19 crisis or Covid-19 necessitating changes in working practices.
- 6) Some skills will be in higher demand across all sectors – for example, a range of digital skills as sectors have been forced to recognise/embrace technological change during the crisis which becomes the norm.
- 7) The availability of opportunity will also be driven by regional requirements – a live data set will be necessary to help identify which opportunities are available where and when – a combination of sector-driven intelligence and on the ground opportunities from Jobcentre Plus and other sources.

We further believe *Government action on the recruitment of young employees into print, and manufacturing more widely, is essential to maintain productivity in the future. Key steps would be:*

- *Allowing apprentices to specialise in a single aspect of the print process – this will ensure that print apprenticeships continue to be appealing.*
- *Providing increased skills funding to enable print companies to adapt to change.*
- *Investigate the impact of amending current age discrimination legislation to allow companies to retire employees in circumstances where this would increase the recruitment of apprentices*
- *Maintaining simple and straightforward access to future EU workers, in addition to those who are already in the UK and eligible for the Settlement Scheme. Print needs flexible workforces with specialist skills in STEM, and in design. Many of our members rely on EU workers as part of their teams, across all skills levels.*
- *Promoting print and manufacturing to young people as a worthwhile and satisfying career option.*

Skills – leadership and management

Printing is an industry predominantly comprised of smaller companies, which lack the internal resources needed to support a structured management development programme. There may be a lack of certainty over what the benefits of this would be, while the costs are known and certain.

Additionally, there is a lack of accessible funding available for external training courses aimed at SME managers and this has a detrimental impact on management capability in UK print.

With these obstacles to adoption in mind, the *Government should consider how it can best help create and support effective networks through which developing managers can meet to exchange ideas, best practice and experience.* Trade associations are well placed to provide a platform for doing this and the *Government should consider how it can support trade bodies to provide practical and sensible management programmes which work for the industry.*

For example, both Federations offer Level 3 and Level 5 management apprenticeships which can currently be funded via the Apprenticeship Levy for large companies, or through Government investment (at 90% of the cost) for smaller businesses which do not pay the Levy. However, a key issue for many employers with the apprenticeship route is with the new funding rules, which requires that the apprenticeship should be wholly completed during contracted working hours and that at least 20% of the training must be 'off-the-job' (non-productive work) training. This is inappropriate for Senior Managers (for example, including company owners) who wish to improve their management skills while running their business and remaining 'on-the-job' full time. Prior to the introduction of the new funding rules, the BPIF found that Senior Managers had no objection to undertaking assignments and research ('off-the-job' elements) in their personal time.

The Government should reconsider the funding rule which requires that an apprenticeship should be wholly completed during contracted hours and that at least 20% of the training must be “off the job.”

Priority 2: Levelling up economic opportunity across all nations and regions of the country by investing in infrastructure, innovation and people – thus closing the gap with our competitors by spreading opportunity, maximising productivity and improving the value add of each hour worked.

Investment costs

The ability of a business to invest (i.e. strong balance sheets as well as a generally stable business environment) ensures that businesses can plan for the future and make sensible judgements with respect to risk. Investment in equipment, people or marketing is a key driver in productivity and growth.

For many print businesses across the UK, plant and machinery requirements will include expensive lithograph, digital and large format printers, finishers and folders as well as state-of-the-art pre-press equipment. Enhancements needed to support this machinery can increase the premises' rateable value for business rates purposes, so taxing them is a clear brake on investment and expansion.

What Government should do: Plant and machinery should no longer be included in site rateable value assessments, calculated for business rates purposes.

Access to finance

Access to finance is crucial for SMEs, enabling investment and ensuring the business is confident that liabilities can be managed. Access to finance on realistic terms remains difficult for print businesses. Tight credit conditions, high levels of late payment and increased bad debt have been accompanied by a reduction in bank lending to small firms.

Where finance has been available the cost of lending has often proved to be unacceptably high. In addition, small businesses are often unaware of business support funding available from Government or find it difficult to access. At time of writing, this is also the case for the COVID-specific support loans, with the Coronavirus Business Interruption Loan Scheme approval rate below 50%. While the Bounceback Loan Scheme has seen more use, the OBR estimates as many as 40 % of the companies who have taken these loans will not be able to pay them back.

For this reason, the Government should consider the proposal by City UK to allow establish a new body which would be able to convert coronavirus-related loans into new finance instruments, giving companies more time to repay the money.

Access to EU markets

In the wake of Brexit, it is vital that our members are still able to access the single market. In regulatory terms, this access depends very much on regulatory harmonisation, as member companies have made it clear that the only way to be able to keep trading with the EU and access the single market would be through maintaining EU regulations currently complied with. This is important to members' supply chains, as manufacturers of inks will import raw materials from the EU, as well as importing parts for printers' machines and, particularly in the case of office supplies, finished products. Without this access, members might not have access to the latest machinery or other equipment because of the lack of regulatory harmonisation, increasing costs and bureaucracy - ultimately impacting on a company's ability to grow.

With 90% of UK printers importing supplies from the EU, the impact of unfavourable exchange rates and rising cost of supplies – not least of paper - has already hit our members hard. 67% of our members have seen rising consumable input costs. Germany, France, Finland and Sweden are key countries our members rely on to supply materials and equipment needed to run the business.

Although 62% of UK printers export to Europe, it is often indirectly – in other words, it is their customers doing the exporting and benefitting from the currently weak pound. It is imperative then, that UK printers can keep their access to export markets without coming up against steep tariff barriers.

What Government should do: retain the ease of UK-EU trade and developing a clear strategy for international trade and economic agreements, avoiding at all costs a no-deal end of the Transition Period.

Late payment

Late payment is always a blow to the cash flow of any business, particularly to SMEs. Restricted cashflow can be a significant obstacle to growing a business and late payments have risen during the COVID-19 crisis. Over a third of our members are worried about late payment, with this figure reaching half of members earlier in the Covid-19 crisis (more than double the figure at the end of 2019).

The impact, of course, is a slowing down of cashflow through the supply chain, poor liquidity and disruption to business continuity.

What Government should do: it is time that the Government took legislative action to actively change the UK's poor payment culture.

Working with local business networks

Government must work with business to strengthen local business networks and ecosystems. In our experience, trade bodies which are established, active and respected in their industries are best placed to be able to act as an ecosystem for small businesses.

1500 companies are members of the BPIF and the British Office Supplies and Services Federation, and our regular membership communications, including a quarterly magazine, comprehensive website and member networking opportunities ensure that our members are well informed about what help is available.

The previous industry forums, in the form of pump priming investment, were essential to the printing industry. This enabled trade associations to offer consultancy and training that had its heritage in the motor industry but had been given a sector-specific flavour. The former Department for Trade and Industry scheme in which managers were supported to visit other manufacturing companies from across sectors, worked well.

Government should consider how it can better support trade bodies to carry out this role and how businesses, especially SMEs, can be encouraged to join their industry's trade associations and networks. We would welcome a Government-supported scheme that is similar to those run in past years, assisting us to overcome the inertia we sometimes see that prevents companies engaging in these types of processes.

Priority 4: Making the UK a scientific superpower, including leading in the development of technologies that will support the Government's ambition to reach net zero carbon emissions by 2050.

Research and development

The Government has made significant steps to ensure that industries are rewarded for their innovation, but more could be done to ensure that the R&D Tax Relief scheme encourages businesses to try new and innovative ways of production.

The BPIF agrees with the Government that Research and Development (R&D) is crucial for the long-run growth of economies and welcomes the Government's commitment in the 2016 Autumn Statement to make the UK an even more competitive place to do R&D, building on the introduction of the 'above the line' R&D tax credit (and supported via the establishing of a National Productivity Investment Fund to provide an addition £4.7bn R&D funding by 2010-21).

In the experience of our members who have used it, the R&D tax relief scheme is working efficiently, with businesses able to collate the information required and with HMRC quickly processing claims.

Our concerns with regard to the scheme relate to its reach and ensuring it is being used to an extent which sees the industry not only rewarded for its innovation, but which encourages innovation. Further businesses will have used similar specialists or their regular accountants to claim, which we are unable to quantify. However, while we are unable to quantify the extent to which tax relief is being taken up, it's our view that it is extremely likely that take-up is significantly lower than it could be. This is because, while the printing industry is constantly evolving its products and processes to meet customer demands, it is unaware that the work it is doing constitutes R&D.

Of course, we recognise that there is a role for the BPIF in promoting the scheme to our members and we intend to increase our efforts in this area. However, we recommend that HMRC could take two steps which would increase understanding of the scheme and particularly, of what work might be eligible:

- i. HMRC's communications to businesses regarding R&D tax relief, particularly those on the HMRC website, could be enhanced to better engage with key industries, including printing. Specific guidance, and case studies of printing businesses who have benefitted, would make clearer to printing businesses the type of work that constitutes R&D. The BPIF would of course be delighted to assist in providing case studies and shaping guidelines.
- ii. R&D tax relief only applies to revenue expenditure - generally, costs incurred in the day-to-day running of the business, not to money spent on capital assets. The printing industry is capital intensive, often investing profits into plant and machinery assets which generally fall outside of eligibility for R&D tax relief. We

would like to see HMRC make it easier for businesses to claim enhanced capital allowances on their investment into machinery. Again, we would be very happy to discuss how this might be achieved.

While the print industry is constantly evolving its products and processes to meet customer demands, it is often unaware that the work it is doing constitutes R&D.

What Government should do:

- *HMRC's communications to businesses regarding R&D tax relief, particularly those on the HMRC website, could be enhanced by case studies and industry-specific guidance, to better engage with key industries including printing.*
- *R&D tax relief only applies to revenue expenditure - costs incurred in the day-to-day running of the business - not to money spent on capital assets. The printing industry is capital intensive, often investing profits into plant and machinery assets which generally fall outside of eligibility for R&D tax relief. We would like to see HMRC make it easier for businesses to claim enhanced capital allowances on their investment into machinery.*

Industry Climate Change Agreements

The Climate Change Agreements have been a success for the printing industry. In the most recent completed Target Period (January 2017 to 31 December 2018) the sector improved its energy efficiency by 18.25% against a target of 7% and achieved an average overall sector improvement of 15.81%.

However, continuing to reach energy efficiency targets may be challenging for many firms as a result of the Covid-19 pandemic and increasing buy-out costs and financial penalties could threaten many firms' commitment to the scheme.

What Government should do:

- *Maintain robust targets but resist increasing the buy-out rate*
- *Continue to allow for surpluses to be brought forward*
- *Impose fines for non-compliance, but not for simple data corrections*
- *Extend eligibility for the scheme to more sectors*
- *Incentivise greater investment in energy efficiency measures and avoid penalising early adopters*
- *Simplify any future scheme and include new technologies when setting long-term targets.*

The British Printing Industries Federation (BPIF)

The BPIF is the principal business support organisation representing the UK print, printed packaging and graphic communication industry. It is one of the country's leading trade associations.

Our members are approximately 1500 companies operating in the £13.5bn UK printing industry. We provide the highest standard of support for printers to grow and develop healthy, sustainable and profitable businesses, aiming to provide an environment geared towards their businesses success.

British Office Supplies and Services Federation (BOSS)

BOSS is the voice and representative body of the UK's Business Supplies industry and supports a range of members in a dynamic and expanding sector valued at over £10 billion. BOSS is a long standing not-for-profit organisation with a leading and strategic role in the support, promotion and development of the office products and business supplies industry.

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