



4<sup>th</sup> May 2011

## **Briefing: Small Businesses and the Green Deal**

**This is a joint briefing from the Federation of Small Businesses (FSB) and the Federation of Master Builders (FMB) intended to inform the Second Reading debate on the Energy Bill in the House of Commons on Tuesday 10<sup>th</sup> May.**

The FSB is the UK's largest campaigning pressure group promoting and protecting the interests of the self-employed and owners of small firms. Formed in 1974, it now has 205,000 members across 33 regions and 194 branches.

The FMB is the largest employers' body for small and medium sized (SME) firms in the construction industry, and with around 10,500 members is the recognised voice of small and medium sized builders.

### **Small construction businesses are still in the grip of recession.**

Construction is an industry dominated by small and medium sized businesses, with 99% of firms employing fewer than 60 people and 93% fewer than fourteen.

The effects of the slowdown have been felt far and wide. In the construction industry the recession has resulted in the loss of 159,000 direct employees, and over 300,000 workforce jobs since the third quarter of 2008.

Despite weak overall growth in the economy in the first three months of 2011 construction activity fell by 4.7 per cent, the sharpest decline in construction activity since the first quarter of 2009.

According to the FMB's independent State of Trade Survey small and medium sized construction firms have had to cope with falling workloads for thirteen consecutive quarters.

### **Both organisations strongly support the intentions of the Green Deal, but we need your help to ensure that the potential benefits of the scheme are not lost.**

The Minister of State for Energy and Climate Change, Gregory Barker MP, has said he would like to see 14 million homes transformed under the Green Deal by 2020. This is a monumental task, which would require work to be completed at the rate of 1.5 million homes per annum which equates to almost 30,000 homes per week, or put another way nearly 4,274 homes every day.

This formidable task is deliverable, but not without the involvement of the many thousands of small contractors who are at risk of being excluded from the delivery of the Green Deal under current proposals.

The problem is that there is no finance mechanism which allows businesses that are not tied to major Green Deal providers to offer an alternative service. This will allow the energy companies, major retailers, banks and other likely Green Deal providers to dominate the market at the expense of those the scheme is intended to help by reducing the choice of providers available to consumers.

There are 192,136 private contractors in the construction industry who employ fewer than 60 people. These businesses are in contact with homeowners and landlords on a daily basis, and where work is already being done to a property it would be extremely unwise to miss the opportunity to make the Green Deal available as well.

Small contractors working locally are the obvious choice for homeowners and landlords looking to make energy efficiency improvements to their property. Local firms provide a personalised service, procure goods and services from other local businesses, create local jobs and provide training opportunities for young people through apprenticeship places.

Therefore, during the second reading debate of the Energy Bill in the House of Commons we would like you to ask the Government to:

- **Urgently consider how the Green Deal can be made accessible to smaller companies** in order for low carbon skills and knowledge to trickle down through the economy. It is essential that the Green Deal market is open to all businesses whether big or small so that consumers, the economy and the environment can reap the benefits. Therefore, we believe a mechanism needs to be found that allows small firms to access Green Deal finance in order to access the market as Green Deal providers. Government needs to facilitate the forming of relationships between small Green Deal installers and Green Deal finance providers. This could either be done individually or as small firms acting as a consortium. Alternatively, consideration should be given to the creation of an independent third party body that would handle the financial arrangements and act as a conduit between Green Deal recipient and the Green Deal installer, thus allowing small business to have direct access to the Green Deal market.

### **The Warm Homes Amendment**

The Green Deal primarily seeks to lower carbon emissions by increasing the energy efficiency of the UK's existing building stock, and nothing short of an ambitious programme of energy efficiency retrofits is needed for the UK to meet its legally binding carbon targets.

Therefore, we believe the Energy Bill should be explicit about the principle purpose of the Green Deal and that the Green Deal should be placed clearly within the context of existing climate change legislation, including the Government's overarching strategy for meeting the targets in the Climate Change Act.

Currently small and medium sized building firms remain unconvinced that they will see an increase in their workloads as a result of the Green Deal. In fact, independent research commissioned by the FMB indicates that this is a very real concern among small construction businesses themselves. Nearly half of the small building firms surveyed are worried that they will be squeezed out of the Green Deal market by larger competitors, and 58% feel it is either very unlikely or unlikely that small and medium sized building companies would see their workloads increase as a result of the Green Deal.

The absence of a clear purpose and direction for the Green Deal means businesses lack the confidence to prepare and invest in developing the capacity and skills required even though the Government is relying on businesses to deliver the Green Deal.

Therefore, during the second reading debate of the Energy Bill in the House of Commons we would also like you to ask the Government to:

- **Improve the Energy Bill by supporting the Warm Homes Amendment, and help provide more certainty for the businesses expected to deliver the Green Deal.** The Warm Homes Amendment would clearly define the purpose of the Green Deal and require the Government to report back to Parliament on Green Deal activity and energy efficiency progress on an annual basis. This will provide a clear direction for businesses and help to drive the take up of low carbon skills across the construction sector.

**Without a clear delivery plan, that includes small businesses, the Government risks undermining the Green Deal even before it is launched in 2012.**

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