



DEBATE PACK

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Debate Pack: Government support for the ceramics industry

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Summary

This pack has been prepared ahead of the debate on **Government support for the ceramics industry** to take place in Westminster Hall on 8 March 2016. The subject for the debate has been chosen by Tristram Hunt MP.

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The House of Commons Library prepares a briefing in hard copy and/or online for most non-legislative debates in the Chamber and Westminster Hall other than half-hour debates. Debate Packs are produced quickly after the announcement of parliamentary business. They are intended to provide a summary or overview of the issue being debated and identify relevant briefings and useful documents, including press and parliamentary material. More detailed briefing can be prepared for Members on request to the Library.

1. Statistical summary of the UK ceramics industry¹

The ceramics industry in the UK is small, employing around 8,000 people down from 9,000 in 2009.

The industry contributed £550 million to economic output in 2014, up since 2012, but down slightly compared with output in 2009.

The number of businesses has fallen more significantly since 2009. There are currently 350 ceramic manufacturing businesses in the UK, down from 470 in 2009.

UK ceramics industry

	2014	Since 2009	
		% change	Trend
Economic contribution*	£550 million	-4%	
Employees	8,100	-11%	
Businesses	350	-26%	

Sources: ONS, *Annual Business Survey*, 2015

ONS, *Business register and employment survey*, 2015

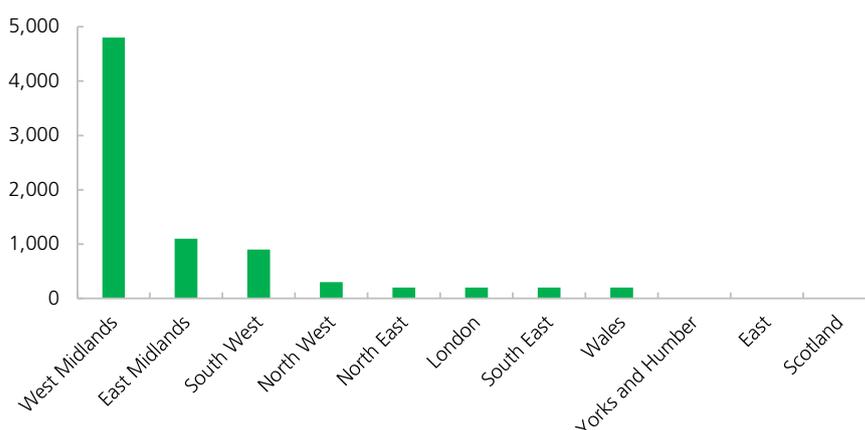
ONS, *GDP deflator*, January 2016

SIC codes: 23.31; 23.4

*Economic contribution change is in real terms and Gross Value Added (GVA)

The ceramics industry is concentrated in the West Midlands, which includes Staffordshire and the Potteries.

Employees in the ceramics industry by region 2014



The ceramics industry employs 4,800 people in the West Midlands, more than double the number of people employed in all the other UK regions combined.

The largest sub-sector in the ceramic industry is the manufacture of ornamental and household ceramics, which employs 5,000 people,

¹ Ceramics industry defined as the manufacture of ceramic tiles, porcelain, ornaments, sanitary fixtures, insulators and other ceramic products.

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focused in the West Midlands. This is roughly the same number as in 2009.

2. News items

Fired up about ceramic projects; Boss hails innovation giving Potteries firm a new lease of life

The Sunday Telegraph

17 January 2016

<https://www.lexisnexis.com/clients/housesofparliament/?lni=5HW4-6NN1-DY9P-N46M&csi=242773,5859&oc=00240&perma=true>

Why we love The Great Pottery Throw Down

The Daily Telegraph

8 December 2015

<https://www.lexisnexis.com/clients/housesofparliament/?lni=5HJM-NFY1-F021-6392&csi=242773,5859&oc=00240&perma=true>

The revival of the UK's ceramic industry

Positive News

6 October 2015

<https://www.positive.news/2015/lifestyle/arts/18593/revival-uks-ceramic-industry/>

UK manufacturer survey shows first-quarter rise in export orders

Financial Times

18 May 2015

<https://next.ft.com/content/8ec93738-fb1f-11e4-9fe6-00144feab7de>

How Middleport, one of the UK's oldest china factories, was saved

Financial Times

28 June 2014

<https://next.ft.com/content/89139ac6-f702-11e3-8ed6-00144feabdc0>

Is it fair to ask energy-intensive industries to reduce consumption?

The Guardian

27 June 2014

<http://www.theguardian.com/big-energy-debate/energy-intensive-industry-ceramics-potteries>

UK ceramics industry undergoes revival

Financial Times

26 April 2013

<https://next.ft.com/content/fe44a7aa-ae50-11e2-bdfd-00144feabdc0>

3. Press releases

The Institute of Materials, Minerals and Mining

[Event report: ClayTech UK 2015](#)

Published 16 February 2016

Technical Matters was the theme of November's ClayTech UK conference at the Staffordshire County Showground, where speakers from across the heavy clay industry discussed considerations from the quarry, through the kiln, to the end of the trowel. The technical, it is clear, matters at every stage, and the industry recognised its skilled workforce – the well-attended conference providing the perfect stage to award Technical Certificates in Clay Building Products and Quarry Managers' CPD Certificates.

Jeremy Elvins, Mineral and Estates Manager at British Gypsum, discussed the new tools that make choosing a site to explore for mineral deposits 'easier, quicker and more user-friendly'. The Ordnance Survey's OpenData system, DEFRA's Magic database and the British Geological Survey (BGS) online open source database offer the initial information required on existing developments, constraints and lay of the land, while the BGS Geoindex system maps every borehole drilled in the UK.

Elvins demonstrated how British Gypsum is now using these data sources to create colour-coded maps detailing factors such as geology, infrastructure, existing boreholes and various constraints on exploration in its land searches. A low-cost utility program, ExpertGPS, can be used to convert this data into Keyhole Markup Language – 'the language of Google', Elvins explained, allowing planners to overlay details upon Google Earth images, visually simplifying complex data for landowners and industry alike.

Dr Rob Donnelly, Head of Estates for Ibstock Building Products and leader of the University of Derby's Mineral Extractive Programme, looked at the next steps of procuring and obtaining permission to work minerals, designing quarries and stockpiling clay to produce high quality ceramic products. 'We are geologically blessed as a nation in terms of brick clay,' he said. 'We have plenty to go at and we should make the most of it.' Donnelly noted a site in Leicester that under Ibstock's ownership has gone from field, to clay quarry, to landfill site and back to field, and is now the construction site for a state-of-the-art brickworks.

Out of the quarry

Moving to the factory floor, Lee Allen of Michelmersh Brick Holdings Plc described the process of hand-making bricks to an audience accustomed to automated processes. He showed an almost hypnotic video of one factory floor employee forming bricks by hand – he selects a clot of clay from a conveyor, and places it on workstation covered in sand. He then pulls and rolls the clay to the desired rough shape before dropping the mould over it, cuts off the excess clay and turns the moulded clay out onto a drying panel. Allen estimated that the employee in the video, Andy, produces around 1,600 bricks every day.

Bringing some colour to the proceedings, Tim Clay of Prince Minerals gave an interesting talk on the various processes and products used to produce shades of grey, khaki, red, yellow, browns and blues in clay bricks.

Manganese can produce browns and blues in red clay and greys or khakis in buff clay, iron oxides produce red clays in both, while more exotic colours can be achieved with titanium dioxide (gold shades in buff clay bricks) and calcium carbonate products for yellow London stock bricks. He noted that no major developments in colouring had been made in recent years and encouraged the industry to 'get adventurous' and review its colouring methods.

Education matters, too

The keynote speaker, Dr Gerard Lynch (see page 14), certainly believes that the technical matters when it comes to education and training. His rousing talk promoted the benefits of traditional, time-served apprenticeships – the route that he is proud to have graduated through himself.

Lynch showed some examples of poor bricklaying work that he believes graduates of modern routes such as NVQs produce. 'For example, I walked into a hotel down in Sussex and saw some terrible brick-on-edge ramp detail. The bricklayer hasn't got a clue how to set it out at all, and his brick-on-edge ends up with an area that would pool water, with a daft little cut that repeats at the top,' he said.

'That bricklayer doesn't know how to do it properly because nobody has taught him, so he's just winging it.' Lynch sent a ripple of laughs through the audience when he joked that NVQ might well stand for 'Not Very Qualified'. 'I do not want to be negative,' he added, 'but with the demise of traditional apprenticeships, those advanced craft skills have been lost.'

But Dr Andrew Smith, Programme Leader of the University of Derby's new Clay, Cement and Concrete Technology course, described an exciting range of higher education routes being offered in partnership with the Concrete Society, the Institute of Quarrying and ICTa, with a teaching staff he describes as 'The A Team', offering 'the thick end of 160 years' worth of expertise within the sectors that we're covering.'

'We heard this morning from Gerard about education and the apprenticeship route,' Smith said. 'We offer a Higher Apprenticeship – three years, with access requirements. What we're trying to attract here is the same candidates that would be going to university.'

Smith echoed Lynch's belief that the increasing number of young people going to university may not have been beneficial to industry. 'This 50–60% aspiration of youngsters going through universities may not be the answer,' he said,

'Higher Apprenticeships allow people who go into the workplace to come out with the same qualification [as they would through university], but with the advantage of their learning actually being in the workplace. So, it reinforces it – you get the experience. Recruiters take in graduates with an understanding and a particular level of learning, but the question is what else can they bring – what experience do they bring to their businesses? With the Higher Apprenticeships, it's rolled into one package'...

British Ceramic Confederation

[British Ceramic Confederation submission for Budget 2016](#)

Published: 29 January 2016

...Our sector's full potential is not being realised because of a combination of policies. We have five demands as the basis of our EARTH campaign which require urgent and decisive ministerial action. We are not asking for handouts, but for Government to secure a level playing field to allow us to compete internationally and secure thousands of jobs in the UK ceramic industry. You have acknowledged we are not going to save the planet by shutting down our energy intensive industries - all we would be doing is exporting jobs:

E - EU Emissions Trading Scheme. The government needs to ensure all ceramic sub-sectors receive full mitigation measures to guard against leakage of carbon, investment and jobs to competitors outside the EU.

A - Action to lighten the cumulative costs of UK/EU energy, climate and environmental policies which harm the sector's ability to remain internationally competitive.

R - Reduce industrial CO2 emissions by developing a long-term partnership with co-funding assistance for the sector to accelerate investment in existing and development of breakthrough decarbonisation technologies.

T - Trade freely but fairly by rejecting unilateral EU recognition of China as a Market Economy, which would leave manufacturers inadequately defended against the rising tide of dumped imports.

H - Housing. Achieve higher growth for the UK economy from government housing policy by enabling investment in the supply chain here rather than overseas....

British Ceramic Federation

[Economic Outlook no 30 - 2015 Comprehensive Spending Review & Autumn Statement analysis](#)

Published: 25 November 2015

BCC Chief Executive Dr Laura Cohen said: "Our initial reaction to George Osborne's statement is that it presents a mixed bag for manufacturers in the ceramic sectors. We welcome the establishment of a 'ceramic valley' enterprise zone in Stoke-on-Trent, and the Government's commitment to building more houses over the next five years. However, the failure of the Chancellor to provide certainty on energy costs presents a grim outlook for our members. Moreover, the widening of the apprenticeship levy to catch many more small and medium-sized businesses is very unwelcome"

New Homes Welcomed

The BCC welcomes that Government is firming up demand by committing to 400,000 new and affordable homes in the next five years. Many of our members want to play their part by providing the building materials needed for such a programme. George Osborne repeated the statement "we are the builders" to MPs in the Commons; to live up to this ambition the UK needs a good domestic supply of bricks, roof tiles, clay drainage pipes, wall tiles and toilets. The programme has the potential to create more than 3000 direct manufacturing UK jobs and boost GDP by £700 million per year in our sector - but only if investment isn't stifled by the Government's own actions on energy.

Energy and Emissions Concerns

The BCC has been vocal about the effect of the Government's actions on energy intensive industries like ours. The Autumn Statement has done little to alleviate those concerns. Martin Warner, Chief Executive of Michelmersh Brick Holdings PLC said: *"We have seen the recent problems in the steel industry exacerbated by an uncompetitive energy regime. The uncertainty for us as brick makers is over the continuation of full EU ETS carbon leakage status coupled with internationally uncompetitive electricity prices, and unlike steel we will not be receiving exemption for UK renewables taxes. This will hamper the ability of our industry to invest for the future."*

Uncompetitive Environment for Electro-Intensives

Uncertainty also continues around Renewables Exemption for electro-intensive businesses with UK Government still negotiating with the European Commission. It still appears there will be only be perhaps a few sites in our membership benefitting – the rest will have to pay even higher charges to cover costs of the "exemption". It is perverse that even electric induction furnaces in our sector operating at over 2000 deg C may not be helped. Over 100 competitor sites in Germany received compensation in 2014, while Italians have plans to compensate over 140 ceramic manufacturers making products as diverse as bricks, fired refractories, wall and roof tiles. There is a certain irony that on the day the Chancellor has announced a big boost in housebuilding, our ceramic building materials sector are not able to celebrate because they won't be helped for high renewable charges unlike their European rivals. To expand on the Chancellor's comments, "we are the suppliers!"

Views on the Apprenticeship Levy

The broadening of the scope of the Apprenticeship Levy to include all companies with an annual payroll over £3 million will mean many more of our members will now be paying. 0.5% of payroll is a significant extra tax for businesses already under pressure from high energy costs, emissions taxation and the new living wage. The BCC is sceptical that companies will be able to get back all of the levy through the e-vouchers process. Our suspicion is that for full recovery of the money paid, our members would need to take on more apprentices than their businesses require. We welcome the establishment of an employer-led body to set apprenticeship standards and ensure quality. A broad range of manufacturers needs to be adequately represented here.

Living Wage

It was notable that the Autumn Statement included no changes to the Government's Living Wage policy. The Government's rationale has consistently been about shifting the onus of providing a decent standard of living for the low paid from the taxpayer onto employers. Our main concern is it will require major change in our members' business practices and they need a more time to accommodate that change. Given the postponement of in-work benefit reductions, the Chancellor missed his opportunity to help businesses in this important transition.

Ceramic Valley

We welcome the Stoke-on-Trent and Staffordshire LEP being granted a ceramic enterprise zone, as one of 26 new zones nationally. While this may not benefit many existing sites, we hope this boosts future investment in high-tech ceramics and

advanced manufacturing to build on the world-class activity in the UK in our sector.

Trade Union Congress

[Steel crisis goes to the heart of UK industrial policy](#)

Published: 29 October 2015

...The British Ceramic Confederation says brick and clay roof tile imports into the UK have been rocketing, driven by lower energy costs elsewhere, with EU competitors receiving far more government support ("State Aid") than provided by the UK.

And, echoing views expressed by all the UK's foundation industries, steel argues that the electricity prices in the UK were 82% higher than the EU average for extra-large consumers in the first half of this year. This disparity has doubled in just two years. One of the new government task forces is now looking at ways to speed up EU "State Aid" approval, with the Business Secretary himself taking the case to the European Commission.

Thoroughly welcome though this new sense of urgency is, the current State Aid support package (already approved by the European Commission) is currently worth £60m a year (rising to £430m). It benefits just 53 firms out of about 5,100 energy intensive enterprises in the UK, or just one per cent of firms. UK Steel reckons that, "in the absence of measures from Government, this places a £130 million burden on the sector."

Official BIS figures show that no firms benefit from relief in five of the eight energy intensive industries: petro chemicals, ceramics, glass, cement and basic metals.

International energy cost comparisons are difficult, but [our recent look](#) at Germany's support for heavy industry as a whole showed that over the period 2010-2012:

- Germany's support schemes were worth 26bn euros, or 8bn euros (£6.4bn) a year.
- Support covers thousands of firms.
- Unlike the UK package, support is not confined to specific sectors.
- Company level compensation is available for 90% (or in the case of larger and energy intense consumers, 100%) of electricity taxes...

4. Parliamentary material

Debates

Ceramic Products: Origin Marking

HC Deb 27 March 2015, Business Innovation and Skills, Commons Chamber, c1571-72

<http://www.publications.parliament.uk/pa/cm201415/cmhansrd/cm150326/debtext/150326-0001.htm#15032622000121>

Westminster Hall Debate: **Energy Intensive Industries**

HC Deb 4 December 2013, c257WH-281WH

<http://www.publications.parliament.uk/pa/cm201314/cmhansrd/cm131204/halltext/131204h0001.htm#13120442000143>

PQs

Ceramics: China

Asked by Ruth Smeeth

To ask the Secretary of State for Business, Innovation and Skills, if his Department will make an assessment of whether prices of imported ceramic goods from China reflect the domestic costs of production.

Answering Member: Anna Soubry, Parliamentary UnderSe...

It is for industry to demonstrate *prima facie* evidence of dumping to the European Commission. We encourage industry to present this evidence to the Commission where there is evidence of dumping. Where evidence is sufficient to justify an investigation the Commission will do so and present any proposals for imposing duties to Member States. Trade defence is an EU competence and for the Commission to investigate.

<http://www.parliament.uk/written-questions-answers-statements/written-question/commons/2016-02-10/26754>

HC Deb 10 February 2016 PQ 26754

Overseas Trade: China

Asked by Ruth Smeeth

To ask the Secretary of State for Business, Innovation and Skills, what assessment his Department has made of the effect on the UK ceramics industry of China being granted Market Economy Status.

Answering Member: Anna Soubry

We are awaiting a European Commission proposal on granting Market Economy Status (MES). We understand that the Commission will also be undertaking a detailed assessment of the economic impacts of granting MES as part of their consideration of this issue. We will examine any proposal and assessment carefully. In considering the Commission's proposal it will be important to take into account the wider trade and international context including China's compliance with international

commitments. If China is granted MES, the Commission will still be able to pursue anti-dumping and anti-subsidy cases and impose measures where evidence of dumping or subsidy is found; this is the case with the US and Russia, both of whom have MES status.

<http://www.parliament.uk/written-questions-answers-statements/written-question/commons/2016-01-27/24530>

HC Deb 27 January 2016 PQ 24530

EU Emissions Trading Scheme: Ceramics

Asked by Ruth Smeeth

To ask the Secretary of State for Business, Innovation and Skills, what discussions he has had with representatives of the UK ceramics industry on the effect of the EU Emissions Trading Scheme.

Answering Member: Anna Soubry

I can confirm that I met on 3 February 2016 the British Ceramics Confederation. BIS officials are also in regular contact with the sector on all energy and environment matters.

<http://www.parliament.uk/written-questions-answers-statements/written-question/commons/2016-01-27/24529>

HC Deb 27 January 2016 PQ 24529

Overseas Trade: China

Asked by Ruth Smeeth

More than 2,500 people are directly employed by the ceramics industry in Stoke-on-Trent North and Kidsgrove. These and tens of thousands of other British manufacturing jobs are at risk if China is granted market economy status. The Prime Minister is very happy to sell off the family silver, but can he guarantee that he will not sell off the family crockery?

Answering Member: The Prime Minister, David Cameron

We want to support industry in the potteries, and that is why we are helping manufacturing with research and development tax credits and with apprenticeship schemes; we are helping with a whole range of measures, not least the energy-intensive industry measures, which are very important for the constituency the hon. Lady represents. That is what we want to see. The issue with market economy status is a separate one, as I have said before. Even if China gets that status, it cannot dump steel products or other things into European markets, and it can be fined. What we should be doing is making sure that we are driving open markets for us to sell to China. The Chinese are the ones with a massive growth in the middle class taking place—hundreds of millions of people are joining that—and there are many great products made in Stoke that should be sold in China.

<http://www.publications.parliament.uk/pa/cm201516/cmhansrd/cm160203/debtext/160203-0001.htm#16020344000134>

HC Deb 3 February 2016 c918

5. Useful links and further reading

Department of Energy and Climate Change and Department for Business, Innovation and Skills:

[Industrial Decarbonisation & Energy Efficient Roadmaps to 2050 – Ceramic Sector](#). March 2015

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