



DEBATE PACK

Number CDP-2016/0059, 13 June 2016

Debate Pack: Ceramic and Brick Industries

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Summary

This pack has been prepared ahead of the debate on **ceramic and brick industries** to take place in Westminster Hall on 15 June 2016. The subject for the debate has been chosen by Wendy Morton 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 brick and ceramic industries¹



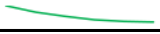
The brick and ceramic industries in the UK are small, employing around 12,500 people combined in 2014 (latest available data). This is down from 15,000 in 2009.

The industries together contributed approximately £560 million to economic output in 2014. This is higher than the end of the economic recession in 2009, although output has been volatile.

The number of businesses in these industries has fallen by around a quarter in each since 2009. There are currently 480 ceramic and brick manufacturing businesses in Great Britain, down from 640 in 2009.²

UK brick and ceramic industries

Combined industries data

	2014	Since 2009	
		% change	Trend
Economic output*	£560 million	30%	
Employees	12,500	-17%	
Businesses**	480	-25%	

Sources: ONS, *Annual Business Survey*, 2015, revised results

ONS, *Business register and employment survey*, 2015

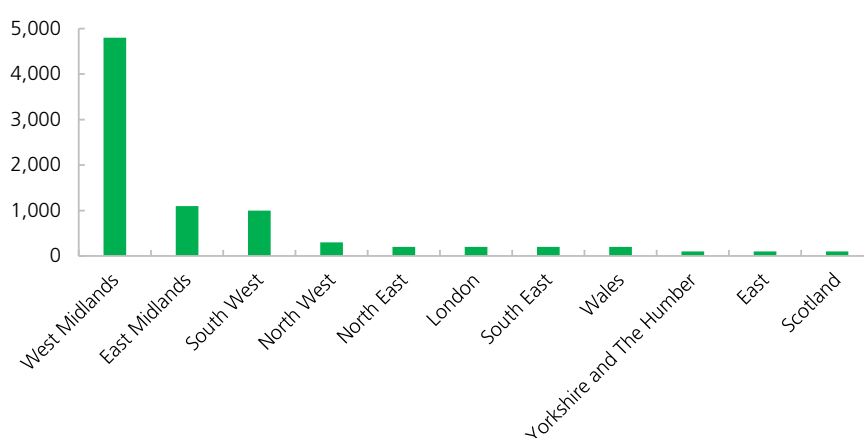
SIC codes: 23.3; 23.4

*Change in economic output is in real terms based on approximate Gross Value Added data from the ABS; the deflator used is based on Library calculations of current and constant price GVA of subsectors of SIC code 23 from ONS output data

**Data for Great Britain

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

Employment in the ceramics industry by region 2014



¹ The brick and ceramic industries definition based on [Standard Industrial Classification](#) (SIC) codes 23.3 and 23.4: the manufacture of clay building materials (including ceramic tiles) and the manufacture of other porcelain and ceramic products (including household ornaments, sanitary fixtures, and insulators).

² The source of the data, the [Annual Business Survey](#), does not include Northern Ireland

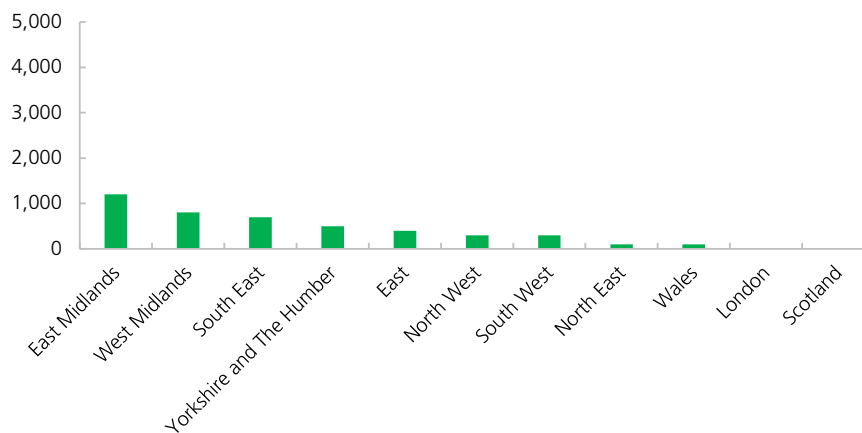
3 Debate Pack: Ceramic and Brick Industries

Around 60% of employment in the ceramics industry in Great Britain (totalling about 8,200) is situated in the West Midlands.³ In 2014, it employed 4,800 people in the West Midlands, around three-quarters of whom are involved in the manufacture of “ceramic household and ornamental articles”.

Employment in the brick manufacturing industry is a little more dispersed.⁴ Of the 4,300 people employed in the industry in Great Britain in 2014, close to 30% are in the East Midlands, 20% in the West Midlands and 15% in the South East.

Employment in the brick industry by region

2014



³ Ceramics industry defined as Standard Industrial Classification codes 23.31 and 23.4

⁴ Ceramics industry defined as Standard Industrial Classification code 23.32

2. EU ETS

The [EU ETS](#) is an EU wide cap and trade system for carbon emissions. The system works by putting a limit on overall emissions from high-emitting industry sectors which is reduced each year. Within this limit, companies can buy and sell emission allowances as needed. The scheme covers 45% of EU wide emissions. Phase III of the EU ETS, from 2013 onwards, imposed a cap on emissions from power stations and other installations which will be reduced by 1.74% every year up to 2020, which will result in emission reductions covered sectors will be 21% lower than 2005.

The non-power sector received 80 % of its carbon credits free of charge in 2013. The remainder are auctioned. This percentage will decrease over time to 30% by 2030. However industries that are deemed to be at risk of carbon leakage receive all their allowances for free. The current [carbon leakage list](#) is available on the Commission website, together with new list that will apply from 2015 to 2019.

3. News items

Constructing The Circular Economy With New Business Models

Chartered Institute of Wastes Management

June 2016

<http://www.ciwm-journal.co.uk/constructing-circular-economy-new-business-models/>

£20bn wiped off FTSE 100 in two days as Brexit fears grip the City

The Telegraph

6 June 2016

<http://www.telegraph.co.uk/business/2016/06/01/ftse-100-slumps-to-one-week-low-as-oecd-cautions-of-dismal-globa/>

Ceramics base will boost our industry

Stoke The Sentinel

15 April 2016

<https://www.lexisnexis.com/clients/housesofparliament/?lni=5J8H-B421-JCM7-G0JS&csi=139185&oc=00240&perma=true>

What will it take to build George Osborne's 400,000 homes?: The chancellor has promised a major housebuilding programme, but Britain may not have enough bricks and bricklayers

The Guardian

11 April 2016

<https://www.lexisnexis.com/clients/housesofparliament/?lni=5JH9-HW41-JCJY-GODD&csi=242773&oc=00240&perma=true>

Spode reopening leads hope for revival of UK ceramics industry

Financial Times

10 March 2016

<https://www.lexisnexis.com/clients/housesofparliament/?lni=5J8H-B421-JCM7-G0JS&csi=139185&oc=00240&perma=true>

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>

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>

4. Press releases

Brick Development Association

[Chelsea FC 'May buy brickworks' for new stadium'](#)

Published 3 June 2016

Chelsea Football Club is said to be considering buying a brickworks to supply the huge number of bricks required for its planned £500m redevelopment of Stamford Bridge.

The work will transform the existing ground into a brick-clad stadium that seats 60,000 supporters, up from the current capacity of 41,000.

The design by Herzog & de Meuron will require 6 million bricks — enough to build 200 London homes — and sources close to the project told trade magazine Building that the Premier League club is weighing up the possibility of acquiring a brickworks “to ensure a cheap, reliable supply of bricks for the mammoth façade”.

British Ceramic Confederation

[Day of Parliamentary Action in Support of Ceramics](#)

Published 8 March 2016

The European Commission has published its proposals for EU ETS Phase 4 covering 2021-30. The key issue for all ceramic subsectors is how to retain full carbon leakage status which might be lost for some. UK Government proposed that free allowances should be focused on just a handful of sectors. For manufacturers of bricks, roof tiles and clay pipes, this would mean even world class energy efficient factories might have to buy almost all their carbon - at a cost for many exceeding their profits. We need a fair approach that allows survival of the industry and investment in new capacity and improvements.

The Institute of Materials, Minerals and Mining

[Event report: ClayTech UK 2015](#)

Published 16 February 2016

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.

Brick Development Association

[Brick industry rebuts misleading information](#)

Published: February 2016

The brick industry would like to make it completely clear that brick production has risen significantly over the last two years. Department for Business, Innovation and Skills figures, also released yesterday, point to brick production in December 2015 being 16% higher than in December 2014.

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 Confederation

[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 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...

5. Parliamentary material

Debates

Exports

HC Deb 15 March 2016, Commons Chamber c776

<http://www.publications.parliament.uk/pa/cm201516/cmhansrd/cm160315/debtext/160315-0001.htm#16031546000050>

Westminster Hall Debate: Ceramics Industry

WH Deb 8 March 2016, c100WH-111WH

<http://www.publications.parliament.uk/pa/cm201516/cmhansrd/cm160308/halltext/160308h0002.htm#16030869000001>

Ceramic Products: Origin Marking

HC Deb 27 March 2015, 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>

PQ 26754, 10 February 2016

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, Parliamentary UnderSe...

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>

PQ 24529, 27 January 2016

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, Parliamentary UnderSe...

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>

PQ 24530, 27 January 2016

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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

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Answering Member: Anna Soubry

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<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

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<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

6. 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
- European Commission:
[EU Emissions Trading Scheme](#). October 2013
- Department for Business, Innovation and Skills:
[An international comparison of energy and climate change policies impacting energy intensive industries in selected countries](#). July 2012
- Parliamentary Office of Science and Technology:
[Global Carbon Trading](#). March 2010

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