

DIRECTOR'S BLOG 2011

December 2011

A YEAR TO BE REMEMBERED (OR FORGOTTEN)?

The storm force winds which battered Northern Ireland and Scotland at the beginning of this month will certainly have reminded all of us of the way in which we are all affected by the natural elements. As we draw to the end of 2011, many people running businesses in the plumbing and heating industry will be all too aware of how their businesses are affected by the forces of the wider UK and global economy.

There will be relatively few in our industry that will look back on 2011 as a good year. It was a year which saw the largest number of plumbing and heating businesses failing in living memory. The banks' attitude to lending was regularly cited as the single biggest reason for businesses closing- even when firms had relatively healthy order books. It was also a year in which the hoped-for green shoots of recovery failed to surface as bad news on the global economic front seemed to be announced on an almost daily basis. People continued to tighten their belts in every aspect of their lives, with property being the usual early casualty. This time last year, we all had some hopes that things might get at least a little better in 2011. Some commentators are now suggesting twelve months on that it may be several years before we see any real sign of recovery or improvement. That is pretty depressing.

Many businesses operating in plumbing and heating have recognised that their future may depend more on renewable technologies than on the more traditional systems which they have been fitting and maintaining. Expensive training has been undertaken to equip these businesses to deal with these technologies and even more expensive (and at times bureaucratic) approval systems have been complied with to ensure that the customers of firms qualify for any funding support which is available. The drive towards "greening" our country has, however, been hampered on a fairly regular basis through inappropriate and burdensome requirements which Governments and their agents seem determined to inflict on businesses. Although not directly related to most plumbing firms, the recent slashing of the Feed-In Tariff for photovoltaic systems (and the way in which it was announced) have



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severely dented consumer and industry confidence in Government. If they can do this to solar PV, what might they do in future to funding for other technologies?

2011 saw the launch of the Green Deal which is seen as Government's way of really making a difference when it comes to energy efficiency in our existing housing stock. Early consideration of the massive consultation documents reveal more potential dangers than opportunities for firms in our industry and expressing concerns on behalf of our industry is a major issue for SNIPEF in these last weeks of 2011 and the first couple of weeks of 2012.

After such a negative list of moans and groans, it is still appropriate for me to wish those who read this blog, a VERY HAPPY and PEACEFUL CHRISTMAS and, above all, a BETTER 2012 than has been the year just ending.

November 2011

PENSIONS COMING TO THE TOP OF EVERY FIRM'S AGENDA

We are now less than 12 months away from the start of what could be the biggest revolution in occupational pensions ever seen in the UK. From October 2012, and phased over the following few years, every employer in this country will be required to automatically enrol every employee in an appropriate pension arrangement.

The reasons behind this change are fairly obvious. The State Pension on its own is inadequate for most people. The take-up by employers and employees in occupational pension schemes is too low (and indeed much lower than it once was). Having said that, it is by no means obvious that the new regime, on its own, will resolve the country's pensions problems. The minimum level of contributions (8% of earnings after the scheme is fully operational) is widely seen as being far too low and on its own will not deliver the kind of pension which most people will need to be able to enjoy retirement. There is an opt-out facility for employees which many might use because they prefer to have money in their pockets today rather than worrying about what they might need in 50 years' time. The very



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word "pensions" is seen with suspicion in many quarters because of the problems which have occurred over the last number of years.

The plumbing and mechanical services industry in the UK was the only part of the entire construction industry to have the foresight to establish comprehensive pensions for its employees. That foresight occurred 36 years ago with the establishment of Plumbing Pensions which is now one of the largest multi-employer schemes in the country. Plumbing Pensions is a qualifying scheme for purposes of the Government's new requirements and the Scheme is actively promoting its provisions to employers across the country. It faces competition from other industry schemes and commercial offerings but offers several unique features unlikely to be matched by other schemes. Most schemes looking for auto enrolment business deduct charges from contributions and also deduct an annual management charge. Plumbing Pensions does neither and ensures that every penny contributed is allocated to a member's pension (with the costs of running the Scheme being met by the Scheme itself). Plumbing Pensions members also have some certainty about the pension which they will enjoy in 20, 30, 40 or 50 years' time while most of the other schemes offer no such certainty with members' benefits depending on the state of investment markets at the time of retirement. Above all, Plumbing Pensions has over 35 years of experience of delivering this type of scheme for businesses of every size in our sector unlike many of the newer kids on the block.

Many readers of this blog will already know about Plumbing Pensions either because they are a participating employer or a contributing member. Anyone reading this who is thinking about the implications of auto enrolment and who is not in one of these categories, a simple phone call (0131 556 0600) is all that is required to set the appropriate ball rolling.



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October 2011

YOU CANNOT BE SERIOUS (MAN)!

If John McEnroe knows anything about installing boilers and other energy efficient products, he would probably have used his old catchphrase in response to the recent publication of a 175- page document. That phrase was a much more polite reaction that that which people involved in the plumbing and heating industry had.

The Green Deal is one of the UK Government's big concepts to encourage the mass installation of appropriate systems which will help the UK to meet its challenging climate change targets. Someone somewhere decided that rules needed to be set for the installers of such systems. On the face of it, a sensible enough idea. However, common sense seems to have evaporated- once again.

Many installers in the plumbing and heating industry are keen to be involved in the installation of renewable technologies and other systems for heating water and buildings. That is, after all, what they already do and the systems in question are merely an extension of what they have possibly been doing for years already. With appropriate training in any new technologies, these contractors should be in a strong position to become "Green Deal Installers".

The green revolution which is affecting our industry seems to be accompanied by rule after rule and condition after condition. There is already a Microgeneration Certification Scheme (MCS) with a bundle of expensive rules which must be met. That scheme took no account of the excellent systems which trade associations have already developed to ensure that work is done by those qualified to do so and that businesses engaged to do such work offer appropriate protection to customers if things go wrong. That is clearly not good but was it too simplistic for those making such decisions to use the same rules for the Green Deal? Although MCS is flawed and needs radical attention, the use of those rules would have been better than the creation of yet another set of rules for installers.

A question was asked at a meeting about MCS some months ago: "Who from the building engineering services industry was involved in the creation of MCS"? The shocking answer



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was "No one." It would seem that the same answer would be given if we enquired about whom from our industry was asked for a view on whether Green Deal needed another set of conditions for installers.

When will Government (and those working on their behalf) come to realise that the way to meet targets is not to put enormous barriers in the way of installers? SNIPEF has been shouting about this for some time and will continue to do so until the penny drops.

September 2011

THE WORLD PLUMBING INDUSTRY CAME TO EDINBURGH

For 5 days last week, Edinburgh hotels, bars and restaurants welcomed a large number of overseas representatives of the plumbing industry. These representatives- numbering 360 in total- were in the city to attend the 9th World Plumbing Conference which was hosted by SNIPEF.

During the business part of the Conference, delegates heard a wide range of presentations from industry and other experts on the theme "Meeting the Global Challenge". Addresses were given by people including Scottish Government Minister, Fergus Ewing, MSP and Bruce Gordon representing the World Health Organisation in Geneva. The final Conference presentation by medical profession representative Professor Mala Rao from Hyderabad, India, brought delegates to their feet as she urged the industry to recognise its role in relation to protecting and improving public health.

The social part of the programme included an Opening Dinner with Scottish entertainment, a Reception at Edinburgh Castle to celebrate the 100th birthday of the SNIPEF Edinburgh and District Branch and a Gala Dinner in the Edinburgh International Conference Centre. Partner visits were arranged to the Palace of Holyroodhouse and the Georgian House and both delegates and partners descended into Mary King's Close.

Preparing for an event like this entails considerable effort- SNIPEF won the right to host the Conference as far back as 6 years ago. In the intervening period, and in particular over the



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last year, detailed planning and preparations have been made to ensure that the event ran smoothly.

Conferences like this are an important means for interaction between people from the industry in many different countries. There was evidence of lots of industry chat last week. One Chinese delegate mentioned to me in Lothian Road that she reads this Blog every month (at least I have one reader!). An Australian delegate (who has attended all of the 9 World Plumbing Conferences) said that he believed that Professor Rao's talk was possibly the best he had ever heard at an event like this. Others commented on the warmth of the welcome which they had received in the city, the beauty of our capital city and also of other parts of Scotland and Northern Ireland which they had visited during their trips.

The Conference is now over. There is unlikely to be another similar event in Scotland in our lifetime. What can we learn from the event? People were inspired last week- the challenge now is to ensure that all those who attended go back to their normal places of work and think about how they can take forward the messages of last week so that the mission of the World Plumbing Council- about promoting the importance of our industry-can be achieved.

August 2011

RENEWABLES AND THE ROLE OF PLUMBING AND HEATING

Almost every day there is a story in our newspapers about renewable energies and the role which they are to have in our society in the years ahead as part of the Government's response to the challenges of climate change and issues about the supply of fossil fuels. There is a lot of talk about the "new industry" which is being created to deliver the expected demand from customers. Very rarely is the critical role of the existing plumbing and heating industry recognised. In fact many of the "new" technologies have been around for years and they are bread and butter issues for plumbing and heating firms.



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For several years now SNIPEF has been active in helping its members to prepare for their role in delivering and maintaining renewable technologies. Training courses have been developed and made available and SNIPEF has also been involved in working to ensure that the approval schemes which Governments expect installers to join or be accredited by are appropriate and fit for purpose. Work still needs to be done on that last point as there are still too many barriers and costs being put in the way of firms which want to carry out this work.

There are various predictions about the extent to which we will, in future, rely on energy produced by the sun, wind, air, water and the ground. Some of these technologies are still expensive to install (although costs are falling and are predicted to continue falling as demand increases). There are financial incentives available (more of which were announced recently and more are expected to come). Today, it is not every building which is going to have solar thermal or ground or air source heat systems installed but who knows what the situation will be in 5 or 10 years time.

The one thing which SNIPEF and its members must, however, achieve over the next few years is recognition by anyone considering such an installation that their first point of contact should be an appropriately qualified plumbing and heating contractor.

July 2011

PLUMBERS PREPARED FOR PENSIONS

October 2012 will see the start of something of a revolution in relation to occupational pension provision in the UK. That is the date from which the Government will start to require all employers to automatic enrol all of their employees in an appropriate pension arrangement and to make employer contributions to that arrangement.

This requirement is being introduced in recognition that too few people have made appropriate arrangements to provide financial security in retirement (when it is obvious that the State pension alone will never be enough for most people). Although this change has been flagged for several years, it is only now that the media is beginning to pick up on



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the story and most newspapers contain something on pensions and auto enrolment on a regular basis.

The UK plumbing industry was a little ahead of the game on this one when it introduced the fully flexible Plumbing Industry Pension Scheme way back in 1975. For over 35 years, people working in the industry (in any role) have been able to contribute to a well-run and effective scheme which now pays pensions to over 8000 people. Some 30,000 others have benefits within the Scheme but have not yet retired. The Scheme is fully funded and currently has assets of around £1.3 billion.

One of the sad things about the Government's new requirements and the scheme which has been established for those who do not have access to an existing arrangement is that it is relatively low-cost and will provide relatively small benefits (which will depend on the state of stock markets when someone retires). The Plumbing Industry Pension Scheme might cost a little bit more but it provides good benefits and a commitment to deliver the benefits accrued by members regardless of where stock market indices are at retirement.

It is not unusual for UK plumbing to be forward thinking in its approach to issues like this (although being 35 years in advance might be something of a record).

Those who are not already participating in and benefiting from the Industry Pension Scheme are encouraged to look at the Scheme in more detail now: www.plumbingpensions.co.uk

June 2011

MIXED FORTUNES FOR PLUMBING AND HEATING BUSINESSES.

The Chief Executive of Scottish Engineering was interviewed on Radio Scotland this morning and spoke about the positive conditions experienced by his member organisations in the last few quarters. The optimism was predicted to continue in the months ahead.

If only I could report a similar positive feeling from members of SNIPEF! In reality, for many firms, the last few months have been the most difficult some of them have ever experienced



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with some firms struggling to plan their workload more than a week ahead and others working reduced hours and days just to keep ticking over. This recession has had a dramatic effect on many firms working in the plumbing and heating industry. Starting with the closure of most new housing developments (which had an immediate impact on the largest firms which tended to specialise in new build work), it did not take too long before firms of all sizes in all parts of the country began to feel the pinch.

The first months of 2011 have seen a significant number of long established businesses failing. It has been tragic to see companies with histories going back into the 19th century failing to cope with the challenges thrown at them in the 21st century. There are other companies which have reduced their workforce significantly and see little prospect of going back to the levels they required three or four years ago. Total apprentice recruitment to plumbing in Scotland is down about 50% on the level of five years ago.

What is strange about the present situation is the patchiness of it. While all over Scotland and Northern Ireland there are businesses which can identify with the negative conditions mentioned above, at the same time (and sometimes in the same parts of the country), there are firms who are experiencing exactly the opposite conditions. One employer recently commented that he could not get enough skilled plumbers to undertake the work which he had to do. Another proprietor of a small business plans to recruit an apprentice for the first time in fifteen years. Another member has reported that a large job, which has been "on hold" for some eighteen months will start this month thus ensuring that his workforce will be busy for several months ahead. While it is good to see some firms having a better time than others, this will come as no comfort to those which are struggling.

Let us all hope that sometime soon the overall mood in plumbing will mirror that in the Scottish engineering industry.



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May 2011

ELECTIONS ARE OVER: THE REAL WORK NOW BEGINS

Now that the public has determined the political shape of the Scottish Parliament and the Northern Ireland Assembly for the next few years, representative organisations like SNIPEF will be working to ensure that the Governments in these two parts of the United Kingdom and indeed every elected member are aware of the concerns facing today's plumbing and heating industry.

Elections such as these- whether they lead to an overall majority for one party as in Scotland or in little change in the overall balance of power between parties as in Northern Ireland- are a good opportunity for trade bodies to promote their concerns and to look for champions, particularly among those who have been elected for the first time.

Among the key priorities is inevitably the question of the economy and the way in which current conditions are impacting on businesses in our sector. While we know that we are not alone, it is of great concern that our industry is seeing so many business failures at this time and there is little indication of work ahead which will be purchased by clients at sensible prices. Projects are going out to tender but the practices being adopted by clients and main contractors are reprehensible and need to be challenged. Who benefits, for example, when 16 main contractors are asked to tender for a new school in Scotland or when a successful main contractor for a new school in Northern Ireland goes out and asks the sub-contractors who have already priced for the work to retender at considerably lower rates? These practices may not be illegal but they need to be stopped and we will look to our politicians for help here.

Apprenticeship training is also a key priority and we will be seeking recognition of the importance of such training being properly funded and delivered through employment. Manifesto commitments on issues such as guaranteed apprenticeships and the right for disengaged 14 year olds to leave school to take up trade apprenticeships will be challenged (even although the parties making such pledges have ended up in a minority position after the elections).



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Renewable sources of energy will inevitably feature high in both devolved bodies and SNIPEF will continue to fight to ensure that the role of our industry is properly acknowledged and that these new forms of plumbing and heating are not held back through inappropriate and unwieldy approval schemes for contractors wishing to do the work.

Our re-elected and new politicians will have much on their plate before their summer breaks but we hope that many of them will take the time to listen to the pleas of the plumbing and heating industry.

April 2011

WHY POLITICIANS NEED TO BE EDUCATED ABOUT APPRENTICE TRAINING

If the news item had been broadcast on Friday I April, I would probably have treated it as an April Fool's joke in poor taste. Sadly, it was on Monday 4 April 2011 on my drive to work that I heard that the Conservative Party manifesto for the Scottish Parliamentary elections included a proposal that disengaged young people should be allowed to leave school at 14 to take up a trade apprenticeship. To say that my temperature rose is an understatement of my reaction.

Where do politicians and others get the idea that apprenticeships in trades such as plumbing are for those who don't like and are not doing well at school? How many times do they need to be told that our industry wants to recruit bright young people? Why are the "trades" deemed to be the home for the non-academic and low achievers?

Thankfully I did get my chance to express my views in public the following morning on BBC Radio Scotland during a phone-in programme. My main points were that good plumbing apprentices need skills in Maths, English and a science subject (usually confirmed through their possession of Standard Grade passes in these subjects (GCSE in Northern Ireland). It is highly unlikely that someone without these qualifications will be able to achieve the Level 3 N/SVQ which is required to be recognised as a plumber today. I also mentioned the



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complexity of some of the work which today's plumbers have to undertake. Rather than reducing the entry age, there are already signs that the market is increasing the age as more and more older school leavers and young adults take up a plumbing apprenticeship.

The overall view of those who phoned in to the programme was that the policy is not appropriate and not well thought through. One caller, a teacher, suggested that a better approach would be to include more vocational training within schools and I agreed that this was a good idea-in fact we are already working on this idea with other parts of the building services engineering sector. I even had to point out that this is proposed in the same political manifesto in the section immediately before the words which caused so much offence.

Am now off to see what other pearls of wisdom I can find in the other manifestos.

March 2011

THE MESSAGE OF WORLD PLUMBING DAY IS FOR EVERY DAY

In 2010, the World Plumbing Council (WPC) designated 11 March as World Plumbing Day and encouraged plumbing organisations across the world to use this as an opportunity to tell people that plumbing is important.

We are approaching 11 March 2011 when the second celebration of this special occasion will take place and it is already obvious that World Plumbing Day 2011 will be even bigger and better than in 2010.

Last week, I visited a primary school very close to the SNIPEF offices in Edinburgh where I spoke to children in Primaries 3 and 4 about the importance of water, health and plumbing. The Powerpoint presentation which I used has been developed by the WPC and is being used in schools in several countries in the run-up to World Plumbing Day. My hope is not that these 7-9 year olds will become plumbers but that they will grow up to appreciate the importance of their plumbing systems.



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On World Plumbing Day 2011, I am due to be in Bengaluru (formerly Bangalore), India chairing an event which is being jointly organised by WPC and the World Health Organisation (WHO). The links which WPC have forged with WHO serve to emphasise that the plumbing industry is a major contributor to global health. That same day, industry conferences in places as far apart as Melbourne, Australia and Johannesburg, South Africa will include a video message about World Plumbing Day which is also being promoted on YouTube.

I am often asked what the relevance of such activities is to plumbing businesses in Scotland and Northern Ireland. Does World Plumbing Day bring such businesses any work? Obviously it does not but what it can and should do is to make customers take the industry more seriously. Plumbing is often underrated and is either seen as a nuisance distress purchase or something for which people don't like having to pay too much. In reality, all customers of the industry- even in places like Bangor, Buckie or Bathgate, should realise that our society would be in a sorry state were it not for the services of a well-trained and professional plumbing industry. The message of World Plumbing Day is that plumbing is vital to global health. Do you remember to promote that message when selling your firm's services?

February 2011

GOOD NEWS ALL ROUND ON THE BOILER SCRAPPAGE FRONT

The Scottish Boiler Scrappage Scheme introduced in May 2010 provided excellent support for householders with the most inefficient central heating boilers. Grants of £400 were provided to enable these boilers to be replaced by the latest high efficiency models. This Scheme helped customers to update their boilers and to save money on unnecessary energy bills. It also helped the environment by reducing the emissions given off by the older products. For SNIPEF members, who were among those who had to install the new boilers, this Scheme provided much needed work during a period when the industry continued to



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suffer from the impact of the economic recession. Many SNIPEF member firms reported that they had an unexpectedly busy summer installing boilers under the Scheme.

The initial Scheme came after a period of intensive lobbying by SNIPEF. There had already been schemes in England and in Wales before the Scottish Scheme was announced. SNIPEF was however disappointed that the level of funding provided was relatively lower than had been available in either England or Wales.

SNIPEF received a very pleasant surprise on Friday 28 January 2011 when the Scottish Government announced that an additional £2m was being made available- from 1 February 2011- to allow the installation of a further 2,500 new boilers. The rules of the new Scheme are the same as before- and installation has to be carried out by an appropriately qualified business such as a SNIPEF member.

Governments are easy targets for criticism but this latest announcement will be welcomed by many customers, environmentalists and qualified plumbing and heating businesses.

Isn't it sad that Northern Ireland is still the only one of the UK's four countries which has provided no funding under a Boiler Scrappage Scheme? SNIPEF has made strong representations to Ministers and officials there but to no avail. Perhaps this latest support from the Scottish Government will be seen as a strong signal that Boiler Scrappage Schemes do work.