



Rt. Hon Gordon Brown, Prime Minister
10 Downing Street
London
SW1A 2AA

17th November 2008

Dear Prime Minister,

“Fiscal Stimulus” Measures designed to re-inflate the Economy

As we are sure you are fully aware, Housebuilding and Residential Property Investment were some of the first sectors / activities to be affected by the current global banking crisis and resultant economic slowdown. This is was due to a dramatic reduction in the number, range and type of mortgages being offered both to customers who purchase and the companies that develop new homes across the UK.

Currently new home building output and the number of registered housing starts are falling in Scotland, doing so very dramatically. Our members are being forced into making decisions to stop opening new sites, only build on existing ones where actual sales have been confirmed, or in the case of large scale regeneration projects where significant investment in up front infrastructure is required, simply mothballing operations until market conditions improve.

This is having a very draconian effect on employment within our industry. We estimate up to 26,000 people – that’s up to half of the directly employed workforce in Scottish house building - have now been lost from our sector. These skilled and educated professionals, tradesmen and managers are now moving into other forms of construction, different economic sectors, taking early retirement or even being lost completely from the UK economy as they are attracted or poached abroad. Such trends clearly substantially weaken our ability to respond to demand when it returns in the future, but more importantly in the short term, this will add dramatically to an already unstable and contracting economic climate.

We recognize that bold, large scale and innovative measures have already been undertaken by Government to stabilise the whole banking system or recapitalize individually damaged financial institutions. Also the context of improving consumer confidence and affordability in borrowing, the recent Bank of England Monetary Policy Committee decisions to reduce interest rates were also most welcome.

Looking closer to home the industry is responding in an attempt to help itself via a whole series of new products or processes designed to rebuild transaction levels, including;

- special incentives,
- shared equity models,
- discounted mortgages,
- future valuation guarantee’s, and,
- private rental investment vehicles.

Nonetheless, the case for a substantially funded UK wide economic re-inflation package to stave off the worst of the impending recession could not be stronger. It is imperative that should you be considering such a series of measures, (as has been widely reported and speculated upon over recent days in advance of your Autumn Budget statement) that these will have direct consequential benefits for Scotland with corresponding application and effects here.

We believe your economic re-inflation package must have two central strands – proactive new public investment aligned to wider private taxation incentives. Our views on the kind of measures that would be most appropriate and effective for our industry are outlined below.

Public Investment

- Is required both Centrally and at a Devolved Government level.
 - Should be focused on massively accelerating the provision of publicly funded roads, transportation, schools, health and community facilities; without which development cannot proceed.
 - In addition, given the current lack of new home supply or activity within the private market, it is necessary to hugely increase socially affordable housing investment via Devolved Government partners, Housing Associations and Local Authorities.

Taxation Incentives

- Are required both at an individual and corporate level.
 - Individuals:-
 - Abolish Stamp Duty - on house purchase transactions in their entirety for a proscribed period of 12-18 months, using this period to fundamentally review and graduate the applicable thresholds to avoid market distorting arbitrary levels, prior to a re-introduction when housing market conditions have improved.
 - Reintroduce “Mortgage Interest Tax Relief” - especially for First Time Buyers and those on Low Incomes, to inject new capital back into the market assisting those hard pressed families who need help the most at this especially difficult time.
 - Substantially reduce VAT - on any transactions associated with repair, renovation and refurbishment of a home.
 - Corporate:-
 - Revise the qualifying trades for Venture Capital Trusts, Self Invested Personal Pensions or Real Estate Investment Trust type investment vehicles to include investment in residential property - thus encouraging tax efficient private investments to return to the market and innovative new models of managed private rental investment to grow anew.
 - Substantially reduce VAT and Corporation Tax - remove burdens on business to encourage investment and entrepreneurial spirit back into the economy.

By carefully considering the concepts outlined above, and then including them within the announcements of your impending budget statement, you will send a further powerful message to the individuals and corporate bodies of Scotlandthat the UK Government remains attune, listening and prepared to act in their best interests wherever it has the opportunity to do so.

Therefore we would commend the widely mooted “economic re-inflation” package of measures being considered, and will be delighted to discuss their potential impact on our industry in greater detail with your Scottish Secretary when the opportunity arises.

Yours,



Jonathan Fair
Chief Executive
Homes for Scotland

Open Letter

Also cc.
Alistair Darling – Chancellor.
Jim Murphy – Scottish Secretary.
Andrew Mickel – Chairman, Homes for Scotland.