

Letter to the Environmental Audit Committee

*F. Reid Esq,
Committee Clerk
Environmental Audit Committee
House of Commons
London SW1A 0AA*

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Dear Mr. Reid,

I am writing to you, in my capacity as the Director of the British Aggregates Association, to offer some thoughts on the proposed aggregates tax, that I understand you are examining as part of your work scrutinising the environmental impact of the Government's policies. The British Aggregates Association represents small and medium-sized, independent quarry companies throughout mainland Britain and Northern Ireland. It is entirely separate from the Quarry Products Association (QPA) and represent a different section of the market, often with different concerns and interests.

Announced in Budget 2000 for imposition in 2002, the aggregates tax will be enormously harmful to the quarrying industry, and especially to small quarries. My concerns relate to three key aspects of the tax: the lack of clear environmental objectives of the tax, the blind faith in the intrinsic good of recycling and the economic impact.

Environmental Aspects

The rationale for the introduction of the aggregates tax is based upon the unscientific form of analysis called contingent valuation. It is a method of estimating the non-marketed benefit of reduced environmental damage based on direct estimate of the cost to be projected from that damage. Contingent valuation is seen as a flawed device by many. The results of a similar contingent valuation exercise regarding the Pevensy Levels in Sussex showed that it was doubtful whether people could fragment their experiences in the way required or in the way that was assumed by the response analysts. It was also questionable whether participants felt that their responses had sufficient validity to be used as the basis for decision-making, and whether they all felt that they were valuing the same thing. Upon realising the use to which their responses could be used, some participants felt angry and wished they had not filled out their forms. Participants found valuing nature an alien concept.

Secondly, this costing technique is practically challenging. Unavailability of information, pricing and accounting problems inherent in the analysis have discouraged researchers from widely using this technique. The problems are even more considerable when applying this technique to the valuation of aesthetic environmental improvement, since the cost of aesthetic damage is not explicitly reflected in the market.

Thirdly, the research is leading the respondents to notice a quarry and then place a monetary value on the negative aspects of quarrying, without asking them to make any consideration of the beneficial aspects of that particular siting of the quarry, either economically or environmentally. A more pertinent investigation would take a more holistic approach, looking at the numerous factors involved in the particular location of a quarry. Even establishing the number of people who actively indicate opposition to a quarry by complaining, and compare this to all the other complaints about, for example, airports, power stations, factories, and even domestic complaints (which have consistently received three times the number of complaints as industrial complaints in the last five years for which statistics are available), would be a more rounded indicator than the present research.

Fourthly, the control and regulation of the environmental aspects of the aggregates industry are adequately covered in the Environmental Act, 1995. This provides for the planning permissions for minerals extraction, including aggregates, to be reviewed and updated on a regular basis by the mineral planning authorities. The minerals planning guidance notes MPG 6 and 11 are currently being updated to ensure that all mineral operators provide local benefits that clearly outweigh the likely impacts of mineral extraction. The imposition of the aggregates tax as well appears to be redundant.

Fifthly, the treatment of the quarrying industry with a one-size-fits-all weight based tax makes neither economic nor environmental sense. Our members are small, predominantly family owned quarries, sited close to their customers. They are not the enormous holes in the ground in the Tarmac or Hanson mould, and the distances their lorries travel are considerably less. Yet, while the environmental cost is much less, the overhead cost to the small quarries is disproportionately large, due to the costs of compliance.

Recycling

The aim of recycling the maximum possible amount of aggregates is not a position we oppose. However, again the Government's plans lack, clear quantifiable environmental objectives and proven environmental benefits of the tax to offset the proven cost of implementing it. It appears that the Government's justification of the tax lies in their belief in the intrinsic good of recycling. This itself can prove to be false, as the distances that recycled materials have to be transported are often considerably further than quarried aggregates, with the resulting economic and polluting effects, as well as inflicting the noise and dust pollution more widely. Moreover, common sense informs that in order to recycle quarry products, the lorries must make twice the amount of journeys with their cargo– to and from the recycling plant – as they do from a quarry.

Economic Impact

The Government's Sustainable Development Strategy states that: "Our economy must continue to grow. We need increased prosperity, so that everyone can share in higher living standards and job opportunities in a fairer society. We must close the gap between productivity and incomes in the UK and those in North America and much of Western Europe. Abandoning

economic growth is not a sustainable development option: to do so would close off opportunities to improve quality of life through better healthcare, education, and housing; to combat social exclusion; to revitalise our cities, towns and rural areas; and to protect and enhance our environment.”

Employment in the quarrying industry has fallen by 10,000 jobs – a quarter of the workforce – in the last ten years. The aggregates tax places more quarrying jobs at risk, many of which are in areas with few other employment opportunities. Furthermore, the closure of a small rural quarry often heaps hardship on areas that have both been hit by the shrinkage of the British agriculture sector and are bearing the brunt of high fuel costs. The aggregates tax represent a further blow to these communities, and far from enabling higher living standards and revitalising our rural areas will augment to rural-urban divide.

Research prepared for the British Aggregates Association by Wardell Armstrong, Mining, Minerals, Engineering and Environmental Consultants, found that 2,000 direct jobs are at risk if the Government proceeds with the tax, with many more indirect job losses in associated industries. Smaller, independent operators will be disproportionately affected, given compliance costs. The tax is projected to take £550 million per year out of the construction budget by 2004. Funds that are currently put into environmental programmes, research and development by the quarry operators, which have historically produced improvements that protect the environment, will be diverted into payment of the aggregates tax.

One of the industry’s largest concerns about the aggregates tax is that the costings of the potential environmental impacts as used in the research are extremely vague. The aim to recycle the revenues from the tax back into the industry, and more specifically into environmental protection in and around quarries, via cuts in the National Insurance Contributions (NICs) of quarries, although well intentioned are both unrealistic and mired in bureaucracy. No figures have been produced to show that revenues from the tax will even exceed the cost of reducing NICs. If this were to be the case, the tax would become a costly mechanism for the Government to give with one hand only to take back with the other with no net profit to be spent on the environment. Further to this, as you stated in your report on the Budget 2000, it appears that the Government have made a firm commitment to resource the fund even if the revenues from the aggregates tax do not significantly exceed the cost of the cut in NICs – on this point we urge you to press the Government for a concrete assurance.

The Environmental Audit Committee has described the aggregates tax as “a very blunt instrument” for dealing with a “very inelastic” market sector. The BAA believes that greater consideration must be given to the aims and consequences of its implementation. I would be pleased to discuss the issues raised in this letter at greater length if that would be helpful.

Yours sincerely,

Robert Durward

Robert Durward Director. British Aggregates Association