

Aggregates Tax debate in Northern Ireland

(Northern Ireland politicians up in arms about the Aggregate Tax)

Mr. Byrne:

I beg to move that this Assembly notes the serious economic and environmental implications the aggregates tax will have for the quarry and construction industry in Northern Ireland and calls upon the Minister of Enterprise, Trade and Investment and the Minister of Finance and Personnel to make representations to the UK Treasury to prevent the introduction of this tax in this region.

Taxation, as Members are well aware, is a reserved matter. In recent weeks, representatives of Northern Ireland's quarry industry have brought a taxation issue to my attention, and to the attention other Assembly Members, including Mr. Hussey, whose name also appears on the motion.

This tax is known as the quarry or, aggregates, tax, and its imposition in Northern Ireland in April 2002 will have serious economic consequences on the quarry industry throughout the North, particularly along the border area. Furthermore, the imposition of the tax will not produce any discernible or environmental benefits and will have a detrimental impact upon the spending power of the devolved Departments of this administration, inhibiting the ability of the new political dispensation to deliver on the commitments given in the Draft Programme for Government.

The introduction of the aggregates tax was announced by the Chancellor of the Exchequer in his budget speech in March 2000. Detailed provisions will be included in the 2001 Finance Bill and the tax will come into effect in 2002. It will apply to all virgin sand, crushed rock and gravel and their products such as tarmac, bricks, blocks, concrete et cetera, which are subject to commercial exploitation in the UK. The tax will be collected by Customs and Excise but unlike VAT, which is charged as a percentage of value, it will be charged on a weight basis at £1.60 per tonne. The tax will apply to exported products but exported aggregates will not be taxed. Although imported aggregates will be taxed, imported products made from aggregates, like concrete blocks, et cetera, will not be taxed.

This amounts to a tax which will make imported products cheaper and will put the industry in Northern Ireland at an unfair disadvantage. The Government's primary stated reason for introducing the tax is environmental. They want to encourage a shift away from virgin aggregate as part of their sustainable development strategy and to encourage the use of recycled aggregates. The aim is to integrate fiscal strategy with environmental concerns and reduce environmental damage by shifting the taxation burden away from what the Government considers as "goods" to "bads". The Government intends to use the revenue raised from the tax to contribute towards a cut in employers' national insurance contributions and to set up a sustainability fund to produce "benefits to local communities affected by quarrying".

However, if one explores the Government's rationale for this tax on construction in detail it simply does not fulfil their own objectives. First, the research upon which the taxation is based is highly questionable. Secondly, we should consider the inevitable job losses and costs on the construction industry, and the fact that the aggregates tax might not even raise the necessary revenue to fund the intended reduction in national insurance contributions. When these factors are taken into account, it seems ill-advised for the Treasury to impose such a broad tax, especially on this region.

The reasoning for the aggregates tax was first raised in Labour's 1997 budget and was based upon a paper produced by the Institute for Public Policy Research (IPPR), which promoted the idea of green taxation. The Government has since then justified the tax on research commissioned by external consultants — London Economics (LE) — which showed that quarrying had an external environmental cost of around £300 million. This cost was based on a controversial form of analysis called contingent valuation in which interviewees were prompted to place a monetary value on the negative impacts of quarrying. The results were multiplied to produce a national value. However, according to the Quarry Products Association (QPA), in the promotion of these research results, and the decision to introduce a tax, the Government neglected some important points. For example, the research assumed there would be no benefits from quarrying, only cost — which the QPA accused the Government of inflating by 30% — and, therefore there would be no benefits from quarry restoration nor in the use of quarry products. Additionally, at least 90% of those surveyed did not identify any cost from quarrying. Doubts about this research were expressed by a peer review, commissioned from Prof's David Pearce and Susanna Murato of University College, London. In response, the Department of the Environment, Transport and the Regions commissioned a second report from London Economics and again the same professors found it lacking, particularly in any benefit analysis of quarrying. Therefore, the London Economics' report has an inbuilt bias against the quarry industry. To introduce a tax on the basis of such questionable and unscientific research, which alone has cost the taxpayer £500,000, does not stand to reason. The basis of charging this tax amounts to no less than a tax on construction, as it will only apply to crushed rock and sand gravel, used as construction aggregates. As demand for these products is price-inelastic construction clients will meet any tax introduced through increased costs. The introduction of the aggregates tax is particularly bad news for the industry in Northern Ireland, which has an annual turnover of £300 million, with an estimated output of approximately 20 million tonnes. It employs between 5000 and 6000 people in hard rock, sand and gravel quarries, concrete, asphalt and block plants. The QPA estimates that in Northern Ireland, where the average price of stone is £3 per tonne, the imposition of this tax on Northern producers will represent an increase in price of about 53%. In any town North and South where producers are equidistant from the border, the Southern producer will be able to deliver products to the consumer £1.60 per tonne cheaper than his counterpart in the North. Given that we have a land border from Derry to Newry, and given the fact that we have so many quarries in the border zone, we could see the industry being devastated if the tax is introduced. When one considers that five out of the Six

Counties have a border with the Irish Republic, and that Southern producers already have a competitive advantage in terms of the punt-pound differential, lower corporation taxes and lower fuel costs, the impact on Northern producers would be devastating. For many decades, the quarry industry has been an important source of employment in rural areas of Northern Ireland, which have already been hard hit by job losses in the agricultural sector, the textile industry and the petrol retailing trade. For example, in West Tyrone there are over 30 quarries and over 1000 jobs in the county dependent upon quarrying. In Fermanagh, 750 jobs are at stake. Overall, the percentage of the workforce employed in quarrying in Northern Ireland is much greater than in Britain. It is the only region where this tax will apply — a region which has to compete with cheaper imports coming across a land border. (Madam Deputy Speaker [Ms Morrice] in the Chair) The existence of the border will also make the tax difficult for Customs and Excise to implement and collect. It will encourage the emergence of a black economy in aggregates. This would irrevocably damage reputable producers. It is estimated that 70% of the 5,000 to 6,000 jobs the industry provides could be at risk, resulting in over 4,000 job losses. This, by itself, should be enough to prevent the imposition of this tax, which could cost the Government up to £60 million in lost tax revenues and unemployment benefit. The environmental reasons for introducing this tax do not add up either. Due to the nature of the local economy, and the greater dependence on the rural economy, in the North we do not have the same opportunity to avail of recycled aggregates in the same quantities as in Britain because we do not have the same level of urban regeneration. Our society is a largely rural one, whereas Britain has a highly industrialised urban society. In addition, there is a more even distribution of rock in Northern Ireland, and quarries are located closer to the customer with the result that lorry mileage and haulage costs are lower. An increase in imports and a relocation of businesses across the border will result in an increase in the number of lorries on our roads. This will have adverse effects on the environment, as well as damaging our roads. With regard to our current spending constraints, this taxation on construction will have a detrimental impact on the spending power of a number of Government Departments. For example, an increase in construction costs would result in a 10% to 15% reduction in the spending power of the Department for Regional Development's Roads Service. This would have a major impact on the roads budget and would further extend the existing backlog in roads maintenance requirements, particularly in border areas. In the North, the public sector represents 60% of all expenditure on construction, and the introduction of this tax will force construction costs up by between £18million and £20 million across the capital spending budgets of all Government Departments, creating a nett cut. This tax is expected to raise an estimated £32 million in the North, but only about £14 million will be left to administer the tax and fund the reduction in national insurance contributions. Given the cost to the regional economy of 4,200 extra unemployed people, the aggregates tax will cost the Treasury more in Northern Ireland than it will yield. Of course, I accept that we must take on board environmental concerns. However, it makes more sense to adopt a balanced and fair approach which is sensitive to the environment and which does not, at the same time, wipe out the quarry industry and impose enormous costs on the construction industry. In July 1999, the QPA submitted its alternative to the Treasury which was

rejected. The QPA's new deal for the whole of the UK was a 30-point plan of voluntary and regulatory initiatives. These included a commitment to establishing an index-linked sustainability foundation, which would be financed by the industry, amounting to £125 million; the introduction of an industry wide quality mark for environmental performance; environmental purchasing policies; major investment in recycling plants and equipment; the introduction of a restoration scheme for all aggregates; and guaranteed environmental impact assessments. The House of Commons Environmental Audit Committee's Sixth Report 'Budget 2000 and the Environment' found the Government's rejection of these proposals difficult to comprehend. In spite of the QPA's submission, Mr. Stephen Timms, the Financial Secretary, argued to the puzzlement of the Committee, that there was no scope for differentiating between suppliers on their "green credentials". The Committee remarked, in its report, that it was "bizarre" that it did not seem possible for the Treasury to differentiate between the aggregate produced by a quarry, which had shown due concern for environmental considerations, and one which was environmentally reckless. The Environmental Audit Committee said that even the Government have accepted that the aggregates tax is "a very blunt instrument" for dealing with the environmental impact of quarrying given that the demand for aggregate is "very inelastic". Furthermore, the Committee's report highlighted the difference between the Government's conciliatory approach to the agriculture and agrochemical industries on the pesticides tax and their uncompromising and unsympathetic attitude to the quarrying industry. Finally, and probably most incredible of all, the Committee's report highlighted the QPA's concern about whether the revenue raised throughout the UK from this tax could actually fund the intended cut in national insurance contributions. The QPA estimates that the £330 million raised by this tax in 2002/03 would not even be enough to fund a 0.1% cut in national insurance contributions, costing £350 million, even before one can consider contributing an additional £25 million to an environmental sustainability fund to help local communities. In short, in relation to Northern Ireland the aggregates tax is, at best, an ill-conceived policy that will do more harm than good. It will not encourage the use of recycled aggregates. It will not finance a sustainability fund nor cover the cost of the proposed cut in national insurance contributions. The Government's proposals as they stand would treat bona fide quarry operators with high environmental standards — and these operators are in the majority — in the same way as those with low standards, and it will ultimately result in the loss of many jobs. In conclusion, when we elected representatives consider the commitments given in the draft Programme for Government to promote a competitive economy, a balanced regional development strategy and greater environmental sustainability, it seems totally illogical to introduce such a tax to Northern Ireland. This tax will increase the cost of building new hospitals, schools, social housing and roads infrastructure and, according to the (Confederation of British Industry) CBI, will not alter behaviour in favour of the environment. Representatives of the QPA's steering committee have already met with my Colleague, the Minister of Finance, Mr. Mark Durkan, and with UK Treasury officials to express their concerns about this tax. They will also seek to put their case to the Minister of Enterprise, Trade and Investment, Sir Reg Empey. On many occasions in the House the need for the Executive to take a joined-up approach to

Government has been expressed. The aggregates tax will affect all Departments and will increase the cost of all capital spending projects. The Environmental Audit Committee called for a partnership-based approach to the subject of environmental taxation, and the Ministers of Finance and Personnel and Enterprise, Trade and Investment could set up a review group which would listen to the views of the stakeholders. That review group could report back to the Executive who would forward its views to the Treasury. However, time is limited. The Government's proposals in their current form should not be introduced into Northern Ireland, and the House should send a clear message to the Treasury that alternative arrangements are needed which will address the particular issues facing this region. Mr Wells: I speak as someone who through his interest in wildlife, waste disposal and nature conservation issues can claim to have visited every quarry in Northern Ireland over the last 10 years. I have come to know quite a few of their owners. I also speak as someone who considers quarrying to be a very important industry in south Down. However, I would like to dwell on the environmental issues because this tax is being levied to bring about environmental benefits. It must be said that there is a world of a difference between quarrying as practised in Northern Ireland and that practised in the rest of the United Kingdom. If you go to England you find the Wimpeys, and the Tarmac's of this world — huge multinational companies with quarries which can be of 400-500 hectares in size and employ several hundred people. As these are absolutely enormous holes in the ground, this type of quarrying has an enormous environmental impact. The situation in Northern Ireland could not be more different. Almost every quarry in Northern Ireland is a family-owned concern, and they are relatively small. There is a larger number of quarries in Northern Ireland, which means that the overall impact on the environment is much less, and the distances travelled to carry the products to the farmers and the construction industry are much smaller. While there may be one or two bad examples, such as the one in west Belfast, which is quite large, that is not the norm. Therefore, to impose a tax in Northern Ireland which is designed to bring about an amelioration of environmental damage in the rest of the United Kingdom is absolute nonsense. The second reason for my opposition to this tax is that there are 6,000 jobs at stake. Those jobs are in areas which have suffered the worst economic deprivation over the last decade. I am talking about areas like Londonderry, west Tyrone, Fermanagh, Armagh and, of course, south Down. Just when the quarrying industry was getting itself back on its feet after many difficult years of lay-offs and reduced production due to under investment in infrastructure, it gets a kick in the teeth in the form of this tax. To those who have thought up this harebrained tax', I contend that it could not have been more ill-timed. 3.45 pm In many depressed agricultural communities quarrying is an alternative source of income and employment. Many people farm in the evenings and work in the local quarry, or deliver materials from the quarry, during the day; it is a second income. This tax, therefore, runs the risk of removing one of the very few sources of income for these people. I have direct experience of areas such as Warrenpoint and Kilkeel, where quarrying is a crucial part of the rural economy. Yet when other elements of the rural economy, in particular farming, are going down the plughole and incomes are falling fast, an unnecessary burden is imposed on one of our most important industries. As has already been said so eloquently

by Mr. Byrne, if I were a potential investor and had the opportunity to expand my quarry business in the Irish Republic, just across the border in Cavan, Leitrim, Monaghan or wherever, or the option to expand a quarry in Fermanagh, south Down or Armagh, and I thought this quarry tax was on its way, where would I choose to invest? I would invest where I could produce the goods more cheaply, and this tax will not apply to indigenous material produced in the Irish Republic. If this was an EC decision that applied to all member states, we would be on an equal footing, but we are not. Surely we as an Assembly have seen enough of what has happened to fuel over the past four years to realise the obvious opportunity there is for fraud. Recently I had a phone call from a gentleman in my constituency — I will not say where he was from because it might be too revealing. He said "Jim, can you explain something to me? At 3 o'clock every morning a tanker of fuel freewheels down the main street into the rear of a certain garage, rapidly unloads its fuel, then freewheels down to the roundabout, starts its engine and sails away." You can draw one of two conclusions from this: either that individual is being very sympathetic to residents' needs and does not wish to disturb them; or perhaps there is something in that tanker that he does not want Customs and Excise to know about. I will leave it to hon. Members to decide which is the more likely. Because this tax will not be imposed on both sides of the border, it is going to make life very difficult for our quarry owners. We are effectively placing a 50% increase on the materials produced — £1.60 a tonne does not sound very much, but this material is sold in bulk as sand or as aggregates for roads. It is often sold at £2.90/£3.00 a tonne, so some 50% is to be added to the cost of the finished product. The quarry industry simply cannot bear that type of burden. Running costs are already much lower for quarry owners in the Irish Republic who use legitimate fuel, and they also have the advantage of the pound/punt difference. Wages are lower and products are cheaper there, and we are going to impose another burden — we really are asking for trouble. There is absolutely no need for this tax. As Mr. Byrne has said, it is quite clear that it will not even raise enough money to make it cost-effective. Circumstances in Northern Ireland are so different that we constitute a special case. If it is decided not to go ahead with this aggregates tax in Northern Ireland, it will have no overall impact on the sum produced by this tax throughout the United Kingdom. But what it will do is save a lot of jobs, many of which are at the outer rim of Northern Ireland and close to the border. Indeed, one of our major quarries straddles the border and is the most important employer in Fermanagh. We simply cannot allow this decision to go through. An argument will be made that this decision has been taken at Westminster and that we as an Assembly have no control over these matters. Unfortunately, as yet we do not have control over fiscal matters. I appeal to the Minister of Finance to go back to his Colleagues at Westminster and the Chancellor of Exchequer and explain the implications of this tax. It is scheduled for 2002, so we have time to argue our point and argue it forcibly. If we are going to show our teeth and really represent the people of Northern Ireland, particularly those in hard-pressed rural areas such as west Tyrone, we need to ensure that their voices are heard before irreparable damage is done to our rural economy. Mr. M Murphy: Go raibh maith agat, a LeasCheann Comhairle. This aggregates tax that has been introduced in a cowardly way by the British Government is not a proper piece of legislation for

the Six Counties. I would like to see the Regional Development Committee open an inquiry into it. First, I will address the unfair tax that will increase the financial constraints already experienced by our roads programme. As we have seen from our proposed Budget, the roads fund lacks proper investment. What will happen if the tax is given a green light? A clear distinction has not been made on where this tax will be spent. The British Government's rationale for introducing this levy is national insurance and the impact that it will have on the environment. They do not give a reason for refusing to consider the Quarry Producers' Association's green purchasing proposals as part of an alternative approach to taxation. The quarry industry provides raw materials for the construction and maintenance of homes, hospitals, schools, railways, other buildings and infrastructure. We have inherited a backlog of under investment in those areas, and the aggregates tax will serve to increase underdevelopment. The under investment in the raw materials that we have seen today in the proposed Budget is the reason that Sinn Féin is requesting an inquiry by the Regional Development Committee. We must also consider the high value of the pound and its effect on business in Fermanagh, Tyrone and the border counties. Fermanagh and Tyrone depend on the quarry industry for jobs. I am asking the Committee to hold an inquiry to see the effect that the proposed Budget will have on the environment. Go raibh maith agat. Mr Gallagher: I support the motion. It calls for the Minister of Enterprise, Trade and Investment and the Minister of Finance and Personnel to make representations to the Treasury. However, the motion goes further than that in that it requires positive action from the entire Executive, and not just from the two Ministers specified. I note that the Minister of Finance and Personnel is present for the debate, and I acknowledge this. If we are to lobby the Chancellor effectively, there are issues for the Department of the Environment and its Minister to consider. We should have received a report from that Department in which comparisons between environmental issues in Northern Ireland and those in England, Scotland and Wales were made. One of the Members who spoke earlier pointed that out. That would be a useful way of preparing ourselves for pleading our case to the Chancellor. There are also serious issues here for the Department for Regional Development. In England, an estimated £70 million out of the extra £250 million for roads will be eaten up by the tax. In Wales, the aggregates tax will cost the construction trade £40 million a year and possibly 3,000 job losses. Similar figures have been estimated for Scotland. It is time that the Department for Regional Development estimated the impact that the tax will have on our roads budget. The best estimate that I have been able to get is £13 million. However, before we go to the Chancellor, we need to prepare the figures. I am concerned about the quarry owners and their employees whose livelihoods depend on this industry throughout the North. They will be immediately affected, and there will be knock-on effects for people involved in the construction industry — those involved in the construction of houses and roads and in renovations, as I mentioned earlier. The greatest impact will be felt in the border areas, as has been the case so often. My constituency of Fermanagh and South Tyrone will be particularly hard hit because there are, in this area, at least 1,000 jobs in quarrying. The border constituencies are already enduring a crippling of the economy because of currency differences. The Executive Committee faces the challenge of preparing an adequate case, and this will involve every

Minister. I have no doubt that there is a case to argue. When the two Governments submitted their application for European assistance, they wrote a common chapter in which they discussed plans to develop and harmonise the economy, particularly in the border areas. The current proposals of the Chancellor of the Exchequer for fuel tax are contrary to the commitments made in this chapter. Mr. Gibson: We are having an interesting day. This morning, the Chancellor of the Exchequer here was criticised for his idea of taxing buildings — a tax commonly known as rates. He also referred to the mobile phones carried into this place. We know that Chancellors tax air space. Governments have, over the past few years, tried to move from direct taxation to other means of taxation. At an international conference on environmentally friendly attitudes, it was unsurprising that a move towards tax benefits was seen as a way of encouraging Governments to consider the environment. When they returned from the conference, representatives from the South of Ireland sobered up, and responsibly — or irresponsibly — said they would withdraw from that agreement on the grounds that it was not sensible. Either Westminster has remained in a state of inebriation, or it is incapable of thinking the dilemma through. However, the Minister and the Executive have more difficulties over and above those highlighted in the arguments this afternoon. This issue is really about taxation. The same clamour was not made when we willingly, or unwillingly, paid £2 per tonne — not in value added tax — to deposit waste in the earth. There were howls from councillors, and a little murmuring was heard at this level. It was perceived as another form of taxation and the scheme was sold on the grounds that it was environmentally beneficial. If a product is taxed, people will seek an alternative — we have already seen that. Let us look at alternatives open to the construction industry. If you want wood, you cut down more trees — this is not environmentally productive. The Government must try to defend that position. 4.00 pm I suggest that the Minister and the Executive give the Chancellor of the Exchequer a few ideas more like those originally sold to the Government about the possibility of making money from airspace. I should never wish to be the one to suggest a method of taxation, for I hate the very idea. However, I am sure that the wit and brilliance of the Executive and its Ministers should be able to defend the countryside environmentally. There are good reasons for that. Omagh gold is being launched in my own constituency this week: a natural product of the ground. It is being marketed all over the world. To get it, one must extract rock, but this dream from international conferences will add another £1.60 per tonne to the cost of that. That is just one point. Rock is a natural, God-given product. We have talked about the farming industry this morning. We know our Government has a policy of rural-proofing. How, in West Tyrone or any other border region, could one rural-proof the idea of a tax on extracted items, the natural products of the ground, which have been the baseline of survival for many local family enterprises? I could easily add another hundred names to the list appended to the article that came in from the quarry interests. There are well-known families associated with quarrying and extracting, not only in my constituency but also in neighbouring ones. Does this mean that Coalisland clay and brick will be taken off the world scene? What about limestone, the farmer's basic fertiliser? What is our thinking on products like cement that come from lime chalk? What do we think of the other natural products that make brick? We are talking

about taxing something that is a natural product and is environmentally friendly. This imposition will mean that, even if the South of Ireland got responsible — or irresponsible — and went into the conference saying it would charge £1.60, all one would have is a cross-border quota system, whereby quarries in West Tyrone would ring up their counterparts in West Donegal and say, "I have 0.25 million tonnes of rock to sell to a man in your constituency." The other would reply, "I have 0.25 million tonnes to sell to a man in yours. I will send your man mine, and we shall just cross the paper." One could have all sorts of ridiculous situations. Mr. Wells: That is dishonest. Mr. Gibson: Of course it is dishonest, for one is changing the paper. However, that is what Governments want. A move must be made, through the North/South procedures, to see what is happening and what the real effects are. Someone talked about research. What about inequality? This situation becomes more unequal if one examines the extraction of other products from the ground, for example, coal, oil, gas, iron and aluminium. Are they being taxed in the same way? Are we talking about open or underground extraction? The matter gets more ridiculous when we enter this area. The proposer of the motion hinted at some of the studies and surveys that have already been carried out. At the end of the day, however, this is not really about environmental protection, for it was originally perceived as a tax. They sold it on the basis that employers stood to benefit. Then, as is natural in all things this century, they gave it an environmental spin. However, it has been exposed as environmentally unfriendly and, worse still, as a destroyer of jobs. Worst of all, it could never be rural proofed, never mind equality proofed. By its very nature, it is a taxation on open extraction of natural products. I support the motion, but I ask the Minister, along with the Executive, to inform the Chancellor that there are other more equitable and rural-proofed methods of raising taxation. Above all, consider a little common sense. Anyone walking the lanes of County Tyrone, and hearing that he is going to tax the natural products of the ground, would look at him and say "Go home, son, and sober up". The Minister should go to the Chancellor and tell him to have a sober thought about the next conference he is going to. Mr. Close: Members may recall that I first raised this issue in the Chamber on 24 January 2000, by way of an Oral Question to the First Minister and the Deputy First Minister. I referred to the potentially adverse effects of national fiscal policies on the Northern Ireland economy. In my supplementary I referred specifically to the aggregates tax and urged them to make a strong case to the Treasury for at least some form of abatement to the Northern Ireland industry in this respect. The record shows that on that day I received assurances that these issues would be raised with the Treasury. I hope I am not here today recognising and acknowledging that we have failed in that. I hope today's debate will be used to further emphasise the need and importance of making a very strong case to the Treasury. This is a classic example of the nonsense and damage that can be done to a region by the importation of national fiscal policies. As has already been stated, it has been introduced on the terms that it was an "environmentally-friendly" tax. Quite honestly, that is rubbish. The basis of that is that recycling could take place. Where is the recycling for the volume and quantities of aggregate in Northern Ireland? It does not exist. The Government have stated that they intend to use the taxes raised to fund a decrease in national insurance contributions for all employees in the UK.

Does anybody believe that? Taking it a step further, if this tax is imposed upon the quarry industry in Northern Ireland, it will lead, as it says in this booklet, to the death of that industry. What will that mean? It will mean thousands of people out of a job, and people who are not employed do not pay national insurance contributions. So who is going to benefit? It is not going to be Northern Ireland. Our economy can ill afford to lose other industries. We are in close proximity to the South of Ireland — 25 to 30 miles from the border. Lorries will trundle across, selling their product, and the people of Northern Ireland will effectively be denied the ability to compete. We all know, from previous debates, that excise duty and fuel are more expensive here. At the moment they are competing with one hand tied behind their backs. If this type of tax were passed — I understand it will be £1.60 per tonne — then they would be expected to compete with both hands tied behind their backs. In fact, they would be crippled. With regard to this whole question of the environment, the location of quarries in Northern Ireland means that there is not the damage to the environment that there is, relatively speaking, in other parts of the United Kingdom. We have the machinery and production capacity to make the bricks, and so on that have already been referred to. My final point should come as joy to the ears of the Finance Minister following what happened this morning. He told us — exhorted us and exhorted us — to seek ways to reduce the amount of public expenditure required to finance the various programmes in Northern Ireland. Here is one: if the tax is imposed, the spending capacity of the Department of the Environment will be reduced by some 10% to 15%. It is in the Minister's interest, as well as that of the quarry owners and everyone who lives in Northern Ireland. We can rest assured that the tax will be passed on; it will be passed on in every facet of life. We cannot allow that to happen, so I exhort the Minister and his Executive colleagues, to get over to the Treasury — sooner rather than later — and make the case for Northern Ireland. They must not come back saying that they have failed. Mr. Dallat: If only stones could speak. Experience shows that if taxes are not harmonised, the part of the island where taxes are higher faces economic disaster. Recently, that has been Northern Ireland. I will not labour the point. There must be a level playing field, to give our industries a fair chance of surviving. Local businesses have built up lucrative niche business in the Republic, in road and other construction. The European Union should nurture those industries rather than kill them off with unfair taxes. I recently visited east Germany, where I noted that the Government were spending massive sums on a new road infrastructure. Our entire road and rail infrastructure faces the aftermath of thirty years of troubles and abject neglect by an absentee Government. It is downright crazy to be contemplating a quarry tax, which could kill off an industry that must play a vital role in creating a new infrastructure. Members have referred to quarries in the border region. No quarry in Northern Ireland will be safe if the tax is introduced. In East Derry, there is substantial employment in all parts of the quarry industry, and none of those jobs would be safe if the tax were imposed. As those industries introduce new technologies, costing million of pounds, it is most likely that they will relocate where taxation is more favourable. The hills of Donegal will become more popular than ever — not for their beauty, but for their stone. That serves the interest neither of Northern Ireland nor of the Republic. The experience of the fuel industry is well documented. Not only is fuel flowing

freely over the border — legally and illegally — but the haulage business has largely relocated. Could the stone and concrete businesses relocate in the same way? I should think not. I represent a large, rural constituency where jobs are hard to come by. Many people depend on the construction industry. Are such people now to be sacrificed as others have been, because of tax differentials? The case must be made to Brussels, before the legislation is passed. I am happy to leave the hills of Donegal in Donegal, where I go frequently to admire their beauty. I prefer to see stones being quarried locally, on a scale — approved and controlled by Government — that will never damage the environment. Today, all parties in the Assembly have been united on this issue. Let us go forward together and, with the support of the Minister of Finance and Personnel, deliver the message that a tax on stone will bleed our industry dry.

Mr. A Maginness: I speak as Chairperson of the Regional Development Committee. 4.15 pm The matter of the aggregates tax was recently brought to the attention of the Committee for Regional Development. It greatly concerns us. Regional development is essentially about developing our physical infrastructure as a region. As we know, one of the aims of the Executive, as outlined in the Programme for Government, is to create a competitive economy. That objective will not be attained without proper infrastructure. Therefore, the Department for Regional Development aims to create and renew our infrastructure, which has almost reached a crisis point because it has been starved of proper investment for so long. It is important that the Committee and the Department look at the overall effect that this tax will have on the development of our infrastructure. Many Members talked about the effect that it would have on local producers. However, that will be passed on, not just to private sector customers but to the Government and the Department for Regional Development in the public sector. The public sector will have to bear the additional costs that this tax will create. The additional cost could be quite damaging to the process of renewing our infrastructure, particularly road building. It is estimated that the public sector uses 40% of the materials used per annum in Northern Ireland. If 20 million tonnes are expended, the additional burden on the public sector will be £12.8 million. That is an enormous amount of money, which would be sufficient in many ways to put back Northern Ireland's road development programme. The Executive, and in particular the Department for Regional Development, are strapped for cash. They do not have the necessary money to engage in a proper road-building programme. This additional burden could wipe out some of the Minister of Finance's generosity — and the extra funding he has provided for the Department has been generous. Therefore, it will be very damaging, because we will have to run hard simply to stay still. That is the reality of the situation. The Committee for Regional Development is very concerned about the effect that this tax will have on the private sector and, especially, on the public sector, which is our particular responsibility. It behoves all of us to support this motion, to lobby the Government centrally and to outline to them the effect that this tax will have on our public sector. Successive Westminster Governments failed to invest properly in infrastructure here. Now that we have a devolved regional Assembly and Executive, the Government is imposing an excessive burden upon us. There are good reasons for implementing this tax, but unfortunately the outworking of it will harm us and harm our development. We are faced with a historic

legacy of under- investment by the Government at Westminster, and now that Government is imposing a burden that, frankly, will be hard to bear. Therefore, it is right and proper that the Minister of Finance and Personnel should go to London and explain carefully to the Chancellor of the Exchequer the harmful effects that this tax will have on us. The Minister should plead with the Chancellor for an exemption for Northern Ireland — one that we truly deserve. We must at least be given some time and space in order to get on our feet, otherwise it is unfair for the Government to insist on this. I think that this will be a recurrent theme in this Assembly over many other issues as yet undetermined. As a devolved Assembly and Executive, we are in conflict with central Government. The interests, aims and objectives of central Government do not necessarily suit us. I have no doubt that we will come back to this theme in the future. This issue highlights the classic conflict between central Government and this devolved Assembly and Executive. I reiterate and endorse what other Members have said. The circumstances of Northern Ireland in relation to this tax are unique. I believe that we have a good case and that the Minister should go to London with our fullest backing and support. The Minister of Finance and Personnel (Mr. Durkan): I welcome the opportunity to respond to this motion and to hear the views of the Assembly on the aggregates tax. I have received several representations on this matter, and recently had a very useful meeting with the Quarry Producers' Association to hear its concerns at first hand. I will say more about that meeting shortly. First, I will provide some information about the tax and its stated purpose. Secondly, I wish to inform the Assembly about representations made to me, and the actions I am taking in response. Thirdly, I would like to set out for the Assembly the wide range of issues that the new tax raises for us, in the context of our Programme for Government. Lastly, I will explain how I propose to take this matter forward in conjunction with my Executive Colleagues. I lay particular emphasis on that last point, as some other Members have done in their remarks. The one thing that has been made abundantly clear to me today is that this is a cross-cutting issue that will impact on a range of departmental interests. Obviously, it would be inappropriate for me to speak on behalf of others, but I know that Sir Reg. Empey, who is unfortunately unable to be here this afternoon, has a keen interest in the economic impact of the tax. He is concerned that it will damage the competitive position of Northern Ireland quarry companies relative to their competitors. I know from interdepartmental discussions that others will be affected. The Roads Service in the Department for Regional Development is, as some Members have mentioned, the largest user of aggregate in Northern Ireland. It anticipates a major increase in its costs as a consequence of this tax. From a different perspective, the Department of the Environment is seeking to promote a range of environmental improvement policies, including the greater use of recycled aggregates. There are various factors that need to be considered, and I will explain some of the background to the tax. In this year's Budget the Chancellor announced his intention to introduce an aggregates levy which will come into effect from April 2002. According to the Chancellor the purpose of that levy is to ensure that the environmental impacts of aggregates production are more fully reflected in prices, encouraging a shift in demand away from virgin aggregate towards alternative materials such as recycled aggregate. The levy will apply to virgin sand,

gravel and crushed rock which is subject to commercial exploitation in the UK — including that dredged from the seabed in UK territorial waters. It will be charged at £1.60 per tonne. The levy will not apply to recycled aggregates or to certain secondary aggregates such as those derived from reworking old spoil heaps. To protect competitiveness, exports will be relieved and imported aggregates will be subject to the levy when they are first sold or used in the UK, though this will not apply to imported processed products. There will be a range of exemptions or relief for certain rocks and industrial minerals, for the production of lime or cement from limestone, and for silica sand or limestone used in certain agricultural and industrial processes. The Chancellor claims that the levy furthers the Government's aim of shifting the burden of taxation from — as Mr. Byrne mentioned — what the Chancellor describes as "goods" to "bads". The revenues from the levy are to be fully recycled to the business community through a 0.1% reduction in employers' national insurance contributions, and the newly created sustainability fund. It is contended that the reductions in national insurance contributions will provide a significant benefit to Northern Ireland employers. We will need to quantify that accurately. Details of the sustainability fund have recently been announced. Around £35 million per annum will be set aside from April 2002 to establish that fund. Of that, almost £1 million per year will read across to Northern Ireland under the Barnett formula. The figure is £0.97 million in 2002-03 and 2003-04. In October, the Treasury suggested that the devolved countries should pool their shares of the fund with the English resources. That would create a UK-wide pool from which groups or organisations could bid on a competitive or challenge basis to fund projects which would achieve a number of environmental objectives. These will include reducing the environmental costs of quarrying, promoting environmentally friendly quarrying practices, supporting conservation and increased biodiversity, retaining the natural landscape, and encouraging the construction industry to use recycled aggregates. I considered this with Sam Foster and, after consultation between our Departments, we resiled from the proposal to take part in the pooled fund.

Mr. Wells: Does the hon Member accept that due to the way that quarrying was carried out in Northern Ireland it is not unusual for a closed-down quarry to be declared an area of special scientific interest? Does he accept that many quarries eventually become havens for wildlife in what is often a green desert? Has the Minister done any research to find out if the impacts of quarrying in Northern Ireland are in any way similar in scale to those in the rest of the United Kingdom? Many of us contend that they are not, and therefore believe that we do not need to take ameliorating action.

Mr. Durkan: I am setting out the background to the tax and explaining about the sustainability fund. I have said what the Chancellor is advocating. I will subsequently address the points arising from the various representations we have received including those raised in this debate. I do not disagree with the Member. Perhaps he has a misapprehension concerning my point about the proposal that the Northern Ireland interest in the sustainability fund should be reflected through the pooling of the fund with the other devolved regions and with England. It is a straightforward matter of information. We have resigned from that suggestion.

4.30 pm On 29 November I had a very useful meeting with some representatives of the QPA. They presented a very cogent case for seeking exemption from the aggregates levy. In view of the cross-cutting

nature of the issue, officials representing the departments of Sir Reg Empey, Gregory Campbell and Sam Foster also attended the meeting. The association argued that the tax would have a negative impact on the local quarrying business and would damage the wider Northern Ireland economy. They said it would have a detrimental effect in border regions, which are already suffering from the impact of the exchange rate and from a depressed agriculture sector. The QPA argued strongly that the levy would make quarry operations here less competitive and would probably have the effect of displacing quarrying businesses from North to South. Crucially, they claimed that the tax will not lead to a switch by the local construction industry to other materials such as substitute or recycled aggregates. Northern Ireland has a much higher dependence on newly extracted aggregates and, therefore, is unlikely to be able to make the desired change easily. As a result of this, the association made a strong case for suggesting that the displacement effect of the tax will not have a positive environmental impact. In fact, they maintain that it will achieve the opposite because there will be no reduction in the extraction of raw material and a significant increase in the transportation of raw materials and aggregates. The tax rate of £1.60 per tonne will add over 60% to the cost of Northern Ireland aggregates which currently average around £2.50 per tonne. This compares with an average price of aggregates in Great Britain of around £7.00 per tonne and would provide the Exchequer with up to £40 million in revenue based on the QPA's estimate of current aggregate production here. Hence, the tax rate in Northern Ireland would be 60% compared with 22% in Great Britain. As a consequence of this, the association claims that the jobs of up to 80% of the 5,000 people who work in the quarrying industry are under threat. I have asked the association to provide further information to support their claims. However, on the basis of the evidence provided there appear to be grounds for concluding that the aggregates levy will have a more profound and damaging impact on the quarrying industry in Northern Ireland than had originally been imagined. Members contributions today echo the QPA's strong arguments that this levy could have a perverse environmental impact here, which would match its adverse economic impact on this region. However, as I made clear to the association at the meeting, there are a number of competing issues to be considered. Apart from the very real risks which the quarrying industry now faces I must, in conjunction with my ministerial Colleagues, also have regard to the objectives on sustainable development which the Executive has signed up to in the draft Programme for Government. Mining and quarrying impact on the environment and the levy is the Westminster Government's response to public concern about the construction industry's involvement. Mr. Poots: Will the Minister give way? Mr. Durkan: I think I am about to make the point that you are going to make. Mr. Poots: I do not think so. We live in the European Union, which is an area of free trade. In this case, if the UK Government were to introduce a tax on aggregates coming into the United Kingdom, other countries could take the United Kingdom up for creating unfair trade within the European Union. Is there a case for the quarry people, who manufacture the aggregates, to take a case against their Government for destroying trade and creating an unfair market for them? Mr. Durkan: I am not sure that the Member wants to continue down that road, given some of the recent discussions at the Nice Summit, which went to the heart of the very sensitive

issue of the sovereignty of member states on taxation. I would have thought that on that issue he would be on the side of those who say that taxation should remain squarely in the domain of the national Government. Clearly, any challenge based on distortions of trade can be pursued if people want to pursue them. Given the difficulties of effecting change in these areas, any point is clearly worth pursuing. However, mounting that course of action would not be the most productive challenge that the parties most affected could make. The Westminster Government claim that the tax is a means of encouraging the construction industry to use recycled aggregates, which are exempt from tax, because that would be in line with their sustainable development strategy. We must also bear in mind that in order to protect competition, the Treasury decided that imported aggregates will be subject to the levy when they are first sold or used in the UK. I do recognise the validity of the points that have been made here, in that the scale and nature of the quarrying industry in Great Britain is quite different from the scale, nature and operating context of the industry here. The reality is, however, that we are dealing with a tax that has been proposed, set and established at Westminster. It is clear that the Executive have to weigh the costs and benefits carefully, the environmental and economic costs when dealing with this issue. If this is not the best means for Northern Ireland, we are duty bound to identify alternative ways of achieving these important environmental objectives. I am pleased to say that the Quarry Producers' Association recognises this, and we have asked its members to propose workable, alternative ways of reducing the harmful effects of their industry. I hope this provides a flavour of the range of issues which my Executive colleagues must now consider. Please note that, without pre-empting our deliberations, I do not wish to downplay the difficulty of securing any form of derogation from this tax from the Treasury. The devolved Administrations have been conceded very few exemptions from UK-wide fiscal policies. We can predict that the Treasury will resist any special pleading on this issue. Merit, validity and compelling reality from a regional perspective do not have a strong record of sway with the Treasury. Therefore, before making representations to the Treasury on this aspect of fiscal policy, we must give the most careful consideration to the impact that this may have on the broad range of financial issues which we are pursuing with the Treasury. This has been a most useful and informative debate. It has been vehemently argued that the aggregates tax could profoundly damage the Northern Ireland quarrying industry, simultaneously failing to deliver the environmental benefits which it seeks to secure. I would like to assure the Assembly, therefore, that we will take full account of the outcome of the debate in determining our response. As I indicated earlier, the Quarry Producers' Association has been asked to provide further material in support of its case, and I expect that we will be able to include our discussions after we have had an opportunity to consider that. Those discussions will involve the Departments already mentioned — my Department, the Department of Enterprise, Trade and Investment, the Department of the Environment and the Department for Regional Development. It will also involve the Office of the First and Deputy First Minister. Members should understand that the First Minister and the Deputy First Minister play a key role representing Northern Ireland's broad interests. That includes making fairly fundamental and significant representations to the Treasury. Just as I did in

the meeting with the Quarry Producers' Association, along with the officials representing other Ministers, I will give further consideration to and put more work into the issue, in conjunction with the other interested Departments and Ministers. I hope that we will arrive at ways that will allow us to deal actively with the key concerns voiced in support of the case. Mr. Hussey: I thank the Minister for his presence and the Members who contributed to the debate. It has been a wide-ranging and cross-party debate. From the sober elements of Mr. Gibson to the stoned elements of Mr. Dallat, I welcome all the contributions from five major political parties in the Assembly — I hope the fifth party welcomes its inclusion in the top league. I welcome the recognition that this is very much a cross-departmental issue, which has been widely echoed around the House. Capital programmes of all the Departments may be affected, but the Departments particularly affected have been well addressed by all Members, so I do not intend to delay a positive vote on the issue by going into too much detail. The figure of between 10% and 15% on the cost of the capital structure programme for regional development is something that the House must take seriously. Remember where the job losses could and probably will occur if the tax is brought into being. They will be in already deprived areas, areas in which the textile industry and farming are suffering. It has been suggested that those areas are along the border. How far in does the border stretch? The tax of £1.60 will allow producers from the Republic to go a further 20 to 25 miles into Northern Ireland. That means that five of our six counties will be directly affected. If you were to draw that line on the map, you would be talking about two thirds of the Northern Ireland land mass. That is the significance of what we are taking about — up to 4,000 jobs and to gather what in taxes? A figure of £30 million has been suggested. How much will it cost to pay for 4,000 unemployed? A fair figure to suggest might be £60 million, and that is in Northern Ireland alone yet they expect to put between £30 million and £35 million into the sustainability fund. There is the immediate impact of Northern Ireland on the Treasury figures. What the Treasury will lose on those two figures alone wipes out what it could possibly put into the sustainability fund. I do not intend to dwell long at this point in the debate. The issues have been well put by the Members, and I congratulate Mr. Byrne — if I had been making his opening speech, we would have been using the same notes. I also congratulate all of the contributors to today's debate. 4.45 pm I welcome the Minister's investigations and his collaboration with the aggregate producers. I urge him to continue these investigations for the good of the many people who live in the two thirds deprived community in Northern Ireland, those who live outside County Antrim, which is essentially what we are talking about. I note Mr. Close's reference to a question posed earlier in the year. I also note that the Minister said that the issue referred to in that question would have to be strongly pursued by the First and Deputy First Ministers. This should have been started already, as promised, but it will now happen as a result of that earlier question. The Minister referred to the potential difficulties of trying to change United Kingdom fiscal policy. This is evident from the fuel tax debates and representations from this part of the United Kingdom. Remember, however, that success was achieved with the climate levy change. I urge the Minister to make sure that, once again, the Assembly proves that it can work for the good of the people of Northern Ireland. Question put and agreed to. Resolved: That this Assembly notes the

serious economic and environmental implications the aggregates tax will have for the quarry and construction industry in Northern Ireland and calls upon the Minister of Enterprise, Trade and Investment and the Minister of Finance and Personnel to make representations to the UK Treasury to prevent the introduction of this tax in this region.