

Aggregate Levy Exemptions

Government is clearly considering the exemption of aggregates, arising from a number of sources, from the Aggregates Levy. Although these exemptions, such as aggregates “necessarily arising” from road construction and coal mining, appear reasonable, the quarry industry does not regard these exemptions as necessary or justified. Aggregates from these sources already have significant cost advantages and an exemption from the levy will be an invitation to serious abuse, which risks distorting local markets to the detriment of long term supply. Market stability requires a level playing field and if there is to be a levy on construction aggregates it should be applied to all construction aggregates irrespective of source.

Road Construction “Trace”

There is a long history of incorporating, with or without reprocessing, stone which is excavated from the “trace” of a new road. The cost savings are substantial.

1. Saving on buying in materials and transport cost to site
2. Saving on removing materials from site, both on transport and tipping charges
3. Windfall material is “free issue” in that no ground purchase is necessary
4. No expensive environmental impact assessment has to be carried out
5. Much less environmental compliance costs are incurred
6. No expensive planning application requires to be lodged
7. There are no royalties to pay (ground often acquired by compulsory purchase.)
8. No reinstatement costs
9. No blasting or ripping costs (covered in main contract.)
10. No long-term high capital investment required on plant or commitment to employees as contractors are normally used.

The cost savings of windfall aggregates are therefore significant and can often make the difference between profit and loss. There is, therefore, a strong argument that materials “necessarily arising” from the line of a road already enjoy a significant price advantage. In reality they are almost always incorporated in the construction, seldom taken off site and have no need of further subsidy. Furthermore it is possible that such exemption could give DBFO contractors an incentive to over dig, sell the minerals off site, and replace with imported fill, to capping layer.

Road Construction “Borrow Pits”

The idea has been further developed to using “borrow pits.” Although this terminology results from the practice of a road building contractor using an existing operational or mothballed quarry for his own use and paying only for the volume removed it has further developed into additional, greenfield, quarries being opened up, on a temporary basis, adjacent to the new road. Although local quarry operators often object to borrow pits they are almost inevitably given permission. Operators do not normally object to materials won from the actual trace as this is regarded as being common sense and

reasonable. We understand that the present intention is that these materials will be subject to the levy; perhaps you will be kind enough to confirm that this is indeed the case.

Open Cast Coal Sites

Coal reserves are often overlain by deposits of rock. This rock is normally not of high quality being either metamorphic or sedimentary as opposed to volcanic or igneous. It is normally “cast” to the side and consequently backfilled on completion of the coal extraction. The amounts available are highly significant and as a rule of thumb an open cast coal site producing 500,000 tonnes of coal will dig out and put back 20 million tonnes of overburden. The off site use of rock is not normally taken into consideration at the planning or development stage and will only take place if it coincides with some form of large construction project in the vicinity. However there are a number of instances of this occurring and here again if further subsidy is offered by exemption from the aggregates levy major problems will be caused by local quarry operators losing their natural market for secondary aggregates and by-products.”

In light of this BAA, does not support any exemption for so called “windfall aggregates.” It will often provide perverse incentive and unnecessarily skew an existing market. Windfall tonnage figures are not readily available, on a national basis, but it is very much a local problem and these materials already have the transient ability to inflict severe commercial damage. This will of course be greatly magnified if they become exempt from the high cost of the Aggregates Levy. Furthermore the definition of these sources is already proving problematical and the industry is becoming increasingly worried about negative side effects when this subsidy is, inevitably, translated into an incentive.

There is therefore a strong case for not having any exemptions at all for construction aggregate. For the reasons given we believe that it is essential to maintain a level playing field and that the levy be applied to all construction aggregates, if it is to be applied at all. Although these comments are principally aimed at aggregates won from road building and open cast coal sites they apply in equal measure to aggregates arising from dredging, forestry, pipe-laying etc.

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