



BRITISH AGGREGATES ASSOCIATION AGGREGATES LEVY- FACT SHEET

Background

- Despite enormous protest from the industry, HMG introduced the Aggregates Levy effective 1st April 2002 as a revenue-neutral measure aimed at reducing the use of primary aggregates and encouraging a greater use of recycled and secondary materials.
- The industry argued that they were already extremely highly regulated and had excellent environmental credentials – in both respects higher than other UK industry and certainly other EU countries and worldwide. *Whilst the QPA tried to negotiate an alternate package – this was not acceptable to many in the industry and resulted in the formation of the BAA to resist the levy in totality.*
- The rate was set at £1.60/t of taxable aggregate. (This was later reduced to £0.32/t in Northern Ireland). The Chancellor announced at the March 2007 Budget that he was increasing the rate to £1.95/t but not until 1st April 2008. *(22% over 5 years seems rather more than official inflation)*
- Various materials are either exempt or relieved by a complex (and changing) series of rules (Two booklets). These include many freshly-extracted aggregates which are products from other mineral extraction; and also primary aggregates where used in applications outside construction.
- The levy is not directly recoverable to the operator as is VAT – *so paradoxically is a charge solely on the operator and not necessarily the user.*
- The levy was offset by a 0.1% reduction in NIC – but across all employment not just that in the quarry industry. *This was rapidly lost as the Chancellor increased NIC a full 1% the following year!*
- The measure allowed for a 10% payback on the estimated annual revenue of £350M as a sustainability fund (ALSF) – *but DEFRA has retained up to £5M a year of this to make up for deficits in its own budgets and Treasury have failed to ring-fence the cash; short-changing many good community projects which earn our industry some rare but valuable brownie points!.*
- Whilst imports of aggregate are in theory subject to the levy; this does not apply to the aggregate content of finished goods being imported which gives economic advantage and a business potential to European and overseas manufacturers of eg concrete products.
- The industry has maintained its position of seeking repeal of a measure which has failed to meet its environmental aims and created anomalies eg creation of new waste mountains. (Low grade materials which had applications but only at low prices (£0-1/t) which was priced out of the market by the levy.
- BAA mounted a legal challenge to the levy which was rejected by the High Court in March 2003. Subsequently this was taken to the Court of First instance in Luxembourg on the grounds of unlawful state aid. This was rejected in September 2006, but is subject to a current Appeal lodged at the European Court of Justice.

Observations

1. **Costs.** Income - The levy brings in some £325-330M a year (HMCR published data.) <http://www.uktradeinfo.com/index.cfm?task=bullaggr> The proposed increase will bring an

additional £72M/a - peanuts for the level of disenchantment from the industry!
 Expenditure – in theory 10% extra should go to the ALSF and the rest on reduced NIC – we shall press to ensure we at least receive this! The public sector including Olympics takes some 45% of output – so an extra cost to the public purse of $0.45 \times 230\text{Mt} \times \text{£}0.35 = \text{£}36\text{M/a}$

2. There isn't really a problem! Just another stealth tax!

BAA research <http://www.british-aggregates.co.uk/documentation/doc32.pdf> shows clearly that landfill tax was the driver to increase secondary and recycled materials.

The results of the bi-annual Symonds' C&D surveys for CLG show that for England the amount recycled in 2005 was little changed from 2001 and 2003 – essentially there is little else to go for – *apart from planned obsolescence!*

The broad data from our own collection of this information can be summarised as follows (Figures in **bold** published data):

Mt		1990	2001	2003	2005
Recycled aggregate and soil	England		43.3	45.5	46.4
	Wales		1.8	2.7	2.7
	Scotland		4	4.5	4.8
	N Ireland	11	0.5 49.5	0.6 53.3	0.7 54.6
Secondary aggregate *	England		9.3		8.4
	Wales		0.5		0.6
	other	21	0.2 10		0.4 9.4
Primary(AMRI)		298	248	227	231
TOTAL		330	308		295
recycle/secondary*		10%	19%		22%

* Includes primary extracted materials eg from china clay and slate etc

It should be noted that

- Primary extraction in 2004 and 2005 was higher than in 2003 from AMRI data. *This is contrary to the Treasury spin!*
- 3M t/yr from primary-extracted china clay and slate waste sales are levy-exempt. This material should really be added to primary and reduced from secondary. This would decrease recycle/secondary rate to just over 20%, not dissimilar to the situation in 2001!! In reality there are also tonnages of other primary-extracted exempt or relieved materials which would reduce the recycle rate further.
- Primary extraction involves little energy cost – most is in delivery and small local quarries will have the lowest environmental footprint. However, recycling is much more energy dependent, and also on average finished goods travel further!

3. The ALSF funding has not been as generous as intended.

In England there has been gross underpayment by DEFRA as the fund was not ring-fenced

(£M)	Allocated by Treasury	Actual "Spend" by DEFRA
02/03	29.3	17.9
03/04	29.3	19.2
04/05	20.3	19.5
05/06	29.3	23.3 *
06/07	29.3	20.5 **
07/08	29.3	23.8 ***

* DEFRA estimate March 2006.

** DEFRA unilaterally withheld final 30% of allocation (*internal budget problems*)

*** DEFRA indication April 2007

4. UK is way ahead of others in Europe on recycling!

European Aggregates Industry - UEPG Annual Statistics 2005 3 August 2006							
Country	Production (Million t)					% recycled	% recycled & artificial
	Sand & Gravel (2)	Crushed Rock (3)	Recycled Aggregate (4)	Artificial Aggregate (5)	Total		
Austria	66.0	32.0	3.5	3.0	104.5	3.3	6.2
Belgium	13.9	38.0	4.3	1.2	57.4	7.5	9.5
Czech Republic	25.5	38.0	3.4	0.3	67.2	5.1	5.5
Denmark	58.0	0.3			58.3	0.0	0.0
Finland	63.0	44.0	0.5		107.5	0.5	0.5
France	170.0	223.0	10.0	7.0	410.0	2.4	4.1
Germany	263.0	174.0	46.0	30.0	513.0	9.0	14.8
Ireland*	50.0	50.0	1.0		101.0	1.0	1.0
Italy	225.0	145.0	4.5	3.0	377.5	1.2	2.0
Netherlands	24.0	4.0	20.2		48.2	41.9	41.9
Norway	15.0	38.0	0.2		53.2	0.4	0.4
Poland	104.3	37.7	7.2	1.6	150.8	4.8	5.8
Portugal**	6.3	82.0			88.3	0.0	0.0
Slovakia	8.9	16.9	0.2	0.3	26.3	0.8	1.9
Spain	159.0	300.0	1.3	0.0	460.3	0.3	0.3
Sweden	23.0	49.0	7.9	0.2	80.1	9.9	10.1
Switzerland	46.5	5.3	5.3		57.1	9.3	9.3
United Kingdom	124.0	85.0	56.0	12.0	277.0	20.2	24.5
Total	1,445.4	1,362.2	171.5	58.6	3,037.7	5.6	7.6

* Data 2004

** Data 2003

Not available

http://www.uepg.eu/uploads/documents/122-10-uepg_statistics_2005-en.xls

5. We've created environmental problems – more waste heaps!

BAA research indicated that where there was around 30M tonnes a year of low-value waste generated in UK quarries and with some 20M of this finding a market/use each year before the levy was introduced, we believe this has broadly halved since April 2002 as the market could not absorb the levy on top of a material only selling for 10-50p/t – creating a very distinct environmental downside!!

6. The industry has a high Environmental rating.

- We only occupy under 0.1% of UK land mass
- 30% of UK SSSIs are old quarry sites!
- This from a low profit generator (3-8% ROS) but a strategic source for the UK (*compare Russian oil and gas situation!*)
- We are punitively taxed, politically lowly rated – and just below nuclear power stations, new airports and incinerators on unpopularity stakes from the general public!