

PRESS RELEASE - 10th March 2001

British Aggregates Association Budget 2001 Analysis. Background Information on "Environmental" Taxation

Gordon Brown, the Chancellor, re-announced his intention to introduce an aggregates levy from April 2002. The stated purpose of the tax is "to maximise the use of recycled aggregate and other alternatives to primary aggregate in order to reduce the environmental impacts of quarrying such as damage to biodiversity and visual intrusion." However with the government turning a deaf ear to mounting concerns about the damage which will be caused by this enormous levy, it has become apparent that this is all very much more about money for the exchequer than about protecting the environment. By imposing a £1.60 levy the Chancellor will make more from aggregate extraction than the industry itself! At a stroke, he will have become the nations biggest Quarry-Master and have the additional advantage of not having to worry about health and safety, research and development or employment. Put bluntly, it is nationalisation by the back door.

In addition the Chancellors continued assertion that, like Climate Change Levy CCL, Aggregate Tax will be "revenue neutral because the money will be returned to industry by way of a reduction in employers National Insurance Contributions, NIC," must surely rank as political spin of the highest order. The quarry industry for example will only be returned a tiny fraction of the cash. A typical quarry producing 500,000 tonnes of aggregates per annum will have to pay the Government £800,000. The 0.01% reduction promised in NIC will amount to about £50! Furthermore quarries will also be badly hit by CCL, which comes into effect next month, adding up to 18% to their power costs. This will apparently fund a further 0.03% reduction in NIC which will return quarries the princely sum of around £150. At this point it is worth remembering that, in his 1999 Budget statement, the Chancellor announced a 0.5% reduction in NIC from 12.2% to 11.7% commencing April 2000, this did not in fact happen and NIC is still set at 12.2%. Perhaps he forgot ? [copies of appropriate tax pages on request]

In his Budget report, the Chancellor states that "the tax will encourage a shift in demand away from primary aggregate towards alternatives such as recycled construction, demolition and china clay waste." This is wrong on several counts. The recycling industry is already a viable and growing sector within the aggregates market. Therefore, by imposing the tax, the Chancellor is simply allowing them to increase their prices and profits in line with the increases facing the primary aggregates market. Similarly, because recycling has advanced so quickly, with the advent of mobile crushers, and the increasing cost of both transport and Landfill Tax, we are nearing our capacity for recycling. The latest Government research commissioned by DETR highlights the fact that there is now very limited scope for additional recycling and that Great Britain already leads the way in Europe.

No other country in the world has such a punitive levy on aggregates. It almost caused a riot when the French imposed a 5p per tonne levy, to fund environmental schemes. At the instigation of the British Treasury (!) the Dutch also looked at levying a tax on aggregates. However they quickly abandoned the idea when they realised that a great deal of their concrete production, in particular, would simply move over the border to Germany or Belgium, which is exactly what will happen in Northern Ireland as there will be no tax in Southern Ireland. In fact, if Aggregate Tax is allowed to go ahead, a great deal of our future pre-cast concrete requirements will be met from the Near Continent or Eire.

The desire of the Treasury to encourage greater use of any other materials or compounds rather than primary aggregates shows a gross misunderstanding of an industry which provides the variety and quality of hard-wearing materials upon which the infrastructure of this country is built, and which we are lucky enough to have in plentiful natural supply. Materials which often cannot be substituted by poor quality recycled compounds. A good example is skid-resistant aggregate, to make our roads safer, which means that we will now have a tax on safety.

The Chancellor also announced that they are “attracted to the idea, in principle, of introducing a differential tax rate, based upon the green credentials of the quarry.” Although we fully endorse the idea that quarries should be encouraged to minimise the environmental cost of their extraction, the Chancellor is being economical with the facts. Both the quarry industry and the Government have already discovered that this idea is a complete non starter. It is plain that an enormous amount of bureaucracy would be required, to administer any such scheme, and that it would fall foul of competition law. Britain has already become notorious for imposing costly and superfluous bureaucracy and to impose a highly complex and costly regime on such a basic commodity as stone would only serve to strengthen the perception that we do not understand the basic tenets of commerce.

Parliament’s powerful Environmental Audit Committee, which analyses the effectiveness with which the Government deals with environmental issues, backed many of BAA’s criticisms when it published its second report earlier this week. However, despite growing cross party opposition, the Government has shown no intention of scrapping the tax or giving serious consideration to alternatives.

As has been reported this week, in the national press, the British Aggregates Association has now lodged papers with a leading London QC, signifying our determination to prevent the Government imposing such a destructive tax. It has emerged that Aggregates Tax can be challenged under various aspects of EC law, including the specific tax chapters as well as the European Convention on Human Rights.

We consistently tried to avoid turning the issue into a political football, recognising that this would only make it more difficult for the Government to review its position. However the evidence quoted for additional “environmental” taxation on our industry is so heavily biased and superficial that there is growing scepticism within Westminster, Holyrood and Stormont alike about the credentials of this levy. The issue transcends the political divide and we have the support of many MPs, from all parties. Although our lawyers are very optimistic about the outcome we have no wish to engage our biggest customer, the Government, in a damaging legal action. However we will not stand idly by and allow years of hard work to be destroyed by a tax which represents a breathtaking blend of ignorance and hypocrisy.

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Notes for Editors:

1. Copy BAA letter to Stephen Timms MP Financial Secretary at HM Treasury is also posted in the press release section.
2. The British Aggregates Association was formed in 1999 to represent independent quarry companies throughout mainland Britain and Northern Ireland. There are currently 65 member quarry companies, operating over 100 sites. Members also operate ready-mix concrete and asphalt plants as well as re-cycling and landfill operations.
3. The aggregates tax was announced by the Chancellor of the Exchequer in his budget of 21st March 2000 and is scheduled to come into force in 2002. The tax is designed to reduce production of aggregates and will inevitably lead to job losses in the quarrying industry. Smaller, independent operators will be disproportionately affected, given compliance costs. Furthermore, funds currently put into environmental programmes and research and development, which has historically produced improvements which protect the environment, will be diverted into payment of the aggregates tax. Less than 10% of revenue collected will be returned via the Sustainability Fund.
4. A review of the aggregates tax was prepared for the British Aggregates Association by Wardell Armstrong, Mining, Minerals, Engineering and Environmental Consultants. This and other related documents are available on the BAA website at: www.british-aggregates.com