

News Release Sent: Tuesday, November 05, 2002 10:55 AM Subject: Treasury Gets It Wrong Again

BRITISH AGGREGATES ASSOCIATION

Press Notice

November 5th 2002 Immediate

Treasury Admits £185m Mistake

The Government has been forced to reveal yet another hole in public finances following persistent questioning by the British Aggregates Association (BAA).

Treasury got it wrong when it claimed that the aggregates levy, set at £1.60 per tonne from April 1st., would raise £385m in its first year. To support their claim that the tax was "revenue neutral" Treasury went on to reduce employers' national insurance contributions by 0.1%, at a cost of £350m and pledged a further £35m to the so called "Sustainability Fund."

However, the Government has now been forced to admit that it's latest stealth tax will raise only £200 million during the current financial year, £185m less than they are committed to handing out.

The shock admission came in answer to a parliamentary question tabled by Ulster MP Roy Beggs, at the request of the BAA. Mr Beggs is a member of the Northern Ireland Select Committee which strongly criticised the Government for introducing a tax which has already caused chaos in the Northern Ireland aggregates industry.

BAA Director, Robert Durward, commented:

"We have always said that this tax was a colossal mistake which did not even come close to meeting the Government's stated criteria for good taxation. Not only is it damaging the quarry and construction industries, but the taxpayer will also lose out. As well as footing the bill for the upfront £185m deficit, the £1.60 levy will also trigger increases in council taxes and business rates throughout Britain with the public sector accounting for 40% of all aggregates used."

ENDS:

Notes to Editors

1.. The British Aggregates Association is the representative trade body for independent quarry companies.

2.. Parliamentary Question Answered by John Healy MP 29th October 2002: Mr. Beggs: To ask Mr Chancellor of the Exchequer

(1) what assessment he has made of the causes of the change in aggregate sales since April; [77346]

(2) how much revenue Customs and Excise in Northern Ireland has raised directly as a result of the aggregates levy since the aggregates levy was introduced in April and how much revenue Customs and Excise in Northern Ireland forecast would be raised before the introduction of the aggregates levy; [77342]

(3) what action is being taken by Customs and Excise in Northern Ireland to combat non-payment of the aggregates levy on aggregate brought across the land border from the Republic of Ireland; [77344]

(4) if he will estimate the change in tonnes in aggregate sales in Northern Ireland since the introduction of the aggregates levy; [77345]

(5) if he will estimate the total weight of aggregate brought across the border from the Republic of Ireland to Northern Ireland without payment of aggregates levy since April. [77343]

John Healey: It is too early to assess the impact of the levy.

"No estimate has been made of the total weight of aggregate brought across the border from the Republic of Ireland to Northern Ireland without payment of aggregates levy since April. Aggregates levy is due at the point of first commercial exploitation in the UK and not at the point of import. Where it cannot be demonstrated that aggregate is from a levy-paid source, Customs will use their powers to recover the revenue due and impose penalties, where appropriate. The resources allocated to administering the levy in Northern Ireland take account of issues associated with the land boundary, and this resourcing will be subject to regular review. The revenue forecast for the aggregates levy is made for the UK as a whole, and is not available by devolved region; therefore, data on the aggregates levy revenue raised in Northern Ireland are not available. In total, the levy is forecast to raise £0.2 billion (£200m) during 2002-03."

3. The aggregate levy has hit Northern Ireland particularly hard. There is already hard evidence that pre-cast concrete producers are relocating south of the border. In addition, recent research carried out by the University of Ulster found that aggregate is now being imported across the border from the Republic at a rate of two million tonnes per annum.

4.. The strict payment terms for the levy imposed by Customs and Excise have resulted in cash flow problems for quarry operators with two thirds of BAA members reporting severe difficulty collecting the levy.

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