

1 June 2010

HM Treasury
1 Horse Guards Road
London SW1A 2HQ

Attn: Rt. Hon George Osborne
Chancellor of the Exchequer

Dear Chancellor,

I write as Director of the British Aggregates Association which is the representative trade body for Britain's independent quarry operators. We have seventy member companies operating some two hundred sites throughout the UK and Northern Ireland. We also represent a further thirty quarry supply companies.

As you will no doubt appreciate our industry has taken a severe beating due to the ongoing slump in demand for construction materials and a number of operators are experiencing significant financial problems. Market volumes across the country are down by 40% and industry commentators such as Plimsoll calculate that over a third of quarry companies are at risk.

Although we agree with reducing the national deficit, I write to ask that you give urgent consideration to scrapping the Aggregates Levy – AGL. This is a particularly damaging instrument which can only be accurately described as a stealth tax. Although it was presented as an environmental levy, “to reduce the use of virgin aggregate and increase recycling,” it did neither. What it did do was skew the market, increase road miles and create new mountains of secondary aggregate by-product. Oliver Letwin argued fluently but vainly against its imposition, our association has a live case against it in the EU Court and its continued existence represents a triumph for Orwellian Doublespeak over reason.

We enclose a recent report by BDS Marketing which spells out its contradictions, its illogicality and its unintended consequences. However, at this particular time, probably the most relevant two points for you to be aware of is that any revenue produced is more than negated by its adverse effects and the public sector having to pay the greater part of it in the first place. It is a badly designed and ineffective tax on construction and infrastructure maintenance which achieves nothing in return.

In Summary;

- The UK already had the highest level of construction and demolition materials recycling in Europe before the introduction of the AGL which has made little if any difference.
- The AGL distorts the market for secondary aggregates which can no longer compete with the levy exempt by-products of other, more polluting, materials. (This problem is about to be further exacerbated by the ill-conceived EU Mines Waste Directive.)
- The AGL adds on average 35% to the ex works cost of aggregates. (This percentage is higher in the Regions and lower in the Home Counties.) Following on from such a severe winter with

many of our roads in a distressed state, it seems entirely wrongheaded to tax materials essential for our own failing infrastructure.

- The AGL has seriously damaged the competitiveness of the UK concrete industry which now suffers from unprecedented levels of imports. Although AGL is applied to imported aggregates it cannot be applied to imported concrete products which contain 80% foreign aggregates.
- The Levy is 80% relieved in Northern Ireland and NI concrete products are now hitting producers in the rest of the UK.
- The Public Sector normally accounts for over 55% of all aggregates used. However due to the collapse of private sector construction this figure now approaches 70%. In simple terms, all we are really achieving is the transfer of cash from one government department to the next along with additional and expensive bureaucracy.
- A recent ruling by the EU Court almost certainly means that it is only a matter of time before the AGL is declared illegal and will have to be scrapped as it constitutes illegal State Aid.

In conclusion:

The Aggregates Levy was justified on ‘evidence’ designed to produce the answer desired. Hapless civil servants were reduced to trotting out the rationale of “internalising the externalities of noise, dust and visual intrusion” with not a shred of evidence on these issues. Much more environmentally damaging industries such as coal, slate, cement and china clay are not only exempt from the levy but are illegally subsidised to attack our essential outlets for secondary aggregates. It is likely that any loss in revenue, incurred by scrapping the Levy, would be more than balanced by the increase in employment and other taxes that would follow any recovery in the construction sector which in turn could only be assisted by repealing the Levy.

To conclude we thank you for taking the trouble to consider the points we raise and would be more than happy for the opportunity to discuss this matter in further detail with you or members of your Department.

I look forward to your early response.

Yours sincerely

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[Copies to; Rt. Hon Danny Alexander MP, Mark Hoban MP David Gauke MP, Justine Greening MP, Rt. Hon Oliver Letwin MP, Rt. Hon Dr Vincent Cable MP, Mark Prisk MP](#)