

# Unintended Consequences

Robert Durward, director of the British Aggregates Association, revisits some of the problems brought about by the Aggregates Levy

If you were to suggest starting up a chain of businesses throughout Britain to provide cost-effective and high-quality essential construction materials, and to promote competition whilst locating employment in the rural economy, training apprentices and providing a valuable source of revenue for the engineering, electrical and plant sectors, government agencies would welcome you with open arms. The above description applies to the SME sector of the UK aggregates industry; however, rather than encouraging one of our few remaining primary industries, the Government has severely damaged its ability to function properly by forcing it to pay a level of tax far beyond its ability to cope with.

The UK aggregates and industrial minerals sector is a hugely diverse and widespread industry. Quarries are to be found in every part of the British Isles but no two are the same. Even sites with similar rock types will have a different customer base, different processing equipment and different by-products. Some quarries have to scalp, some do not; some quarries have major problems selling their fines, others count fines as a primary product. Over the years operators have had to make enormous efforts to develop ways of keeping their by-product stockpiles under control to avoid sterilizing valuable reserves or putting it into landfill. The Aggregates Levy (AGL) drove coach and horses through the middle of their efforts with many quarry by-products now replaced by the exempt by-products from other, more polluting industries, such as steel, coal, slate and china clay. To be fair, Treasury did recognize that this was an issue and set up a committee tasked with finding a solution. Needless to say, it failed and we were left with the problem.

The recycled exemption has been particularly galling for quarrymen. Before the AGL was introduced, practically all construction and demolition waste that could be recycled was, in fact, being recycled. This came about as a result of the Landfill Tax and the advent of mobile crushing and screening plant, with the UK leading the way on recycling in Europe. Not only did those in the recycling industry get an immediate cash boost from increasing their prices, but to add insult to injury many of them were also given grants from the Aggregates Levy Sustainability Fund.

Unsurprisingly, given the use of mobile plant in urban locations, the recycling industry was accorded the highest environmental cost of all by the first phase of the London Economics report. As this was a source of major embarrassment to those in support



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of the AGL, the contingent valuation figure for recycling was omitted altogether from the final report. Many local authorities have decreed that a high percentage of recycled aggregates must be used in the contracts they awarded. However, in many instances there are insufficient recycled materials to meet the demand. This has driven the price of recycled aggregates above that of virgin aggregates in some of the larger cities, with virgin aggregate often being added surreptitiously to meet the

shortfall. Unfortunately, this subterfuge has not only lined the pockets of the unscrupulous, it has strengthened the case for the AGL by falsely inflating the recycling figures.

Despite being introduced as an Eco tax, the AGL has a negative effect on the environment by driving up road miles of exempted materials, increasing the amount of spoil from the aggregates sector and stimulating illegal quarrying. As the public sector is by far the biggest customer for aggregates, the overall fiscal effect on the economy is also negative. Not only does the Levy have a direct inflationary effect, but impacts indirectly on employment, training and investment by the family-based SME sector. The sheer volume of unintended technical consequences is too great for this article, but has been highlighted in the numerous submissions that underpin the British Aggregates Association’s legal case. The BAA has offered to settle its case if the Levy is replaced by an across the board ‘Minerals Extraction Community Fund’ set at a realistic level.

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