

UK aggregates under attack from cost rises on all fronts

Oil prices add to growing financial burden caused by transport, legislation and duty rise.

...By Paul Howard.

Soaring oil prices will add to a raft of cost increases that are having an adverse impact on the competitiveness of the UK aggregates industry, the British Aggregates Association (BAA) has warned.

"Our costs are increasing by the minute," BAA director Bob Durward said. "It's not just the cost of fuel, although this is certainly having an effect. Transport in general is a major concern, whether it's fuel, being stuck in congestion or the Working Time Directive. Costs have also been jacked up with more and more red tape and regulation, such as pension contributions, the Aggregates Levy and the planned 50% increase in duty on industrial diesel."

This grim picture is being compounded by oil price rises. "In round terms, we've had a 6.9% increase in fuel costs of late, which equates to just north of 2% on the cost of delivering stone to customers by road," Durward added. "This might not sound a lot, but with haulage margins as tight as they are and much of our work being on a fixed price, it all adds to the enormous amount of pressure within the road transport sector."

The overall effect is increased risk of competition from overseas: "My company is based in Lanark and we're now competing with Norwegian aggregates in Edinburgh. The UK's already lost the dimension stone business - all of this comes from Spain, Portugal or even China. Now the cost of aggregates is also going up we're at risk of losing this sector as well," Durward said. The impact of fuel rises on the cost of aggregates is not the only cause of concern, however.

According to chief executive of the Quarry Products Association Simon van der Byl, the impact of soaring oil costs may first be felt in the production of asphalt. "If the price of bitumen goes up, which it easily could do, this will have a much more significant impact on the price of asphalt than transport costs will have on aggregates."

However, Tarmac Group technical director David Gather sounded a note of caution. "There is still a great deal of uncertainty about the global situation and its impact on oil prices, but we are conscious that the construction industry should not react too quickly, which could have an inflationary effect and have an impact on our ability to remain competitive. We will continue to monitor the situation and respond as necessary."