

Letter sent to Secretary of State for Trade and Industry Rt. Hon Jacqui Smith MP

I write to inform you about a number of factors which are going to have a significant impact on the UK quarry industry. We are of the opinion that the cumulative effect of these individual items will make large sectors of the our market extremely susceptible to import substitution. The individual problems are – the Working Time Directive, the cost of Plant Fuel, the cost of Road Transport and the Aggregates Levy.

Working Time Directive – Quarries

Due to various factors such as the high capital cost of plant and the seasonal nature of the industry, quarry hours are often higher than average and sixty hour weeks are commonplace. Quarrying is inextricably linked to outdoor, weather dependent, construction activities and the winter period is often much quieter. The imposition of a rolling 48 hour week would therefore cause severe problems. It is already extremely difficult to get sufficiently competent staff and the logistics of imposing a 48 hour maximum would be hugely difficult to overcome. Not only would we probably need to double staff levels we would also need to increase their hourly rate by at least 25% to maintain acceptable wage levels and make provision for extra holidays, more paternity leave, additional pension funds and higher NIC costs. This legislation simply does not fit the practicalities of our industry and we therefore recommend that Government remains focused on maintaining the UK opt out for quarries.

Working Time Directive – Road Transport

The UK quarry industry is heavily dependent on road transport as few workings are rail connected. As you will no doubt be aware the opt out for the road haulage sector is to be ceased from March 2005. I will not rehearse the road haulage industry's objections to this move as I wish to concentrate on the effects on our industry, suffice it to say that the rationale given for bringing in the WTD does not withstand the slightest scrutiny. However the net effect of the WTD on road haulage will be to increase delivery charges by up to 30% and we are becoming extremely concerned about our ability to service our customers and compete against imported aggregates. Because of the high weight to price ratio of aggregate, transport charges make up a significant proportion of the product price and any haulage cost increase has a disproportionate effect.

We therefore particularly concerned about any significant loss of haulage capacity driving up charges beyond our reach and cutting us off from our customers. All the major conurbations, except Birmingham, have major sea ports with established facilities for accepting, dispersing and processing aggregates and it already often costs more to deliver to these markets by road than to ship in bulk from countries like Norway. It is noteworthy that most of the higher end of

the stone market, dimension stone, has already been lost to imports with almost 100% of granite blocks, setts, paviors and gravestones coming from Spain, Portugal or China. Similarly Spanish slate has started to dominate the roofing market. I operate a quarry at Lanark and I am now competing with Norwegian aggregates in Edinburgh. You may also be aware that Network Rail have started to buy Norwegian track ballast.

Cost of fuel – Quarries

A number of quarries are connected to the national grid to power their fixed plant but many depend on diesel driven generators. However all quarries use diesel to power their mobile plant and the recent increase in the price of oil is already causing problems which will be further exacerbated by Treasury's proposed 56% duty increase due in September.

Cost of fuel – Road Transport

As previously stated most UK quarries, in common with other industries, are 100% dependent on road transport to service their customers. Making essential users pay the same inflated price as non essential users for fuel is no longer sustainable. It is wrong because they are providing an essential service, it is wrong because it does not reduce the environmental impact and it is wrong because it damages our international competitiveness. We would therefore support rebated fuel being made available for essential road transport. In addition we are singularly unimpressed by the recent Government commitment to bring in "Lorry Road User Charging" – LRUC – in order to level the playing field between UK and foreign hauliers working within the UK using cheaper fuel. This Byzantine initiative has all the hallmarks of a thinly disguised means towards additional regulation and taxation and would appear to be driven more by a wish to mirror mainland Europe than to protect UK interests. I enclose a copy of a recent report on this proposal by Professor Alan McKinnon of the Logistics Research Centre at Heriot-Watt university which makes interesting reading and which supports our view that a simple fuel rebate would be a much more realistic and cost effective method of dealing with the various problems.

The Aggregates Levy – AGL

As predicted, this ill-judged levy continues to cause numerous problems all over the country. We are pleased that relief has at last been provided for Northern Ireland operators but we are most disappointed that Government has so far ignored industry calls for a review of its effects on the mainland. We would also like to remind the minister that the levy was not constructed to provide environmental improvements and as a consequence none have been achieved.

The levy presents serious and extremely complex problems but the main issues are as follows;

- geological definition difficulties and loopholes such as slate, mudstone and aggregates from open-cast coal sites are skewing the market.
- import substitution will become a major issue as overseas producers do not have the same problems with by-products, congestion, the WTD, environmental controls or gaining planning permission to contend with.
- the levy has also caused environmental problems –
- a build up of secondary aggregates in many quarries as our by-products are substituted by the levy exempt by-products from other, less efficient, workings such as slate and china clay.
- material being transported further as it is levy exempt.
- illegal and unregulated resources being opened or re-opened.

These problems are in addition to the acknowledged delays and high costs associated with obtaining planning consents in the first place. The recent Planning Act is unlikely to make a great deal of difference and much more radical changes will be required if the Government wishes to encourage sustainable long term investment.

In conclusion

I hope the minister will agree that this adds up to a pretty grim picture and it is particularly annoying that the biggest problems are self inflicted. The industry would welcome the Government actually acknowledging and addressing some of these issues before our industry, our skills, our jobs and our contribution to GDP goes the same way as coal – overseas. Due to the gravity of our situation I would like to request an early meeting to discuss these issues in greater detail

Yours sincerely,

Robert Durward

Director.