

**BRITISH AGGREGATES ASSOCIATION – NEWS RELEASE**  
**Monday 6th December 2004**

**THE PRE-BUDGET REPORT**

Selective Hearing as usual by Treasury

The latest Pre-Budget report majors on alleged environmental benefits produced by the Chancellor's various levies and taxes whilst ignoring all evidence to the contrary. It is also disappointing to see the price of off-road diesel being increased by such a large amount when the construction industry is already in recession.

**1. Aggregate Extraction**

Comment is based on the Treasury Statements in Chapter 7 of the Pre Budget Report particularly summary Box 7.5 on page 155:

The PBR continues to sing the praises of the aggregates levy, AGL, despite the growing evidence that this tax has failed both as an environmental tax and as a means of reducing the extraction of primary aggregates.

Richard Bird comments,

"The Treasury continues to argue that the proceeds of the levy are fed back to industry by a balancing reduction in the amount of employers National Insurance Contributions, NIC, even though the NIC rate is much higher now than it was before the introduction of the AGL ! We can only hope that their grasp of economics is greater than their grasp of arithmetic. Furthermore, the AGL Sustainability Fund, itself funded by the levy, has achieved precious little in 'supporting projects that minimise the impact of quarrying on local communities,' other than to create even more expensive hot air."

The Treasury implies that the continuing fall in the use of virgin aggregates and the parallel increase in the use of recycled and secondary aggregates are due to the Aggregates Levy. If the Treasury genuinely believe this, then it clearly demonstrates their continued inability to understand our industry. The single biggest reduction in the use of primary aggregates has been brought about by the reduction in road building and repair and there are several other factors involved in the increased use of recycled materials. All the research shows that the primary driver is Landfill Tax strongly supported by the development of mobile recycling equipment and the increased cost of transport. The AGL does have an effect but not as much as Treasury would have us believe.

The Aggregates Levy distorts the market by giving unfair advantage to shale and slate producing quarries which are exempt from the levy despite producing aggregates which compete with levy paid aggregates from other sources.

The market is further distorted by the exemption given to the "waste" from china clay and slate workings. This breaks the Governments own "polluter pays" principle and causes the accumulation of by-products in aggregates quarries which will themselves become waste.

There are examples of China Clay by-products being hauled large distances and displacing locally sourced materials – the Treasury chooses to ignore the environmental impact of this.

The statistics also fail to show that although quarry sales may have fallen because of the AGL the amount of aggregates extracted has not decreased as recycled aggregates are simply not suitable for use in the majority of applications.

Part of the function of the AGL Levy Sustainability Fund is to provide grants for equipment to process recycled and secondary aggregates. However, these grants are not available to re-process the millions of tonnes of quarry by-products such as scalplings now building up in aggregate quarries all over the country.

The price of recycled aggregates has also increased due the effects of the AGL. "In a survey of recycled aggregate businesses, the levy was the most frequent reason given for growth since 2001" little wonder then that some people are singing the praises of the levy.

The PBR notes that because the AGL was causing problems and not likely to achieve its environmental aims in Northern Ireland they reduced the rate from £1.60 to 32p a tonne. To qualify for this derogation NI operators simply have to undertake to work towards environmental standards already achieved by mainland operators. This is clearly unfair and undermines the entire rationale given for the levy.

The Treasury continues to resist the BAA's call for an independent review on the effects of the AGL

## **2. Fuel Oil**

The duty on fuel oil (red diesel) is to increase by 23% putting even more pressure on our costs. The PBR tells us this increase is necessary "because the fraudulent use of red diesel by others" however it is more likely to be because the construction sector does not have the same power to disrupt services as the roads lobby which had its increase dropped. We are also to be hit with EU

legislation which will make the use of recycled fuel oil in asphalt plants prohibitively expensive, causing even more waste.

**For further information please contact Executive Officer Richard Bird**

Mobile: 07776 298347, e-mail: [rbird@british-aggregates.com](mailto:rbird@british-aggregates.com)

**Notes to editors:**

- The British Aggregates Association is the representative trade body for independent quarry operators [www.british-aggregates.co.uk](http://www.british-aggregates.co.uk)
- The Association represents some 70 members across the UK producing around 10% of national output from over 100 individual sites
- The Association was formed to fight the imposition of the ill-conceived Aggregates Levy and to protect the independent quarry sector from the increasing dominance of the major operators.
- The Association participates fully with all EU and UK consultations on environmental, economic, and health and safety legislation.