



## HM Treasury

**Minutes: Meeting of the Aggregates Levy Working Group with Exchequer Secretary to the Treasury, Simon Clarke MP**

**Meeting date:** Wednesday 9<sup>th</sup> October 2019

**Meeting time:** 12:00 – 13:00

**Location:** Room 2/04  
HM Treasury,  
1 Horse Guards Road,  
London,  
SW1A 2HQ

**Attendees:** Exchequer Secretary to HM Treasury, Simon Clarke MP [chair]  
BAA: Trefor Evans, Paul McManus [dialled in]  
British Ceramic Confederation: Brian Chapman, Gary Bell [dialled in]  
British Geological Survey: Teresa Brown  
Civil Engineering Contractors Association: Daniel Jackson  
Environmental Services Association: David York  
MPA: Jerry McLaughlin  
MPA NI: Gordon Best  
MPA Scotland: Ian Waddell  
RSPB: Paul Morling  
Woodland Trust: Richard Barnes

HM Treasury: Ann-Therese Farmer, Christina Hart, Lucy Felton  
HMRC: Darren Greedy, Tim Smith

**Apologies:** CBI Minerals Group  
Construction Employers Federation (NI)  
NI Environment Link  
Planning Officers Society  
Royal Town Planning Institute  
Wales Environment Link

## **1. Introductions and welcome**

**1.1** Exchequer Secretary to HM Treasury, Simon Clarke MP, welcomed the group, thanking members for their attendance and for their contributions throughout the Review. He welcomed the opportunity to review the levy for the first time since its introduction, following withdrawal of litigation on the levy in February this year, and noted that he understood there were a range of views on the levy, including unique circumstances in Northern Ireland. All attendees introduced themselves and their organisations' perspectives, and the Exchequer Secretary added that he was looking forward to hearing members' perspectives and learning more about the aggregates sector.

## **2. Introduction to the aggregates industry**

**2.1** Jerry McLaughlin (JM), Mineral Products Association (MPA), gave an overview of the aggregates industry, covering the market size of the industry in the UK, geographical spread of quarries across the UK, and the uses of aggregates. His presentation included a graph of the growth of the GB aggregate market since 1955, and the split between: crushed rock, sand and gravel, and recycled and secondary aggregate. This showed how recycled and secondary aggregate has increased as a proportion of overall aggregate over the last twenty years. JM highlighted some aggregates sustainability issues, describing the regulation quarrying firms must comply with – including around land-use, waste, water and emissions – as significant. He also noted that the UK is a European leader in aggregates recycling, and referred to the employment and community benefits the aggregate sector brings to the UK. JM emphasised some key issues for the industry over the next five years, including how the sector is impacted by trends in the wider economy.

**2.2** JM expressed concern about adequate resourcing of the mineral planning system. The Exchequer Secretary asked Jerry for further detail on this. The Exchequer Secretary also asked whether the supply and demand for aggregate was likely to change going forward and JM set out that there has been a gradual shift from sand and gravel towards crushed rock. JM highlighted the environmental credentials of the industry, including improvements made over the last two decades and CO<sub>2</sub> and relative performance compared with other sectors. The Exchequer Secretary confirmed the government's ambition to decarbonise in an economically-efficient way.

## **3. Reflections on the Aggregates Levy and the Review from the aggregates industry**

**3.1** In this section of the meeting members representing the mineral extraction industry had the opportunity to give their perspective on the Aggregates Levy and the impact it has on the industry.

**3.2** Gordon Best (GB), **Mineral Products Association Northern Ireland (MPANI)**, gave an overview of MPANI's position on the levy. He observed that the industry in NI consisted of small family run quarries supplying in a 15-mile radius, and that prices for aggregates are on average half of the gate price in Great Britain. He noted that the original assessment by London Economics (published in 1999), which proxied the impacts of quarrying on the environment and communities, found the impact of hard rock quarrying to be 35p per tonne. GB also noted that the study covered only Great Britain and suggested that it therefore didn't

take into account Northern Ireland's unique circumstances and the impact of the 300 mile land border with the Republic of Ireland.

**3.3** GB stated that he concurred with the MPA's representation to the Review and highlighted that there are additional complexities of compliance in Northern Ireland. GB gave a number of examples of types of non-compliance and felt that low grade material was the primary focus and stimulus for illegal activity. In his view, the levy had not been adequately policed in Northern Ireland since 2010, but he felt the new environmental tax compliance team in Northern Ireland was a positive step forward in enforcement. GB also suggested that the Aggregates Levy Credit Scheme (ALCS) had been effective in providing a financial incentive to the quarrying industry to improve its environmental standards, and suggested a scheme similar to this should be re-introduced to incentivise environmental improvements again. The Exchequer Secretary confirmed he was keen to tackle non-compliance and perverse incentives. He said was mindful of the cost-sensitivities in the sector.

**3.4** Trefor Evans (TE), **British Aggregates Association (BAA)**, gave an overview of BAA's position on the levy. He said that when the tax was introduced the government's stated objectives were around the concept of 'polluter pays' and increasing recycling rates. TE set out that whilst the BAA believe these are good objectives, they think that the basis for the levy is flawed because they believe the quarrying industry broadly has an excellent environmental record, and operators already pay for remediation and undertake restoration schemes.

**3.5** TE noted that rogue quarry operators are also an issue in Great Britain, though perhaps not to the same extent as in Northern Ireland. TE drew out a previous point made by GB and suggested that the levy created cash flow issues for smaller quarrying businesses. The Exchequer Secretary noted that he was aware of this issue, that it is a problem beyond the levy, and something that has been raised across government. He reiterated that the government is keen to help support SMEs on this. The Exchequer Secretary asked whether the quarrying industry had contracted since the levy was introduced. JM suggested that the sector experienced a downturn, referring to the economic recession 2008-2013, and that the demand for aggregate decreased but that the number of businesses had not. TE gave BAA's view that the number of quarries had decreased in some areas.

**3.6** Jerry McLaughlin (JM), **Mineral Products Association**, gave an overview of MPA's position on the levy. He questioned the environmental analysis undertaken prior to the levy's introduction and wondered whether the levy could be framed within Defra's 25 Year Environment Plan. JM also said that MPA took a pragmatic approach and did not think the levy was likely to be abolished, which the Exchequer Secretary agreed with. JM set out MPA's request for a fund, financed by hypothecated levy revenue, to be spent in local communities on community and biodiversity projects. The Exchequer Secretary asked if this would likely replace spending quarries were already undertaking, and JM responded this would not be the case, and that MPA believed there would be a multiplier effect. He cited the potential for 'wildlife corridors' to be created, joining up projects funded by different quarries.

**3.7** JM also suggested that the quarrying industry is subject to a number of environmental taxes in addition to the levy, including landfill tax and carbon tax, and suggested that other, more polluting, industries are not taxed to the same extent. JM suggested that there was an inconsistency across government in its approach to environmental taxation. However, the Exchequer Secretary responded by saying that the government wanted a sensible, coordinated tax regime, and must also make practical choices and trade-offs. JM concluded by asserting that MPA believe there is no logic for an increase in the rate of the levy, given that the environmental standards are much better than when the levy was introduced, and that the industry continues to improve in this regard.

**3.8** Ian Waddell (W), **Mineral Products Association Scotland (MPA Scotland)**, set out MPA Scotland's position. He began by setting out his support for MPA's position but said that devolution (of the Aggregates Levy to Scotland) was of particular concern because differing rates and regimes would cause significant complexity for businesses. The Exchequer Secretary recognised that different tax treatments could cause perverse outcomes and cross border issues. IW noted that MPA Scotland were engaging with Scottish Government on devolution of the levy.

**3.9** IW set out MPA Scotland's assessment that 90% of materials that can be recycled are recycled (construction and demolition waste). Members agreed that this was similar to other regions of the UK and another member of the group suggested that the industry had reached 'peak recycling' and that the supply of construction and demolition (C&D) waste was important for enabling supply of secondary aggregate. GB suggested that the industry has invested in new technologies in order to make better use of materials and limit waste. Ian flagged the compliance issue around borrow pits.

**3.10** Brian Chapman, **British Ceramic Confederation (BCC)**, set out BCC's position, focussing on clay extraction, although he noted that BCC predominantly represents the clay manufacturing industry. He noted that clay is not an aggregate, there is no recycled option for clay, and he described that overburden and interburden, particularly in relation to china and ball clay needed to be removed in order to extract clay for manufacturing. He said the BCC supports the principles of the levy in incentivising the use of secondary aggregate, arguing that secondary material won in the pursuit of extracting clay should therefore be put to use. Gary Bell noted that 2.2-2.5 million tonnes of china and ball clay waste is recycled and used as aggregate in the UK every year. The Exchequer Secretary asked if the exemptions relating to clay were broadly accepted across the industry, and members did not disagree, although Paul McManus, BAA, later raised these exemptions again, as outlined in para **4.7**.

#### **4. Further reflections and general discussion**

**4.1** The Exchequer Secretary invited other members to set out their views on the levy and the impact it has had. Paul Morling (PMo), **Royal Society for the Protection of Birds (RSPB)**, suggested the levy should contribute to biodiversity through a fund, financed through hypothecated levy revenue, to be set up and spent on biodiversity projects. PMo also

suggested that, when it was operational, the Aggregates Levy Sustainability Fund (ALSF) had enabled RSPB to carry out work it otherwise wouldn't have.

**4.2** The Exchequer Secretary then asked Richard Barnes (RB), **Woodland Trust**, for the Trust's views on the levy. RB suggested that more planning expertise, in particular local authority ecologists, are needed to properly assess the impacts of quarrying projects. He noted that environmental issues are becoming increasingly important to the public and said that a fund should focus on natural capital and biodiversity net gain.

**4.3** The Exchequer Secretary invited David York (DY), **Environmental Services Association (ESA)**, to set out ESA's view on the levy. DY noted that ESA is concerned with all waste management, but that his particular background and focus is Incinerator Bottom Ash Aggregate (IBAA). He cited the minutes from the first working group "It was also noted that the quality of secondary aggregates such as incinerator bottom ash cannot always be guaranteed due to the often-unknown composition of source materials; (there may be contamination issues)", and said this was incorrect, noting that the IBAA sector is heavily regulated to ensure that the aggregate is of a consistently high quality. He also noted that IBAA is classed as manufactured aggregate so is still considered a waste rather than a recycled material and said this contributed to IBAA being more difficult to sell. He said that ESA therefore support the levy as it provides a commercial incentive to purchase IBAA, enabling this resource to be utilised. He concluded by suggesting that IBAA should contribute to local authority recycling targets.

**4.4** The Exchequer Secretary asked Teresa Brown (TB), **British Geological Survey (BGS)**, for BGS's view. She noted that the Annual Mineral Raised Inquiry, AMRI, which the Office for National Statistics (ONS) had previously undertaken on behalf of MHCLG, had ended in 2014, as funding had been discontinued. She suggested that without this survey, there is now a lack of good quality minerals data – AMRI was an annual comprehensive set of statistics for the production of a wide range of minerals, across Great Britain. TB suggested the absence of AMRI limited the information available to the industry and local authorities as well as BGS's ability to advise government on mineral planning issues. TB thanked BCC and MPA for having filled data gaps for BGS in recent years.

**4.5** JM noted that ideally the survey would be annual but would still be of value if less frequent. BAA added that the survey was very important to businesses. The Exchequer Secretary noted that he would take this on board.

**4.6** The Exchequer Secretary asked Daniel Jackson (DJ), **Civil Engineering Contractors Association (CECA)**, for CECA's perspective. DJ welcomed the National Infrastructure and Construction Pipeline but said that that further detail within the National Infrastructure and Construction Pipeline is critical to providing certainty of workload and will enable better planning.

**4.7** The Exchequer Secretary asked Paul McManus (PM), BAA, whether he would like to add anything to the points made by TE. PM said he sympathised with those round the table who he believed had been adversely affected by the levy, particularly the quarrying industry in

Northern Ireland. PM argued the levy was circular in nature: because a large proportion of construction is publicly funded, much of the levy is paid by public bodies. In his opinion, the geological exemptions of the levy are flawed and have caused issues for industry creating an uneven playing field. He also noted that an FOI had revealed that central government had not received any complaints about the quarrying industry on environmental grounds and argued that the industry spends a lot of money locally on environmental and community issues; and that minerals have to be worked where they are found. PM also said that the environmental impacts of quarrying come down to the impact of road transport and suggested that the exemption from the levy allows some materials travel further, which is, in his view, not an environmentally sound outcome. Finally, PM thanked the Review team for their engagement throughout the Review process.

## **5. Next steps and closing remarks**

**5.1** The Exchequer Secretary closed the meeting, thanking members for their attendance and participation. He noted that he is keen to keep in touch with the sector, refining the levy going forward and ensuring maximum benefits for the environment.