ANNEX 4

SUPPORTING INFORMATION

UK AGGREGATES TAX
Chapter 11 Aggregates Taxes: Supporting Information

UK: The Industry’s Voluntary Package

With the rise in prominence of negotiated agreements as instruments of environmental policy, the UK Government has sought to extract concessions from industry under threat of taxation. The UK Climate Change Levy has incorporated this approach. Major energy producing sectors will receive substantial exemptions from the levy if they succeed in reducing energy use by agreed amounts.

A similar possibility at one time seemed likely in the case of aggregates. In the pre-Budget Report of 1998, the Government noted that it was considering alternative proposals to a tax which were coming from the industry itself. The industry’s ‘New Deal’ package emerged in its initial form in November 1998. By common consent, the initial package did not go far enough to satisfy Government, and as work progressed on Phase 2 of the London Economics research, the Government sought further concessions from the Quarry Products Association.

In the spring of 1999, the Institute for Public Policy Research, a widely-respected think-tank, held a closed seminar attended by the consultants carrying out the research, civil servants, the industry, non-government organisations such as Friends of the Earth, the Green Alliance and the Council for the Protection of Rural England, and consultants such as ECOTEC and Enviros-Aspinwall, who had been involved in work related to the tax. Surprisingly, a degree of consensus emerged that quarrying should be banned in National parks, and that this, supplemented by a negotiated agreement, might form the basis for some consensus.

This led, in July 1999 to the submission of a revised ‘New Deal’ package by the QPA. The negotiated agreement included work informed by a variety of consultants. Work by EFTEC, contained within the report suggested that the environmental benefits of the proposed package were more than likely to exceed any benefits associated with a tax.

With the London Economics Phase Two research published in the same month, the focus turned to DETR and the question of how to judge which might be better, the New Deal, or the tax. In the pre-Budget speech of November 1999, the Chancellor stated:

‘The Government welcomes the enhanced package of voluntary measures from the Quarry Products Association but is concerned that it does not go far enough to address the environmental impacts of quarrying. The Government is minded to introduce an aggregates tax unless further negotiation with the quarrying industry can deliver an improved package of voluntary measures.’

Another package was put together by the industry which reached DETR on March 14 2000. The revised package included a set of 30 voluntary and regulatory initiatives that the industry
claimed would cost half a billion pounds over six years and include all revisions specifically requested by Government (see Annex 1).

At Government’s request the QPA:
- Increased the value of the Sustainability Foundation by 30% to £25 million per annum.
- Committed to an extra £5 million per annum on recycling.
- Strengthened the proposals on SSSIs in consultation with English Nature.
- Ensured that post devolution, the package is fully applicable to the whole of the UK

The QPA also pursued the issue of green purchasing and confirmed to Government that it could use a “Quality Mark” for public purchasing of aggregate materials from any company which abides by the pre-request set of environmental criteria.

The Government looked at the costs and benefits of the voluntary package but took the view that the package:
- was insufficiently improved from that put forward at the time of the PBR;
- would not have applied to the whole industry; and
- included decisions which would have discriminated against smaller firms and been anti-competitive.

Moreover, Government found industry’s desire to make delivery of the voluntary package conditional on undertakings from the Government on procurement policy unacceptable. This is somewhat odd. The QPA seemed to be using the purchasing policy approach as a means to encourage members to join the initiative, something that Government would appear to have supported. Yet the Government at the same time disliked the fact that the package would not apply to the industry (in which case, it would not have been voluntary). Equivalently, if all industry signed up, no anti-competitive behaviour would have resulted. The Government seemed to be siding with the non-joiners of the agreement on the one hand and lamenting the incomplete nature of the agreement on the other.

The Government therefore decided ‘to introduce a levy to make the price of aggregates better reflect their true social and environmental costs and encourage the use of recycled aggregates. All of the revenues raised will be recycled back to business through a cut in employer NICs and a new ‘Sustainability Fund' aimed at delivering local environmental benefits.’
The 30 measures of the UK QPA package

1. Industry-wide introduction of ISO 14001;
2. Production of QPA environmental management best practice guide;
3. Environmental management guidance for smaller operators;
4. Piloting of ISO 14001;
5. Universal introduction of community liaison committees;
6. A no quibble guarantee of Environmental Impact Assessments (EIAs);
7. Production of best practice guidance on EIAs;
8. Surrender of dormant quarrying permissions in National Parks that will not be reactivated;
9. Agreement not to operate National Park dormant sites on behalf of other owners;
10. Strict qualifying criteria for new quarrying applications in National Parks;
11. Finance fundamental research into the impact of quarrying on SSSIs;
12. Introduction of key sustainability indicators;
13. Establishment of an index linked Sustainability Foundation financed by the industry;
14. Major investment in recycling plant and equipment;
15. Promotion of recycled materials with the construction clients;
16. Establishment of a restoration guarantee scheme for all aggregates;
17. Funding and joint management of the Aggregates Advisory Service;
18. A compulsory Transport code of conduct;
19. Mandatory membership of a "Well Driven" scheme;
20. Introduction of transport plans for all aggregates supply sources;
21. Mandatory use of low sulphur fuels in the transport fleet;
22. Environmental training for all drivers, including subcontractors;
23. Environmental training for all employees;
24. 50 per cent of employees to obtain NVQ by 2004;
25. Proposed introduction of planning enforcement fees
26. Extension of local authority air pollution controls to sand and gravel processing;
27. Mandatory use low sulphur fuels on internal quarry plant;
28. Introduce energy reduction targets;
29. Establish a Quality Mark for environmental performance; and
30. Promote environmental purchasing policies with clients.