

House of Commons
Northern Ireland Affairs
Committee

**GOVERNMENT RESPONSE
TO THE THIRD REPORT,
INTRODUCTION OF THE
AGGREGATES LEVY IN
NORTHERN IRELAND: THE
GOVERNMENT'S RESPONSE**

Fifth Special Report
of Session 2001–02

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The Northern Ireland Affairs Committee

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FIFTH SPECIAL REPORT

The Northern Ireland Affairs Committee has agreed to the following Special Report:

Government Response to the Committee's Third Report on Introduction of the Aggregates Levy in Northern Ireland: The Government's Response, Session 2001-2002, HC 713.

The Committee published its Third Report of Session 2001-2002 on Introduction of the Aggregates Levy in Northern Ireland: The Government's Response on 30 April 2002. The response to this report is set out in the Appendix below.

APPENDIX

Response from HM Treasury

Since the Minister has freely acknowledged that harmonisation is many years away, the case has still not been made for the levy in its present form for Northern Ireland. In the year's grace which the phased introduction will give to manufacturers of processed products in Northern Ireland, we expect to hear either that the Government's efforts to achieve harmonisation promise success, or that the phasing of the levy will be further postponed until a proper case can be made for it.¹

There is a strong case for the aggregates levy in its present form in Northern Ireland. The aggregates levy has been designed to incorporate the environmental costs of extracting virgin aggregate into market prices, which includes noise, dust, visual intrusion and damage to biodiversity. The levy also aims to shift demand away from virgin material to recycled construction and demolition waste and other alternative materials. The environmental benefits of the levy should apply in Northern Ireland as elsewhere in the UK.

While the original research that underpinned the case for the levy and informed the setting of the rate did not include Northern Ireland quarries, the international group of experts which advised on the use of contingent valuation techniques in the second phase of the London Economics study were content that Northern Ireland should be excluded for practical reasons. This research was focused on economic assessment of the environmental impacts of quarrying, and not the detailed design of the levy.

The Government has introduced a phased introduction of the levy for aggregates used in processed goods in Northern Ireland.² This is in response to the particular case of Northern Ireland producers of goods containing processed aggregates, for example, precast concrete, mortar and asphalt. Such aggregate will pay no levy during the current first year of the aggregates levy, and the levy will increase over the next five years by 20 percentage points a year until the full rate is payable. This offers this particular sector time to adjust to the tax, for example by using different inputs, eg recycled aggregates, and technologies to reduce their demand for taxable virgin aggregate.

¹ *Introduction of the Aggregates Levy in Northern Ireland: The Government's Response*, Third Report 2001-2002 (HC 713) para 4

² Finance Bill (not amended in the committee and as amended in standing committee), volume 1, part 5, clauses 127

We remain concerned that, having now admitted that part of the founding research “was not at all robust”, the Government should continue to place so much confidence in the remainder of the research.³

The Government believes that those parts of the independent consultants’ research that made the case for a levy and informed the rate of the levy were robust. The research which established that there were significant environmental costs associated with extraction of virgin aggregate and provided estimates of these costs was endorsed by an expert review. However, the Government does believe that work undertaken on a small number of unrepresentative recycling sites to establish the external costs of this sector of the industry was not robust. This does not in any way undermine the Government’s confidence in the main body of the research.

28 June 2002

³ *Introduction of the Aggregates Levy in Northern Ireland: The Government’s Response*, Third Report 2001-2002 (HC 713) para 5

