

Written evidence submitted by the Mineral Products Association (BBP0007)

About MPA

- The Mineral Products Association (MPA) is the trade association for the aggregates, asphalt, cement, concrete, dimension stone, lime, mortar and silica sand industries. With the affiliation of British Precast, the British Association of Reinforcement (BAR), Eurobitume, MPA Northern Ireland, MPA Scotland and the British Calcium Carbonate Federation, it has a growing membership of 530 companies and is the sectoral voice for mineral products. MPA membership is made up of the vast majority of independent SME quarrying companies throughout the UK, as well as the 9 major international and global companies. It covers 100% of UK cement production, 90% of GB aggregates production, 95% of asphalt and over 70% of ready-mixed concrete and precast concrete production.
- In 2016, the industry supplied £18 billion worth of materials and services to the economy and was the largest supplier to the construction industry, which had annual output valued at £152 billion. Industry production represents the largest materials flow in the UK economy and is also one of the largest manufacturing sectors.

Overview

1. Our sector is diverse in its range of products and markets, with associated varying exposure to Brexit related risks. With a trade deal not yet finalised weeks before it should be taking effect, there are many issues left open. Businesses cannot therefore prepare for 2021 and beyond with any confidence, including on carbon pricing where the UK Government is adding unnecessarily to the uncertainty. Even where information is definitive and adequate, many businesses are focused on surviving the economic impact of the Coronavirus and do not have the capacity to deal with Brexit, especially those who expect to only feel indirect impacts.
2. While some of our sector's products are predominantly sold in domestic UK markets, some sub-sectors have significant exports to the EU and most of our imports are European, so Brexit terms of trade are highly relevant. Cement, lime, dimension stone and concrete products are all traded between the UK and the EU.
3. It is impossible for businesses to fully prepare for the future with precision when the terms of trade with the UK's largest trading partner are still unknown a month before they are due to come in to force. This would be the case even without the Coronavirus and its economic impacts, which have substantially limited businesses' capacity to prepare. Businesses are doing their best to prepare but are also bracing themselves for significant disruption.

Logistics and customs

4. Beyond arrangements for the import and export of goods, there are a number of other uncertainties, also extremely important for our members, that will be affected by the outcome of negotiations. Even businesses that are prepared on the things they can control such as having their chemical registrations or export paperwork, face significant risks beyond their control, most notably queues and delays at ports, officials interpreting rules differently to firms' expectations.
5. Logistics is a major concern. Very little traffic through ports today needs paperwork, and many businesses will be experiencing customs for the first time. Even those businesses who are fully prepared and whose paperwork is in perfectly order will be affected by the delays caused by processing customs, especially if other businesses struggle to be compliant.

6. For products such as industrial lime that cannot be stored but is delivered as soon as possible from production, this is a significant risk that producers cannot fully mitigate. For those that can be stored such as stone, there is an increased risk of poorly trained, over-zealous or simply over-burdened officials on either side of the border causing delays resulting in extremely expensive *ad hoc* storage.

General economic impact

7. The general economic impact of Brexit, both in the immediate and longer term, is hard to predict with confidence. Our members supply “heavy side” construction materials for public and private sector projects, as well as essential supplies to industries including water treatment and food packaging. All of these markets will be affected to a greater or lesser degree by the broad economic impact of Brexit, and all businesses are having to prepare for a range of situations totally beyond their control.
8. The predictions on which our members base their expectations are currently assuming a basic, or “thin” trade deal. Therefore, failure to reach a deal of some sort will have a significant negative impact compared to already subdued forecasts.

Carbon pricing

9. One specific area of concern for some of our members in the cement, lime and asphalt industries is carbon pricing, specifically whether sites currently in the EU Emissions Trading Scheme will face a new UK ETS, with or without a linkage to the EU scheme, or a carbon tax.
10. The Committee is well aware of this issue. It remains absolutely unacceptable that the UK’s future carbon pricing regime is so uncertain that we do not even know if it will be a tax or a trading scheme less than five weeks from the date at which it will need to come into force. Businesses are used to hedging and planning ahead on the basis of market variability but to not know if there will be a market in operation or a tax levied makes it impossible to budget within the current financial year.
11. The apparent inter-departmental tension between BEIS and Treasury has produced completely unnecessary additional uncertainty and should be resolved as soon as possible, preferably by making clear that in a no-deal situation, the fallback position would be a stand-alone UK ETS. We would like to thank the Committee for pursuing this issue at their recent hearing with the Minister.

Government capacity to deliver

12. For public infrastructure projects, which will make up a large share of growth for our sector in the next year or so, there is always a risk of ambitions not being delivered - something which could be exacerbated by the Brexit process. This could either be an impact of general uncertainty surrounding the economy, skills shortages and immigration, or even constraints on Government’s capacity to deliver project oversight amid other issues.
13. Delivery was already a weakness before the pandemic, with a poor track record on many projects over the previous decade, including HS2, the civil nuclear programme and Highways England’s RIS1 which saw 37 out of 112 projects delayed, cancelled or placed under review. There is no obvious way in which the ongoing Brexit process will improve delivery of these projects, but instead it poses several potential sources of disruption that could hinder and delay activity.

Information to businesses

14. Government, in particular the Department for Business, Energy and Industrial Strategy has issued a lot of relevant information. The regular updates from BEIS to trade associations for onward dissemination to member businesses have been fairly comprehensive on issues where there is certainty, such as the process for hiring someone from the EU.

15. However, we have to stress that businesses' capacity to absorb, understand and act on information, even where there is a reasonable degree of certainty, has been and is limited because of the impact of the Coronavirus this year. Businesses are instead focused on surviving the impact of the pandemic, especially those for whom the impacts of Brexit will be felt indirectly.

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