

Written evidence submitted by the Mineral Products Association

About MPA

1. 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 and lime production, 90% of GB aggregates production, 95% of asphalt and over 70% of ready-mixed concrete and precast concrete production. In 2018, the industry supplied £16 billion worth of materials and services and was the largest supplier to the construction industry, which had annual output valued at £172 billion. Industry production represents the largest materials flow in the UK economy and is also one of the largest manufacturing sectors.

Q. How successful has the Government's pandemic response been in protecting jobs to date, and how can it help reduce and mitigate the economic scarring effects of the pandemic going forward?

1. We welcomed Government's recognition of the essentiality of our industry in letters from successive Secretaries of State for Business, Energy and Industrial Strategy.¹ Our industry supplies essential materials to a wide range of industries, including of course construction to which we are the largest supplier, including essential infrastructure and public services, but also lime for water treatment and power plant pollution control, including those required for the creation of the NHS Nightingale hospitals. This recognition was important, for example haulage drivers were occasionally challenged by police and others while working in the depths of the first lockdown. In a very tough time for everyone, recognition was an important boost to morale across the industry and reduced uncertainty.
2. Government support for business during the initial stages of the pandemic was vital to help protect jobs. MPA sought any measures which would help build a 'cash bridge' to enable companies financial resources to stretch for as long as possible to minimise the need for loans and grants. MPA members particularly appreciated measures that helped them protect cash flow including the Coronavirus Job Retention Scheme and VAT deferral. The Job Retention Scheme was extremely helpful in providing flexibility for businesses in response to a sharp reduction in construction demand for mineral products and revenues, whilst also protecting jobs and productive capacity to supply the nation's needs when construction activity regained its pace over last summer.

¹ See <https://www.gov.uk/government/publications/coronavirus-covid-19-letter-to-the-construction-sector-november-2020> for letters from Rt Hon Alok Sharma MP and Rt Hon Kwasi Kwarteng MP

3. The VAT deferral was extremely helpful to support cashflow. We pressed for a deferral on a wider range of taxes, with the aggregates levy, corporation tax and employers' national insurance contributions suggested as key taxes for our sector. None of these taxes were added to the scope of the deferral policy by Government although any of them would have been welcome for helping create confidence.
4. Members also sought help from the Time to Pay facility, but reported problems accessing support. Talking to HMRC, there were very few refusals, but at the time several members were reporting being turned back. It transpired that the Time to Pay arrangements could only be entered into once a company was struggling to meet its liabilities, not in anticipation of such a state of affairs. This could have been more clearly communicated and could also have been reconsidered as a temporary cash bridge.
5. The Government-backed loans received a lukewarm response from our members, many of whom were wary of the institutions offering them as a result of bad experiences during the 2008 financial crash, and also unimpressed by the terms compared to commercial loans which did not compare well to loans not backed by the guarantees offered by Government.
6. There were significant differences between the constituent countries of the UK, with the differences between Scotland and England particularly unhelpful. For businesses near the borders supplying customers on the other side, it was impossible to move goods because the Scottish Government imposed much tighter restrictions on what could be supplied, only allowing supplies to essential projects.
7. Going forward, the focus on infrastructure in public investment is welcome as a stimulus to the rest of the economy and will require substantial volumes of the materials produced by our members. Our sector's economic recovery has varied across materials, with those associated with infrastructure (e.g. concrete, asphalt, aggregates) performing stronger than those more tied to housebuilding (e.g. mortar).² The public sector is a major customer of our industry and by delivering its projects and communicating its long-term needs well in advance, it can help support its supply chain as well as help develop the market, e.g. for low carbon concretes.

² See <https://mineralproducts.org/News-CEO-Blog/2021/release12.aspx> for our latest statistics release

8. The recognition of our sector's essentiality must now stimulate policy change to ensure the delivery of a steady and adequate supply of minerals in accordance with national policy. A statement of national need for mineral products, improving the planning system and delivering the policies that support investment are all important for supporting the recovery and longer term growth. This is the cornerstone of the UK Minerals Strategy launched in 2018 and recognised by BEIS at the time.³

Q. Is the Government doing enough to encourage corporate investment?

9. MPA's members are a diverse set of companies, including international companies seeking investment from global parent companies to small family businesses, so there are various issues Government can tackle to encourage a strong recovery. For all companies, it will be essential to create a post-Brexit economy that is at least as competitive and attractive to investors as it was before. This means competitive tax rates and investment rules, but also the right policy environment. Minimising uncertainties to create confidence to invest is vital.
10. The Super-Deduction announced in Budget 2021 is welcome, and although it is largely there to prevent investment being delayed due to the increase in Corporation Tax, it is a helpful stimulus. Ensuring highly competitive investment incentives once the Super Deduction is withdrawn will be important for investment over the long term.
11. Government needs to make the link between its infrastructure and housing ambitions and the material supply chain that is needed to deliver it. For our sector, delivery of planned infrastructure to time and budget is vital and has long been an issue of concern. For example, HS2, the nuclear programme and Highways England's Road Investment Strategy 1 all saw or are seeing delays against the original timelines. As a key part of the supply chain to these projects, our members plan their investment based on these public statements but are losing confidence in their reliability.
12. All infrastructure projects and housing projects above a certain threshold should be required to provide a construction mineral resource and supply audit to clearly set out the volume required, where it is to be sourced and over what timescale to provide transparency around future needs. This mirrors major projects' obligation to produce a waste audit under Planning Practice Guidance. An example is the recently announced Oxford-Cambridge Arc, with no mention of the minerals required to support delivery but extensive discussions to consider the waste issues arising. The one million houses that come with this project will require approximately 200 million tonnes of aggregate, with more for necessary infrastructure.

³ CBI Minerals Group and MP (2018) "UK Minerals Strategy"
https://www.ukmineralsforum.org.uk/downloads/UK_Minerals_Strategy_2018.pdf

13. Finally, energy-intensive industries such as cement and lime will require support through policy levers controlled by Government to reach net zero by 2050 while remaining competitive, as outlined in the UK Concrete and Cement Industry Roadmap to Beyond Net Zero.^[1] CCUS is vital to these sectors and the design of the business model to support CCUS deployment is critical to making CCUS an investable proposition.^[2] Many of the sites in our membership that will need CCUS are not located in the clusters that are being prioritised, instead being sited near the raw minerals required for extraction, processing and production. Tackling the challenge of connecting these sites to carbon dioxide infrastructure for transport and storage will be needed and will rely on Government in large part. Given the UK's natural capacity in the North Sea and Irish Sea to be a major international hub for carbon storage, getting this right would be a major competitive advantage.
14. For these industries there are steps the Government could take now that would help. Policies including Contracts for Difference, Renewables Obligation, the Renewable Heat Incentive (to be replaced with its successor scheme, the Green Gas Support Scheme) are diverting waste biomass out of very efficient directly fired operations such as cement and lime manufacture to energy generation, Combined Heat and Power and Anaerobic Digestion. This means that the taxpayer is subsidising a significantly less efficient use of scarce material. It also highlights that some of these policies may not be increasing the use of biomass overall, but shifting it from one sector to another. Cement producers have invested millions in storage and handling assets to take waste biomass fuels and more of these assets will become stranded if they cannot access the waste biomass fuel market on a level playing field with other consumers. This situation should be rectified as soon as possible in the Biomass Strategy expected next year.

Q. Is the “Plan for Growth” an adequate replacement for the “Industrial Strategy”?

15. We greatly valued the Construction Sector Deal which recognised the important role the mineral products sector plays in construction's supply chain. Carrying forward those sector deals already agreed under the Industrial Strategy is essential, otherwise the progress made would be set back for cosmetic or ideological reasons and would be deeply unhelpful.

^[1] UK Concrete (2020) “UK Concrete and Cement Industry Roadmap to Beyond Net Zero”
https://www.thisisukconcrete.co.uk/TIC/media/root/Resources/MPA-UKC-Roadmap-to-Beyond-Net-Zero_October-2020.pdf

^[2] More detail can be found in the CCUS Lever Paper accompanying the Roadmap, available at
https://www.thisisukconcrete.co.uk/TIC/media/root/Resources/MPA-UKC-Lever-Briefing-Paper_CCUS_October-2020.pdf

16. The Plan for Growth identifies the right set of issues, but the challenge as always is in the delivery. The strength of the industrial strategy was the sectoral approach whereby industries had to set out their own modernisation and growth paths with support from Government, which meant that these plans were deliverable. It is yet to be demonstrated that the Plan for Growth has any meaningful delivery mechanisms or capability.

Q. Is the UK well placed to take advantage of future technological breakthroughs and translate them into economic opportunities?

17. In some ways yes. The UK's plentiful natural capacity for carbon storage in the North Sea and the Irish Sea, and its enthusiasm for developing CCUS stands it in good stead to grow markets in zero (or even net negative) carbon industrial products including cement and lime.

18. One constant challenge is planning, with any proposed new development seeing increased opposition. The proposals in the recent Planning White Paper and expected in the forthcoming Planning Bill were focused on housing to the exclusion of other important planning issues including minerals and industrial development, and it remains to be seen if any proposed quarry or kiln is treated better in a new system than the current one. The essentiality of our sector, recognised by the Secretary of State, could be made more meaningful by being properly recognised both within the national planning policy and the local planning systems that are responsible for delivery, but more importantly beyond by a statement of national need. MPA's research has found that permitted reserves are not being fully replenished, with only 63% of sand and gravel and 75% of crushed rock reserves replenished in the last decade. This is not due to geological shortage but slow, expensive planning procedures.⁴

May 2021

⁴ MPA (2020) "Planning for the Future,
https://mineralproducts.org/MPA/media/root/Publications/2020/MPA_Planning_for_the_future_2020.pdf