Mineral Products Association

The Trade Association for the Aggregates, Asphalt, Cement, Concrete, Dimension Stone, Lime, Mortar and Silica Sand Industries

Comprehensive Spending Review (CSR) Submission

by the Mineral Products Association (MPA)

The MPA seeks accelerated and consistent delivery of investment in the CSR

The Mineral Products Association (MPA) is the trade association for the aggregates, asphalt, cement, concrete, dimension stone, lime, mortar and silica sand industries. 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. The industry supplies c£20 billion worth of materials and services to the economy and it is the largest supplier to the construction industry, which has annual output valued at £163 billion. Industry production represents the largest materials flow in the UK economy and it is also one of the largest manufacturing sectors. The industry operates throughout the UK, has 74,000 direct employees and 3.5 million jobs are supported in the industry's supply chain.

The CSR will set the direction for future government spending and there are a number of proposals we believe should be given full consideration in this process. Given the economic and political backdrop, we would urge a clear focus on public spending which will improve economic efficiency and productivity. Recent forecasts of economic growth, for example the OBR prediction of 1.5% trend GDP growth to 2023, are significantly below historic levels and insufficient to enable the standards of living and quality of public services people would reasonably expect of a leading global economy. The measures we propose would help to deliver the efficiency and productivity improvements necessary to secure improved long-term growth.

In recent years, Government has made significant commitments to infrastructure investment and increasing the supply of housing in successive Budgets. None of these objectives can be achieved without the supply of UK-sourced mineral products. The industry needs to have the confidence to invest in the resources and skills to meet future demand for mineral products and it is therefore essential that the CSR and related policies are consistent in their support for sustained investment in infrastructure, housing and the built economy.

Our submission is not focussed on changing existing policies nor identifying significant new areas for public spending; it is about the consistent delivery of investment and ensuring that the contributions of UK supply chains are optimised throughout the UK, therefore supporting the Industrial Strategy.

CSR Priorities

- Improving the Delivery of Infrastructure Investment
- Safeguarding Road Investment and the Road Investment Strategy
- Improving Local Road Maintenance
- Aligning CSR Objectives with Other Policy and Regulatory Activities

Improving the Delivery of Infrastructure Investment

Strategic oversight over infrastructure investment and delivery is maintained by the National Infrastructure Commission (NIC) and Infrastructure Projects Authority (IPA). The activities and information provided by these organisations has improved the transparency of infrastructure activity and potential future activity, but as a guide for supply chains and resource planning the available information remains limited. To illustrate the issue, the following data indicates total identified infrastructure investment in the three most recent Infrastructure and Construction Pipelines from the IPA.

Table 1: National Infrastructure and Construction Pipeline, 2016 to 2018, £m					
Year of update	**2018/19**	**2019/20**	**2020/21**	**Post 2020/21**	**Total**
2016	64,207	56,676	52,695	201,013	374,591
2017	63,331	63,380	55,448	218,024	400,183
2018	62,826	68,688	56,692	224,906	413,112

Source: IPA

Successive pipelines increased the long-term value of future infrastructure investment but it is unclear if this reflects higher investment or whether each analysis is collecting a more comprehensive list of planned projects? Expectations are generated of an underlying increase in infrastructure investment, as reflected in the table above which compares historic forecasts of Infrastructure construction output by the Construction Products Association (CPA), the leading construction forecaster.

Table 2: CPA Forecasts for Infrastructure output, % change on previous year								
Forecast	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Spring-14	10.1	7.2	8.6	8.6				
Spring-15		7.6	9.2	10.6	16.1			
Spring-16			7.9	10.3	15.5	13.6		
Spring-17				7.3	11.1	12.8		
Spring-18					6.4	13.1	7.0	
Spring-19						9.3	9.7	8.6
Average	10.1	7.4	8.6	9.2	12.3	12.2	8.4	8.6
Outturn	-2.1	22.6	-3.4	5.5	5.7			

Source: CPA, ONS

The analysis indicates that for each of the three most recent years (2016-18) the forecasts of growth in infrastructure construction were significantly higher than the outturns published by the Office for National Statistics.

Such forecasts are not the results of naïve assumptions but are based on published data and plans, including the IPA pipeline, and create expectations of market growth in the supply chain which have been persistently disappointed in the construction outturns. A specific example is the progress of Highways England's Road Investment Strategy (RIS1), which was originally a five-year programme to be completed in 2019/20 but has become increasingly backloaded to 2020/21 and later, beyond the original five-year plan. Supply chain businesses have invested heavily in capacity and capability to supply RIS1 and other major projects but have been consistently disappointed in the timing and delivery of the programmes. The table below illustrates the current delivery profile for the largest current national road scheme, the A14, compared with the profile published in 2015.

Table 3: NICP Funding for A14 Cambridge to Huntingdon, £m								
Year	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**Total**
2015	412	397	313	179				1,301
2018				412	397	313	179	1,301

Source: IPA

Such programme delays generate increasing scepticism about project delivery and make it more difficult for supply chain businesses to justify further investments, a particular problem for the UK businesses of international companies which are competing for global investment resources.

The record to date suggests much greater attention needs to be focussed on infrastructure project delivery and timing, allied to realistic plans which are based on reasonable expectations of scheme progress.

There is widespread evidence of outstanding domestic infrastructure investment needs, which should be matched by consistent and predictable investment and deliverable long-term programmes. The MPA recognises the progress which has been made in infrastructure investment and associated policy support – the focus for the next CSR must be on speeding up project and programme delivery.

Safeguarding Road Investment and the Road Investment Strategy

Although we have identified supply chain concerns about the heavily backloaded delivery of RIS1, MPA strongly supports the principle of longer-term planning of road investment and the plans announced for RIS2 and its financing through the National Roads Fund and vehicle excise duty receipts. Sustained and predictable funding for the national roads programme is essential to the mineral products industry and the wider economy for two reasons:

1. It will enable supply chain businesses to invest and plan to meet the material supply and contracting requirements of RIS2. The mineral products industry operates on long-term investment cycles, for example the time required from identification of a mineral resource to opening a quarry can take up to 15 years. As such the greater the transparency of road investment intentions, the greater the ability of the industry to organise the supply of essential construction materials such as aggregates, asphalt and concrete for those projects from UK sources and the greater the opportunity to generate supply chain benefits for communities throughout the UK.

2. Each year the mineral products industry produces, transports and delivers over 250 million tonnes of materials to customers. This is the largest materials flow in the UK economy and is totally reliant on the efficiency of domestic transport networks. The industry seeks to maximise the use of non-road modes of transport. It is the largest user of the rail freight network and significant volumes of aggregates are also delivered to wharves close to urban construction markets. However, for over 80% of mineral products the primary mode of transport is the road network and even materials transported by rail and water to depots and wharves are generally delivered to customers by road. As such an efficient road network is critical to our industry's operations. Sustained investment in maintaining and improving our national road network is of critical importance to UK industries such as mineral products.

Complementary investment in local roads is also vital, given the wide geographical distribution and density of our industry operations and customers. As such we welcome the plans to use the National Roads Fund to invest in the Major Route Network and "to improve the middle tier of our busiest and most economically important local authority A roads." Once again, we would urge Government to sustain this commitment to invest in key local roads within the CSR.

Improving Local Road Maintenance

It is widely acknowledged that there has been historic underinvestment in the maintenance and improvement of local roads. Local authorities in England and Wales are responsible for over 204,000 miles of roads, accounting for 97% of the total road network and with a reported asset value of £395 billion. An improved local road network would improve safety, environmental outcomes and better support local growth and development. The latest Annual Local Authority Road Maintenance survey (ALARM) has identified a number of significant issues:

- Spending on local road maintenance, 45% of which comes from local authority resources, increased by 20% in 2018/19 following a similar increase in the previous year;
- There has been a small improvement in the average conditions of local roads;
- 20% of local roads are in poor condition, with less than five years of life remaining;
- The average road resurfacing frequency in England is 79 years, compared with a recommended frequency of between 10 and 20 years;
- The total shortfall in annual carriageway maintenance budgets is £657 million;
- Given adequate funding it would take ten years to get local roads into a reasonable steady state;
- The estimated catch-up cost to remove the local road maintenance backlog is £9.8 billion.

The survey indicates that while a significant backlog of disrepair exists, increased spending in recent years has halted the overall deterioration in local road conditions, although large variations exist between different road types and different local authorities. The issue of inadequate funding has been recognised by additional supplementary funding from the Department for Transport, for example £100 million in March 2018 and £420 million in the November 2018 Budget. In evidence to the House of Commons Transport Select Committee on 24 April, Transport Minister Jesse Norman MP acknowledged that local roads had been historically poor relations within transport and that local road conditions remained inadequate, notably for less busy classes of roads.

The evidence from the ALARM survey and other sources is that a key to improving local road conditions is a longer term approach to funding backed up with a sustained increase in the funds available for road maintenance. The creation of the National Roads Fund to finance RIS2 and the Major Routes Network of local roads highlights the potential for hypothecation of some Government revenues as an appropriate means of funding in exceptional cases. Following this principle, the potential for using a small proportion of fuel duty revenues paid by road users to support a consistent long-term increase in the funding of local road maintenance should be considered within the CSR. However, we recognise that in the absence of ring-fencing for local road maintenance, a sustained improvement in local road maintenance spending and conditions is unlikely to be achieved without a broader increase in local authority funding.

Aligning CSR Objectives with other Policy and Regulatory Activities

Stating that the CSR should be aligned with other Government policy objectives is a statement of the obvious, but in one key respect there remains danger of misalignment.

Specifically, this submission highlights the fact that the UK mineral products industry is a key enabling industry which provides the products and services which allow plans to invest in housing, infrastructure and other development to be realised. Taking full account of the evolution of construction practices and modern methods of construction, the construction and maintenance of virtually every element of our built/economic infrastructure will continue to require the use of mineral products. For example, the compound demand for aggregates over the next decade will be between two and three billion tonnes. In order that UK supply chains can deliver these materials sustainably and enable the delivery of key aspects of Government policy, the regulation of the supply chain needs to be efficient and effective.

Significant attention is paid by Government to the operation of the land use planning system to support the delivery of additional housing, but little attention is given to the parallel operation of the mineral planning system, which helps to deliver the products necessary to build houses.

The MPA has significant concerns about the ability of the regulatory systems to operate to the required levels of effectiveness to allow this supply to be maintained. In particular, the operation of the mineral planning system is threatened by a lack of resources, performance monitoring data and expertise. Unless this system functions efficiently, the supply of mineral products will be constrained by a lack of planning approvals and permits for additional mineral resources. To illustrate this issue, MPA research indicates that over the past ten years only 54% of sand and gravel aggregates used in construction and infrastructure projects have been replaced by new planning approvals. If this under-provision continues and is not corrected it is likely that some future construction and infrastructure projects will be delayed due to a lack of aggregates supply. This is a wholly preventable scenario but unless Government works with industry to ensure the effective operation of the mineral planning and regulatory systems, the UK will face such supply chain constraints.

The CSR provides the strategic opportunity to direct the required level of resources into future-proofing the operation of the mineral planning system. This funding can be found in existing revenue streams, notably the £400 million pa Aggregates Levy. The use of a small share of Aggregates Levy revenues could be directed into the development of a mineral planning system with the capacity to deliver the principles of Government's National Planning Policy Framework (NPPF), which states: *"It is essential that there is a sufficient supply of minerals to provide the infrastructure, buildings, energy and goods that the country needs. Since minerals are a finite natural resource, and can only be worked where they are found, best use needs to be made of them to secure their long-term conservation."*

The Aggregates Levy is currently under review by HM Treasury and it is now the right time for Government to consider allocating a share of future Levy revenues to help finance the operation of the mineral planning system, therefore providing a foundation for future housing, infrastructure and other development.

The mineral products and quarrying industry contribution to the UK:

390mt
GB production of aggregates and manufactured mineral products

£6.8bn
Gross value added of our industry

£152bn
Value of construction, our main customer

£18bn
Annual turnover

£513bn
Turnover of industries we supply

74,000
People directly employed in our industry

3.5m
Jobs supported through our supply chain

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