

Brexit priorities for the Mineral Products industry June 2017

The Mineral Products industry

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 480 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 aggregates production, 95% of asphalt and over 70% of ready-mixed concrete and precast concrete production.

Each year the industry supplies £20 billion worth of materials and services to the economy and is the largest supplier to the construction industry, which has annual output valued at £144 billion. Industry production represents the largest materials flow in the UK economy and is also one of the largest manufacturing sectors.

For more information, visit: www.mineralproducts.org

MPA Brexit Policy Priorities for Government

- Build Confidence for Investment
- Boost Growth
- Maximise Access to Markets
- Maintain Access to Labour and Skills
- Maintain Regulatory and Standards Equivalence
- Rebalance Regulation Post Brexit

Market Context

Construction market demand for mineral products improved in 2016 as the momentum of the first half year continued into the second half, leading to a 4% annual increase in GB aggregates and ready-mixed concrete sales volumes and a flat market for asphalt. In the last quarter of 2016, sales volumes for these materials were also positive, and improved compared to the weaker markets observed over the summer. Materials, such as ready-mixed concrete and aggregates, are used across all major construction sectors and therefore provide hard evidence of activity on the ground. As such, we believe our data is more indicative of construction activity in 2016 than the ONS construction output statistics, which indicate more muted construction growth of 1.5% in 2016 and broadly flat construction activity in 2016Q4.

There is more momentum in construction markets running into 2017 than most forecasters have predicted. However, it is likely that construction and mineral products markets will slowdown in 2017 and 2018 due to delays in private investment and lower growth in real household incomes as an increase in inflation feeds through from business into consumer costs. Given the unique uncertainties associated with the Brexit negotiations and more general concerns about global economic prospects, businesses, both internationally owned and UK SMEs, remain concerned about the medium term market outlook and the potential for lower growth. Building confidence to encourage investment has never been so important.

Brexit Context

On 17th January, the Prime Minister outlined a 12-point Brexit plan in her speech at Lancaster House, London.

The European Union (Notification of Withdrawal) Bill 2016-17 was introduced to the House of Commons on 26th January and is progressing through Parliament.

The Department for Exiting the European Union released a White Paper 'The United Kingdom's exit from and new partnership with the European Union' on 2nd February.

The Government triggered Article 50 of the Lisbon Treaty (2009) at the end of March 2017.

Build Confidence for Investment

Government should seize every opportunity to build confidence in the short and long term performance of the UK economy. The uncertainties created by the Brexit process and macroeconomic challenges in the world economy inhibit positive business and investment decisions. Without sustained private and public investment the UK's sluggish productivity growth will mute our economic performance.

International businesses need good reasons to choose to invest in the UK and domestic businesses need to see that Government has credible and consistent policies to ensure the UK economy remains both resilient and attractive for investment to take place. The timely implementation of infrastructure investment plans, as outlined in the Autumn Statement and other announcements, and measures to encourage housing supply as outlined in the recent Housing White Paper, will demonstrate such commitment. An effective Industrial Strategy which reflects the needs of the whole economy can also provide policy credibility. Building business confidence is key.

Boost Growth

The delivery of infrastructure investment, as outlined in the Government Infrastructure Pipeline and higher housing activity are essential elements of building a more resilient and productive economy, catching up on decades of UK underperformance in these areas. There remain strong business concerns that existing infrastructure investment plans, while positive, are heavily backloaded towards and beyond 2020, but the opportunity exists to accelerate smaller scale transport projects and programmes over the next 12/18 months and boost growth.

Maximise Access to Markets

Sustaining international trade is vital to UK economic growth. Every effort must be made to seek the fullest access to European and non-European markets using appropriate, effective and comprehensive free trade agreements in preference to trading under WTO rules, recognising the need to balance security of supply with competitiveness.

International trade in some mineral products is relatively limited. It is vital nonetheless that key UK industries, such as materials and financial services have sufficient international market access to avoid the potential knock-on effects on the domestic construction and mineral products industries.

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For further MPA information visit
www.mineralproducts.org

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Maintain Access to Labour and Skills

The Mineral Products industry currently employs significant numbers of EU citizens: on average, 3% of the industry's workforce come from the EU, increasing to 9% for activities directly related to freight transport by road. Our main customer industries, notably in construction, are also heavily reliant on EU citizens to deliver existing levels of industry workloads.

Currently there is no guarantee that EU citizens now resident in the UK will have a continuing right to reside in and work in the UK following Brexit. This uncertainty needs early resolution.

We would also urge Government to think creatively and innovatively to enable proportionate and sufficient free movement of labour from within EU member states to help fill our skills gaps.

Maintain Regulatory & Standards Equivalence

The UK is very influential in the development of European Technical Product Standards and Design Codes for construction. We should continue to retain influence in European standards development via BSI and CEN to ensure world leading standards for UK industry and our customers in the UK and rest of Europe. This would bring maximum benefit and stability to the UK economy in its new status outside the EU and ease market access to and from Europe. The MPA is committed to maintaining engagement and retaining a lead role in this.

Rebalance Regulation Post Brexit

European Directives are transposed into UK law and underpin much regulation. There will be opportunities to improve the implementation of regulation to suit UK circumstances post Brexit. The MPA is reviewing the future application of EU Directives and regulations to identify potential opportunities to increase our competitiveness and improve productivity.

Government needs to sustain commitment to existing regulatory initiatives such as the implementation of the Cutting Red Tape review for mineral extraction. It also needs to focus on maintaining and improving the international competitiveness of energy intensive industries such as cement and lime.