

A BRIEFING ON THE AQA STRATEGIC REVIEW

25 January 2019

INTRODUCTION

The Aggregate and Quarry Association (AQA) is the industry body representing Construction Material companies which produce around 85% of the estimated 40 million tonnes of aggregate and quarried materials consumed in New Zealand each year.

Funded by its members, the AQA has a mandate to increase understanding of the need for aggregates to New Zealanders, improve our industry and users' technical knowledge of aggregates, and assist in developing a highly skilled workforce within a safe and sustainable work environment.

This 5-year Strategic Review will determine the direction for the AQA over the period 2019-2024. The resultant strategies will be reviewed annually through development of the annual Business Plan.

BACKGROUND

The last Strategic Review was conducted in 2009, for the 5-year period 2010-2015. The review established five core strategies to:

Communication - Increase our industries profile with local, regional, and central government, with the general public and users of our products.

Technical - Improve the technical knowledge of New Zealand Aggregates for our members and users of our products.

Planning - Provide planning advice for our members and lobby councils to ensure they are planning for future aggregate resources.

A skilled workforce in a safe work environment -Improve our industry's competence through initiating, promoting and supporting industry training and health and safety initiatives.

Effective governance - Represent our member's interests and lead our industry forward through clear strategic vision, sound governance, and management best practice.

Recent Business Plans (including the revised 2018 edition) have reflected these strategies and the recent restructuring of AQA was premised on these core strategies.

SNAPSHOT OF CURRENT ISSUES

1. Public perception

In general, the public have a poor perception of quarrying. The Yaldhurst dust issue, Pike River and subsequent quarry fatalities, and the emergence of resident action groups whenever a quarry development application is lodged all add to this perception. Most in the sector do not want to “put their head up” which is problematic when trying to influence public perception. We will not be able to positively influence public perception if quarrying companies and individuals are not prepared to “front” the public in media, public events etc.

2. Planning framework (incl. reverse sensitivity)

A key challenge faced by the quarry sector and end-users is maintaining urban and urban-fringe quarries. As quarries are forced to locate further from their markets, the cost of aggregate rapidly increases, additional pressure is put on traffic congestion, and transport emissions increase. An important issue for quarries operating in areas of expanding residential growth is reverse sensitivity. Reverse sensitivity effects on aggregate and quarry resources have the potential to sterilise existing and future resources which mean lost opportunities for the local economy.

3. Central and Local govt understanding of our sector

We believe Central Government should give Local Government greater direction in planning for key resource areas, in order to protect existing quarries from encroachment of non-compatible land uses such as housing and reduce reverse sensitivity potential. To ensure the continuity of supply of aggregate, planning rules need to be more flexible around quarry consents, fluctuating demands, and periods of quarry inactivity.

Of genuine concern is the Government’s policy of 'No New Mines on Conservation Land'. While unclear how this policy will apply to quarries, any sterilisation of available quarry resources will impact heavily on regional communities in terms of jobs, availability and cost of aggregates and sand.

4. Funding

Membership fees are levied on an eight-tier structure, based on production tonnes for the previous calendar year. A number of takeovers/mergers by large companies of medium sized members in recent years has reduced the revenue potential of AQA, putting pressure on a budget that is trying to deliver more for members. In 2018/19 eight members contributed additional funds to support a forecast shortfall in membership fees.

Pressure will increase in future years following the purchase of Stevenson by Fulton Hogan, and the purchase of Simcox by Isaacs. Currently 60% of AQA funding is generated by 10 members, with three members contributing 45% of forecast levies for 2019/20.

AQA'S STRUCTURE

The Board

The Board consists of 8 elected members. There has been no recent review of Board structure, configuration, member skill sets etc. and this review may like to consider these.

Voting Rights

Board members have one vote regardless of their company's size/ financial contribution. This review may consider this.

Staff/Contractors

Staff consist of a CEO, currently shared 50/50 with MinEx, and support staff provided by Straterra to cover administration, accounting and planning support.

Technical and Communications Contractors are employed on a need's basis.