

# Covid-19 Update to AQA Members

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## Resilience needed in the rebuild

Anyone with any experience of major disaster knows that you need an enormous amount of resilience to deal with the immediate impact – and, just as importantly, the aftermath.

I'm impressed with the resilience being shown by our quarrying sector as we work our way through Covid-19 and all it entails.

Look at the story in today's update about Grant and Lucy Middendorf, who operate Wanaka Stone, one of the half dozen or so full-time producers of schist from Central Otago.



*When the schist hits the fan, plan – Grant and Lucy Middendorf (right) with workers*

They are using the Government wage subsidy to top up their staffs' wages and says that this state support means they can keep their workforce and get back up running immediately once the lockdown ends. Of course, like almost all of us, they see an inevitable downturn occurring but are focussing on meeting already placed orders and ensuring the best cashflow they can. Wanaka Stone doesn't carry much stock so ongoing demand will determine the shape of their business in coming months.

Tim Edwards at Prenter's Aggregates which operates three sites in southern Hawkes Bay, says his company's challenge will be meeting what is almost certain to be major demand.

Prenter's has faced the double whammy of a summer drought which saw the closure of its Dannevirke and Waipukurau crushing sites because there wasn't enough water for processing. Then, as the rain started, Covid-19 closed down production.

Tim says with low levels of stock – and the prospect of rain soon eroding their opportunity to extract alluvial stone – it will be a challenge to meet demand, especially as infrastructure works ramp up to provide an economic boost in response to Covid-19.

Prenter's wholesale reliance on alluvial supply is replicated by a number of operators around the country. It underscores the need for diverse supplies to ensure our resilience at times like these.

The AQA last week sent a letter to key Government Ministers saying we will support the infrastructure focus for the necessary economic recovery. We also reminded them that the welcome wage and business support packages need to be followed by improved and sometimes rapid access to the rock and stone resources that will allow infrastructure to be built. We are currently engaging with officials at Crown Infrastructure Partners to ensure they understand the access and availability issues the sector will inevitably face, and how we believe these should be addressed. A summary of the letter to the Ministers follows.

Please be assured the AQA is here to support you, your staff and your business so you can safely get through Covid-19 and then rapidly back into production; we need each and every one of you to help rebuild our economy.

Kia kaha,  
**Wayne Scott**  
CEO, AQA

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## AQA stands ready by its shovel

Last week, AQA Chair Peter Walsh and I wrote to Phil Twyford & Shane Jones as the Ministers of Economic Development and Infrastructure commending the Government for looking to infrastructure and construction projects to stimulate the domestic economy.

We signalled the willingness of the AQA to support and work with the just-announced Infrastructure Industry Reference Group (IIRG) and the Government in progressing 'shovel ready' infrastructure projects.

We said: *"As you are observing, it is critical at this juncture that planning processes are simplified and streamlined; the AQA believes you and your key ministerial colleagues would also understand the crucial need for quarry resources to be able to be accessed to supply the vital construction materials."*

We asked the Government to urgently review a number of policy reforms e.g. the National Policy Statement for Indigenous Biodiversity and "No new mines on conservation land" because of their impact on our sector's ability to meet the surge in demand that will emerge as the nation recovers from the Covid-19 crisis.

We expect these reforms will now, at least, be delayed until well beyond the election and when they do emerge, these should align with the Government's Resource Strategy released last November. It used the AQA's own calculations about the cost of aggregate doubling in the first 30km travelled and noted this was *"why it's important that quarries are located near their end users."*

In the shorter term, we supported the Government's desire to "fast track" projects; in doing so we said it's critical to streamline and simplify consenting of temporary extensions to operating hours and production volumes. And we weren't asking for a free ride, stating: *"Such consents will need to include appropriate mitigation of noise, dust and other impacts on the local community."*

As always, we said the AQA is happy to work with Government officials and the IIRG in developing processes and providing guidance to local authorities which oversee and enforce consent processes.

We also raised the need to consider alternative ways of distributing aggregates around the country including rail and sea transportation of containerised product. And we called on the Government to consider incentivising recycling and reuse of products that currently go to landfill due to the cost of recycling or transporting to a quarry for re-use.

And we backed Federated Farmers calls including for an immediate, across the board, increase to the Financial Assistance Rate (FAR) to councils to boost the Government's funding proportion to maintain and develop local roads.

We concluded our letter to Ministers by saying: *"The AQA stands ready to work with Government and aligned agencies which want to support both 'shovel ready' projects and the longer-term infrastructure build that will help put New Zealand back on its economic feet."*

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## Alluvial supplies at risk

Prenter's Aggregates has always relied on alluvial supplies to keep its three crushing sites in Dannevirke, Waipukurau and Pahiatua in operation but is now having to consider land-based extraction.

Tim Edwards has faced drought and now Covid-19 in his six months managing Prenter's Aggregates division. In April, he would have expected to be extracting gravel as the company made use of the window of good weather on river beds, as well as being outside bird nesting and trout spawning periods.

Covid-19 spiked that, compounding the drought which saw an end to processing at the main Dannevirke and Waipukurau sites in January, February and March because of a lack of water for processing. Now Tim is concerned that as the rain returns, his staff won't be able to get into the riverbeds of the Tukituki, Waipawa, Manawatu and Mangatainoka rivers over the next few weeks to extract gravel and rebuild stocks.

Tim believes there will be many similar stories from other operators around the country reliant on alluvial sources and this will compound supply issues.

"It's definitely going to have a flow-on effect for infrastructure, contractors and roadworks" he says.

This is particularly so, given the Government is making infrastructure the core of its plan for economic recovery from the Covid-19 crisis.

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## Concrete facing challenges too

Rupert Bunny also works managing the Ready-mix Concrete operation for Prenter's. This was able to continue until the Covid-19 lockdown. Now Rupert is in the unenviable position of having farmers contact him asking for supply – and having to turn them down.



He has had varying requests. One pig farmer had a water system collapse and needed concrete product to make a repair; another bought in silage to feed his cows and needed concrete to be able to store it properly; other farmers are wanting to create feed pads to avoid winter pugging. Sadly, these projects don't seem to fit the animal welfare dispensation criteria despite no other feed or grass available due to the ongoing drought conditions.

Rupert tried independently to get advice from Government on whether such cases met the definition of 'essential services' of which farming is a mainstay, though this is framed around work that is truly essential to food production.

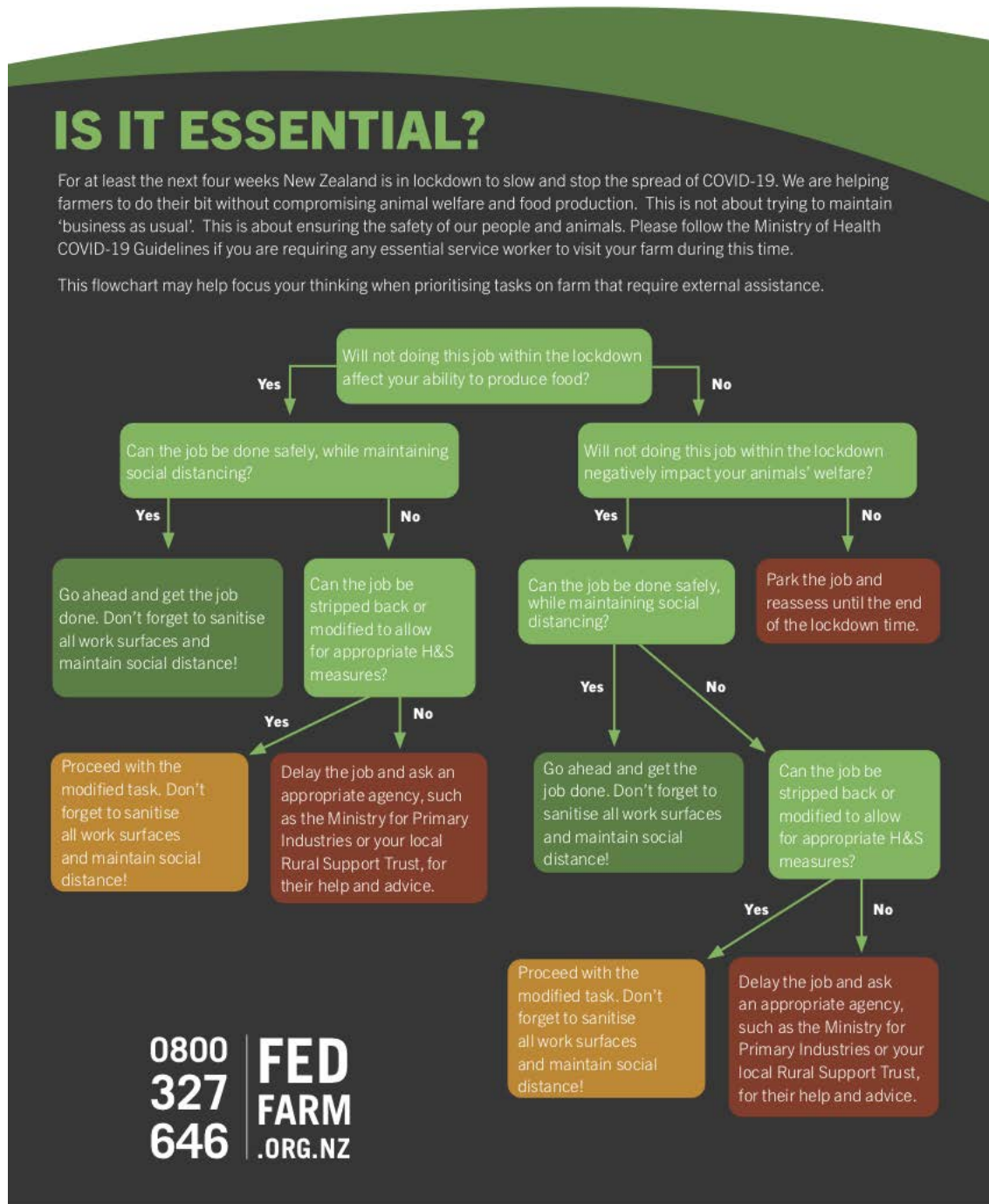
He says MPI was sympathetic but referred him to MBIE which is managing the essential services criteria. He emailed MBIE on behalf of these customers seeking clarification but to date there's been no reply. One can only imagine the raft of applications they are facing.

Meantime, the roughly 30 staff across Prenter's two divisions are being paid for a standard 40-hour week for the first four weeks, with the Government's wage subsidy likely being used to supplement this across further weeks of lockdown should it be needed.

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## Fed Farmers essential works list

After hearing Rupert's concerns, the AQA approached Federated Farmers who have come up with this flow-chart to assist farmers (and by extension, any contractor or supplier) to determine what is essential work. It may not answer every question, but may assist.



## Schist suppliers grind to a halt

Grant and Lucy Middendorf are also using the Government wage subsidy to help keep their international crew of 11, including themselves, funded through the lockdown.

Their team includes two Czechs, a Nepali, a Frenchman and an Irish bloke. Normally they and their

Kiwi workmates work at two quarries sited on high country stations where the schist is extracted and split. Lucy administers the business from their Wanaka home where they also share the raising of their children Emma and Alex.



*Schist naturally features in the Middendorf's Wanaka home*

The couple bring enormous experience into the business. Grant is a former NZ Army engineer and Lucy is a geologist who has worked in Australia, Asia and Armenia.

Their product is in high demand with forward orders to September and beyond. Around 70% of product is sold in the Queenstown/Lakes district. They have never been so busy as the weeks leading up to the Covid-19 lockdown but Lucy says they are obviously concerned at what may happen even as the economy begins to recover.

“Cashflow is key; that’s what we are focusing on.”

She rates the Government as doing well in the response so far. Grant acknowledges without the wage subsidy they would have had to reduce staff; with them being retained, the company can restart immediately when Covid-19 restrictions ease – and that can’t come soon enough.

“The longer we are off work the longer it takes for the economy to recover,” he says.

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## **Get those shovels moving**

Mark Baillie is probably talking for a lot of people in the quarrying sector when he points to some of the challenges presented to the Government in its plan for ‘shovel ready’ projects to help rebuild the economy post-Covid.

The Chief Operating Officer of HG Leach, operating three quarries and a supply site in Thames/Coromandel, says there's been something of a vacuum in roading work in his area for a while.



He notes that heading into winter is not the ideal time for a lot of projects but thinks the biggest challenge will be cutting the red tape.

“I hope the Government really pulls the trigger on some of these infrastructure projects – they are needed.”

HG Leach, established in the 1950s and remaining a family-owned company, has taken the Government wage subsidy and used it to help support their 40 staff at 80% wage levels across the four weeks of the Covid-19 lockdown.

Mark says he feels for some of his staff who live week to week without savings. The Company is staying in touch to see how people are faring.

The only work over the last couple of weeks were essential service call-outs to a power sub-station which needed aggregate for a repair as did a bridge approach on a state highway.

Otherwise he says HG Leach's sites are facing an unprecedented shutdown which he says he can only hope lifts sooner rather than later.