

What will the minerals sector look like in a post-COVID world?

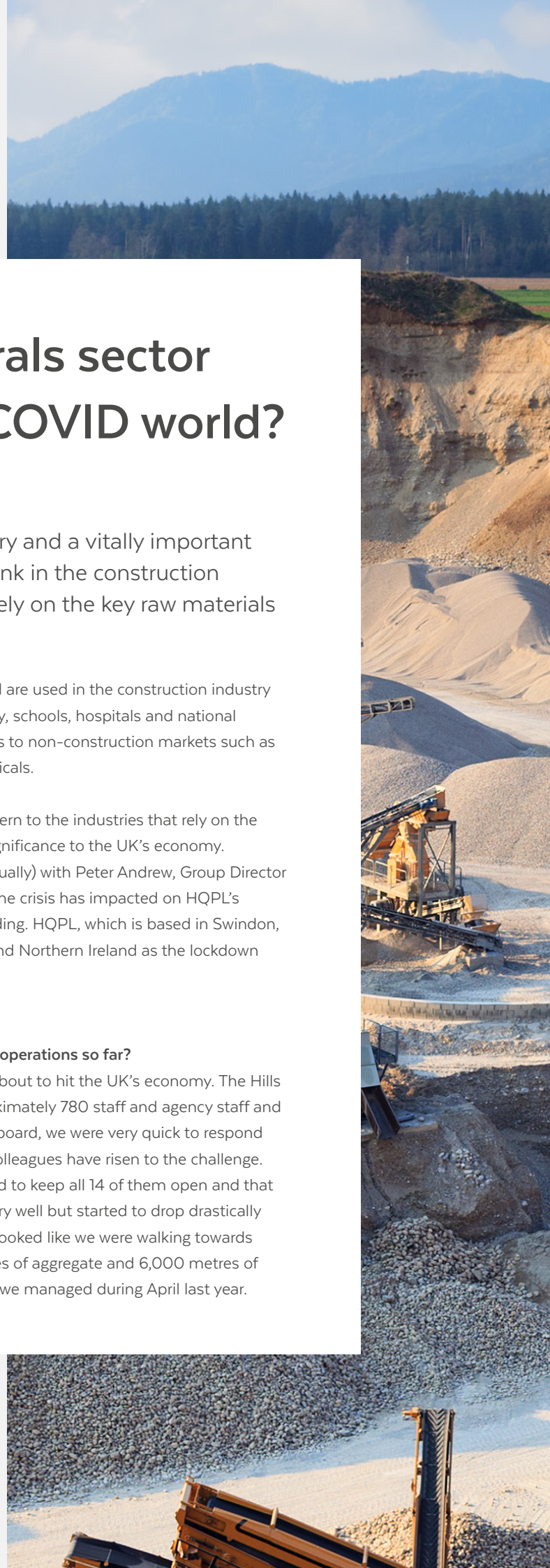
The minerals sector is an essential industry and a vitally important part of the UK economy. It is the largest link in the construction supply chain and many other industries rely on the key raw materials that it provides.

While the majority of the raw materials produced are used in the construction industry in building residential and commercial property, schools, hospitals and national infrastructure, the minerals sector also supplies to non-construction markets such as agriculture, iron and steel manufacturers and pharmaceuticals.

The impact of the current Coronavirus crisis is of real concern to the industries that rely on the minerals sector and its ability to recover will be of huge significance to the UK's economy. Our minerals specialist, Richard Pike, recently met up (virtually) with Peter Andrew, Group Director of Hills Quarry Products Limited (HQPL), to discuss how the crisis has impacted on HQPL's operations and on how he sees the next 12 months unfolding. HQPL, which is based in Swindon, is also keeping a close eye on events in Wales, Scotland and Northern Ireland as the lockdown restrictions are eased in varying degrees across the UK.

What has been the impact of the Coronavirus on HQPL's operations so far?

Back in January, no-one could have predicted what was about to hit the UK's economy. The Hills Group is very much still a family-run business with approximately 780 staff and agency staff and 120 of those are employed in the quarrying division. As a board, we were very quick to respond and I have been delighted by the way in which all of my colleagues have risen to the challenge. Despite some pressure to close our sites, I was determined to keep all 14 of them open and that decision has paid dividends. Sales in March were going very well but started to drop drastically from the last week of March and, while initially at least, it looked like we were walking towards the edge of a cliff, we still managed sales of 52,000 tonnes of aggregate and 6,000 metres of concrete during April, which is approximately half of what we managed during April last year.



What operational/strategic measures has HQPL put in place to try to mitigate the impact of the current crisis?

We have furloughed approximately half of our staff but, in order to keep all of our sites open, the remaining staff have been amazingly flexible by being willing to travel to service our various sites to satisfy demands and keep sales and operations going. We have also off-hired as much as possible, deferred depreciation, SORNEd half of our fleet of wagons and other vehicles, trimmed down support services to the bare essentials and reduced the number of Group accounts, administration and sales staff considerably at head office in Swindon (down from 100 people down to 27, with the majority of people working from home). Our quarry product sales and admin teams are all working from home taking calls diverted from head office using a home based computer system and video conferencing facilities such as Zoom and Microsoft Teams. As a board, we also hold daily “COBRA” meetings during which we receive reports from HR and our communications team. Our external communications and dialogue with our existing clients has been key because they know that if they need materials, we can supply them.

What measures would you like to see offered by the government to help the sector at the current time?

To be fair, we have been impressed by the government’s response to date. We don’t think that there is much more that they could have done. The government, obviously, realises that our sector is key to the recovery of the construction sector and the delivery of its promised large scale infrastructure projects.

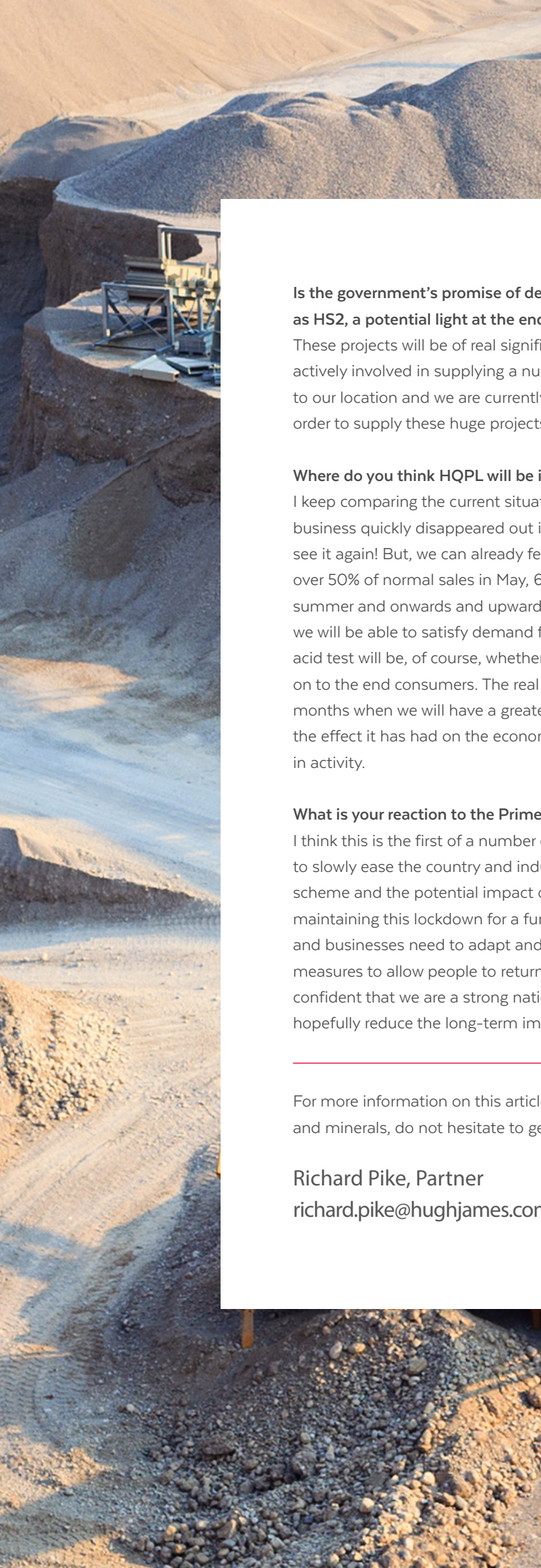
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I am confident that the sector can recover quickly. One of the key components to that recovery will be the return to work of the major housebuilders that we supply.

What do you see as being viable ‘exit strategies’ for the sector and how quickly do you think/hope it will take to recover?

I am confident that the sector can recover quickly. One of the key components to that recovery will be the return to work of the major housebuilders that we supply. Some, such as Persimmon, have tried to keep sites open and the fact that we have kept operations going means that we will not need to delay by taking time to re-open our sites and can continue to maintain a consistent supply of essential minerals and ready mixed concrete to our customers – everything is ready to go. More activity from manufacturers, such as block works, slab manufacturers and roof tile producers, which we hope to see from the first week of May, will also be key for us.





Is the government's promise of delivering large scale national infrastructure projects, such as HS2, a potential light at the end of the tunnel?

These projects will be of real significance to the sector. We hope and are planning to be actively involved in supplying a number of key infrastructure projects in the near future due to our location and we are currently exploring and actively considering key strategic sites in order to supply these huge projects.

Where do you think HQPL will be in 12 months time?

I keep comparing the current situation to throwing a boomerang. Earlier this month, our business quickly disappeared out into the distance and we weren't sure when we would see it again! But, we can already feel it's on its way back. I am predicting we will achieve over 50% of normal sales in May, 60% in June, 75% in July and then, hopefully, a good summer and onwards and upwards into the autumn. While we are totally confident that we will be able to satisfy demand from the construction and manufacturing sectors, the acid test will be, of course, whether or not those sectors will be able to sell their products on to the end consumers. The real worry for the future is going into the autumn and winter months when we will have a greater understanding of the true impact of the lockdown and the effect it has had on the economy and whether this could trigger another downturn in activity.

What is your reaction to the Prime Minister's announcement on easing lockdowns?

I think this is the first of a number of very short key steps that the government is taking to slowly ease the country and industry back to work. The cost of the ongoing furlough scheme and the potential impact on the mental health of our country's population by maintaining this lockdown for a further significant period is not sustainable. Industry and businesses need to adapt and change to accommodate the strict social distancing measures to allow people to return to work safely and get the economy moving again. I feel confident that we are a strong nation and will adapt and change to meet this challenge and hopefully reduce the long-term impact this will have on the country.

For more information on this article, or if you need any legal advice in relation to mining and minerals, do not hesitate to get in touch.

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