

How to Add a Vertical Business to Your Operation

Conduct an analysis of the proposed site, paying attention to details including terrain, vegetation, stormwater runoff, and egress and ingress.

Meet with elected officials and other key stakeholders.

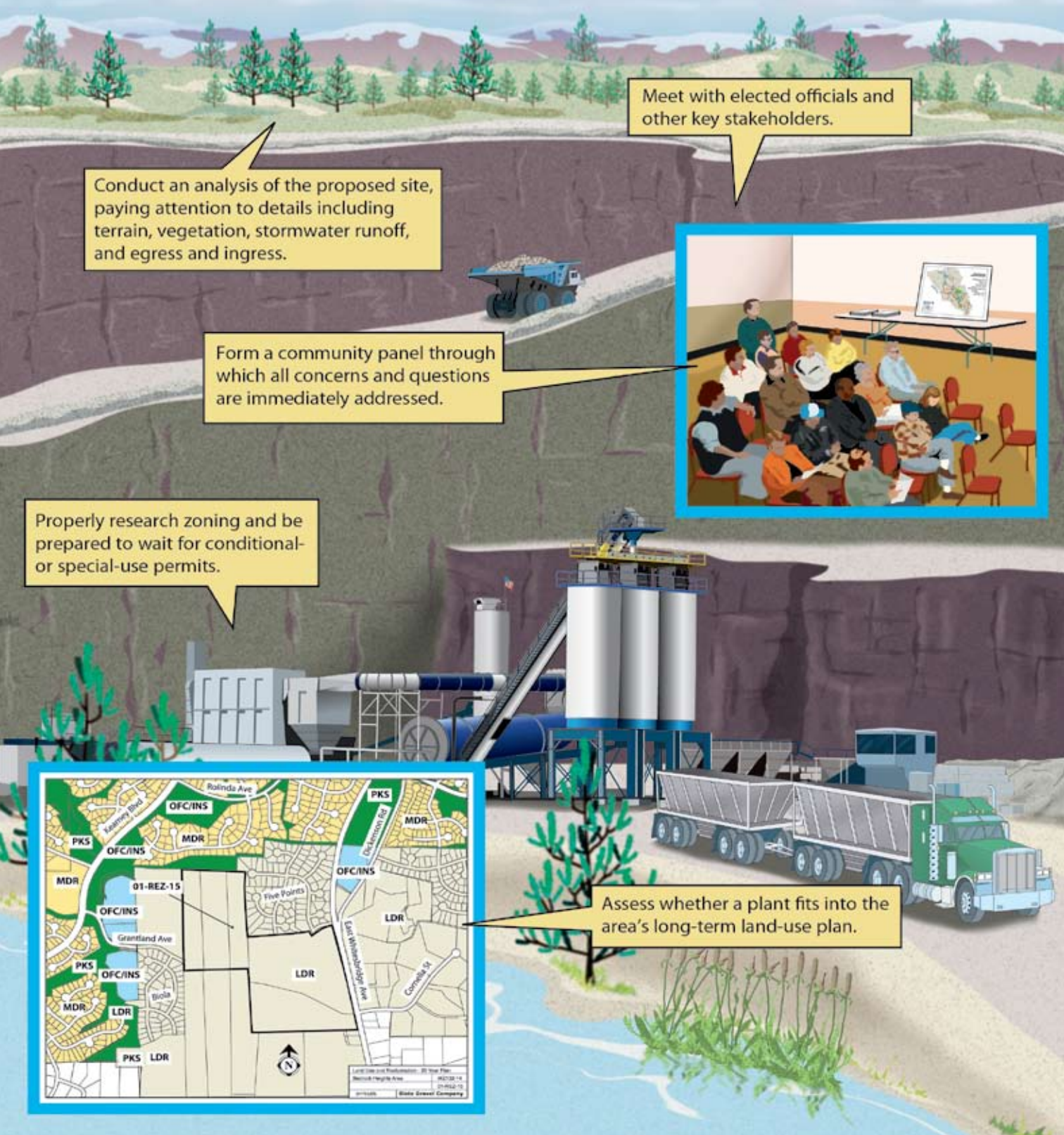
Form a community panel through which all concerns and questions are immediately addressed.



Properly research zoning and be prepared to wait for conditional- or special-use permits.



Assess whether a plant fits into the area's long-term land-use plan.



How to Add a Vertical Business to Your Operation

Whether it's from the recent mega-mergers or just opportunities for new business or partnerships, many aggregates operations are incorporating the vertical markets of hot-mix asphalt or ready-mixed concrete plants into their facilities.

Whatever the reason, the biggest mistake producers often make when going vertical is a lack of pre-planning, says R. Gary Fore, vice president for environment, health, and safety at the National Asphalt Pavement Association. "You need to do your homework in terms of pre-planning," Fore says. "If you don't do your homework well, there may be serious obstacles."

First, he says, confirm that the site is zoned properly. Even if an asphalt plant is just going to be added to an existing quarry operation and zoning reflects compatibility with this type of land use, sometimes a special-use or conditional-use permit is required. "If you are locating an asphalt plant that is not associated with a quarry, the site may or may not be zoned properly," Fore points out. He says the question is, "Does your proposed land use fit with the local land-use vision?"

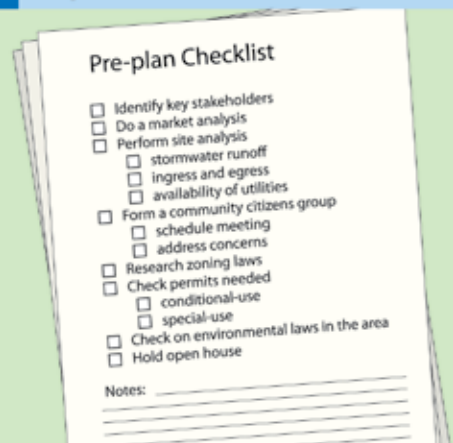
"It's also very important to pay attention to the basics of community relations," Fore points out, adding that the need for effective community relations is often overlooked. "Get involved and anticipate or there could be serious opposition stemming from citizen concerns," he says. This means identifying key stakeholders such as neighbors, the Department of Environmental Protection, local planning staffs, and elected officials. "Let them know asphalt plants do more than just build roads," Fore explains. "We must build relationships with the neighbors, local officials, regulators, and the news media if we are to be successful. We need to make sure citizen concerns do not become emotional issues that result in a call for public hearings. Public hearings take time and are

often emotional settings that make it difficult to address concerns, some or all of which may have been addressed without a public hearing."

Allowing sufficient time is also critical. What's the right amount? "There is no prescription," Fore says, "but the sooner you start, the better the chances are of success." Zoning and environmental permit decisions can often take six months to a year, depending on whether there is a public hearing. "My best advice is, make sure you start early and finish late with the pre-planning and zoning and permit processes," he says.

Prior to even making the decision to add an asphalt plant to an existing aggregates operation or site an operation separately, the growth rate of the area should be considered as well as growth of the geographic location, says Scott Laudone, general manager of asphalt operations and quality control for Tilcon New York Inc., New Jersey Division, an Oldcastle Materials Inc. company. If the decision is made to site an asphalt plant, the construction trends of the surrounding area must be taken into consideration. "If municipal and state DOT road programs are focused primarily on resurfacing and repair and maintenance, this could impact the type of aggregate sizes a quarry will need to produce to satisfy the specific mix designs needed to supply such a market," Laudone points out. "In the past, there was a need for 3/4-inch and larger sizes." But in Laudone's area, that has changed now to sand and fine coarse material such as No. 8s and No. 9s. Additional capital may be needed to upgrade aggregate crushing operations to meet new aggregate demands," Laudone says. "If you're going to add an asphalt operation, you need to know your market. If you're going to buy crushers, you need to know what kind of material you will be producing. You need to know where and how to invest."

1 Do your homework



Develop a pre-planning checklist and follow it closely. Put this list together before even starting the permitting process. Be sure that you understand every segment that comes with siting the plant, from zoning — not only the zoning itself, but also the process and every stakeholder involved — to any negative impact you'll have on a community, how you may benefit it, and anyone who can serve as an advocate for you.

4 Market analysis



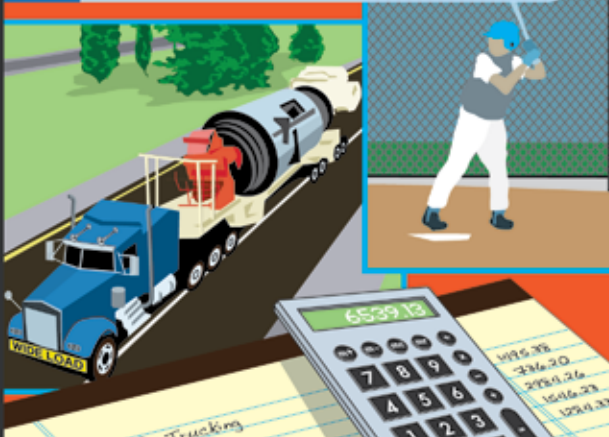
Don't add an asphalt facility to your existing operation just because you can. Make sure that you won't be taking business away from yourself by competing against your current customers and then having to outbid these customers. Location plays a role in this. Look at the growth rate of the area in terms of the highway program and commercial, residential, and overall building trends. Develop a long-term plan and re-evaluate it every year.

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Asphalt into Your Operation's Mix

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2 Economics



Be sure to look at everything that will cost money when developing a new site or adding it to an existing property. Utilities, cost of new equipment, permitting—even community relations efforts such as open houses and team sponsorships will need to be figured into the budget. If the facility is being upgraded — known as replacing a facility “in kind” — make sure it makes economic sense to do so.

3 Site analysis



Some of the environmental factors for site analysis include topography, the soils, vegetation, slope of the terrain, aesthetics (i.e. view from neighbors), drainage conditions such as stormwater runoff, egress, ingress, utilities, geology of the area, whether there are cultural and historical features either on the site or nearby in adjacent and surrounding land. Know how traffic is managed, what utilities are available, and where raw materials are stored.



Scott Laudone is general manager of asphalt operations and quality control for Tilcon New York Inc., New Jersey Division. Laudone has been in the asphalt business for 18 years and has been with Tilcon for four years. He has a bachelor's in business administration from Long Island, New York's Adelphi University, is member of the National Asphalt Pavement Association (NAPA), and is a member of the New Jersey Asphalt Pavement Association and the Society of Asphalt Technologists of New Jersey.

5 Develop a communications plan



Identify key stakeholders and include people such as planning staff and those that work for the zoning board or county commissioners in your communications plan. Work with all elected officials and develop a plan for communicating with neighbors. Maintain an open-door policy for your facility and find out the needs of your community. Most importantly, listen to all community concerns and address every single one.

6 Zoning and permitting



Before getting too entrenched in the process, figure out whether an asphalt or concrete plant would fit into the area's “vision” and local land-use scheme. Determine how a facility would impact the local land-use plan now and in the future. Also, determine whether a special-use or conditional-use permit or rezoning would be necessary and check with the Department of Environmental Protection and Environmental Protection Agency about any water and air-quality issues.



R. Gary Fore is the National Asphalt Pavement Association's (NAPA) vice president of environment, health, and safety. Fore has been involved with these issues for nearly 37 years and was chief engineer and director of one of the first U.S. air pollution control programs. He has bachelor's and master's degrees in chemical and electrical engineering from North Carolina State University and master's degrees in environmental management and public health administration from the University of Southern California. He may be reached at 888-468-6499 or gfore@hotmail.com.

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Voices of Experience

Scott Laudone ▼

The determination as to whether to add an asphalt plant to your aggregates operation is based on more than just whether you are able to get a permit. "It is truly a business decision as to whether to add an asphalt plant," says Scott Laudone, general manager of asphalt operations and quality control for Tilcon New York, New Jersey Division, an Oldcastle Materials company. The geographic location, proximity to major highways or road projects, and customer demographics all factor into the decision.

"You need to look at the growth rate of the area, what the highway program is looking like, and the general building in the area in both residential and commercial," Laudone advises. "If you're in a rural setting away from densely populated areas, you'll dabble in a bit of everything."

However, in the case of Tilcon's New Jersey Division — which is in close proximity to the New York City metropolitan area — there are so many concrete companies, the division sells aggregates to their concrete customers rather than compete against them.

In fact, crossing over into your customers' territory by adding asphalt or cement to your operation could be detrimental. "You may be competing with your customer," Laudone points out. "Now you have to bid against them. If you have a concrete customer that just buys stone from you, you're both happy because you're selling your rock, he's making concrete, and you both benefit."

If the same operation decides to get into the concrete business, the same amount of stone would still be produced, but the operation would now have to bid against your current customer(s).

This is why it's crucial to do a market analysis — to find out the best way to move your product, Laudone says. He suggests coming up with a five- or 10-year plan, but continually re-evaluating the plans at least every year. "You can't manage something if you don't measure it," Laudone says. "If you don't have a long-term plan, you can't make a good business decision on how you are going to grow your business."

For example, Laudone says that the market in the area where his operations are located has become a small-particle size market, whereas several years ago the need was for 1/2-inch and above. "There were sub-base requirements, so you needed large stone blends and mixes," he points out. "Now New Jersey is more of a resurfacing state."

It's this kind of knowledge that helps aggregates producers decide whether to get into a vertical market such as asphalt or cement.

"You need to take a look at everything and figure out whether it makes economic and business sense and whether it would be efficient," Laudone says. "You shouldn't do something just because you can."

R. Gary Fore ▼

When setting out to site an asphalt plant, you need to go in with a "win-win objective," says R. Gary Fore, vice president for health and safety at the National Asphalt Pavement Association. To achieve this objective, he says, a pre-planning checklist is essential. You need to make it a win-win situation to have a new asphalt plant whether, standalone or as part of an existing aggregates operation, Fore says.

"Winning for us is effectively siting the plant with a minimum amount of hurdles for us to get over," he says. "For a neighbor, it's addressing whatever they have on their mind. You cannot achieve 'win-win' without effectively listening to concerns. Two of the biggest mistakes are a lack of pre-planning and failure to address community concerns."

Explaining what an asphalt plant is, and is not, along with the role it will play needs to be a priority on this pre-planning checklist. "Before formal action to apply for permits, you need to meet ahead of time with local agencies such as planning and elected staffs (zoning boards, commissions, etc.) and people in the community and educate them about what your plans are, what the benefits are [of having an asphalt plant in the area], and then listen to and deal with any concerns upfront," Fore suggests.

Failure to do this will result in a snowball effect involving the emotions of interested parties and ultimately, delay the entire process. "One concern leads to two concerns...leads to three, and then the overall political tenor may be jaded with interested elected officials. Meeting with planning staffs and regulators before the permitting process is even started should top the pre-planning list. Be sure to work with them every step of the way," Fore says, and anticipate and allow time for hearings if they become necessary.

Aside from access to local markets, aggregate etc., there are several items associated with plant siting that should be on the checklist. "You need to look at the overall conditions of the site in terms of how traffic is managed, such as egress and ingress, where the raw materials are or will be stored, whether the site is on or above a water table, how the land is graded for storm-water runoff, and what public utilities are available," Fore says.

On the checklist should also be plans for community forums, and other community activities. "This may sound like common sense, but in our industry we may see an opportunity to move into a market and have such a sense of urgency, that we forget to do any pre-planning," Fore says, adding that community relations should be a major part of this pre-planning. "Win-win means.... I get my plant and you get your concerns appropriately addressed. The idea is to build a relationship and to maintain it. Your best friend can be your worst enemy tomorrow. In siting an asphalt plant, we must do more than just build roads — we must do our homework well including the building of relationships in the process, with prospective neighbors, local officials, the regulators, and others if we are to be successful."