

Auditor General's Audit: Management of Aggregate Resources

— a response to the Auditor General's Report

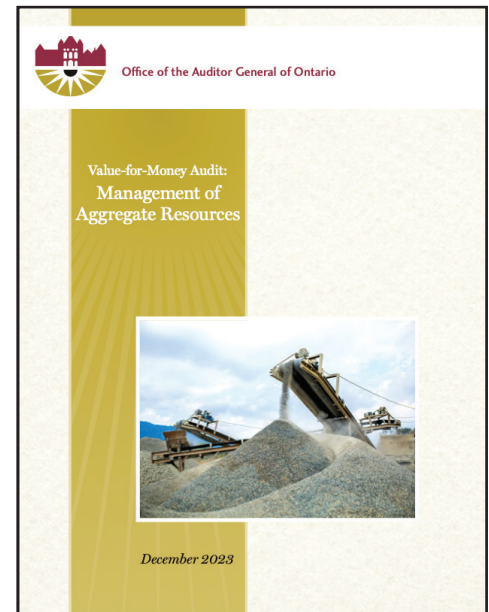


The Auditor General's report was released in December 2023. The scope of the audit focused on the Ministry's oversight, licensing and permitting of aggregate extraction operations on both Crown and designated private land.

The recurring theme of the report is that the Ministry of Natural Resources and Forestry (MNRF) does not have the resources to properly fulfill its role as a regulator of the industry. The report puts forward 18 recommendations, many of which the industry has been calling for for nearly a decade, and many of which MNRF acknowledges need to be addressed.

NIMBY groups and Reform Gravel Mining Coalition have begun to use the report to support their position that a moratorium is required in the aggregate industry. It is important to note **there is nothing in the report to suggest the aggregate industry should be subject to any kind of moratorium**, nor that the aggregate industry is in any way unsafe. In fact, the report recognizes and acknowledges the importance of close-to-market stone, sand and gravel.

While OSSGA appreciates the effort put forth in conducting the audit, we respectfully offer a differing perspective on many of the findings presented, and are concerned how, taken out of context, the data in the report could be used to further fuel misinformation regarding aggregate. Our aim in this document is to provide additional context and insights that we believe more accurately reflect the industry.



Supply and Demand of Aggregate

Opponents of aggregate often say, incorrectly, that there is already enough aggregate to meet demand. The Auditor General heard these concerns and recognized the need for better information about the supply and demand of aggregate. **The AG report does not say there is an oversupply of aggregate.** The report recommends that MNRF be more transparent with respect to the supply of aggregate, and points out the danger of opponent groups using the lack of clarity to suggest there is too much supply.

The report reiterates the Provincial Policy Statement indicating that “aggregate has primacy over other land uses and must be made available as close to market as possible, and that demand for these resources does not have to be demonstrated.”

The report also shows that demand for aggregate has been increasing with production increasing an average of 2% per year for the past decade. The report indicates from 2012 to 2022 the Ministry issued an average of 40 new approvals per year, for a total of 261 new licences and 178 new permits – a total of 439. During that same period, The Ontario Aggregates Resources Corporation (TOARC) tells us that a total of 564 licences and permits were surrendered. While not explicitly stated in the report, this is a good indicator that **new licences are not keeping up with demand.**

Report Findings & OSSGA's Response

Inspections

Report: The Ministry has a significant shortage of experienced aggregate inspectors, with 41 per cent of the 34 inspectors, as of May 2023, holding their position for less than one year.

OSSGA: We agree this is a concern and have been advocating for more inspectors and higher pay for inspectors for nearly a decade. We have also expressed concern over the lack of technical knowledge of inspectors and have offered to provide enhanced training.

The good news – MNRF recognizes this problem, and it is being addressed. The report notes that the number of inspectors increased from 22 in 2022 to 34 in 2023. An additional 19 inspectors have been hired and comprehensive training and staffing initiatives are underway at MNRF.

Report: The shortage of inspectors has contributed to low and declining inspection rates, with inspections decreasing 64 per cent between 2018 and 2022.

OSSGA: Yes, each district should be required to develop an inspection plan. MNRF is working on an implementation plan for 2024/25. As an industry, we realize that being held accountable through inspections is an important way to build public trust. We are looking forward to the new plan from MNRF.

Report: There is high noncompliance within the aggregate industry, with between 36 and 52 per cent of inspections completed which deemed the operation satisfactory. Between 2018 and 2022 1,750 inspections identified operational noncompliance such as extracting below the approved depth or not conducting progressive rehab of the site.

OSSGA: The vast majority of inspection reports point to administrative compliance issues such as not paying dues on time, having damaged fenceposts or signage infractions, which do not negatively impact the environment, however, are important non-the-less. We have submitted a Freedom of Information request to get a breakdown of the non-compliance issues.

Report: The number of failures to submit annual tonnage extraction quantities, pay annual fees or comply with extraction limits increased 74 per cent from 206 in 2018 to 359 in 2022.

OSSGA: There are members who are late paying their tonnage fees to TOARC. We will work with them to correct this.

Report: Fees paid to extract aggregate are likely too low to cover the costs of administering the program.

OSSGA: As the Auditor General's report itself indicates, OSSGA has been advocating for an increase in the levy for more than a decade, a part of which would be used to fund inspectors and ensure the aggregate sector is properly administered.

Dormant Sites

Report: A significant number of sites have not extracted anything within the past 10 years — 1,524 sites — and of those 257 have not extracted anything in 25 years. The sites sitting dormant for at least 10 years represent about 25,000 hectares of land, or about the size of Brampton.

OSSGA: The report answers its own question by recognizing that a site may sit dormant because it does not have the specific type or quality of aggregate in demand by the local market at a point in time (and shipping heavy aggregates to farther markets can be prohibitive), but may still have reserves of other aggregates that can potentially be used for future projects.

Where the report fails in this section is that it does not consider whether these dormant sites have been progressively rehabilitated. Those 25,000 hectares of land may in fact be active farmland, or naturalized fields. The fact that a site is dormant does not mean that it is sitting as a disturbed hole in the ground, and to suggest so is misleading.

Close-to-Market

Report: “The location of aggregate extraction is dictated by where the aggregate product is needed. Aggregates are heavy and therefore expensive to transport long distances; they also contribute to greater pollution the farther they are transported... As a result, the vast majority (90%) of all aggregates extracted in Ontario between 2013 and 2022 came from southern Ontario, close to where population growth and development pressures are greatest.”

OSSGA: The Association was pleased to see this acknowledgement from the Auditor General that close-to-market aggregate is both the economical and environmentally responsible approach to aggregate extraction.

Recycled Aggregate

Report: There was a recommendation to implement a system to track major sources of recycled aggregate supply and used in Ontario and to report it publicly. The estimated use of recycled aggregate in Ontario is 7% vs. approximately 25% in the U.K.

OSSGA: The association and its members fully support the use of recycled aggregates. The largest barrier to the use of recycled products at the moment are municipal specifications that do not conform to Ontario Provincial Standards.

OSSGA would be pleased to speak more about the Auditor General's report.
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