



CHAIRMAN'S 2006 ANNUAL REPORT

Good afternoon. Thanks for taking the time to attend our AGM.

The last year has been another challenging one for our industry and CTNZ. Sadly the demise of ION Automotive NZ (Ford Alloy Wheel Plant) has approximately halved our foundry industry output by tonnage.

We are now inextricably influenced by Asia, and Asia will continue to play a greater part in our future. It looks like mostly threat at the moment but this may change over time. China's foundry industry is about 1000 times bigger than ours! The CTNZ equivalent, the China Foundry Association, company members' employ about 800,000 staff!

Outgoing Fletcher Building chief executive Ralph Waters is one of NZ industry's most successful and savvy business people. He is appalled by New Zealand's economic and political direction, saying the country is complacent and oblivious to a range of problems. He recently said:

"Strong economic activity that is consumption-driven is also a bit misleading as to how we are really travelling. The current account deficit is a reminder but, in the main, the country seems oblivious to the large structural imbalances.....The country must always remember that, if the business is not processing New Zealand resources like grass or timber, then there are not many compelling reasons to be based here. Building one's plants closer to export markets makes much more sense.....Yet as a country we do all we can to discourage major manufacturing investment here, with the lack of certainty of power, its uncompetitive pricing relative to external options and the success vested interests have in making meaningful new investments very difficult, if not near impossible. These are false luxuries that the country cannot afford."

From a practical point of view relevant government departments are sensitive about "the government is anti-business" sentiment, giving rise to opportunities for you to win assistance for qualifying business initiatives. We're grateful to NZTE for helping CTNZ with 2 projects this year, namely our industrial tour to China including the excellent Metal + Metallurgy 2006 Trade Show in Beijing and getting Lean Manufacturing expert, Ralph Bingham, here under the World Class NZ programme.

CTNZ should consider exploring the industry wide challenge of trying to turn affordable electricity back into a natural advantage for us. Business New Zealand may be able to help us with this project.

For CTNZ it has been a satisfactory year. Our financial performance is solid. Business New Zealand has given us good support and provided value for money. We have a sound organisational structure. We need the help of an Industry

Champion to remain dynamic into the future however. We're on the right path but there is still a long way to go to properly fulfil our stated mission.

Opportunities exist to merge with other organisations like the AFI, HERA or IPENZ. These possibilities should be explored. New Zealand has too many similar organisations, each of them struggling to keep momentum.

Getting effective industry training is still a challenge. At the time of writing this report I know that Competenz are relaunching the training package for Metal Casting. This is, I believe, our last chance for NZ based practical formal training. Will we take it?

Our biggest project this year was hosting this Australasian conference. We hope that you've enjoyed mixing with your peers here and trust that you've gained enough business benefit to justify your attendance. As a civilisation we're judged by how we look after the young and old. CTNZ is proud to sponsor the Cast Metal Industry Achiever of the Year Awards. Congratulations go to our winner, Justin Barnes from Mace Engineering.

We have improved our website. It's an ideal medium for future communication and marketing for us. Let's use it.

One of the pleasures of my work with CTNZ has been the great people I've had the privilege to work beside. I'd like to take this opportunity to thank Board members Ian Close, Warwick Fyfe, Tony Knight and Darryl May for their positive common sense advice and support.

We are also very grateful to Steve Welburn for the professional work he's been doing for us in recent months, in particular on aspects of the conference.

Big thanks go to Linda Boland, Marcia Dunnett and Samantha Seath from Business New Zealand for your professional efforts in managing this conference for us.

We might face a few challenges but we're a resilient bunch staying close to our customers and creating great products. We should be proud of that.

Mike Alston
Chairman