CEMENT CONCRETE & AGGREGATES AUSTRALIA

24 April 2013

Major Project Development Assessment Processes
Productivity Commission
Locked Bag 2
Collins St East
MELBOURNE VIC 8003

Attention: Jonathan Coppel

Dear Mr Coppel

MAJOR PROJECT DEVELOPMENT ASSESSMENT PROCESSES

Cement Concrete & Aggregates Australia is the peak industry body for the heavy construction materials industry in Australia including the cement, pre-mixed concrete and extractive industries.

CCAA members account for approximately 90% of the $7 billion in revenues generated by these industries that, between them, employ 18,000 Australians directly and a further 80,000 indirectly.

CCAA members produce and supply the heavy construction materials that are used to construct Australia's infrastructure and major projects, including our roads, rail, bridges, harbours, airports and engineering construction projects.

CCAA submits the attached comments on the Productivity Commission's issues paper *Major Project Development Assessment Processes* and recommends the following:

1. Heavy construction materials must be recognised as a strategic resource and protected from incompatible land use.
2. Major project approvals must consider supply side issues and ensure that there is sufficient local supply of heavy construction materials, plant, equipment and labour to meet demand.
3. An infrastructure pipeline must be developed to ensure project priorities, diversified funding and coordinated whole of government delivery.

CCAA would like to thank the Productivity Commission for this opportunity to make a submission and we look forward to future consultations.

Yours sincerely

KEN SLATTERY
Chief Executive Officer

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1 PLANNING, DEVELOPMENT ASSESSMENTS AND THE HEAVY CONSTRUCTION MATERIALS INDUSTRY

The heavy construction materials industry produces the pre-mixed concrete, and its constituent parts including rock, sand and cement, which is utilised in all infrastructure projects in Australia. This includes our roads, rail, bridges, harbours, airports and engineering construction projects. In fact, each Australian consumes approximately 7 tonnes of rock, sand and cement per annum.

The nature of heavy construction materials, high bulk/low cost, means they must be sourced close to their market, as transportation is a significant cost factor. Excessive transportation also increases greenhouse gas emissions and wear and tear on our roads.

For example, the average haulage distance for quarry materials is currently 60 kilometres at costs of about $17 per tonne. If the average haulage distance was to increase to 100 kilometres, due to the exhaustion of existing quarries and/or an inability to establish new quarries close to market, the average transport cost would increase to $23 per tonne, an increase of 35 percent.

Increasingly our industry is experiencing pressures within the planning and development approval processes, which is forcing new quarry development to be located at an increasingly greater distance from their market, which negatively impacts on cost and the environment. This is due to the fact that the planning systems are not identifying strategic resources, or protecting them from incompatible land use, such as urban development.

The location of a quarry is determined by geological conditions and the rock, sand, processing site and associated transport routes must be identified and protected from incompatible land use. If local supplies of quarry materials are not identified and protected then supplying heavy construction materials to infrastructure and major projects will not be cost effective or sustainable.

2 SUSTAINABLE SUPPLY TO MAJOR PROJECTS

Generally, most Australian State planning frameworks are inefficient, which hinders the provision of infrastructure and major projects. In fact, the Business Council of Australia recently estimated that there is a backlog of infrastructure projects in Australia valued at $700 billion. This failure to provide our current and future infrastructure requirements risks Australia's capacity to improve our productivity, increase our international competitiveness and to manage our population growth.

One cause of this backlog is the planning instruments used throughout Australia. Planning Approvals tend to be conducted through a myriad of agencies, have lengthy approval processes that result in costly delays, which in turn negatively impacts on investor confidence.

Additionally, planning frameworks do not adequately provide for mechanisms for determining strategic land use and do not consider supply side issues. This lack of consideration regarding the availability of natural resources, plant, equipment and labour hinders our capacity to construct infrastructure and major projects.

For example, in Western Victoria there are currently 2,900 wind turbines being considered for construction. If each of these were to be approved then approximately 600 million tonnes of heavy construction materials will be required to build their concrete foundations and access roads. This is equivalent to 13 times the total annual production of quarry materials in Victoria.

The provision of these wind farms will not be sustainable without due consideration of supply side issues, such as how the raw materials, labour and plant will be supplied. If resources are diverted to progress the construction of the wind farms, it is estimated, by VicRoads, that the existing local supply of high quality aggregates would be depleted in 2 to 3 years. A reduction of supply on this scale will have significant impacts on the Victorian economy and hinder the State's capacity to deliver other vital infrastructure, such as residential housing and roads.

Planning systems in Australia, not only need to assess which major projects should be constructed to improve our productivity and our competitiveness, they must also assess the provision of raw materials, plant and labour that are required to construct the projects. This is achieved by recognising the importance of supply side issues in the construction of infrastructure and major projects.

3 EFFICIENT DEVELOPMENT APPROVALS

Development approval systems need to be designed so they facilitate the provision of locally supplied and affordable heavy construction materials. If they do not do this then we will not be able to sustainably supply Australia's future infrastructure requirements and major projects.

The planning and development approval frameworks must have the following characteristics:

- A well fed, flowing pipeline of medium to large scale infrastructure projects to improve productivity and transport efficiency. To achieve this we need a range of solutions, including:
    - Long term planning with agreed priority projects
    - Diversified funding sources
    - Coordinated, streamlined whole of government delivery.
- A sustainable and affordable supply of heavy construction materials which in turn requires regulatory reform to achieve:
    - Efficient environmental and planning approvals process
    - Appropriate planning protection and management of key resources.
- Investment in innovation in the sourcing and specification of heavy construction materials for infrastructure construction, especially in the area of sustainable aggregates.

Once priority projects and investment streams have been agreed to then strategic local resources can be protected through land use planning. The system then efficiently assesses supply side issues to ensure that major projects can be delivered with the aim of improving Australia's productivity.

4 RECOMMENDATIONS

CCAA supports the aim of the Productivity Commission's project to benchmark planning and development approval processes for major projects in Australia. We would recommend that efficient and effective development approval systems should comprise the following:

1. Heavy construction materials must be recognised as a strategic resource and protected from incompatible land use.

2. Major project approvals must consider supply side issues and ensure that there is sufficient local supply of heavy construction materials, plant, equipment and labour to meet demand.

3. An infrastructure pipeline must be developed to ensure project priorities, diversified funding and coordinated whole of government delivery.