



## **SUBMISSION**

### **Performance Benchmarking of Australian Business Regulation: Planning, Zoning and Development Assessments**

#### **INTRODUCTION**

Cement Concrete and Aggregates Australia made a preliminary submission to the Productivity Commission on 15 July 2010. In this paper we detailed the industry's position on resource security and indicated that a modified Key Resource Area model, based on the Queensland model, provides a framework for best practice within Australia in regards to identifying and securing strategic resources.

This submission will expand on the need for greater resource protection. It will also argue that Australian States need to implement more streamlined planning and development systems that mitigate risk and reduce the time it takes to receive development approval.

#### **CEMENT CONCRETE & AGGREGATES AUSTRALIA**

CCAA 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 \$7.21 billion in revenues generated by these industries that, between them, employ 18,000 Australians directly and a further 80,000 indirectly.

CCAA members operate rock quarries, sand and gravel extraction sites, cement production and distribution facilities and concrete batching plants throughout Australia.

There are approximately 2,200 quarries operating across the country that produce some 130 million tonnes of stone, limestone, gypsum, gravel and sand used to produce building and construction materials, such as cement, concrete, bricks, tiles, pavers and road paving. The revenue generated by these quarries is estimated to be \$1.63 billion per annum.

The industry produces 8.9 million tonnes of cement and 23.9 million m<sup>3</sup> of pre-mixed concrete, with a turnover of approximately \$5.58 billion per annum. Further value is added through the manufacture of concrete products and delivering concrete services.

CCAA'S members are servicing local, regional and national building, construction and infrastructure markets. The reliable and cost-effective supply to these markets is fundamental to sustainable growth and it is CCAA's aim to promote policies and planning frameworks that recognise the importance of these materials to Australia's sustainable future.

## PLANNING FOR FUTURE DEMAND

It is widely recognised that Australia will experience significant population growth in the coming years, with some estimates predicting that the population will grow from 22 million to 35 million by 2050. This means that there will be an increase in demand for vital infrastructure, such as housing, roads, bridges, schools and hospitals. All of which are dependant on the ready availability of aggregates and concrete.

The extractive industry currently produces 130 million tonnes of aggregate per year, which equates to each Australian consuming approximately 6 tonnes of aggregates annually. If current consumption rates are maintained then by 2050 the Australian industry will need to produce some 210 million tonne per year, which is a 60% increase in production.

CCAA does not consider that the different State and local planning authorities are sufficiently aware of the impacts that the growing population will have on our built environment. There is no consistent or holistic planning for the population growth, or recognition of where the vital resources, for the extra infrastructure that will be required to support a larger population, will be sourced.

Planning authorities and local governments rightly recognise the importance of community and environmental concerns in the planning process. However, they do not give enough consideration to the extractive industry. There are a number of examples where quarries are being forced further from market<sup>1</sup>; this has two negative impacts, namely on transportation cost and associated CO<sub>2</sub> emissions.

The high bulk low value nature of aggregates means it is necessary to extract them close to market. Transportation costs are a major component of the final cost of aggregates, and an increase from 60 km, the average haulage distance, to 100 km can increase the cost from \$17 per tonne to \$23 per tonne, which is a 35% increase in the production cost of aggregates. This increases the cost of construction materials for vital infrastructure, including housing, roads, bridges, schools and hospitals.

If the demand for product is to be met without significant increases to cost than it is an imperative for existing quarries to be able to expand operations and for new quarries to be planned so that they are located close to market.

The emphasis on local supply is also important from an environmental perspective, as transportation of aggregates equates to the largest portion of CO<sub>2</sub> emissions generated by the extractive industry. Based on the Australian Government's Fuel Consumption Guide 2002-2003, increasing the haulage distance from the average 60 km to 100 km means that for each 100 million tonnes of aggregates (using trucks each carrying 28 tonnes) a further 350 megalitres of fuel will be consumed and result in the generation of almost one million tonnes of greenhouse gas emissions.

In order to protect vital infrastructure projects from cost increases and to minimise CO<sub>2</sub> emissions it is necessary to plan for quarries to be situated close to market. To do this it is necessary to identify key resource locations, protect these areas from incompatible land use and streamline planning mechanisms.

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<sup>1</sup> Examples are provided in CMPA's 2009 report: *An unsustainable Future: The Prohibitive Cost of Securing Access to Construction Material Resources in Victoria*, Peter Day Consulting, Melbourne.

## BETTER PLANNING

The sustainable growth of Australia's cities and regional centres is dependant on the capacity of the industry to supply aggregates and concrete to local markets. The location of the raw materials is determined and fixed by geological conditions. Unlike other industries, such as building and construction, there is no latitude in where a quarry can be located.

As such, it is necessary to identify the location of suitable sand, gravel and rock for building materials and protect these areas from incompatible land usage. The poor planning of even one development can have a negative impact on the operation of a quarry and sterilise an entire resource site from full development, greatly reducing the capacity of the industry to meet demand.

To avoid this sterilisation it is necessary to identify the location of strategic resources and protect them from incompatible land use. This can be achieved by establishing buffer zones that protect the resource, processing site and transport routes from incompatible land use.

If the resources are not identified and buffer zones not created then the capacity to extract resources close to market will be significantly hampered or lost. If this were to occur then there will be a negative impact on the cost of infrastructure, as aggregates would have to be transported over increasingly long distances, which has a direct bearing on cost and carbon emissions.

In this regard, CCAA is supportive of efforts to identify key resource areas and protect them, and the associated transport routes, from incompatible land use.

To safeguard and implement resource protection it is also necessary to streamline the planning process. CCAA members have indicated that obtaining planning approvals from start to finish can take between 5 and 10 years and represents a significant investment risk.

This timeframe is due to the increasing number of authorities involved in the decision making process. State Government planning authorities, environmental authorities, local governments, Ministerial interventions plus judicial proceedings are increasing the complexity and timeframe for planning approvals and development assessments.

The inefficiency inherent in the planning and development system adds to the risk associated for the development of new and expansion of existing operations. Increased risk, in this regard, has the impact of deterring investment making it harder for operators to raise capital. As such, operators need to increase returns on investment, which has a flow on affect on the cost of the product. A streamlined and efficient planning and development system would decrease the risk associated with producing building materials and help maintain affordability of construction materials.

In this regard, CCAA considers that each State needs to develop a planning policy that recognises the importance of the extractive industry in the development of sustainable cities and regional centres and streamline their planning processes and regulatory framework.

CCAA has identified two models that should be examined by the productivity commission in order to achieve better planning in Australia.

## KEY RESOURCE AREAS

CCAA has analysed the resource protection mechanisms utilised in the different State jurisdictions and considers that the Queensland Key Resource Area system provides the best model within Australia. This model, however, does not provide full resource protection and as such needs to be modified accordingly.

The features of the model that are particularly effective are:

- Identifies an extractive materials area, a processing site and an associated transport route.
- Provides a buffer around the identified areas to prevent encroachment of incompatible land usage.

The identified Key Resource Area provides a framework to local authorities to be utilised in the planning process and when making a development assessments.

However, the model does not address the issue of competing interests, such as agricultural land, coastal protection, vegetation management, fauna conservation and biodiversity. As a result the future development of large parts of Key Resource Areas is constrained by these other interests.

For example, of the 10,209 hectares of Key Resource Areas (production and processing areas) in South East Queensland, approximately 2,425 hectares are now constrained by koala conservation and a further 1,910 hectares constrained by vegetation management legislation.

Additional layers of restriction continue to be added in most cases with little regard for existing land use rights. Further, under the policy there are no mechanisms to add, delete or amend Key Resource Areas. The policy also falls away when its provisions are incorporated into Local Government Planning Schemes.

As such, the Queensland model should be modified so that designated land use is not overridden by other planning mechanisms or incompatible Commonwealth and State legislation.

## STREAMLINED PLANNING REGIMES

CCAA believes that the planning and development systems in Australia need to be streamlined to provide more efficient and effective decision making, which in turn will reduce the amount of risk to investment associated with planning and development within Australia.

It is CCAA position that the recommendations in UEPG's Leoben Report<sup>2</sup> (attached) be examined by the Commission as it presents a model for minimizing the risks associated with multiple planning authorities.

While the Leoben Report is focused on the European experience, it is very similar to the situation in Australia and its findings can easily be adapted to our regulatory environment.

The Leoben Report argues that planning and development processes are more effective when there is a simplified regulatory framework and a central agency, or 'one-stop-shop', whose role it is to lead and coordinate the planning process. This approach minimises the chance of political interference and improves the probability for efficient decision making. This not only reduces the time taken to receive a planning approval, but also increases certainty for investment decisions and reduces risk.

The Report makes a number of other recommendations that are worth further exploration:

- Planning and development systems need clear and appropriate legislative structures, with a clear designation of authorities and competences.
- There needs to be a rationalised planning and development process through one authority, a "one-stop-shop".
- There should be a time-limit on procedures for clarification by all stakeholders of applications, such that the overall process has to be completed within a 3 year timescale.
- The process should take a reasonable and balanced approach to conserving the environment, biodiversity, etc, and equally recognise the need for aggregates, and the regional benefits created through extraction projects.
- Planning authorities should be acutely aware of the potentially sterilising effect of granting permission for even a single dwelling or other building on or close by to a planned or actual quarry.

CCAA believes that the above recommendations are suitable for the Australian context.

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<sup>2</sup> Department of Mineral Resources and Petroleum Engineering, June 2010, *Planning Policies and Permitting Procedures to Ensure the Sustainable Supply of Aggregates in Europe, Final Report*, University of Leoben, Austria.

## RECOMMENDATIONS

As Australia's population grows there will be increasing demand for concrete and aggregates. The sustainable growth of Australia's cities and regional centres is dependant on the capacity of the industry to supply extractive materials to local markets.

The industry's capacity to do this is greatly reduced by resource sterilisation and lengthy planning and development processes that increase investment risk. As such, Australia needs a planning and development system that identifies and protects key resources and limits investment risks through timely and cost effective decision making processes.

In this regard CCAA recommends the following:

- That planning authorities recognise the heavy construction material industry as a key sector in terms of meeting sustainable construction for growing communities.
- That the construction of sustainable cities and regional centres is dependent on ready access to heavy construction materials, as such quarries need to be planned so that they are close to market.
- That statutory protection for future resource sites be adopted, to protect resources and transport routes from encroachment by incompatible land usage.
  - The Queensland Key Resource Area system, if modified appropriately, provides an example of how to protect extractive materials.
- That the planning and development systems be streamlined and regulatory frameworks simplified through the introduction of a lead and coordinating authority.
  - The Leoben Report details a system for streamlining planning and development systems.

The adoption of the above recommendations will provide statutory protection for key resources, plus introduce streamlined planning and simplified regulatory frameworks that will enhance the industry's capacity to meet future demand for heavy construction materials. This will greatly assist in the creation of sustainable cities and regional centres in Australia.

### **KEN SLATTERY**

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**CEMENT CONCRETE & AGGREGATES AUSTRALIA**

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