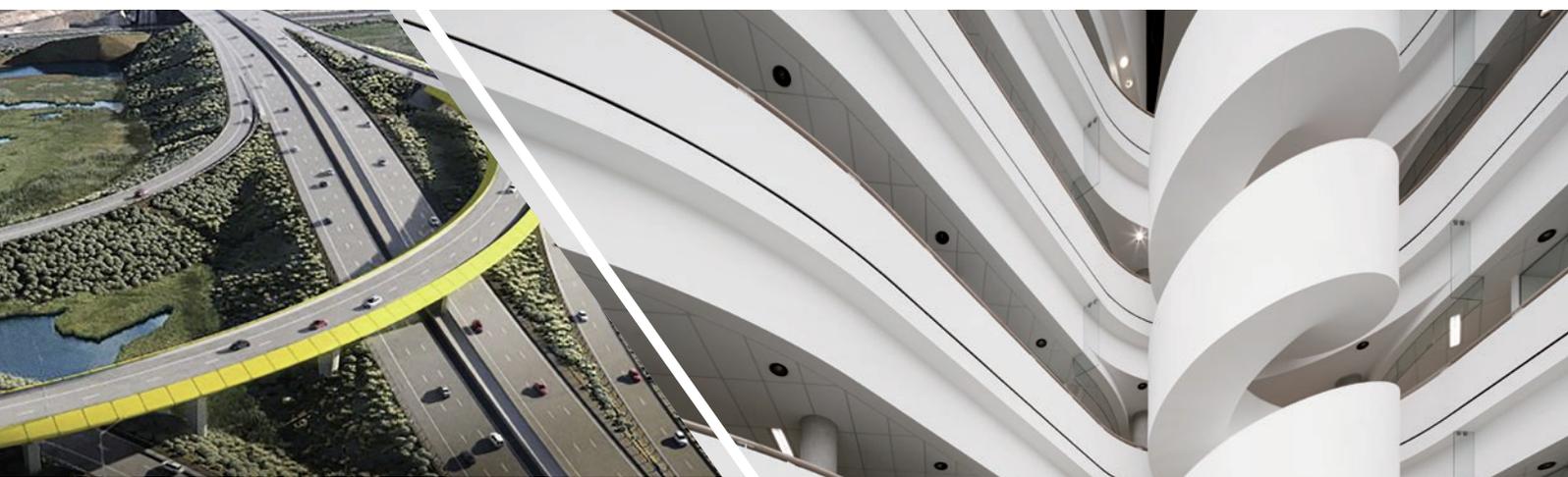




CEMENT CONCRETE  
& AGGREGATES AUSTRALIA

## Building Tomorrow's South Australia

CCA Policy  
Priorities 2018





## INTRODUCTION

The heavy construction materials industry is essential not only to the health and success of South Australia's building and construction sector, but to the State's economy as a whole.

In order to ensure the ongoing efficient and affordable supply of materials like concrete, sand and aggregates, it's vital that the regulatory and policy settings under which the industry operates are underpinned by the following policy priorities:

1. Long term protection of resources from incompatible development.
2. A regulatory system that encourages investment in South Australia by reducing red and green tape.
3. Sensible, proportionate environmental regulation that takes into account the distinct elements of quarrying, and is risk-based.
4. An independent, transparent infrastructure pipeline.
5. A proactive population policy.
6. Guaranteed energy supply at affordable prices.

This policy priorities statement is a blueprint for all political parties. By implementing these reforms, the incoming State Government will ensure the industry has a sustainable future in South Australia, creating more jobs and delivering investment back into the economy. It will also ensure that SA's infrastructure continues to be built with quality, affordable materials, and that taxpayers receive maximum value for money from their investment in this infrastructure.





## KEY INDUSTRY FACTS

The local market for construction materials has rebounded strongly in recent years. Statistics released by the Department of Premier and Cabinet (DPC) highlight that in the first half of 2017 alone, over 9 million tonnes of heavy construction materials were extracted in South Australia. This compares with 13 million tonnes for the full year of 2015, and 15 million tonnes in 2016<sup>1</sup>.

This increase comes on the back of promising local signals in the building and construction sector. We are now seeing increased commercial building activity in the central business district. In the residential sector, SA experienced a 3.8 per cent increase in dwelling commencements<sup>2</sup> in 2016 (making it the second best performing state).

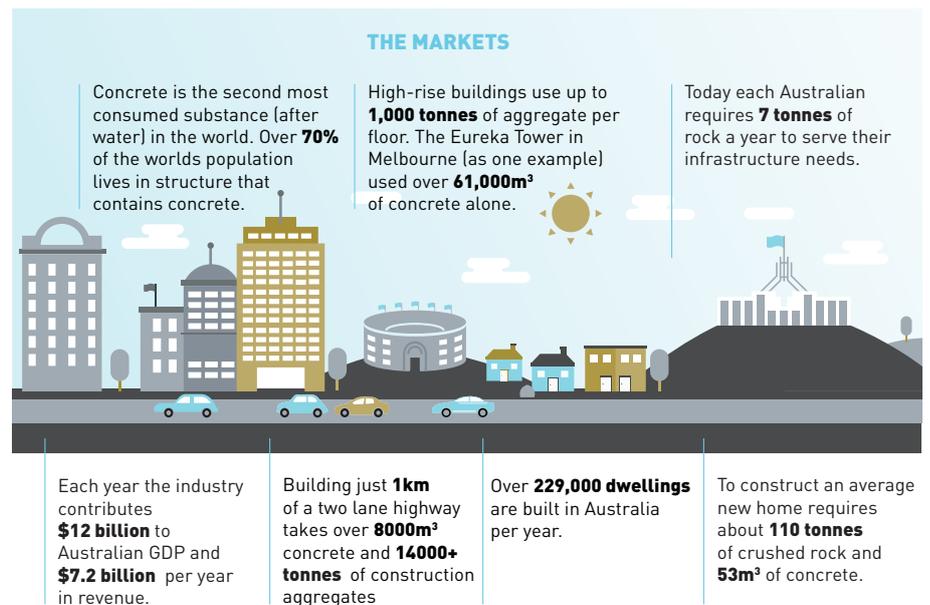
This growth is reinforced by the Housing Industry Association's South Australian Outlook, which highlights an 18.7 per cent increase in building approvals for the September 2017 quarter (over the September 2016 quarter). However, this report also notes that building approvals for detached housing is still "unimpressive" when compared to the 2000s<sup>3</sup>.

Additionally, the Government has committed a record \$12 billion across the forward estimates (2016 – 2020) to some exciting large scale infrastructure projects that will transform the State, particularly in the transport sector. The new O-Bahn tunnel is operational, the tram extension is seeking to enliven Adelaide's east end, and major milestones are being reached on the Torrens to Torrens, Darlington Interchange and Northern Connector projects, bringing the North-South Corridor vision closer to a reality.

With the support of the Government's Industry Advocate, these projects are maximising local content and being delivered through an improved tender process. Notwithstanding, CCAA thinks more can be done to support South Australian businesses, including construction material suppliers.



Be it for homes, hospitals, schools, roads, rail, ports, offices or grandstands, an efficient supply of locally sourced, cost effective heavy construction materials is essential - which is why the implementation of policy settings that protect and enhance this chain of supply is so important.



<sup>1</sup> Resource Production Statistics accessed at: [http://minerals.dpc.sa.gov.au/mining/resource\\_production\\_statistics](http://minerals.dpc.sa.gov.au/mining/resource_production_statistics)

<sup>2</sup> Housing Industry Association building Approvals February 2017 cited at: <https://hia.com.au/-/media/HIA-Website/Files/IndustryBusiness/Economic/discussion-papers/Approvals-region-type-Feb2017.ashx?la=en&hash=46B992E47B5BF07D64268878F77ECAC053142D7B>

<sup>3</sup> HIA State Outlook (SA) Spring Edition 2017 page 14.



## CCAA POLICY PRIORITIES

### 1) Long-term protection of resources from incompatible development

CCAA's highest priority for the incoming Government is the long-term protection of quarries and their reserves. This is important because these materials are finite and geologically constrained. Without protection, they can be encroached on by urban development - to the point that future extraction is limited or impossible.

Once access to these resources is lost to competing land uses, such as residential development, it is lost forever. The immediate result is that materials have to be extracted and transported from further afield, which has all sorts of impacts - increased transportation costs, increased wear and tear on roads, increased heavy vehicle emissions, to name a few.

Without the reliable and cost-effective supply of construction materials, building and infrastructure projects are compromised and the building and construction industry - the fifth largest industry in South Australia - will contract.

CCAA applauds the State Government's Strategic Resource Areas (SRA) policy and the identification of strategically important construction material sites. The focus now needs to move to implementation. It is here that the industry is currently experiencing delays. It is therefore important that the underlying planning tools are created and the full implementation of the SRA policy is expedited through the planning system.

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**Recommendation: CCAA seeks that the full implementation of the SRA policy into the planning system be expedited, including the necessary underlying planning tools.**

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### 2) A regulatory system that encourages investment in South Australia by reducing red and green tape for business

The extractive industry is governed principally by the Mining Act 1971. It sets the high level objectives and regulatory framework for the industry. CCAA was pleased the Weatherill Government sought to review the Act in 2016/17. CCAA made extensive submissions and provided advice and support throughout the process. The resultant Statutes Amendment (Leading Practice in Mining) Bill 2017 is broadly beneficial for the extractive industry, apart from its flawed treatment of Private Mines (PM).



CCAA has sought and gained the agreement of the Government to amend the Bill to protect the way PMs are treated. CCAA will be seeking this agreement to carry through to the next Parliament and will continue to work constructively with the incoming Government to achieve an Act that incentivises investment and fosters growth, while also achieving sensible environmental regulation that can be proportionately and transparently applied by the Regulator.

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**Recommendation: Amend the Bill to protect Private Mines and then conclude debate to ensure a modern Mining Act that achieves the objectives outlined above.**

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Linked to the overhaul of the Mining Act 1971, CCAA has also been working hard with DPC on removing unnecessary red and green tape.

This is principally through reviewing and amending the Ministerial Determinations. The Ministerial Determinations set the framework for the level of information required for a Mining Proposal and a Program of Environmental Protection and Rehabilitation (PEPR).

The PEPR document duplicates much of the information required between the concept stage of the site and the operational approval required to commence operations. It also seeks an unrealistic amount of information, which is difficult for a proponent to obtain and is arguably of limited environmental, economic or social value.

Whilst there is a need to ensure an adequate level of detail is submitted and an appropriate level of oversight of operations, there is also a need to strike a balance to ensure the industry can continue to operate without undue burden.

The heavy construction materials industry takes its obligations to protect and enhance the environment seriously. Our extractive operators understand the importance of operating sustainably and maintaining a social licence.

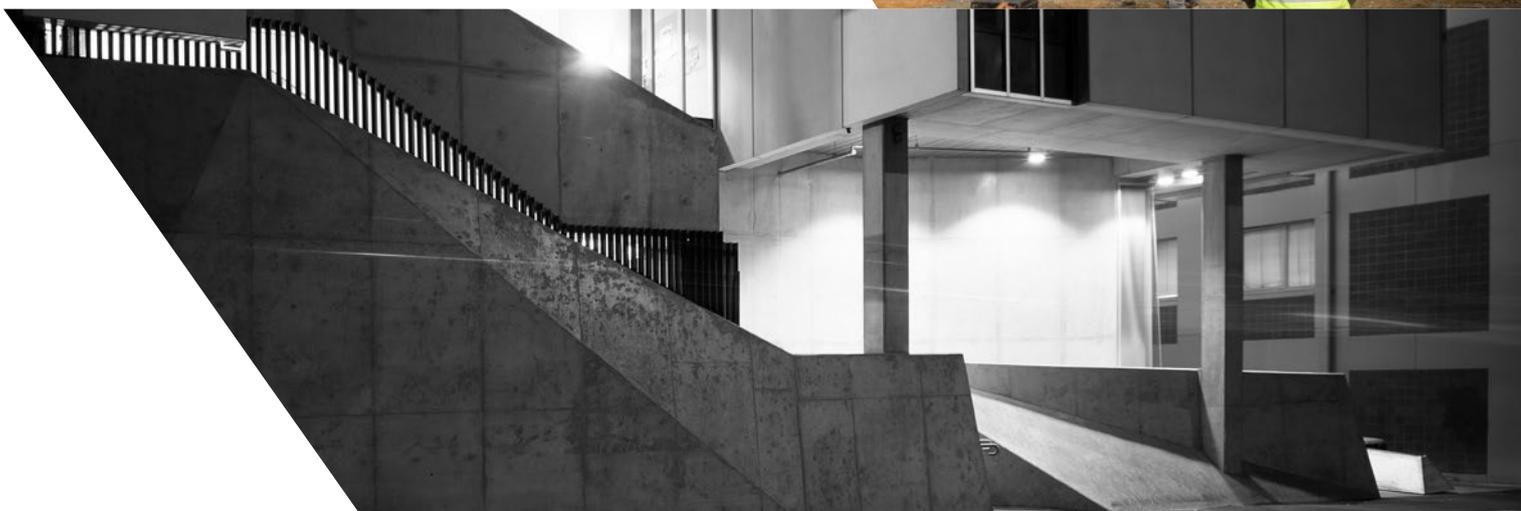
These efforts are monitored continuously and regularly by DPC (being the consent authority) and the Environment Protection Authority (EPA).

DPC has initiated consultation on the Ministerial Determinations to remove red and green tape and reduce the burden for operators. CCAA has submitted a response to these draft Ministerial Determinations but further seeks the amended Determinations to be published and enacted.

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**Recommendation: CCAA seeks red and green tape removed from the amended Ministerial Determinations to be published as soon as practicable in 2018.**

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### 3) Sensible, proportionate environmental regulation that takes into account the distinct elements of quarrying, and is risk-based

Broadly speaking, environmental regulation is soundly handled in South Australia due to the 'one stop shop' approach and the involvement of DPC as the lead regulator. Whilst the EPA will always be an important environmental regulator, the more the two agencies can collaborate and adopt a 'single government entity' approach to working with industry, the better off industry will be. CCAA acknowledges that the EPA and DPC collaborate frequently and whilst it can always improve, it is much better than in other jurisdictions.

One area where South Australia is unique is the way rehabilitation is treated through the Extractive Areas Rehabilitation Fund (EARF). The EARF was established in 1971 to pay for the rehabilitation of extractive sites once extraction was completed. Over time, as community expectations have increased, government policies changed and the industry matured, the reliance on the EARF to rehabilitate sites has ceased and the onus now rightfully sits with industry.

These days, operators are required to progressively rehabilitate each extractive site. This rehabilitation is approved and monitored by the Regulator, and is woven into operations through the Program for Environmental Protection and Rehabilitation (PEPR), which is the primary operational approval by DPC to authorise quarrying.

Having said that, not all extractive sites are the same. The final 'post extraction' land form and land use will be influenced by a number of factors, including the size of the pit, geology, location, economic considerations and local community expectations. CCAA believes the Government is seeking far too much information about the final land form and land use prior to operations even commencing. This is burdensome and locks the operator into a plan that rightfully should evolve over time, given the factors identified above.

Given that the EARF now exists primarily as an insurance for Government and has much less requirement to fund rehabilitation (other than when an operator abruptly ceases extraction) it stands to reason that industry funding of EARF should reduce over time to recognise this policy shift.

Progressive rehabilitation will continue to be approved and monitored by the Regulator. The Regulator has a number of policy tools available to it should an operator not be satisfactorily fulfilling the commitments made in the PEPR. These include additional bonds, requirements for further conditioning of sites, and imposition of more stringent requirements to ensure progressive rehabilitation is being undertaken to protect the environment and minimise the potential risk to the EARF.

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**Recommendation: CCAA is calling for an actuarial assessment of the optimal EARF funding levels and a Government commitment to gradually reduce the EARF contribution rate (without then increasing royalties) so that industry funding of EARF is progressively phased out, once the optimal EARF balance is achieved.**

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#### 4) An independent, transparent infrastructure pipeline

South Australia's infrastructure vision concluded in 2014/15. It is now the only State without either a strategic infrastructure vision or a commitment to ensure one is in place.

Whilst current investment in infrastructure is strong, construction jobs will be at risk without ongoing investment in new projects. Without a clear, articulated infrastructure vision, Industry lacks the certainty to invest. The most recent Macromonitor forecast predicts a 17 per cent contraction in non-residential building activity by 2020<sup>1</sup>. This is a major concern for the construction industry which must be balanced against the need to increase capacity to meet current demand.

This uncertainty could be easily overcome by the Government publishing a clear, transparent, independently assessed infrastructure vision. It is no longer good enough for governments to cherry-pick infrastructure projects and announce them sporadically as 'good news'.

Setting an independent, analysed, transparent infrastructure pipeline will entice investment to South Australia and create jobs and opportunities to expand and innovate in leading technology. It will send a strong signal to the construction industry, encouraging companies to plan and invest according to their strategic direction.

Transparency, in particular, will give the pipeline legitimacy and ensure South Australians get value for money and higher quality infrastructure outcomes.

The vision and plan should detail infrastructure priorities once an independent business case is undertaken for each project. These business cases should, in turn, be published once preferred tenderers are announced. Ideally, the infrastructure vision will detail costs and timing, and will analyse and factor in the availability of inputs such as construction materials, labour and equipment.

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**Recommendation: The South Australian Government should publish an infrastructure pipeline with sufficient detail to provide greater certainty for the building and construction industry.**

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<sup>1</sup> Macromonitor South Australia Forecast, November 2017



## 5) A proactive population policy

South Australia has significant economic challenges linked to its small population. These challenges will only be exacerbated should South Australia not retain and attract younger working age contributors to its demographic. This was identified comprehensively in the 2009 Flinders University study, State of Ageing in South Australia, which identified:

*The structure of the state's population will alter significantly. Within 10 years the elderly dependent population will outnumber the number of children in the state for the first time in history. In particular the 'old-old' (75 years and over) segment will grow faster than the 'young-old' (65-74 years) due to increased longevity. This will have considerable implications for service delivery as the 75 years and older (+) population is by far the heaviest user of health, welfare and specialised housing services for the aged<sup>1</sup>.*

More recently, Deloitte's Make it A Plan Adelaide has set an ambitious goal to increase South Australia's population to two million by 2027. Achieving this goal requires a further 277,000 people to move to South Australia in the next decade.

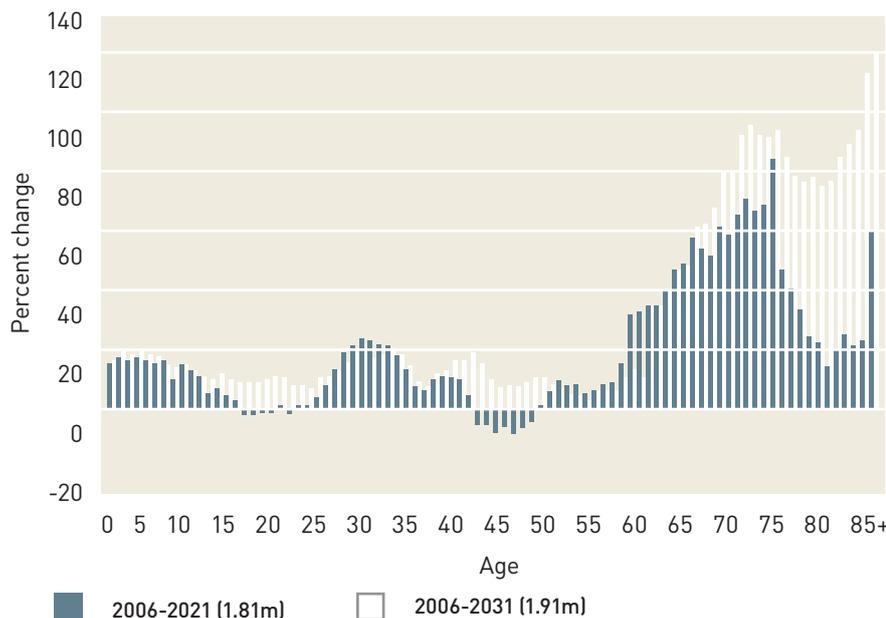
This is a net increase of 131,000 above the baseline forecast, which is the equivalent of the Australian growth rate of 1.4 per cent<sup>2</sup>.

In addition, the Government should encourage deeper connections between the business sector and South Australia's three universities, with the aim of doubling the levels of interstate and international migration (the latter of which is sitting at five per cent, well below South Australia's share of the Australian population<sup>3</sup>).

**Recommendation: The Government needs to invest in a holistic strategy to retain its school leavers and to market Adelaide's liveability, accessibility, affordability and natural beauty to entice interstate and international migrants.**

## South Australia: change by age, 2006-21, 2006-31

Source B, ABS Projections 2006, Serise B, based on Jackson 2004



<sup>1</sup> State of Ageing in South Australia Summary, page 10 cited at: <http://www.flinders.edu.au/sabs/fcas-files/Documents/State%20of%20Ageing%20Summary%20Report.pdf>

<sup>2</sup> Deloitte. Make it a Plan Adelaide- Phase 3 the Answer, page 14.

<sup>3</sup> Ibid, pg 17



## 6) Guaranteed energy supply at affordable prices

All South Australians deserve energy certainty at an affordable price.

South Australia has already experienced the devastating effects of going 'black'. Community safety is put at risk, businesses lose the ability to trade, and the State's reputation is tarnished by the inability to provide a basic service.

In addition to energy certainty, all South Australians should question why, according to the graph to the right<sup>1</sup>, they are paying among the highest electricity prices in the world.

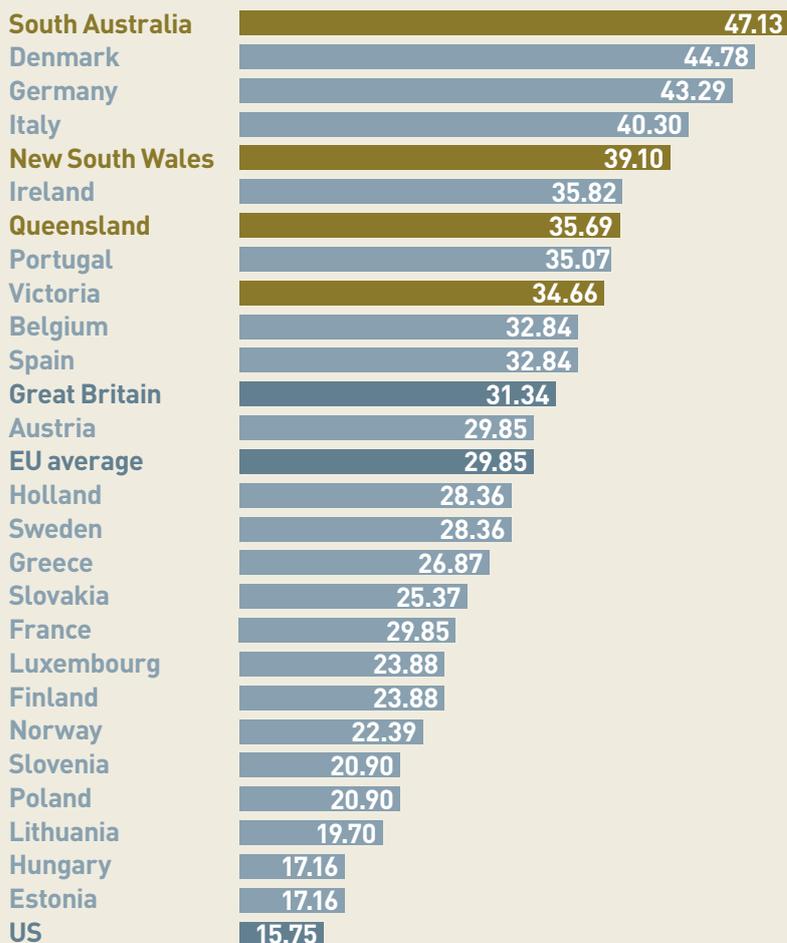
The lack of energy security and affordability has reinvigorated an emotive energy debate. It has also created opportunities for South Australia to become a global technological leader in new battery energy storage systems.

CCAA believes that the National Electricity Market (NEM) should be genuinely subject to national policy settings. In this sense, state-based energy targets are not complementary.

Whilst the energy system is complex, it needs to do two things - ensure guaranteed supply for all South Australian customers, and be affordable. Arguably both of these outcomes have been compromised in the past and long-term plans must be put into place to protect South Australia and its reputation into the future.

**Recommendation: The South Australian Government needs to maximise its supply levers by securing existing generation capacity, enticing new generation, ensuring adequate competition and setting complementary policy settings to ensure supply reliability and affordability.**

**Retail electricity prices of NEM states, including taxes, compared to selected countries (¢ per kWh)**



SOURCE: MARKINTELL, US ENERGY INFORMATION ADMINISTRATION

<sup>1</sup> Markintell US Energy Information Administration cited in Australian households pay highest power prices in world accessed at <http://www.afr.com/news/australian-households-pay-highest-power-prices-in-world-20170804-gxp58a> 4 August 2017

## CONCLUSION

The heavy construction materials industry underpins the fifth largest industry sector in the South Australian economy – building and construction. Beyond that, it provides – quite literally – the foundations on which the State’s economy will grow – our modern and reliable transport infrastructure, our hospitals and schools, our water and energy infrastructure.

These construction materials need to be protected from incompatible development. Our operators need to be supported by a regulatory framework that encourages investment, whilst also having sensible environmental safeguards in place to ensure compliance and sound environmental outcomes. The Government needs to use the policy levers at its disposal to create a macroeconomic situation that leads to strong private sector development.

By enacting the recommendations in this policy blueprint, the incoming State Government will ensure the heavy construction materials industry can continue to supply sustainable and affordable construction materials to build tomorrow’s South Australia.





## ABOUT THE CCAA

Cement Concrete & Aggregates Australia is the peak body representing cement manufacturers, concrete suppliers and the extractive industry.

Our members operate cement manufacturing and distribution facilities, concrete batching plants, hard rock quarries and sand and gravel extraction operations throughout the nation. CCAA membership is made up of the majority of material producers and suppliers, and ranges from large global companies, to SMEs and family operated businesses.

It generates approximately \$7.2 Billion in annual revenues and employs approximately 18,000 Australians directly and a further 80,000 indirectly. The Heavy Construction Materials Industry is vital to the nation's building and construction industries and underpins the development of Australia's physical infrastructure.

We represent our members' interests through advocacy to government and the wider community; assistance to building and construction industry professionals; development of market applications; and a source of technical and reference information.

The role of CCAA is to support the maintenance of the overall industry operation by:

- Building an understanding of industry and its role with stakeholders
- Maintaining existing and develop new markets for members' products
- Advocating for and influencing the application and use of members' products
- Influencing development of codes and standards to support the use of member's products
- Demonstrating the industry's sustainability credentials
- Encouraging collaboration and networking across the industry
- Supplying and sharing information to support the industry



## FOUNDATION MEMBERS



Adelaide Brighton Ltd



Boral Constructions Materials



Boral Cement Limited



Cement Australia Pty Ltd



Hanson Australia Pty Ltd



Holcim (Australia) Pty Ltd

## SOUTH AUSTRALIA

### ORDINARY MEMBERS

- Barossa Quarries Pty Ltd
- Clare Quarry Pty Ltd
- Clay & Minerals Sales Pty Ltd
- Davalan Concrete Pty Ltd
- D K Quarries Pty Ltd
- Flyash Australia Pty Ltd
- Fulton Hogan Industries
- Mantina Quarries
- MSP Group Pty Ltd
- Santos Ready Mixed Concrete Pty Ltd
- Sloans Sands Pty Ltd
- Southern Quarries Pty Ltd
- Stoney Pinch Pty Ltd T/as Stoney Pinch Quarry

### ASSOCIATE MEMBERS

- Concrete Colour Systems
- GCP Applied Technologies
- Sika Australia Pty Ltd
- Xypex Australia (Concrete Waterproofing Manufacturing Pty Ltd T/a Xypex Australia)

See [www.ccaa.com.au](http://www.ccaa.com.au) for a current membership listing.

## CONTACT US

**NATIONAL OFFICE** Level 10, 163-175 O'Riordan St, Mascot NSW 2020  
**POSTAL ADDRESS** PO Box 124, Mascot NSW 1460 **T** (02) 9667 8300 **F** (02) 9693 5234  
**ADELAIDE** **T** (02) 9667 8300 **F** (02) 9693 5234  
**BRISBANE** Level 14, 300 Ann Street, Brisbane QLD 4000 **T** (07) 3227 5200 **F** (07) 3892 5655

**MELBOURNE** Suite 910/1 Queens Rd, Melbourne VIC 3004 **T** (03) 9825 0200 **F** (03) 9825 0222  
**PERTH** 45 Ventnor Ave, West Perth WA 6005 **T** (08) 9389 4452 **F** (08) 9389 4451  
**TASMANIA** PO Box 1441, Lindisfarne TAS 7015 **T** (03) 6491 2529 **F** (03) 9825 0222  
**ONLINE DETAILS** [www.ccaa.com.au](http://www.ccaa.com.au) **E** [info@ccaa.com.au](mailto:info@ccaa.com.au)