



**a strong
foundation for
South Australia's
future**
CCAA Policy Priorities



**CEMENT CONCRETE
& AGGREGATES AUSTRALIA**





Executive Summary

On 15 March 2014, South Australians will elect members to the 53rd Parliament of South Australia.

As the peak national body for the heavy construction materials industry, Cement Concrete & Aggregates Australia (CCAA) is publishing this South Australian policy document **A Strong Foundation for South Australia's Future** in preparation for the state election.

The document is a road map of key issues and challenges facing our industry. It is not a shopping list of every issue currently faced by the industry but are the main issues, which if addressed, will dramatically improve the performance of our industry and in turn will have positive flow-on affects for the South Australian economy.

The issues have been carefully chosen with the intent of eliciting future action – irrespective of who leads the new parliament. It is structured in order to achieve real results rather than setting unrealistic targets.

As an apolitical association, CCAA has a proven track record of representing our members irrespective of the political affiliation of the Government.

We pride ourselves on a mature, common-sense approach to policy issues and as a result have established a trusted, professional and cooperative relationship with our key government stakeholders.

It is hoped this document will prove thought-provoking to major government stakeholders, the Department of Manufacturing, Innovation, Trade, Resources and Energy (DMITRE); the Department for Planning, Transport and

Infrastructure (DPTI) as well as other government stakeholders such as the National Heavy Vehicle Regulator (NHVR), Department of Environment, Water and Natural Resources (DEWNR) and the Environmental Protection Authority (EPA).

It will also be of interest to the local Councils, the Local Government Association, Workcover, SA Water, Austroads, Roads Australia and allied industries in the building, construction, transport, engineering, mining, architectural and design sectors.

The document is set out in four parts:

- **A Strong Economy**
- **Accessible Construction Materials**
- **SA Infrastructure Plan 2035**
- **Red/Green Tape Reform**

It has largely come from consultation with our members, based on their direct experiences and where possible verified by independent and objective analysis.

The commentary is both fair and balanced with credit forthcoming where it is due and criticism following poor results.

We look forward to engaging with interested parties and building **a Strong Foundation for South Australia's Future**.





About Cement Concrete & Aggregates Australia

Cement Concrete & Aggregates Australia (CCAA) is the peak industry body for the \$7 billion-a-year heavy construction materials industry in Australia.

Our members are involved in the extraction and processing of construction materials, the manufacture of cement and the supply of pre-mixed concrete.

CCAA members account for 85% of total industry output, which contributes nearly \$12 billion to Gross Domestic Product, employing 18,000 Australians directly and

supporting the employment of a further 85,000 people.

All CCAA members with operations in South Australia are listed at the end of this document.

Our membership is diverse; from multi-national, publicly listed companies to small family-owned businesses. Irrespective of their size, market share or commercial interests, all of our members have equal weighting in their ability to access CCAA information and services.



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About the industry: South Australia specifics

CCAA members in SA comprise quarry owners extracting construction materials; cement manufacturers and concrete suppliers or a combination of these operations. They include members with just one site and a singular focus, to complex operations involving multiple disciplines across multiple sites. This may include flow-down business interests extending to transport and logistics or the supply of further building materials.

Construction Materials

Construction materials is the collective term given to the quarry products extracted, processed and then supplied to various markets. In its simplest terms, construction materials include hard aggregates (also known as coarse aggregates), which can be sold directly to the market for use as road base or in various landscaping applications.

Coarse aggregates can also be crushed and used in the manufacture of premixed concrete, for which they are an essential element.

In 2012, just over 10.6 million Tonnes of coarse aggregates were extracted from just over 200 sites in South Australia. Most commonly, coarse aggregates include various types of limestones, dolomites, quartzites, sandstones and granites.

In addition to these coarse aggregates, fine aggregates (construction sand) is also extracted and used in the production of premixed concrete and concrete products. In 2012, there was 2.7 million Tonnes of construction sand extracted from approximately 140 sites across the State.

Each of these sites are approved and monitored for compliance by DMITRE in accordance with principally the *Mining Act 1971* and the *Mining Regulations 2011*.

Cement

Cement is the 'glue' which binds the coarse and fine aggregates together to make concrete. It is made by heating construction materials such as limestone and clay in a kiln to make clinker, which is then ground, together with further construction materials such as gypsum, into a fine powder. This powder, when mixed with water starts a chemical process called hydration, which gives concrete its strength.

Of the 9 million tonnes of cement produced in Australia, Adelaide Brighton's Birkenhead and Angaston plants have a significant role to play. All cement in South Australia is produced by CCAA members and is supported from local construction materials, principally from Klein Point on the Yorke Peninsula and Angaston.

Concrete

Concrete is the second most consumed material on the planet. It is the dominant construction material because of its strength, durability, flexibility and cost competitiveness. It also has a good thermal mass, is fire resistant, termite-proof and energy-efficient.

A life without concrete is unimaginable and its importance to the economy is paramount. Concrete is used to build our homes, schools, hospitals, workplaces, footpaths, bridges, ports and grandstands.

In 2012, Australia produced 24.6 million cubic metres of concrete. In South Australia, 1.45 million cubic metres of concrete was produced from 116 licenced concrete batching plants.

Concrete batching plants are licenced and regulated by the EPA in accordance with the *Environment Protection Act 1993*.





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Part One A strong economy

All businesses require a strong economy to succeed. This is especially the case for a small state like South Australia, where businesses often have a similar cost base to interstate or international competitors, but are limited due to a smaller population and local market.

This is a significant issue that local businesses have to overcome, in an ever increasing globalised economy.

CCAA members in South Australia do not export construction materials to overseas markets.

The inability to export underpins the importance of the South Australian economy for CCAA members. Simply put, without a vibrant and active local construction industry, CCAA members find it difficult to thrive.

The most important market for premixed concrete is the housing sector, comprising 40% of the total market (Figure 1). This is closely followed by non-residential construction, which would typically include commercial and industrial buildings and is followed by engineering construction; predominantly made up of roads, bridges, ports and mining applications.

This graph highlights the importance of both the private sector and the public sector in generating wealth for CCAA members.

Government is not only a consumer of construction materials and a stakeholder for key infrastructure projects, it also plays an important role through the overall management of the economy and policy decisions.

The performance of the economy has a direct impact on business, while individual policy decisions will only impact business depending on the specific policy.

The current Government has a declared policy of investing in key infrastructure projects. This investment in infrastructure is above trend level for the past few years and has been welcomed by CCAA members.

However, it is CCAA's observation that the South Australian economy has deteriorated significantly, which requires a series of important decisions to be made. This economic deterioration has and will continue to challenge investors, who are finding it less attractive to invest in South Australia.

State Final Demand figures show the South Australian economy contracted in the September 2012, December 2012 and March 2013 quarters before recording positive growth of 0.6% in June 2013¹.

South Australia has also lost its AAA credit rating, which has been downgraded to AA stable, the worst credit rating of all States.

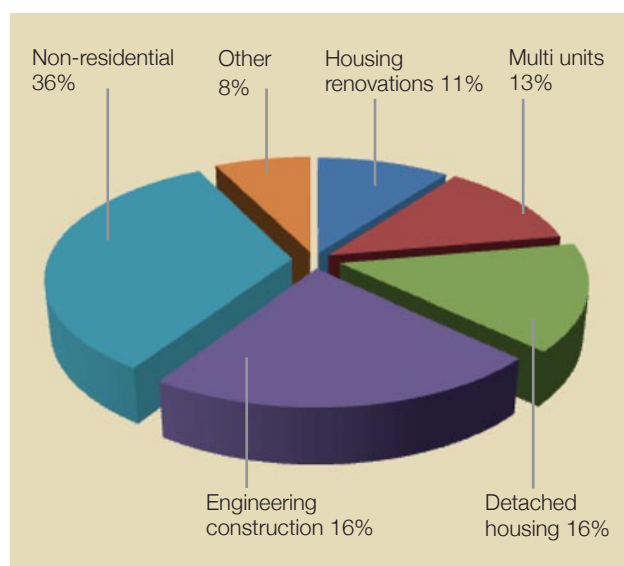


Figure 1 Premixed Concrete use by market segment 2009

It is also a concern that the South Australian Government recorded a net operating Budget Deficit of \$948 million in 2012-13² (more than NSW, Vic and WA combined) and increased State Debt of around \$10 billion between 2010 and the Budget projections of 2015-16.

We also note that the most recent unemployment rate has South Australia at 6.6%, the second highest in the nation behind Tasmania and is above the national average³.

Business confidence was dealt a further blow when BHP took the unexpected decision not to proceed with the Olympic Dam expansion at Roxby Downs. As the fourth largest copper resource and the largest known uranium resource in the world, Government estimates predicted the expansion to add over \$45 billion to South Australia's Gross State Product⁴.

1 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Jun 2013

2 Mid Year Budget Review, Dec 2013, p65

3 6202.0 - Labour Force, Australia, Oct 2013

4 Assessment Report for the Environmental Impact Statement of the Olympic Dam Expansion, p3.



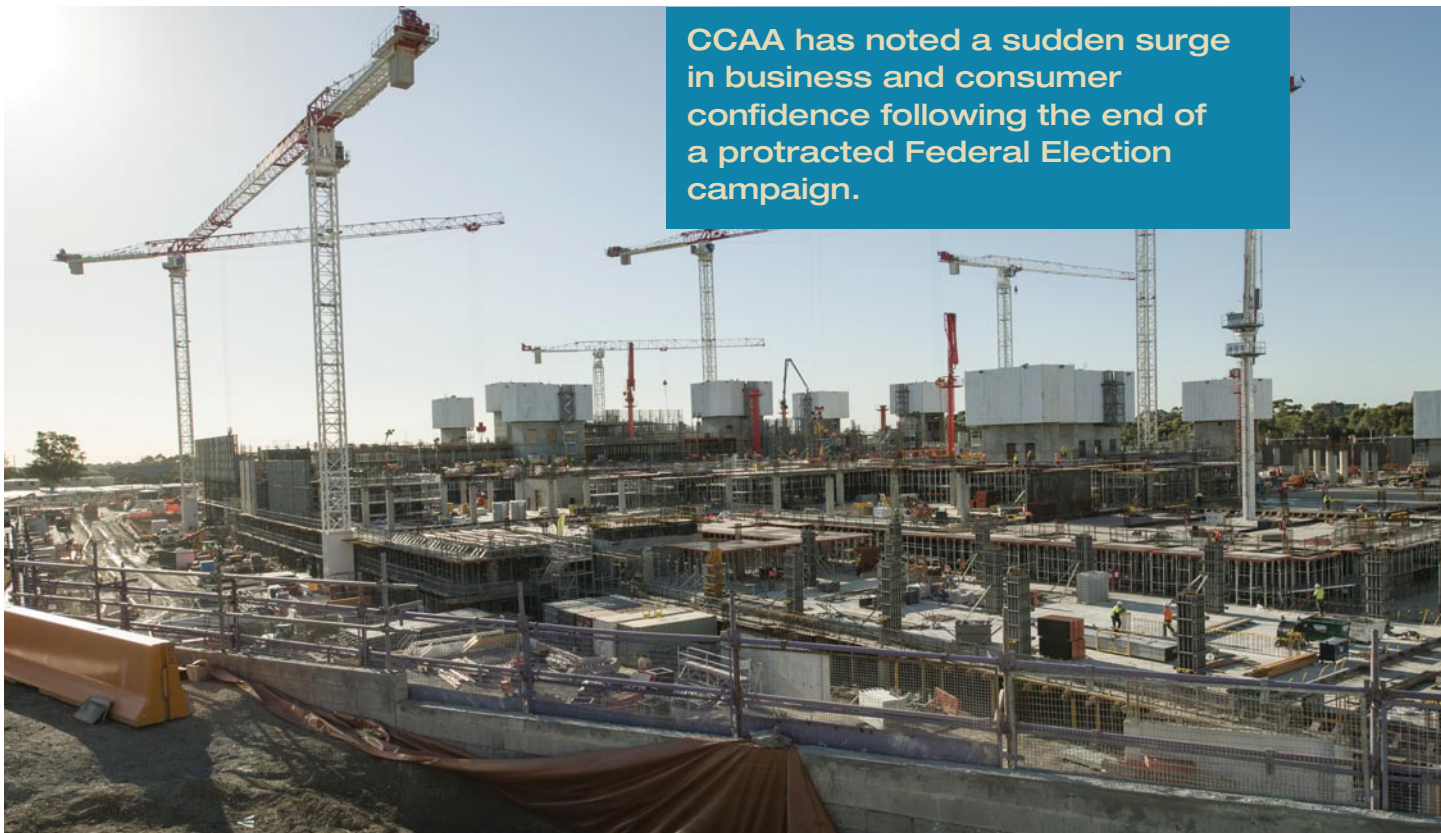
High utility bills are hindering business. As an example, a 2011 analysis of 91 countries, with Australia separated into States, highlighted South Australia as the third highest electricity price in cents per kilowatt-hour⁵.

Additionally, the Institute of Public Affairs has in the past two years ranked South Australia as the highest taxing State for medium sized business⁶.

Like all businesses, CCAA members require robust population growth and to this end CCAA notes the SA Strategic Plan target of 2 million people living in South Australia by 2027 has all but been abandoned. Our population growth rate remained the second lowest behind Tasmania, stagnant at 0.9%⁷.

CCAA members have noted a sudden surge in business and consumer confidence following the end of a protracted Federal Election campaign. It is now at the highest level since December 2010⁸.

CCAA has also been encouraged by recent ABS data indicating positive growth for dwelling approvals and private sector houses⁹, statistics which mirror Housing Industry Association (HIA) Housing Forecasts, which is forecasting 11% growth in 2013, 5% growth in 2014 and 7% growth in 2015¹⁰.



5 Figure 3, Electricity Prices in Australia: An International Comparison, March 2012, pg. 11.

6 Fact Sheets: Business Bearing the Burden 2010 – The Size and Impact of State and Territory Government Business Taxes: The IPA State Business Tax Calculator, Jan 2013

7 3101.0 Australian Demographic Statistics, ABS, December 2012

8 “Consumer Confidence Boost”, Indaily, 11 September 2013

9 8731.0 Building Approvals, Australia, July 2013, ABS, 2 September 2013

10 Housing Forecasts August 2013, HIA Economics Group.



Through various policy initiatives the current Government has been helpful in understanding the plight of CCAA members. There is no doubt that the ongoing infrastructure investment has been beneficial, as has the planning reforms, which removed height restrictions in the Central Business District. This decision has led to the Development Assessment Commission approving 19 developments worth \$690 million since March 2012 with potential to unlock a further \$1.9 billion of investment.

Conclusion

A strong economy will ensure increased demand for goods and services enabling growth in the construction materials industry and will lead to increased tax revenue for Government. Additionally, the South Australian Government needs to reform burdensome regulations and uncompetitive taxes to ensure South Australia remains a competitive place to do business.

Recommendations

- 1 **Conduct a review of State based taxes** and reduce all to below the national average within 10 years.
- 2 **Recommit to the State Strategic Plan population target** of 2 million people by 2027 and implement policies to increase the net overseas migration gain and decrease net interstate migration to achieve the growth rate to meet this aim.
- 3 **Implement the Energy Market Reform – Putting Consumers First** report of the Standing Council on Energy and Resources and monitor its progress in full.
- 4 **Establish a South Australian Productivity Commission** with sufficient scope to begin examining key areas of concern – including taxation, regulation, Workcover and utility prices.





Part Two Accessible construction materials

As previously identified, coarse and fine aggregates are essential in producing premixed concrete.

Each cubic metre of concrete contains about two tonnes of aggregates. To put this into perspective, an average size house requires about 110 tonnes of aggregates and cement in 53m³ of concrete. A typical new two lane asphalt highway needs about 14,000 tonnes or about 400 truckloads of material.

Given the required volumes, the heavy construction materials industry is often referred to as a 'high bulk, low cost' commodity. It is also the reason why certainty and accessibility of current and future resources is absolutely vital to CCAA members, and because of the demand for these materials by all three tiers of government, to the broader South Australian economy.

The importance of protecting current resources and ensuring future reserves are not sterilised was realised in 1999, when Planning SA commissioned a consultant to

prepare the Extractive Industries and Land Use Planning Project. Sadly, the recommendations of this report were never implemented.

Throughout the course of 2013, CCAA re-commenced advocacy on this important issue. This advocacy led to funding being granted from the Plan for Accelerating Exploration (PACE) fund to engage a consultant to begin investigating areas of opportunity in order to protect current resources and future mineral reserves that will provide the industry with greater certainty.

The Resource Area Management and Planning (RAMP) Final Report, was handed to the South Australian Government in September 2013 and reinforces the importance of the heavy construction materials industry to the South Australian economy.

It highlights that continual urban encroachment of existing quarries puts operational pressure on CCAA members and ultimately leads to higher costs and less efficient mining



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practices. The report notes that this urban encroachment is inconsistent with the Mining Act 1971, EPA Guidelines and DMITREs guidelines for best mining practices but has occurred because of an administrative anomaly between the *Mining Act 1971* and the *Development Act 1993*.

Due to the amount of construction material required in development, a small increase in cost of these materials has a significant increase in cost for the end user.

The RAMP report prescribes the strategy and mechanisms available to stop this problem from escalating for existing quarries and sets out strategic planning work, which if implemented, would quarantine important future resources from sterilisation.

The RAMP report also highlights the importance of the freight task in transporting quarry materials to concrete batching plants and then transporting premixed concrete in agitators from the batching plant to the construction site. Previous research conducted by CCAA identifies the cost of transportation to often be a prohibitive cost risk factor with the national average haulage distance for quarry materials being 60km at a cost of \$13 per tonne. It is important to note that if this distance was to increase to 100km from market due to urban encroachment or other factors, the additional 40km increases the average transportation cost by 35% to \$20 per tonne.

Any transport efficiency, whether that be increased weight allowances, improved access, improved protection along key freight routes, greater operational flexibility or red tape

reform (such as site access on local roads or reforming Driver Fatigue regulations for short haul drivers) would be strongly welcomed by CCAA members.

Conclusion

Construction materials are essential to the State because of their use in key construction and infrastructure projects. Greater certainty for existing quarries and better accessibility arrangements for future resources will lead to increase confidence for CCAA members. This increased business confidence, will lead to greater investment in plant and equipment, more efficient mining practices and ultimately higher quality and more affordable construction materials. This has positive impacts for end users: from a client's residential driveway, a Council's proposed footpath, to large scale State/Federal Government projects, such as the new Royal Adelaide Hospital or the duplication of the Southern Expressway.

Moreover, additional improvements along key transport routes to maximise freight efficiency is a key driver of success.

Recommendation

- 1 **Implement the Resource Area Management and Planning Final Report** in full as soon as possible.





Part Three SA infrastructure plan 2035

As previously identified, infrastructure is a key market for CCAA members. During this difficult period many companies have maintained business operations due to the above-trend investment by the current government in infrastructure projects.

Key projects such as the Adelaide Oval redevelopment, South Road Superway, Northern / Southern Expressway, SAHMRI, new Royal Adelaide Hospital, Tonsley Park Precinct, River Torrens Footbridge are all important infrastructure projects, which will serve South Australians well into the future.

However, whilst this past investment has been important, infrastructure development is an ongoing process. To this end, the future infrastructure pipeline is looking bleak with limited projects on the horizon. This is concerning to the entire construction industry, not just to CCAA members.

CCAA is disappointed that the *Strategic Infrastructure Plan for South Australia Discussion Paper 2010* has not led to a revised *Strategic Infrastructure Plan for South Australia* for the period 2014/15 to 2035.

It is concerning that with the end point for the Infrastructure Plan fast approaching; industry has been left with uncertainty regarding future investments. This is contrary to the Government's own objectives, which state:

Infrastructure development is characterised by high costs and long lead times, with responsibilities shared between

all three spheres of government and the private sector. Early and effective planning, prioritisation and coordination of initiatives, based on clear, shared long term strategic directions, is essential to ensure critical infrastructure is delivered where it is needed, when it is needed¹¹.

Part of this process must be a debate on infrastructure funding. This debate is broader than just toll roads but with the current economic climate and with high debt levels, South Australians need to canvass the available options to fund vital and required infrastructure projects in the short, medium and longer term.

This point has repeatedly been identified by Infrastructure Australia. The Infrastructure Finance and Working Group (IFWG) has highlighted that infrastructure development is not only important to national productivity and economic growth but without infrastructure development, significant cost pressures will be placed on the economy. For example, in transportation alone, the avoidable cost of congestion would increase by \$11 billion from 2005 – 2012. IFWG has recently concluded that there is a massive infrastructure deficit in Australia and has identified three key reform areas:

- 1 Infrastructure funding;
- 2 Better Planning, included long term, transparent, strategic plans with robust funding options;
- 3 Efficient markets, in terms of financing options, risk allocation and debt diversification¹³.



11 Strategic Infrastructure Plan for South Australia Discussion Paper 2010, pg. 13

12 IFWG Infrastructure Finance and Funding Reform April 2012, pg. 2

13 Ibid p iv



As the Advertiser editorial put it recently:

In some cases, like the new RAH, a public/private funding model has been used. The problem for South Australia, which had become significantly dependent on public spending, is that its budget position is not yet healthy enough to fund the next round of state building projects. That is where the need for debate begins and the ideology should end. We must come up with innovative solutions to the problem now that the times of plenty are over¹⁴.

CCAA believes not only is improved planning needed but also greater transparency on Government priorities and bi-partisanship in its delivery. Our vision is for infrastructure projects, which ultimately benefit the state, to be based on economic return and social need rather than political gain.

This is only possible if a long term, well-resourced strategic plan is produced that is open and transparent in setting the infrastructure priorities for the State's future.

Conclusion

Infrastructure development is vital to the State's future. Infrastructure priorities need to be based on economic and social need rather than political expediency. An objective, transparent and long-term plan needs to be in place to facilitate timely, well-resourced and funded infrastructure project delivery.

Recommendations

- 1 **Establish an independent state-based Infrastructure body** to provide objective and transparent reports on priorities as well as cost/benefit analysis on all projects, including funding/financing options and potentially assisting with procurement issues.
- 2 **Release a 20 year SA Infrastructure Plan 2035**
- 3 **Commit to publishing all future submissions** to Infrastructure Australia to improve transparency.
- 4 **Commence a Discussion Paper** on financing/funding options with broad stakeholder consultation.
- 5 **Review all SA Government owned assets** with any privatisation being quarantined for new infrastructure development.

Infrastructure priorities need to be based on economic and social need rather than political expediency.



¹⁴ Advertiser Editorial, 19 September 2013.



Part Four Red/Green tape reform

All CCAA members acknowledge the need for prudent regulations but in the past decade there has been significant regulatory overreach which is now hampering business, stifling investment and adding significant costs. This culture needs to end.

Below are five recommendations in the extractive industry, which would benefit from an overhaul.

Simplifying Approvals Process

In 2011, the *Mining Act* went through substantial review. As part of the changes, a new system for operational approval was established. CCAA members were advised that the new Program for Environmental Protection (PEPR) would substantially reduce red and green tape.

However, experience has proved otherwise, with the information requirements now being asked of CCAA members being far more complicated than any previous iteration. The PEPR is a substantial document running into hundreds of pages and unlike previous versions, which were mostly completed in-house, PEPRs are almost all now completed by external consultants, which is a burdensome cost to industry.

CCAA has welcomed DMITRE's commitment to a template PEPR but note this was promised in 2011 and a first draft is yet to be sighted by the broader industry.

CCAA members are also reporting an extended processing time for PEPRs, running into years rather than months. As a PEPR is required before operations commence, this delay is simply unacceptable.

CCAA members also report significant duplication in the PEPR, of information, which is already on file about the particular site, as part of the operator's mining documentation (Extractive Minerals Lease, Private Mine, or Miscellaneous Purpose Lease). This is concerning, when the documents are lodged consecutively for new mines.

Recommendations

- 1 **Allow operations to commence following the successful review by DMITRE** of the key operational matters of dust, noise, vibration, progressive rehabilitation and allowing for the balance of information to be submitted at a designated point in time, suggested to be 12 months.
- 2 **Consider a Private Certification model** for PEPR approvals, which would reduce the burden on DMITRE and speed up the approvals process.

- 3 **Remove the duplicated sections of a PEPR**, which DMITRE already has on file from the Mining Proposal documentation which precedes it.

Lengthening Lease Period

The most common leases for the extractive industry are an Extractive Minerals Lease (EML) and Private Mine (PM). Each lease is required to have a valid MOP/PEPR, which is reviewed every 7 years.

CCAA is comfortable with the principle of having PEPRs reviewed more frequently to monitor progress as the mine life increases but notes this would have a PEPR and EML renewals being lodged in the same year at 21 years. This is not achievable or feasible and will add significant burden to both the operator and DMITRE.

It is clear that notwithstanding these formal approvals, DMITRE still has a rolling program of site visitation and regular compliance monitoring, which is supported by CCAA.

Recommendations

- 1 **Extend the PEPR timeframe** from 7 to 10 years.





Annual Lease Double Handling

CCAA members are required to pay an annual rental of \$44.75 per hectare¹⁵ according to section 40 of the *Mining Act*. If the lease is on freehold land owned by the operator, then the landowner is entitled to a 95% refund, with the Crown retaining 5%.

As a red tape reduction initiative, in these instances DMITRE only seeks the initial 5% rather than collecting and then refunding. This is a sound principle and should be applauded; however this measure is only available when the owner and operator have exactly the same name.

With the increase of commercial entities within a group of companies, it is increasingly unlikely that this principle will be met, albeit that the entities are practically the same entity, with the same board members and senior management.

Recommendations

- 1 Consideration is given to provide an operator in this scenario the ability to submit a signed declaration that would permit this **red tape reduction initiative** to be given full effect.

All CCAA members acknowledge the need for prudent regulations but in the past decade there has been significant regulatory overreach



¹⁵ Fees as of 1 December 2012



Conclusion

CCAA believes these simple, common-sense and practical changes will lead to improved outcomes without diminishing safety, operational or environmental practices.

We cannot stress enough the importance of having performance-based regulations, focused on outcomes.

It is now up to the major political parties to consider this document and respond as required but CCAA endorses this document and is excited about building a **Strong Foundation for South Australia's Future.**



CCAA cannot stress enough the importance of having performance-based regulations, focused on outcomes.

Cement Concrete & Aggregates Australia

FOUNDATION MEMBERS



Adelaide Brighton Ltd



Boral Construction Materials



Boral Cement Limited



Cement Australia Pty Ltd



Hanson Australia Pty Ltd



Holcim (Australia) Pty Ltd

ORDINARY MEMBERS

Barossa Quarries Pty Ltd

Clare Quarry Pty Ltd

Clay Mineral Sales Pty Ltd

Davalan Concrete Pty Ltd

D K Quarries Pty Ltd

Fulton Hogan Construction Pty Ltd

Mantina Quarries

MSP Group Pty Ltd

Premix Concrete SA

Rocla Pty Ltd

Santos Ready Mixed Concrete Pty Ltd

Sloans Sands Pty Ltd

Southern Quarries Pty Ltd

ASSOCIATE MEMBERS

BASF Construction Chemicals Australia Pty Ltd

Concrete Colour Systems

Concrete Waterproofing Manufacturing Pty Ltd
T/a Xypex Australia

Grace Construction Products

Sika Australia Pty Ltd

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December 2013

