



28 March 2013

Professor Roz Hansen
Chair
Ministerial Advisory Committee
Metropolitan Planning Strategy

Via DPCD Online Submission Form

SUBJECT: METROPOLITAN PLANNING STRATEGY FOR MELBOURNE DISCUSSION PAPER

Cement Concrete & Aggregates Australia (CCA) welcomes the opportunity to provide a submission to the Ministerial Advisory Committee on the Discussion Paper for the Metropolitan Planning Strategy for Melbourne.

Introduction

CCA is the peak industry body for the heavy construction materials industry in Australia including the cement, pre-mixed concrete and extractive industries. For your information, a list of CCA Victoria's members is provided in Appendix 1.

CCA 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.

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

There are approximately 640 operating quarries across Victoria that produced some 52.2 million tonnes of stone, limestone, gypsum, sand and gravel in 2010/11 which was used to produce building and construction materials such as cement, bricks, concrete, tiles, pavers and road paving. The value of production from these quarries is estimated to be \$760.2 million.

The Victorian premixed concrete industry produced 6.2 million m³ of premixed concrete in 2011/12 worth around \$1.3 billion. This is enough to build around 100,000 new homes, 100 Eureka Towers or 44 Bolte Bridges. Further value is added through the manufacture of concrete products and delivering concrete services.

CCA's members service 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 CCA's aim to promote policies and planning frameworks that recognise the importance of these materials to Australia's sustainable future.

CCA welcomes efforts to simplify the planning process that provides increased certainty to proponents and the community and results in better outcomes for all stakeholders.

CCA believes that there are a number of important characteristics that make our industry unique and demand inclusion within strategic land use planning. These are outlined in Appendix 2.



It is expected that there will be significant change in Melbourne over the next 40 years, driven largely by population growth. CCAA urges the Government to develop a planning strategy that will maintain and enhance Melbourne's liveability and productivity. It is recognised that the development of the strategy is an important first step in achieving this aim. The Government must provide and facilitate the financial and human resources required to deliver real outcomes and real infrastructure projects that will turn this Metropolitan Planning Strategy for Melbourne from a dream into reality.

Land use and Infrastructure planning

CCAA **supports** coordination of land use planning and infrastructure and transport planning that will facilitate the development of agreed priority projects.

Previously, urban areas have often expanded beyond the capacity of government to provide essential transport and community infrastructure and services in a timely manner, limiting productivity. The Strategy should provide for a well fed pipeline of medium to large infrastructure projects progressively rolled out to meet demand from a growing Melbourne.

Funding projects

CCAA **supports** the development of innovative funding solutions to enable the next generation of infrastructure projects to be built now.

With Commonwealth and State Government's keen to limit borrowings and maintain credit ratings, adequate funding and finance for infrastructure projects is one of the key barriers that need to be resolved now. CCAA welcomes recent efforts by the Government in this area, but agreement of stakeholders and action is required immediately.

Development mix

CCAA **supports** the proposed mix of higher density urban development together with the growth of new developments around Melbourne's fringe. These areas should support a mix of housing styles and be supported by infrastructure developments delivered in a timely manner.

Well fed pipeline of projects

A growing Melbourne needs a well fed pipeline of medium to large scale infrastructure projects to maintain liveability, and improve productivity and transport efficiency. This will need a coordinated whole of government delivery process and cover a range of 'community shaping' and 'city shaping' projects, covering public and private transport solutions as well as social infrastructure.

Cost effective supply chain

Affordable infrastructure requires a sustainable and affordable supply of heavy construction materials, such as sand, stone, cement and concrete. However, there are hurdles to productivity within this sector.

Across Melbourne, the demand for heavy construction materials is expected to grow in line with the increasing demand for new housing, the need to build new roads and maintain the existing network, and the facilitation of new infrastructure and construction projects.

Unfortunately, the Victorian sector is facing a number of hurdles which will limit the heavy construction materials industry's capacity to meet this demand in a cost effective and timely manner.

The sector has a heavy regulatory burden. Approvals processes are conducted through a myriad of agencies, lengthy approval processes and costly delays. In addition, lack of appropriate land use planning and rising transport costs due to the increasing distance between the quarry and the market are limiting the ability of the sector to maintain its productivity levels.

In particular, there are a number of issues currently impacting upon the industry's ability to operate effectively and efficiently. These include:

- There has been insufficient regard for quarries as an important land use within planning frameworks, increasing the distance to market, and therefore the costs, for heavy construction materials as quarries in the Greater Melbourne area come to the end of their operational lives;
- The lack of a long term land use planning model has seen the approval of land uses which are incompatible with quarrying activities, such as urban development, being approved in areas where quarrying could occur, sterilising potentially valuable resources;
- The need for a long term land use planning model that incorporates and balances the requirements for both future quarrying activities and urban development;
- A costly, time consuming and complex approvals process for new quarry proposals and proposals to vary existing quarries; and
- The absence of an effective lead agency for managing new quarry proposals and proposals to vary existing quarries.

If activity in the heavy construction materials industry was just 10 per cent higher, it would lead to an overall boost to the Victorian economy of \$175 million in value added terms and approximately 1,476 jobs.

What does this mean for Melbourne?

An inefficient extractives industry has clear implications for the wider Melbourne economy, primarily:

- Rising infrastructure costs
- Rising housing costs, and
- An unattractive investment climate.

Higher operator costs – be it via increased transport costs, expensive approvals processes or unwieldy fee structures – are passed on to the consumer. In turn, this results in rising costs of local infrastructure and decreased housing affordability.

The delivery of critical infrastructure will be further constrained by the diminishing supply of suitable resources – the consequence of an ineffective sustainable resource plan.

The structure of the Victorian extractives industry has changed in recent years from an industry consisting of purely domestic companies, tied historically to the Victorian market, to one where there is increasing globalisation of major companies. There is also greater competition for capital to develop projects within these organisations, similar to global mining companies.

The existing approvals process has created much uncertainty around the costs of doing business in Victoria. Potential investors have viewed the development application process as carrying a high degree of uncertainty and risk, and ultimately capital has been redirected interstate or overseas. As a result, no new projects are being added to the quarry development pipeline, forcing market consolidation and depletion of existing scarce resources.

The existing legislative and regulatory framework not only stifles innovation and threatens investment; it risks the capacity for Victoria to remain self-sufficient in its supply of heavy construction materials.

It is estimated that rising construction material costs will increase road construction costs in Victoria by approximately \$150 million per year (CCAA/VicRoads analysis).

The real impact of regulatory red tape

While the need for a robust regulatory framework in our sector is readily acknowledged, we consider the current planning and development systems in Victoria to be unduly onerous and time consuming.

Approval for a new extractive operation, or extension of an existing one, will generally require consent from a range of referral authorities operating under multiple pieces of legislation.

The average approval process will be reviewed by up to 9 government agencies administering at least 10 sets of legislation.

The table below demonstrates the current time and cost hurdles faced by the extractives industry in Victoria.

Type of approval	Cost to gain approval	Time to gain approval
Planning Permit	\$10,000 to \$1.25 million	Average 2 years with no appeal to VCAT Average 4 years with appeal to VCAT
Environment Effects Statement	\$1.9 million to \$5.1 million	Average of 6 years

It is important to note that the costs to gain approvals to develop a reasonable sized quarry have increased 300 per cent over the last 17 years (accounting for inflation) due to additional red tape.

CCAA **recommends** there is considerable scope to streamline the process of development approvals, thereby reducing the associated time and cost burdens. In recent analysis by KPMG, they conclude that reform of the development approvals process could generate time savings of 25 per cent relative to current time requirements.

The importance of strategic land use planning for heavy construction materials

Access to local construction material resources is a fundamental issue for the industry and for Melbourne's continued economic prosperity.

The distance between quarries and market is an issue for the extractive industries sector due to the associated cost implications. The average haulage distance from quarry to market is currently 30 kilometres and costs \$8 per tonne – if the average haulage distance were to increase to 70 kilometres, due to the exhaustion of existing quarries and/or an inability to establish new quarries close to end markets, the average transport cost would increase to \$13 per tonne, an increase of 62 per cent. Increased operator costs would be passed on to the consumer, further eroding housing affordability and increasing infrastructure costs.

Up until now, the Melbourne industry has enjoyed a distinct advantage over our Sydney counterparts due to the positioning of our quarries and subsequent lowered transport distances. In fact, **the delivered cost of material is 70 per cent greater in Sydney than in Melbourne**, attributable solely to their greater travel costs.

In order to protect vital infrastructure projects from cost increases and maintain Melbourne's competitive advantage, it is necessary to plan for future quarries to be situated close to market. To do this, CCAA **recommends** that it is imperative to **identify key resources locations, protect these areas from incompatible land use and streamline planning mechanisms.**

The Victorian industry is currently self-sufficient in heavy construction materials, largely consuming all that is locally produced. This provides a significant economic benefit to the Victorian economy which would be severely impacted if local supply were to be replaced with imported products and their associated increased transport costs.

Increasing demand from an increasing population, continued housing developments and future infrastructure development is best met from local supply. This supply risks being limited by excessive red tape acting as a barrier to the development of new quarry operations. Current forecasts indicate **demand for sand in Melbourne will exceed supply in 2019 and for hard rock in 2027¹**.

Implementation of CCAA's recommendations of strategic land use planning for heavy construction materials, especially in the peri urban areas around Melbourne will provide the industry with the ability to work with the Government and its Departments in mapping out the areas of prospectivity, identify key resource areas, provide appropriate planning protection and thereby guaranteeing a level of security around future development. This should limit future land use conflicts and allow the identification of high quality sand and stone resources to be considered strategically. Just as agricultural and environmental values are assessed during the strategic land use planning process, so should earth resource values.

Other states such as Queensland are leading the way when it comes to appropriate planning protection of construction material resources with their Key Resource Area Policy and Victoria runs the risk of becoming uncompetitive when it comes to affordability of infrastructure. This will see organisations make investment decisions which take their business to these more competitive states rather than invest in Victoria.

In conclusion, Melbourne needs a Metropolitan Planning Strategy that will deliver:

1. **a well fed, flowing pipeline** of infrastructure projects to improve productivity and transport efficiency. To achieve this we need a range of solutions, including:
 - Long term planning of priority projects,
 - Diversified funding sources,
 - Coordinated, streamlined whole of government delivery.
2. **a sustainable and affordable supply of heavy construction materials** which in turn requires regulatory reform to achieve:
 - Efficient environmental and planning approvals process, and
 - Appropriate planning protection and management of key resources.

Government will be measured not just by the development of this strategy but by the efficient and effective implementation of it.

The Victorian planning and regulatory environment needs to be internationally competitive to continue to attract capital to ensure a sustainable and competitive heavy construction materials industry. This in turn facilitates Victoria's improved productivity, housing affordability and lower infrastructure costs.

CCAA looks forward to working with Government to achieve these key objectives.

Please do not hesitate to contact me to discuss any of these issues in more detail.

Yours sincerely



Brian Hauser
State Director Vic/Tas

¹ The Impact of the Native Vegetation Framework on Extractive Resources in the Melbourne Supply Area, Environmental Resources Management Australia Report for CCAA, June 2009

APPENDIX 1

CEMENT CONCRETE & AGGREGATES AUSTRALIA

MEMBERSHIP

FOUNDATION MEMBERS

 <i>Adelaide Brighton Ltd</i>	 Boral Construction Materials	 Boral Cement Limited
 Cement Australia Pty Ltd	 Hanson Australia Pty Ltd	 Holcim (Australia) Pty Ltd

VICTORIA

ORDINARY MEMBERS

<p>Aidan J Graham Pty Ltd Alsafe Pre-Mix Concrete Pty Ltd Axedale Sands & Gravel Barossa Quarries Pty Ltd Barro Group</p>	<p>Broadway & Frame Premix Concrete Pty Ltd Fulton Hogan Construction Pty Ltd Hillview Quarries Pty Ltd Hymix Australia Pty Ltd</p>	<p>Independent Cement & Lime Pty Ltd Mentone Pre-Mix Premier Resources T/A Hy-Tec Industries Pty Ltd Rocla Pty Ltd</p>
---	--	---

ASSOCIATE MEMBERS

<p>Agi-Kleen Pty Ltd BASF Construction Chemicals Australia Pty Ltd Concrete Colour Systems</p>	<p>Concrete Waterproofing Manufacturing Pty Ltd T/a Xypex Australia Grace Construction Products</p>	<p>Sika Australia Pty Ltd WAM Australia</p>
--	--	--

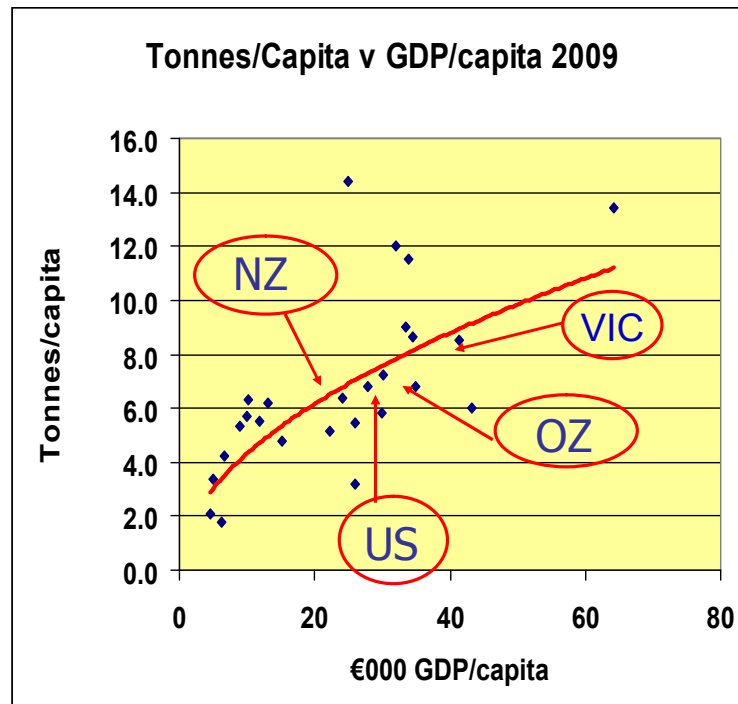
APPENDIX 2

UNDERSTANDING THE HEAVY CONSTRUCTION MATERIALS INDUSTRY

CCAA believes that there are a number of important characteristics that make our industry unique and demand attention from Government. These are:

- Heavy construction materials underpin the massive building and construction industry. Ninety per cent of all extractive products are used in building and construction. Without concrete and its constituent parts (sand, aggregate and cement) the construction and building industries would not function. Extractive industries are the principal suppliers of materials to public and private infrastructure projects.
- As is demonstrated by Figure 1, demand for sand and stone continues to grow as the economy grows.

Figure 1 – Demand for aggregate is linked to the economic growth of a nation



Note: Blue diamonds represent European nations²

- Extractive resources are finite, site specific and limited in occurrence by geological conditions.
- Extractive resources are high volume low cost materials. Extractive industry operations must be located close to the communities that use them if they are to be economically viable and not impose too great an environmental and social cost. In addition, the extractive industries involve minimal value added processing of raw materials.

² Seminar to CCAA by Jim O'Brien, President, European Aggregates Association, Melbourne, 14 July 2011

- Victoria is currently self sufficient in extractive resources, with all material produced in Victoria, used in Victoria, delivering significant economic benefit to the State.
- The Extractive Industry strives to operate in a sustainable manner. The industry carries out progressive vegetation clearing in line with sequenced extraction. It does not generally conduct broad scale clearing. Progressive rehabilitation is undertaken where operationally feasible. However, with hard rock sites particularly, there is often a substantial period of time before some active areas are available for rehabilitation.
- Extractive Industries use significant quantities of recycled stormwater for onsite management and operational requirements which minimises stormwater discharge from sites. Quarry developments typically involve the establishment of large stormwater detention and quality improvement devices such as sumps, water storage facilities, and natural wetlands (bio-retention basins).

What are Australia's heavy construction materials worth to me?

- Each Victorian person requires 8-9 tonnes of rock, sand and cement each year to support the building of roads, houses and other infrastructure to service their needs.
- An average new house constructed needs about 110 tonnes of crushed rock, sand and cement in 53 m³ of concrete.
- Each kilometre of a typical new 2 lane asphalt highway needs about 14,000 tonnes of crushed rock, or about 400 truck loads of material.

There's plenty of room for everyone...

The extractive industry has a very small foot print within Victoria, currently occupying some 53,500 hectares, or just 0.24 per cent of the State.

Did you know?

It is estimated that rising construction material costs will increase road construction costs by approximately \$150 million per year (CCAA/VicRoads analysis).

If activity in the heavy construction materials industry was just 10 per cent higher, it would lead to an overall boost to the Victorian economy of \$175 million in value added terms and approximately 1,476 jobs.