



# A strong foundation for Victoria's infrastructure

CCAA Policy Priorities



**CEMENT CONCRETE  
& AGGREGATES AUSTRALIA**



## A message to our State political leaders

### Infrastructure will be a top-of-mind issue in the 2014 Victorian State election.

All parties have made substantial commitments to road and rail infrastructure solutions that will address problems like urban congestion, and improve productivity and economic performance across the State.

Yet regardless of whichever party is elected this November, the timely, cost-effective delivery of the State's next wave of infrastructure projects is by no means guaranteed.

In Australia, heavy construction materials (cement, aggregates and concrete) are typically the single biggest cost component in the infrastructure delivery chain, having a larger impact on cost than labour and equipment.

Here in Victoria, the cost effective supply of these vital materials is under threat by urban encroachment on

key resource areas, coupled with excessive red tape that strangles many projects at the development stage.

In the May 2013 Budget, the Victorian Government set aside \$19 million to implement key reforms identified in the 2012 Parliamentary Economic Development and Infrastructure Committee (EDIC) inquiry into greenfields mineral exploration and project development in Victoria.

**The heavy construction materials industry wants a commitment from all parties to expedite the passage of these reforms.**

At stake is the cost effective delivery of billions of dollars of critical economic and social infrastructure, and with it jobs.

#### Brian Hauser

State Director Vic/Tas  
Cement Concrete & Aggregates Australia

## The importance of infrastructure to Victoria's future

### New infrastructure will be critical to Victoria's growth and economic stability in the decades ahead.

It will unlock productivity improvements across the supply chain, and it will help create and sustains jobs at a time when the State's traditional manufacturing industries are shedding employees.

It will also be timely, especially in the transport sector. Recent research has revealed that Victoria's spending on transport infrastructure, as a percentage of total infrastructure spending, fell by 25 per cent over the period from the 70's and 80's to 2013.<sup>1</sup>

CCAA welcomes the priority all parties are giving to infrastructure delivery, particularly transport infrastructure, in the lead up to the 2014 election.

**While individual project and modal priorities may differ from party to party, there is a universal recognition that we need to spend more on transport infrastructure.**

**\$845m**

IN VICTORIA, THE HEAVY CONSTRUCTION MATERIALS INDUSTRY CONTRIBUTES \$845M IN 'VALUE ADD'



## The concrete facts: Why we can't live without it

**Without materials like concrete, sand and aggregates, we wouldn't have the roads, bridges, footpaths, schools, hospitals, workplaces and homes we otherwise take for granted.**

- It takes the equivalent of eight to nine tonnes of rock, sand and cement per Victorian per year to support the building of roads and other infrastructure.
- It takes about 110 tonnes of crushed rock, sand and cement - the basic ingredients of concrete - to construct the average home.
- Each kilometre of a typical new two-lane asphalt highway requires about 14,000 tonnes of crushed rock (about 400 truck loads).
- In Victoria, the heavy construction materials industry contributes \$845m in 'value add' to the Victorian economy, and a \$337 million wages bill spread across some 6,700 jobs.<sup>2</sup>
- Every one million dollars in heavy construction materials value-added contributes to a total of two million dollars in Victorian value-added, and a total of 17 jobs for the State.



THE HEAVY CONSTRUCTION MATERIALS INDUSTRY CONTRIBUTES 6,700 JOBS



CRUSHED ROCK, SAND AND CEMENT TO CONSTRUCT THE AVERAGE HOME



1 KM OF A TWO-LANE ASPHALT HIGHWAY REQUIRES 14,000 TONNES OF CRUSHED ROCK (ABOUT 400 TRUCK LOADS)

1. *The Age, Transport investment 'an opportunity' for Victoria*, March 13, 2014.

2. *The economic contribution of the Heavy Construction Materials industry in Victoria*, KPMG, Sept 2012.

## The challenge to Victoria's infrastructure agenda

### Rock and sand are, by their very nature, finite materials.

At the same time, our access to these materials is, to a large extent, outside our own control. We can only source them from where they exist in the ground.

In the past, these materials have been readily accessible in and around Melbourne and relatively cost effective to extract and supply due to previous good planning.

However, as our urban boundaries have expanded, existing resource stocks have been exhausted and additional layers of red tape have been applied, the cost of developing new sand and rock quarries has increased – as has the cost of transporting these materials from further afield.

The recent *Productivity Commission Draft Report on Public Infrastructure* acknowledged these challenges:

*Failure to allow new quarry developments or expansions, particularly close to cities, could lead to future scarcity of some key inputs into many infrastructure projects (p. 499).*

Furthermore:

*A lack of quarries near areas of major construction work has the potential to inflate the costs of infrastructure (p. 518).*

Unless we act now to secure our quality quarry resources and reduce red tape and associated costs, heavy construction material costs will be the major contributor to future infrastructure project cost increases.

Recent economic analysis for CCAA by *Macromonitor* forecasts that infrastructure delivery costs will most likely increase on average at 3.6 per cent per year over the next 10 years in Victoria.<sup>3</sup>

Across the board, heavy construction materials costs will be the single biggest contributor to these future infrastructure project cost increases, contributing on average 37 per cent of the total cost increase over the decade.



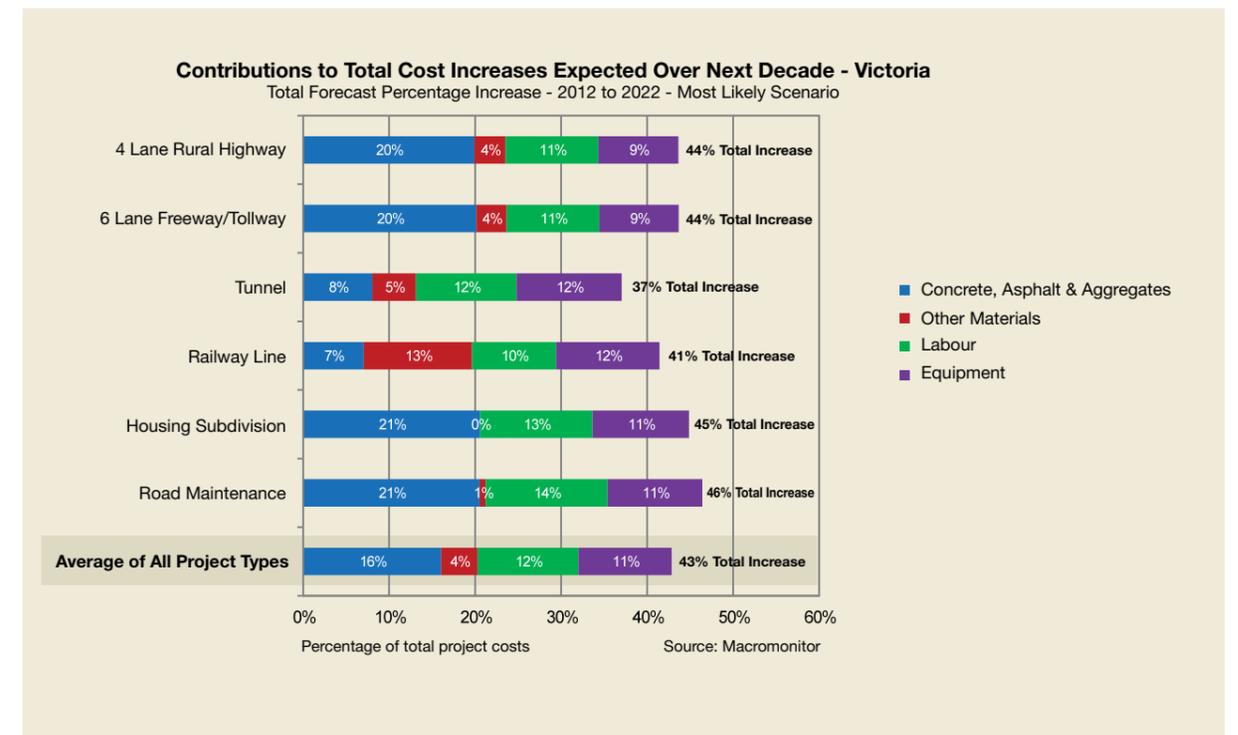
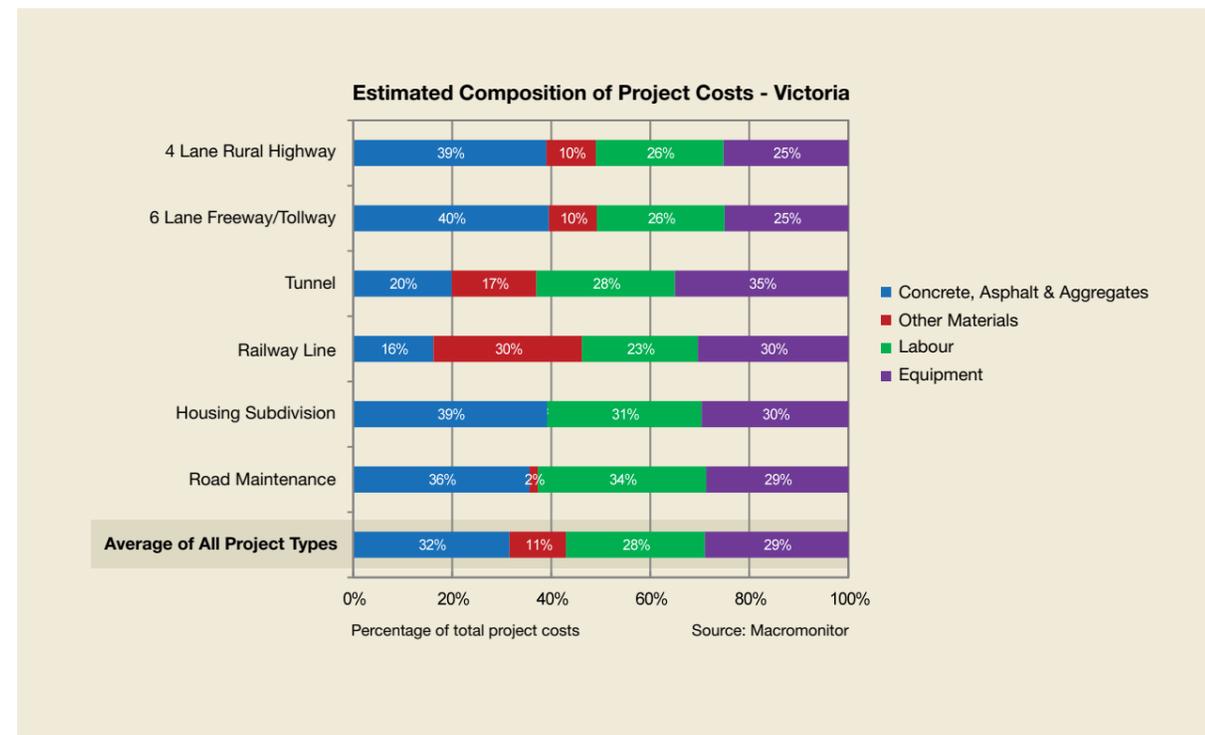
## The cost of sitting on our hands

**If we don't move quickly to secure our resources and untangle the red tape that impedes development, the cost of major infrastructure projects will blow-out.**

- An extra \$250 to \$330 million could be added to the cost of the \$6-8 billion East West Link (Stage One).
- An extra \$1.1 to \$1.3 billion could be added to the cost of the \$8.5-11 billion Melbourne Rail Link tunnel.



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3. *The Impact of Heavy Construction Materials Prices on Infrastructure Costs in Victoria*, Macromonitor, June 2013.

## The EDIC Scorecard: more needs to be done

Recognising the critical need to secure the State's future supply of raw construction materials, the *Victorian Parliament's Economic Development and Infrastructure Committee (EDIC)* conducted a 2012 inquiry into greenfields mineral exploration and project development.

Subsequently, the Government set aside \$19 million in the 2013 State Budget to implement key reforms identified in the EDIC report.

While some of these reforms have progressed, others are still to see the light of day, as the following table shows below:

EDIC Reform	Summary	Progress
<b>Work plans</b>	Introduce statutory timeframes and accountability for work plan approvals and move towards risk-based, outcome-focused work plans, streamlining the planning approvals process.	Agreed schedule of works and implementation date determined.
<b>Rehabilitation bonds</b>	Rationalise the rehabilitation bond to allow 50 per cent reduction in initial contribution and cash bonds up to \$10,000.	Agreed schedule of works and implementation date determined.
<b>Strategic land-use planning</b>	Establish an industry/government task force to advise on resource protection initiatives and strategic land use planning, similar to the successful <i>Queensland Key Resource Area (KRA)</i> policy model.	<i>Extractive Industry Taskforce</i> established. Promising start, but the task is still ahead.
<b>Lead agency</b>	Establish Minerals Development Victoria (MDV) as the lead agency to facilitate investment and approvals.	Not yet fully functional and providing limited leadership of the sector across Government.
Wider Government Reforms	Summary	Progress
<b>Native vegetation reforms</b>	Reduce red tape by introducing a more risk-based assessment process and improved environmental outcomes.	Reforms are supported in principle, but there are still high costs and long timeframes for most industry developments, with <i>DEPI</i> struggling to implement the new process.
<b>Cultural heritage reforms</b>	Reduce red tape for business and improved cultural heritage outcomes.	Reforms announced a year ago but largely not yet implemented on the ground, with no sign of promised legislative changes. Existing high costs and long lead times are ever increasing to develop a <i>Cultural Heritage Management Plan</i> .
<b>Environment effects statement reforms</b>	Move to approvals process that more closely aligns with the risk of the proposal, potentially reducing time and costs for proponents and improving environmental outcomes.	Reform process has stalled after Government committed in 2012 to implement key recommendations of the <i>2010 ENRC Parliamentary Inquiry</i> .

## We're not alone, but we are behind

These problems aren't unique to Victoria.

All of Australia's eastern states, in particular, are grappling with the same issues.

Queensland, however, has shown leadership in addressing the challenges of securing its natural resources in the ground. Its State Planning Policy (SPP) identifies a number of key resource areas (KRAs) where extractive industry development is appropriate in principle.

The Queensland Government is also proactive in approving projects of State significance. Last December the Government used its call-in powers to approve a quarry expansion at Mount Cotton, while the State's Coordinator recommended another quarry project proceed under strict conditions.

At the time, Queensland Deputy Premier and Minister for Planning, Jeff Seeney, said:

***"We acknowledge local community concerns about both of these projects, however if Queenslanders want affordable housing, better roads and essential infrastructure, then we need quarries and we need them nearby."***

## Our industry's message to Victoria's political parties is simple

**Complete the implementation of these Government reforms now.**

These simple regulatory reforms will help reduce cost increases in the infrastructure delivery chain that could otherwise blow the cost of these projects out of the water.

**Our industry, through CCAA, is committed to working with you, and the community at large, to deliver these sensible reforms.**





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