19 August 2011

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INQUIRY INTO GREENFIELDS MINERAL EXPLORATION AND PROJECT DEVELOPMENT IN VICTORIA

Cement Concrete & Aggregates Australia (CCAA) welcomes the opportunity to provide a submission to the Economic Development and Infrastructure Committee’s Inquiry into Greenfields Mineral Exploration and Project Development in Victoria.

Introduction
CCAA 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 CCAA Victoria’s members is provided in Appendix 1.

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, gravel and sand used to produce building and construction materials, such as cement, concrete, bricks, tiles, pavers and road paving. The materials extracted from quarries are known as basic raw materials and the revenue generated through their extraction is estimated to be $1.63 billion per annum.

The industry produces 8.9 million tonnes of cement and 23.9 million m³ 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.

There are approximately 580 operating quarries across Victoria that produced some 46.1 million tonnes of stone, limestone, gypsum, sand and gravel in 2009/10 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 $652.7 million.
The Victorian premixed concrete industry produced 5.6 million m$^3$ of premixed concrete in 2009/10 worth around $1.2 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.

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

CCAA believes that there are a number of important characteristics that make our industry unique and demand attention from Government. These are outlined in Appendix 2.

In summary, CCAA makes the following key points to the Committee:

- Victoria’s challenge is to avoid its own version of the German Gravel Crisis to maintain self sufficiency in the supply of heavy construction materials.
- Increased operator costs will be transferred to the customer, decreasing housing affordability and increase the cost of infrastructure.
- There is the need for an arm of Government (e.g. Department of Primary Industries) to act as a lead agency to streamline development approvals and advocate across Government to strategically address issues that adversely impact on the industry.
- Land use planning that takes into account extractive industry values be established as a matter of priority.
- Planning protection for strategic construction materials is required to ensure continued supply of material from local sources.
- There is a role for government to assist in regionally defining ‘minerals for cities’.
- Streamlining of development approvals to reduce the time and costs of gaining approvals for new operations should be a priority for government. DPI acting as a lead agency could address this issue as well as advocate across Government to strategically address issues that adversely impact on the industry. Initial strategic focus should be on native vegetation and cultural heritage issues.
- Proponents suffer a high cost and unnecessary delays to progress projects through the development pipeline. There are examples of some projects failing to progress through the development pipeline, e.g. Boral Montrose.
- Royalties for overburden material should be reduced.
- Fees and charges should be appropriate and not to act as economic disincentive. Any increase to be justified in a clear, transparent and auditable manner under a total industry cost:benefit umbrella.

It should also be noted that the structure of the Victorian extractive 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 increasing competition for capital to develop projects within these companies, similar to global mining companies.
The Victorian regulatory environment needs to be internationally competitive to continue to attract capital to ensure an ongoing, competitive, vibrant extractive industry, one that helps to maintain housing affordability and lower infrastructure costs.

CCAA looks forward to working with Government to achieve these aims.

A more detailed discussion of the issues is provided in the following pages. Please do not hesitate to contact me to discuss any of these issues in more detail.

Yours sincerely

Brian Hauser
State Director Vic/Tas/SA
1. The Committee examine Victoria’s mineral endowment (often referred to as ‘prospectivity’) across a portfolio of commodities (including energy earth resources and extractives products)

Victoria is relatively lucky in having a variety of geological environments that provide for a range of heavy construction material products (extractive products) around the state. However, cost effective access to key Melbourne markets is under threat.

There are two main categories of heavy construction materials, hard rock and sand.

**Hard rock**

The main groups of hard rock types, in order of tonnages consumed are: Newer Volcanics basalt; Older Volcanics basalt; granite; hornfels; acid volcanics and sedimentary rock. Hard rock is used to produce two main products:

- Crushed rock: rock that is crushed and screened for oversize material to make a product containing a range if grain sizes. Crushed rock is used for the base of roads, car parks, etc.
- Aggregate: rock that is crushed and screened into a specific narrow size range. Aggregates are used as the coarse fraction in concrete, asphalt, sprayed seal road surfacing and in drainage applications.

The distribution of hard rock is not uniform. Newer Volcanic basalt dominates the Western Plains west of Melbourne with scattered pockets of hornfels, granite, Older Volcanic basalt and acid volcanics occurring to the north and east of Melbourne. It as highlighted in the Government’s own *Geological Survey of Victoria Report 102* that, “Victoria is fortunate in having a good distribution of suitable hard rock sources, located close to the main market areas. However in some parts of the State, such as in the northwest, there are no rock sources capable of yielding high grade products. Melbourne is currently well supplied with a variety of rock types. The establishment of new quarries within 60 km of the city is now severely constrained by forms of development and planning provisions that conflict with quarrying interests.”

This has forced the supply of material further away from markets over time.

**Sand**

Sand is an important constituent of many heavy construction material products. These fall into two main categories depending on the dominant grain size:

- Concrete sand is coarse sand (4.75 – 0.75mm) which has been washed to remove excess clay that is used for concrete and associated products. Concrete sand deposits generally occur in Tertiary non-marine sand and granitic colluvium.
- Fine sand comprising finer, more clayey sand (2.36 – 0.75mm) which is used for mortar sand, foundry sand, ceramic tiles and other specialised uses. Fine sand deposits usually occur in younger, Quaternary dune sands and surficial sheet sands.

Geologically, Melbourne and the main regional population centres are well placed with respect to good source areas for construction sands. However, for Melbourne in particular, resource areas close to market have been exhausted with nearby important sand deposits precluded from future extractive use by land uses which are incompatible with quarrying, E.g. Heatherton - Dingley. This has forced the supply of material further away from markets. Current extractive areas of Bacchus

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Marsh, You Yangs, Cranbourne-Langwarrin, Lang Lang and Grantville are set to be potentially replaced in the future by new resources located at Trafalgar (120 kilometres from the CBD), Seymour (110 kilometres from the CBD) and Anglesea (110 kilometres from the CBD).

**Increasing Distance of Resource to Market**

Melbourne has been living off the benefits of good historic planning by extracting heavy construction material resources relatively close to markets. The high volume, low cost nature of the materials means that transportation costs are a major component of the final cost of aggregates, and an increase from say 30 km, the average haulage distance, to 70 km can increase the transport cost from $8 per tonne to $13 per tonne. This is a 23% increase in the delivered cost of aggregates, assuming the average cost of construction material is $14 per tonne ex gate\(^3\). This increases the cost of construction materials for vital infrastructure, including housing, roads, bridges, schools and hospitals (see Appendix 5 for more detail).

If the demand for product is to be met without significant increases to cost then 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 with appropriate planning protection provided for both situations.

The emphasis on local supply is also important from an environmental perspective, as transportation of aggregates equates to the largest portion of CO\(_2\) emissions generated by the extractive industry. Based on the Australian Government’s Fuel Consumption Guide 2002-2003, increasing the haulage distance from the average 30 km to 70 km means that for each 30 million tonnes of aggregates (i.e. approximate Melbourne annual market using trucks each carrying 28 tonnes) a further 115 million litres of fuel will be consumed and result in the generation of 310,000 tonnes of additional greenhouse gas emissions.

In order to protect vital infrastructure projects from cost increases and to minimise CO\(_2\) 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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**Case Study of Impact of Increased Transport Distance**

Company A operated a large sand quarry and a large hard rock quarry supplying south east Melbourne.

The resource at these sites was exhausted and new quarries were opened much further away from the same market at the nearest alternative source. Closer sources have been sterilised by incompatible land uses.

This resulted in:
- An extra 1.73 million truck kilometres being travelled each year.
- Additional 3.32 million litres per year of fuel used.
- Additional CO\(_2\) emissions of 9,000 tonnes per year.
- This costs an extra $4.5 million per year in cartage alone.
- An extra 43 heavy vehicles has to be added to Melbourne’s roads at a capital cost of $15 million.

This is just the situation with one company. The figures quoted are for just 1 year of a typical 30-50 year life of operation.

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Access to local construction material resources is a key, fundamental and critical issue for the industry and for Victoria’s continued economic prosperity. Increased operator costs will be passed onto the consumer, further eroding housing affordability and increasing infrastructure costs (see Appendices 4 & 5).

Conclusion

- Victoria’s challenge is to avoid its own version of the German Gravel Crisis to maintain self-sufficiency in the supply of heavy construction materials.
- Increased operator costs will be transferred to the customer, decreasing housing affordability and increase the cost of infrastructure.

2. The Committee examine the regulatory environment

MRSDA Review

The key legislation covering the operation of extractive industries is the *Mineral Resources (Sustainable Development) Act* (MRSDA). In recent times, the Earth Resources Development division of the Department of Primary Industries (DPI) has been making some progress to address issues through proposed administrative improvements and legislative changes to the MRSDA.

At the time of writing, the final DPI policy position on key industry issues has not been finalised. These issues include:

- Lead agency within Government to facilitate approvals and advocate for industry
- Streamlined development approvals process
- Planning protection for strategic resources
- Economically efficient rehabilitation bonds system
- Simplified work plans
- Streamlined native vegetation regulation
- Streamlined cultural heritage regulation

CCAA will need to review and consider these policies once published and may need to provide an additional submission to the Economic Development and Infrastructure Committee at that time. If the policies are published as CCAA hopes, DPI will need across government support to enact many of these proposed improvements. CCAA recommends that this support be provided and that DPI be well resourced with skilled, trained staff as outlined in Section 8.

Complex and costly approvals process needs streamlining

CCAA believes that the planning and development systems in Victoria are a regulatory ‘hotspot’ and 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 Victoria.

Approval for a new extractive industry operation, or extension of an existing one, will generally require consent from a range of referral authorities operating under other legislation apart from the MRSDA. It is the gaining of these consents, especially those regarding native vegetation and cultural heritage (see Section 8) that often impose the greatest regulatory burden on the operator. A summary of the complex, lengthy approval process with the required interactions with a wide range of parties is presented in Appendix 3. It is recognised that some simplification of the process will occur with the introduction of new MRSDA legislation on 1 February 2012 with the
statutory recognition of the endorsed work plan, but the complex process depicted in Appendix 3 will still largely be relevant and the range of parties involved in the process still the same.

The issues associated with the current quarry approval process are highlighted in the 2009 Construction Material Processors Association (CMPA) report which reviewed nine case studies. This analysis indicated that the costs to gain approvals to develop a reasonable sized quarry have increased 300 per cent in the last 17 years (accounting for inflation) due to additional red tape. The time and costs to gain quarrying approvals from the case studies in the CMPA report are summarised in Table 1.

<table>
<thead>
<tr>
<th>Type of approval</th>
<th>Cost to gain approval</th>
<th>Time to gain approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning Permit</td>
<td>$10,000 to $1.25 million</td>
<td>Average 2 years with no appeal to VCAT</td>
</tr>
<tr>
<td>Environment Effects</td>
<td>$1.9 to $5.1 million</td>
<td>Average of 6 years</td>
</tr>
</tbody>
</table>

The CMPA report also indicates that the industry wide average time taken to grant a Work Authority is 31 months, which is similar to the 36 months of these case studies. Only three of the 41 Work Authorities in the industry wide sample are for significant operations, the rest being relatively small sites in regional Victoria. If it takes this long to gain approval for relatively non-contentious sites, it is no surprise that larger sites with more contentious issues take longer and cost more.

The opportunity costs associated with delays in the approval process are the real costs for business. The overall average time for these CMPA case studies to gain approval of 3.5 years represents lost production valued up to $50.6 million for a hard rock quarry or $13 million for a sand operation.

Such high entry costs to the market place the new quarry operator at a disadvantage compared to their already established competitor and may lead to market distortion.

Solution

It is CCAA’s position that the recommendations in the attached European Aggregate Association’s (UEPG) Leoben Report be examined by the Committee 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 Victoria with its relatively high population density and common land use conflicts 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 ‘lead agency’, whose role it is

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5 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.
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 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. Currently in Victoria, large extractive industry projects can take 5-6 years to gain approval.
- The process should take a reasonable and balanced approach to conserving the environment, biodiversity, etc, and equally recognise the need for construction materials, and the regional benefits created through extraction projects. A true triple bottom line decision process is required.
- 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 Victorian context.

The European Commission’s Raw Materials Strategy developed in part as a response to the Leoben Report reinforces the requirement of an efficient approvals process to support the sustainable, local supply of construction materials to the market.

Conclusion

- There is the need for an arm of Government (e.g. Department of Primary Industries) to act as a lead agency to streamline development approvals and advocate across Government to strategically address issues that adversely impact on the industry.

3. The Committee examine fees, charges and royalties

CCAA recommends that fees and charges should be appropriate and should not act as an economic disincentive. Any increase on the current level should be justified in a clear, transparent and auditable manner under a total industry cost:benefit umbrella.

The current levels of royalties can in some cases discourage development and deliver an unfair return to the State.

For example, many extractive operations have a high volume of overburden which needs to be removed before access is gained to quality stone and sand resources. In many cases there is not sufficient room for this material to be stored on site and it must be removed or sold off-site. The market value for some of these overburden products is often less than the royalty cost. In essence, the State royalty can be as much as 75% of the sale price of the material. CCAA recommends that overburden products with a market price less than the current royalty rate, should not be subject to a royalty.
Improved administrative practices in calculating, monitoring and auditing the royalties’ payable on stone extracted below 15.2m depth should also be considered.

Conclusion

- Royalties for overburden material should be reduced.
- Fees and charges should be appropriate and not to act as economic disincentive. Any increase to be justified in a clear, transparent and auditable manner under a total industry cost:benefit umbrella.

4. The Committee examine national and international perceptions of Victoria’s prospectivity and regulatory environment

CCAA was recently fortunate to host Jim O’Brien, President of the European Aggregates Association (UEPG) at a range of seminars around Australia, including Melbourne. Jim’s comments on the prospectivity and regulatory environment here in Victoria was that it is similar to the situation of many European countries where there is a relatively high population density with resulting land use conflicts. Local access to construction material resources and an inefficient approvals process are issues across Europe, similar to that here in Victoria.

5. The Committee examine the success and failure of projects in Victoria’s mining development pipeline

As outlined in Section 2, it is taking increasing time and money to gain approval for new extractive industry operations due to the complex approvals process. The CMPA Report highlights the decreasing number of Work Authorities being granted in recent times, with only one new significant operation (rehabilitation bond > $50,000) approved per year from 2004 to 2008. At a time of increasing demand when new quarries would be expected to be developed, very few new significant operations are in fact being approved (see Figure 1). This trend has continued in recent times. Of the 33 Work Authorities granted from 1 January 2010 to 12 August 2011, only two significant operations have been approved.

Figure 1 – Work Authority applications relative to annual production 2000-1 to 2007-8

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It could be argued that the decreasing number of new Work Authority applications reflects the increasing regulatory barriers to entry and inability to make new operations financially viable (see Figure 2).

Actual case study examples of the success and failure of extractive operations progressing through the development pipeline are provided in the CMPA Report, *An Unsustainable Future*.

**Case Study of Financial Impact of Delays in Approvals**

Figure 2 is based on a theoretical example but using realistic figures supplied by a member company. It shows that a three year delay in gaining approvals for a 10 year life, medium sized quarry operation reduces the Net Present Value (NPV) to -$293,000 with an Internal Rate of Return (IRR) of 9% which is less than the assumed Weighted Average Cost of Capital (WACC) of 10%, making the operation economically unviable.

![Figure 2 – Financial impact of delaying the approval of a new quarry operation](image)

**Conclusion**

- Proponents suffer a high cost and unnecessary delays to progress projects through the development pipeline. There are examples of some projects failing to progress through the development pipeline, e.g. Boral Montrose.

6. **The Committee examine different approaches and programs applied in other Australian and international jurisdictions to foster increased investment in Greenfields exploration for, and development of, minerals and energy earth resources**

Progressive jurisdictions in Europe have policies that promote local supply of construction materials and a simplified, rapid approvals system under a lead agency or ‘one stop shop’ approach, as outlined in the attached European Aggregate Association’s Leoben Report. These

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progressive jurisdictions such as Finland, France and Germany were more likely to have a sustainable extractive industry and consequently reap the subsequent economic benefits.

The key issues of access to local resources and a streamlined approvals process in Europe were reinforced in the Madrid Raw Materials Declaration (see attached). This Declaration led to the European Commission’s Raw Materials Strategy which highlights the requirement of an efficient approvals process to support the sustainable, local supply of construction materials to the market. The Strategy also identified raw materials critical to the continued sustainability of Europe based on the risks of supply shortage and their impacts on the economy. If restrictions to local supply of construction materials continue in Europe, it "could lead to the situation whereby the supply of aggregates could be identified as critical to the economy of a specific region or country in the EU"\(^\text{10}\). Victoria is approaching this critical situation in some key resource areas.

Planning protection for strategic resources

CCAA considers planning protection for strategic heavy construction material resources a regulatory burden ‘hotspot’. CCAA strongly recommends Government to take an active role in providing planning protection for strategic heavy construction material resources. The current Extractive Industry Interest Area (EIIA) system identifies geographical areas of potentially high quality resources but is not providing protection of these resources from other incompatible land uses. More detail on this issue is provided in Appendix 4 – The challenge for Victoria is to avoid the German Gravel Crisis.

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 current model within Australia. A copy of the policy is attached. 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, 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 42% is constrained by biodiversity restrictions.

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.

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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.

In South Australia, a Ministerial Task Force has recently been formed to provide recommendations on key extractive resource planning protection issues. The Task Force consists of senior representatives from CCAA, the Department of Primary Industries and Resources SA, Department for Transport, Energy and Infrastructure and the Urban Development Institute of Australia and will be chaired by the Chief Executive of the Department of Planning and Local Government, Mr. Ian Nightingale. This provides a model for implementation that Victoria could follow.

Conclusion

- Land use planning that takes into account extractive industry values be established as a matter of priority.
- Planning protection for strategic construction materials is required to ensure continued supply of material from local sources.

7. The Committee examine the different roles of government (this may include, but is not limited to, targeted industry engagement, facilitation and generation of geological survey information)

Lead agency

CCAA strongly supports the initial steps taken by the Earth Resources Development division of the Department of Primary Industries (DPI) in recent time to take on the role of lead agency for significant extractive industry proposals. CCAA recognise that this is the key to realizing the benefits of a streamlined approvals process set to come into force in new legislation effective 1 February 2012.

CCAA anticipates that a lead agency approach would involve DPI personnel in the Earth Resources Development area of DPI coordinating the various approvals required for a proposal under a project management framework with well defined and clear time frames and boundaries. Clear guidance material would be required so that all stakeholders, proponents and government personnel from various agencies, fully understand the process and responsibility boundary issues.

CCAA understands that not all proposals would receive the same level of assistance and that major, complex proposals would receive more assistance/ guidance/ monitoring/ active resolution of issues than the smaller, more “standard” proposals. A scaled support for projects something similar to Figure 3 and Table 2 could be envisaged.

Such a scaled support, especially for the Level 2 and 3 proposals requires more than the publication of a Gantt chart. It requires active project management of proposals, tracking progress, monitoring milestones, reporting to Government executives and active engagement so that road blocks can be effectively and efficiently resolved.
### Figure 3 – Notional representation of proposals in each level

![Diagram](image)

### Table 2 – Levels of assistance by proposal complexity & impact

<table>
<thead>
<tr>
<th>Proposal Classification</th>
<th>Lead Agency assistance provided</th>
<th>Monitoring/Reporting</th>
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</thead>
<tbody>
<tr>
<td><strong>Level 1</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Small to moderate scale</td>
<td>- Initial advice</td>
<td>- Monitor status of proposal through standard website report</td>
</tr>
<tr>
<td>- Capable of being accommodated through existing assessment process</td>
<td>- Referral &amp; introduction to relevant agencies</td>
<td></td>
</tr>
<tr>
<td>- Majority of proposals</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Level 2</strong></td>
<td>Assigned project manager</td>
<td></td>
</tr>
<tr>
<td>- Non standard moderate to large, complex proposal</td>
<td>- Application tracking</td>
<td>- Monitor progress</td>
</tr>
<tr>
<td>- Application tracking</td>
<td>- Approvals management</td>
<td>- Regular reporting</td>
</tr>
<tr>
<td>- Interagency coordination</td>
<td></td>
<td>- Identification &amp; resolution of issues</td>
</tr>
<tr>
<td><strong>Level 3</strong></td>
<td>Assigned project manager or team, negotiating in the State’s interest</td>
<td></td>
</tr>
<tr>
<td>- Very large, complex proposal, may be of state significance</td>
<td>- Application tracking</td>
<td>- Agency heads monitor progress</td>
</tr>
<tr>
<td>- Approvals management</td>
<td>- Interagency coordination</td>
<td>- Regular reporting</td>
</tr>
<tr>
<td>- Interagency coordination</td>
<td></td>
<td>- Focus on interagency coordination</td>
</tr>
</tbody>
</table>

This type of approach has been initiated since 2009 in Western Australia where a formalised Lead Agency Framework has been implemented across Government. Details are available from the WA Department of State Development website ([http://www.dsd.wa.gov.au/7633.aspx](http://www.dsd.wa.gov.au/7633.aspx)).

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11 Lead Agency Framework, A guidance note for implementation. 2009 Department of the Premier and Cabinet, Western Australian Government
CCAA supports the concept of DPI acting as a lead agency and advocating across Government to strategically address issues that adversely impact on the industry and delay approvals. The lead agency should also provide a coordinating, monitoring, reporting and evaluation mechanism to the approvals process that is currently under developed. An improved public monitoring, reporting and evaluation process under a lead agency banner would implement the government supported Victorian Competition & Efficiency Commission's Recommendations 9.1 to 9.6 from its Sustainable Future for Victoria: Getting Environmental Regulation Right report.

Guidance material outlining the role of DPI as a lead agency, including the facilitation services to be provided under what circumstances and the responsibilities and role of the proponent should be made publicly available so all stakeholders understand the process.

Minerals for Cities geological investigations

Government has in the past conducted targeted, regional scale geological investigations of key construction material resources with an identified shortage of supply in an effort to encourage industry to perform more detailed exploration in areas of interest. Examples include Lang Lang, Grantville and Trafalgar sand resource areas where GeoScience Victoria conducted regional scale drilling; Government provided some degree of planning protection followed by more detailed site investigations by industry. These areas now host numerous Work Authorities with Lang Lang and Grantville providing significant resources to the Melbourne market.

Government should also have an understanding of the construction material resources within granted work authorities and non granted sites to plan for foreseeable supply shortages in key resources. Such a study has recently been completed in South Australia\(^\text{12}\) and is a key input into the Ministerial Task Force that is considering key extractive resource planning protection issues as outlined in Section 6.

In this way, the nature and extent of resources is defined and quantified so that the earth resource values can be considered, along with other values of the area in land use planning decisions. Such Mineralisation Impact Statements can also be used to support proposals for planning protection, to ensure the future availability of these resources. Government conducts this type of work for coal in the Latrobe Valley. There is scope for this model to be repeated for strategic construction materials that have an identified shortage of supply to limit the potential economic impact of more expensive construction materials due to a shortage of supply on the Victorian economy (see Appendix 5).

Conclusion

- There is a role for government to assist in regionally defining ‘minerals for cities’.
- There is the need for an arm of Government (e.g. Department of Primary Industries) to act as a lead agency to streamline development approvals and advocate across Government to strategically address issues that adversely impact on the industry.

8. The Committee examine opportunities to increase the net benefits from Victoria’s minerals and energy earth resources, and to potentially provide for self sufficiency in low cost energy and extractive materials, consistent with the principle of economic efficiency

Victoria is currently self sufficient in heavy construction materials, largely consuming all that is locally produced. This provides for significant economic benefit to the Victorian economy as outlined in the 2006 Access Economics report for CCAA (see attached). However, it is uneconomic to replace supply with imports due to the high cost of transport. Increasing demand from an increasing population growth, continued housing developments, an expanding economy and continued infrastructure development has to be met from local supply. This supply is potentially being limited due to red tape acting as a barrier for the development of new quarry operations. Research conducted for CCAA indicates that demand for sand in Melbourne will exceed supply in 2019 and for hard rock in 2027 (see Figures 4 & 5).

Figure 4 - Comparison of cumulative demand and resource availability of rock to the Melbourne Supply Area (million tonnes)\(^\text{13}\)

\(^{13}\) The Impact of the Native Vegetation Framework on Extractive Resources in the Melbourne Supply Area. 2009. For Cement Concrete & Aggregates Australia by Environmental Resources Management Australia.
For the historic economic benefits to continue, Victoria should avoid its own version of the *German Gravel Crisis*, as summarised in Appendix 4. Increased operator costs will be passed onto the consumer, further eroding housing affordability and increasing infrastructure costs. CCAA estimate that rising construction material costs will increase road construction costs by about $170 million per year, as summarised in Appendix 5.

**Planning protection**

As outlined in Section 6, planning protection for strategic resources is a key role of government.

CCAA recommends that:

- Government and industry work together under a Ministerial Taskforce consisting of representatives of the extractive industry, DPI, DPCD, DoT and DSE. This Taskforce would make recommendations within a set time frame to the Ministers for Planning and Energy & Resources on establishing planning protection for strategic extractive industry resources.

**Native vegetation**

CCAA supports a regulatory framework for the provision of biodiversity offsets that is certain, flexible and equitable, while achieving a net positive impact on biodiversity within a bioregion or development region.  

It should be noted that the extractive industry has a very small foot print within Victoria, currently occupying some 53,500 hectares, which is just 0.24% of Victoria.

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14 *The Impact of the Native Vegetation Framework on Extractive Resources in the Melbourne Supply Area. 2009. For Cement Concrete & Aggregates Australia by Environmental Resources Management Australia.*
CCAA considers native vegetation a regulatory burden ‘hotspot’. The native vegetation issues for the earth resources industries include:

- Complex framework to manage, implement and monitor
- Lack of availability of suitable compliant offset land
- Excessive time and cost for complying with the NVF
- Inconsistency of NVF determinations
- Rehabilitated quarry areas not appropriately valued in calculating offsets
- Perceived problems with BushBroker system
- Further use of Crown land required to increase supply of offsets
- Prescriptive offset requirements
- Native vegetation mapping information not accurate
- Risk/uncertainty of final offset requirements, with often incompatible Commonwealth, State and local government requirements
- Required long-term security of offsets
- High cost of offsets
- Offset areas seen as defacto no go conservation reserves

The CCAA supports many of the VCEC recommendations from their recent Inquiry into Environmental Regulation but is disappointed with the previous Labour Government’s response to many of the key issues raised, especially in the area of the Native Vegetation Framework. These VCEC recommendations should be adopted by the current Government.

The increasing cost and uncertainty of the process in assessing native vegetation requirements and accessing cost effective offsets for proposed projects is a major issue for the industry. As the VCEC report, A Sustainable Future for Victoria: Getting Environmental Regulation Right indicated, there is a requirement for Government action to deepen the supply of cost effective offsets.

In special circumstances, Government has provided offsets for development to deepen supply. With the recent expansion of the Urban Growth Boundary, the government will establish the 15,000 ha Western Grasslands Reserve to provide for native vegetation offsets required for any unavoidable clearing of native vegetation and habitat within the new, expanded urban area. As the Growth Areas Authority states on its website, this will “improve the clarity and flexibility of native vegetation management, reduce the administrative burden on government, provide greater certainty for urban development and improve biodiversity outcomes”. The extractive industry has exactly the same objectives and suggests that this model of government action to provide offsets should be further expanded.

The Western Grasslands Reserve is only accessible for offsets for developments within the Urban Growth Boundary (UGB). All other proposed developments outside the UGB, including quarry developments adjacent to the Western Grasslands Reserve, do not have access to this Reserve for their offsets. This does not provide for a level playing field for developers seeking native grassland offsets. Such anti-competitive actions by Government should be carefully considered in the future. Future offset reserves should be available for all developers across the State.

Industry’s focus is on certainty of process, time and costs whilst still ensuring appropriate environmental outcomes. To achieve this, CCAA suggests that consideration be given to establishing an independent body to manage native vegetation similar to the South Australian Native Vegetation 15

Council. In South Australia, clearance of native vegetation can be offset at the site of operations or within the same region of the state through agreed offsets, or by payment into the Native Vegetation Fund which then funds approved vegetation works.

A simple comparison between the South Australian and Victorian situations is provided in Table 3.

The table indicates that the Victoria system is more complex & costly than the South Australian equivalent with the Victorian system still not achieving its aim of net gain.

Table 3 – Comparison of Victorian and South Australia native vegetation regulation

<table>
<thead>
<tr>
<th>Issue</th>
<th>Victoria&lt;sup&gt;16&lt;/sup&gt;</th>
<th>South Australia&lt;sup&gt;17&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complexity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of guidelines, information sheets and forms</td>
<td>63</td>
<td>35</td>
</tr>
<tr>
<td>Web pages</td>
<td>500+</td>
<td>30</td>
</tr>
<tr>
<td>Guide for earth resource industries</td>
<td>38 pages</td>
<td>30 pages</td>
</tr>
<tr>
<td>Costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of regulation</td>
<td>$41 million</td>
<td>$2.4 million</td>
</tr>
<tr>
<td>Annual area of offsets</td>
<td>2,160 ha</td>
<td>398 ha</td>
</tr>
<tr>
<td>Number of cases</td>
<td>601</td>
<td>244</td>
</tr>
<tr>
<td>Cost/hectare</td>
<td>$19,000</td>
<td>$6,000</td>
</tr>
<tr>
<td>Cost/case</td>
<td>$68,200</td>
<td>$9,800</td>
</tr>
<tr>
<td>Outcome</td>
<td>Nett loss of 4,000 ha of native vegetation</td>
<td>3 out of 4 key native vegetation indicators “heading in the right direction”</td>
</tr>
</tbody>
</table>

Note that the cost comparisons are taken from different years, but are broadly analogous.

Duplication and inconsistency of native vegetation regulations between Commonwealth legislation (*Environment Protection and Biodiversity Conservation Act 1999*, EPBC), State Native Vegetation Framework and local council planning requirements creates confusion, increased costs and time delays for the proponent and inconsistent environmental outcomes. Several of our member companies are currently experiencing this issue for proposed quarry developments in Victoria. Project proponents should undergo the one process that satisfies all arms of government, not three.

The Victorian Native Vegetation Framework needs to be improved to achieve real environmental benefits & broad industry support.

Many of the 2009 VCEC recommendations on native vegetation would address the issues identified. CCAA makes the following recommendations:

- An independent body is established to manage native vegetation similar to the South Australian Native Vegetation Council.

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- Department of Sustainability & Environment, 2008, Submission to VCEC Inquiry into Environmental Regulation, pp15-16.
- Department of Sustainability & Environment, 2010, Native Vegetation Tracking System Highlights for 2008/09.

• Additional offset reserves in a variety of Ecological Vegetation Classes (EVCs) are made available for projects across the state, similar to the process of establishing native grassland reserves for the expanded Urban Growth Boundary. These areas should be made available for native vegetation offsets at a reasonable price for all developers. Government could facilitate the identification and ongoing management of these reserves themselves or through a third party, similar to Queensland’s EcoFund.

• Allow for greater offsets on public land.

• Allow for use of payment for approved vegetation works in lieu of offsets.

• Increase the value of on site rehabilitation in offset calculations.

• Simplify the vegetation assessment process and ensure there are specified minimum specifications.

• The Native Vegetation Framework process is accredited for assessing and ongoing management of native vegetation issues for the EPBC and local council planning requirements.

DPI acting as a lead agency and advocating for change across Government could potentially make a real contribution to achieving these improvements.

Outcomes from the VicRoads pilot of “paying cash for offsets” with DSE on small projects and access to ‘Over The Counter’ trade system should be available to the broader industry as soon as possible to understand the benefits and short comings of these pilots, with the view to introducing these options to all potential stakeholders, including the extractive industry.

Cultural heritage
CCAA supports the identification and appropriate ongoing management of Aboriginal cultural heritage values. However, the heavy construction materials industry is facing increasing cost, time and uncertainty of process dealing with cultural heritage issues in Victoria. The current one size fits all approach is lacking accountability, consistency and objectivity in assessment. Costs have increased 400 per cent in the last three years with 1 in 5 Cultural Heritage Management Plans taking more than 10 months to complete.

CCAA supports the role of DPI acting as a lead agency, as outlined in Section 7, with great benefit potentially being achieved for industry and government by greater coordination of cultural heritage approvals and by DPI actively advocating for refinement of the CHMP process across government.

To provide certainty of process and manageable time and costs, CCAA makes the following recommendations:

• A simplified Cultural Heritage Management Plan (CHMP) process is introduced, similar to that currently in place in Western Australia. If an initial survey reveals only lower value heritage items (say local significance) or the absence of high value items (say regional, state or national significance), then the proposal is managed through a simplified, standard plan.

• Clear, earth resource industry specific guidelines for the development of CHMPs be developed to ensure all stakeholders understand the process.

• Only one Registered Aboriginal Party (RAP) should be eligible to seek involvement in development issues and review of CHMPs.

Note that CCAA will be making a detailed submission on the review of Aboriginal Heritage Act regarding Cultural Heritage Management Plans (CHMPs).
Consistent decision making needs well resourced agencies

Regardless of the regulatory system and model in place, it needs to be operated by government agencies that are adequately resourced with appropriate numbers of competent and professional staff trained to support the implementation of Government policy in an appropriately structured organisation. Irrespective of the commitment of Government staff, delayed or poor decisions are often made due to this lack of resources, imprecise guidelines or uncertain Government policy.

Competent staff is the key to the realistic administration of the legislation, lead agency approach and a balanced approvals process. The best legislative/approvals process framework can be in place, but without competent government staff to make key decisions, the full benefit of the process can not be realised.

Government needs to implement policies that encourage retention of competent staff to address this issue. A wider use of accredited experts, such as the EPA use for environmental auditing, may need to be investigated to ensure appropriate resourcing and timely delivery of regulatory approvals. The Auditor General for Western Australia has suggested similar actions in addressing staff pressures in Western Australia agencies involved in approving resource projects (see www.audit.wa.gov.au/reports/pdfreports/report2008_05.pdf).

Conclusion

- Victoria’s challenge is to avoid its own version of the German Gravel Crisis to maintain self sufficiency in the supply of heavy construction materials.
- Increased operator costs will be transferred to the customer, decreasing housing affordability and increase the cost of infrastructure.
- Streamlining of development approvals to reduce the time and costs of gaining approvals for new operations should be a priority for government. DPI acting as a lead agency could address this issue as well as advocate across Government to strategically address issues that adversely impact on the industry. Initial strategic focus should be on native vegetation and cultural heritage issues.

9. The Committee examine consideration of the costs and benefits of Greenfields minerals exploration (economic, social and environmental), and whether there are opportunities to improve the management of potential conflicts between exploration and other land uses.

No comment.
## APPENDIX 1
### CEMENT CONCRETE & AGGREGATES AUSTRALIA
### MEMBERSHIP
### AS AT 8 MARCH 2011

### FOUNDATION MEMBERS

<table>
<thead>
<tr>
<th>Cement Australia Pty Ltd</th>
<th>Boral Construction Materials</th>
<th>Boral Cement Limited</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### VICTORIA

#### ORDINARY MEMBERS

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

#### ASSOCIATE MEMBERS

<table>
<thead>
<tr>
<th>Agi-Kleen Pty Ltd</th>
<th>Concrete Waterproofing</th>
<th>Sika Australia Pty Ltd</th>
</tr>
</thead>
<tbody>
<tr>
<td>BASF Construction Chemicals</td>
<td>Manufacturing Pty Ltd T/a</td>
<td></td>
</tr>
<tr>
<td>Australia Pty Ltd</td>
<td>Xypex Australia</td>
<td></td>
</tr>
<tr>
<td>Concrete Colour Systems</td>
<td>Grace Construction Products</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>WAM Australia</td>
</tr>
</tbody>
</table>
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

![Graph showing relationship between GDP/capita and Tonnes/Capita](image)

Note: Blue diamonds represent European nations

- 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.

- Victoria is currently self sufficient in extractive resources, with all material produced in Victoria, used in Victoria, delivering significant economic benefit to the State.

18 Seminar to CCAA by Jim O’Brien, President, European Aggregates Association, Melbourne, 14 July 2011
The Extractive 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).

Extractive industry operators are long term players with many extractive resource areas in Victoria having lives in excess of 50 years.

Existing extractive resources sites contain substantial reserves, which, over a long period of time, the industry has identified, investigated, secured and, in a majority of cases, have obtained the necessary planning approvals.

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.
Appendix 3 Summary of Work Authority approval process

The challenge for Victoria is to avoid the German Gravel Crisis

Access to gravel deposits has been reduced to almost zero in Germany over time. Will this be Victoria in 10 years?20

COST OF LIMITED SUPPLY

- Finite sand & stone resources are site specific, limited in occurrence by geological conditions.
- Key resources are currently being sterilised by alternative land uses.
- Heavy construction materials are high volume, low cost materials that need to be extracted close to market to minimize costs and environmental impact.
- Currently about one half of the delivered cost of material is due to transport. Operator and social costs add 17.8c/tonne/km to the delivered price of material.21
- If just half of the additional heavy construction materials required for the development of the Urban Growth Boundary are derived from the nearest alternative source, it will cost an additional $145m to $245m per year in transport costs alone.22

INCREASING DEMAND

- Demand for heavy construction materials is linked to economic activity and population growth.
- Melbourne is currently experiencing unprecedented population growth of 2.4%, growing from 4 million in 2009 to 5 million by 2026.

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20 Planning Policies & Permitting Procedures to Ensure the Sustainable Supply of Aggregates in Europe, 2010, Report to European Commission’s Raw Materials Initiative from the European Aggregates Association, by the University of Leoben, Austria


• Half of this population is expected to be housed in 284,000 new houses around the urban fringe.
• The total demand for heavy construction materials to 2030 for Melbourne is an estimated 891 million tonnes\textsuperscript{23}. Current annual demand for the Melbourne market is about 34 million tonnes.
• The recent expansion of the Urban Growth Boundary sterilized 27 per cent of potential resources in the area.
• Demand for sand is predicted to exceed supply in about 2023 and demand for hard rock is predicted to exceed supply in about 2037 from current operations\textsuperscript{24}.

There is the need to balance increased future demand with supply.

MARKET FAILURE
• Key strategic heavy construction material resources (quality sand and stone resources close to market) are running out.
• Current planning protection mechanism of Extractive Industry Interest Areas (EIIA) is not working.
  o The resource is generally too broadly defined within EIIAs to defend against competing land uses.
  o Local councils are not referring all impinging developments to the DPI as required under the VPPs.
  o The recent expansion of the Urban Growth Boundary sterilized 27% of EIIAs in the area.
  o Industry and local councils indicate dissatisfaction with EIIAs as they provide little certainty for industry or meaningful guidance to council planners\textsuperscript{25}.
• Time and costs to develop a reasonable sized quarry have increased about 300 per cent in the last 20 years due to additional red tape\textsuperscript{26}. This is limiting investment and the number of projects emerging from the development pipeline.
• Alternative land uses and increasing environmental regulation continue to further sterilise resources close to market and limit the number of projects able to be fed into the development pipeline, e.g. Boral Montrose proposal to extend the existing quarry operation.
• There is a need for a balanced approach to planning protection.

CONSEQUENCES
• Government must play a role to protect strategic heavy construction material resources to limit future cost increases.
• A range of planning tools is required. Planning protection can be a spectrum with various degrees of control, with various benefits and risks as outlined below.

\textsuperscript{23} The Impact of the Native Vegetation Framework on Extractive Resources in the Melbourne Supply Area, 2009. ERM for CCAA
\textsuperscript{24} Ibid
\textsuperscript{25} Review of the Efficient Regulation of Victoria’s Extractive Industries, 2008, Dr Robyn Sheen for DPI.
\textsuperscript{26} An Unsustainable Future: The prohibitive costs of securing access to construction material resources in Victoria, 2009. Construction Material Processors Association
Possible planning tools to protect strategic heavy construction material resources

<table>
<thead>
<tr>
<th>Planning Protection</th>
<th>Low (e.g. EIIA)</th>
<th>Medium (e.g. Queensland Key Resource Areas)</th>
<th>High (e.g. Special Use Zone)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Benefit</strong></td>
<td>Already in existence</td>
<td>May allow a more open &amp; transparent discussion of the various land values in the land use planning process. Active support by Government economic development agency in approvals process</td>
<td>Proponent almost guaranteed to develop site as a quarry Active support by Government economic development agency in approvals process</td>
</tr>
<tr>
<td><strong>Risk</strong></td>
<td>Continuation of current situation</td>
<td>No guarantees that alternative land use overlays will not override the resource overlay</td>
<td>Government reluctant to declare zones due to planning blight</td>
</tr>
</tbody>
</table>

- Other jurisdictions have recognised this issue and are acting.
  - Queensland State Planning Policy 2/07 Protection of Extractive Resources.
  - Western Australia State Planning Policy 2.4 Basic Raw Materials.
  - New South Wales State Environmental Planning Policy (Mining, Petroleum & Extractive Industries).

No action in Victoria will mean:
- Victoria will experience its own version of the German Gravel Crisis.
- Increased operator costs will be passed onto the customer.
- Housing affordability will be further eroded.
- Increased costs to build essential infrastructure.

**CASE STUDY OF IMPACT OF POOR LAND USE PLANNING AND RED TAPE**
- Company A operated a large sand quarry and a large hard rock quarry supplying south east Melbourne.
- The resource at these sites was exhausted and new quarries were opened much further away from the same market at the nearest alternative source.

This resulted in:
- An extra 1.73 million truck kilometres being travelled each year.
- Additional 3.32 million litres per year of fuel used.
- Additional CO₂ emissions of 9,000 tonnes per year.
- This costs an extra $4.5 million per year in cartage alone.
- An extra 43 heavy vehicles has to be added to Melbourne’s roads at a capital cost of $15 million.

This is just the situation with one company. The figures quoted are for just 1 year of a typical 30-50 year life of operation.

**NEXT STEPS**
- Government to work with industry to develop appropriate planning protection tools to deliver a balanced planning system.
Rising Construction Material Costs = More Expensive Roads

- Heavy construction material (crushed rock & sand) costs are expected to rise by one third in the short term due to increasing regulation, constraining supply at a time of increasing demand, increasing quarry business and transport costs.
- VicRoads estimates heavy construction material contributes 35% of the cost of building a new road.
- Given that the total cost of a road project may include land purchases, it implies the cost of building and maintaining roads will increase by about 7%.
- Total spend on roads in Victoria in 2008/09 was $2,376 million27.
- Total spend on roads in Victoria is forecast to be $2,400 to $2,500 million per year to 2013/1428.
- This estimate was developed prior to the Victorian Floods and does not include any additional repair work required as part of flood recovery projects.
- A road cost increase of 7% means an additional $168 to $175 million in road funding is required in Victoria per year.
- Such a price increase will only exacerbate the existing trend of increasing road construction costs.
- Commonwealth Government data indicates that the cost of building roads and bridges in Victoria is increasing on average at 4.4% per year (see Figure 1)29.

Figure 1 – BITRE Victorian road construction and maintenance input price index

27 Bureau of Transport, Infrastructure and Regional Economics (BITRE) 2011, Public road related expenditure and revenue in Australia, Information Sheet 40, BITRE, Canberra.
28 Australian construction outlook forecasting service 2010, Macromonitor Pty Ltd November 2010.
The largest input price increase to the cost of building roads across Australia from 2007/08 to 2008/09 was the cost of quarry products increasing 9.7%\(^{30}\).

Outlined increases in costs only cover the road and pavement construction sector which accounts for just over a third (37%) of the total crushed rock & sand market\(^{31}\). Cost increases for other sectors, including the residential and commercial construction sector have not been calculated.

**GOVERNMENT ACTION IS REQUIRED NOW TO MINIMISE THIS IMPACT**

1. **Provide appropriate planning protection for strategic heavy construction materials.**
   - Ensure key, finite resources close to market are not sterilised by alternative land uses so that Victoria can avoid the *German Gravel Crisis*.

2. **Streamline planning approvals for quarry developments**
   - Streamlined approvals are required to minimise the cost of gaining approvals which have increased by 300% in recent years and act as a barrier to entry.
     - Streamline planning & development systems with a lead & coordinating authority.
     - Streamline the native vegetation offset process and coordinate Commonwealth, State and local government requirements.
     - Streamline cultural heritage management processes.

3. **Improve safety and productivity of the trucking industry**
   - The Government works closely with the National Heavy Vehicle Regulator to improve safety and productivity.
   - Consistent regulations on common issues between local councils are promoted.

CCAA members are ready to work with Government to increase the shared understanding of the challenges and together develop workable solutions.

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\(^{30}\) Bureau of Transport, Infrastructure and Regional Economics (BITRE) 2009, Public road related expenditure and revenue in Australia 2009 update, Information Sheet 37, Canberra.