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SUBJECT: VICTORIAN COASTAL SHIPPING REVIEW

Cement Concrete & Aggregates Australia (CCAA) welcomes the opportunity to provide a submission to the Department of Transport's review of Victoria's coastal shipping.

CCAA is the peak industry body for the heavy construction materials industry in Australia including the cement, pre-mixed concrete and extractive industries. Our members operate cement distribution facilities, concrete batching plants, hard rock quarries and sand and gravel extraction operations throughout Victoria. For your information, a list of CCAA Victoria's members is provided in Appendix 1.

CCAA members nationally account for 80% of total industry output, with the industry generating \$15 billion per annum in revenue, employing 30,000 Australians directly and supporting the employment of a further 80,000 people. CCAA members produce and supply the heavy construction materials that are used to construct Victoria's infrastructure. Providing both the raw material and finished product, heavy construction materials contribute to the construction of our roads, railways, bridges, ports, airports, hospitals and schools.

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 that recognise the importance of these materials to Australia's sustainable future.

CCAA makes the following comments with the aim to reduce the cost base of the cement supply chain that will facilitate the delivery of affordable infrastructure and make Victoria more competitive:

Key Recommendations

- CCAA **recommends** that development of the Fishermans Bend urban renewal project and the associated land encroachment/buffers and planning issues need to understand the economic importance of the MCF and to take this into account when planning this major urban renewal project.
- CCAA **recommends** that Lorimer Street Port Melbourne is assigned Principle Freight Network status that will help preserve this essential heavy vehicle transport corridor against competing, sensitive land uses.
- CCAA **recommends** that the Victorian Government establish a well-resourced single point of entry to act as a lead agency to facilitate freight movement off the road and onto rail.
- CCAA **recommends** that voyage amendments and charges for Temporary Licence holders are simplified and reduced.

Economic importance of the Melbourne Cement Facility

Coastal shipping is just one chain in the long cement supply chain into Victoria. The smooth interaction of shipping with land side facilities is important in enabling an efficient supply chain and facilitating the use of coastal ships compared to other transport modes. As such, CCAA **strongly supports** the continued operation of coastal ships supplying the Melbourne Cement Facility.

In 2015 over two million tonnes of cementitious products representing 75 per cent of the Victorian market was transported by ship using coastal shipping through the MCF terminal. This translates to 139 ship arrivals in 2015 with recent growth in demand expected to increase ship arrivals.

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

Concrete, made from cement, stone and sand, is the largest volume material supplied to the Victorian construction industry. The demand for cementitious materials in Victoria is at record levels and with major infrastructure projects still to commence, demand will continue to grow strongly over the next decade for not only concrete but other products that use cementitious materials, such as tiles, pipes, culverts, precast elements, etc.

The economic supply of cement is critical to Victoria's \$22 billion building & construction industry that employs around 240,000 people.

The sustainable supply of affordable heavy construction materials facilitates the delivery of affordable high rise buildings, houses, schools, hospitals, roads, bridges and other infrastructure. It also facilitates the affordable development of major urban renewal projects such as Fishermans Bend.

MCF and Fishermans Bend

Existing port facilities such as the MCF proximal to the Melbourne metropolitan construction market provides a unique supply chain economic advantage over markets such as NSW where cementitious materials are delivered to the Sydney market from locations well outside of the city.

The additional road freight generated by an alternative cement facility has significant downsides compared to the centrally located MCF location including:

- The increased congestion due to road tanker haulage. The annual MCF throughput is equivalent to about 80,000 one way trips for a cement tanker, and
- The cost of this additional freight in Sydney is estimated to be about \$15/tonne of cement or \$5/m³ (2.5 per cent) to the price of premixed concrete.

In summary this has the potential to:

- Add approximately \$32 million to the cost of Victoria's premixed concrete production,
- Add significant indirect costs due to longer transport movements and road wear,
- Add a large increase in heavy vehicles on the road into and out of the CBD,
- Increase road congestion and the risk of traffic incidents, and
- Increase the CO₂ emissions resultant from the increased travel distance to haul cement on road.

The proximal nature of the MCF to key markets ensures Victoria enjoys minimisation of unnecessary and avoidable construction costs, facilitating the delivery of affordable infrastructure and emphasises the importance of the existing MCF terminal location.

CCAA **recommends** that development of the Fishermans Bend urban renewal project and the associated land encroachment/buffers and planning issues need to understand the economic importance of the MCF and to take this into account when planning this major urban renewal project.

CCAA **recommends** that Lorimer Street Port Melbourne is assigned Principle Freight Network status that will help preserve this essential heavy vehicle transport corridor against competing, sensitive land uses.

Government leadership required to streamline intermodal connections

As mentioned previously, coastal shipping is just one chain in the long cement supply chain into Victoria. The smooth interaction of shipping with land side facilities, including rail is important in enabling an efficient supply chain and facilitating the use of coastal ships.

Transport of cementitious material by container on rail has huge potential to remove tanker trucks from road networks. Delivering this material by coastal shipping to port and then enabling a streamlined process to transfer the material to rail needs to be cost and time competitive compared to an alternative road truck solution. The rail system has to be accessible and agile with easy and cheap intermodal access for this to be economic and encourage trucks off the road and onto rail. Dealing with numerous rail agencies such as VicTrack, VLine, Transport Safety Victoria and Metro Trains Melbourne in a mix of private and public ownership to establish new freight developments is a time consuming, costly and frustrating process.

A 'lead agency' approach where one arm of Government is responsible for coordinating the various approvals required for a proposal under a project management framework with well-defined and clear time frames, heads of power and boundaries would help to reduce time and costs for new freight developments to be approved compared to the current model where proponents shop their proposal through the various agencies one by one.

CCAA **recommends** that the Victorian Government establish a well-resourced single point of entry to act as a lead agency to facilitate freight movement off the road and onto rail.

Simplify Temporary Licenses

As highlighted by the Productivity Commission¹ the 'red tape' associated with the *Coastal Trading Act 2012* is very complex – creating a significant financial and administrative impost on the Australian Government, Australian shippers (including cement manufacturers) and other key stakeholders involved in coastal shipping. Simplifying the complexity associated with Temporary Licences and providing flexibility for Licence holders would help to reduce the 16 per cent increase in freight rates that the Productivity Commission has stated will cost between \$242 and \$466 million over the period 2012-2025².

CCAA **recommends** that voyage amendments and charges for Temporary Licence holders are simplified and reduced.

Any increases in Victorian shipping and wharfage charges will add additional costs to the cement supply chain that will eventually flow through to increased costs to the Government's Big Build program and less affordable infrastructure.

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

The provision of affordable heavy construction materials through an efficient supply chain helps to facilitate the delivery of affordable infrastructure, contributing to the completion of Victoria's Big Build within budget.

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

Yours sincerely



BRIAN HAUSER
CCAA State Director Vic/Tas

¹ Productivity Commission 2017, *Shifting the Dial: 5 Year Productivity Review*, Report No. 84, Canberra

² *ibid*

APPENDIX 1

CEMENT CONCRETE & AGGREGATES AUSTRALIA

MEMBERSHIP

FOUNDATION MEMBERS

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

VICTORIA

ORDINARY MEMBERS

<p>Alsafe Pre-Mix Concrete Pty Ltd Barossa Quarries Pty Ltd Barro Group Pty Ltd Baxters Concrete Pty Ltd Broadway & Frame Premix Concrete Pty Ltd</p>	<p>Fulton Hogan Industries Hillview Quarries Pty Ltd Hymix Australia Pty Ltd Independent Cement & Lime Pty Ltd Kennedy Haulage Pty Ltd</p>	<p>Mentone Pre Mix Metro Quarry Group Pty Ltd Premier Resources T/A Hy-Tec Industries Pty Ltd Volumetric Concrete Australia Pty Ltd</p>
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ASSOCIATE MEMBERS

<p>Agi-Kleen Pty Ltd BASF Australia Pty Ltd BHS-Sonthofen (Aust) Pty Ltd Concrete Colour Systems</p>	<p>Concrete Waterproofing Manufacturing Pty Ltd T/a Xypex Australia GCP Applied Technologies</p>	<p>Sika Australia Pty Ltd WAM Australia</p>
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