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Submission to Inquiry into NSW Port Infrastructure

Introduction

Cement Australia is the country's largest integrated supplier of cement. Sydney is our biggest market and our main bulk distribution facility is at Glebe Island. As a long term tenant of Sydney Ports Corporation, we have an interest in any plans that may affect the supply of cement products and the use of Sydney Harbour as a working harbour.

The construction industry is a major driver of the NSW economy. The efficient supply of building materials such as concrete is critical to maintaining a healthy construction industry. Cement is the key ingredient of concrete and by volume the largest bulk material transported into Sydney Harbour (approximately half a million tonnes a year). Cement is a price sensitive bulk commodity product so any increase in transport costs has an immediate flow-on effect.

Efficient transport is critical

Almost all construction – from residential to industrial to major infrastructure – requires or consumes concrete. The construction industry operates on a 'Just in Time' Basis with concrete transported by special trucks called "agitators" from batch plants. Concrete needs to be delivered soon after it is mixed at a batch plant because it begins to set immediately after water is added to the dry components. It generally needs to be placed within 90 minutes of mixing, so it is only transported to locations that can be reached within a maximum of

30 minutes. This allows 30 minutes for unloading and 30 minutes for levelling/finishing.

Metropolitan concrete plants then, are strategically located throughout the major markets and due to their locations generally have very limited storage capacity. Cement inventory is measured in hours, not days. As concrete is continuously placed, immediate resupply and therefore close proximity to suppliers is crucial. There are 60 concrete plants in Greater Sydney. The location of bulk raw material distribution facilities has a significant effect on the efficiency and cost effectiveness of concrete (and hence the construction industry).

Servicing Sydney and NSW

Cement Australia has a well-developed network of distribution terminals along the Australian East Coast as our business is predicated on sea borne trade (two of our largest cement plants are in remote locations). We have operated a bulk cement distribution facility at Glebe Island (adjacent to White Bay) since 1991 and before that at Blackwattle Bay since 1969.

Growth in the Sydney market had necessitated expansion of our facility for the long term receiving and distribution of cement (alternative locations would result in high freight costs and significantly increased road traffic). Consequently we closed the smaller terminal and moved to Glebe Island in 1991. At the same time we expanded our manufacturing plant at Railton, TAS and invested in a much larger purpose built vessel to transport the cement .

We currently receive (by sea) and distribute around 500,000 tonnes of cement a year from Glebe Island. This location is ideal as it is central to the market and very close to major arterial roads. This means travel distances to customers are minimised, optimising our costs and customer service and minimising the impact of heavy transport on Sydney roads.

In addition to our facility at Glebe Island, we have invested \$18m in a terminal at Newcastle that supplies over 100,000 tonnes of cement a year to the Hunter Valley, the Central Coast and Sydney's north.

Our aim is to continuously optimise the efficiency of our distribution network so we are currently looking to establish a similar facility at Port Kembla to service demand growth in the Illawarra and Sydney's south (currently serviced from Glebe and Kandos). This new facility would receive cement by sea from our plant at Gladstone, QLD.

We distribute a further 450,000 tonnes from our plant at Kandos, NSW into western NSW and western Sydney via our rail head terminal at Clyde.

Environment & Heritage

Our site at Glebe Island is not only cost effective, but environmentally friendly. Cement is conveyed from our purpose-built ships pneumatically. There is very little noise and no attendant cranes or shore vehicles. The impact on even close neighbours is negligible.

There are no fugitive dust emissions during ship discharge or subsequent road despatch as we use purpose built truck delivery systems. (The loading facility comprises a retractable loading spout with inbuilt dust management system which is inserted into specialised pneumatic road tankers - the tanker and loading spout are vented through a bag house dust collector to avoid any escape of dust). The site, which is licensed by the Environmental Protection Agency, is regularly audited in accordance with our strict Safety, Health, Environment & Quality policies.

We are very conscious of our responsibilities to be a good corporate citizen. We are proud of our track record and the fact that our cement silos are heritage listed.

The original Glebe Island Grain Silos were constructed in 1919 and were considered a significant example of the early use of reinforced concrete for massive structures. They had a strong association with the rail and sea transportation of wheat. The silos constructed in the 1970s, which remain today, were converted from grain silos to cement silos in 1991. Their significance is in their landmark status and association with an era that made an important contribution to the economic and social development of Sydney.

Investing in infrastructure

We are continuing to make major investments in infrastructure at Glebe Island since the conversion of the grain silos. We are close to completing a \$4 million project to increase the efficiency of ship discharge. We have begun a further \$3m project to increase the efficiency of the road loading facility. We are also examining options to expand our product range by blending cement with supplementary cementitious materials (such as flyash and ground granulated blast furnace slag – both recycled waste products from NSW industries). This will potentially require a circa \$20m investment in additional storage and blending equipment, loading and discharging facilities and related infrastructure.

These are major capital investments with a working life horizon in excess of 20 years.

It is important that we are assured of their future viability and that requires long term tenure and flexibility to expand.

Three benefits to the people of NSW in maintaining our distribution centre at Glebe are:

1. *Minimising heavy vehicle traffic*

A central location for the storage and distribution of bulk cement minimises heavy vehicle traffic. If we were forced to transport cement from further afield into

Sydney, there would be a significant increase in heavy vehicle road traffic on major arterial roads. This would lead to additional traffic congestion, noise and pollution affecting residents and road users on main routes.

2. *Safeguarding jobs*

One of the main threats facing the cement industry is competition from dumped imports from Asia. As a result of its recent economic crisis many countries in Asia currently have surplus production capacity and are looking to export cheap cement. The Australian cement industry employs over 3000 people directly - largely in regional and rural areas - and many more indirectly. If constraints are imposed on Australian companies' ability to compete cost effectively, there would be threats to jobs.

3. *Supporting economic development*

Cement is a key component in the construction industry. Any disruption to the efficient supply of cement would have an adverse effect on the NSW economy either through rapidly escalating prices of cement and hence construction and/or a significant slowing of the construction sector.

Conclusion

We note that the NSW Government has said that it will retain White Bay (adjacent to Glebe Island) for maritime purposes and that cementitious products will not be affected by any changes to Sydney's port infrastructure. As we are making and planning to make major long term investments in infrastructure we need to be able to rely on these assurances. To service the growing demand in Sydney efficiently we wish to be to expand our facilities at Glebe Island well beyond 2020.