



**CEMENT INDUSTRY  
FEDERATION**



# Cement Industry Federation

PRE-BUDGET SUBMISSION

**January 2022**



**BORAL™**





## **Introduction**

Thank you for the opportunity for the Cement Industry Federation (CIF) to provide this submission to assist in the formulation of the 2022-2023 Federal Budget.

The CIF is committed to continuing its constructive and collaborative working relationship with the Federal Government on behalf of the Australian cement manufacturing sector to minimise the impact of COVID-19 and to support the continued Federal Government's response to the related economic impacts of the health crisis.

The measures outlined in this submission provide practical solutions to ensure the industry and the people it employs are well positioned to manage the economic threats posed by COVID-19 now, but also, to provide the foundations to place the economy in a strong and more sustainable footing in the future.

## **About the Cement Industry Federation**

The CIF is the peak industry body representing all Australian integrated cement manufacturers.

There are five integrated cement manufacturing facilities in Australia that are owned and operated by Boral Australia Ltd, Adbri Ltd and Cement Australia Pty Ltd - supporting around 1,300 jobs directly and over 20,000 downstream employees and small businesses. Our cement manufacturing facilities produce critical building materials that underpin Australia's key infrastructure needs.

The Australian cement industry is a domestically focused sector with the majority of cementitious materials manufactured in Australia consumed locally. As a result, Australian cement manufacturing is referred to as an 'import-competitive' sector, which means it must keep production costs lower than its international counterparts to remain competitive.

Approximately 60 per cent of total clinker used to produce cement is produced locally using state of the art pre-calcliner technology. A key current and future focus is decarbonising our sector whilst retaining its international competitiveness. This will not be an easy task and will require the full cement and concrete value chain to work together. Required investment will be 'lumpy' and government incentives, as well as required standards and procurement policies, will need to be implemented to support our net zero strategy.

Cement demand is closely aligned with the need to create new and maintain existing buildings and infrastructure such as roads, bridges, buildings and housing. When the Australian population increases and there is strong domestic growth, the demand for cement increases. Cement manufacturing and distribution provides thousands of jobs and critical investment in regional Australia as well as the suburban and industrial areas of our cities.

## **Summary of recommendations**

While future pandemic management is essential, developing measures to drive future economic growth is also vitally important. The CIF proposes the following measures be considered as part of the 2022-23 Federal Budget.

### **1. Business Continuity and Managing COVID-19**

As the Australian Government is now in its third year of managing COVID-19 it is important that a more consistent framework comes into play across all states and territories.

Australian cementitious materials are often referred to as the lifeline of a building and construction site. Cement kilns operate at 1,450 degrees Celsius and cannot be turned on and off like a tap. They are required to run 365 days a year unless the kiln is stopped for essential routine maintenance that is carefully planned to occur every 12 to 18 months.

It is important to note that cement manufacturing plants do not have the capability to reduce or increase supply to meet changing local demand requirements. Our integrated clinker and cement facilities either operate at full capacity or not at all. Supply is supplemented by imported product that may become more difficult to source in the short term as a result of the COVID-19 pandemic. It is therefore critical that our employees continue to be designated as 'essential workers' by the National Cabinet. Without a continuous supply of Australian manufactured building materials, the domestic building and construction sector would quickly have difficulties in continuing to operate.

Further, with many Australian cement manufacturing and related logistic employees being infected by a less virulent variant of the virus, it is critical that future health advice is commensurate with the measures being used to protect Australians. The movement towards Australians only being required to isolate if an employee has contracted the virus should be considered by the National Cabinet as soon as it is considered safe to do so. This will allow higher levels of workplace participation and allow the Australian cement industry to retain its ability to supply the building and construction sector in a timely and effective manner.

### **2. Population and immigration**

Restarting and supporting overseas migration will play an important role in kick-starting the economy and increase long term economic growth and competitiveness. Australia's traditional migration program boosts Australia's economic productivity by introducing skilled people in areas of need. The significant economic risk is that Australian businesses will lose ground in terms of competitiveness as high valued workers choose other countries during the pandemic if supportive domestic migration policies are not implemented.

The Australian Government supported the migration of over 160,000 skills workers and their families in 2021-22 despite the challenges of COVID. To further support economic growth and to address the current skills shortage across a range of industries, increasing the migration rate should be considered in line with the targeted skills visa program.



**C E M E N T I N D U S T R Y  
F E D E R A T I O N**

### **3. Skills and Training**

The CIF appreciates the traineeship and apprenticeship support being provided by the Federal Government to attract apprentices through the recently announced traineeship program. This will provide key pathways to a solid career path for many young Australians and address skill shortages within many sectors, including the cement industry. Funding to support a national system of metropolitan and regional hubs that can develop innovative solutions to meet local skills would be welcomed.

### **4. Procurement**

Linking government policy reform, where possible, to the sourcing of environmentally friendly as well as sustainable goods and services would further support the Australian Government's climate goal and associated pledges.

Sustainable procurement at both the federal and state level is a key policy tool being used in many countries to support domestic decarbonisation strategies and has been identified in the recent publication '[Decarbonisation Pathways for the Cement and Concrete Sector \(2021\)](#)' as a key lever to further encourage the sourcing of low carbon cement and concrete.

It is therefore proposed that the Federal Government evaluates the effectiveness of linking federal infrastructure funding and the provision of incentives to the states and territories to encourage the usage of lower carbon building materials, including cement and concrete for public infrastructure projects.

### **5. Taxation and Regulation**

#### **Taxation**

It is well understood that the entire economy benefits from reducing the economic costs of taxation, including workers through higher wages. The CIF applauds the recent tranche of personal income tax cuts and supports a renewed program of tax reform to boost economic growth into the future. Lowering the corporate tax rate should not be dismissed. Australian cement manufacturers can only remain competitive if Australia's tax regime is not unnecessarily undermining their cost base. Australian cement manufacturers are required to compete against cement imports from countries in the Asian region where corporate tax rates are significantly lower.

#### **Cost Recovery Guidelines Review**

Federal Government Authorities are responsible for the application of the [Australian Government Cost Recovery Guidelines](#) (the CRGs) to any review of regulatory charging activities. The CIF proposes that an external review of the CRGs urgently takes place in 2022-23 and suggests the principles underpinning the CGGs be expanded to ensure any proposed increase in Federal Government charges are equitable and transparent.

This would help to ensure that unreasonable increases are identified and therefore less likely to be implemented. For example, the Australian Industrial Chemicals Introduction Scheme (AICIS) – administered by an agency within the Department of Health – recently increased its cost recovery

charge by over 40 per cent. An increase of this magnitude is far from equitable and the CIF, along with other affected stakeholders, considers that the stakeholder engagement strategy required under the CRGs prior to any charge increase neglected to address key concerns raised by affected parties.

## **6. Maritime Logistics System**

The CIF welcomes the Federal Government's request to the Productivity Commission to review Australia's maritime logistics system. It is important that the review considers the extensive regulatory burden and related costs being placed on Australian manufacturers due to the introduction of the Coastal Trading Act in July 2012. Australian manufacturers are highly reliant on coastal shipping to move their inputs and final products around Australia's coastline. A diagram of the complex regulatory burden being placed on domestic coastal shipping users can be found in **Attachment 1**.

Further, it has been suggested that the Federal Government should consider providing financial support for a commercially operated 'strategic fleet' to secure key international supply chains. It is important the Productivity Commission critically evaluates this proposal, as it is difficult to see how this could be a viable proposition based on historical failed attempts. It is certainly not a regulatory impost that should be placed on Australian manufacturers reliant on coastal shipping (either directly or indirectly).

## **7. Climate and Energy Policy**

An independent review of [Australian cement and concrete decarbonisation pathways](#), published in November 2021, demonstrates that the cement and concrete sector can decarbonise by 2050. However, it will require significant regulatory, technological, structural and behavioural change across all segments of the cement and concrete value chain.

Eight key decarbonisation pathways are identified in the report and the CIF proposes that a **government-industry engagement strategy** be developed and implemented for the sector. Other countries such as the UK, the European Union and California have developed joint strategies and initiatives. For example, projects include ensuring regulatory codes and standards are evolving to support decarbonisation of the cement and concrete industry (and the wider building and construction sector).

It is also important that the Australian manufacturing sector continues to have access to reliable and affordable energy as it transitions to net zero emissions by 2050, and that the Federal Government ensures that policies are developed to assist cement manufacturers navigate the changing energy mix as the sector decarbonises. For example, it will be important that domestic access to affordable gas supplies remain a priority, especially considering the current surge in international gas demand.

## **Contact Details**

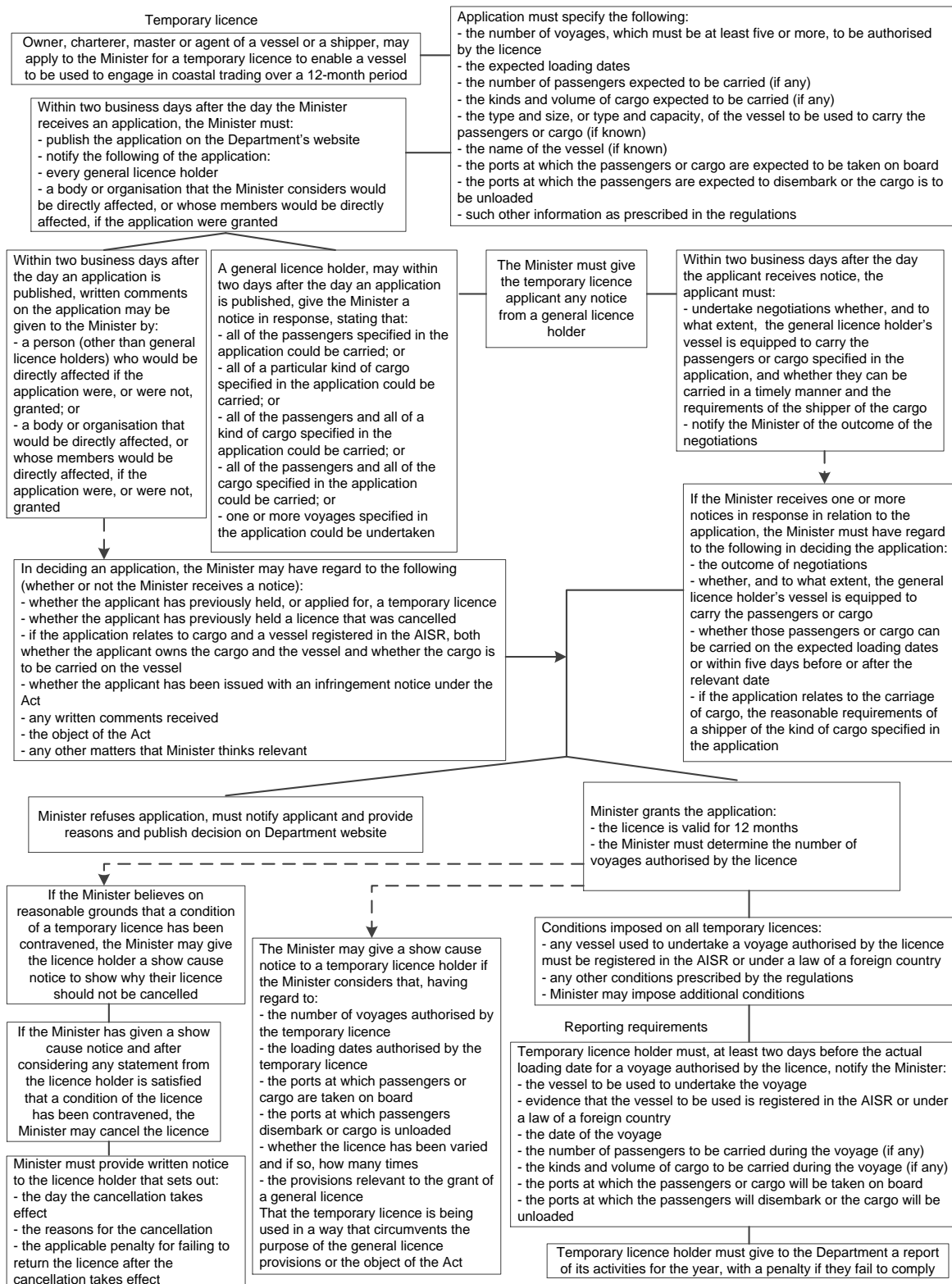
For further information on any of the above recommendations please contact the Cement Industry Federation:

Margie Thomson - Chief Executive  
Cement Industry Federation  
E: [mthomson@cement.org.au](mailto:mthomson@cement.org.au)  
M: 0418 290058



**CEMENT INDUSTRY  
FEDERATION**

**Attachment 1: The current temporary licensing process for eligible vessels to engage in coastal trading<sup>1</sup> - Under the *Coastal Trading (Revitalising Australian Shipping) Act 2012 (Cwlth)***



<sup>1</sup> Productivity Commission 2014, Tasmanian Shipping and Freight, Report No. 69, Inquiry Report, Appendix C, Canberra