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THE SENATE

ADJOURNMENT

Australian Cement Industry

SPEECH

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Senator BOYCE (Queensland) (11.08 pm)—I would like to speak tonight about the challenges and opportunities facing one of Australia's most important industries—the cement industry. It is certainly not one of our glamour industries but is nevertheless one of our most important industries. I should note here that my family's company has produced concrete products for more than 82 years, so I can say, quite honestly, that cement is a topic close to my heart.

Cement has been called the glue that holds our economy together, and its many, many uses literally build our prosperity and are a marker of our national progress. Cement is made by mixing and heating calcium, silica, aluminium and iron to produce a material known as clinker. Clinker is then mixed with gypsum and ground to a fine powder to make cement.

The Australian cement industry is made up of three major producers: Adelaide Brighton Ltd, Cement Australia and Blue Circle Southern Cement. These companies have operations around Australia, including 15 manufacturing sites, 10 mines and 74 distribution terminals. Very importantly, these cement plants are generally located in regional centres and in small rural communities, making them significant regional employers. The industry employs about 1,850 people, produces more than nine million tonnes of product a year and has an annual turnover in excess of \$1.79 billion.

Cement is used to bind aggregates together and form concrete, one of the key construction materials, which has in fact been in use since the time of the Romans. According to the Cement Industry Federation of Australia, concrete is second only to water as the most consumed material on earth. Every year in the world we use three tonnes of concrete for every human being. Twice as much concrete is used in construction worldwide as all other building materials combined. Construction of a typical family home in Australia requires 14 tonnes of cement, and a kilometre of freeway contains as much as 2,500 tonnes.

The premixed concrete industry consumes the greatest volume of cement, using it in applications such as concrete slabs and foundations for buildings, roads, and bridges; precast panels, blocks, and roofing tiles; fence posts, reservoirs and railway sleepers; and plumbing and drainage products. Cement is also used in bulk quantities in other diverse applications,

including stabilisation of roads and unstable rocky surfaces; as backfill for mining operations and casings in oil and gas wells; as well as for the more familiar renders, mortars and fibreboard.

But what I want to speak about in detail tonight are the major challenges facing the industry in Australia. As the Senate would be aware, there has been a serious downturn in the Australian construction industry. The Australian Industry Group and Housing Industry Association's Performance of Construction Index, referred to as the Australian PCI, noted a massive decline in construction in Australia during the September quarter 2008, principally on the back of a decline in commercial and apartment building activity.

On top of this dramatic downturn in demand, associated with the current economic conditions, the most serious strategic challenge faced by the industry in the mid to long term is its response to environmental concerns. The cement industry is a major greenhouse gas emitter, and the Australian manufacturers are the first to acknowledge this. The carbon dioxide emissions associated with producing cement, both directly and indirectly, far outstrip the CO₂ emissions from other Australian manufacturing industries, including metal products and chemical, food and beverage production. The CO₂ emissions from the production of cement are greater than those from the production of petroleum and coal. All up, the industry directly contributes about one per cent of Australia's greenhouse gas emissions signature.

But—and this is a big 'but'—the industry has embraced change. For more than 18 years the industry has participated in major efforts to reduce emissions and to mitigate the industry's climate change effect. Since 1990 the industry has achieved a 20 per cent reduction in carbon emissions per tonne of cement production. The industry has been a member of the Australian government's Greenhouse Challenge Plus program since its inception in 1997 and recommitted in 2005 to new reduction targets for 2012.

The Australian cement industry has indicated that it is prepared to face the realities of an emissions trading scheme and to face the need for a carbon trading scheme that ensures that Australia achieves cleaner and more environmentally sustainable consumption. But the one thing the industry certainly did not expect was to be hit so hard by the Rudd government's

Treasury modelling for the implementation of an emissions trading scheme. The government's Carbon Pollution Reduction Scheme would see a six to 6.4 per cent reduction in growth of the Australian cement industry by the year 2050, depending on whether the government chooses to use a five or a 15 per cent reduction in carbon emissions. This compares with plans in the Garnaut report for a 10 per cent reduction in emissions, which would have seen a decrease of 5.9 per cent in the growth of the cement industry in Australia. Clearly, the Treasury figures place a far higher reliance on cement production as a way of reducing emissions.

Whilst the industry recognises that it needs to reduce emissions and is willing to continue to work to do so, the government must recognise that the nation's future infrastructure needs are heavily reliant on cement. The government must recognise that its decisions here will directly affect whether Australia goes into recession. We rely on cement. This is particularly demonstrated by its use in the nation's housing industry. If the price of cement increases, so too do the prices of new homes. If we are serious about dealing with housing affordability, a potential rise in the cost of cement must be a major concern, and the cost of all infrastructure and of commercial and industrial development will be similarly affected.

The reality of much higher cement prices is something that the government cannot ignore. Either the housing and construction industries of Australia will shrink, or clinker, the basis for cement, will be purchased in cheaper overseas markets. Both scenarios will result in the loss of jobs and impact negatively on Australia's GDP at a time when we can least afford it. Just as concerning as this loss of Australian jobs and higher building costs is the net increase in global carbon dioxide emissions that it would cause. Asia-Pacific cement manufacturers currently have far higher emissions per tonne of cement manufactured than Australian manufacturers do.

As I stated earlier, the cement industry has been actively pursuing savings in carbon emissions for more than 18 years and has delivered a 20 per cent reduction over a period of high demand for its product during a period of high economic growth. It has been a leader on the challenges of climate change. Why on earth would the government consider policies that would drive this industry offshore, push up prices and increase overall emissions?

The development of an emissions trading scheme for Australia must be more than window dressing; it must be responsible. But the current government plan for this industry is a nonsense. The negatives of the current plan are: up to 1,800 jobs gone, construction prices up and carbon dioxide emissions up. It is up to the government now to produce evidence of any positives

at all from this current plan and evidence of how they will go about protecting Australia's construction industry and the environment if they proceed with this plan.