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## Hoddle St project costs blow out by \$50 million

The cost of the Hoddle Street traffic streamlining project has blown out by 80 per cent, jumping from \$60 million to \$110 million in the space of a year, in large part because of a shortage of raw materials.

Treasurer Tim Pallas will draw attention to the blowout in next month's budget, unveiling a multimillion-dollar plan to ease shortages of sand, stone and concrete, which he says is pushing up building costs throughout the state.

"Raw materials make up 35 per cent of the costs of residential and commercial infrastructure, and that's excluding the cost of moving them," Mr Pallas told *The Age*.

"So great is the shortage of concrete, some companies are crushing rock to make sand."

"We are partnering with South Gippsland Shire and Wyndham City councils to undertake geoscientific investigations to identify more high quality resources, and where we can, we try to build in locations that minimise transport."

Mr Pallas said that in his role as Resources Minister he had come to the view that his own officials were partly to blame.

"They are doing better now, but the Earth Resources Regulator had a backlog of 238 applications," he said. "We have got it down to 168, but companies that are ready to extract gravel and sand are still having to wait too long for approvals."

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Resources Minister and Treasurer Tim Pallas

Two programs in the budget will allocate an extra \$13.7 million to the regulator over two years.

One will fund the development of standard risk management plans for quarries and online applications. An extra six staff will be taken on to accelerate approvals.

The other program will give the regulator more technical staff, including a new geotechnical engineer, a risk specialist and three community engagement officers.

“We can help bring down building costs if we assess applications more quickly,” Mr Pallas said.

“But sometimes there are very substantial and genuine environmental issues. A classic example was an application for the extension of a quarry that came very close to a road, and we had to make a judgement about whether or not it constituted a subsidence threat. We will always have to assess applications.”

So big is the need for resources to feed Victoria’s record construction boom that the peak body for the heavy construction materials industry reckons the state needs eight tonnes of sand, stone and concrete per person per year to keep pace.

“It’s a phenomenal sum,” said Brian Hauser, state director of Cement Concrete and Aggregates Australia.

“Unprecedented population growth combined with the record infrastructure program are expected to push up the demand for concrete by 19 percent over the next four years.”

“We have been depleting our quality hard rock quarries and sources of concrete sand and not approving more. We have pushed for the measure the Treasurer is including in the budget, in order to be able to deliver more affordable materials and contributes to the delivery of affordable infrastructure and housing.”

Mr Pallas said he wanted the construction industry to know that it would be able to build with certainty for years to come.

“I want to tell every element of this industry that we are not going back to a peaks and troughs approach,” he said.

“We are building up to a new normal, and that new normal is going to be quite considerable.”

The increase in the cost of the Hoddle Street project wouldn’t have any effect on the budget bottom line. It would be funded by savings on a other projects.

Streamlining Hoddle Street was one of the most complex road projects the government was delivering – building Victoria’s first continuous flow intersection on its busiest arterial road.

“It involves completely reshaping the Swan Street/Punt Road intersection and balancing the needs of cars, trams, buses, cyclists and the thousands of pedestrians that use the intersection to get to the footy or to our major events precinct,” Mr Pallas said.

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“While it is an incredibly complex project, it needs to be delivered. Ask anyone who uses Hoddle Street every day. The extra cost of doing it now is nowhere near the cost of delaying it, or not delivering it at all.”

The budget would provide for \$12 billion of government infrastructure investment across the next four years, more than double the long term average under previous governments of \$5 billion.

**Peter Martin is economics editor of *The Age*.**

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