

A photograph of a male worker in a yellow hard hat and orange safety jacket, wearing blue gloves, working with long steel beams in a factory. The background shows industrial structures and a clear sky. The right side of the image has a red gradient overlay.

# THE STEEL INDUSTRY PLAYS A KEY ROLE IN AUSTRALIA'S ECONOMIC PROSPERITY

**GEOFF PLUMMER - CEO & MD ONESTEEL LIMITED**  
Australian Steel Convention  
12 September 2011

**onesteel**

# The valuable contribution of the Australian steel industry

- Our industry covers manufacturing, distribution, fabrication and a range of professional services including design and engineering, and provides a significant contribution to the broader economy
  - The industry provides approx. 100,000 jobs
    - Well paid and qualification based jobs, not just unskilled or semi-skilled labour
    - A key pipeline for apprentices
    - Many in regional Australia
  - Taxes
  - Investment across all levels of the value chain
  - Skill development and retention to ensure Australia is well positioned across all market sectors for the next phase of the economic cycle post the resources boom
  - Exporting of skills and capabilities
  - Key role in regional communities
  - Innovation
  - Ensure safety and performance through our compliance to critical Australian standards
  - Supplying products for major projects (infrastructure, resources etc)
  - A key contributor to growth in the broader economy

# Our industry's value proposition

- The Steel industry has often been through difficult times and has therefore had to develop the products and services that best meet our customers' requirements. Our value proposition includes:
  - Product quality
  - Reliability
  - Service
  - Cost competitive
  - Whole of life cost/value
  - Safety performance
  - Sustainability and environmental performance



# What is our industry doing?

- Focusing on areas that add value to our customers such as:
  - Shorter and more reliable lead times to reduce working capital, complexity and risk for customers
  - Ensuring customers and end-users have the right product for the right application through product standards and accreditation
  - Further investment to lower our costs and develop new value propositions
  - Enhancements to Australian Standards and steel grades
  - Product traceability and test certificate development
  - Independent third party product verification e.g. ACRS

Valid to 30 June  
This document is uncontrolled when printed  
View original at [www.acrs.net.au](http://www.acrs.net.au)

ACRS  
 ABN: 40 096 692 545

Australian Certification Authority for Reinforcing Steels Ltd  
**Certificate of Product Compliance**  
 Certificate Number: 110504C

**ONE STEEL MANUFACTURING**  
 ROOTY HILL, NSW

*has satisfied the authority that it complies with the relevant ACRS Quality and Operations Assessment Procedures. Where appropriate, and as listed below, it has further satisfied the Authority that it manufactures and/or supplies products that conform with the stated product standards and is entitled to use the ACRS mark on its products.*

**Scope of Certification**

- Hot-Rolled Sections Manufactured to AS/NZS 3679.1

Full details of the products for which certification has been achieved should be viewed at: [www.acrs.net.au](http://www.acrs.net.au)

By authority of ACRS Council: 
  
 Prof Graham Hutchinson, Chairman

Valid until: 30 June 2012

First certified: March 2011

ACRS Certified  
 STRUCTURAL STEELS  
 Ver 1.0 JULY 2011

# The key challenges facing our industry

- Our industry has a history of competing successfully in an economy in which steel is freely traded, however we now face a unique set of circumstances in Australia:
  - Australian dollar at or near record levels
  - Weak domestic markets outside resources
    - Construction and manufacturing particularly weak
  - Much of the resources boom's investment is spent offshore due to factors such as: high AUD, labour shortages and investment climate
  - Confidence levels low and weakening
  - High costs
    - Raw materials
    - Other costs such as electricity, freight and fuel high
- These challenges are also at a time when the international economy and international steel industries are still very weak

# The key challenges facing our industry

- All participants are being impacted by these adverse circumstances (e.g. fabricators, distributors, designers, manufacturers etc)
- Contrary to what many claim, the domestic industry has had in practice no protection by way of tariffs or other barriers
- Additionally, our industry has historically not received for many years any direct or indirect subsidies and support
- But our industry competes against offshore competitors who often receive direct and/or indirect subsidies and support

# The key challenges facing our industry

Given a level playing field...

- Our industry has a good history of responding in challenging times
  - Has competed and delivered competitive and attractive value for money offers to customers
  - We have strong competencies in innovation, quality, reliability all supported by continued investment
  - This has supported the domestic economy in periods of high growth and global steel shortage (e.g. 2006 - 2008)
  
- Fundamentally our industry can be successful and sustainable given its inherent strategic advantages in servicing Australian/NZ markets:
  - We are closer to our customers
  - We know our customers better than anyone else
  - We combine scale with ability to tailor products and services to meet Australian market needs
  - We can manage/reduce risk and complexity for our customers better than our competitors
  - There has been significant investment in equipment, innovation and skills through our industry

# The key challenges facing our industry

- The key issue:
  - Whilst generally weak demand poses short term challenges, the key issue is the industry's competitiveness and the threat to its long term viability from market distortions related to interest rates and the rate of FX in Australia and competitor countries. These distortions affect both confidence/demand and our ability to compete
  - Potential implications for our industry structure if these distortions continue
    - Fewer facilities, fewer jobs, reduced skills, capacity and capability
  - We support free trade and a market based approach – but the playing field must be level
  - There are a number of distorting factors which means we do not currently have an effective market
    - Most significant factors are those that distort the FX rate in Australia and our competitor countries



# What should Australia be doing?

- Ensure a level playing field with our international competition. This requires:
  - A competitive taxation system
    - Both direct and indirect
  - An effective anti-dumping and subsidisation regime
    - Encouraged by recently announced changes, but need to see they are effective
  - A sourcing system that reflects price and risk – Government plays a role
  - Reduced complexity and cost of compliance
  - Innovation support – concern over recent R&D changes
  - An FX rate that is not distorted by internal domestic measures or from other countries artificially managing their currency
    - The question is whether Australia should respond to address the current FX distortion and, if yes, how it should respond – particularly given the potential for further distortion as the number of ‘safe haven’ destinations reduce as a result of other Government intervention.  
  
We should not try and make our FX rate artificially low, but we can and should address the distorting factors that make our FX rate unnecessarily high

# What should Australia be doing?

- Address high energy costs
- Enforcement and genuine adoption of Australian Standards
- Tighter controls on tariff concessions
- Ensure an open and transparent market which includes Australian Industry Participation Plans that have strong State and Federal governance processes with reportable milestones for major projects
- Ensure transparent early engagement and feedback from projects clearly identifying areas which would enable Australian industry opportunities to effectively and profitably participate



# Summary

- The Australian steel industry provides a valuable contribution to the broader Australian economy and regional communities in particular
- The industry has a history of being able to invest, innovate and compete in good and bad times as long as there is a level playing field
- The Australian steel industry needs Australian Industry Participation Plans that have strong State and Federal governance processes with reportable milestones for major projects
- There are current short term challenges due to generally weak domestic markets, particularly in the construction sector
- The key issue is around the industry's short term competitiveness and potentially its long term viability from market distortions around FX rates
- While there are roles for both Government and industry in addressing the steel industry's competitive position, the distortion in the FX rate and the potential for further distortion as other countries act to protect their currency is a real issue for the steel industry (and many other industries) that needs to be addressed for the future benefit of our economy