

MAKING STEEL STRONGER

Securing the future of the
Australian steel industry



AUSTRALIAN STEEL INSTITUTE

ABOUT THE ASI

The Australian Steel Institute (ASI) is the nation's peak steel industry body. It represents the complete local steel supply chain, from the steel mills right through to end users in the building and construction, heavy engineering, manufacturing, distribution and fabrication industries.

The iron and steel manufacturing, fabrication and casting industry

EMPLOYS OVER
90,000 PEOPLE

and generates revenues in the order of

\$29 BILLION ANNUALLY

but

THESE FIGURES **DON'T**
CONVEY THE FULL VALUE

to our economy and the future prosperity of our nation in terms of innovation, and research and development expenditure – as well as the benefits to steel consumers that are not always provided by imported product.

Nor do they take into account the massive disruption that could be caused to associated industries if we did not have a robust domestic industry. And, there is a significant stimulus or 'multiplier effect' throughout the community that is lost when we don't use locally produced steel.

THE 'MULTIPLIER EFFECT'

Steel is unusual, with a multiplier effect as high as six workers in related industries for each person employed in the steel industry.

Imagine the disruption to the provision of infrastructure and construction, transport, utilities, retail and wholesale, engineering, environmental, financial and business services if we didn't have an effective steel industry.

THE OPPORTUNITY



The ASI believes that Australian governments have an opportunity to boost the Australian economy with government procurement guidelines that recognise the economic and social impact of the domestic steel supply chain - ideally before the next wave of public infrastructure construction projects.

Domestic production now supplies only half the steel used in fabricated construction having lost over 5 per cent market share since 2010.

By adopting procurement policies that better take account of the whole-of-life costs of procurement, as well as the employment and economic benefits of local supply, governments can significantly increase the level of local content in infrastructure projects.

It should be noted that local procurement policies exist in the US, UK, Canada and other countries. In Australia, the Victorian Government has legislated local content levels, while the South Australian Government has mandated compliance with Australian standards for publicly-funded infrastructure projects.

Results show the local content proportion has averaged 86 per cent in Victorian major projects over the decade to 2013/14, which led to an estimated \$7 billion of import replacement.

A BIS Shrapnel report indicates that for a small increase in cost, there is a significant increase in economic benefit when governments substitute local steel in infrastructure projects.

The cost of shifting the proportion of steel that is currently imported to the local supply chain is \$60-80 million, but the return to the economy in GDP growth is in the order of \$1.3 billion.


This represents only an extra 0.2 per cent of total construction costs for public projects. In all, a small price to pay for substantial economic and social gains.

Local employment generates payroll tax for state governments, training and apprenticeship opportunities, and delivers social benefits that come from well-paid full time jobs. Australian infrastructure projects will increase the productivity and competitiveness of the country and will also create and support jobs.

If all parties are to create sustainable well-paid jobs and economic growth, they need to understand the range of benefits delivered by the Australian steel industry and act.

THE TIME IS NOW!





An independent report commissioned by the Industry Capability Network concluded that every \$1 million in increased or retained domestic business output would generate:

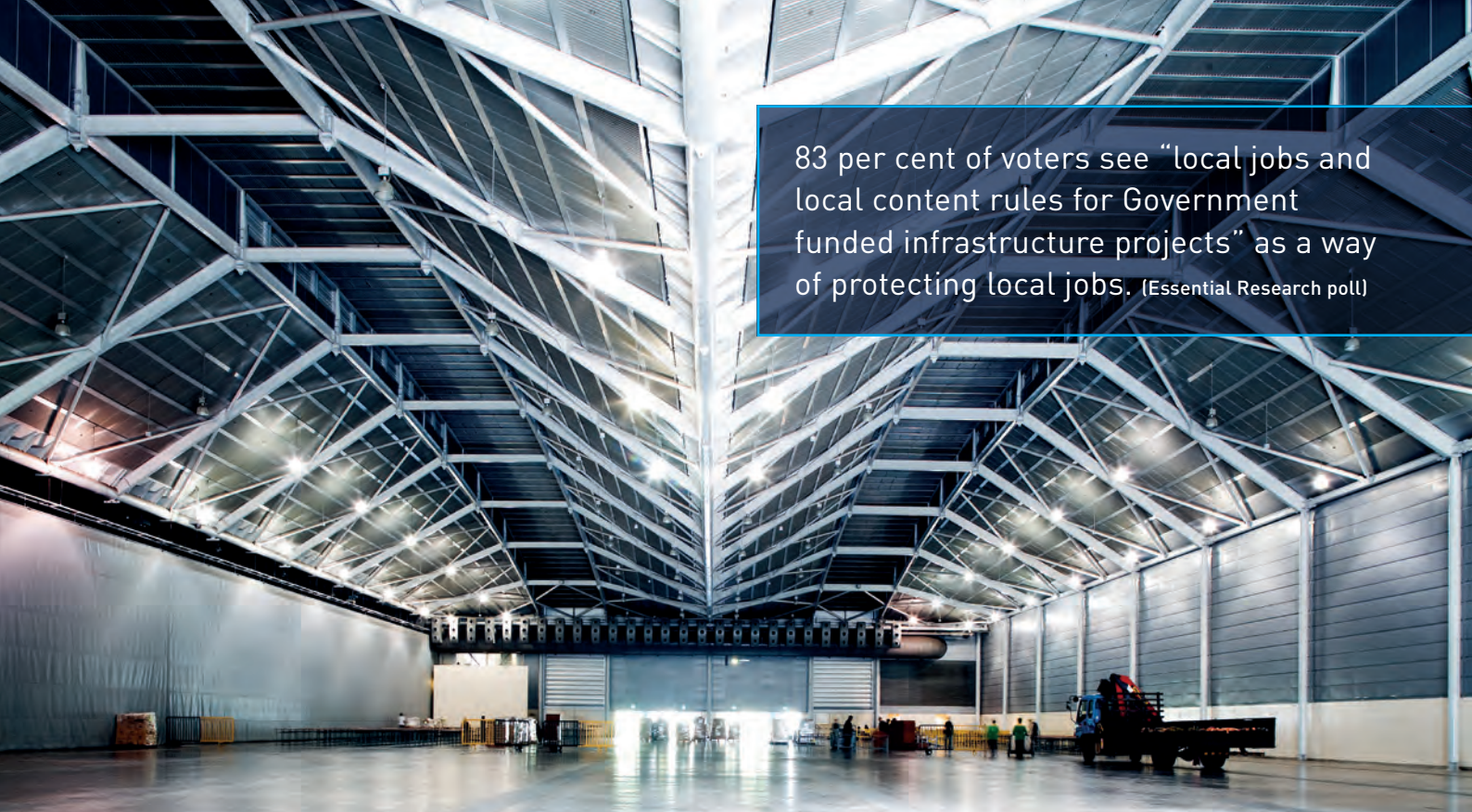
\$713,400 worth of Gross Value Added
in industrial support activities

x6 full time equivalent (FTE) jobs

\$64,900 in avoided welfare expenditure

\$225,300 in tax revenue

These figures are at a job level and do not account for the further benefits of payroll and company taxes when Australian, rather than overseas businesses are used.



83 per cent of voters see “local jobs and local content rules for Government funded infrastructure projects” as a way of protecting local jobs. (Essential Research poll)

A LEVEL PLAYING FIELD

The Australian steel industry operates in a global market which is volatile and cyclical in nature and is currently facing significant head winds.

The most immediate threat is global overcapacity leading to steel being exported to Australia at ‘dumped’ prices, which are often below the cost of production.

Recent findings by the Anti-Dumping Commission have demonstrated the extent of this dumping and the injury caused to the Australian steel industry, with steel found to have been dumped in Australia from a range of global producers, including China, Taiwan, Indonesia, South Korea, Vietnam and India. The Commission has also found extensive government subsidies to the Chinese steel industry.

The industry is not asking for protectionist measures but simply seeking to have Australia’s existing WTO-compliant

anti-dumping system strengthened, in order to ensure that it is as effective as possible - and at least as effective as the anti-dumping systems in the US, EU and Canada.¹

These changes would include:

- Faster investigation timelines;
- More effective dumping duty methodologies;
- More effective remedies against circumvention of dumping duties; and
- Ensuring proper comparison of imported goods with their like domestic equivalents.

1. See, for example: Anti-Dumping Commission, Report Number 198, ‘Subsidisation of hot rolled plate steel exported from the People’s Republic of China’, 16 September 2013, pp.41-43

PRICE VERSUS VALUE

In many cases Australian steel is price competitive with imported steel, especially when the ‘whole of life’ benefits of local purchasing such as superior quality, warranties and compliance with standards are taken into account.

The price of Australian steel also reflects additional value beyond its up-front cost, through the superior environmental and safety performance of many domestic manufacturers, their contribution to payroll, income and other taxes, and the flow-on social and economic benefits to the entire community of their presence.

By supporting Australian steel, you are supporting our safety and environmental safeguards, Australian jobs, taxation revenue, and our economy.

MADE IN AUSTRALIA

Buying Australian steel brings many advantages to customers beyond the broader economic benefits.

These include reduced lead times and freight costs as well as greater reliability and lower inventories.

You can be sure of the quality of Australian steel, knowing that it complies with Australian standards and regulations, and is supported by the backing of an effective and compliant value chain.

Australian steel can also offer significant benefits through customisation for local environmental conditions and aesthetic requirements, national manufacturer and distributor networks, after-sales and technical support, and high levels of workmanship.



A SMARTER, BRIGHTER FUTURE

Although the Australian steel industry's output is small globally, it is innovative and a leader in specialised niches.

Across the steel value chain, there has been a significant shift from labour-intensive manufacturing processes to capital-intensive automation. In the steel distribution and processing sector, computer controlled machining allows architects, engineers and detailers to send their designs directly to numerically controlled machines for roll forming, cutting, drilling, profiling and robotics. This process also aids in marking, identification and traceability – a key factor in quality control.

The Australian steel industry is a leader in the manufacture of coated and painted steel products for the building and construction and manufacturing sectors, based on Australian-developed brands, intellectual property and technology.

The industry operates research and development facilities employing a large number of PhD qualified scientists, and works in collaboration with government research and science agencies such as the Australian Research Council and CSIRO.

The industry continues to innovate in the interests of productivity, quality and customer satisfaction.





WHAT NOW?

The future of the
Australian steel
industry is in your
hands.

Contact the ASI to be learn more
and/or arrange for a briefing.



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Head Office: +61 2 8748 0180 www.steel.org.au Find us on Facebook and LinkedIn