



Illawarra Innovative Industry Network

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15 February 2016

Senator Chris Ketter
Chair
Senate Standing Committee on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Senator,

INQUIRY INTO THE FUTURE OF AUSTRALIA'S STEEL INDUSTRY

The Illawarra Innovative Industry Network (i3net) welcomes the opportunity to provide a submission to the enquiry into "The Future of Australia's Steel Industry" not only on behalf of its members but for this region as a whole. This submission reflects i3net's views regarding the importance of Australia's Steel Industry to the Illawarra economy in relation to the enquiries "Terms of Reference".

Background:

The i3net is a powerful network of industry based companies working from the Illawarra. The network was established to promote the collective capability of Illawarra Industry to local, national and international markets. The i3net provides members with a highly valued vehicle for fostering relationships and strengthening Illawarra business capabilities.

The i3net represents a large group of companies that play a vital role within the local Steel Industry supply chain. Without a sustainable Steel Industry this region risks a significant down turn in its economy which would cause:

- Increased unemployment
- Significant reduction in the major wealth generating sector
- Loss of highly skilled and well paid employment opportunities
- A reduction in the regions GRP
- A reduction of the regions socio-economic position
- Increased dependence on local demand driven industry sectors, and
- The relocation of skilled employees which would lead to a reduction in the local demand driven industries.



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Submission summary:

The i3net submission is based around findings from research recently conducted as part of an annual review of our strategic plan. These findings clearly show not only the importance of the Steel Industry to the Illawarra region but to the National economy as well.

Our research clearly shows that the Manufacturing sector, in which the Steel Industry plays a significant role, is still one of the main sectors in terms of employment, output (sector revenue), exports and input to the Gross Regional Product.

Employment by Industry Sector:

When considering the importance of the Australian Steel Industry and its supply chain, one must include both the 'Manufacturing' and 'Professional, Scientific and Technical Services' sectors here in the Illawarra (while we acknowledge that not every business within this sector supplies to the Steel Industry a high number of our membership comes from within this sector and businesses from other sectors could also be included in the Steel Industry supply chain). Combining these sectors produces employment numbers in excess of most industry sectors, not only locally with 17,580 jobs in the Illawarra but nationally with 1,632,920 in Australia.

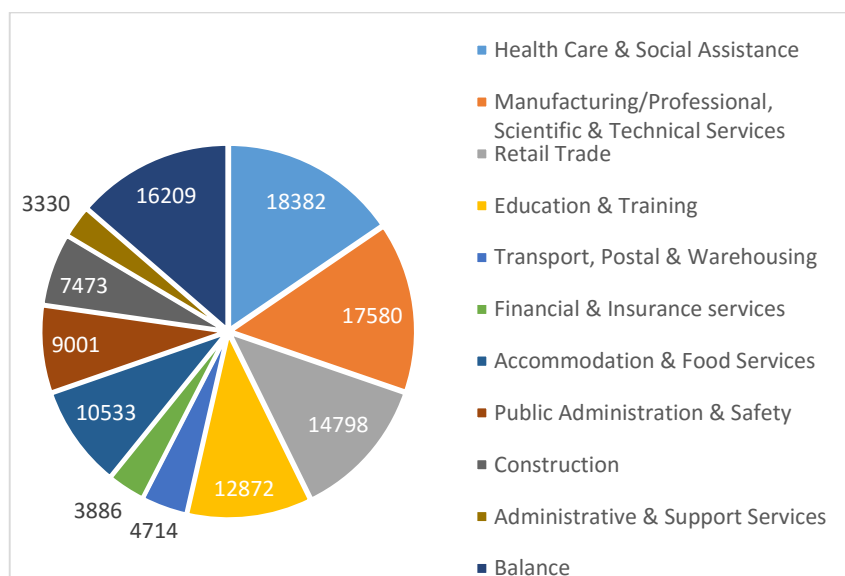


Figure 1, Employment in the Illawarra



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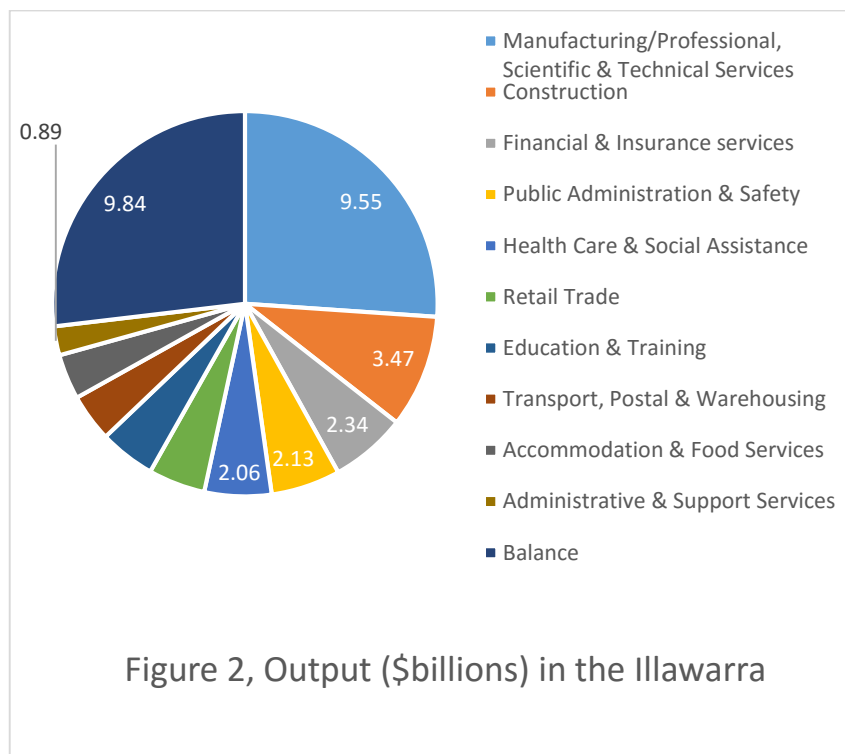
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Output (Revenue) by Industry Sector:

When considering output of the 'Manufacturing/Professional, Scientific & Technical Services Sector' you find that these contribute \$9.55 billion to the Illawarra economy and \$865 billion to the national economy. As the chart below shows these contributions are significantly more than any other sector, which clearly demonstrates the importance of the Steel Industry/Manufacturing Sector in the Illawarra.





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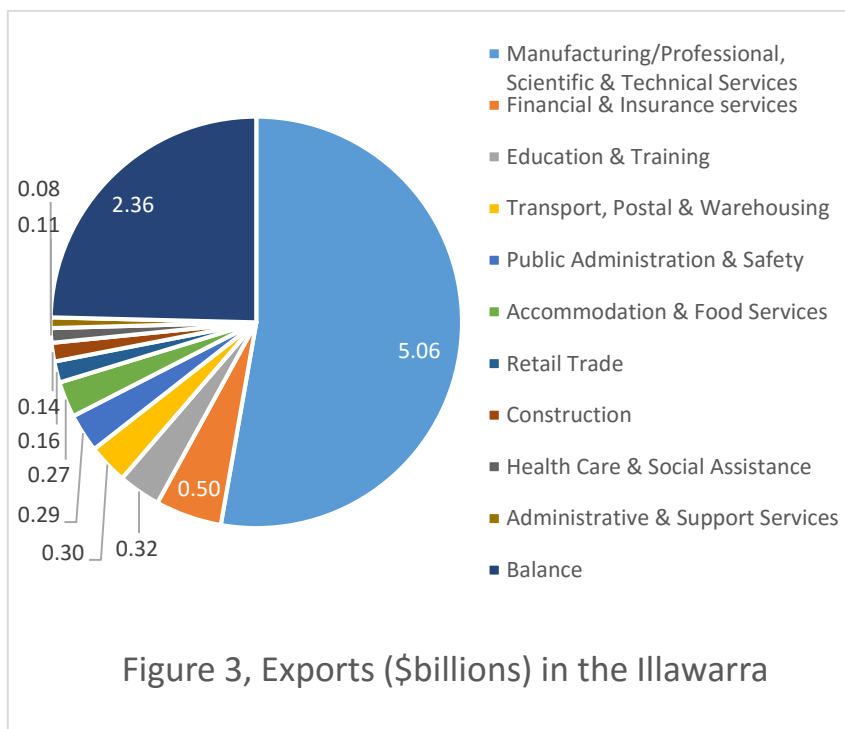
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Export by Industry Sector:

As a general rule Gross Regional Product (GRP) is considered a measure of the strength of a region's economy, with the significant contributors to GRP being Household Consumption, Regional Exports and Domestic & Overseas Imports. The Household consumption in the Illawarra of \$17.61 billion would be significantly reduced if this region was to lose or see a further reduction in its strategically important Steel Industry. This would also result in a reduction of the other significant contributor to GRP, Regional Exports.

As the chart below shows Regional Exports in the Illawarra total \$9.59 billion of which the 'Manufacturing/Professional, Scientific & Technical Services Sector' contributes \$5.06 billion or 53 percent.



A reduction in Household Consumption and Regional Exports would have a significant impact on the Illawarra's GRP. While GRP is never the same year after year. The most common GRP trend is one of continuous growth. A reduction in GRP is always considered a negative result for any economy.



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Conclusion

The data we present clearly shows that not only is the Steel Industry strategically important to the national economy, its supply chain is just as important to our region's economy. It is our conclusion that the continued reduction in Australia's Steel Industry would have significant negative impacts on our region.

Not only would this lead to an increase in unemployment, it would see a significant reduction in this regions wealth generating sector and the loss of highly skilled and well paid employment opportunities. These impacts would see a reduction in the Gross Regional Product and an increased dependence on the regions demand driven sectors such as 'Retail', 'Education & Training' and 'Health Care & Social Assistance'. These demand driven sectors would also be negatively impacted by a reduction in the region's economy.

Thank you for considering our submission to the enquiry. Should you wish to discuss this submission further, please do not hesitate in contacting myself on M: 0401 030 023 or E: i3net@i3net.com.au.

Yours sincerely

Tony Green
Executive Officer