



12 February 2016

Dr Jane Thomson, Committee Secretary
Senate Economics References Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Inquiry and Report on the Future Sustainability of Australia's Strategically Vital Steel Industry and its Supply Chain and any Other Related Matters

Dear Dr Thomson

As the peak regional development agency in the Illawarra, and given our region's strong connection to the steel industry, we welcome the opportunity to provide comment to the inquiry. These comments are offered following close consultation with Wollongong City Council and with reference to i3net (Illawarra Innovative Industry Network), both of whom have independently made submissions also.

The Port of Port Kembla industrial and transport precinct has a long history of engagement with the steel industry and represents a significant infrastructure asset for the nation, a productive and wealth-generating sector with great potential as the industry landscape changes and embraces innovation. While clearly our submission, as you would expect, represents advocacy for the Illawarra's interest in a continuously adaptive steel industry, it is noted that the SERC's brief is national in its industry scope and is mindful of its current position in relation to international competitiveness.

The Illawarra region is committed to support further adaptation and innovation of the steel industry as evidenced by an industry-initiated petition of 15,300 signatures last September and the ongoing R&D effort of the Steel Research Hub based in Wollongong. Although grounded in the manufacturing industry sector, steel product development has a positive influence across other sectors for employment, skills and value-chain service provision. This is a critical opportune time to support an industry capable of transformation and skill enhancement for economic development and employment outcomes.

As is the case with many contemporary industry sectors, steel is experiencing its own form of disruption, particularly from international competition and diminishing traditional markets for its product. While steel's role in nation building in the past is acknowledged, the Illawarra region looks to what steel can become in the future and wants to engage with governments to ensure its sustainable future. What is strategically vital about the steel industry is the multiplier impact of its techniques and skills applied across a broad spectrum of sectors. It has great capacity to convert disruption into innovation through R&D and provide highly skilled occupations for Australian employees. It illustrates a tightly-coupled value chain replete with opportunities in knowledge services for advanced manufacturing.

Public policy in this arena has recently focused on procurement and anti-dumping. These are issues that are appropriately addressed by legislation and regulatory enforcement, notwithstanding the diplomatic concerns of trade agreements, and are acknowledged by government. RDAI endorses the Australian Steel Institute's observation on non-conforming product that "the effect of this is loss of jobs through assessment of tenders on upfront costs rather than all of life cost, value for money, unproductive rework and inefficiencies in construction practice." (ASI Submission to Building Ministers Forum Committee 4 November, 2015).

We accept the Minister for Industry's assurance that "we are doing everything we can to ensure Australian manufacturers are able to compete on a level playing field with overseas businesses exporting goods to Australia ... and that "the Australian Government is committed to providing Australian industry with full, fair and reasonable opportunity to participate in major projects." (Pearson, Andrew. Illawarra Mercury, 19 January 2016).

Positive discrimination in favour of local product should also extend to preference for domestic labour. The COAG Industry & Skills Council can take a lead in demonstrating the capacity of the steel industry to contribute to skill formation beyond the immediate domain of steel manufacturing. Quality deficits of some of our competitors provide an opportunity to promote the superior quality of our Australian product. It is in our national, state and regional interests to explore new markets among emerging economies whose burgeoning middle class will demand our products if they are competitively priced and enjoy a reputation for reliability. Competition policy should facilitate the identification of such markets.

The instruments of government policy and legislation that can be applied to ensuring a vibrant future for the steel industry in Australia across multiple domains including industry policy, the Prime Minister's Innovation Agenda (Ideas Boom), the emerging Cities agenda under Minister Hunt, initiatives to promote the take up of STEM options in schools, Free Trade Agreements and regional development. In keeping with Minister Pyne's commitment to "push the boundaries" (Illawarra Mercury, 6 February 2016, p10), RDAI would urge the Federal Government to adopt a "whole-of-government" approach rather than a remedial approach to ensuring a sustainable steel industry.

RDA Illawarra would welcome the opportunity to discuss the region's interest in, and advocacy for, the steel industry at any time prior to the Committee's report to Senate by 30 June 2016.

Yours sincerely

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CEO