Submission to Senate Economics References Committee Inquiry into Future of Australia's Steel Industry

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I offer the following input based on my experience in the Steel Industry with particular emphasis on the Flat Products.

Australia's largest manufacturing site is BlueScope's 2.6 million tonne steel business based in the Illawarra Region.

BlueScope's Australian Steel Products segment has sales of about $5 billion and an operating asset base of about $2 billion. While BlueScope operates in many countries world-wide, and has a workforce of over 16,000 people, it's major facility is in the Illawarra, where it employs about 3,500 full time employees, including highly skilled operators, tradespeople, scientists, engineers etc. It also has approximately 1,500 on site contractors and many local off site services.

Many of its professional ranks are graduates of Wollongong University, an institution that is recognised as having the highest graduate job placement rate and salary levels in Australia for its Resource Engineering personnel.

Manufacturing has one of the highest job multiplier effects with so many support services and supplies required by such a massive operation. It is estimated that for each direct employee in Steel there are another 3 to 4 indirect employees required. This is in contrast with service industries, such as hospitality and tourism, where the multiplier is much lower.

The role of converting Australian raw materials – coal, limestone and iron ore - into value added goods, such as coated and painted steel products, to customers in building and construction, and supplying other manufacturers with high quality, short lead time steel supplies, is of tremendous national significance. Without this, our national capability would be compromised. Steel is the base on which much of manufacturing depends. Across the developed world, the production of steel has been the foundation of its industrial development over more than 150 years. With 1.5 billion tonnes produced per

year worldwide, steel remains the most widely manufactured and consumed commodity now and for the foreseeable future.

Annually, Australia exports nearly 500 million tonnes of iron ore and 300 million tonnes of coal. Just a small proportion of these tonnages is converted to steel in Australia, with modern, efficient and right-sized facilities, to fulfil domestic demand and supply a relevant export component. The idea of importing steel from countries which buy our raw materials, transport them half way across the world and then ship them back to Australia as steel products, is neither rational nor sustainable for Australia.

Australian Steel producers are innovators and early adopters of new process and products. The roll out of the next generation ZINCALUME™ with Activate™ technology is the result of deep research by highly acclaimed technical experts based in Wollongong. It is likewise worth noting that the breakthrough thin strip casting technology, adopted by Nucor in the USA was developed by BlueScope in Wollongong, again by a brilliant group of scientists and engineers.

The stunning success of UOW's entry into the World Solar Decathlon in China with its sustainable Flame Tree building against the worlds leading learning institutions was supported by BlueScope technology and major sponsorship. This one project, the only Solar Decathlon entry ever accepted from Australia, could be viewed as a microcosm of the abundant technical and innovative firepower that having a strong base in Australia brings with it.

Summary

- The Facility and expertise to convert raw materials into steel and further downstream processing is a competency and capability that most of the world's 66 steelmaking countries value, nurture and support.
- Australia has a modern, efficient, right sized facility at Port Kembla Steelworks that is well regarded and well positioned to continue to be the back-bone of Australia's manufacturing industry.
- The Australian Steel Industry is well placed to be a profitable and sustainable business, although subject to the tyranny of the price cycle and non-level playing field. The business is, and can continue to be, a

major driver of economic activity nationally and regionally. Port Kembla Steel works is Australia's largest manufacturing facility.

- Government at all levels should embrace the Australian Steel Industry both in words, leadership and deeds. Too often the message that transpires is the opposite, with Governments in the past declaring the Industry to be a "Big Polluter" and applying a carbon tax. The "Big Polluters" are more likely to be the less regulated, out-dated facilities off shore that pick up the slack when Australian Steelmaking suffers cutbacks. Such mills don't pay a carbon tax.
- In providing leadership and attributing value to Australian manufacturing, Governments can provide a regulatory regime that is conducive to these businesses including recognising the value of Australian sourcing that extends beyond price, recognising dumped imported products, recognising that each regulatory layer applied, that offshore competitors don't have, is a cost to the business, a cost to the consumer and cost to competitiveness.
- As a country we need leadership at all levels to ensure that we don't transition from a "can do" country to a "can't do" country eg:

  Can't make motor vehicles
  Can't make car tyres
  Can't make tinplate

- It is all very laudable to aspire to be an innovative, learning, teaching, knowing, nicheing, Silicon Valley emulating, service oriented, tourism hub, however if we kill off our capacity to make things we will not be known as the 'Smart Country ".

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