

Chapter 1

Introduction

Referral and conduct of the inquiry

1.1 On 26 November 2015, the Senate referred the following matters to the Senate Economics References Committee (the committee), for inquiry and report by the last sitting day of June 2016 (30 June 2016):

- a) the future sustainability of Australia's strategically vital steel industry and its supply chain; and
- b) any other related matters.¹

1.2 The committee held three public hearings, in Wollongong (1 April 2016), Whyalla (5 April 2016) and Canberra (6 April 2016), and carried out two site visits, to BlueScope steelworks in the Illawarra region and the Arrium steelworks in Whyalla. The committee published thirty-eight submissions on its website from individuals and organisations.

1.3 With the dissolution of both houses of 44th Parliament on 9 May 2016 for a general election on 2 July 2016, the inquiry lapsed. On 11 October 2016, the Senate agreed to the committee's recommendation that the inquiry be re-adopted with the same terms of reference in the 45th Parliament, with a final report to be presented by 1 December 2017.²

1.4 The committee re-opened submissions with a closing date of 17 February 2017. An additional seven submissions were published on the inquiry's website.

1.5 The committee tabled an interim report on 1 December 2016, which focused on the collapse and imminent sale of Arrium.

Background to the inquiry

1.6 When this inquiry arose, the Australian steel industry was facing a number of significant challenges. Foremost among these challenges were the possible closures of Australia's two major integrated crude steel producers, the Arrium steelworks in Whyalla and the BlueScope steelworks in the Illawarra region. Both Arrium and BlueScope had reported financial losses in the years prior to the inquiry, leading to the decision to lay off significant numbers of employees.

1.7 BlueScope reported that it had returned to profitability in the 2015 financial year.³ The sale of Arrium Steel to GFG Alliance was formalised on 1 September

1 *Journals of the Senate*, No. 130, 26 November 2015, p. 3495.

2 *Journals of the Senate*, No. 9, 11 October 2016, p. 295.

3 BlueScope Steel Ltd, *Submission 4*, p. 4.

2017, with Arrium Steel's name changed to Liberty OneSteel.⁴ Both developments are welcomed by this committee. However, the evidence received in this inquiry suggests that many of the underlying challenges that led to the financial problems of Australia's biggest steel producers remain. Without appropriate policy settings and proper government support, Australia's steel industry remains vulnerable to future crises.

1.8 The committee acknowledged the broader nature of the challenges facing the steel industry in its interim report on the collapse of Arrium. As such, the committee recommended that the committee's final report should address in detail potential policy and legislative reforms, particularly in the areas of anti-dumping and countervailing measures, government procurement and standards. This report addresses these issues and makes a range of recommendations intended to help secure the future of the steel industry in Australia.

Other parliamentary inquiries relevant to the this inquiry

1.9 It is worth noting here that a number of other parliamentary inquiries have been held concurrently into some of the broader issues raised in this inquiry. These include, for example, the Senate Economics References Committee inquiry into non-conforming building products, the Joint Select Committee on Government Procurement's inquiry into the Commonwealth procurement framework, and the Senate Economics References Committee inquiry into the future of Australia's naval shipbuilding industry. Relevant evidence and conclusions from these inquiries are referred to throughout this report.

Scope and structure of the report

1.10 This report focuses on the issues that led to the creation of an environment in which the future of Australia's steel industry seemed uncertain, and will likely continue to place the future of this industry in jeopardy. These issues include: inconsistencies in standards and certification between domestically produced steel and imports, leading to non-conforming and potentially unsafe structures; an uneven playing field for Australian business in government procurement; and difficult international conditions, including a global oversupply of steel, trade-distorting policies by foreign governments, and a subsequent surge in imported, dumped and subsidised products into Australia.

1.11 The report consists of six chapters, including this introductory chapter:

- Chapter 2 provides an overview of the steel industry in Australia, including BlueScope Steel and Arrium (now Liberty OneSteel), and the role of steel manufacturers and distributors. It further outlines recent trends in Australian steel production. The chapter also examines the contribution of a domestic steel industry to the Australian economy, and considers what makes Australian steel competitive.

4 Liberty OneSteel, 'GFG Alliance has completed the acquisition of the Arrium Mining and Steel businesses', <https://www.libertyonesteel.com/announcement/> (accessed 12 September 2017).

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- Given the centrality of the collapse of Arrium to this inquiry, chapter 3 considers the events leading to Arrium being placed into voluntary administration (a matter considered in greater detail in the interim report) and provides overview of the subsequent sale of Arrium to GFG Alliance. The chapter also briefly considers the future of the steelworks, including the significance of recent announcements by Mr Sanjeev Gupta, Executive Chairman and Chief Executive Officer of GFG Alliance, regarding plans to greatly increase the use of renewable energy to power the steelwork's operations.
 - Chapter 4 summarises the current regulatory framework for steel standards and certification requirements, and looks at the effects of differing expectations and requirements of domestic and international producers. The chapter also examines examples of non-conforming steel products and fraudulent certification provided in evidence. In considering these matters, the chapter also outlines relevant recommendations made in the Joint Select Committee on Government Procurement's June 2017 report on amendments to the Commonwealth Procurement Rules, and considers the government's response to those recommendations.
 - Chapter 5 addresses government procurement policies as they relate to the steel industry. In doing so, chapter 5 outlines the current Commonwealth Procurement Rules (as of March 2017) and the Australian Industry Participation framework, and considers the various views expressed on these matters by inquiry participants.
 - Chapter 6 outlines current international conditions and their effect on the Australian steel industry. These conditions, as chapter 6 explains, are characterised by an international glut in steel, trade distortion policies by other governments, and a recent rise in dumped and subsidised imports. The chapter also describes Australia's current trade remedies regime and recent legislative changes to the anti-dumping framework.

Acknowledgements

1.12 The committee thanks all those who assisted with the inquiry, in particular the individuals and organisations who made written submissions and appeared before the committee in public hearings. The committee benefited greatly from the participation of these individuals and organisations.

1.13 The committee especially thanks individuals who wrote to the committee outlining the personal impact that the decline and possible end of domestic steel production would have on their lives and livelihoods. The evidence given by these individuals was crucial to the committee coming to an appreciation of the need for stronger action to ensure the survival of Australia's steel industry.

