

Additional comments by Senator Rex Patrick

A Stark Choice; Stealing our Jobs or Steeling Our Future

1.1 I appreciate the extensive work of the Committee and Secretariat on this extremely important issue, which goes to the heart of Australia's capacity as a manufacturing nation, and I broadly support the report's recommendations.

1.2 However, the importance of Australia's steel industry, as a fundamental foundation to the existence of manufacturing and the national security imperative of having a vibrant and sustainable industry must be adequately supported by Government policies.

1.3 The report appropriately mentions the immense challenges the Australian Steel industry has faced in recent years. A slashing in local steel production and with it, Australian jobs, a flooding of often sub-standard imported steel products, and a failure of energy policy that has led to a massive spike in the cost of power are just some of the key observations made in the report.

1.4 The difficulties faced by the then Arrium OneSteel in Whyalla, the trauma of administration from February 2016 to September 2017, and the takeover by the GFG Group are in a sense emblematic of the tumult of the industry. Fortunately there is renewed optimism in Whyalla because of GFG's track record overseas and their vision to grow the Whyalla Steel works.

1.5 Despite the justified optimism that has come with GFG's investment in Whyalla, Whyalla is not out of the woods yet. Whyalla, and indeed the entire Australian steel industry would benefit for substantial and real reforms in a number of areas.

Government Procurement Issues

1.6 The Government must ensure that when it spends the tens of billions of dollars of taxpayers money (\$56.9 Billion in 2015-16) it spends it in a way that maximises benefit to the Australian community. Buying the cheapest goods from overseas costs jobs and increases welfare costs and does not serve Australia well.

1.7 In late 2016 the Nick Xenophon Team negotiated sweeping changes to the Commonwealth Procurement Rules, which came into force on 1 March this year. These changes included a requirement that consideration be given to the economic and employment impacts of procurement decisions.

1.8 A joint Parliamentary committee was set up to look at the new rules and how to best implement them. The committee reported in June with both Labor and Liberal members unanimously agreeing the rules and guidelines behind them should be strengthened even more to give full effect to the changes.

1.9 The Government did not agree to the changes.

1.10 This will have a long term detrimental effect on Australia's steel industry. The Government must reconsider its position on the recommendations.

Recommendation 1

The Government must reconsider its response to the Joint Select Committee on Government Procurement in respect of ensuring economic benefit is properly considered in any purchase.

Compliance Issues

1.11 The report makes mention of the problems and dangers of using sub-standard steel in construction projects around Australia. The Senate Inquiry into non-conforming building products is also examining those issues.

1.12 The Australian Government must ensure that when Australian taxpayers money is used for projects that utilise steel, including projects funded by grants to the States, that the steel used in them meets Australian standards. Laws must also be changed to ensure private construction projects also use high quality Australian standard steel.

1.13 Again, the sweeping changes negotiated to the Commonwealth Procurement Rules by the Nick Xenophon Team had a requirement to ensure, where steel was to be used in goods procured, the tenderer must demonstrate the capability to meet Australian steel standards and contracts must contain evidence of those standards.

Recommendation 2

The Government must reconsider its response to the Joint Select Committee on Government Procurement in respect of mandated Australian Standards in Government procurement.

1.14 The Australian Government must also seek to ensure that Australian standard steel is used in all commercial projects.

1.15 Finally, the report identified the fact that some steel that is claimed to be of Australian standard was in fact not. As the eminent jurist Lord Denning once said, "Fraud unravels everything". Where steel is installed under the false pretence of meeting Australia standards, strong civil penalties should apply, and where someone is injured or killed as a result of the use of such steel, strong criminal penalties should apply.

Recommendation 3

Where steel is installed under the false pretence of meeting Australia standards, strong civil penalties should apply, and where someone is injured or killed as a result of the use of such steel, strong criminal penalties should apply.

Dumping Issues

1.16 The impact of dumped steel on Australia's steel industry cannot be understated.

1.17 Australia's anti-dumping and countervailing system has improved over the past few years but there is still much more that can be done, including:

- (a) *An Effective Anti-dumping Advocacy Service for SMEs:* The reconstitution of an advocacy and advisory service similar to the previous International Trade Remedies Advisory Service ('IRTA') is required to assist SME Australian producers to determine whether a *prima facie* case of dumping, countervailable subsidies or duty circumvention exists, to prepare and lodge an application with the Commission and to support an applicant through the anti-dumping screening and investigation process. A restored advocacy service would not only be of assistance to the Commissioner, but also to SME Australian industry members who will have their best interest represented through an advocate. Such a reconstituted service would need to operate independently of government, possibly hosted by industry advocacy groups, as did the previous ITRA service.
- (b) *A Simplified Application Process for SMEs:* The current application process to complain about dumping has been criticized as "extremely complex, expensive and bureaucratic". Adopting the European Commission's approach would still satisfy the need to be WTO compliant but would reduce the burden on the Australian industry applicant to extract and present – in some case, extraneous and irrelevant – information. A shift to an 'inquisitorial' styled application process would see the Commissioner drawing out the relevant merits of a case without placing a 'blanket' burden on the Australian industry SME applicant to do so. This ensures that the 'best available' information forms the basis of a decision to initiate – what is always – an expensive and time consuming formal investigation process for industry, market stakeholders and the taxpayer. The role and resourcing of the Commissioner's 'Anti-Dumping Information Service' would be central to this reform.
- (c) *An Increased focus on Countervailing:* As Australia has become more effective in tackling dumping of imported goods causing material injury to Australian producers, the role of countervailable subsidies has continued to grow. The investigation of foreign governments' countervailable subsidy programs is extremely expensive and beyond the reach of most Australian industry members. To address this growing problem I suggest the Commissioner direct resources to this; additional resources if necessary.
- (d) *Enhanced Skilling:* Consistent with the recommendations of the 2012 Brumby 'Review into Anti-Dumping Arrangements', the Anti-dumping

Commissioner needs to further address the shortage of staff with appropriate skill sets to execute his functions. The increased use of independent non-government experts, especially during exporter verification visits, needs to be seriously, and rapidly, considered.

Recommendation 4

Australia's anti-dumping and countervailing system must be enhanced with:

- a) Effective Anti-dumping Advocacy Service for SMEs**
- b) A Simplified Application Process for SMEs**
- c) An Increased focus on Countervailing**
- d) Enhanced Skilling within the Anti-Dumping Commissioner's Office**

Energy Issues

1.18 Australia's steel industry requires reliable and affordable power supplies.

1.19 South Australia's state-wide blackout on 26 September 2016 almost led to irreversible damage to the steel works and production facilities were it not for the emergency reconnection of power. Reliable power to Australia's two major steelworks is essential.

1.20 The committee refers to the massive increase in energy costs for such an energy intensive sector with Bluescope's electricity costs almost doubling in the course of two years. This places the long term viability of steel manufacturing in Australia at risk, and reflects poorly on our political leaders for their continued squabbling which has failed to deliver an effective and cost efficient solution. The fact that GFG has elected to go off-grid is an indictment on both State and Federal Governments – it cannot wait for a solution to emerge in serval years' time.

1.21 A Frontier Economics report commissioned by Malcolm Turnbull and Nick Xenophon in 2009 recommended Australia adopt an EIS. Government authorities and industry alike have stated a preference for such a scheme but toxic politics in relation to energy policy have prevented this being implemented. A CET has also been proposed as a solution to Australia's electricity woes by Australia's Chief Scientist, but that has also been rejected. Now an NEG is being advanced. Australia must settle on a policy solution to the investment strike and disorder in the electricity industry.

Recommendation 5

Australia's should adopt an EIS, but failing that it must settle on a policy that delivers reliable, affordable and clean energy.

Co-investment

1.22 GFG's purchase of OneSteel does not alone guarantee the long term survival of the steel works or, indeed, the town of Whyalla.

1.23 There is still a requirement for significant government co-investment at a State and Federal level. The economy wide benefits and multiplier effects to such a co-investment are obvious.

Recommendation 6

Government must recognise the need and benefit of co-investment in GFG Liberty OneSteel.

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