



# ASA NEWSLETTER

## What about the Australian steel users?

Partly in response to Bluescope's decision to exit the export market and shed up to 1000 jobs the Prime Minister is to hold a Jobs Summit on October 6 following her Canberra Tax Forum.

Having been fed misinformation by big business and their lobby groups, trade union reps and Government politicians have been demanding an inquiry into the manufacturing industry due to signs of increasing unemployment and recent job reduction schemes by big business.

What the Government can achieve from this Summit is not clear but what is clear is the number of jobs at risk in the more wider steel industry being those downstream and independent of both Bluescope and Onesteel.

## What voice have 80,000 people?

The CEO of Onesteel as recently as this month acknowledged that the Australian steel industry employs approximately 100,000 people. Bluescope and the Australian Steel Institute have made similar statements.

**Clearly, if Bluescope and Onesteel employ around 14,000 people – (soon to be 13,000) – in their steel making and distribution businesses then over 80,000 people are employed in other businesses including fabrication,**

**roll-forming, other value adding manufacturing, distribution, design and engineering, etc.**

It seems that those businesses that sustain a domestic steel producing activity are excluded from Government forums dominated by big unions, big business and lobby groups representing big business.

Now that Bluescope has exited the export market both steel producers are domestic market orientated and without Australia sustaining a viable efficient steel using sector the basis for maintaining a Bluescope or Onesteel making steel becomes difficult to justify – who could they then sell to?

The interests of all employers and employees, both directly and indirectly, engaged in the Australian steel industry should be taken into consideration.

## Editorial comment

The Australian anti-dumping provisions are not there to protect and sustain particular business activities unable to withstand competitive market forces or businesses that would fail for other reasons such as having to achieve cost synergies to justify past acquisitions, etc.

Onesteel for example claim to support free trade and a market based approach but say the playing field must be level and that currently Australia does not have an effective market due to a number of distorting factors such as the FX rate in Australia and Onesteel's competitor countries.

This Association also believes in a market based approach but suggests that a local business activity that continuously resorts to using its open access to our anti-dumping provisions has to have problems other than just competing imports.

Onesteel has unsuccessfully initiated anti-dumping actions on imports of small diameter pipes (CHS) and RHS in years 2004, 2006, 2008 and again in 2009 when after 18 months this last investigation ended in August 2010.

Now Onesteel has applied yet again.

Onesteel's latest use of the anti-dumping system has resulted in an investigation on imports from China, Korea, Malaysia, Taiwan and Thailand, during the 12 month period ended June 2011.

Vietnam has not been included as Onesteel is understood to have an exclusive supply arrangement with the Vietnam mill that makes its Hot Dipped Galvanised Pipe (HDGP).

Given the current political and industrial landscape this current action may well result in Onesteel being the only local market supplier of HDGP, but via Vietnam and China with Onesteel tags.

The ASA is seeking your feedback, and that of your customers, by requesting you consider completing and returning the brief Survey on the next page. Responses can be sent to info@steelaus.com.au or mailed to P.O. Box 4303, Geelong Vic 3220.

## OneSteel has ATM up for sale

OST has commenced a review of its steel product portfolio and footprint and has reportedly appointed KPMG to conduct a vendor due diligence on its Pipe and Tube business (ATM) division which has an asset value of between \$150 – \$200 Million.

**For the year ended June 2011, ATM volumes were down 5% but its market share actually increased.**

According to its Annual Report, ATM volumes were impacted by declines in construction and manufacturing activity

and margins were adversely affected by the skyrocketing Australian Dollar which has now returned to earth.

## Local steel prices to increase

Onesteel has notified customers that as “international steel pricing has strengthened over recent months in an environment of resiliently high steel making input costs” it has become necessary for Onesteel to implement price increases from 10th October 2011, and with more to come.

Bluescope Distribution has also advised customers to expect price increases of from

\$60 to \$120 per Tonne for most product groups. Bluescope claims that (like most businesses) it has been absorbing rising costs associated with labour, freight, processing, warehouse and general utilities such as large increases in energy costs.

It's also expected that with the Oz dollar's recent free fall the local producers may take the opportunity to impose more price hikes within the next few weeks and Bluescope is already considering the imposition of specific surcharges.

## An invitation to respond

We would greatly appreciate your taking the time to complete and return the brief Survey below.

As outlined on page 1 of this Newsletter, Onesteel ATM has again asked the Australian Customs Service to investigate the alleged dumping of pipe and tube from Thailand, Taiwan, Malaysia, Korea and China. This is the fourth dumping action in as many years and they are yet to be successful. We believe their motives are to reduce the competitive discipline that imported product brings to our market. Onesteel's application for anti-dumping duties is available to view at <http://adpr.customs.gov.au/Customs> or phone (02) 6275 6828.

Our aim with this survey is to get feedback from the people who actually use the products we sell, the point where the products are transformed from semi-finished to a finished product. We know

you operate in a competitive environment and would prefer it to remain that way. If you're not in business then neither are we.

Your feedback will be used to show that a reduction in competition will affect more than just a few steel traders and independent stockists. It will affect businesses like yours and the thousands of people directly or indirectly employed. One important point to note is Australia's No. 2 pipe and tube producer Orrcon has chosen not to join with Onesteel in supporting this anti-dumping application.

We thank you in advance for your time in reading and completing this brief survey.

Type of Business:  Manufacturer  Fabricator  Reseller

Number of Employees:  1-3  4-7  8-20  21+

Years in Business:  < 1  1-3  4-7  7+

Business Ownership:  Family  Private  Public

Do you think there is enough competition between your steel suppliers?  Yes  No

Are the current steel prices keeping your business competitive?  Yes  No

Would it harm your business if there was less market competition on steel supply and higher prices from less suppliers?  Yes  No

As a manufacturer / fabricator is there a threat to your business from pre-engineered and manufactured imported products?  Yes  No

Would you welcome less competition from your steel suppliers if dumping duties were imposed?  Yes  No

Please advise any additional comments you may have and particularly on the steel user sector .....

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