

STEEL INDUSTRY PROTECTION BILL 2016

Second Reading

Mr RYAN PARK (Keira) (10:55): I move:

That this bill be now read a second time.

What a day today is. For the first time certainly in this Parliament, and perhaps in this country's history, this legislation goes to the heart of the reason my colleagues and I sit in this place: to fight, work and advocate for the men and women who work in an industry that keeps our economy moving, who play a strategic role in one of the most important industries not only in my region or in New South Wales but in this country, and that is the industry of steel making and steel producing.

This is a community bill. For the first time in this Parliament's, this is a bill that has the support of the entire upper House, including the crossbench of The Greens, The Shooters, Fishers and Farmers Party, the Christian Democratic Party and the Independents, and, of course, Labor. This bill has come into this place following an enormous amount of work from the men and women in the trade union movement—the Australian Workers' Union [AWU] and the Australian Manufacturing Workers' Union [AMWU]—industry, the South Coast Labour Council, the Australian Steel Institute, and particular businesses who have advocated and put their neck out, such as K&R Fabrications and Leussink Engineering. To the men and women of these organisations and to the workers who have advocated for this bill, I hope today that this debate and the ongoing debate does the justice that your hard work deserves.

It also gives me great pleasure to acknowledge my shadow ministerial colleagues, the Hon. Adam Searle in the other place, and Mr Clayton Barr, the member for Cessnock, and our Labor members of Parliament, Mr Paul Scully, the member for Wollongong, and Ms Anna Watson, the member for Shellharbour, who are both tireless advocates, along with our Federal members of Parliament, Sharon Bird and Stephen Jones, for this important legislation. I acknowledge them. I acknowledge their work. I acknowledge the efforts that they have brought to this important legislation today. The time has come. The world has shifted. Things have moved on. Anyone who sits in the oldest Parliament in this country and fails to take the lessons of Brexit or Trump is missing some fundamental points. I do not believe for one second that all of the people who voted for Trump are racist bigots.

I do not believe that all of the people who voted for Pauline Hanson are necessarily racist bigots. Some of those people are in our electorates. Some of those people feel that they have been left behind. Some of those people feel that our growing economy has not included their growth and their development. This bill is the first plank to start to correct that. This bill is not about protectionism, and I will go through that later. This bill is about something very, very simple. If we, as taxpayers, invest in key strategic infrastructure projects that equate, regardless of who sits on the other side of the House or on this side, to billions of dollars worth of infrastructure, then what the men and women who have fought so hard to see this bill land here today simply say is that they want to ensure that locally based industries that employ local workers, support local businesses and support local industries are also supported. That is not protectionism; that makes sense.

I will go through the details of the bill before I outline very clearly how things have fundamentally changed. The Steel Industry Protection Bill 2016 essentially asks that at least 90 per cent of the steel used in public works or infrastructure constructed by or on behalf of public authorities is manufactured in Australia. For the first time, what we are proposing is a mandate: governments will have a clear bar to work towards and maintain. All we are asking is that if a government is going to build roads, schools and hospitals of the future, the steel for those be sourced locally where that is possible.

My colleagues and I are particularly proud that this bill outlines a number of other important elements. I will go through firstly some relevant provisions in this bill to elucidate what this bill will do and what it will not do. Clause 6 of the bill outlines relevant contracts and it defines what a public authority must do and what it must not do in contracts in relation to this procurement. Clause 6 (1) states that a public authority must not enter into a relevant contract unless the contract contains a provision that requires at least 90 per cent of the steel—other than excluded steel—used in the construction of the works under the contract to be manufactured in a blast furnace or an electric arc furnace that is located in Australia.

My colleagues on this side of the House as well as those on the other side and the men and women in the gallery know that the Illawarra has a very proud history of steelmaking and that our economy is in transition. But not everyone can work in this new economy straightaway. As Wayne Phillips says, not everyone can pour coffee. The reality is that men and women in the steelworks need a future. Clause 6 (1) (a) of the bill outlines very clearly that 90 per cent of steel should be produced in Australia. Clause 6 (1) (b) is also important. It states that a public authority must not enter into a relevant contract unless the contract contains a provision that imposes a financial penalty on any party to the contract who fails to comply with the steel requirement provision. We are not just talking; we are mandating. We are not just saying we will do something; we are doing it. We are not just talking; we are legislating. We are not just thinking; we are acting.

In government we will ensure that procurement is done following the passing of this legislation, and if people want to try to get around that, there will be penalties and an advocate to crack down on them. Clause 6 (1) (b) states that a public authority must not enter into a relevant contract unless the contract contains a provision that requires any party to the contract who undertakes to construct any relevant public works on behalf of a public authority to provide a cumulative steel usage report to the public authority before the public authority makes any progress payment or final payment under the contract. The message is clear: if public authorities are using taxpayers' money, we want them, where possible, to use Australian steel. We want to ensure that they continue to support one of the most important, strategic industries this country has in a dynamically changing world, a world where we see enormous shifts in power, both politically and financially. We need an ability to continue to produce steel in this country.

I highlight other clauses that my colleagues and I are happy to have had put into the bill. A NSW Steel Industry Advocate will be announced. My colleagues and I are proud to say that this advocate, to be appointed by the Governor, will be based in the Illawarra, the heart of one of the most iconic steel-making industries in this country, if not the world. The holder of the office of advocate is required to hold that position on a full-time basis, except to the extent permitted by the Minister. The important functions of the advocate are outlined in clause 10 of the bill.

The NSW Steel Industry Advocate will be able to monitor compliance with the requirements of this bill. The advocate will monitor whether steel, other than excluded steel, required by this bill to be used in the construction of relevant public works is manufactured to the appropriate Australian standards. The advocate will conduct a review of the steel manufacturing and fabrication sector, with a particular focus on the following: the supply chain capabilities of the sector; the coordination by the sector of research, development and innovation, which is a key area that my colleague Paul Scully has talked to me about for some time; the investment in the sector of plant and equipment; and prepare reports in accordance with this bill.

The advocate may, in connection with the exercise of the functions of the advocate under this bill, make such inquiries and undertake such investigations as the advocate considers necessary, and the advocate may, by notice in writing, request that any person provide, or require any public authority to provide, the advocate with information, including documents, relevant to the exercise of the functions of the advocate under this bill. This is also important. The NSW Steel Industry Advocate will be required to prepare, at least once every 12 months, a report setting out a State infrastructure plan—the member for Shellharbour was influential in ensuring that that requirement became a part of the bill—that identifies future relevant public works, and the steel requirements of those works. It essentially creates certainty for the sector with a pipeline of works going forward.

The advocate is required to prepare, at least once every two years, a report on the procurement policies of the State—which my shadow ministerial colleague the member for Cessnock has spent a lot of time on researching and developing—and whether those policies adequately take into account all costs and benefits related to steel procurement, including those related to transport, insurance, maintenance, repair, the environment, employment and, most importantly for those of us from regional communities, regional development. This is an important bill, which I am proud to talk about. I want the Government to consider it and support it.

I will now outline some independent advice and I again acknowledge the trade union movement for commissioning BIS Shrapnel to prepare a detailed economic analysis to show what this type of change means for the community that I am honoured to represent and that the member for Wollongong and the member for Shellharbour are also honoured to represent.

Before I go through the BIS Shrapnel information I will outline some of the work that the Australian Steel Institute has commissioned. The Australian Steel Institute, an organisation with which I met extensively in the formulation of this legislation, said that maximising local content is of high importance and that for every \$1 million of local manufacturing output gained or retained in New South Wales, six full-time jobs would be retained, \$225,000 of tax revenue would be generated, and \$64,000 in welfare benefits would be saved.

What does this mean on the ground? Unless significant change is made this generation might be the last generation to have an input into the steel industry. Significant change will mean that those men and women who contribute to our economy, whose children go to our local schools and who educate their children at wonderful universities can continue to be employed. I think of those men and women every day when I advocate for legislative change in this place. However, as shadow Treasurer I know that legislation such as this can generate huge economic benefits. No State or Federal Treasurer would laugh at a saving of \$64,000 in welfare benefits. More importantly, if we are not paying those benefits it means that people have work—something that everyone in this Chamber should support.

BIS Shrapnel—a firm that has been used by governments in the past, that many members respect and that has provided us with much information in the past—said that the proposed 90 per cent local steel content would cost the New South Wales Government. While formulating this legislation and the shadow Cabinet minute, my colleague the Hon. Adam Searle in the other place and my colleague the shadow Minister and member for Cessnock, Mr Clayton Barr and I have never said that this would be a free ride. BIS Shrapnel said there would be \$61 million to \$80 million annually in additional costs to the public sector. I place this on the record now because I want members to be aware of the transparent way in which all parties involved in the preparation of this bill have gone about their deliberations.

What additional costs will be borne by the public sector? BIS Shrapnel estimates that a gigantic 0.2 per cent of total construction costs for public projects will be borne by the public sector, based on the assumption that the prices of locally sourced steel are 10 per cent higher than the equivalent imported product. No-one is arguing that there will be no cost to the community that I am fortunate enough to represent, but much higher costs will be incurred if we do not make these changes. Not having a steel industry is not like losing a corner shop; it means that thousands of men and women in the area that we call home will not be able to pay their mortgages and will not be able to contribute to one of the largest economies in New South Wales and one of the largest regional economies in Australia. It means that they will move away from the area, fly in and fly out, and spend weeks at a time away from their families and loved ones.

It means that the Illawarra region will become a quasi suburb of Sydney which people visit to enjoy the beach and then go home. That is not the future that my colleagues want for our great region. We want a steel industry because this country needs a steel industry. We want a steel industry in Australia as it has served this country during times of war, depression, crisis and large-scale capital works upgrades. The Labor Opposition wants men and women to have a future in one of the most strategic industries in this country—steelmaking. The Illawarra and the Hunter are proud

steelmaking regions. Their residents are proud sons and daughters, parents, loved ones, friends and apprentices working in the steel industry.

The industry is now at tipping point and members and the community need to understand just how critical it is. This is not just about BlueScope steel; it is about ensuring a future for steelmaking. Last year my colleagues and I acknowledged that the Government secured payroll tax relief for BlueScope as it went through a difficult financial period. Market changes were much larger than anything that could be prepared for and the threat to the steel industry and BlueScope was real. Men and women in the gallery today worked hard and advocated on behalf of all steelworkers.

That crisis was endured but not without suffering and pain. However, it could have been much worse. Labor acknowledged and supported the workforce but stated from the outset that it appreciated what the delay in the payment of payroll tax would mean for the workforce and the industry. I have placed Labor's position on the record to avoid it being misconstrued. This bill is not about a temporary fix; it will ensure the sustainability of a strategic industry and ensure an ongoing pipeline of works. This Government must support local jobs and regional economies when it is building bridges, roads and infrastructure. That is what this bill is about.

I spoke earlier about some of the economic changes that are occurring around the world. In November last year we all watched Mr Trump's frightening rise in popularity prior to the United States presidential elections. The Treasurer of New South Wales is a supporter and strong believer in the conservative stream and Donald Trump. I hope that those who support Donald Trump believe in more than building the great wall and his ill-treatment of people of a different race or religion. Trump is starting to make fundamental economic changes to the way in which the largest economy in the world procures goods. This debate is not covering new ground; it is occurring in the United States of America and in Britain. Last year Malcolm Turnbull announced that Rem Steel Sales would be the preferred supplier of steel for a major rail project carried out by the Australian Rail Track Authority.

I know that we will hear Government members yell the word "protectionist" loud and clear. They have read their *Economics 101* textbook. They have drunk the Young Liberals Kool Aid. They have all said that about anyone who wants to defend local jobs. Despite the global economic shifts that have occurred in the past 12 months in particular and despite what some of our largest trading partners are doing to us, the Government wants to ignore the issue. The Government wants to continue down the old path. There is a new opportunity here to deliver real jobs and industry sustainability in the future. I find it interesting that Government members talk about protectionism, when the Prime Minister announced that the rail track in South Australia will be built with steel produced in Whyalla. It is not a small project; it is 600-odd kilometres and is to be operated by the Australian Rail Track Corporation. There will be no tender process. There will be no changes. The message is, "You have got the job."

Many people contributed to my research on this bill, and I acknowledge their involvement. My research on the situation in other States provided some interesting examples. Government members may like to listen to this. The previous conservative Government in Victoria—which I think was in government for two or three minutes—also developed procurement practices that recognised the economic value through the value chain. Recent Labor governments have strengthened that via their focus on strategic projects. There are rules for 90 per cent local content in the large-scale level crossing work being undertaken by the Andrews Government. The South Australian Government is focusing on measures that recognise the economic benefit from procurement through labour, capital investment and supply inputs via small- and medium-size enterprises in the steel value chain, as well as mandating supply to Australian standards.

We are not breaking new ground here, but it is important ground. I assume that Government members have received their brief from the Minister's office. Their huge contribution is to print that out and come into this Chamber to read it. I return briefly to issues that Government members may raise about free trade. I have heard it said that this will be the end of free trade agreements. We have obligations under existing free trade agreements. No-one disputes that. They restrict procurement policy changes on the grounds of competition. Article 15 of the Australia—United States Free Trade

Agreement provides for government procurement preferences for production by small and medium enterprises. It should also be noted that the Australia—United States Free Trade Agreement exempts the steel industry from involvement in large areas of government procurement. I understand that that is to be reviewed soon. That would be a great opportunity for Australia to exempt our steel sector as well.

I turn to the matter of costs, not only the cost to taxpayers to implement this measure—and, as I have clearly outlined, there is a cost—but also managing whole-of-life costs. Governments of all persuasions are not managing the costs when we enter into negotiations, procurement and contracts that are outside local industries, where that is possible. That leads to missed opportunities in regional development and investment, and in jobs growth. It leads to missed opportunities for apprentices and trainees, and for small businesses and industries that rely on the sector. Those of us who have grown up with the steelworks in our community know that the steelworks at Port Kembla does not sit in isolation.

It is intertwined with our economy—from the people who supply the paint and the people who supply produce for the canteens to the people who do the maintenance. Thousands upon thousands of small- to medium-size businesses rely on the continued sustainability of the steel industry that so proudly sits in the electorates that we represent.

This bill is not just about BlueScope. It is not just about the Illawarra. The Steel Industry Protection Bill 2016 is about making sure that we continue to produce steel in this country. It is also about making sure that, when we spend New South Wales taxpayers' money on large-scale infrastructure projects, we add value. This value-adding comes about in three ways. It is in local jobs, local investment and local opportunities—for young people in particular—to work in an industry that people love and have a future in. That is what we are debating today. We are not debating free trade agreements or protectionism. I am not saying that there is no cost; there is a cost involved in this legislation. We are debating whether members believe taxpayers', when they foot the bill for large-scale infrastructure projects, should get more than a project—whether they should also get a community and workers who are supported in industry. If members truly believe that, they will support the bill.

This bill is not about protectionism; this bill is about workers. This bill is not about dollars and cents; it is about regional communities. This bill is not about big corporations; this bill is about small- to medium-size enterprises, particularly in the manufacturing and engineering sectors, which rely on a well-resourced, strong and strategic steel industry. The men and women in the New South Wales parliamentary Labor Party are proud. We are joined by our friends on the crossbenches, our friends in the other place, our friends from the trade union movement, our friends within business, and our friends in the Illawarra community. Most importantly, we stand by those thousands of men and women who will rely on this bill, now and in the future, to enable them to continue to contribute to the great economies of our region, our State and our nation.

I am very proud. I am very proud of my Labor colleagues—local members and colleagues within the shadow Cabinet. I am very proud of the men and women of the trade union movement, who have, for a long time, advocated change. I am grateful for the partnership they created with businesses in the electorate. Those partnerships stood up and challenged the status quo. They made sure that politicians like me spent time reading, reviewing, thinking, deliberating and changing. I thank wholeheartedly those people who have been with us on this journey from the beginning—the workers who took time out to contact me and my colleagues to contribute and to make sure that we understood just how important this issue is.

This is a community bill for a community. I am proud to have introduced it today. I encourage Government members to look beyond the rhetoric and ideology—to look beyond what they think is right—and to look at this bill for what it is. This bill is about ensuring that this country has, in the future, a steel industry that we can be proud of. As a country, we should continue to produce steel. With respect to taxpayers' projects, we must continue to make sure that we get more than a bridge, a road or a piece of rail infrastructure; we must also get jobs, growth in great regional economies,

opportunities for apprentices and workers, and growing investment in a great industry. I commend the bill to the House.