

Steel Industry Protection Bill 2016 (Proof)

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Speakers	Shoebridge Mr David; President
Business	Bill, First Reading, Second Reading, Motion

STEEL INDUSTRY PROTECTION BILL 2016

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Bill introduced, and read a first time and ordered to be printed on motion by Mr David Shoebridge.

Second Reading

Mr DAVID SHOEBRIDGE [10.20 a.m.]: I move:

That this bill be now read a second time.

The purpose of this bill is to secure a future for steelmaking at Port Kembla and in Whyalla. The blast furnaces are at serious risk of closure from a prolonged downturn in international steel prices and, in fact, by dumping by foreign competitors and manufacturers. The Port Kembla blast furnace must find a market for the two and a half million tonnes of steel it has to produce each year to remain technically and economically viable. It is a continuous steelmaking facility and it is not possible to simply turn it on and off to meet higher or lower demand.

The steel workers in Port Kembla have shown their commitment to the industry by accepting BlueScope management's offer—a forced take-it-or-leave-it deal—to deal with their conditions. The sacrifice of the steelworkers needs to now be matched by the State Government shouldering some of the responsibility for keeping the industry viable. These steelworkers have shown solidarity with not only the thousands of other workers who are directly dependent upon the steel industry in the Illawarra but also the many thousands of workers who are dependent upon the secondary industries and the residents of the Illawarra generally. Those people depend upon the steel industry to keep the economic future of the Illawarra solid. The steelworkers have accepted a reduced workforce and, indeed, a prolonged pay freeze, to keep the mill in operation.

The New South Wales Government, as all governments, has an obligation to step up and do its bit. It is important to note that the threats to both Australian steel plants are not caused by the workers or their lack of skills or innovation. We have some of the highest skilled, most productive and most innovative steelworkers on the planet. The global market, however, is in the grip of a price war with government owned and supported furnaces, primarily in, but not limited to, China, selling at or below cost. Indeed, Australia's ruling free trade ideology has left the industry unprotected against international predatory behaviour. The global steel market is a global failure. We are seeing global economic failure in the steel market and it is the responsibility of State and Federal governments to step in and address that global failure.

Much of the credit for this bill goes to my colleague Dr John Kaye, who cannot be here today, but I know he is here in spirit. Dr John Kaye worked with unions, the South Coast Labour Council, workers and academics to develop this bill. I acknowledge his work. But, with all due credit to John—and he is owed much—this bill is far from revolutionary. Indeed, if the House accepted this bill New South Wales would step into the mainstream. Australia would step into the mainstream internationally by taking action to protect the strategically essential steel industry.

New South Wales would not be the first or only government in the world to act in protection of its steel industry. The United States, often held up as a free market champion, has a long tradition of procurement policy focused on the steel industry. One sees that in States such as Pennsylvania and Illinois. The drafting of this bill is largely based on the previous work of legislators in those two States. When one looks at those States one realises that the rest of the world gets it. The rest of the world understands that without intervention, with a failing global market, the steel industry will fail. With the loss of the steel industry comes a loss of strategic capacity for world economies.

The Federal Government in the United States has taken action with the Buy America Act, the Buy American Act and, most recently, the American Recovery and Reinvestment Act. The American Recovery and Reinvestment Act, the so-called Obama stimulus package, included a provision that the multibillion-dollar public works projects funded by that Act needed to be made out of not only American steel but all manner of American raw materials and manufactured goods. As we debate this bill today, the European Union is also pursuing a program—different from this bill and, we would say, inferior to

it—of import tariffs and anti-dumping legal challenges in response to the slump in steel prices. Currently the Australian Senate Standing Committee on Economics is holding hearings on the future of Australia's steel industry. It has received strong submissions from the South Coast Labour Council, the Australia Workers Union and BlueScope.

Today in this Chamber we are joined by steelworkers from Port Kembla, union delegates and officials from the Australian Workers Union, the Maritime Union of Australia and members of the South Coast Labour Council. I give them credit for the work they have done to date. I give them credit for the sacrifice they have made in keeping the mill open. I acknowledge the solidarity they have shown with the people of the Illawarra. They have put their own industrial interests second to the future of that great part of this State. Any one of them could tell you better than I ever could about the amount of struggle and sacrifice that workers of the Illawarra have gone through in the past few months to save their jobs and their industry. They faced a tough company that was willing to play hardball and shut the mill if workers did not accept cuts. The workers did not want to accept the cuts but they knew it was in the best interests of the Illawarra to do so. In the interests of their families and their colleagues, they accepted them. I give credit to the workers, and the unions who came with them through that struggle. They have done their bit. Now it is time for the New South Wales Government to step up and do its bit.

A recently delivered BIS Shrapnel report estimates that less than 50 per cent of steel used in Australian public sector construction is produced domestically. That share, BIS Shrapnel says—and I think this is generally agreed—is forecast to fall to just 43 per cent by 2019-20 as government contractors increasingly turn to cheaper imported steel. That steel is imported not because it is necessarily cheaper to make but because it is being dumped in Australia. It is being sold in Australia through a failing global steel market. The BIS Shrapnel report identifies a readily achievable target of 90 per cent of Australian steel use in infrastructure projects. That would increase annual domestic demand by some 778 kilotonnes. That is enough to keep viable not just the Port Kembla furnace but also the Whyalla furnace. What would be the total cost to Australian governments? It would be insignificant compared to the benefits. The total cost to all Australian governments of a national steel procurement policy would be of the order of \$61 million to \$80 million a year. That is a fleabite on overall infrastructure costs.

At 0.2 per cent of total infrastructure costs this bill would increase the New South Wales infrastructure budget by less than \$34 million per annum. That would be the annual cost of this bill paid directly out of Treasury. I ask members to compare that to the \$60 million of the three-year payroll tax holiday that this Parliament recently unanimously supported for the industry. The difference between a payroll tax holiday and a procurement policy is that with a payroll tax holiday the industry does not have to produce one tonne of steel. But with a procurement policy the New South Wales taxpayers only pay when steel is produced in this country, when steel is produced in the Illawarra and when jobs, innovation and economic strength flows to the Illawarra. It is \$34 million a year that is paid back many times over with the economic activity that is created by retaining the steel industry in this State.

In return for a procurement policy the nation would avoid the loss of more than 10,000 jobs in the steel industry, and in the related industries well over that. It would also avoid a \$10 billion hole in the nation's economy. It would be a small price to pay—a price that would be paid back many times in returns from State and Federal taxes and in the avoidance of additional costs that would come if the industry shut down and the Illawarra went into a prolonged economic malaise as a result of the shutdown. We cannot allow that to happen. The sacrifice of the Illawarra steelworkers needs to be matched by genuine, effective policy from this Government.

I turn now to the provisions of the bill. Clause 4 of the bill provides that the object of this Act is to ensure, as far as practical, that all steel used in public works or infrastructure constructed by or on behalf of public authorities is manufactured in Australia. Clause 5 of the bill provides that a public authority must not construct any relevant public works unless any steel, other than excluded steel, used in the construction of the works is manufactured in a blast furnace or electric arc furnace located in Australia. Clause 6 of the bill provides that with each relevant contract entered into by a public authority the following specialised components can be excluded from the requirement for Australian steel—that is, a component or item that is made from a form or quality of steel that is not manufactured in Australia and could not be manufactured in Australia for a reasonable cost; or a specialty imported item or component that is not made or could not reasonably be made in Australia and would impose unreasonable costs if required to be made from Australian steel. Reasonable cost is to mean a cost imposition that not does not exceed 20 per cent of the base costs.

Clause 6 also provides that relevant contracts are to include a penalty clause. There is no point having a statutory provision without having a provision that makes it enforceable. That penalty clause would impose a financial penalty on any contractor who breached the Australian steel requirements that is equal to the product of the quantity of steel used in the contract that did not conform to the provisions of this bill and a penalty price set by regulation that must be no less than \$1,000 per tonne as adjusted of the 2015 values by the consumer price index [CPI]. Clause 7 of the bill provides that all relevant contracts are to include provisions requiring contractors and subcontractors to submit a cumulative steel usage report to the public agency with which they have contracted before any progress payment or the final payment is made. Indeed, a cumulative steel usage report is to specify the quantity of steel used, broken down by the origins of that steel, along with evidence that establishes the veracity of the quantities and the origins of the steel.

The bill provides in clause 9 that the Independent Pricing and Regulatory Tribunal [IPART] is to oversee this entire process. IPART is to report annually to Parliament on the effectiveness of the bill, and that includes the percentage of steel used in relevant public works for each relevant public agency and the estimated additional cost of the procurement as a result of this bill for each relevant public agency. The Greens, the unions and the supporters of a steel procurement policy

are not afraid of scrutiny. We are not afraid of transparency. We want this to be on the table for the public to see the modest cost of protecting our industry as against the enormous social and economic gains of retaining the steel industry in this country.

The bill also has some relevant definitions, and they include the definition of excluded steel which I have dealt with in some detail. It is also intended to cover the gamut of public authorities. Public authorities mean any of the following: a New South Wales government agency, a public service agency, a local council, a State-owned corporation, and any other person or body that is prescribed by the regulations to be a public authority for the purposes of this Act.

If Port Kembla shuts down it is never coming back. We do not get a second chance at this. But with the right policy—policy developed in consultation with the labour movement, with workers in the Illawarra and with the community of the Illawarra—we can ensure that this industry which has operated for 80 years operates for another 80 years. We can protect good, honest, solid jobs and support countless more across the State; and we can use the steel industry as a springboard for a high-tech manufacturing revolution that delivers low carbon steel with world's best environmental and labour standards. But we will only get investment in the steel industry for that low carbon future if we give the industry security, and that means long-term security with a long-term commitment to take Australian steel in public infrastructure projects. That is what this bill provides.

The Hon. Paul Green: A very fast train, using Australian steel.

Mr DAVID SHOEBRIDGE: I note the interjection from my colleague.

The PRESIDENT: Order! Mr David Shoebridge should be able to conclude his speech in silence.

Mr DAVID SHOEBRIDGE: Any fast train project, which must and inevitably will come, must run on Australian steel. That should be our commitment to workers in the Illawarra. This is a future that we can make happen if Australian governments join the rest of the world in acknowledging that the global steel market is failing. The Australian steel market is the subject of predatory action from international competitors who have no interest in Australia retaining its steel industry.

The national interest requires commonsense intervention to protect the strategic steel industry in Australia. Saving the Australian steel industry should be something that all parties in this Parliament and in other parliaments across this country can unite behind to protect the strategic industry. The Greens are committed, in presenting this bill, to working across parties to ensure that the objects of this bill are implemented at the first available opportunity by the New South Wales Parliament and the New South Wales Government. I commend the bill to the House.

Debate adjourned on motion by the Hon. Greg Donnelly and set down as an order of the day for a future day.