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Galvanizers Association of Australia Conference

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Thank you for inviting me to open the Galvanisers Association of Australia Conference. One of the highlights of my decade as the Federal Member for Newcastle has been working closely with the manufacturing sector – a sector that makes a major contribution to the local and national economy. So I am pleased to be here today.

I'd like to acknowledge Vince Gucciardo and Peter Golding, the Chairman and CEO of the Galvanisers Association of Australia, and representatives from ATB Mawson Group's Hunter Galvanizing, Industrial Galvanizers, and OneSteel Australian Tube Mills - all companies in my electorate of Newcastle. In fact engineer friends frequently remind me that in Newcastle we are Galvanisers Central. So welcome everyone.

There is no denying that we are meeting at a time when our nation and indeed the world are experiencing rapid change. Like all modern economies we face challenges that place competitive pressures on our domestic industry - high exchange rates and the rising value of the Australian dollar, high raw material input costs, diversion of skilled labour into the mining sector, the growth of capacity and demand in China and India, pressure on the availability and price of credit and the impact of the global financial crisis and its ongoing aftermath on world demand. And the Federal Labor government has added a new challenge by placing a price on carbon from July 2012.

It is important to view those challenges through the particular context of the galvanizing industry

Demand for the extraction and refining of base metal products such as aluminium, copper and zinc, and the fabrication of metal products such as steel girders, sheet metal and roofing material—key steps in the construction cycle—are tied closely to the needs of the construction sector. Over the preceding decade, low domestic borrowing rates drove asset prices higher and generated high growth rates in

household consumption, business investment and dwelling construction; with significant benefits for the construction sector.

Throughout the GFC a reduction in residential construction in Australia was largely offset by mining related infrastructure and the government's stimulus package – particularly the Building the Education Revolution Program.

Although demographic change is predicted to reduce housing demand in coming years, more than two-thirds of mining investment remains in non-dwelling construction such as roads, railways and ports, effectively buffering the sector against reductions in residential construction activity.

At the international level, Oxford Economics forecasts that in the coming years, the construction industry will grow by almost 70% - from \$7.2 trillion today to \$12 trillion in 2020, with construction in emerging markets and the cities of Asia and the Pacific expected to more than double.

Despite those projections we know that the domestic market is challenging and competition from cheaper imports is real.

Treasury's modelling makes it clear that Australian manufacturing will continue to grow by 70% to 2050 but at the recent Future Jobs Forum the manufacturing sector confirmed that many factors were putting increasing pressure on the industry. As a result, the Prime Minister announced that she will establish a Prime Ministerial Taskforce comprised of industry leaders, unions and senior government ministers to look at those pressures and appropriate policy response. The recent Tax Forum also agreed to look at tax reform measures such as the tax treatment of loss to see what can be done for the manufacturing sector caught up in our patchwork economy.

But the big issue for industry is the impact of a price on carbon.

As many of you would know, the Government's Clean Energy Future Bills passed the Lower House on Wednesday and will soon become law upon their passage through the Senate. What you may not know, however, is what we're doing to protect manufacturing and the steel industry, and to sustain their competitiveness and productivity through the Steel Transformation Plan and the Jobs and Competitiveness Program, to cushion the cost of the carbon price according to the emissions-intensity of the activity.

At OneSteel, for example, 94.5% of the carbon costs of an emissions-intensive activity such as integrated iron and steel production and carbon steel production from cold ferrous feed will be covered, whereas, only 66% of the carbon cost of lower emissions-intensive activities will be covered.

Through the Steel Transformation Plan, the Government will provide additional assistance worth \$300 million over four years in order to encourage investment, innovation and competitiveness in the Australia manufacturing industry. This package will assist the sector to transform itself into an increasingly efficient and

sustainable industry in a low carbon economy.

Under the \$9.2 billion Jobs and Competitiveness Package, the production of the two major material inputs for galvanizing, zinc and steel, will both receive the maximum 94.5% rate of assistance. This means on average the projected carbon cost for 2012-13 on a tonne of integrated steel will be around \$3 per tonne and only around \$1 per tonne for steel produced by electric arc furnacing. The carbon cost to zinc is projected to be on average less than \$6 per tonne.

Organisations like Hunter Galvanisers and Industrial Galvanising will be able to access grants through the Clean Technology Investment Program.

The Clean Technology programs will provide \$1.2 billion to eligible manufacturers in competitive grants to help manufacturers reduce their energy use and costs, create new jobs and skills, develop clean technologies, break into new markets and profit from Australian research.

Importantly, if Industrial Galvanizers believe they would be significantly impacted by the carbon price, they can contact the Department of Climate Change and Energy Efficiency to assess their eligibility for assistance under the Jobs and Competitiveness Program.

Under a carbon price Australia's economy will continue to grow strongly - an extra 1.6 million jobs will be created to 2020.

Newcastle and the Hunter region sit at the crossroads of change. With over \$300m invested by the federal Labor government into clean energy research and enterprise here in Newcastle – The ASI, Smart Grid Smart City, Newcastle Institute of Energy and Resources, the Clean Energy Technology centre as well as the CSIRO Energy Centre, we are well placed to gain from a low carbon economy. And with the assistance included in the Clean Energy Future legislation for our present industry their transition to energy efficiency and sustain these important industries and the jobs they create. If we get this right that crossroads is one of great economic activity and success.

I look forward to working with the steel manufacturers and galvanisers to achieve that prosperous future and wish you well at your conference.