Prince Engineering

Safeguard submission into import of fabricated structural steel made by Prince Engineering

1. Business Overview

1. Company name: Prince Engineering PTY LTD
2. Location of operations: Portland, Victoria 3305
3. Size of business
    - Annual turnover: $60m
    - Number of employees: 285 across the whole business (including Alcoa maintenance staff).
    - Approximate annual production volume: Steel through put capacity = 22,000 tonnes for the wind tower sector and around 3,000 tonnes for heavy structural steel. Prince Engineering's workshop facilities have an indicative steel throughput capacity of approximately 25,000 tonnes per annum under typical operating conditions. This figure represents the estimated productive capacity of the company's fabrication infrastructure, workforce, and material handling systems rather than the company's current or guaranteed annual output.

      Actual production volumes vary depending on project mix, contract timing, and market demand. The figure is provided to illustrate the scale of domestic fabrication capability available within Australia and the level of industrial capacity that can be utilised when local fabrication work is secured.

      In recent years, the increasing supply of imported fabricated steel products has significantly reduced the volume of work available to domestic manufacturers. As a result, Prince Engineering's current annual steel throughput has declined to approximately 1,000 tonnes per annum, representing a reduction of approximately 24,000 tonnes, or around 96% below indicative capacity.
4. Products manufactured with relevant tariff code classifications. The Appendix provides further details on each of these codes.
    - 7308900052 Columns, Girders, Gantries
    - 7308900055 Wind Towers
    - 7308900063 Communications Masts and Towers
5. Exposure to import competition
    - Approximate percentage of revenue exposed to direct import competition: 95%
    - Key customer segments: Building and construction industry and renewable energy industry

2. Evidence of an Import Surge

1. Market observations

Prince Engineering has observed a sustained increase in the penetration of imported fabricated steel structures in the Australian market over approximately the past 5–7 years, with the most pronounced acceleration occurring in the renewable energy and large infrastructure sectors since approximately 2012.

Historically, major structural fabrication packages, particularly wind tower sections, heavy plate structures, and large infrastructure assemblies were predominantly supplied by Australian manufacturers. In recent years, however, there has been a significant shift toward fully fabricated imports from Asia and, increasingly, Southeast Asia, often delivered as complete assemblies ready for installation.

This trend is particularly evident in the utility-scale wind sector, where imported tower sections and other heavy fabricated components have increasingly displaced domestic manufacturing capacity. In many recent project tenders, imported fabricated components have become the default commercial benchmark, with domestic manufacturers only able to compete where project owners impose strong local content expectations.

The increase in imports is evident both in absolute terms (total volume of fabricated steel entering the Australian market) and in relative terms (share of total project supply).

Prince Engineering has experienced a number of instances where contracts were either lost or where domestic manufacturers were unable to submit competitive tenders due to significant price differentials associated with imported fabricated products.

Example 1

- Contract / Project Description: A major Victorian infrastructure project involving temporary excavation support structures
- Approximate Value: significant local fabrication scope
- Date: recent procurement period
- Competing Product Origin: Imported fabricated steel components (reported as imported fabricated steel structures)
- Approximate Price Difference: Approximately 40% lower than the equivalent local fabrication price

The fabrication scope for this package consisted of heavy structural waler beams and propping elements used for temporary excavation support structures. The scope was technically well within the fabrication capability of Prince Engineering's Portland facility.

Despite this, the project procurement outcome has reportedly resulted in these heavy fabricated components being imported, with landed pricing understood to be approximately 40% lower than comparable Australian fabrication costs.

The scale and weight of these components would ordinarily favour local fabrication due to transport efficiency, reduced logistics risk, and schedule flexibility. However, the magnitude of the price differential meant that imported fabricated structures were commercially preferred despite these advantages.

This project provides a clear example of imported fabricated steel directly displacing domestic manufacturing, even in circumstances where local fabrication capacity and capability are readily available.

Example 2

- Contract / Project Description: Utility-scale wind farm tower fabrication
- Approximate Value: large-scale fabrication scope
- Date: recent tender cycle
- Competing Product Origin: Imported fabricated steel structures
- Approximate Price Difference: Estimated 30–35% lower than domestic fabrication pricing

In this instance, imported fully fabricated tower sections were offered at pricing levels substantially below the achievable cost base of Australian manufacturers, even after accounting for freight and logistics.

Prince Engineering has invested in fabrication capability suited to the production of large wind tower sections including heavy plate rolling equipment, specialized welding systems and large diameter tubular assembly processes.

Despite this capability, a growing number of Australian wind energy projects have sourced tower sections fully fabricated from overseas manufacturers, significantly reducing opportunities for domestic fabrication.

2. Pricing impacts

Prince Engineering has experienced sustained price undercutting from imported fabricated steel structures, particularly within the renewable energy and infrastructure markets.

- Estimated Percentage Price Gap Relative to Imports:
  Typically 30–35% lower than comparable Australian fabrication pricing.
- Duration of Price Pressure:
  Continuous for approximately the past 10 years, with increasing intensity since 2020.

These pricing gaps appear inconsistent with the cost structures faced by Australian manufacturers, particularly when considering:

- Australian labour costs
- Energy costs
- Compliance and certification requirements

- Environmental and workplace safety standards
- Work Cover Levies
- Insurances
- Land Tax (in Victoria)

Even when accounting for freight and logistics, imported fabricated products frequently arrive in Australia at prices significantly below domestic fabrication costs.

3. Other information:

Changes in Order Volumes

Domestic demand for large-scale fabricated steel products remains strong due to growth in renewable energy and infrastructure development. However, a substantial proportion of this demand is now being satisfied through imported fabricated structures, resulting in reduced order volumes available to Australian manufacturers.

This has contributed to irregular production pipelines, reduced utilisation of fabrication facilities, and increased uncertainty regarding long-term workforce retention and capital investment.

Example – Raw Material Cost Compared to Imported Wind Tower Sections

Prince Engineering has observed instances within the utility-scale wind energy sector where the landed cost of fully fabricated imported wind tower sections is comparable to, or lower than, the cost at which the company can procure the raw steel plate required to manufacture those tower sections domestically.

Wind tower fabrication requires large quantities of heavy structural plate, typically high-strength steel in thicknesses commonly ranging from approximately 15 mm to over 50 mm depending on tower design. Prince Engineering sources these materials through Australian distributors and plate processors in accordance with the specification requirements of wind turbine original equipment manufacturers (OEM's).

During recent wind tower tender assessments, Prince Engineering obtained quotations for the required structural plate materials to manufacture tower sections at its Portland facility. Based on these quotations, the cost of the steel plate alone represented a substantial portion of the total fabrication cost before any rolling, welding, assembly, inspection, coating, or transport activities were undertaken.

At the same time, project procurement processes indicated that complete wind tower sections fabricated overseas and delivered to Australia were being offered at total prices that were comparable to, and in some instances lower than, the cost of the raw plate materials required for domestic fabrication of those same tower sections.

In practical terms, this means that Prince Engineering would incur a higher cost simply procuring the required structural plate than the total landed price of finished tower sections supplied by overseas manufacturers. Under such circumstances it becomes commercially impossible for domestic manufacturers to compete, regardless of fabrication efficiency or productivity improvements.

This pricing dynamic has been observed in several wind farm procurement processes and has contributed to a growing trend in which tower sections are sourced as fully fabricated imports rather than being manufactured domestically. As wind towers represent one of the largest fabricated steel components within renewable energy infrastructure, the displacement of this work by imports has a significant impact on the utilisation of domestic heavy fabrication facilities such as Prince Engineering's Portland workshop.

Over time, the continuation of these conditions risks eroding Australia's domestic capability to manufacture large tubular steel structures required for the energy transition, increasing reliance on offshore supply chains for critical renewable energy infrastructure components.

Shifts in Customer Procurement Behaviour

Customers increasingly adopt global sourcing strategies, often engaging engineering, procurement and construction (EPC) contractors who source fabricated components internationally as part of their standard procurement model.

In several recent tenders, imported fabricated products were treated as the baseline pricing assumption, with domestic suppliers required to demonstrate substantial commercial advantages to remain competitive.

Evidence of Import-Led Price Setting

Prince Engineering has observed that imported fabricated structures frequently act as the primary price-setting mechanism in project tenders. Domestic suppliers are often requested to match or approach imported pricing levels despite materially different cost structures.

In practical terms, this dynamic means that import pricing, rather than domestic production costs has become the effective reference point for procurement decisions, placing sustained downward pressure on local manufacturing margins.

Overall, Prince Engineering considers that the increasing prevalence of imported fabricated steel structures has materially altered competitive conditions in the Australian market, particularly for large, fabricated assemblies used in the renewable energy and infrastructure sectors. The magnitude and persistence of the observed price differentials strongly suggest that import competition is exerting significant downward pressure on domestic manufacturing activity.

3. Evidence of Injury

While Australian demand for fabricated structural steel remains strong due to significant infrastructure investment and the expansion of renewable energy generation, an increasing proportion of this demand is being satisfied by imported fabricated structures rather than domestic manufacturing.

For Prince Engineering this has resulted in increased volatility in project workloads and reduced participation in large fabrication packages that historically supported sustained workshop utilisation.

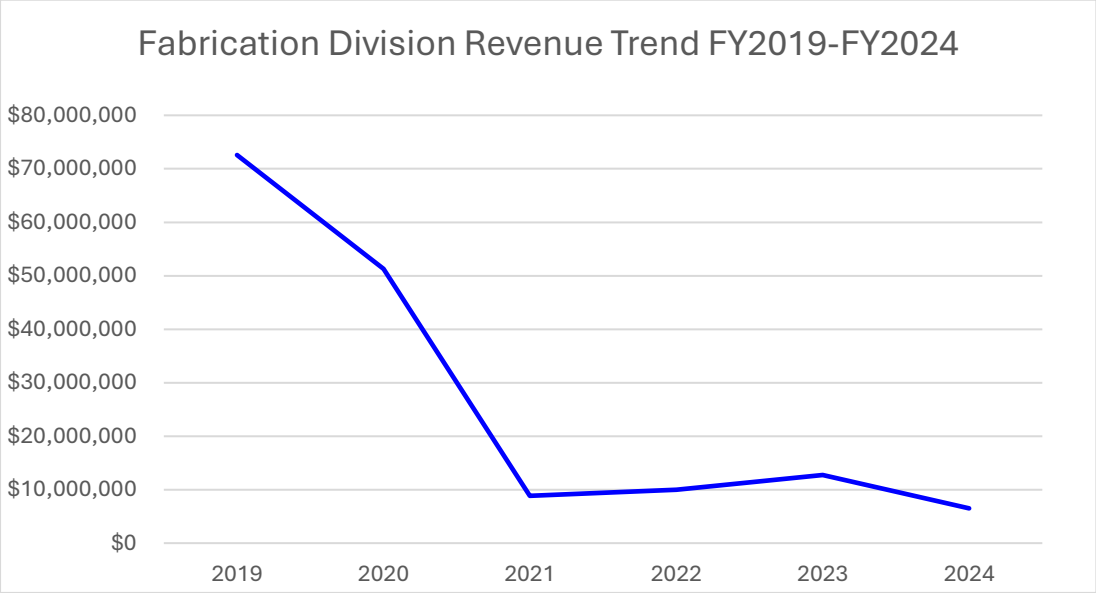
1. Financial Impacts

Trends in Revenue (FY2019 - FY2024)
Prince Engineering's fabrication division revenue profile over the past several years has been characterised by increasing volatility and reduced participation in major fabrication packages, particularly within the renewable energy and large infrastructure sectors. While overall market demand for fabricated steel has remained strong driven by energy transition and infrastructure investment, the share of this work available to Australian manufacturers has declined due to increased import penetration.

As a result, Prince Engineering has experienced periods of reduced order intake and irregular project pipelines, particularly where large-scale fabrication packages have been procured offshore.

Refer Table 1.

Table 1.



Trends in Gross Margins
Competitive pressure from imported fabricated steel structures has resulted in consistent downward pressure on margins across projects where domestic manufacturers remain able to compete. In order to maintain market participation, Australian fabricators are frequently required to reduce margins to levels materially below historical norms.
Evidence of Margin Compression Attributable to Import Competition
Across numerous tender processes in the energy and infrastructure sectors, imported fabricated products are commonly priced 20–40% below equivalent domestic fabrication costs. In practical terms, this forces domestic manufacturers into one of two outcomes:

• Operating below cost, accepting negative or negligible margins in order to remain competitive in tender processes; or
• Withdrawing from tender participation where market pricing levels fall below the minimum viable cost of domestic production. This dynamic has directly contributed to margin compression across the sector, even where domestic manufacturers successfully secure work.

2. Production and Utilisation

Change in Production Volumes
Domestic demand for fabricated steel products has increased in recent years; however, local production volumes have not grown proportionally, as a growing share of project fabrication scopes are being sourced internationally.

As a result, Australian fabrication facilities experience inconsistent production workloads, with intermittent peaks followed by periods of reduced activity depending on project procurement outcomes.

Capacity Utilisation Rate (Current vs Historical Average)
Historically, large-scale fabrication projects such as wind tower production and heavy infrastructure steel would provide sustained production runs enabling high utilisation of fabrication facilities.

With the growing prevalence of imported fabricated structures, utilisation rates are increasingly project-dependent and less predictable, reducing the ability of manufacturers to maintain stable operating levels across workshops and production lines.

3. Employment Impacts

Workforce Reduction and Capability Loss

The reduction in domestic fabrication volumes has had a direct impact on workforce levels. During previous peak periods of local wind tower and heavy fabrication activity, Prince Engineering maintained approximately 150 fabrication personnel, including welders, boilermakers, fitters, and supporting trades. As imported fabricated products have increasingly displaced locally manufactured work, available fabrication workloads have declined substantially, resulting in a reduction of fabrication staff to approximately 30 personnel. This represents a loss of around 80% of the fabrication workforce that previously supported large-scale domestic manufacturing projects.

While Prince Engineering has sought to retain key skilled personnel where possible, the increasing uncertainty associated with future fabrication workloads has significantly limited the company's ability to rebuild or expand employment levels in line with market demand.

Region / Location of Employment
The employment impacts are concentrated in regional Australian manufacturing locations, where heavy steel fabrication facilities are typically situated and where industrial employment represents an important contributor to local economic activity.

Roles Affected
Roles most affected by the decline in domestic fabrication work include:

- Boilermakers and coded welders
- Fabrication trades and fitters
- Workshop supervisors and production coordinators
- Quality assurance and NDT inspection personnel
- Engineering and project support staff

Hiring Freezes or Deferred Recruitment
Due to the uncertainty surrounding future project workloads, manufacturers have increasingly adopted conservative workforce strategies. These include delayed recruitment, reduced apprenticeship intake, and a cautious approach to workforce expansion, even where skilled labour shortages exist within the broader construction and manufacturing sectors.

4. Investment Impacts

Capital Expenditure Deferred or Cancelled
Investment in new fabrication equipment, facility upgrades, and production automation has become increasingly difficult to justify where future domestic manufacturing demand is uncertain.

Estimated Value of Postponed Investments
Across the heavy fabrication sector, investment decisions involving multi-million-dollar capital expenditure have been deferred pending greater certainty regarding long-term project pipelines and domestic manufacturing participation.

Projects Placed on Hold
Potential upgrades to fabrication infrastructure, such as additional heavy plate processing capacity, automated welding systems, and expanded workshop space have been delayed due to uncertainty around the competitiveness of domestic fabrication against imported alternatives.

5. Explanation – Link Between Injury and Import Surges

The injury described above is not primarily attributable to broader macroeconomic conditions. In fact, the underlying market demand for fabricated steel structures in Australia is currently strong, driven by major infrastructure programs and the expansion of renewable energy generation.

The key issue is that a growing proportion of this demand is being satisfied through imported fabricated steel products rather than domestic manufacturing.

This is demonstrated by:

- Large-scale projects increasingly sourcing fully fabricated structures offshore, even where domestic capability exists

- Persistent price differentials of 30–40% between imported and locally fabricated products
- Procurement models that treat imported fabrication as the baseline pricing reference

These conditions indicate that the injury experienced by domestic manufacturers is directly linked to import competition, rather than a contraction in overall market demand. In practical terms, Australian fabrication capacity remains available and capable but is increasingly displaced by lower-priced imported fabricated structures, resulting in reduced utilisation, margin compression, and constrained investment in the domestic manufacturing sector.

4. Productivity Implications

1. To what extent is your business currently constrained in its ability to make productivity improvements – for example capital investment and/or operational improvements?

Our business operates in a highly capital-intensive heavy fabrication sector where productivity improvements typically require substantial upfront investment in plant, equipment, and workforce capability. In the current environment, increasing volumes of imported fabricated steel products, often supplied at prices that appear inconsistent with the cost base of domestic manufacturing have materially constrained our ability to undertake such investments.

The primary constraints include:

Capital investment deferral
Large productivity improvements in wind tower and heavy steel fabrication rely on investments in automated welding systems, robotic fit-up equipment, plate handling systems, and expanded fabrication and surface treatment capacity. Uncertainty regarding future demand for domestically produced towers due to import competition significantly reduces the commercial justification for these investments.

Underutilisation of existing facilities
Domestic fabrication workshops are experiencing intermittent workloads as imported finished products displace locally manufactured equivalents. This reduces plant utilisation rates and prevents the economies of scale required to justify productivity improvements or process optimisation.

Workforce retention and capability development
Advanced fabrication processes require the retention of a highly skilled workforce, including coded welders, welding supervisors, and specialist trades such as non-destructive inspection technicians. Where imported products reduce the volume of domestic fabrication work, it becomes difficult to maintain stable employment levels and invest in training or requalification programs.

Operational improvement limitations
Continuous improvement initiatives such as production line optimisation, lean manufacturing implementation, and digital production tracking require sustained production throughput to generate measurable gains. When project volumes fluctuate due to import substitution, the ability to implement and refine these improvements is limited.

Collectively, these factors constrain the industry's capacity to invest in productivity improvements and long-term competitiveness.

2. If a safeguard measure (a temporary measure to provide "breathing space" for industry) is imposed, what would your business consider doing/adjusting?

If a temporary safeguard measure were introduced, our business would utilise the period of improved market certainty to undertake several productivity-enhancing initiatives.

Capital equipment upgrades
We would assess investment in automated welding systems, improved plate rolling and fit-up technologies, and enhanced materials handling infrastructure. These investments would reduce labour intensity per tonne of fabricated steel and improve production consistency.

Production process optimisation
With greater certainty of workload, we would implement structured process improvements across fabrication lines, including improved sequencing, modularisation strategies, and reduced rework rates.

Workforce capability development
A more stable pipeline of domestic fabrication work would allow the expansion of workforce training programs, welder qualification pathways, and technical upskilling in advanced fabrication processes.

Facility utilisation improvements
Higher levels of local manufacturing activity would increase utilisation of existing workshop infrastructure, enabling improved throughput efficiency and lower unit production costs.

Supply chain development
Greater domestic production volumes would also support upstream Australian suppliers including steel mills, transport providers, and engineering services, contributing to broader industrial productivity improvements.

These initiatives would strengthen the long-term competitiveness of Australian fabrication capability so that, once the temporary safeguard period ends, the industry is better positioned to compete in an open market.

5. Structural Implications

Skills and Workforce

Loss of specialised employees

Heavy steel fabrication, particularly wind tower manufacturing and large structural assemblies requires a highly specialised workforce including coded welders, boilermakers, welding supervisors, NDT technicians, surface treatment specialists and fabrication engineers. Import pressure that reduces domestic manufacturing volumes increases the risk that these skilled workers leave the sector or move into other industries with more stable employment prospects.

In recent years, fluctuations in project awards and increased use of imported fabricated structures have made it more difficult to maintain stable employment levels for these trades. Once experienced personnel leave the industry, the loss of accumulated knowledge and productivity is significant.

Difficulty in rebuilding capability
Rebuilding this capability is difficult due to the long lead time required to develop experienced fabrication personnel. Skills such as multi-process welding on thick-section steels, large-diameter rolling and fit-up, and compliance with international welding standards take several years to develop in a production environment.

In addition, experienced supervisors and welding coordinators represent a particularly scarce skill set that cannot be rapidly replaced through short-term recruitment.

Estimated time to rehire and retrain equivalent staff
If significant workforce capability were lost, rebuilding an equivalent workforce could reasonably take:

- Boilermakers / coded welders: 12–24 months to recruit, train, and qualify to project-specific standards.
- Welding supervisors and technical specialists: 2–4 years of industry experience to reach comparable competency.
- Production leadership and project management capability: potentially longer depending on project complexity.

The loss of this workforce capability would therefore have long-lasting impacts on the ability of domestic firms to deliver large-scale infrastructure and energy projects.

2. Business Viability

Impact on long-term viability of product lines
Import competition at pricing levels that domestic manufacturers struggle to match has placed pressure on the commercial viability of certain fabricated steel product lines, particularly those associated with large-scale infrastructure and renewable energy projects.

Where imported finished structures are consistently selected on price alone, domestic manufacturers face reduced opportunity to sustain the specialised production lines required for these products.

Risk of exit from certain markets
If current conditions persist, there is a real risk that domestic manufacturers will withdraw from certain fabrication markets, particularly large tubular structures and similar heavy assemblies because maintaining the facilities, equipment, and workforce required becomes commercially unsustainable without a reliable pipeline of local work.

Once domestic production capability exits these markets, re-establishing that capacity in the future would require significant time and investment.

3. Supply Chain Implications

Role within domestic supply chains
Our operations form part of a broader Australian industrial supply chain that includes steel producers, plate processors, machining workshops, transport providers, inspection services, coating contractors, and engineering firms.

Large fabrication projects generate substantial economic activity across this network, supporting both direct employment and a wide range of specialist subcontractors.

Consequences if domestic capacity contracts
If domestic fabrication capacity contracts due to sustained import pressure, the effects would extend beyond individual manufacturers. Likely consequences include:

- Reduced demand for domestically produced steel plate and processed materials
- Declining utilisation of specialist fabrication subcontractors
- Loss of regional engineering and industrial capability
- Increased reliance on offshore manufacturing for critical infrastructure components

Once supply chain capability erodes, it becomes significantly more difficult for Australia to deliver large-scale projects using domestic industry.

4. Regional Impact

Regional economic importance of operations
Prince Engineering's manufacturing operations are located in Portland, Victoria, a regional industrial centre in south-west Victoria represents a significant source of skilled industrial employment in the surrounding area. Heavy fabrication facilities support a wide range of local jobs including trades, apprentices, engineers, logistics personnel, and administrative staff.

Beyond direct employment, the business contributes to regional economic activity through procurement from local suppliers, use of regional transport and service providers, and participation in apprenticeship and training programs.

A sustained reduction in domestic manufacturing activity would therefore have broader regional economic consequences, including reduced skilled employment opportunities and diminished industrial capability in regional communities.

5. Conclusion

The urgency of government action is critical to preventing further erosion of Australia's domestic heavy fabrication capability. The continued influx of imported fabricated steel products at prices that appear inconsistent with the cost structure of domestic manufacturing is rapidly displacing local production and accelerating the loss of skilled industrial capacity. Once fabrication facilities are forced to reduce operations or close, the associated workforce skills, supply chains, and specialised manufacturing capability are extremely difficult and, in some cases, impossible to rebuild in the short to medium term. Timely implementation of safeguard measures is therefore essential to stabilise market conditions, restore a level

competitive environment, and preserve the remaining domestic manufacturing capacity needed to support Australia's infrastructure, energy transition, and strategic industrial resilience. Delayed action risks irreversible loss of capability and further contraction of an industry that is critical to the nation's sovereign manufacturing base.

Submitted on the behalf of Prince Engineering PTY. LTD.

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