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Submission to the Productivity Commission

Safeguard Inquiry – Fabricated Structural Steel Imports
Submitted by: HVAC Australia Pty Ltd

Introduction

HVAC Australia welcomes the opportunity to provide input into the Productivity Commission's inquiry into whether safeguard measures are warranted against imports of fabricated structural steel products.

HVAC has extensive experience in structural steel fabrication and energy infrastructure projects, including substations, transmission upgrades, and Battery Energy Storage System (BESS) installations. Our direct participation in these markets provides clear, practical insight into the material injury being experienced by Australian fabricators as a result of sustained increases in imported fabricated steel.

Australia is entering a period of unprecedented investment in energy infrastructure. However, without targeted intervention, there is a significant risk that the economic and industrial benefits of this investment will continue to flow offshore rather than supporting domestic manufacturing capability.

Evidence of Injury and Loss of Domestic Work

HVAC's experience provides a direct example of the impact of import penetration on Australian manufacturing: Transmission and substation infrastructure previously accounted for approximately $3,000,000 in annual revenue for HVAC prior to the mid-2010s. Rail components and coal wagons accounted for a further $1,500,000 in annual revenue.

Both categories of work are now predominantly sourced from overseas suppliers. This represents a material and sustained loss of domestic manufacturing activity, not attributable to capability constraints, but directly linked to increased import competition. The loss of this work has reduced utilisation of local facilities, constrained reinvestment, and contributed to the broader contraction of Australia's fabricated steel sector.

Industry Capability and Capacity

Australia retains a capable and compliant fabricated steel industry with the infrastructure, workforce, and technical expertise required to manufacture transmission structures, wind tower components, and other complex fabricated products.
This capability is supported by recognised certification frameworks, including:

- ISO 9001:2015 – Quality Management Systems
- ISO 45001:2018 – Occupational Health and Safety
- ISO 14001:2015 – Environmental Management Systems
- AS/NZS ISO 3834 Part 2 – Welding Quality Requirements
- AS/NZS 5131 CC3 – Structural Steel Fabrication and Erection

Australian fabricators are also prequalified under major state infrastructure frameworks and operate under strict regulatory and compliance regimes.

The key point is clear: the capability exists domestically today. The observed decline in local manufacturing is not due to a lack of capacity or technical ability, but due to market conditions shaped by import competition.

Import Pricing and Market Distortion

HVAC's experience demonstrates a significant pricing disparity between imported and locally fabricated steel, particularly in the context of transmission and substation structures:

Imported fabricated steel packages for transmission and substation infrastructure are commonly priced at approximately 50% of Australian equivalents. In one recent example, a comparable package of transmission-related structural steel priced by a Vietnamese supplier was approximately AUD $5,000 per tonne, compared to AUD $9,000–$10,000 per tonne from Australian fabricators.

It has been confirmed through industry engagement that imported transmission and substation steelwork can be delivered into Australia at less than half the domestic fabrication cost. This pricing differential is not reflective of equivalent operating conditions. Australian manufacturers producing transmission and substation infrastructure operate under significantly higher labour costs, regulatory standards, environmental compliance obligations, and industrial frameworks.

The scale and persistence of this pricing gap in this critical infrastructure segment indicates a distorted competitive environment, where domestic manufacturers cannot reasonably compete on price alone. This issue is further amplified by the scale of upcoming investment, with industry estimates (QMCA) indicating

approximately $22.8 billion in funded electricity and energy infrastructure over the next five years from 2025. Without intervention, a substantial portion of this investment risks being captured by offshore manufacturers, representing a significant missed opportunity to utilise and sustain existing domestic capability.

Procurement Practices and Import Penetration

Current procurement practices have reinforced the impact of import competition:
“Best value” procurement is commonly interpreted as lowest upfront cost, with limited weighting given to domestic economic benefit or sovereign capability. Local participation requirements lack enforceability and do not meaningfully influence procurement outcomes. Domestic manufacturers are routinely invited to tender but are not competitively positioned where imported alternatives are significantly cheaper.

Since January 2025, HVAC Australia has tendered approximately $18,023,000 worth of transmission and substation infrastructure work without securing any of these projects, despite maintaining full technical capability and compliance. This provides a current and measurable example of the difficulty domestic manufacturers face in competing under existing market conditions.

Feedback on unsuccessful tenders is typically vague or not provided, limiting the ability of local firms to refine their approach. These conditions have enabled sustained import penetration and the continued displacement of Australian fabrication work.

Demonstrated Effectiveness of Strong Policy Settings

There are clear examples within Australia where stronger procurement controls have successfully supported domestic manufacturing outcomes. In one major state infrastructure program, strict compliance requirements, active surveillance, and robust auditing of local participation have made it materially more difficult to offshore fabricated steel packages.

This has resulted in sustained utilisation of Australian fabrication capacity, retention of skilled labour, and continued investment in local industry. This demonstrates that policy settings directly influence procurement outcomes, and that domestic capability can be effectively supported where appropriate enforcement mechanisms are in place.

Strategic Implications

The continued displacement of domestic fabricated steel manufacturing presents broader economic and strategic risks:

- Loss of sovereign industrial capability
- Reduced supply chain resilience
- Increased exposure to geopolitical and freight disruption risks
- Long-term erosion of skilled workforce capacity

Once lost, this capability is difficult and costly to rebuild. Maintaining it through effective policy intervention is significantly more efficient than attempting to restore it in the future.

Case for Safeguard Measures

HVAC supports the introduction of safeguard measures where appropriate to address the demonstrated injury caused by import surges.
Based on our experience, the conditions for safeguard consideration are clearly present:

- A sustained increase in import penetration
- Material injury to domestic manufacturers
- A direct causal link between imports and the loss of domestic work

Safeguard measures would provide a necessary mechanism to stabilise the domestic industry and restore more balanced and sustainable competitive conditions.

Conclusion

HVAC Australia's experience reflects a broader structural issue within the Australian fabricated steel industry. Domestic capability remains intact but is being systematically displaced by lower cost imports under current market conditions. Without intervention, this trend will continue, resulting in further loss of capacity, capability, and workforce.

Australia has the capability, capacity, and workforce required to support the energy transition. What is required is a policy framework that ensures this capability is utilised, rather than displaced. The Productivity Commission inquiry represents a critical opportunity to address these issues. HVAC strongly supports the consideration of safeguard measures to ensure a more balanced and sustainable operating environment for Australian manufacturers. HVAC welcomes further engagement and would be pleased to provide additional information to assist the Commission in its assessment.