

Thursday 16<sup>th</sup> April.

## Submission: Upstream Steel Market Structure and Downstream Fabrication Competitiveness

### 1. Introduction

This submission is made by a participant in the Australian steel supply chain that imports both raw steel products and fabricated steel structures from international suppliers, primarily in China and Vietnam.

The purpose of this submission is to examine the extent to which upstream market structure and trade policy settings — particularly anti-dumping measures — are affecting the competitiveness of downstream steel fabrication in Australia.

While it is acknowledged that Australian fabricators face a range of cost pressures (including labour, energy, and regulatory compliance), this submission focuses specifically on the pricing and availability of steel inputs.

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### 2. Industry structure

The Australian upstream steel market is highly concentrated, with supply dominated by two firms:

- InfraBuild (long products)
- BlueScope Steel (flat products)

Each player is a monopoly producer in their respective hot rolled steel markets, Infrabuild for long products and Bluescope in flat products. They participate in a duopoly in pipe and tube.

In such markets, the presence of import competition is a key mechanism for constraining prices and promoting allocative efficiency.

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### 3. Role of anti-dumping measures

Australia has made extensive use of anti-dumping measures in the steel sector over an extended period. These measures have frequently been applied to products directly competing with domestically produced steel.

The effect of anti-dumping duties is to increase the landed cost of imported steel, thereby reducing the degree of import competition faced by domestic producers.

While such measures are intended to address injurious dumping, their cumulative and sustained application in a highly concentrated market has broader economic effects that extend beyond the upstream sector.

### **Industry structure and historical context**

Australia's domestic steel supply is effectively characterised by two players, each a monopoly in their own product range. InfraBuild (formerly Arrium / OneSteel) produces long steel products, while BlueScope Steel produces flat steel products. They do participate in a duopoly in pipe and tube production with Orrcon (Bluescope) and Australian Tube Mills (InfraBuild).

Over more than two decades, both firms have been highly active users of Australia's anti-dumping framework. By volume of cases, Australia has ranked among the most frequent users globally — behind only much larger producing nations such as China and the United States — despite its relatively modest share of global steel production.

This pattern of use was significant enough to prompt the Productivity Commission to conduct a formal review of the anti-dumping system, culminating in the 2010 inquiry into Australia's anti-dumping and countervailing arrangements. [Inquiry Report - Australia's Anti-dumping and Countervailing System | Productivity Commission](#)

The ASA submission, which this author was closely involved, predicted where we find ourselves today as per paragraph 43 of their submission of June 2009. (<https://assets.pc.gov.au/inquiries/completed/antidumping/submissions/sub028.pdf>) says "Most importantly, if competitively priced steel is not readily available, consumers will simply purchase imported finished product. In monopolistic or oligopolistic industries, competitive pricing can only arise if there is a viable import sector. Where an import sector is blocked by tariff barriers, abusive standards or anti-dumping activity, true competition ceases with inevitable inefficiencies. The added inducement to move production facilities offshore would then be significant. That is already a trend in manufacturing in any event and would be significantly exacerbated if excessive anti-dumping duties or harassment based applications became prevalent."

### **Foreseeable downstream impacts**

During that inquiry the ASA said that restricting access to competitively priced imported steel would have predictable downstream consequences. In particular, it was argued that:

- Fabricators would face elevated input costs relative to international competitors
- Finished steel structures would increasingly be imported as a substitute
- Manufacturing activity would progressively relocate offshore

The ASA submission explicitly warned that where import competition is constrained in a concentrated upstream market, pricing discipline weakens, inefficiencies emerge, and downstream industries lose competitiveness.

Sixteen years later, these outcomes have largely materialised. Notably, the current concern being raised by domestic producers — that imported fabricated steel is being "dumped" — reflects a reversal of the earlier policy position, and highlights the internal inconsistency in the system's application.

## 4. Economic impacts on downstream industries

### 4.1 Reduced market contestability

Anti-dumping measures, by raising barriers to import competition, reduce the contestability of the domestic steel market. In a concentrated upstream industry, this may enable prices to diverge from international benchmarks.

### 4.2 Input cost pass-through

Steel is the primary input into fabrication. Higher upstream prices are passed through to fabricators, increasing their cost base relative to international competitors.

Given that fabricated steel structures are themselves trade-exposed, domestic fabricators are often unable to pass these higher costs onto customers.

### 4.3 Margin compression and substitution effects

The combination of elevated input costs and internationally determined output prices results in margin compression for domestic fabricators.

This creates a strong economic incentive for substitution toward imported fabricated products. Once established, these supply chain shifts may exhibit persistence due to switching costs and supplier relationships.

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## 5. Case studies

The following case studies illustrate the interaction between upstream protection, market structure, and downstream outcomes.

### 5.1 Case study: Structural steel supply following Whyalla disruption

The Whyalla steelworks, historically a key domestic supplier of long products, experienced significant operational and financial distress despite the presence of anti-dumping protections on competing imports.

Following disruptions to domestic production, Australian fabricators were required to source structural steel from offshore mills, including suppliers that had previously been subject to anti-dumping measures.

In these circumstances:

- Anti-dumping duties continued to apply to imported material
- Fabricators incurred higher input costs relative to global benchmarks

- These costs were passed through to construction projects and ultimately end users

This sequence of events demonstrates that trade protection did not ensure continuity of domestic supply, but did impose additional costs when imports became necessary. It also highlights the asymmetry between policy intent (supporting domestic production) and realised outcomes (higher input costs without corresponding supply security).

### **5.2 Case study: Substitution toward imported fabricated structures**

Periods of domestic supply uncertainty, including those associated with the Whyalla disruption, contributed to increased reliance on imported fabricated steel structures.

Once procurement shifted toward offshore fabrication, some customers did not revert to domestic suppliers. This suggests the presence of hysteresis effects, whereby temporary shocks result in persistent changes in sourcing behaviour.

From an economic perspective, this reflects:

- The sensitivity of fabrication demand to relative input costs
- The importance of reliability and supply certainty in procurement decisions
- The risk that downstream industries, once lost, may not readily return

### **5.3 Case study: Importation of fabricated buildings**

There is evidence that fabricated steel building systems have been imported into Australia at scale, including large-format commercial structures.

For example, fabricated building systems associated with international retail developments have been supplied from offshore manufacturing facilities linked to global steel producers, including subsidiaries of BlueScope Steel.

These projects demonstrate that:

- Fabricated steel structures are fully tradable goods
- Offshore fabrication can meet Australian project requirements at competitive cost
- Domestic upstream producers themselves participate in global supply chains that exploit international cost differentials

This reinforces the conclusion that domestic fabricators are competing in a globally contestable market, and are directly exposed to input cost disadvantages.

### **5.4 Case study: Selective application of anti-dumping measures**

The pattern of anti-dumping applications across product categories suggests selective use aligned with commercial exposure.

For example:

- Anti-dumping measures have been widely applied to products where domestic producers compete directly with imports
- In contrast, certain product categories that are imported by domestic producers have not been subject to similar applications

This asymmetry indicates that the framework may be used strategically to influence relative pricing, rather than uniformly to address dumping.

From a policy perspective, this raises questions about the consistency and neutrality of the current system.

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## 6. Welfare and productivity considerations

From an economy-wide perspective, the current policy settings may give rise to:

- **Allocative inefficiency**, as input prices exceed competitive levels
- **Deadweight loss**, due to reduced trade and higher prices
- **Reduced downstream productivity**, as competitive fabrication activity contracts
- **Erosion of domestic manufacturing capability**, particularly in trade-exposed segments

These impacts are diffusing and affect a broad range of industries that rely on fabricated steel inputs.

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## 7. Policy considerations

The analysis suggests that the interaction between concentrated upstream market structure and sustained anti-dumping protection may be producing unintended consequences for downstream industries.

In particular, there is a risk that measures designed to support domestic steel production may, in aggregate, reduce the competitiveness of higher value-added activities such as fabrication.

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## 8. Recommendations

It is recommended that the Productivity Commission consider:

1. **System-level assessment**  
Evaluate anti-dumping measures not only on a product-by-product basis, but also in terms of their cumulative impact on downstream industries and overall economic welfare.
2. **Downstream impact weighting**  
Incorporate explicit consideration of downstream competitiveness and input cost effects in anti-dumping determinations.

3. **Market concentration analysis**

Assess the interaction between trade protection and domestic market structure, particularly in sectors characterised by limited competition.

4. **Import competition as a disciplining mechanism**

Ensure that policy settings preserve sufficient import competition to maintain price discipline in concentrated upstream industries.

5. **Periodic review of measures**

Introduce more rigorous and frequent reassessment of existing anti-dumping measures to ensure they remain justified over time.

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## 9. Conclusion

Australian steel fabrication operates within a globally contestable market. Its competitiveness depends critically on access to internationally competitive input costs.

The current combination of concentrated upstream supply and sustained anti-dumping protection appears to have weakened competitive pressures in the domestic steel market, contributing to higher input costs for downstream users.

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