

## **Submission to the Productivity Commission - Safeguards on Fabricated Structural Steel**

### **Executive Summary**

#### Overview

This submission is made by Sencova Steel Fabricators Pty Ltd, a Brisbane-based structural steel fabrication business with 54 years of operation. The company currently employs 26 staff and has an annual production capacity of approximately 3,000 tonnes. Sencova manufactures fabricated structural steel products classified under tariff codes 7308900052 to 7308900055.

#### Key Issue

Over the past five years, Sencova has observed a significant and sustained increase in the use of imported fabricated structural steel in the Australian market. This reflects a structural shift in procurement practices, particularly among Tier 1 construction firms, which are increasingly sourcing fabricated steel directly from overseas suppliers. Imported steel is now used across a wide range of project sizes, including relatively small projects (approximately 30 tonnes), and is often procured without domestic tendering processes.

#### Evidence of Serious Injury

Sencova's experience indicates:

- Production decline from approximately 4,500 tonnes to 1,900 tonnes per annum
- Estimated 70% reduction in warehouse-related work (excluding related-party work)
- Workforce reduction from 78 to 26 employees
- Apprenticeships reduced from 11 to 2 (81% decline)
- Loss of major projects, including a 1,200-tonne project in Mackay

#### Causation

On a recent project:

- Imported steel (landed): \$2,650.44 per tonne
- Domestic equivalent: approximately \$5,550 per tonne

This indicates imported steel is less than 50% of domestic cost on a comparable basis. The scale of this price differential is a key driver of procurement decisions.



### Adjustment Constraints

Investment in advanced manufacturing has been assessed but is constrained by:

- Persistent price disparities
- Reduced domestic demand
- Uncertainty regarding return on capital investment

### Compliance Concerns

There is evidence that imported fabricated steel used in government projects may not consistently meet required standards (e.g. CC3 certification), raising concerns regarding compliance and competitive neutrality.

### Conclusion

Sencova's experience indicates that increased imports are having a significant and ongoing impact on the domestic industry. Without intervention or improved enforcement of standards, further contraction of domestic capacity and skills is likely.

## **Full Submission**

### 1. About the Submitter

Sencova Steel Fabricators Pty Ltd is a Brisbane-based structural steel fabrication business with 54 years of continuous operation. The company currently employs 26 staff and has an annual production capacity of approximately 3,000 tonnes.

Sencova manufactures structural steel components classified under tariff codes:

- 7308900052
- 7308900053
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Its customer base has historically included Tier 1 construction companies, the mining sector, and Spaceframe Buildings Pty Ltd (a related entity operating in Australia and China for nearly 40 years).

### 2. Scope of Submission

This submission provides evidence relevant to:



- Whether increased imports of fabricated structural steel are causing serious injury to the domestic industry
- Whether imports are a substantial cause of that injury
- The capacity of the domestic industry to adjust
- The potential role of safeguard measures or alternative policy responses

### 3. Evidence of Increased Imports

Imported fabricated structural steel has been present in Australia for approximately 30 years but was historically limited in volume.

Over the past five years, Sencova has observed a significant increase in import penetration, characterised by:

- Tier 1 builders establishing dedicated offshore procurement teams
- Imports being used for projects as small as approximately 30 tonnes
- Domestic tender processes being bypassed

This reflects a structural shift rather than a temporary or cyclical trend.

### 4. Evidence of Serious Injury

- Decline in Output - Production has declined from approximately 4,500 tonnes per annum to 1,900 tonnes per annum
- Loss of Market Share - Approximately 70% reduction in warehouse-related structural steel work. Warehouse construction was previously a core market segment
- Employment Impacts - Workforce reduced from 78 employees to 26 Apprentices reduced from 11 to 2 ( $\approx 81\%$  decline)
- Loss of Contracts - Loss of major projects, including a 1,200-tonne project in Mackay



## 5. Causation: Role of Imports

Price Undercutting - For a recent 70,000m<sup>2</sup> warehouse project:

- Imported steel (landed): \$2,650.44 per tonne
- Domestic price: approximately \$5,550 per tonne

This represents a price differential where imports are less than 50% of domestic cost.

Additional Factors:

- Use of higher-grade steel (350 MPa vs 250 MPa), reducing tonnage by approximately 12%
- Lower labour and compliance costs offshore

Market Behaviour - Builders sourcing offshore despite available domestic capacity and Local suppliers excluded from tender processes

These factors indicate imports are a substantial cause of injury.

## 6. Industry Adjustment Capacity

Sencova has assessed investment in advanced manufacturing, including a \$2.5 million automated beam-line and robotic welding system.

Findings include:

- Productivity gains do not offset the price gap
- Reduced demand limits utilisation
- Investment risk is elevated due to market uncertainty

This suggests limited capacity for adjustment without intervention.

## 7. Standards and Compliance Issues

Sencova has observed imported fabricated steel used in government projects that:

- Does not meet CC3 certification requirements



- Requires rectification of defects such as weld quality and fabrication errors

This raises concerns regarding compliance, safety, and competitive neutrality.

#### 8. Broader Economic and Capability Impacts

- Significant reduction in apprenticeship opportunities
- Risk of long-term erosion of boilermaking skills
- Potential impacts on sovereign capability in construction and related industries

#### 9. Considerations for Safeguard Measures

The Commission may wish to assess:

- Whether injury meets the threshold for serious injury
- Whether imports are increasing in absolute or relative terms
- The extent to which safeguards could enable industry adjustment
- Impacts on downstream industries

#### 10. Possible Policy Responses

Options for consideration include:

- Temporary safeguard measures (e.g. tariffs or quotas)
- Stronger enforcement of certification requirements
- Enhanced compliance monitoring of imports
- Measures to support industry investment and workforce development

#### 11. Conclusion

There is clear evidence of declining output, employment, and market share within the domestic fabricated structural steel industry. The scale of price undercutting by imports, combined with limited capacity for industry adjustment, suggests that without intervention or improved enforcement of standards, further contraction is likely.



This submission is provided to assist the Productivity Commission in its assessment of whether safeguard measures, or alternative responses, are warranted.

