

Submission to the Productivity Commission

Re: Proposed Safeguard Measures on Imported Fabricated Structural Steel Products

Submitted by an Australian-Owned Independent Steel Importer and Distributor

Introduction

This submission is provided from the perspective of an Australian-owned independent steel importer and distributor operating within the Queensland market.

The purpose of this submission is to raise serious concerns regarding the proposed safeguard measures currently being pursued through the Australian Steel Institute (ASI), and the potentially catastrophic consequences these measures may have on the broader Australian steel supply chain if implemented in their current form.

While the stated objective of the safeguard measures is to protect Australian manufacturing and fabrication capability, the practical outcome of broad-based import restrictions is likely to be the opposite.

The proposed measures risk:

- Severe supply chain shortages;
- Significant lead time blowouts;
- Major price escalation;
- Reduced market competition; and
- Significant damage to Australian-owned businesses that rely on imported steel products to survive and compete.

This submission strongly argues that the current proposals are overly broad, anti-competitive in effect, and fail to address the real threat currently impacting the Australian steel industry.

1. The Australian Steel Institute and Industry Influence

The Australian Steel Institute (ASI) has traditionally been substantially represented and funded by Australia's major steel manufacturing interests, including companies such as BlueScope Steel and InfraBuild.

In addition to manufacturer representation, the ASI board structure includes participation from several of Australia's largest steel distribution businesses. A number of these distributors are directly downstream from Australian mills, while others are among the few companies granted broad supply access to local mills across multiple product categories.

Of the 16 board members currently listed on the ASI board, seven represent either Australian mills or major distribution groups with preferential or direct access to domestic mill supply arrangements.

This creates a situation where the peak industry body advocating for safeguard protections is heavily influenced by entities that may commercially benefit from reduced import competition within the Australian steel distribution market.

There is serious concern that the proposed safeguard measures are not solely about protecting Australian manufacturing capability, but may also strengthen existing market concentration and reduce competition from independent importers and distributors.

In practice, only a small number of companies within the Australian steel supply chain are able to procure directly from local mills. These are generally:

- Integrated downstream distribution businesses owned by the mills themselves; or
- A limited number of large national distribution groups that maintain direct mill account access.

Many independent Australian distributors that primarily service the market with imported steel products are unable to purchase Australian-made material directly from local mills despite servicing substantial downstream demand.

Instead, these businesses are frequently directed to purchase through integrated distribution channels or selected account holders. This arrangement effectively prevents independent distributors from competing on a level playing field, as they cannot access local mill supply directly or at equivalent commercial terms.

As a result, many independent distributors are forced to import directly in order to maintain product availability and supply continuity for customers throughout the Australian market.

Imported stock held locally by independent Australian distributors fills a critical supply gap for:

- Fabricators;
- Construction companies;

- Manufacturing businesses; and
- Maintenance contractors.

It is also important to note, that the largest importers of raw steel products into the Australian market, are the same distribution companies who sit on the board of the ASI and enjoy Australian manufactured mill direct access.

2. The Real Threat Is Not Australian Importers — It Is Direct Overseas Supply

A critical distinction must be made between:

- Australian-owned importing and distribution businesses; and
- Overseas mills and fabricators directly targeting Australian end users.

Australian importers are not the core threat to the local steel industry. Independent Australian importers:

- Employ Australians;
- Pay Australian taxes;
- Operate Australian warehouses and transport networks;
- Supply products unavailable locally;
- Boost local stock availability;
- Provide competition within the market; and
- Support local fabrication industries through reliable stock availability and supply continuity.

The real and rapidly growing threat is the increasing direct engagement being undertaken by overseas mills and fabricators — particularly from Asia — directly with Australian end users.

Historically, offshore suppliers relied heavily on Australian importers, distributors, and local supply chains to access the Australian market. However, this dynamic is rapidly changing due to:

- Social media advertising;
- Online direct sales platforms;
- Direct digital marketing campaigns;
- Offshore quoting platforms; and
- Direct project engagement with Australian builders, developers, and end users.

This direct-to-end-user model increasingly bypasses the entire Australian supply chain, including:

- Local mills and distributors;
- Australian import distributors;
- Local fabrication businesses; and

- Australian value-added processing and logistics providers.

The increasing digital reach of offshore mills and fabricators is making it significantly easier for overseas suppliers to directly target Australian customers without maintaining any meaningful Australian operational presence.

At present, any safeguard quota or restriction system introduced would still allow these overseas suppliers to continue targeting Australian customers directly through digital channels and offshore procurement models.

This means the proposed measures risk severely damaging Australian-owned importing businesses while doing little to stop the actual offshore competitive threat.

If safeguard measures are to be considered at all, the first priority should be addressing direct overseas supplier access to Australian end users — not penalising Australian-owned import businesses that continue to operate as part of the domestic Australian supply chain.

3. Australian Importers Are Essential to Market Stability

Australia's local mills do not produce the full range, volume, or diversity of products required by the market.

Independent importers currently play a critical role in supplying:

- Structural steel products;
- Pipe and tube products;
- Merchant bar;
- Galvanised products;
- Fabrication feedstock; and
- Large infrastructure and commercial project requirements.

Without imported supply, major shortages already emerge throughout the market.

Even prior to any safeguard measures:

- Significant stock shortages already exist across multiple product categories;
- Structural beam shortages have occurred in locally produced sections;
- Merchant bar shortages are currently being experienced in Queensland; and
- Certain sizes and grades are unavailable nationally at times.

This is occurring before any additional restrictions are introduced.

The suggestion that local production capacity can fully replace imports in the short to medium term is unrealistic.

During the COVID period, major disruption occurred across both domestic and international supply chains. As imported supply slowed globally, Australian mills also experienced substantial rolling delays and extended lead times across multiple product categories.

In many cases, domestic mill lead times extended out by several months, demonstrating that local production capacity alone was unable to satisfy Australian market demand during periods of elevated construction activity and supply disruption.

Australia is simultaneously experiencing:

- Significant immigration growth;
- Elevated infrastructure demand;
- Large commercial construction requirements; and
- Ongoing residential housing demand.

Restricting imports under current conditions risks worsening existing supply instability at a time Australia requires greater construction capacity and material availability.

A major contributing factor during the investigation period has also been the prolonged instability associated with the Whyalla steelworks under the ownership of Sanjeev Gupta and GFG Alliance.

This instability resulted in:

- Severe domestic supply shortages;
- Unstable structural product availability;
- Reduced billet supply into downstream mini-mills; and
- Increased reliance on offshore procurement channels.

Import growth during this period should not be viewed purely as import-driven market displacement. In many cases, it was driven by unstable or insufficient domestic supply.

If broad safeguard measures are introduced while domestic production remains vulnerable to outages and operational instability, Australia risks creating a highly concentrated supply environment with insufficient fallback capacity.

This could result in:

- Severe shortages during mill outages;
 - Sharp price escalation;
 - Emergency reliance on imported supply at inflated pricing; and
 - Significant disruption across the construction sector.
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3A. Scope of Proposed HS Codes Extends Far Beyond Large Structural Fabrication

There is significant concern regarding the exceptionally broad scope of HS codes currently captured within the proposed safeguard framework.

Many submissions supporting safeguard measures appear to focus primarily on imported fabricated structural steel associated with large warehousing development and major infrastructure projects ordered on a back to back basis.

However, the HS code scope currently under examination extends well beyond these categories and captures a substantial range of unrelated steel products forming part of ordinary Australian distribution and import supply chains.

These classifications may unintentionally capture:

- Handrail systems and Stanchions;
- Grating;
- Architectural steel products;
- Miscellaneous fabricated assemblies;
- Residential steel products;
- Retaining and piling systems; and
- Numerous non-structural fabricated products.

Many of these products are not fabricated by the structural fabricators the safeguard inquiry is purportedly seeking to protect.

In some cases, the raw material for these products is not even manufactured locally and already relies entirely on imported feedstock.

In many cases, the primary beneficiaries of restricting these products would not be structural fabricators themselves, but rather:

- Local mills supplying raw material;
- Hot dip galvanising providers; and
- Coating providers.

The ASI has provided no clear evidence of material injury to many of these sectors.

At the same time, the measures risk:

- Increased project costs;
- Reduced product availability;
- Extended lead times; and
- Significant downstream construction cost escalation.

This would materially impact:

- Residential construction;
- Commercial projects;
- Small fabrication businesses;
- Maintenance sectors; and
- Broader downstream construction activity.

4. Existing Supply Chain Stress and the Risk of Severe Supply Shock

The Australian steel supply chain is already under pressure.

At various stages during the past year:

- Processing lead times in Queensland extended to approximately eight weeks;
- Normal acceptable lead times are generally closer to one to two weeks;
- Fabrication workloads have been heavily stretched; and
- Hot dip galvanising turnaround times have increased significantly.

If broad safeguard measures are implemented:

- Mill lead times are likely to extend into multiple months;
- Distribution processing lead times could increase substantially;
- Fabrication lead times will increase dramatically;
- Galvanising lead times will worsen further; and
- Material availability will become highly unstable.

This would create a severe supply shock throughout the Australian construction and fabrication sector which would result in compounding price increases for downstream markets.

5. Input Costs Are Already Excessively High in Australia

One of the major reasons Australia has experienced increased imported fabrication activity is that Australian fabrication input costs have become excessively high compared with international competitors.

These costs include:

- High energy costs;

- Expensive labour structures;
- EBA-related project costs;
- Compliance administration;
- Certification requirements;
- Engineering and documentation requirements;
- Hot dip galvanising costs;
- Freight costs;
- Anti-dumping duties; and
- Extensive regulatory overhead.

Australian fabricators are often commercially disadvantaged before they even begin procuring steel.

The issue is not simply “cheap imports.”

The issue is that Australia has created an environment where local fabrication has become excessively burdened by cost and compliance.

A significant example of this is the increasing implementation of AS/NZS 5131 compliance systems throughout the Australian structural steel industry.

AS/NZS 5131 introduces:

- Risk-based construction categories;
- Extensive material traceability requirements;
- Third-party auditing;
- Formal certification systems; and
- Significant documentation and quality assurance obligations.

The ASI has been one of the primary driving bodies behind the implementation and expansion of these compliance systems throughout the Australian market.

While quality assurance is important, the Australian compliance framework now substantially exceeds the compliance burden commonly required across many other Western markets, including parts of Europe, North America, and the United Kingdom.

These additional layers of auditing, traceability, certification, and project compliance materially increase the operating costs of Australian fabricators and reduce sourcing flexibility throughout the market.

In many cases, Australian fabricators are required to satisfy compliance systems that go well beyond ordinary manufacturing quality requirements, creating additional administrative and operational burdens that overseas competitors simply do not face to the same extent.

At the same time, Australian fabricators continue facing:

- Elevated raw material pricing;
- Excessive galvanising costs;
- Extensive compliance obligations; and
- Reduced procurement flexibility.

5A. Hot Dip Galvanising and Coating Costs Are Severely Undermining Australian Fabrication Competitiveness

A major driver of increased imported fabricated steel penetration into the Australian market is the exceptionally high cost of hot dip galvanising and protective coating services within Australia.

Australian galvanising costs are estimated in many cases to be between three and ten times higher than equivalent international services.

These costs frequently exceed the value-add of the fabrication process itself and can dramatically increase final delivered pricing.

For many fabricated products, galvanising and coating costs alone can effectively double the final product cost before freight, installation, engineering certification, and project compliance costs are even considered.

Australian galvanising and coating costs are among the highest in the world.

At the same time, Australian fabricators are also burdened by some of the most stringent compliance and certification systems globally through AS/NZS 5131 and associated ASI-driven compliance structures.

This combination of:

- Excessive galvanising costs;
- Extensive certification requirements;
- Third-party auditing;
- Documentation obligations; and
- Elevated input pricing

is materially undermining the competitiveness of Australian fabrication businesses.

Broad safeguard measures targeting this wider scope of imported fabricated steel products risk incorrectly identifying raw fabricated steel imports as the primary issue, when in reality one of the major drivers of imported fabricated product growth is Australia's excessive downstream processing and compliance cost structure., of which local hot dip galvanising costs are the most significant input. For majority of the smaller fabricators in the market, the hot dip galvanising costs more than the steel component of their projects.

If safeguard measures further increase local fabricated steel pricing while galvanising and compliance costs remain substantially above international benchmarks, the likely outcome will be:

- Severe price increases for downstream markets;
 - Reduced competitiveness of Australian fabrication businesses; and
 - Reduced reliance on steel products with shift in market trends towards other viable materials
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6. ASI Compliance Structures Are Increasing Industry Costs

A major concern raised in this submission is the role the ASI itself has played in increasing compliance complexity and operating costs throughout the industry.

Over time, increasing layers of:

- Accreditation;
- Certification;
- Compliance systems;
- Auditing requirements; and
- Documentation obligations

have been implemented across fabrication and supply chains.

These systems frequently create:

- Significant administrative burden;
- Additional staffing requirements;
- Consultancy costs;
- Audit expenses;
- Delays; and
- Ongoing compliance costs.

The ASI directly benefits from many of these compliance structures through certification programs, auditing frameworks, associated industry schemes, and membership structures.

There is serious concern that the same body claiming imports are damaging the industry is simultaneously contributing to the rising compliance and operating costs making Australian fabrication increasingly uncompetitive internationally.

7. Anti-Dumping Measures Have Distorted Competition

Anti-dumping measures have not eliminated imports from the Australian market.

Instead, they have frequently:

- Shifted sourcing patterns;
- Increased pricing;
- Reduced competition; and
- Damaged smaller independent importers.

In practice, anti-dumping measures have often targeted countries heavily relied upon by independent importers while leaving alternative offshore supply arrangements commercially available to larger market participants.

There have been historical examples where local manufacturers pursued anti-dumping measures against multiple competing countries while excluding countries or suppliers tied to their own commercial supply arrangements.

In some cases, countries supplying competing independent importers were targeted while countries associated with preferred trading relationships or established offshore procurement arrangements were excluded from investigation outcomes altogether.

This has created significant concern throughout the independent importing sector that anti-dumping frameworks are not always being applied evenly across the market.

There is also concern that major market participants with strong international relationships and integrated trading operations have retained access to offshore supply pathways that remain commercially viable despite broad anti-dumping restrictions impacting the wider market.

Importantly:

- Anti-dumping duties generally apply to raw material inputs; while
- Imported fabricated products frequently continue entering Australia without equivalent restrictions.

This has had major unintended consequences for Australian fabricators.

Following the COVID-era steel and freight pricing cycle, global steel prices corrected downward significantly faster internationally than they did within Australia.

However, due largely to Australia's anti-dumping framework across numerous raw steel product categories, competitive import pressure within the Australian market remained heavily restricted.

As a result:

- Australian steel pricing remained elevated for significantly longer periods;
- Domestic stock devaluation pressure was reduced;
- Local mills and integrated distribution networks experienced exceptionally strong profitability; and
- Australian fabricators were left paying materially higher steel input costs than many overseas competitors.

At the same time, Australian fabricators were already dealing with:

- Excessive galvanising costs;
- Extensive AS/NZS 5131 compliance obligations;
- Elevated freight costs; and
- Significant regulatory overhead.

This combination materially widened the cost gap between Australian fabrication businesses and imported fabricated steel products.

The result was that many Australian fabricators became commercially uncompetitive on a global scale despite operating within one of the most heavily regulated and compliance-intensive fabrication environments in the world.

Rather than strengthening Australian fabrication capability, the current anti-dumping framework has in many cases reduced competition, increased raw material pricing, and unintentionally accelerated the commercial advantage of imported fabricated steel products.

8. The Australian Market Requires Both Local and Imported Supply

Australia does not currently possess the manufacturing capacity to operate independently from imports.

The Australian steel market functions best when:

- Local manufacturing;
- Independent importers;
- Distributors;
- Fabricators; and
- Stockists

all operate together within a balanced ecosystem.

Broad safeguard measures risk harming:

- Small businesses;

- Residential construction;
- Commercial development;
- Infrastructure delivery; and
- Australian consumers.

Targeted local content policies for major government-funded infrastructure projects may be more appropriate than broad safeguard measures affecting the entire downstream supply chain.

Conclusion

This submission strongly urges the Productivity Commission to carefully reconsider the breadth and structure of any proposed safeguard measures.

If implemented broadly, the measures risk:

- Crippling independent Australian import businesses;
- Creating severe supply shortages;
- Increasing lead times and pricing;
- Reducing competition;
- Damaging fabrication competitiveness; and
- Increasing construction costs across Australia.

The priority should instead be:

- Supporting Australian supply chain participants;
- Preventing direct offshore bypass of Australian businesses;
- Reducing unnecessary compliance burdens;
- Improving fabrication competitiveness; and
- Maintaining balanced supply availability.

Australia's steel industry requires balance, competition, supply diversity, and commercially sustainable manufacturing — not policies that risk worsening the very problems they seek to solve.