
Submission to the Productivity Commission

Fabricated Structural Steel Safeguards Inquiry - Response to Interim Report

Submitted by: HVAC Australia Pty Ltd

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Executive Summary

HVAC Australia welcomes the opportunity to respond to the Productivity Commission interim report on fabricated structural steel safeguards. HVAC acknowledges the high legal threshold that applies to safeguard measures and the Commission's final finding that the conditions for provisional safeguards are not met. However, HVAC remains concerned that the interim finding on definitive safeguards does not adequately reflect the current deterioration being experienced by Australian fabricators or the progressive loss of domestic fabrication capability in market segments exposed to imported fabricated steel.

The interim report itself recognises that imports have continued to increase, that some segments of the industry are facing difficult conditions, and that the experiences reported by many industry participants differ from the picture produced by aggregate administrative data. HVAC submits that this difference requires greater weight before the final determination is made.

HVAC asks the Commission to give greater weight to:

- recent 2024-25 and 2025-26 indicators rather than relying predominantly on longer term averages;
- direct evidence of physical workshop underutilisation and workforce contraction;
- the distinction between productivity based capacity measures and actual idle manufacturing capacity;
- the loss of particular categories of domestic fabrication even where businesses preserve turnover by diversifying; and
- new industry evidence released since the interim report.

1. Recent deterioration warrants greater weight

A central concern for HVAC is that the longer investigation period can obscure deterioration occurring at the end of the period. The Commission reports that in 2024-25 industry FTE employment fell by 5.1 per cent and headcount fell by 5.7 per cent. When the data is disaggregated by firm size, FTE employment in the largest quartile of fabricators fell by 9.2 per cent between 2023-24 and 2024-25. The Commission notes that the recent decline was concentrated among larger firms.

Source: Productivity Commission, Interim report, pp. 36-37.

At the same time, preliminary data for the first three quarters of 2025-26 indicates that the longer term increase in fabricated structural steel imports has continued beyond the investigation period. These indicators are particularly relevant to an assessment of threat because they describe the most recent direction of the industry rather than its average performance across several earlier years.

HVAC also notes that several of the Commission's 2024-25 financial measures are estimated rather than directly observed from Business Income Tax data. The technical appendix states that 2024-25 imputed values should be considered indicative only. HVAC submits that current operational evidence from fabricators should therefore be given substantial weight when assessing the final year of the investigation period and developments since that period.

Source: Productivity Commission, Interim report, Technical Appendix, p. 90.

The Australian Steel Institute supplementary submission also identifies a timing issue relevant to financial data. It notes that major fabrication projects can take 12 months or more to execute, meaning reported profitability can reflect pricing and awards secured one or two years earlier. HVAC considers this consistent with the practical operation of project based fabrication businesses. Current tender outcomes, workshop loading and workforce decisions can be leading indicators that are not yet fully visible in tax based profit data.

Source: Australian Steel Institute, Supplementary Submission, 1 June 2026, p. 14.

2. Capacity utilisation requires closer consideration

HVAC considers the treatment of capacity utilisation in the interim report particularly important. In normal manufacturing usage, workshop capacity utilisation describes the extent to which available plant, labour and production capability is actually being used. The Commission uses a different concept. Its measure compares a firm's Total Factor Productivity against an estimated industry productivity frontier.

That measure can provide useful information about productivity, but it does not directly measure idle physical workshop capacity. A fabrication business can be efficient and productive while work is available, yet still have substantial unused plant, floor space and labour capacity because there is insufficient work to maintain historic throughput. The Commission itself notes that its utilisation measure is estimated, depends on assumptions about capital stock and the productivity frontier, and is used as supporting evidence rather than a direct measure of plant loading.

Source: Productivity Commission, Interim report, pp. 38-39 and Technical Appendix, p. 89.

3. New industry evidence shows substantial physical underutilisation

Weld Australia's 2026 Industry and Workforce Outlook Survey provides new evidence published after the interim report. The survey found that 60 per cent of respondents had three months or less of confirmed work, including 20 per cent with no confirmed pipeline. Almost 60 per cent of fabrication workshops reported operating below 75 per cent capacity. When asked why workshops were not operating at capacity, 60 per cent cited a lack of work.

This evidence is highly relevant because it measures the issue that a manufacturing business would ordinarily understand as capacity utilisation: whether workshops and their available productive resources are actually being used. It also indicates that underutilisation is not confined to isolated businesses.

Source: Weld Australia, 2026 Industry & Workforce Outlook Survey Results, p. 5.

The same survey reports that only 15 per cent of respondents have more than six months of confirmed work ahead. Short and uncertain work pipelines directly affect decisions about apprenticeships, workforce retention, automation and capital investment. Those effects can occur before they are fully reflected in annual profit or turnover data.

4. Industry adjustment can mask loss of fabrication capability

The interim report acknowledges evidence that imported fabricated steel is being offered at prices below levels at which Australian businesses can operate profitably, that margins are constraining investment, and that fabricators are changing the work they undertake in response to import competition. It also records evidence of businesses moving away from standardised and supply only fabrication into complex, bespoke, turnkey, engineering and design services where imported alternatives are less competitive.

Source: Productivity Commission, Interim report, pp. 7 and 47-48.

HVAC submits that this adjustment should not automatically be interpreted as evidence of a healthy fabrication market. A business may preserve turnover or profitability by changing its

activity while Australia still loses the domestic manufacture of products that business previously produced. Revenue can remain stable while tonnes fabricated domestically, trade employment, apprenticeship opportunities and utilisation of fabrication plant decline.

This distinction is central to understanding the condition of the industry. What appears statistically as successful adjustment can also represent a progressive reduction in the range of fabricated structural steel that can be competitively manufactured in Australia.

5. HVAC experience remains directly relevant

HVAC's original submission provided direct evidence of this process. Transmission and substation infrastructure previously represented approximately \$3.0 million per year of HVAC revenue, with rail components and coal wagons contributing a further approximately \$1.5 million per year. Both categories subsequently became predominantly sourced from overseas suppliers.

HVAC also provided evidence of imported transmission related fabricated steel being priced at approximately AUD \$5,000 per tonne compared with approximately AUD \$9,000 to \$10,000 per tonne for Australian fabrication. Since January 2025, HVAC has tendered approximately \$18.023 million of transmission and substation infrastructure work without securing those projects, despite retaining the required technical capability and compliance systems.

Source: HVAC Australia, initial submission to the inquiry, April 2026, pp. 1-3.

This evidence should not be viewed only as normal competitive adjustment. The underlying infrastructure demand remains present. The question is where the fabrication associated with that investment is being undertaken. HVAC retains the technical systems, facilities and experience required to perform the work domestically, but those assets do not create domestic production if procurement outcomes consistently direct fabrication offshore.

6. Threat should include the risk of losing capability before impairment is irreversible

The Commission recognises in its discussion of public interest that the case for temporary protection may be stronger where an industry faces a near term risk of losing capabilities that would be difficult or costly to re-establish if conditions later improve. HVAC considers that principle highly relevant to fabricated structural steel.

Source: Productivity Commission, Interim report, pp. 50-51.

Fabrication capability is more than buildings and machinery. It includes qualified tradespeople, apprentices, welding supervision, engineering knowledge, established welding procedures, certification, quality systems, traceability processes, supplier networks and the accumulated

experience required to safely deliver complex infrastructure. Once work disappears for a sustained period, those capabilities disperse and are difficult to rebuild quickly.

The recent fall in employment, continuing growth in imports, short forward work pipelines and reported spare workshop capacity should therefore be considered together. The relevant question is not only whether the aggregate industry has already reached a point of serious impairment, but whether the most recent evidence shows a credible trajectory towards further loss of strategically important domestic manufacturing capability.

7. Matters HVAC asks the Commission to address in the final report

Give greater weight to 2024-25 and 2025-26 indicators when assessing the current condition and threat to the industry.

Distinguish the Commission's productivity based capacity utilisation measure from direct evidence of physical workshop loading and idle manufacturing capacity.

Consider whether diversification into engineering, construction, installation or bespoke work can preserve business revenue while domestic fabrication activity is nevertheless displaced.

Consider the lag between tender outcomes, project execution and later financial reporting when interpreting profit and turnover data.

Give appropriate weight to current evidence from fabricators and industry surveys where administrative data for the most recent period is incomplete or estimated.

Consider the consequence of losing skilled labour and plant capability before the legal threshold of serious injury becomes visible in aggregate historical data.

Conclusion

HVAC respects the Commission's obligation to apply the legal tests contained in the WTO Agreement on Safeguards. HVAC nevertheless remains concerned that the interim assessment gives insufficient weight to the most recent deterioration in the industry and to the difference between aggregate business performance and the retention of actual fabrication capability.

An industry can maintain turnover by changing what it does. A business can improve productivity by reducing labour and concentrating on higher value work. Individual firms can remain profitable while withdrawing from market segments dominated by lower cost imports. None of those outcomes necessarily demonstrates that Australian fabricated structural steel capability is being maintained.

HVAC therefore requests that the Commission reconsider the interim finding on definitive safeguards in light of the most recent evidence, including employment declines, continuing import growth, direct evidence of physical workshop underutilisation, the limitations of the capacity utilisation measure, and the extent to which changes in business mix may mask the displacement of domestic fabrication.

HVAC maintains the position expressed in its initial submission that Australia retains the technical capability to undertake this work domestically and that safeguard measures warrant further consideration as a means of providing the industry with an opportunity to compete on more sustainable terms.

References

Australian Steel Institute 2026, Fabricated Structural Steel Safeguard - Supplementary Submission, 1 June 2026.

HVAC Australia Pty Ltd 2026, Submission to the Productivity Commission - Safeguard Inquiry - Fabricated Structural Steel Imports.

Productivity Commission 2026, Fabricated structural steel safeguards - Interim report, September 2026.

Weld Australia 2026, Industry & Workforce Outlook Survey Results.