



WOLLONGONG CITY COUNCIL

Office of the Lord Mayor

Address 41 Burelli Street Wollongong **Post** Locked Bag 8821 Wollongong DC NSW 2500
Phone (02) 4227 7111 **Email** council@wollongong.nsw.gov.au **Web** www.wollongong.nsw.gov.au
ABN 63 139 525 939 - GST Registered

019



Senator Chris Ketter
Chair
Senate Standing Committee on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600

Our Ref: Z16/28225
File: OSI-25.030
Date: 15 February 2016

Dear Senator

Senate Inquiry into the future of Australia's steel industry

Wollongong City Council welcomes the opportunity to provide a submission for the Senate Inquiry into the future of Australia's steel industry. Wollongong City Council also supports the submission and recommendations of the Illawarra Business Chamber's submission *The Future of Australia's Steel Industry*.

The Illawarra region has a proud history in manufacturing and mining, which is an important pillar of Wollongong's diverse economy. In recent years, Wollongong has seen a transformation into a more service based economy with significant growth within the Health, Education and the Knowledge Services sectors. However, while Wollongong's economy is transforming and diversifying, the manufacturing sector continues to play a vitally important role. Manufacturing remains the most important sector in terms of output to the region, contributing around \$7.906 billion annually in revenue to the regions gross regional product (GRP) of \$18.6 billion (REMPAN). The manufacturing sector is the second largest industry in terms of employment (after Health and Social Services) employing around 8,572 people, which equates to around 12% of Wollongong's workforce (REMPAN).

The production of raw steel is a very important component of BlueScope's operations at Port Kembla. It is estimated that around 3,200 direct employees are involved in the raw steel manufacturing component of the business operations, as well as a number of other contractors within the supply chain. Following the announcement by BlueScope of a possible closure of the Port Kembla raw steel operation, REMPLAN analysis was undertaken to determine the impact on the local economy. This analysis (Attachment A) demonstrates the impact on the Illawarra economy should the raw steel manufacturing business of BlueScope cease operations, would be around \$1.916 billion per annum (without taking into effect the multiplier effects). Taking into account all direct, industrial and consumption effects, this figure would increase to around \$2.572 billion per annum. These figures demonstrate the importance of the steel industry to the local economy and further analysis is provided in the attached submission.

Wollongong City Council was very pleased to learn of BlueScope's decision on 26 October 2015 to continue the production of raw steel at Port Kembla (subject to the ratification of the new Enterprise Agreement). All parties involved, including BlueScope management, unions, workers and NSW Government and Wollongong City Council worked together to ensure an outcome for the good

for the region. Following this decision, the Board upgraded its earning outlook due to a number of factors (including the weaker \$A/\$US) and estimates a saving of around \$200 million by FY2017. This demonstrates a commitment by BlueScope to the Illawarra region and a willingness by all parties to work together for the good of the region. However, it should be recognized that despite BlueScope's announcement, there were still impacts on the economy of current job losses of around 500 people. REMPLAN modelling (Attachment B) demonstrates these 500 current job losses will have a flow on multiplier effect, with total job losses (taking into account the industrial and consumption effects) estimated at around 791 people and a \$402 million impact on the economy.

Wollongong City Council supports the local steel industry and its importance to the local economy. At its meeting of 24 August 2015, Council discussed the issue of BlueScope and how to strengthen local economic capacity through strategic procurement. Council resolved unanimously the following:

- 1 Council write to relevant Federal and State Ministers, local Members of Parliament and relevant Trade Unions, seeking their support and advocacy to maximise Australian steel content in all State and Federal Government procurement contracts and tenders.
- 2 Council explore options to support the viability of BlueScope Steel Port Kembla, including prioritising the development of a strategic centre-led approach to procurement policies and procedures to further strengthen the local economic capacity. A meeting/briefing be held with Councillors and Senior Managers, within the next six weeks, to consider various options.
- 3 Council seek the support of all stakeholders to commit to working collaboratively to support the steelmaking industry and the steel value chain to achieve a positive outcome for our region.

In conclusion, Wollongong City Council supports the submission of the Illawarra Business Chamber *The Future of Australia's Steel Industry* to this inquiry comprising the four recommendations:

- Recommendation 1: Require government suppliers to confirm to quality standards for steel.
- Recommendation 2: Enhance local content procurement through better engagement, reporting and publicising the employment, skills and technology outcomes of public infrastructure projects.
- Recommendation 3: Encourage State and Territory governments to use Industry Participation Agreements.
- Recommendation 4: Support economic diversification by building entrepreneurship, boosting small business research and investing in infrastructure.

If you have any further enquiries, please contact Mark Grimson, Economic Development Manager on 4227 7166.

Yours sincerely

Lord Mayor

Councillor Gordon Bradbery OAM
Wollongong City Council