

# **Consultations on Carbon Price Mechanism Legislation**

## **Steel Transformation Plan**

### **The Australian Workers' Union Submission**

**September 2011**

## SUMMARY

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The steel industry in Australia is facing its most challenging period since the Great Depression. This is most evidenced by the recent shutdowns, downsizing and record losses announced by BlueScope steel.

The Steel Transformation Plan (STP) acknowledges the unique set of macroeconomic challenges confronting the steel industry. It also acknowledges the structural carbon emission issues in the production of steel as well as the inability for steel producers to 'pass on' carbon costs to consumers.

The STP provides assistance in addition to the shielding provided under the Carbon Pricing Mechanism and other associated transitional funding packages.

The Australian Workers' Union (AWU) notes that this legislative framework still requires operative elements that will be dealt with by way of a disallowable instrument. The AWU would expect that this instrument be reflective of previous announcements made by the Government and agreements thus far with industry and union bodies.

## COMMENTS

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### Eligibility for funding

The criteria for funding should be such that it ensures the primary intended beneficiaries One Steel and BlueScope Steel are not excluded from tendering for monies. This must be the governing purpose of the definitions.

### Funding Split

The split of monies over the lifespan of the STP between the main proponents One Steel and BlueScope Steel should be under the terms publicly announced by both firms and the Government.

The AWU would expect that any mechanism dealing with the allocation of funds would be dealt with in this fashion.

### Disallowable Instrument

Much of the way the money will be distributed will be dealt with under a disallowable instrument.

As per AWU comments regarding the implementation of the *Jobs and Competitiveness Program*, the AWU has concerns regarding the certainty of the administration of funding under this program in the event of a change in Government or Government policy.

The AWU would expect strong consultation on the make up of this disallowable instrument.

### Conditions for Funding

It is unclear what 'conditions' would be considered appropriate to attach to any funding assistance made payable under the STP and RAA.

Further guidance and consultation is required as well as certainty in the implementation of the Act to ensure that any conditions imposed are not unrealistic.

## **Steel Transformation Plan**

The AWU notes that currently as the legislation is drafted, the STP ceases to operate on 31 December 2016.

The AWU considers this contrary to Government announcements that deal with the prospect of further assistance to the steel industry as required and governed by the prevailing market conditions at the conclusion of the STP.

The AWU would seek that this legislation would allow for a prospective 'roll over' of assistance as required or dictated by market conditions.

## **Jobs and Competitiveness Program and Other Programs**

The AWU would seek more guidance and discussion as to the interoperability of the STP with any other Carbon Price Mechanism legislation as well as regulations that involve compensation of industry such as the Jobs and Competitiveness Plan.

## CONCLUSION

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The AWU broadly supports the Steel Transformation Plan, which acknowledges the precarious position of the Australian steel industry.

There are amendments that the AWU wishes to see to ensure greater certainty in the operation of the package and clarity in the language and intent of the Act.

The AWU considers that the formulation of the Act, associated operative mechanisms and policy protocols should reflect the agreements reached thus far between industry, unions and government.

Any disallowable instrument should have sufficient Ministerial oversight, and should be flexible and as streamlined as possible in its administrative application process to ensure that industry assistance in this scheme is temporal and gives effect to the intent of the policy, which is to provide assistance in the short run. This is particularly true of the Restructuring Assistance Advance package which must be implemented before 30 June 2012.

The AWU has concerns with the certainty around some of the elements of the legislative package, as well as the possibility for amendment in the event of policy change in the current government, or a change in government in the future.