



Noel Davies
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At Metals New Zealand Industry
Conference 2011



Good morning everyone. It's my pleasure to welcome you all to the fifth annual Metals Industry Conference.

I'd like to thank Her Worship the Mayor of Wellington, Celia Wade-Brown for her warm welcome to Wellington, and welcome the Honourable David Carter, Minister for Forestry, Biotechnology and Agriculture, and Acting Minister of Economic Development. Thank you for your time, and we look forward to hearing from you shortly, Minister.

The conference theme this year is **Driving Productivity and Innovation**. I'm of the view that we, like many other kiwi industries, are natural innovators, and that fostering and celebrating this innovation will lead to productivity gains. We'll hear more about this during the course of the day, and you'll have the chance to contribute your own thoughts and ideas about how we take our industry forward.

B.

Speaking of taking the industry forward, the other important purpose of the conference is to officially introduce you to your new pan-industry body, Metals New Zealand Incorporated.

Six years in the making, many of you will have followed the journey since the idea behind such an organisation was first mooted. I can tell you we are delighted that all the thinking and talking has finally come to fruition.

I'd like to tell you a bit about the rationale for forming Metals New Zealand, the role we will play, and why should you be part of it.

As everyone involved in the metals industry knows, we are a significant contributor to the economy, to the tune of around \$2.6 billion annually based on the latest figures available, from 2007. With our beginnings in the 1860s and 1870s with the establishment of the country's first foundries, we have become an incredibly diverse and complex industry, ranging from original equipment manufacturers, to commodities exporters, to fitters and fabricators, to specialist high tech businesses and all the essential supply chains in between.

Collectively we now employ over 26,00 people, and in 2010 we exported metals-based manufactured product worth \$2.3 billion – or 5.5% of New Zealand's total exports. **It's a good story, we all know it well and of course we're very proud of it.** But with the development of global market forces - and the intense competition that comes with it - we're now suffering from a lack of profile and influence.

Let me give you a few examples of where we're missing out:

- we're not on the radar of school students who are about to embark on their tertiary education or take up an apprenticeship;
- skilled people look offshore for jobs before they look here;
- cheaper and inferior imported products get a look in before our own;
- big public works contracts are awarded to overseas players rather than Kiwi ones;
- competing interests have the ear of government officials when it comes to influencing policy and funding decisions;
- we're often considered to be a dirty industry with a poor environment record;

- And we are not growing exports of high value products as fast as we would like.

When you add the weak economy and depressed construction and manufacturing sectors to these examples, you've got an industry facing some difficult times. Business confidence is very low and economists are saying things may well get worse before they start to get better.

The time has come to draw a line in the sand, get ourselves organised and do something about it.

If we want to tip the playing field back in our favour and overcome some of the issues I've just mentioned, **we need to have a united voice**. We need to tell a convincing story to our stakeholders, and that's what Metals New Zealand is all about.

C.

The Heavy Engineering Research Association or short HERA has been instrumental in establishing Metals New Zealand, and I'd like to thank its Director, Dr Wolfgang Scholz for his dedication and hard work in seeing Metals New Zealand come to life. But it's important to understand that Metals New Zealand is not simply HERA in another guise.

We know that some people in the industry have assumed it was HERA's role to promote the industry, and indeed sometimes it's been necessary for HERA to do this. However in my view it is critical for the credibility of both HERA and Metals New Zealand that HERA retains its position as a research organisation, and is seen to be independent from the roles of promotion and advocacy.

D.

The vision for Metals New Zealand is to foster a vibrant and growing industry that will benefit everyone in it, and continue to contribute in a meaningful way to the broader New Zealand economy.

How are we going to do this?

Our first task is to get you, the industry, on board. We will not succeed in our vision without the energy and support of the existing sector organisations. Metals New Zealand aims to focus on the big issues that affect us all, and will not take over the great work already being done by these groups.

Rather, through our executive committee, we aim to channel the views of all players and represent and advance the industry as a whole.

While it's early days we already have the support of the following member-based organisations: Casting Technology New Zealand (CTNZ), the Galvanising Association of New Zealand (GANZ), HERA, Light Alloy Manufacturing New Zealand (LAM-NZ), Metal Roofing Manufacturers (MRM), the National Association of Steel-framed Housing (NASH), the New Zealand Stainless Steel Development Association (NZSSDA), Steel Construction New Zealand (SCNZ) and the Titanium Industry Development Association (TIDA)..

In the corporate space we have New Zealand Steel, One Steel, and SAFE on board as fee paying Ordinary Corporate Members and who have an interest in setting the direction of the organisation. Additionally seven Affiliate Corporate Members signed up at the Inaugural General Meeting in December.

This is a great start, and we look forward to having all of you here at the conference as members – whether directly in your own right, or indirectly through your company or your existing membership of your sector organisation.

E.

So what exactly will Metals New Zealand be doing to promote and grow this fantastic industry?

First of all, an absolute priority for us is to engage effectively with Government.

The situation at present is that, despite our obvious value to the economy, the metals industry is woefully unrecognised and under-represented in the halls of Parliament.

For example, there's no Minister with direct oversight of the metals industry, whereas our peers in the forestry and agriculture industries are obviously well represented by our guest today, the Honorable Mr Carter. While I'm not necessarily suggesting we warrant the creation of a whole new Ministry –(and with the Prime Minister seeking a trimmed down public service that's extremely unlikely) – I am suggesting that we at least become more visible and more vocal, which will hopefully lead to greater recognition.

It's nobody's fault but our own that we're under-represented with Government – in the past perhaps we've never felt a need and have chosen to just get on with our day jobs.

But times have changed, and it's more important now than it's ever been to build strong relationships with Ministers and officials. Why? The Government is central to many things affecting our industry, such as compliance rules and standards, taxes and tariffs, building codes, public sector procurement rules including "Buy New Zealand Made", research funding and employment policies.

To illustrate the importance of engaging with government, I'd like to talk briefly about the impact of imported products on local industry.

In today's highly competitive global market it can be hard to compete with cheap imports but they are, under current policies, an unfortunate reality which come at a significant cost.

They are often inferior in quality to their New Zealand-made equivalents and can require substantial re-work, carry delay-related completion penalties and increased maintenance costs. Therefore, looking at it from a whole of life perspective, they are frequently more costly than the New Zealand-made solution.

To quantify these costs, let me quote you some figures calculated in 2009 by BERL (Business and Economic Research Limited) regarding the economic impact of imported steel products.

Every \$1 million of steel product imported, rather than manufactured locally, results in

- 10.4 jobs lost
- \$108,457 in forgone tax revenue
- \$207,762 of increased purchasing power lost
- \$128,685 in extra government welfare payments

When you consider that in 2009 over \$2.5 billion of fabricated steelwork was imported, the negative impact on New Zealand's wealth and social wellbeing is quite simply staggering.

Other factors which give overseas competitors a price advantage over us include poor or non-existent health and safety regulations, poor pay and working conditions, lack of concern for environment impacts, government subsidies and incentives, and different interpretations of patent and intellectual property laws.

While these factors are largely the responsibility of overseas governments, one of the things we need to do better is work with our government to help ensure that trade agreements and other economic partnerships work for us, as well as for the likes of the agriculture sector.

We also need to be more vocal with government regarding the procurement of products and services for large public projects. A case in point is the recent overhaul and conversion of the NIWA research vessel Tangaroa, which was awarded to a Singaporean company. HERA estimates that this decision cost New Zealand 40 skilled jobs.

When it comes to talking with government, more often than not others are in the queue ahead of us. How can we hope to shape policy which affects us without having effective dialogue with those who are making the decisions?

What we want –and what we'll be asking for – is an even playing field.

F.

The other key priority for Metals New Zealand is to promote our industry. Gaining a reputation as a vibrant and innovative industry with a strong future will directly help address some of the other issues I mentioned earlier, such as skills shortages, and questions around our environmental performance.

Skills shortages affect many industries in New Zealand, so we're not alone in this regard. As well as promoting ourselves to university graduates and skilled migrants, we also need to work with academics and educational institutions to help them attract young people to technical and science qualifications, before they embark on stimulating and rewarding careers in metals-related industries.

G.

Sustainability is a serious issue faced by us all. It's a term often bandied about these days, usually in relation to the environment. In truth, much of our industry is highly energy-intensive, uses a lot of resources, emits a lot of carbon and can negatively impact the environment.

Let's not try and hide from the facts. But equally, let's ensure we are not judged solely on the negatives. Many companies in the industry have invested in reducing or offsetting their carbon, and have taken action to restore - and even improve - the natural environments they work in.

What we say is that sustainability is about much more than just the environment. It's about doing sensible things now to ensure our industry is there for the benefit of future generations. A sustainable metals industry in New Zealand means the

creation of new jobs and wealth; it means being an active and responsible part of the communities in which we live and work; and it means taking care of the environment as best we can.

This is the sustainability story we want to tell.

H.

So while there's no doubt that part of our job is to help navigate headwinds, the other part of it is a lot more positive. It's about showcasing the best of what we can offer New Zealand and the world.

We produce outstanding work from companies like D&H, Fitzroy Engineering, Flotech and the NDA Group to name but a few. We need to celebrate these and other successes and use them to grow our industry – **and that's what tonight's awards are all about.**

There are some fantastic opportunities out there at present for us, and without a strong voice we risk missing out. We'll seek to use high-profile projects of national significance as platforms from which we can promote the metals industry. Projects such as the ANZAC Centenary Bridge, the Marine Energy Centre and the Low Heat to Electrical Energy Projects will all involve the use of metals-related products and services, and we will seek to use these opportunities to our advantage.

I.

The other obvious project of national significance is the rebuild of Christchurch. The earthquake of Feb 22 was - and will continue to be for some years - a devastating event for the city and for New Zealand. And let's not forget the earlier September earthquake as well.

Clearly the rebuilding of Christchurch, once it gets underway, will provide a much needed boost for the entire economy and the construction industry in particular - and therefore the steel industry too.

It may seem early days as the Government works through the process, but we've already seen the timber and concrete lobbies come out with their views on how the city should approach the rebuild and I'm sure you'll agree that, so far, we have been conspicuous in our absence.

Rest assured that we'll be working with the steel guys to make sure we put our case. The evidence to date is that steel framed buildings performed very well, as expected. But I would note it's important that in putting our case we are not seen to be taking advantage of this tragic event. We should never forget that many lives were lost. Neither should we be proposing that steel and only steel is the solution.

The best position for us to take is to go with what's best for the people of Christchurch and advocate for a multi-disciplinary, collective and considered approach, one that is driven by a 'fit for purpose' solution.

Once all the experts have completed their analysis – including our own experts - and the necessary reviews completed, the reality is that a range of materials, in a range of combinations, will be likely be used in the rebuild. We just want to make sure that we're part of the conversation, have some influence in the decision-making and be part of the solution.

K.

I'd like to conclude by saying how excited I am about the prospects for this wonderful industry. Like any industry there are some road bumps ahead, but with the formation of Metals New Zealand I am hugely confident we can navigate our way through so that everyone – from the largest to the smallest and everyone in between – benefits.

Metals New Zealand is all about taking control of our own destiny. If we sit back and wait for things to happen, there's a big chance that we'll miss opportunities and our position as a leading contributor to the economy will likely be eroded.

But we can't do it alone. **We need your support.** By joining Metals New Zealand you will help us kick these goals and take this industry – (and therefore this country) - forward to a vibrant and prosperous future.

Thank you.