

WELCOME



Welcome to the September 2008 edition of *STEEL BY* magazine.

BlueScope Steel was honoured to have been, for the third year running, the principal sponsor of the *Manufacturers' Monthly Endeavour Awards*, which recognise our local manufacturing elite.

It was reassuring during the Awards event to hear keynote speaker, Federal Minister for Innovation, Industry, Science and

Research, Senator Kim Carr, say that the new government took manufacturing very seriously and intended to bring a lot of energy and focus to industry policy.

Manufacturer of the Year Award winner, Marand Precision Engineering, thoroughly deserved the evening's main accolade.

The prestigious new Australian Steel Innovation Award category – sponsored by BlueScope Steel – was awarded to JNI Pallet Systems, with STEEL BY™ Brand Partnership Program member and

hand-crafted steel art company Ron Clarke & Sons receiving the category's Highly Commended award (see story on page four).

BlueScope Steel is delighted to support STEEL BY™ members in their efforts to underpin Australian manufacturing, and to develop and market world-class products.

In this issue, we explain the global factors which are affecting local steel supply and pricing in Australia.

We also demonstrate a number of small-to-medium STEEL BY™ member success stories, such as Custom Transportable Buildings, Ken Mitchell Engineering, Jonda Sheetmetal and Vollers, all of whom are less affected by global forces because they produce unique products in demand here in Australia.

We hope you enjoy this issue and thank you for your on-going participation in the STEEL BY™ Brand Partnership Program.



Michael Reay
Corporate Brand Manager, BlueScope Steel Limited

THE COMMODITIES BOOM

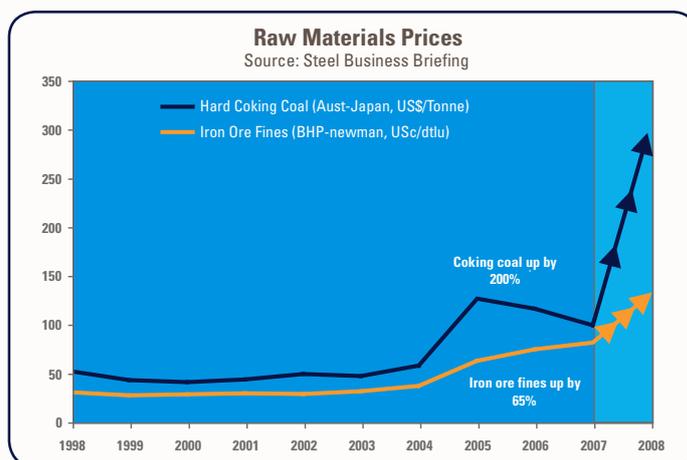
By BlueScope Steel Economists

Up to three months ago, the huge increase in global demand for minerals, which exceeded the levels predicted by the most optimistic forecasters, completely exhausted whatever spare capacity was available a few years ago.

This supply/demand imbalance has, in turn, increased prices for commodities almost exponentially. For the 2008/09 contract year, coking coal prices jumped by 200 per cent.

In February 2008, multi-national mining company Vale, the world's largest producer of iron ore, announced a 65 per cent price rise in iron ore fines. Since then, both Rio Tinto and BHP Billiton have secured an 80 per cent increase for iron ore fines, and a 96.5 per cent increase for lump ore.

Over the last few months, however, the price of some commodities – such as copper, lead, nickel and zinc – has come under pressure. The slowdown in global economic activity has been a factor in their decline. As indicated in the graph (above), the price of iron ore and coal has continued to strengthen, a clear sign that demand still exceeds supply.



Putting things into perspective, mining sector output in Australia has increased by a modest 13.5 per cent over the three years to 2007/08. This is clearly not enough to keep up with global demand, given China's industrial production increased by 60 per cent over the same period.

The supply/demand imbalance means the mining sector will need to continue to expand capacity in the next few years. Access Economics predicts this sector's investment to grow by 24 per cent over the next

three years, consistent with the very high level of work in the pipeline for mining projects.

Access Economics also forecasts iron ore output to increase in excess of 30 per cent over the next three years, and coal output to grow over 20 per cent during the same period.

It is obvious the level of capacity for commodities such as iron ore and coal will continue to expand until supply and demand are balanced. However, given the ongoing strong growth in industrial production of the major

developing countries (Brazil, Russia, India and China) and the complex and expensive process of adding capacity, it's unlikely this balance will be achieved for some time.

The evidence from the Australian Bureau of Statistics' collected data on investment intention is that mining investment, which is already huge, is likely to increase further, especially in coal and iron ore projects. Note that these intentions to invest were measured prior to the recent falls in the value of the Australian dollar, which further increases the profitability of the Australian operations.

In addition to the mine capacity expansions, there are at present serious constraints to transport these commodities, and therefore there is an urgent need to expand both the rail and port capacity in future years.

Access Economics indicate that there are about 50 advanced minerals mining and processing projects, plus a further 182 projects that are either undergoing a feasibility study or require a decision to proceed. All together, this represents an overall potential investment of \$140 billion.

SUPPLY & DEMAND

BlueScope Steel has stressed the importance of understanding how market conditions impact demand and prices of steel in Australia and overseas.

There are three key factors that have influenced the market in 2008: a severe shortage of key raw materials; ongoing strong demand in emerging markets such as India and China; and a steep increase in sea freight costs.

Coking coal contract prices have shot up by 200 per cent (now over US\$300 per tonne), and iron ore prices by 87 per cent. This follows a 65 per cent rise in prices for iron ore fines in February.

Despite these constraints, global crude steel production reached 815 million tonnes in the first seven months of 2008, up a substantial 6.1 per cent compared to the same period in 2007.

The steel supply/demand imbalance that has been experienced in the first half of 2008 has put substantial pressure on global steel prices, with Asia and North America recording the highest price increases. In the US, the weak US dollar and high freight costs have suppressed steel imports. More recently, however, steel prices have corrected due to seasonal factors in both Europe and the Middle East and, to a lesser extent, due to a fall in construction activity in China because of the recent Olympic Games.

Although the slowdown in global GDP growth is likely to impact steel demand to some extent in the second half of '08, economic activity in the emerging economies (which consume about 60 per cent of global steel) remains strong. In fact, industrial production growth averaged a strong 16 per cent per annum in the three months to July 2008 in China, and five per cent per annum in India.

BlueScope Steel's Chief Executive Australian Coated and Industrial Markets, Paul O'Keefe, said that the company's steel output volumes have been steadily increasing for a number of years. Stronger than expected demand and a recent reduction in import volumes has, however, resulted in a supply/demand imbalance in the Australian market.

"BlueScope Steel is working hard to ensure we are maximising our production output, and getting the most out of our supply chain, in an endeavour to meet customer demand," he said.

"While these processes are underway, we ask our customers to remain in close consultation with their BlueScope Steel sales representatives. We will continue to take proactive steps to remain a competitive supplier, and to deliver quality and value to customers."



STEEL BY™ members Ian Mitchell (front left), Ken Mitchell and the team from Ken Mitchell Engineering.

SYDNEY FABRICATOR STEELS ITSELF FOR THE FUTURE

New South Wales fabrication company Ken Mitchell Engineering has upgraded its sheet metal and plate working machinery, anticipating significantly increased sales of roofing products made from COLORBOND® steel.

The Sydney-based company has worked on important projects including the Sydney Olympic Velodrome and the Sydney Harbour Bridge.

"It took us six months to cut, drill, punch, weld and notch every roof purlin for the Olympic Velodrome," company manager Ian Mitchell said.

"We also revamped and extended a mezzanine floor of the maintenance area inside one of the northern pylons of Sydney Harbour Bridge.

"We have also organised and ordered roofing and rainwater items for shipment to New Caledonia for a new client."

Ken Mitchell Engineering was established 35 years ago by Ken Mitchell in his garage. The company is now run by Ken's son Ian, who operates from a

1250-square-metre workshop at Heathcote in Sydney's south where he employs eight people.

"We are lucky to have a great crew, all working as a team," Ian Mitchell said. "About 90 per cent of our fabrication work comes from word-of-mouth recommendation or from our longstanding contractors, who all liaise well with our employees.

"As we're usually working on an average of eight jobs simultaneously, we recently installed two new machines for our workshop – a pan brake and guillotine," he said. "We have a five-tonne overhead crane and large floor area that allows us to fabricate and pre-assemble before installing on site."

Mr Mitchell said the company's longest ongoing job had been fabricating LYSAGHT SHEERLINE® gutter stop ends from COLORBOND® steel for BlueScope Lysaght.

"Dad developed the dies 25 years ago, and we've been punching and forming them for BlueScope Lysaght ever since," he said.

The company's remaining business comes from selling roofing

and rainwater material made from COLORBOND® steel to builders and owner/builders.

Ken Mitchell Engineering uses BlueScope Steel's hot-rolled structural steel sections and LYSAGHT SUPAZED® and SUPACEE® purlins for structural work.

It also sells roofing made from COLORBOND® steel, BlueScope Steel rainwater goods and LYSAGHT BONDEK® profiled steel decking – a ceiling system for concrete slabs – to builders and owner/builders.

Ken Mitchell Engineering joined the STEEL BY™ Brand Partnership Program to align the company's reputation with that of Australia's leading steel supplier.

"We wholeheartedly support Australian-made steel, and believe Australian manufacturers and fabricators should use it as much as possible," Mr Mitchell said.

For more information contact:

Ian Mitchell
Ken Mitchell
Engineering
Ph: (02) 9520 3700



ALL-STEEL BUILDINGS GO REMOTE

A Newcastle-based manufacturer has created a niche market manufacturing transportable buildings for some of Australia's most remote regions.

Custom Transportable Buildings (CTB) is a private company offering a one-stop shop for custom-designed and built transportable homes, remote site accommodation, tourist park cabins, retirement villages, school classrooms and Defence housing constructed to unique requirements.

Established in 1995, CTB is also known internationally for its high quality transportable industrial structures that include computer rooms, training rooms, acoustic buildings, air conditioning plants, control rooms and electrical switch-rooms.

In 2006 Custom Transportable Buildings delivered a series of transportable buildings to remote Gove in the Northern Territory as part of the Alcan G3 expansion project undertaken by the Alcan Alumina Refinery.

These switch-rooms were transported by an ocean-going barge direct from CTB headquarters in Newcastle to the Alcan Refinery in Gove.

As part of the Alcan contract, CTB was commissioned to manufacture and deliver 11 large electrical switch-rooms. The largest weighed in at a massive 900 tonnes, was 45 metres long and 17 metres high.

The size of these switch-rooms meant that the buildings had to be fabricated in pre-assembled modules (PAMS). They were then transported by heavy lift platform trailers onto the sea tow barge for delivery to the final destination.

"These industrial structures were delivered to Gove in prime condition, and within the tight delivery schedules," CTB Director Simon Griffiths said.

"We're also proud of our OH&S achievement on the Gove project. One hundred thousand man-hours were worked over 59 weeks and there were zero lost-time injuries recorded."

The transportable buildings are built from various steel sections, some being framing made from TRUECORE® steel sourced through OneSteel and Millform. They use claddings



CTB Director Simon Griffiths.

and rainwater goods made from COLORBOND® steel supplied by BlueScope Lysaght.

Custom Transportable Buildings is a member of the STEEL BY™ Brand Partnership Program.

"We have an outstanding working relationship with BlueScope Steel which was integral to getting the work in Gove," Mr Griffiths said.

Custom Transportable Buildings has also supplied seven switch-rooms to Ok Tedi Mine in Papua

New Guinea, which similarly travelled via ship from Newcastle.

"One of the projects we are currently completing is five switch-rooms for Downer EDI Engineering for Waubra wind farm near Ballarat," Mr Griffiths said.

For more information contact:

Simon Griffiths
Custom Transportable Buildings
Ph: (02) 4928 2211
www.ctb.net.au



FAST-PACED MANUFACTURE KEY TO SUCCESS

A family-owned Melbourne manufacturer specialising in custom-designed products has built a strong reputation for attention to detail and fast turnaround.

Jonda Sheetmetal has over 20 years' experience in all types of roofing products and rainwater goods, specialising in general fabrication of custom-design products.

The company employs 25 people and produces a range of flashings, sumps, guttering and CNC punching and plasma cutting. It takes pride in turning around many orders inside 24 hours.

"Everything we do is made to order – we have a fast turnaround business. There is high pressure as our customers expect the products straight away," said director John Nikolopoulos, who runs the company with Dani and Jake Nikolopoulos.

Customers include major hardware stores, architects, builders and plumbers.



Jonda Sheetmetal director John Nikolopoulos (left) and son Jake.

Jonda Sheetmetal has been involved in major commercial projects including the supply of louvres for Melbourne's Austin hospital and the finials for the old-fashioned windows on the renovation of the old Exhibition Building in Carlton, Melbourne.

Mr Nikolopoulos and his son are plumbers by trade and therefore

understand the needs of their customers.

"Some of our customers call us when it gets too hard. We're known for solving difficult problems and carrying out delicate jobs with intricate detail," he said.

Jonda Sheetmetal is constantly evolving its product range. It has developed a new leaf guard system

which Mr Nikolopoulos says is not expensive and is ideal for the DIY handyman.

The company is a member of the STEEL BY™ Brand Partnership Program.

"Our business revolves around matching products – for example flashing or a fancy rainhead to a roof. We therefore need to stick with the industry standard, which is why we use products from BlueScope Steel like COLORBOND® or ZINCALUME® steel.

"We use only BlueScope Steel products because our customers wouldn't be happy with anything else,"

Mr Nikolopoulos said. "Plus we can offer them a BlueScope Steel product warranty."

For more information contact:

John Nikolopoulos
Jonda Sheetmetal
Ph: 0394 571 280
www.jonda.com.au



BRIEF

WORLD STEEL PRODUCTION ON THE UP

World crude steel production for the 66 countries reporting to the International Iron and Steel Institute (IISI) was 117.2 million metric tonnes (mmt) in July 2008, 6.2 per cent higher than the same month last year.

Total world crude steel production was 815.1mmt in the first seven months of 2008, a 6.1 per cent increase over the same period in 2007. Also in July, the global moving annual total (MAT) growth rate stayed at 5.8 per cent, unchanged for the last four months.

In the first seven months of 2008, China produced 308.3mmt of crude steel, an increase of 9.3 per cent over the same period in 2007. But July 2008 also saw China's MAT growth rate continue to slow further to 9.6 per cent (versus its peak MAT growth rate of 26.3 per cent in January 2006), highlighting the changing global conditions.

Overall, however, Asia produced 66.4mmt of crude steel in July 2008 compared to 62mmt in July 2007, a 7.1 per cent increase in production.

In the EU, however, it was a different story, with the largest producer, Germany, outputting 3.8mmt, a decrease of 5.7 per cent on that time last year. The UK produced 1.1mmt of crude steel, also posting a decrease of 3.9 per cent over the same month in 2007.

Bucking the EU trend, North America showed its eighth consecutive monthly increase of MAT growth rate, rising 5.4 per cent from 4.5 per cent in June. Total production was 11.6mmt in July 2008, an increase of 7.1 per cent on July 2007.



The STEEL BY newsletter has been prepared for information purposes only. BlueScope Steel makes no representation or warranty as to the completeness or accuracy of the information contained in the newsletter. You must make your own assessment of the information contained in the newsletter and rely on it wholly at your own risk. STEEL BY™ and BlueScope are registered trademarks of BlueScope Steel Limited ABN 16 000 011 058

© Copyright 2008 BlueScope Steel Limited

STEEL BY #7 SEPTEMBER 2008



9 320075 054908

FLASHING MANUFACTURER FINDS HIS NICHE MARKET

A Wollongong-based manufacturer has successfully narrowed its focus to producing custom metal flashings.

Supplying mostly to metal roof plumbers, regular plumbers and builders, Vollers specialises in metal flashings up to eight metres long.

The company also manufactures and supplies detailed sheet metal work, curved metal flashings, rainwater heads, sumps and nozzles, box gutters and cappings.

Owner Lachlan Vollers said he took over the business from his parents when they retired in 2004.

"Vollers started in 1988 as metal roof plumbers and everything that goes with it," he said.

"Six years ago we ceased doing metal roofing and changed to just supplying metal flashings.

"As metal roof plumbers by trade, we know the industry inside out, and we wanted to perfect one thing. We have taken this one product and pulled it apart to work out the best way to get it out the door quicker and make it compete on price.

"These flashings are often one of



Lachlan Vollers from Vollers.

the most important finishing details on a house, office building or shed," Mr Vollers said.

"In addition to supplying standard flashings, we pride ourselves on also being able to fabricate specialty items – we can design and manufacture products with the use of computerised drawings."

Vollers currently has seven full-time employees and supplies flashings for residential, commercial

and industrial applications.

The metal flashings are made from COLORBOND® steel, ZINCALUME® steel, galvanised, stainless steel or aluminium.

Vollers is a member of the STEEL BY™ Brand Partnership Program.

Mr Vollers uses the BlueScope Steel logo on his website, and he also stocks a wide range of COLORBOND® steel in a variety of colours to satisfy an ever-growing demand for the product.

"Many of our customers demand flashings made from COLORBOND® steel or ZINCALUME® steel because they must match the roofing material exactly – plus BlueScope Steel delivers a good product," he said.

"And there are tertiary benefits such as appearing in the STEEL BY magazine too, where we can reach potential customers."

For more information contact:

Lachlan Vollers at

Vollers Pty Ltd

Ph: (02) 4256 2711

www.vollers.com.au



SUCCESS TAKES SHAPE

While word-of-mouth helped steel artist Ron Clarke forge a reputation, it was an appearance on the ABC's *Countrywide* program that really helped kick-start his career.

Ron Clarke had been creating steel silhouettes using hot-rolled coil from BlueScope Steel since the mid-1980s.

"That was the catalyst," he says. "I got calls from all over the country, and from overseas too after that.

"I use steel from BlueScope Steel because of its quality – I can't work with inferior steel."

To maintain his new-found profile, Mr Clarke became a member of the STEEL BY™ Brand Partnership Program, using copies of his original profile piece completed back in June 2006 to distribute to local media outlets and art galleries.

Now he's putting 'Steel Supplied By' stickers on every piece he completes (see above right).

"It's about marketing. It makes all

the difference having a brand like BlueScope Steel on my artwork – it gives credibility.

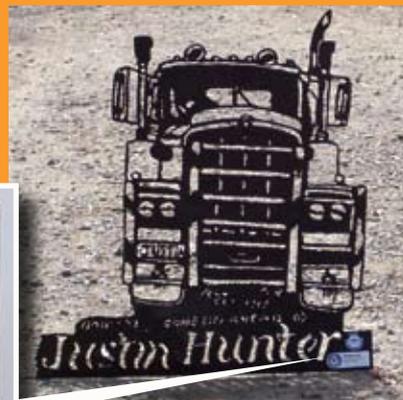
"Before I did this, some people had the impression I made my pieces out of scrap metal but



it wouldn't have been possible, for example, to have done my Paul Hogan crocodile piece with poor quality steel.

"Having a 'Steel Supplied By' sticker on each piece of artwork reinforces the fact that I use quality, Australian-made steel – which means people are even more likely to buy one. It definitely makes a difference."

Ron Clarke & Sons recently won a Highly Commended Award in the



Manufacturers' Monthly Australian Steel Innovation category sponsored by BlueScope Steel.

If you have a similar marketing success story, we'd like to share it with other STEEL BY™ Brand Partnership Program members.

Just tell us how you have used the program to promote your company's use of Australian-made steel in recent months. This may include print, radio or TV advertising, signage displayed on your vehicle fleet, or company signage.

Email your story with an image to bluescopeeditorial@imadvertising.com.au