

Stop being the only virgin in the brothel: Musgrove

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Jacqueline Ong

Policy makers were warned as early as November last year that China was willingly or inadvertently destroying the market for steel and scrap metal, says Australian Council of Recycling (ACOR) CEO Grant Musgrove, and while the sector is not after protectionist policies, Australia needs to "stop being the only virgin in the brothel."



ACOR CEO Grant Musgrove.

Musgrove was commenting on Arrium, one of two remaining steel mills in Australia and the owner of the Whyalla steelworks in SA, being placed in administration this week.

He pointed to the [report](#), prepared by ACOR, which forecasted a fall in scrap metal prices and proposed possible government responses, saying it was "studiously ignored by policy makers who were busy celebrating the China Free Trade Agreement (FTA) coming into force in late December 2015."

Musgrove said the predicament Australia has found itself in - a global oversupply of scrap metal, the material now being a liability rather than an asset, and tens of thousands of Australians at risk of losing their jobs - was either because of "gross mismanagement of China as there were no end markets and metals were just stockpiled" or it was "an active economic warfare in advance of the FTA to ensure China maintained its position as the world's factory", which included the use of mechanisms such as protectionist policies and management of the exchange rate.

"The entire time, Australia's been behaving like the only virgin in a brothel since the GFC in 2008. Every major economy is managing its currency either directly or indirectly through quantitative easing. Meanwhile, Australia is feeling the rope burns," Musgrove said, "We are in a global currency and trade war and simply pretending it's not happening."

Arrium employs some 7000 people across Australia and had voluntarily appointed administrators to help the company trade out of \$2.8 billion in debt.

Federal Industry Minister Christopher Pyne described the company's potential collapse as an "Australia-wide issue" and called on state governments to help Arrium, claiming the federal government "was already doing what it could".

In a televised interview this morning, Pyne also said it was time Australia looked at a procurement policy, which Musgrove said was hypocritical.

"The current government, when it was under Tony Abbott's leadership, tore up Australia's procurement policy, which had things such as purchasing recycled materials where practicable. It was a very sensible policy that was replaced with a lowest cost policy," Musgrove said.

"It's absolutely hypocritical for the nation's industry minister, who was part of the Cabinet that ripped up that policy in 2014, to contradict his fellow colleagues today. I support the minister's change of position but the fact that he is at odds with his colleagues is of great concern.

"Even more bizarrely, politicians are claiming that enough metal will be used in building the 12 submarines to somehow soak up the global oversupply. In reality, the effect will be an undetectable rounding error," Musgrove added.

So what kind of response is now needed from the federal government? Thankfully, there are recommendations readily available (they have been ready since November):

1. Formal support for the use of recycled steel in projects across all tiers of government.
2. Elimination on taxes and levies on residual waste generated during the recycling process.
3. Offering freight subsidises to enable delivery of recyclables to processing facilities.
4. Enforcement of anti-dumping regulations to protect the Australian steel industry from dumped Chinese steel.
5. Accelerated depreciation allowances for investment in recycling infrastructure and equipment

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