



**T H E M C K E L L I N S T I T U T E**

## **A Future Made in Whyalla**

Why Government Intervention is Needed in Whyalla to Preserve Australia's  
Manufacturing Capacity, National Security, and Skills Base

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## About the McKell Institute

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## Acknowledgement of Country

This report was written on the lands of the Kurna People. The McKell Institute acknowledges Aboriginal and Torres Strait Islander peoples as the Traditional Owners of Country throughout Australia and their continuing connection to both their land and seas.

## About the Authors

**Max Douglass** is a Policy Analyst at the McKell Institute

**Edward Cavanough** is the CEO at the McKell Institute, based in Adelaide.

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## Introduction

In recent weeks, it has become clear that the Whyalla Steelworks in South Australia's Upper Spencer Gulf region is at risk of failure, owing its creditors hundreds of millions in debts.

It is undisputed that the Steelworks is the lynchpin of the Whyalla and Upper Spencer Gulf economy: it directly employs a quarter of Whyalla, and indirectly employs many more. Put differently, if the Steelworks fails, so too will Whyalla.

But the Whyalla Steelworks also an asset of broader national significance, critical to Australia's economic and national sovereignty.

The Whyalla Steelworks represents Australia's only manufacturer of long-steel product which are integral to transport, housing, and infrastructure projects. This means that it also represents a bulwark against strategic coercion from potential adversaries. Its significance is only compounded by the fact that Australia has become more—not less—dependent on Chinese long steel products. The Whyalla Steelworks and its supplying SMEs also represent one of Australia's most advanced and mature stocks of human capital which would only be left to atrophy if the Steelworks were to go under.

This status quo is fragile. A significant capital injection is required to secure the continued operation of the plant, and current ownership have so far been unable to do so. Its current pressures are only compounded by the rapidly destabilising global trade environment.

Allowing the Steelworks to continue its current trajectory would also be inconsistent with the Commonwealth's *Future Made in Australia* policy—especially its green steel priority, of which Whyalla is likely to play a pivotal role.

This policy briefing outlines the unique importance of the Whyalla Steelworks, and explains why a significant intervention by policymakers is likely the best choice ahead to ensure the operation is sustained, and Australia's sovereign manufacturing capacity is preserved.

## Key Facts

1. **The Whyalla Steelworks is on a knife edge** — State and Commonwealth governments must urgently consider intervention options to assure it survives.
2. **The Whyalla Steelworks is central to Australia’s manufacturing capacity** – It is the only steelworks in the country capable of producing long steel, which is vital for Australia’s transport, defence, construction and manufacturing industries.
3. **Australia is now a net importer of long iron and steel products** – Despite being a net *exporter* until the turn of the century, Australia is now exposed to volatile import markets.
4. **Australia’s defence capacity and national security depend on the Whyalla Steelworks** – Its output means Australia can better respond to strategic emergencies, is less exposed to supply chain disruptions, and can resist coercion by adversarial trading partners.
5. **In 2024, 40 per cent of Australia’s long steel products were imported from China** – this rose from 28 per cent in 2013, soared to 51 per cent in 2023.
6. **The Whyalla Steelworks is adjacent to valuable economic assets** — the Steelworks is within proximity of highly profitable assets, such as the Middleback Ranges magnetite and hematite deposits. The aggregation of these assets with the Steelworks presents a viable long-term investment opportunity.
7. **Without drastic intervention, the Whyalla steelworks may fail** – The owners have been unwilling or unable to make the necessary investments for its long-term viability. This is compounded by the increasingly volatile and uncertain global trading environment.
8. **To allow the Steelworks to fail would be inconsistent with the Commonwealth’s *Future Made in Australia* strategy** – Australia’s broader capacity to manufacture is heavily dependent in the products made in Whyalla, heightening the importance of the asset.

## Part 1: Why the Whyalla Steelworks Underwrites Australian Economic Sovereignty

The Whyalla Steelworks, located in South Australia's Upper Spencer Gulf region in the state's mid-north, is the lynchpin of its own community's prosperity. The Steelworks underpins around half of the broader regional economy, directly employing 25 per cent of Whyalla workforce, and indirectly employing another 35 per cent.<sup>1</sup> For a number of years, the economic viability of the operation has been questioned, casting its future into uncertainty.

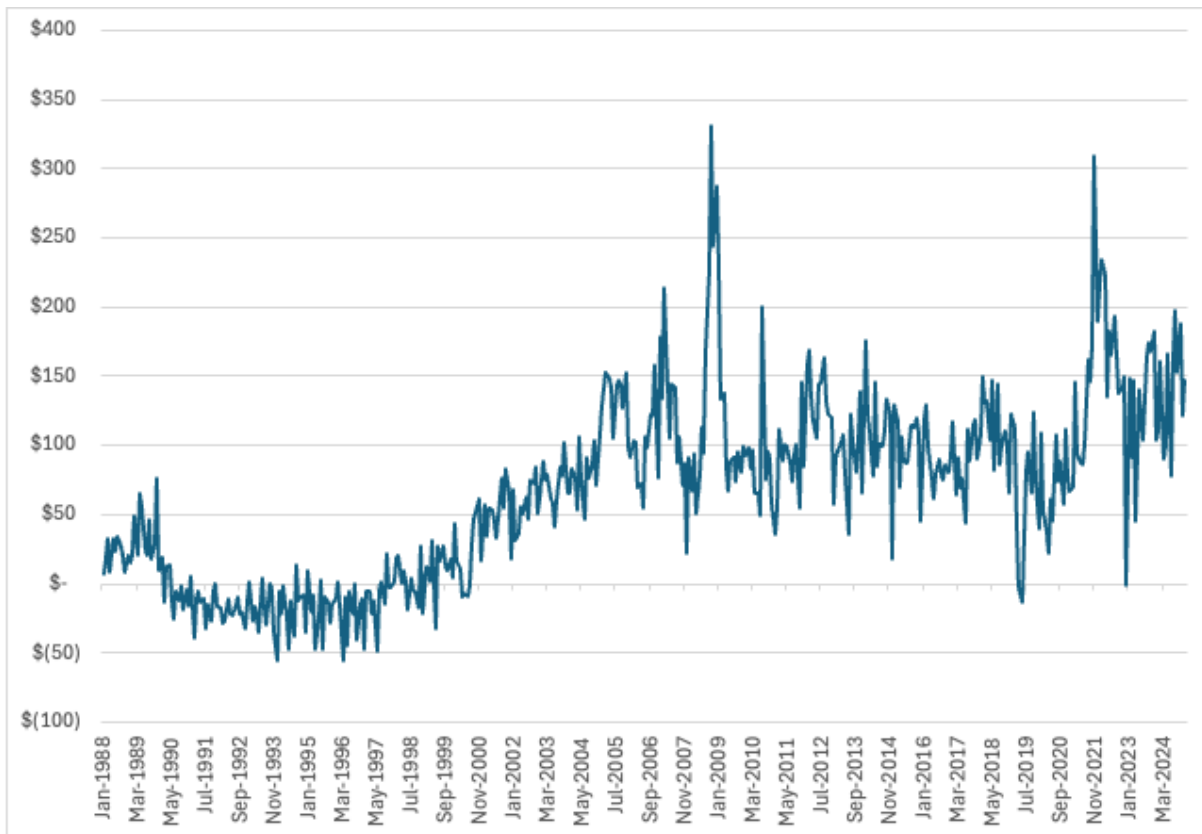
While this has created local concerns, the Whyalla Steelworks is also of national economic, security and strategic significance. Consequently, the question of the Steelworks' future has become one of the utmost national importance, demanding attention from policymakers both at a State and Commonwealth level as it enters its most challenging period since it last entered administration in 2017.

### **The Whyalla Steelworks is central to Australia's sovereign manufacturing capability**

The Whyalla Steelworks is presently one of only two major integrated crude steel producers in Australia, the other being BlueScope's Illawarra plant.

The Whyalla Steelworks Australia's only manufacturer of 'long steel' products, including rail products, rod-and-wire reinforcement, and structural beams. These products are core inputs into Australia's transport, construction and manufacturing industries. They are even more crucial as Australia confronts burgeoning public infrastructure projects and a housing crisis, and aspires towards a manufacturing resurgence.

The collapse of Whyalla steel would leave Australia with a nation-wide inability to produce long steel products. This would render Australia one of the very few advanced economies without *any* sovereign capacity to support its domestic infrastructure needs. In other words, Australia would become a global outlier, and our import-dependency would only accelerate.



*Figure 1: Final Long Steel Products, Australian Import Balance, 1988-2024<sup>2</sup>*

The collapse of Whyalla steel would make Australia entirely dependent on our import partners, who—as Figure 1 shows—vary considerably in their location, production quality, carbon footprint, and domestic regulations. For some projects, this may pose quality safety risks by products not conforming to appropriate industry standards.

### **Our defence capacity and national security depend on a strong Whyalla Steelworks**

A sovereign incapacity to produce long steel products would also have considerable knock-on effects for Australia’s defence capacity.

An inability to produce long steel products would adversely impact the movement of military equipment and personnel across Australia in times of conflict. At a more general level, the inability of Australia to maintain and expand its nation-spanning rail network would undermine its ability to rapidly respond to the entire gamut of strategic emergencies.<sup>3</sup>

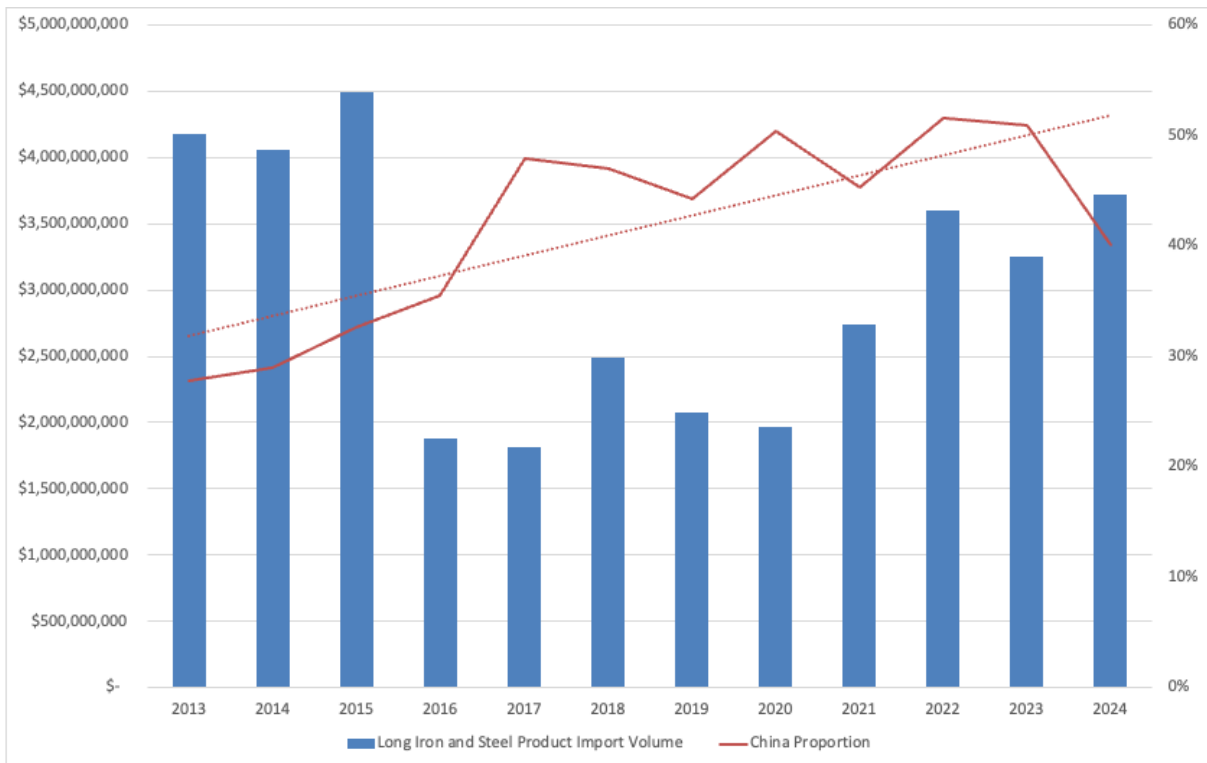
Further, losing domestic steel capacity increases Australia’s sovereign risk through greater exposure to global supply chain disruptions. It means that international crises, geopolitical

tensions and trade wars have a heightened potential to limit significant national infrastructure projects.

**Australia’s economy is over-exposed to Chinese steel products**

Should Whyalla fail, Australia would have an inability to produce long steel products. Such an eventuality would expose Australia to heightened influence and coercion from strategic adversaries. Australia experienced such coercion for several years commencing in 2021, when the Chinese Government imposed tariffs and trade restrictions on key Australian export sectors.

One lever available to strategic adversaries engaging in trade coercion is the imposition of tariff walls and import restrictions, as was seen in China’s strategy between 2021 and 2024. Another strategy is to impose *export* restrictions limiting the capacity of an adversary to purchase critical products.



*Figure 2: Long Iron and Steel Imports and China Proportion, 2013 to 2024<sup>4</sup>*

The fact that China, a potential strategic adversary, is Australia’s primary import partner for long steel exposes Australia to an unnecessary degree of risk. Indeed, the urgency of this risk



is increasing, with China's proportion of Australian long steel imports almost doubling over the last decade.

More generally, as the rules-based international order continues to deteriorate, the prospect of a strategic export ban on steel by Australian strategic adversaries is not far-fetched. To allow the Whyalla Steelworks to fail is to cede this indispensable strategic bargaining chip.

### **The Whyalla steelworks skills base is an invaluable national human capital asset**

Should the Whyalla Steelworks fail, it is unlikely Australia would have the capacity to re-establish such an industry in the foreseeable future. This is because the limited number of workers with the requisite skills to sustain an industry are located in the Whyalla region. This includes not only the directly employed workers at the steelworks, but also those employed in the broader supply chain feeding into the steelworks.

The Whyalla Steelworks and its supporting SMEs represents one of the single largest domestic advanced manufacturing ecosystems in South Australia and the country more broadly. This ecosystem is underpinned by a uniquely skilled 4,000-strong workforce.

If the Steelworks were to fail, there is an appreciable risk that this invaluable human capital stock would be entirely wasted. The magnitude of waste is only amplified when we consider that the Commonwealth's *Future Made in Australia Act (FMIA)* initiative seeks not only to preserve these skillsets, but to grow them over the long term across the country.

It is also crucial to note that—unlike urban workforces—it is highly unlikely that the Whyalla Steelworks manufacturing human capital and know-how could be effectively redeployed in another industry. Put differently, the invaluable skills of the entire workforce would be left to atrophy.

## Part 2: Why Government Intervention in Whyalla is Necessary

The Whyalla Steelworks is a critical piece of national infrastructure. Yet for years it has been permitted to deteriorate by successive owners operating in effect without a suitable long-term plan, or promising large capital investments that have not materialised.

This has allowed the physical asset to decline, and the potential of the asset to be undermined and cast into uncertainty.

As the Steelworks' strategic significance continues to grow, this status quo is increasingly unacceptable. Given the seriousness of the situation, governments now need to consider whether to intervene, and what the nature of such an intervention looks like.

### **The Whyalla Steelworks requires a significant capital injection**

Since 2016, Whyalla Steelworks held by two different owners: Arrium and GFG Alliance (**GFG**). Both companies have struggled to make the necessary capital investments to ensure the long-term viability of the plant.

In fact, the last decade have seen minimal new private investment in the Steelworks fast depreciating capital assets. Even public investment has been in short supply. On the collapse of Arrium in 2016, the South Australian government promised \$50 million in co-investment for technological efficiencies and upgrades, but GFG have so far been unable to trigger its disbursement.<sup>5</sup>

As GFG buckle under the weight of regulatory investigations and mounting debts,<sup>6</sup> it is difficult to see it being able to successfully access the amount of private capital that the Steelworks requires.

All the while, years of underinvestment and insufficient maintenance are threatening the feasibility of the Steelworks existing assets *right now*. Indeed, only last year, the operation's single blast furnace went down for four months due to 'operational challenges and extensive repairs',<sup>7</sup> contributing to further operating losses.

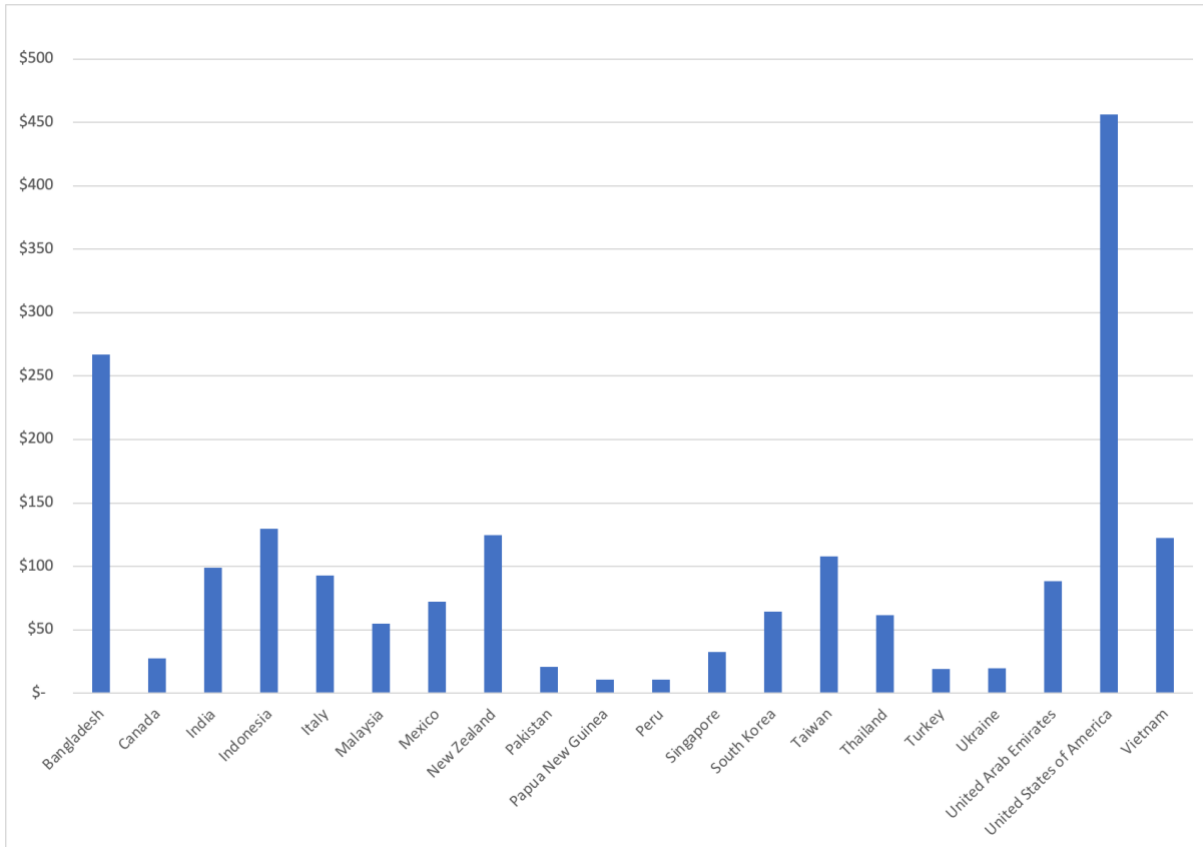


Figure 3: Australian Iron and Steel Exports (\$m), 2020-25, By Country<sup>8</sup>

**Letting Whyalla Steelworks flounder would undermine a *Future Made in Australia***

The Albanese Government’s signature *FMIA* policy represents a new approach to Australian industrial policy. Leveraging a \$22 billion government investment pool, the *FMIA* is designed to stimulate a new era of sovereign manufacturing in Australia, particularly with regard to green industrial opportunities.

Over the long term, one of these opportunities is the prospect of mass producing green, carbon-free steel to supply the global market. The maritime, geological and industrial base of the Upper Spencer Gulf uniquely position the Whyalla Steelworks to be the heart of this operation.

This salience is only compounded by the fact that the 2024–24 budget designated Green Metals as a national priority under the *FMIA*, contending that:

‘Australia can develop a long-term comparative advantage in green metals by drawing on our abundant metal and renewable energy resource.’<sup>9</sup>

South Australia have already recognised the opportunity in their *Green Iron and Steel Strategy* which ‘starts with a *complete transformation of the Whyalla Steelworks*’,<sup>10</sup> and seeks to partner with the Commonwealth to support said low carbon transformation.<sup>11</sup>

To allow the Whyalla Steelworks to flounder would be to forego one of the largest long-term green industrial opportunities in the country. It would also be patently inconsistent with the states priorities of both the Commonwealth and South Australian governments.

### **Without a concerted change in direction, Whyalla Steelworks could fail**

Without intervention, there will be no capital investment in the Whyalla Steelworks in the reasonably foreseeable future, the plant will continue to physically deteriorate, and the export market will remain uncertain. In no uncertain terms, a recipe for permanent closure.

The decline of the region’s capacity could also hasten, as suppliers that feed into the Steelworks consider alternative opportunities that are more reliable. Already, suppliers have considered leaving Whyalla due to the Steelworks not meeting its payment obligations to its creditors.

As the foregoing analysis has made clear, to permit the Steelworks to fail would be to expose a hole in our manufacturing base, defence capability, and workforce of the future.

## Part 3: The Limited Options Available to Government

The State and Commonwealth Government have few options at their disposal that can help arrest the decline of the Whyalla Steelworks, and preserve its future. There are, in effect, two paths the governments can take: continue with the status quo and risk further decline of the Steelworks and uncertainty, or consider a rapid and sizeable intervention designed to stabilise the operation, ensure creditors are paid and remain in place in Whyalla, and eventually seek a more sustainable long term ownership structure.

### **Option 1: Hope and wait for the existing owner meets its obligations**

The **hope and wait** strategy would see GFG play a leading role in determining the future of the Whyalla Steelworks.

On the one hand, if GFG's promises are taken at face value—especially around access to funding and the sale of the Tahmoor coal mine—then there is a chance that the Steelworks' prospects can be turned around.

This would require GFG meeting its hundreds of millions of dollars in existing royalty, water and supplier debts, as well as finding the necessary capital to investment in the Steelworks.

On the other hand, should GFG be unable to fulfill its promises, as has frequently occurred in the past, then the Whyalla Steelworks would likely continue an increasingly terminal decline. It would also increase the cost of any future public rescue or recapitalisation.

### **Option 2: Undertake a major intervention, and facilitation of new ownership, supported by the aggregation of the Steelworks with adjacent assets**

The preferred choice is for the State and Commonwealth Governments to collaborate and to intervene, take back control of the asset, and facilitate an eventual transfer to private ownership on favourable terms to the workers, community of Whyalla, and people of Australia.

It would see the Commonwealth and/or South Australian governments temporarily nationalise and recapitalise the Steelworks and perform any necessary capital maintenance.

This may require legislative manoeuvres at the state level, and may require the government to cover creditor liabilities currently held by the owner of the Whyalla Steelworks.

Following this, the Government/s would then ideally find an appropriate private buyer and seek long-run assurances on maintenance and production volume. This may require ongoing government supervision and monitoring, and may be enhanced by the creation of a portfolio of aggregated assets which includes the Whyalla Steelworks at its heart. Adjacent to the Whyalla Steelworks are highly valuable mining assets, located in the Middleback Ranges, which in conjunction with the Steelworks, represent a lucrative and viable long-term investment opportunity.

Any such intervention should guarantee the continuity of work for the employees of the Steelworks, and ensure the continuity of operations of the asset.

This would provide the greatest long-term certainty. It would require considerable public investment, though—if done correctly—this may be realised on the eventual sale of the asset. It may also require running the Steelworks at a loss and writing down any existing debts owed by the current owner to the South Australian Government by GFG.

## Endnotes

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<sup>1</sup> Senate Economics References Committee, Parliament of Australia, *Australia's Steel Industry, Forging Ahead* (Final Report, December 2017) 12 [2.34].

<sup>2</sup> See Australian Bureau of Statistics, *International Trade in Goods, December 2024* (2 February 2025) < <https://www.abs.gov.au/statistics/economy/international-trade/international-trade-goods/latest-release#data-downloads>>. See in particular Tables 12b and 13b, Items 673–8.

<sup>3</sup> See, eg, David Uren, 'Australia's National Security Demands Reliable Steel Manufacturing', *The Strategist* (online, 11 June 2024) < <https://www.aspistrategist.org.au/australias-national-security-demands-reliable-steel-manufacturing/>>.

<sup>4</sup> UN COMTRADE Database, Australian Import Codes 7301–2, 7304–8, < <https://comtradeplus.un.org/>>.

<sup>5</sup> See Belinda Willis, 'Whyalla Steelworks: \$50m Unspent on New Infrastructure', *The Advertiser* (online, 13 February 2025) < <https://www.adelaidenow.com.au/news/south-australia/gfg-alliance-fails-to-trigger-50m-in-state-government-funding-pledged-eight-years-ago/news-story/6c316f2e3f3ab9cd545e335d1a4b9f80>>.

<sup>6</sup> See Paul Starick, 'Whyalla Steelworks GFG Alliance Debt Burden Revealed', *The Advertiser* (online 14 February 2025) < <https://www.adelaidenow.com.au/news/south-australia/leaked-report-reveals-whyalla-steelworks-is-actually-drowning-in-more-than-300m-debt/news-story/e610eec3c8089c9728300fc1e7052d1d>>; Serious Fraud Office, 'Gupta Family Group (GFG) Alliance', *Gov.uk* (Web Page, 29 November 2024) < <https://www.gov.uk/sfo-cases/gupta-family-group-gfg-alliance>>.

<sup>7</sup> GFG Alliance, 'Whyalla Steel Production Restarts But GFG Cautious' (Media Release, 6 January 2025) < <https://www.gfgalliance.com/media-release/whyalla-steel-production-restarts-but-gfg-cautious/>>.

<sup>8</sup> Kathrina Gonzales, *Iron Smelting and Steel Manufacturing in Australia – Market Research Report (2015-2030)* (IBISWorld Industry Report, February 2025).

<sup>9</sup> Australian Government, 'A Future Made in Australia', *Budget 2024–25* (Web Page, 2024) (<https://budget.gov.au/content/factsheets/download/factsheet-fmia.pdf>) 2.

<sup>10</sup> Government of South Australia, *South Australia's Green Iron and Steel Strategy: Partner of Choice to Decarbonise Glocal Steel* (Report, June 2024) 10.

<sup>11</sup> Government of South Australia, *South Australia's Green Iron and Steel Strategy: Partner of Choice to Decarbonise Glocal Steel* (Report, June 2024) 25.