

SPEECH NOTES

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BSL'S IMPRESSIONS OF THAILAND AS AN INVESTMENT LOCATION
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Dr. Khun Porametee (NESDB) National Economic & Social Development Board
Secretary

Dr. Khun Atchaka (BOI Secretary General)

Ladies & Gentlemen

Sawat Dee Krap (Hello) & Good Morning

I am very pleased to be here this morning to speak about BlueScope's investment in Thailand.

As an Honorary Investment Advisor to the Board of Investment I am pleased to be able to give some practical insights into the investment environment in Thailand from a manufacturer's perspective and perhaps share some suggestions to the Board of Investment as to how you may make Thailand even more attractive to foreign direct investment (FDI).

By way of background, BlueScope has been trading in Thailand for over 40 years and has been building a reputation in the Thai market for quality in premium steel building products and pre-engineered steel buildings. BlueScope is Australia's single largest manufacturing investor in Thailand, with more than 12 Billion Thai Baht or A\$400m invested over the past decade.

We believe our brand in Thailand has become synonymous with quality. You will find our steel products in homes, factories, offices and airports. From Thailand's leading edge architecture, to the simplicity of our emergency housing solutions and the design efficiency of our building products, BlueScope's building solutions have been chosen for their quality and aesthetic appeal.

Our aim in Thailand, and indeed throughout ASEAN, is to continue to grow by developing high quality steel building solutions for our customers.

BlueScope Steel and our Partner Loxley Public Company have invested in "on the ground" manufacturing for over 24 years. We first started our BlueScope Lysaght business at Rangsit, just north of Bangkok. Our company has enjoyed considerable growth and change in Thailand since we began our operations. Clean Colorbond® & Zinalume® have been firmly established as the No.1 steel building material specified by Thai architects and contractors.

In 1997, BlueScope commenced its largest investment on Thailand's Eastern Seaboard. You might note that 1997 wasn't a particularly great time to begin operations in Asia. Yet with an excellent Thai partner in Loxley, strong fiduciary governance and a committed, flexible and loyal workforce, BlueScope was able

to survive the turbulent waters of what is colloquially known in Thailand as the "Tom Yum Goong" financial crisis " (the 1997 Asian financial crisis).

The BlueScope investment on the Eastern Seaboard of Thailand, in the Hemeraj owned Map Ta Put industrial estate is certainly a first class investment location. Thailand has an enviable infrastructure established on the Eastern Seaboard to rival any of the industrial zones in Australia or for that matter the rest of the BlueScope facilities around the world. Road, rail and port infrastructure ensures the smooth delivery of raw material from Port Kembla to Thailand and in turn our exports from Thailand around the world are a logistical simplicity.

Power, gas and steam are relatively cost effective in Thailand compared to its ASEAN neighbors. For example power availability is a key issue in some of the other ASEAN territories but not in Thailand where it is plentiful and well regulated.

The overall cost of doing business in Thailand compares favorably with BlueScope's operations around Asia. This is driven through a combination of productivity, competitive rates for commodities and cost effective labour.

Productivity is a key driver to BlueScope's business success in Thailand. Over the last several years, significant increases in productivity have offset rising costs in other areas and is in a large part due to the ingenuity and commitment of our Thai workforce.

Manufacturing investment in Thailand is actively encouraged right from the outset and the Thai Board of Investment provides "would-be" manufacturers, and indeed all potential investors, with access to investment incentives.

Incentives for establishing regional headquarters rival those of Singapore, while the Board of Investment ensures "one-stop" processing of all investment enquiries that generally avoid the nuisances of typical government red tape.

I mentioned the loyalty, commitment and flexibility of our Thai workforce previously. What I should have added is their competence. Our business in Thailand has only one foreign national in Management with a direct workforce of over 1000 people and an indirect workforce of over 2000 people. Our Thai staff are often requested to provide technical and strategic advice to other parts of BlueScope's global business in an excellent example of the knowledge circle going through its full cycle.

Our experience in Thailand over the last decade has seen increasing levels of English competency amongst the employee population and that of the broader population. Whilst this does not necessarily indicate a more productive employee base, it has certainly allowed far more effective communication around the region. This has delivered greater levels of knowledge sharing across the region, spurring new ideas and higher levels of employee engagement.

From a "farangs" (foreigner) perspective Thai culture is an ever evolving one with a long and proud history of independence. A fiercely nationalistic people, Thai's are determined, loyal, honest and committed making its people ideal partners in business.

For those Australian businesses looking to service the domestic Thai economy, you will find solid growth particularly in the regional and rural areas of Thailand.

For those Australian businesses looking to provide export products (or services) back to Australia and beyond there is no doubt that Thailand provides an excellent platform and a competitive environment to do so.

The Thai Australia Free Trade Agreement – TAFTA – has served to greatly increase trade between our two countries – but it is not perfect.

There are two key improvements we believe are needed in the Thai trading environment.

I would like to encourage the BOI, the Department of Trade Negotiations, the Ministry of Commerce and indeed the broader Thai Government to ensure that trade agreements signed with other nations or economic zones do not create "trade imbalances" for those already established and committed to Thai manufacturing. An example of this might be when raw materials to a manufacturer's process are still subject to import duties yet finished goods imported under the auspicious of a new FTA are duty free ~ an imbalance is created detrimental to the domiciled investor.

Furthermore, I would actively encourage the Thai Government - as we encourage the Australian Government - to ensure that international trade to our respective countries is done on a level playing field – I remind everyone that material of any kind that is "dumped" into a domestic economy causes significant stress for the domiciled investor and discourages further investment.

At BlueScope, we are working hard for even stronger performances in the years to come in Thailand, and we look forward to playing our part in a bright and successful future for the country. The President of our Thailand business, Jason

Ellis is here with us today, and I'm sure Jason would be very happy to talk to any investors or would-be investors in Thailand about the Building Solutions BlueScope can provide.

At BlueScope, we are very positive about the future in Thailand. Our success to date clearly relies on the continued strong economic growth in Thailand, and we commend the Thai Government for the leadership it has shown in encouraging investment and generating this economic growth particularly through the Thai Board of Investment.

Kop Khun Krap & Thank you.

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