

Laminates with new 'colour through' features were introduced, in the form of a reformulated ColorCore2 and ColorThru Compact. These use matching coloured cores that blend with the surface finish. A hard wearing, scratch resistant gloss laminate, the High Gloss AR +, was also introduced.

The Formica brand HPL and decorated board product range was relaunched in Australasia in July 2008, sourcing a significant proportion of the product from China.

The Laminex range of high and low pressure laminates is undergoing an update based on Australasian interpretations of European trends. The business continued its commitment to premium benchtop products through initiatives in the Essa™ engineered stone brand and Freestyle™ solid surface brand.

The Gympie MDF facility in Queensland commissioned a new heat energy plant and associated equipment with a total project cost of \$16 million. The Australian operation also completed a new distribution centre in Perth and a sales branch in Bunbury for a total cost of \$4 million.

Steel

The division comprises three business streams – rollforming and coatings (including sheds), long steel products, and a steel product distribution business – with leading market positions and widely recognised brands.

Performance

Operating earnings before unusual items were ahead of expectations – up 26 percent to \$101 million, reflecting a strong improvement in the second half of the year. Sales rose by 10 percent to \$1,279 million.

Operating earnings in the second half were assisted by the exit of unprofitable businesses, restructuring to tighten management focus, and acquisitions in the Australian rollforming business. Results were also aided by one-off gains on the sale of scrap. Operating earnings for the same period of the 2007 year had been affected by poor selling prices for steel products while there was high availability of imported alternatives.

The rollforming business enjoyed a successful year in a more competitive trading environment, both in Australia and New Zealand. Eziform Sheetmetals (acquired before the start of the year) and Fair Dinkum Homes and Sheds (acquired 1 August 2007) performed ahead of expectations. Earnings from the other Australian operations were down slightly, reflecting conditions in the first three quarters, when prices were affected by pressure from imported product. Current conditions are the opposite, with supply constraints and little imported product available.

The New Zealand rollforming operations struggled in a competitive marketplace, and operating earnings were down substantially after additional costs were incurred to refocus the business.

The long steel business experienced an unprecedented increase in the price of ferrous scrap, which was only partially recovered through price increases. A new management team took control of the business in July 2007, and some benefits accrued in the second half of the year. In addition, a downsizing of the galvanised wire manufacturing operation at the end of the first half minimised the negative returns from that business.

The Sims Pacific Metals joint venture lifted operating earnings by 30 percent, benefiting from the high scrap prices in the second half and an increased recovery rate following the upgrade of its Auckland shredder.

Sales	\$1,279 million
Operating earnings	\$101 million
Funds	\$587 million
Employees	3,282
Key Brands	Colorcote CSP Cyclone Dimond Eziform Fair Dinkum Homes and Sheds Fletcher Easysteel Fletcher Reinforcing Garage World Pacific Steel Pacific Wire Seismic Shed Boss Stramit Wiremark

Looking to the fundamentals

Upgrades carried out at the Auckland steel plant – to the high voltage capability and the electric arc furnace – enabled a production increase from 250,000 to 300,000 tonnes per year.

The Australian rollforming business strengthened its market position further through the acquisition of the Garage World and Shed Boss shed businesses in May 2008. It also embarked on a programme to consolidate from three sites into a new facility in Melbourne, which will strengthen its position in the Victorian residential, commercial and shed markets.

The New Zealand rollforming business was reorganised to strengthen branch accountability and service customers more efficiently. This will also place it in a better position to weather the reduction in residential and commercial building activity.

A safe business is a great business

There is no doubt that the steel businesses can present an extremely high-risk work environment. In the past, the New Zealand steel-making business has had a Zero Tolerance policy in place to improve safety performance; but even with enormous effort to deliver on the policy, performance was still not acceptable and employee engagement with the issue was low. A successful change programme has been implemented.



Over the past 12 months the long steel products business has created a fresh vision of Zero Harm. A new leadership team was established and has focused on the belief that safety performance would improve through relentless commitment to the vision that ‘a safe business is a great business’ and ‘if we get safety right, other things will fall into place.’

Along with a comprehensive survey of the existing safety climate, the company’s leadership launched a campaign to promote the Zero Harm Vision – conducting weekly safety observations, introducing safety huddles, recognising and rewarding safe behaviours via a number of competitions (including the Best Neighbourhood competition), a home mail-out on safe behaviours, and emergency advice including a competition asking children to draw their parent in Personal Protective Equipment. For every day the company’s people go home safe they celebrate by placing a magnet in the shape of a perfect person on a safety notice board.

The company’s target was a 50 percent reduction in the Total Recordable Frequency Injury Rate (TRFIR) and in April 2008 it achieved the first milestone of remaining lost time injury free for 12 months. By year end it had reduced its TRFIR by 62 percent and was well on its way towards achieving the Zero Harm Vision. It has experienced a significant transformation – not only in safety, but also in demonstrating that ‘a safe business is a great business’ and improving overall employee engagement to improve financial returns.

BILLBOARD STYLE ZERO HARM SIGNAGE PROUDLY GREETES ALL VISITORS ON ENTRY TO THE PACIFIC STEEL OTAHUHU SITE SERVING AS A DAILY REMINDER TO WORK SAFER DURING THEIR STAY. ZERO HARM BRANDED WATCHES ARE AWARDED BY NOMINATION TO STAFF MEMBERS INVOLVED IN MAJOR SAFETY PROJECTS THROUGHOUT PACIFIC STEEL'S OPERATIONS

