

Heads of Agreement between the Commonwealth of Australia and the State of South Australia in relation to the Whyalla Steelworks

21 February 2025

Introduction

1. This Heads of Agreement (the Agreement) is made between the Commonwealth of Australia (the Commonwealth), as represented by the Prime Minister, and the State of South Australia (the State), as represented by the Premier of South Australia.
2. The Agreement sets out the respective commitments of the Commonwealth and the State (the Parties) in the context of Onesteel Manufacturing Pty Ltd (Onesteel), the owner of the Whyalla Steelworks (the Steelworks) and related assets, entering into administration under the external management of an Administrator.

Background

3. In the context of the ongoing financial uncertainty of Onesteel including its ongoing inability or unwillingness to meet legal obligations including liabilities owing to its creditors, the State has taken proactive steps as a creditor to place Onesteel into administration.
4. The Parties recognise that the Whyalla Steelworks is of economic significance to South Australia and Australia more generally.
5. With Onesteel in administration, the Parties are concerned to secure continuity and long-term viability of steelmaking in South Australia, including the ongoing operation of the Steelworks and related assets.
6. Given the poor financial state of Onesteel it is likely that in administration then, absent a commitment of one or both Parties to fund the administration and the ongoing operations of the Steelworks, the Steelworks would cease operating soon after the commencement of the administration.
7. The State has approached the Commonwealth seeking support for an administration process as well as in securing a new buyer of the Steelworks and related assets.

Purpose

8. This Agreement sets out the terms on which the Parties have agreed to collaborate in relation to the administration of Onesteel.
9. This Agreement sets out the high-level details of the agreed collaboration between the Parties. Further details, including the specific terms of any Federation Funding Agreement (FFA) will be subject to further agreement between the Parties.

Principles

10. As part of the Agreement, the Parties undertake to work together and be guided by the following principles:
 - a. Engage in good faith negotiations and make best efforts to reach mutually-beneficial outcomes in a timely, coordinated and proportionate manner.
 - b. Should the principles and commitments in this Agreement require agreement on more detailed arrangements, the Parties will negotiate such detailed arrangements in good faith having regard to their mutual objectives as set out in this Agreement.
 - c. Share information openly, expeditiously and in good faith in order to facilitate decision making, including regarding the future of steelmaking at Whyalla and any consideration of certain expenditures.
 - d. Ensure that activities and initiatives progressed support long term sustainable outcomes, consistent with the Parties mutual goals for the Upper Spencer Gulf region, the future of Australian industry, and industrial net zero transformation.
 - e. Take a coordinated approach to manage risks and support to the community and industry, during any administration.
 - f. Consistency with the National Transformation Principles, underpinned by a clear demonstration of the needs of and benefits to the region, industry, workers, and community.
11. The Parties do not intend any of the provisions of this Agreement to be legally enforceable. However, that does not lessen the Parties' commitment to this Agreement

Funding of administration & governance

12. In the event that the State's appointment of an Administrator to Onesteel is confirmed at the First Creditors Meeting, the Parties:

Agree to fund approved costs of the administration for an initial period of up to 6 months, with the Commonwealth contributing up to

- a. \$192 million and with any additional contributions to fund administration costs to be subject to further agreement.
- b. Agree that the funding for the approved administration costs be provided by South Australia to the Administrator, on terms entered into between the Administrator and South Australia prior to the date of this Agreement, with any variation to those subject to prior agreement with the Commonwealth, and with the Commonwealth reimbursing South Australia through an FFA, with terms to be agreed.
- c. Agree that it is the Administrator that will engage and pay any operator of the Steelworks and related assets, drawing on the funds provided by the Parties under this Agreement.
- d. Agree to fund additional supports to local small business creditors who would otherwise remain out of pocket during an administration period, with the Commonwealth contributing up to \$18 million to the State through the abovementioned FFA and with the terms and mechanism for providing this to businesses to be agreed between the parties.
- e. Acknowledge that the Commonwealth has not had the opportunity to consider South Australia's approach to place Onesteel into administration and that South Australia will take responsibility for any costs arising from any challenges to this action.
- f. Agree that the funding is provided by the Commonwealth on the basis of:
 - i. The Commonwealth, SA and the Administrator will enter into a tripartite agreement which establishes arrangements between the parties including as to repayment, decision-making, access to information, attendance at meetings and participation in discussions (verbal and in writing) with the administrator and other parties (and pending such agreement, the State will exercise its rights so as to achieve as far as possible the outcome that the Commonwealth has the same rights as SA as funder of the administration);
 - ii. these rights are given effect to through the FFA (and other documents as needed); and
 - iii. any other terms required to give effect to funding arrangements to be included in an FFA and as necessary another agreement including the conditions to be imposed on the administrator on the use of funds.

13. To support collaboration as part of this Agreement the Parties agree to establish a joint taskforce which:
- a. includes representatives of both Parties;
 - b. will operate on a consensus basis;
 - c. will serve as the forum for communication and negotiation between the Commonwealth, the State and Administrator;
 - d. will have a Chair to be agreed by both Parties;
 - e. reports to the Commonwealth Minister for Industry and Science and SA nominated Minister;
 - f. will provide advice to both governments on options to support the continued operation of the Steelworks; and
 - g. with other details and Terms of Reference to be agreed between the Parties.

Next Steps

14. The Parties commit to negotiating the scope of, and their respective responsibilities for, the activities outlined in this agreement with a view to commencing an FFA as soon as practicable.

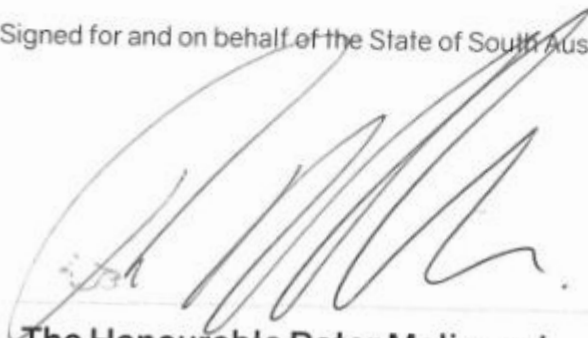
THE PARTIES HAVE CONFIRMED THEIR COMMITMENT
TO THE AGREEMENT AS FOLLOWS:

Signed for and on behalf of the Commonwealth of Australia by:

A handwritten signature in black ink, appearing to read 'Anthony Albanese', written over a horizontal line.

The Honourable Anthony Albanese MP
PRIME MINISTER

Signed for and on behalf of the State of South Australia by:

A handwritten signature in black ink, appearing to read 'Peter Malinauskas', written over a horizontal line.

The Honourable Peter Malinauskas MP
PREMIER OF THE STATE OF SOUTH AUSTRALIA



Australian Government



**Government
of South Australia**