Question and Answer

Operator

The first question comes from Emily Behncke of Deutsche Bank.

Emily Smith
Deutsche Bank AG, Research Division

First question on your residential land sales and, I guess, land sales in general. I think you sold around $31 million of residential land in FY '12. I'm just wondering -- and $7 million in QU [ph], I was just wondering if you think that those numbers are sustainable going forward? And my second question, I guess, relates to your comment, Mark, around your third strategy. From here, you mentioned that you don't want to diversify the geography. Does that mean that we should be expecting some asset sales in geographies outside of Australia and New Zealand?

Jonathan Peter Ling
Former Director and Executive Director of Fletcher Building Finance Limited

Let's tackle the first question first, and I'll hand that over to Bill.

Willem Jan Roest
Former Chief Financial Officer

Yes. The residential house sales, actually, Emily, we have very good demand for our product in housing and we see that continuing. The comment around the QEU [ph] , there's a small amount of land that was disposed of. And from time to time, we sell off little bits of land as we change our mind on various bits and pieces, and that's where it ends up. So yes, there was something there, but it won't be significant, I don't think. And the second I'll pass on to Mark.

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

Yes. I think the simple answer to your question, Emily, is no. Whilst we will be pursuing, where it's appropriate, certain divestments, it will not be geographically best. I think we're very pleased with the assets we've acquired in recent years in Australia and in the rest of the world, and I think we're a better company for the diversity we now have. So it won't really be a geographic divestment, albeit, as I said, I wouldn't rule out some small divestments of non-core assets.

Emily Smith
Deutsche Bank AG, Research Division

And non-core assets, are you prepared to let us know what they might be?

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

That would be dependent upon the outcome of our strategic review. And as of yet, I haven't really got my feet under the table, albeit we need to go through that work first before I can comment in fairness, Emily.

Emily Smith
Deutsche Bank AG, Research Division

Sure. And just finally, in the outlook statement, you mentioned that a significant increase in earnings would need a marked improvement in residential and commercial construction. I'm just wondering, is significant sort of 20%? And I guess, at this stage, you're not expecting that marked improvement in residential and commercial construction based on your comments today.

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

No. I think -- look, I don't want to give the impression that we're not going to try and make our own look. There's an awful lot of initiatives that we can pursue form the cost angle. And indeed, from the share gain angle, it can drive earnings. But it is true with the mathematics of this business and any building products business with its high fixed costs, that we would need a significant increase in activity beyond where we are today. And to be honest, the 20% and the numbers of that kind that you talked about, Emily, I personally can't see, based on the debt that we have at hand today. Albeit, I think we'll be in a better position from November and the AGM to give a slightly more robust prognosis.

Operator

And the next question comes from Ben Chan of Merrill Lynch.

Ben Chan
BofA Merrill Lynch, Research Division

Look, I've got 3 quick questions, if I may. First one, a bit of housekeeping data. I think the $50 million to $70 million per month that you're doing out of EQR could you give an idea of how much you actually did in total for 2012, just so I can get sort of the change from -- if you continued at this level for the next 12 months?

Jonathan Peter Ling
Former Director and Executive Director of Fletcher Building Finance Limited

The number on -- I'm just looking at Bill now. $653 million in total. I'm just trying to remember where it started.

Unknown Executive

[indiscernible].

Jonathan Peter Ling
Former Director and Executive Director of Fletcher Building Finance Limited

Yes. And we don't -- yes. It's how much work is -- we actually have the project management for all the work, and it's really just the amount of work that is completed in each month.

Willem Jan Roest
Former Chief Financial Officer

Yes. And I think to answer your question, Ben, we'll continue at that rate or slightly better for the foreseeable future.

Ben Chan
BofA Merrill Lynch, Research Division

Yes, which will be a step-up on what you...

Willem Jan Roest
Former Chief Financial Officer

On the average for the year, yes.

Ben Chan
BofA Merrill Lynch, Research Division

Okay. And just with regards to Tradelink -- sorry, yes, with regards to Tradelink, it looked like you did $38 million for the year, $20 million in the first half and $18 million in the second half. The products that Tradelink sells are pretty late-cycle building -- you'd end up building in the building cycle. Just wonder if that $18 million in the second half is sort of consistent with the current level of demand you're seeing, or if it's now currently operating at a lower rate than that would imply?

Jonathan Peter Ling

Former Director and Executive Director of Fletcher Building Finance Limited

I think there's 2 things really. It's not all sort of late in the cycle as a lot of the plastic pipe that goes into store mortar and land development at the front end. Having said that, I think it's probably fair to say that in the last few months of the financial year, the pressure was right on them. And I think -- I'm not sure that we're necessarily seeing the bottom of the market in Australia.

Ben Chan
BofA Merrill Lynch, Research Division

Okay, cool. And then just a concern, just on the construction order book. Obviously, very high level, was up 25% on where you were last year. You're expecting flat revenue in that -- out of Construction business for FY '13 despite that strong order book.

Jonathan Peter Ling
Former Director and Executive Director of Fletcher Building Finance Limited

Yes, and that's because some of the very large projects, first of all, has been a delay to the start. A good example is Waterview, which really doesn't get underway in earnest till the latter part of the first half of the next financial year. You've got to remember that don't take any profit on our projects till we get 20% of the way through. And we're not going to be 20% of the way through on that project in 2013. Similar position with the Wiri Prison. That's about a $300-odd million project. And again, the financial close and the negotiation of the contract has not quite been finalized. That's expected to happen in the next month or so. But again, that project won't really get underway in full swing until probably the second half of this coming financial year. And again, the big impacts won't be until 2014. So while the backlog looks good, this lack of activity in the first half of the next financial year, from a financial point of view, makes our reported earnings a bit more difficult.

Operator

The next question comes from Rob Mercer of Forsyth Barr.

Robert William Mercer
Forsyth Barr Group Ltd., Research Division

Just in terms of the strategic review, could you give us some guide as to the timing of that? But also -- I mean, one area that's really sticking out and having kind of stealing the show is the steel industry back in New Zealand and Australia and I think globally to that -- so I mean, is that any -- what sort of update can you give us in terms of the strategic review generally? But also, if you look at the division, what's the thought of management and the board at the moment in terms of its outlook? And was the new [ph] -- business?

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

Sure. I think the strategic review will be characterized more by evolution than necessary revolution. Obviously, we've been looking at our portfolio now throughout Jonathan's reign and in my time on the executive. So it's not a discreet activity as such, Rob. I will obviously want to get my feet under the table and understand the business units more as part of that strategic review. And I think you're right in identifying steel as a difficult business for anybody that's involved in steel currently, not just Fletcher Building. So that will be on the horizon, albeit no decisions are being made at this time.

Willem Jan Roest
Former Chief Financial Officer

I might also comment, Rob, that, as you know, there's 2 parts to the business. The coated steel business, we're actually heavy with. Yes, their earnings are down a little bit, but we've been very pleased with the Stramit business since acquisition. It has performed well, albeit the market's a bit soft at the moment. And similarly, coated steel in New Zealand, given where the markets are, we're reasonably comfortable where it is. So Mark's comments I think are more related to the long steel business, and we continue to look at some of our options. And as you know, they're not all obvious and easy. So -- but having said that, I think with the pressure on, that'll come under a fairly intense scrutiny over the next year or so.

Robert William Mercer
Forsyth Barr Group Ltd., Research Division

Okay. Just in addition, just looking across, you [indiscernible] -- at the key piece, like -- if you look at it as a big project and the feedback, the information we're getting out of it is long and weird [ph] and short on detail. The single-plan document has a lot of nice pictures and peaks in it, but it doesn't really give a great deal of confidence that it's actually any real [indiscernible] activity on getting the peak to put the development around the [indiscernible] itself, the hotels that have been outlined and all I guess the social buildings that have been -- that form the basis of the single plan. And it seems to be that all the construction companies are heavily involved in a whole lot of subcommittees. What's the hard evidence around the central [indiscernible] of getting the designs underway by the end of this year, which is outlined on the plan itself and in the time frame for which you can activate that? And I guess when you look at that, the region itself, we're looking at a $2 billion to $3 billion spend on an annual basis for a prolonged period, and we clearly nowhere near that, so even at the moment. And what would be the time frame you would put on getting back to the $2 billion level and the rates on an annualized basis so that we can start to see that come through. We want some hard numbers.

Jonathan Peter Ling
Former Director and Executive Director of Fletcher Building Finance Limited

The reason you don't have any, because they don't exist. In my view, is that it's going to be a long, slow, hard road. And as you know, the market was about $3 billion just before the earthquake. It's not at that level now, and I think it'll take some time before it even gets to that level, let alone more. The house repairs are going okay. The new house build is, while it's improving, I think it'll also take some time, and the numbers are still relatively small. And if you take Christchurch, pre-earthquake, we were building, in very broad terms, between 2,000 and 3,000 houses a year, we're nowhere near or a fraction of that at the moment. And it'll take quite some time before it will get back to even the levels that we had pre-earthquake. And that was in GFC times as well. So in terms of the central city and commercial rebuild, as you know and as you'd expect, it's on an individual case-by-case basis with a feasibility, a business plan, financing consents and getting projects going, way before you even look at tenders. And we're not even seeing the early stages of feasibility studies or consents. So there are a few, but nothing major. So again, it's going to be a long, slow, hard road.

Robert William Mercer
Forsyth Barr Group Ltd., Research Division

Well, my understanding was that there were tenders being called for [indiscernible] has that not even -- that's not even at a starting point?

Jonathan Peter Ling
Former Director and Executive Director of Fletcher Building Finance Limited

Not to my knowledge. I'd mark your starting point when it happens, but to my knowledge, they haven't gotten the tenders on that yet.

Operator

And the next question comes from Jason Steed of JPMorgan.

Jason Harley Steed
JP Morgan Chase & Co, Research Division

A couple of question, please. Firstly on New Zealand plasterboard. Jonathan, at the first half you talked about some of the competition issues, but that you're retaining market share. I apologize if I misunderstood in the call, it's been a busy morning. Can you just maybe give an update on what the competition issues have been like in the second half? That's the first question.

Jonathan Peter Ling
Former Director and Executive Director of Fletcher Building Finance Limited

The competitive dynamic really hasn't changed that much in plasterboard. We retain a market share of around 94%. What we do is watch the import stats. The issue is probably more a little bit on high New Zealand dollar, and import prosperity is the benchmark for pricing in New Zealand, and there is a fair bit of pressure on margin. Having said that, in terms of market share, British Plasterboards are our main competitor here, and they continue to be about where they've always been.

Jason Harley Steed
JP Morgan Chase & Co, Research Division

Okay. And any sense of any other competitors looking at entry to the market?

Jonathan Peter Ling
Former Director and Executive Director of Fletcher Building Finance Limited

In plasterboard, not at this stage. But as you know, [indiscernible] have entered the market in insulation. Whether that in time will mean plasterboard, we don't have any evidence to suggest that right now. But you'd be better off asking them.

Jason Harley Steed
JP Morgan Chase & Co, Research Division

Okay. And then a second question, just on the Queensland contract. I think when you originally gave the revenue indication for the LNG contracts for Crane, it was about a 2- to 2.5-year period over which the revenue is expected to be generated. Can you just sort of elaborate on what happens once that period ends? Do you re-tender for further work? And sort of how long do you think that time frame might be? Because clearly, it's driving results very strongly now. It'd be quite good to get a sense of how much further out that could go.

Jonathan Peter Ling
Former Director and Executive Director of Fletcher Building Finance Limited

Well, there's 2 elements to it. The first is, with each of the contracts, one for Santos and the other for Queensland gas, they both have quite a good maintenance portion of the contracts, which will go on for many, many years. The immediate next project is -- when they let the Santos contract, they only let 50% of the project. So there's current tender for the other 50% that will happen in the next few months, and we'd be hopeful of winning that, given that I think we've done a pretty good job on supplying the first half. And you might be aware that Vinidex, the main competitor, is supplying the origin contract in the same area. So there is another second leg to the Santos contract, and then depending on other projects and how they develop in the region over the coming years, as to what then becomes available. I should also mention the second part of the Santos contract also has a maintenance element to it as well. So we're reasonably positive. Interestingly, we opened a new factory in Toowoomba last Thursday, with both our customers, Santos and Queensland Gas there. And the factory was opened by the Deputy Premier of Queensland, Jeff Seeney. And the whole outlook in that region for coal seam gas looks reasonably positive. The government is right behind it. The customers of Queensland Gas and Santos and Origin are very keen to proceed with further projects. So I think the issues there look pretty good. There's probably more in northern New South Wales where the environmental issues and community issues are probably a little bit more -- what's the word, a little bit more in magnitude. So we're committed to the new factory. We spent $28 million on it. It gives us a very strong local advantage for winning the tenders, and we're reasonably positive. And I think in any event, we're right for a bit over 2 years. But I think, like we have with the concrete sleepers out of Rocla, once you get into this part of the business, you know the demand will be there, and it sort of continues.

Jason Harley Steed
JP Morgan Chase & Co, Research Division

And no slippage in either the GLNG or Q7G [ph] contract at this stage in terms of where you'd expect to be in terms of your work profile?

Jonathan Peter Ling
Former Director and Executive Director of Fletcher Building Finance Limited

No. Not at this stage, although we're not intimately involved with how the construction is going. But in terms of plastic pipe, the off take is pretty much what we expect it to be.

Jason Harley Steed
JP Morgan Chase & Co, Research Division

Okay, great. And then one final question for Bill. Just on tax, taxing to come in somewhere below certainly where we had expected it to come in. Perhaps give some detail on that? And also, your expectation for where we will be on an effective tax rate basis next year or the year we're in now, I guess?

Willem Jan Roest
Former Chief Financial Officer

Yes, always a little bit cautious around tax because we have a tax team that does a lot of work around it and -- So I would say, probably next year, a 25% tax rate would be a reasonable rate to take. This year at 20%. We did have some benefit out of the settlement of a tax claim in Canada, which is a few million dollars. And the rest is just how effective we are at utilizing our various jurisdictional mix and tax losses.

Jason Harley Steed
JP Morgan Chase & Co, Research Division

Okay. So you wouldn't think, given how effective you are on that front, that you couldn't see a similar benefit through into FY '13?

Willem Jan Roest
Former Chief Financial Officer

Not at 20%, no. We think it's -- it fluctuates a little bit if you look over time, but the 24%, 25% is about what we have averaged, I think.

Operator

And the next question comes from Daniel Porter of Nomura.

Daniel Porter
Nomura Securities Co. Ltd., Research Division

I just had few questions for you this morning. Just on the Laminex business, Mark, your restructuring charges came in at $33 million in the second half under the guidance of $40 million to $50 million, does this imply that there will be further write-downs in FY '13?

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

No. I think in terms of write-downs, everything that needed to be taken was taken, and we don't envisage any more. However, in terms of further costs, we will have further costs throughout FY '13 that we are not proposing to categorize as one-offs or unusuals. We will just take them through the P&L account, because there are certain headcount and reset costs that we decided just to run through the P&L account for this current fiscal year.

Daniel Porter
Nomura Securities Co. Ltd., Research Division

And just on the Stonefields development, can I just ask how far through that are you at the moment in terms of when do you expect to complete that development? And I think there was a couple of thoughts that you had identified as potential new developments going forward. Can you just talk about that a little bit?

Jonathan Peter Ling
Former Director and Executive Director of Fletcher Building Finance Limited

Sure. Yes. Stonefields is depending a little bit on demand. But Stonefields, we expect to be another 2 or 3 years in building. We are actually moving a lot more towards our high-density building. So we've actually got 2 apartment projects, one called the [indiscernible] Apartments, which is under construction now. It's happening on the development. So the earnings stream from that, I think, is sort of reaching a peak, and we expect it to stay there, assuming of course house demand stays where it is in Auckland for the next few years. Beyond that, we have a number of projects to acquire land that we've talked about. None of those have been finalized at this point, but we'd expect to try and realize some of those in the next 12 months. And we also have our Three Kings development, which now is in the, what I call, "filling up the quarry" stage, which is actually progressing quite well. And some of the infill from Waterview will end up in Three Kings. And we're expecting that -- that's a prime piece of residential land, very close to the CBD in Auckland, about probably 7 or 8 kilometers out of the city. And it will be the next Stonefields, if you like, probably starting in 5 to 7 years’ time from a point of view of residential development.

Daniel Porter
Nomura Securities Co. Ltd., Research Division

Okay, okay. And just turning to Tradelink in Australia now. It's saw a fairly dramatic decline. Just wondering what your view is on your market share in that business? Is that coming off, do you think? Or is it fairly consistent across the market?

Jonathan Peter Ling
Former Director and Executive Director of Fletcher Building Finance Limited

No, I think -- well, first of all, I think it's a good industry structure and a very attractive market for us. So we've been very pleased with that. My sense is that through the acquisition and immediately after, we probably did or we did lose some share. I think that's stabilized now. We're really focused on getting the operational efficiencies and effectiveness, and particularly [indiscernible] effectiveness and the inventory management disciplines and skills in the business. And I think we will hold market share where it is, having -- we lost a bit. But I think in a good industry structure, once we get through the next wave of improvement projects, my guess, 6 months or 9 months, we'll start to see a lift in share.

Operator

And the next question comes from Andrew Scott of the Royal Bank of Scotland.

Andrew Geoffrey Scott
RBS Strategy

I guess, obviously, it's very early days to hit you with a strategic question, but if we look at your recent history, we'd probably characterize that as a cost-out focus and with very good success, particularly, I think, from Mico as a standout in this result. If I look at the broader Fletcher business, one thing that jumps out is the decentralized model that Fletcher Building has sort of always run. It's something that you almost think about as being part of the Fletcher Building DNA, if you like. So I guess a couple of questions around that. Jonathan, maybe, first of all, just your thoughts on what you see is the benefit of the model but then secondly, your view on the exchange in which that is an entrenched part of Fletcher or whether that's something that could be sort of addressed down the road? And I guess, in particular, obviously, you've got an insight to how the board thinks about that. And then Mark, just your view on the potential you see there and whether the benefits sort of justify the cost that that sort of model brings?

Jonathan Peter Ling
Former Director and Executive Director of Fletcher Building Finance Limited

To start off, Andrew, and it's a good question, first of all, the model, the decentralized model is the heart or the DNA of Fletcher Building. That autonomy and accountability to business unit general managers to deliver the very best customer service for the customers and employee engagement is at the heart of the way we run the business, and the board sees no change in that outlook. Having said that, we run 51 different business units. And if you look at particularly in certain geographic areas, and if you took, say, Auckland in particular, you will see that we have a number of businesses where you do have duplications. And I think one of the big shifts in our attitude over the last particularly 12 months has been a much higher level of collaboration between the various business units in the group in these very difficult times. And that collaboration can happen at both the revenue line. So for example, we now have, between Dimond color-coated steel for roofing and PlaceMakers, Dimond has foregone or eliminated its sales force for residential roofing, and all that's done by PlaceMakers, or the sales function is done by PlaceMakers, with terrific effect in terms of getting more share and reducing costs. And we're going to see a lot more of that collaboration on both the revenue front and also the cost front. And that's already happening. And I think what we're really got to focus on is how we actually use our scale to get costs down. I'll stop there because I know Mark's got some views on that and hand it over to him.

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

Sure. I think I just like to reiterate Jonathan's view that the decentralized model will continue. I think decentralized models are particularly effective during good economic times. And I think as we've seen sometimes can be found wanting when the top line has dropped, as we've seen it do. But we have already taken action on that. And as Jonathan says, there's been a lot more collaboration between the divisions. But coming at it from the perspective I do, as you mentioned, the turnaround within Formica and previous roles I've had, I have identified opportunities that we've shared with the board, and we're going to start rolling out to the management team -- that process actually started this morning -- where there is some low-hanging fruit where we can drive cost savings without actually affecting the degree of autonomy the general managers enjoy. Because as Jonathan said, that's particularly important when it comes to the customer experience, and that's something we'll not look to decentralize in any way. The reality is, with the business model we have and the diverse portfolio that we enjoy, it's almost impossible to centralize those things, and we wouldn't want to do that. But we will take opportunity for further collaboration and centralization, particularly around the back office support functions that we hope to drive earnings ahead of the cycle, as I mentioned on my piece earlier.

Andrew Geoffrey Scott
RBS Strategy

Mark, would you care to put a number on these initial initiatives and what they could mean from a [ph] perspective?

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

I think there's not a cat's chance in hell of me doing that, to be honest, at this stage. I haven't got the numbers. We've kicked off a project. Probably the end of this week, we're looking at some external consulting support because it is a large project, and I really haven't even got an order of magnitude for you. But maybe next time, at the AGM announcement, we'll have more feel for what the size of the prize might be.

Operator

The next question comes from Kar Yue Yeo of First New Zealand Capital.

Kar Yue Yeo
Jarden Limited, Research Division

Mark, could you please then comment on the time line of some of these initiatives and cost reviews or cost resets that you're currently undertaking in terms of what you've mandated your team to do going forward? And secondly, a question for Bill. In terms of the carrying value for your Australian Insulation business post this write-down?

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

I think I'll take that one, Bill, to start. I think in terms of a time line, we obviously have reset programs running currently. We have the reset program in Laminex, which has got probably another 12 to 18 months still to run, albeit we'd hope to bank the bulk of the benefits in this fiscal year. I think in terms of the broader Fletcher business portfolio of programs, we really are in the infancy of that at this stage. We've kicked off one project this week. I envisage there'll probably 3 or 4 more that we determine probably between now and Christmas. I'd like to think that when we get back in the new calendar year, we have initiated most of these programs. But these will be multiyear programs. One thing I've learned from my restructuring experience is there as much risk as there is opportunity, and I'm very anxious that we get the benefit without actually threatening the business, particularly as it relates to, as I mention, the customer experience. So this is going to be a theme, if you like, for the next 2 or 3 years, I'd suggest.

Willem Jan Roest
Former Chief Financial Officer

The carrying value, in Australian dollars, is about AUD $100 million; New Zealand, NZD $123 million.

Operator

The next question comes from Michael Ward of the Commonwealth Bank of Australia.

Michael Ward
Commonwealth Bank of Australia, Research Division

Just quickly, can you make some comment around the construction materials processing environment as it currently stands? I noticed you made the comment that concrete pricing was down and quarry pricing was also down. Has that plateaued? Or what's happening on that front?

Jonathan Peter Ling
Former Director and Executive Director of Fletcher Building Finance Limited

I think it's probably fair to say that it's -- in New Zealand, I presume you're talking, that it's sort of stabilizing as we're starting to see a little lift in activity. There's still pressure, there's no doubt about that. But I don't see that as a major issue at this point.

Kar Yue Yeo
Jarden Limited, Research Division

Okay. And then also, just in the distribution business. I mean, I would have thought that's probably one of your more sort of variable cost businesses. But I noticed sales is down 5 and EBIT is down 31. Can you sort of comment as to what's happening in that business?

Jonathan Peter Ling
Former Director and Executive Director of Fletcher Building Finance Limited

Yes, I know. The big issue there is in a market where there's not enough volume. In New Zealand, we actually have 4 other competitors, and there's no doubt that a lot of it's being fought for on price. Bunnings are fighting for a lot of market on price. Carters, Carter Merchants, that is, are fighting on price. ITM, probably a bit more stable. Mitre 10, a little bit more stable. But it means that the price competitiveness in the marketplace now is probably higher or more severe than I've seen it in my tenure, and that's affecting margins.

Michael Ward
Commonwealth Bank of Australia, Research Division

And do you think you've managed to hold share in that market?

Jonathan Peter Ling
Former Director and Executive Director of Fletcher Building Finance Limited

I think in general terms, we have. But it's been at the cost of margin.

Michael Ward
Commonwealth Bank of Australia, Research Division

And do you think when conditions improve, pricing will improve such that you wouldn't need to potentially think about impairing some of the asset value in that business? Or...

Jonathan Peter Ling
Former Director and Executive Director of Fletcher Building Finance Limited

Well, I'd like to think -- I think it's a very competitive market. I think as some of the pressure comes off, my view would be that some of our competitors can't keep going at the same sort of prices. But -- and so it will return. In terms of carrying values, I'll pass over to Bill.

Willem Jan Roest
Former Chief Financial Officer

Yes, just a very quick comment, Michael. If we just looked at the -- the 5% revenue drop is actually $40 million in sales, and a 25% margin is about $10 million. So if you adjust for that, [indiscernible] the year-on-year is just down a couple of million. And so it's quite fixed-cost-sensitive, this business. And so we're sitting at the bottom of the cycle, and it's getting a return of 19.1% on fans [ph]. So I think the risk of impairment is very, very light, given that most of its assets are working capital.

Michael Ward
Commonwealth Bank of Australia, Research Division

Okay. And maybe another one for you, Bill. Can you maybe talk through some of the longer-term assumption changes you've made in the Insulation business to arrive at the sort of $75 million charge that we saw there?

Willem Jan Roest
Former Chief Financial Officer

Well, it's not a precise calculation. Let's be honest about that. And so we've looked at our results over the last 2 years, and our own performance is not where we want it to be. But we have to be very cautious when we look at the impairment thing to make sure we don't actually create an issue for us in the following year. So we've taken a very hard look at it and a very hard cut at it while we improve our performance. So probably, we have gone a little bit further than the actual theoretical calculations would've warranted it, but we just felt it was the prudent thing to do at the time.

Operator

The next question comes from Stephen Hudson of Macquarie.

Stephen Hudson
Macquarie Research

Most of my questions have already been asked, but just a couple of quick ones, firstly on SCIRT volumes. I think you were talking at the half about a lift in monthly activity or billings for SCIRT at around about $40 million. I think we're running at around about half of that level at the moment. I just wondered if you still saw that kind of ramp up between now and December? You also talked about some of the Australian businesses potentially deteriorating into the beginning of this current financial year. I just wondered if you could specifically talk about Rocla in that regard. And back on steel, I think you talked at the half about the restructuring team that's in it, that sort of still sort of completing their work by December, obviously, respecting what you've just said in terms of the time frame that you're adhering to [indiscernible], but I just wondered if that was still a sort of a time frame that you'd still wouldn't mind there?

Jonathan Peter Ling
Former Director and Executive Director of Fletcher Building Finance Limited

Okay, Stephen, Jonathan here. Probably I'd be best to answer that question. In terms of SCIRT, the target is still $40 million. Yes, we are still running at about half that rate, but it is starting to improve, particularly as a lot of the planning and design work down in Christchurch has been completed. Whether it'll actually be a $30 million to $40 million by December, I'm not terribly sure. It's ramping up right now. But certainly, my view is that it will be $30 million to $40 million probably sometime early in the second half of this financial year. A lot of that planning and design work has been completed, and I think that part of the rebuild will get underway. In terms of Rocla, I think the -- it's done well in the resources and the infrastructure sector, and it's actually diversified its earnings quite well from building and land development write-through. There's probably going to be some softness in that resources sector through the course of this year, so we're not totally sure how that will impact them. But I have to say, their product range and their diversification is fairly diverse right now, and it really probably is one of the better management teams within the group. And through both good times and bad times, they have consistently delivered both earnings growth and great results. So I'm not terribly concerned about Rocla at this point. And then when it goes to the steel review, we, as you'd expect, have -- looking at a range of options with particularly, again, the long steel business, not the coated steel business. And it's fair to say that there are some ideas in the pot and there's some discussions going on, but I can't really say anything much more about it at this point.

Stephen Hudson
Macquarie Research

Okay. Look, that's really useful. Could I just dig on the last point a little bit more? Can you kind of characterize the rebar export markets from New Zealand into Australia at the moment? Just in terms of what you're seeing on volume? But I guess, more importantly, the rebar scrap margin?

Jonathan Peter Ling
Former Director and Executive Director of Fletcher Building Finance Limited

Okay. Just a background for others, we've got an arc furnace that produces around about 200,000 tonnes of production each year. And as you'd expect, running an arc furnace anything other than at full capacity is very painful and very uneconomic. So essentially, we have a domestic business that consumes in good times about 100,000 tonnes a year. At the moment, it's currently consuming about 60,000 tonnes a year, and that's generally a pretty attractive business. Its rebar into our construction projects predominantly. And particularly, when Waterview starts up in the second half of this financial year, the rebar volumes climb dramatically, and that's quite an attractive business for us. The export business that we have to Australia, which varies from about 100,000 tonnes a year to 130,000 or 140,000 tonnes a year, at the moment, is ugly. A lot of import competition in Australia, [indiscernible] you guys probably know more about it from listening to the REM [ph] or OneSteel result. But the margins on that are negative. So that's causing us a lot of pain right now, and I'm not too sure what the actual -- you'd probably know better what the outlook for that is in terms of pricing in the short term.

Operator

Mr. Ling, I would like to advise, there we are no further telephone questions.

Jonathan Peter Ling
Former Director and Executive Director of Fletcher Building Finance Limited
We move to questions from the floor. So is there any -- are there any questions from the floor in Auckland? No? No questions from the floor and no more questions from the teleconference? Okay. Well, thank you, ladies and gentlemen, for listening to our presentation, and Mark will see you at the ASM in November.