

Ontario Steel Industry

Policy Implications of ONRIS Research
Steel Clusters Workshop
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Robert Tmej, Senior Advisor
Ministry of Economic Development and Trade

Ontario Steel Mills



Steel Sector Overview

- Directly employ 30,000 people in Ontario
- \$9 B annual sales (80% of Canadian steel production)
- Export 1/3 of 16 M tons produced
- Construction, manufacturing, and automotive parts and assembly industries are largest end-use markets
- Stelco and Ivaco restructuring under CCAA
- Slater Steel liquidating certain assets
- Dofasco most profitable integrated steel producer in North America
- Gerdau AmeriSteel is expanding (US)
- Face threat from low-priced imports, global overcapacity, higher raw material costs, a rapid rise of the Canadian dollar, and energy and environmental issues

Market Conditions & Trade Issues

- Worldwide shortage of scrap steel, intense demand from China and a weak US dollar have caused steel prices to rise and are expected to result in higher material costs for steel user groups
- Steel prices bottomed out in 2001 and peaked in 2004 but are not expected to return to cyclical lows as quickly
- From 1991 to 2000 when the steel market peaked, domestic consumption in Canada increased by 99 percent to 17.8 M ton
- Domestic consumption continues to grow 8% annually
- OECD High Level Group – Canada supported a multilateral agreement to discipline government intervention (state subsidies) and to lower barriers to international trade in steel.
- Government and industry representatives from Canada, US and Mexico created the North American Steel Trade Committee to deal with issues of unfairly traded steel imports into North America

Market Influences

- The Ontario steel industry is subject to influences beyond the integrated North American market
- Context - Over 30 North American steel companies have entered bankruptcy protection since 1997, many filing for Chapter 11 protection in the US. Some US plants have gone bankrupt, restructured and emerged with lower overall payroll costs and without the burden of the legacy (pension and health benefits) costs
- In Ontario, Stelco is restructuring, Ivaco has been sold. Hamilton Specialty Bar has new ownership group while Atlas (Welland) is idle
- Result is increased competition for Ontario steel mills
- Skilled Trades - Loss of skilled workers to retirement results in re-training, relocation implications for Ontario. Canadian Steel Trade and Employment Congress (CSTEC) – initiated a human resources sector study to identify skill gaps, training, and succession planning needs for the industry (business plan)

Long-term Strategy – Sector Council

- Canadian Steel Producers Association, Industry Canada, and MEDT discussing a steel sector partnership council dealing with long-term sustainability issues
- Economic Development Ministries from other Provinces and the USWA have joined the discussion
- Steel industry concerns: corporate tax rates, the regulatory process, trade, research and development, innovation, and skills
- Industry to focus on: government relations, the OECD steel subsidies process, an integrated North American steel market, and energy and manufacturing issues
- Industry driven and create “a partnership between Canada’s steel producers to work together to develop a steel strategy to ensure a strong, competitive steel producing industry”

Long-term Strategy - Proposal

- Discuss international trends, fiscal investment and access to capital, innovation and R&D, market development, energy and the environment
- Define critical directions the industry should pursue
- Enhance government understanding of the challenges and opportunities facing the industry and foster dialogue among stakeholders
- Ensure senior representation from stakeholders having a strong interest in a well-functioning and sustainable industry
- The steel industry is an important component of Ontario's economy and key to industries such as the automotive, manufacturing, and construction sectors