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Chair

The Honourable Mark Eyking

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● (1625)

[*English*]

The Chair (Hon. Mark Eyking): Let's bring this meeting to order.

First of all, welcome everybody. We have a really big slate of witnesses here today. I'm sorry for the inconvenience and the delay. We had an issue up at the House that we had to deal with—when the bell rings, we have to vote—and we had to do some business.

We're going to have a very productive session here over the next hour. As many of you know, we're doing a study on steel. We've had some witnesses in already, in our last meeting.

My understanding is that the three chambers of commerce are going to speak together for five minutes, and then we're going to go to Stelco, Gerdau Long Steel North America, and then to Evraz and Essar Steel Algoma.

If you could each keep to around five minutes or shorter, it would be good. That way we can get some good dialogue back and forth with the members.

I have to excuse myself in a few minutes as I have another meeting, but Randy Hoback will take the chair. You're going to be in good hands.

Without further ado, we're going to start out with the chambers of commerce. We have three of them. We have the Hamilton, the Sault Ste. Marie, and the Windsor-Essex chambers of commerce.

Mr. Matthew Marchand (President and Chief Executive Officer, Windsor-Essex Regional Chamber of Commerce): Good afternoon, committee members. We'll be using the full five minutes, so please hold off on any questions.

The Windsor-Essex chamber represents 800 businesses large and small, with combined sales in the billions, who have member employees numbering more than 25,000. This includes Atlas Tube, whose parent company is Zekelman Industries. It employs 220 people, exports $250 million of product per year, is the largest employer in Harrow, and is the most efficient producer of structural tubing in the world. Atlas Tube buys more steel than any auto company in Canada, and parent company Zekelman Industries is the largest private buyer of flat rolled steel in North America at 2.5 million tonnes, equivalent to the entire output of Stelco.

Our fundamental question to the committee is: how we can expect our business community, such as Atlas Tube and their employees—our middle class, our community—to compete against government-owned enterprises in China? They have employment and production quotas, have little regard for profits or losses, manipulate the currency, use cheap coal emitting 15 times as much CO_2 as Canada per tonne, and dump steel into Canada, displacing our employers and middle class.

Our trade deficit with China is approaching $50 billion. The chamber here says China is not a market economy. I guess the question for the committee, especially for those from the governing party, is: do you believe that China should be given market economy status?

In September 2016, chambers across Canada representing 400,000 businesses passed a resolution for a steel manufacturing strategy from the Canadian government to combat steel dumping into Canada. The current process to address dumping of steel is too lengthy, too expensive, and has too many loopholes. So here we are today.

Thank you, Mr. Chair.

Mr. Huzaifa Saeed (Policy and Research Analyst, Hamilton Chamber of Commerce): I'll take the baton. My name is Huzaifa Saeed, and I'm from the Hamilton Chamber of Commerce. Through MPs Duvall and Bratina, we are quite ably represented on this committee, and you'll be hearing from Stelco later today, and ArcelorMittal Dofasco this week, two of our largest producers.

We also wanted to come to Ottawa to talk about the impact steel has within the local economy and the pure employment provided by steel producers, both the ones mentioned as well as a large number of small and medium businesses we represent here, which don't have the capacity or the ability to conduct government relations or actively engage with the government. There are hundreds and thousands of people employed.

Steel, as a backbone to our economy, has also created the ability for us to be active in the auto sector, the aerospace sector, railcar manufacturing, and construction. The list goes on. Canada's manufacturing is fully wedded to, and funded and anchored by, the steel producers. Without them, we would be in a very different scenario. We see McMaster University and Mohawk College working very closely with steel producers, which then bring in the after-market manufacturers that are working on different projects. We have tripartite projects producing some world-class products that many countries aren't able to compete with. They're exporting into the United States and despite Buy America policies, they're still able to compete at a high level because they're innovating and they're resilient, and that's what defines Hamilton.

We really wanted to invite members of the committee to come into town. I'm sure our MPs will take you around and show you some of the very high-tech things we're doing, but at the same time, I think the scale and capital required isn't really there yet. Steel has not been known as a marquee industry in the last half-decade, in the last decade. The baton has switched over to the auto sector, and in the Kitchener-Waterloo Toronto area the tech sector. We're just here to say steel is still there. It's in our backyard, it's employing hundreds and thousands of workers, and when there is a downturn we see it with our own eyes. We see the impact and the decline that Hamilton experienced in the last few decades just from the neglect.

● (1630)

The Vice-Chair (Mr. Randy Hoback (Prince Albert, CPC)): Mr. Ring, you have 30 seconds.

Mr. Rory Ring (Chief Executive Officer, Sault Ste. Marie Chamber of Commerce): I'm Rory Ring, CEO for the Sault Ste. Marie Chamber of Commerce. You'll be hearing from Tenaris Tubes. They'll be addressing you on the 23rd. Essar Algoma is here today.

Sault Ste. Marie has lost 2500 people in the last five years. Our business community has shrunk by 500 and we have felt the impacts of the non-market economies circumventing trade legislation. It goes right down to the suppliers of steel-toed boots and the suppliers of pizza. We see it right on the street and it's affecting our small and medium-sized companies and their ability to innovate, to recycle capital into addressing carbon footprint, and to develop innovations and create partnerships with secondary and post-secondary institutions to build out their R and D capacities.

The Vice-Chair (Mr. Randy Hoback): I apologize. Unfortunately, the votes shortened your time. I appreciate you working with us.

We're moving on to Essar Steel Algoma. You have five minutes, sir.

Mr. Kalyan Ghosh (President and Chief Executive Officer, Essar Steel Algoma Inc.): Good afternoon.

I want to thank the committee for inviting Essar Steel Algoma to appear before you to discuss an important aspect of our industry and the company.

We are a fully integrated, advanced steel manufacturer. We manufacture steel from start to finish at our steelworks in Sault Ste. Marie, Ontario. We make a significant contribution to the Canadian economy. We can and do compete on the global stage every day. The Canadian government can help Algoma and the broader steel industry remain successful and competitive by ensuring a free and fair domestic market.

Algoma adds value through production of sheet and plate products. We have proven capability in over 400 different grades of steel, many of which were not available as recently as 10 or 20 years ago. Our steel is used in countless sectors; our sheet and plate product is used in the energy sector to make casing, line pipe, and pressure vessels; our plates help railcar manufacturers meet new requirements for the safe transport of oil and gas; and our high-strength sheet is used in structural and safety automotive applications.

We employ about 2,800 skilled workers and support a further 10,000 indirect jobs. The average annual compensation for an Algoma employee is $108,000. These are very good, middle-class jobs. We further support over 6,000 pensioners, most of whom live in and around the city of Soo. Our annual payroll sits at around $300 million, and we spend a further $1.2 billion annually on goods and services, of which $120 million is spent with over 600 local suppliers. We are a significant contributor to Canadian GDP and an important part of the supply chain for industrial clusters such as automotive, oil and gas, mining, and renewable energy.

Algoma is competitive and supports customers across North America. We thrive in a free and fair market. On this basis, we can compete with any steel manufacturer in the world. Algoma ranks in the top quartile in North America as one of the lowest-cost integrated steel producers. Our capacity utilization rate approaches over 90%, well above the industry average, which is currently at 70% to 75%. We have the widest plate mill in North America and the only heat-treated plate facility in Canada, which differentiates us in the market and enables us to produce specialty steels such as armour plate, wind tower, and shipbuilding grade steels. Algoma is competitive while being environmentally responsible. We have achieved a 17% reduction in greenhouse gases since 1993 while increasing production by over 20% over that same period. This equates to over a 55% drop in CO_2 intensity. Our carbon footprint is one of the lowest in the industry, in part thanks to the clean energy supplied by the Ontario grid in combination with our cogeneration facility that recycles by-product gas into steam and power.

You can help.

There are, however, impediments to Algoma’s success. Overcapacity is a pervasive problem in the global steel industry. Global excess capacity is now virtually over 700 million tonnes, with China representing over 60% to 70% of the surplus. This problem has been raised at different forums including the OECD as the leading economic problem facing the steel industry.

The steel industry in China does not operate on the basis of profit optimization but rather on employment maximization. In other words Chinese steel is government subsidized, produced at artificially low prices, and sold abroad, often below true cost, to support Chinese jobs. When it arrives in Canada it is at the expense of Canadian jobs.

Low-priced foreign steel displaces domestic steel production in countries like Canada and drives down prices below market value. Massive capacity rationalization is necessary to address this problem. However, we recognize the Canadian government can’t force the capacity rationalization that is needed in China. It can, however, stop Canada from being a steel dumping ground.

• (1635)

The Canadian government can continue to treat China as a non-market economy, which appropriately reflects the way Chinese steelmakers do business.

The Canadian government can strengthen Canada's trade laws by implementing the proposal put forward by the Canadian Steel Producers Association.

Finally, the Canadian government can ensure that trade rules are strictly and proactively enforced.

The Vice-Chair (Mr. Randy Hoback): I'm going to interrupt you right there, sir. You have two seconds if you want to finish off your statement.

Mr. Kalyan Ghosh: In conclusion, I would like to say, on behalf of the 2,800 employees and 76,000 people in the Soo, that Algoma is competitive and adds significant value to the Canadian economy. The Canadian government can help by ensuring a level playing field.

Thank you once again for your time.

The Vice-Chair (Mr. Randy Hoback): Thank you, sir.

We are going to move on to Evraz steel.

The floor is yours, Mr. Winkler.

Mr. Conrad Winkler (President and Chief Executive Officer, North America, Evraz): Good afternoon, honourable members of the committee. Thank you for the opportunity to speak today as part of your study.

Evraz is the leading producer of large-diameter pipe in North America, employing 1,800 people in Regina, Camrose, and Red Deer. We're in the midst of a $200-million-plus investment and upgrade in Regina to have the leading-edge steelmaking and pipeline technology and to be a world leader for quality and safety.

We also employ about 1,500 people in the United States, and we are the largest producer of rail steel in the United States and North America.

I'm confident that Evraz can compete with any steel producer in the world under fair conditions of competition. We have excellent skilled workers. We are positioned to invest, compete, and succeed. However, we face four key challenges that undermine our competitiveness.

First, as Kalyan and others have talked about, global overcapacity in steel leads to unfair pricing and job losses in Canada. China has heavily subsidized and overbuilt its steel industry. China has more than 60% of the global steel overcapacity, and exports more than 10 times the size of the Canadian market annually.

Evraz has suffered job losses due to dumped and subsidized Chinese steel. We ask that the government continue to push for concrete, binding actions for a reduction in excess capacity, to bring much needed market-based discipline globally.

China is not the only problem. For example, Korea is the next largest exporter of steel to North America. Unfair Korean pricing has caused disruptions in many market segments. While Chinese overcapacity is the long-term problem requiring vigilance, fighting dumping in the short term is critical. While we know that this dumping often comes from our allies and their own capacity. Reliance on exports is not a reason for Canada to be harmed.

Second, free trade must be fair. A strong trade remedy system is vital to a strong domestic market. As the United States continues to tighten its trade position, Canada will represent an attractive alternative market for low-priced steel from around the world. We're very appreciative of Canada's trade remedy system and the efforts we hope the government is going to make and will continue to make.

I'm shortening things up a little as I look at that watch.

Third, the carbon pricing mechanisms should be carefully implemented. We support the government's priority of addressing climate change in a balanced approach. Canadian steel is the cleanest steel for Canada. Chinese steel has more than five times the carbon footprint of Evraz steel. Measures that place Canadian producers at a disadvantage at home against heavier polluters are not good for middle-class jobs or the environment.

Finally, we encourage the government to remain engaged with our industry regarding any trade negotiations with the United States. In 2016, 88% of steel exports from Canada were to the U.S. The U.S.-Canada steel trade is a model relationship, balanced, integrated, and without trade disputes. Our customers do not see a border.

We serve pipeline companies in the U.S. and Canada from Regina, and railroads in the U.S. and Canada from Colorado. In the past three years we have averaged $360 million in sales crossing the border in each direction, approximately even going each way. Market access for our Canadian-made steel is vital for Evraz and our customers. We are thankful for the strong and constructive stand of the government on this make-or-break issue.

To protect middle-class jobs in both countries, it is imperative that Canada strongly represent its interest against possible expansions of Buy America, especially for private transactions such as any domestic content requirement for U.S. pipelines.

I'm confident that we can continue to grow well-paying, skilled, middle-class jobs. When market forces prevail, when a level playing field for competition exists, and when the Canadian steel industry has fair market access, we will succeed.

I look forward to answering any questions you may have.

Thank you so much.

• (1640)

The Vice-Chair (Mr. Randy Hoback): Thank you.

We'll move on to Gerdau Long Steel North America.

You have the floor, sir.

Mr. Roger Paiva (Vice-President and General Manager, Gerdau Long Steel North America): Thank you for the opportunity to be here.

At Gerdau Canada, we have three steel mills. We have one in Manitoba that produces specialty steels and two in Ontario, in Cambridge and Whitby. We employ over 1,300 employees directly in high-paying jobs.

With all our mills, and there are many mills, we are true recyclers with 100% of our raw material coming from metal scrap. This is very important for the world. We have over 1.6 million tonnes of capacity. We are not running at full asset capacity. I'd say that we're running probably below 70%. The reason is unfairly traded steel.

Our mills have state-of-the-art equipment. We have very skilled, trained workers and I'm proud to say that in the two Ontario mills, we haven't had a lost-time accident in more than five years. This is remarkable and I'm very proud to say it.

One point my colleagues covered is that in Canada, and mainly in Ontario, we produce the greenest steel in the world with 90% of our electricity coming from non-fossil sources, so we should be rewarded. It puts us in an even more competitive position in the world. Just to give you an idea about the CO2 emissions, if you look to our plants in Ontario and compare them to a plant overseas, the CO2 emissions are at least 10 times less. We believe that here we have a great opportunity to use steel that's going to power our economy, help to make the world a greener place, and help with climate change.

The biggest issue we face is unfairly traded steel. Personally, I was heavily involved in a rebar trade case in 2014 and 2015 against China, South Korea, and Turkey. We stopped those three countries, but at the same time we had six other countries dump even more steel in Canada. A few days from now we'll be in front of CITT again to see if we can win another fight against six countries: Belarus, Japan, Portugal, Spain, Taiwan, and Hong Kong. It's a constant battle.

We cannot compete against government. There is not the equipment or the process in place that will allow us to compete against a government. Very simply, that's how it is.

There are three ways that we believe the government can help us.

One is to make sure the trade remedy system is updated, fast, reliable, and will prevent any smart importer or exporter from finding loopholes. We applaud the government because we know the government is working on it.

Another one is the procurement policy. We should reward the low CO2 emitters and put everyone on a level playing field. As well, if we're going to pay for carbon taxes—and we believe this is what we need to do to make sure the world will be a good place for our grandchildren to live—the rules need to apply to everybody. Otherwise, it will be carbon leakage. You're going to put the steel business here out of work and it will be forced to buy steel from people who are not taking care of the environment.

The third point is that we need to be in alignment with the U.S. and make sure that Canada won't become a dumping ground.

Thank you for the opportunity and hopefully I'll be able to answer the questions.

● (1645)

The Vice-Chair (Mr. Randy Hoback): Thank you.

We'll move on to Stelco, our last presenter.

Mr. Michael McQuade (President and General Manager, Stelco Inc.): Good afternoon, honourable members of the committee. I'd like to thank you for the opportunity to speak to the viability of the Canadian steel industry and Stelco, in particular.

Stelco has a history of building Canada and the landmarks that dot our landscape. For over 100 years, our steel has contributed to the growth of our nation, both structurally and economically. From the cars we drive to the pipes that support our energy resource sector, from the Canadian Coast Guard College and Saint John Regional Hospital in the east to the Regina Agridome and Calgary International Airport in the west, and all the way the way to the tip of the CN Tower, Stelco steel can be found in plain sight from sea to sea.

The past dozen or so years have proven to be tumultuous ones for our company. Stelco emerged from creditor protection in 2006 during an unprecedented up cycle in the steel market, without having addressed the fundamental issues that led the company to initially enter creditor protection under CCAA in 2004.

In 2007, U.S. Steel acquired Stelco and transformed the operations into a satellite manufacturing location centrally managed from Pittsburgh. Stelco maintained little control over market development, raw material sourcing, or ultimately, it's profitability. U.S. Steel's multiple operating locations allowed Stelco's traditional markets to be served from a variety of locations. Servicing the marketplace with multiple options for manufacturing afforded U.S. Steel the opportunity to bring Stelco wages in line with North American standards. The result was three labour disruptions in the past 10 years and the corresponding negative impact on our financial performance.

However, being part of a multinational company did afford Stelco the opportunity to weather the financial crisis that commenced in 2008, and to benchmark and enhance operational excellence.

Today, our employees are safer than ever before. In 2007, there were almost 600 recordable injuries at our combined operations. In 2016, only nine cases were recorded. This improvement is not only a measure of vastly improved safety performance, but also reflects a necessary change in the core philosophy of our business. Employees are valued, not just viewed as an expense.

Similar results can be seen in our environmental performance. Over the past decade, we have continuously reduced our emissions through capital investment, operating practices, and the training of our employees. At our Hamilton facility, this has translated into an 80% reduction in air opacity incidents since 2007, and a 97% and 95% reduction in water and ground incidents respectively.

We have also invested to support the development of the next generation of high-strength steels, positioning Stelco to work with its customers—in particular, the auto sector—and to develop and manufacture the cutting-edge steels that will be required in the coming years. In fact, over the past five years, Stelco has developed the technology and processes to manufacture 20 different grades of these lighter, stronger, future-ready steels.

All this is to say that Stelco sits poised to compete with any company around the globe upon our successful emergence from credit protection. We will have addressed significant balance sheet liabilities, including the legacy obligations, and that will enable Stelco to be competitive as a stand-alone business.

Stelco will have new collective agreements with its unions to provide labour peace for an extended period of time. Our balance sheet will be clean, our cost of production will be low, and we will be well positioned to compete in the North American marketplace.

This brings us to our discussion here today. As I sit before you, I can attest that there exist many challenges facing our business that will impact our ability to compete internationally. Of particular concern are the recent developments in the Canada-U.S. trade relationship.

I think there is mutual agreement that we are entering into a critical period with respect to our bilateral relationship with the U.S. With the prospect of a renegotiation of NAFTA looming, and with provisions requiring steel to be melted and poured in the U.S. expanding beyond the traditional scope of the Buy America program and into other areas of procurement and the private sector, Canadian industry has reason to be concerned.

Prior to the 1987 Canada-U.S. Free Trade Agreement, both countries placed tariffs on steel products crossing the border. The cross-border integration of our customers, such as automotive, was substantially less. The combative approach to trade and the restrictions embedded in American law at the time constituted major impediments to Canadian steel's access to the U.S. market. The Canada-U.S. agreement recognized that our economies would mutually benefit from a reduction in trade restrictions. The solution was an agreement to less-restricted steel trade through the removal of tariffs on steel in both directions.

These principles were further enshrined, and they should remain as the cornerstones of NAFTA and any future agreement with the U. S. regarding the steel industry.

While I am encouraged by the position taken by our government in these early days of the new U.S. administration, I believe our focus should be on increasing collaboration with our largest trading partner. We would be working together to encourage growth in manufacturing for both our respective countries.

The reintroduction or the expansion of barriers to trade must be prevented. Our industries and economies are both served by an integrated relationship based on the foundation of market principles and strong trade rules. Together we should be working with our American partners to limit the ability of dumped or subsidized imports from countries that do not share those principles.

● (1650)

It's my hope that the budget tabled tomorrow by Minister Morneau will incorporate these measures to modernize our domestic trade remedy system so that we can work hand in hand. It has been recognized by the OECD and governments around the world that substantial overcapacity exists—

The Vice-Chair (Mr. Randy Hoback): Mr. McQuade, you're going to have to wrap up.

Mr. Michael McQuade: In closing, we have 2,000 employees, 15,000 retirees, and many more in the Hamilton and Nanticoke areas who depend on our business.

Thank you for your time.

The Vice-Chair (Mr. Randy Hoback): Thank you, sir.

We're going to move right into rounds of questions.

Members, you'll have five minutes. We'll start with the Conservatives.

Mr. Van Kesteren.

Mr. Dave Van Kesteren (Chatham-Kent—Leamington, CPC): Thanks to all of you for being here. Those were interesting opening remarks. I'm going to direct my questions first to the steel manufacturers.

Mr. Paiva, is yours a Brazilian company?

Mr. Roger Paiva: Yes.

Mr. Dave Van Kesteren: Mr. Winkler, yours is headquartered in London, but it's actually owned by a Russian oligarch, I think. Isn't that correct?

Mr. Conrad Winkler: It's traded on the London Stock Exchange, and it's also owned privately by a series of Russians....

Mr. Dave Van Kesteren: Yes. That's fine. I'm going to clarify where I'm going with this.

All of you spoke about and commended our Canadian government for its position on carbon, on our carbon footprint. However, I'm wondering, and I'm thinking it's too bad that we don't have.... I think the other two companies are Canadian. Are they both Canadian companies?

A voice: Not anymore.

Mr. Dave Van Kesteren: Are the parents still American?

Mr. Kalyan Ghosh: No. Both companies are under the CCAA. They're going through a change in ownership.

Mr. Dave Van Kesteren: The reason I say this is that Donald Trump has just come back from the G20 meeting and has set some new rules and some new standards. He's also said that he's going to scrap what happened in the Paris accord. What's going to happen to Canadian companies if the American companies—and in this case, a London-based company and a Brazilian-based company—can no longer compete with the rest of the steelmakers because of regulations that we have here in Canada?

Mr. Conrad Winkler: I'll start. From our perspective, you've hit on a very critical issue.

First of all, we're run as a North American company. We run independently in North America and of course are reporting to our board in London.

There are a couple of things. We run 15 recycling centres as well, throughout western Canada, and it's absolutely critical. To your point, regardless of ownership structure, the issue of our global competitiveness is enormous in terms of if we're paying a tax.... Our margins now in the steel industry are thin enough that we have to be as competitive.... As each of us has discussed, we have to be at the top of our game every day to make a very small margin. If we're going to cut into any of that margin, we have to be very sensitive to what happens with competitors in China, in Asia, and in other parts of the world that have somewhere between five and 10 times as much of a carbon footprint—

● (1655)

Mr. Dave Van Kesteren: I think you've hit the nail on the head there. The Chinese have made absolutely no movement toward lowering their carbon footprint. As a matter of fact, they told me personally that they had no plans for doing that until at least 2028. In terms of the situation we're in as a result of the carbon we've spewed into the atmosphere for the last hundred years, they feel that they really weren't responsible for it.

If we're at that disadvantage, where do we have to go as a country and definitely as North America? We see where Donald Trump has gone, but where do we have to go as Canadians if we're going to accept steel...? Are you suggesting that we put a tax on the steel that comes in? The follow-up question is, would we then be competitive in our industries if we were to have a price for steel that's going to be a non-competitive one?

Mr. Trevor Harris (Director, Government and Public Affairs, Stelco Inc.): I think you've raised a very important question. It's one that we in the steel industry have been contemplating and have addressed provincially with the Ontario government as they've moved forward with their cap-and-trade program. We've entered into discussions with the federal government as well.

You can look at the cost of steel as it comes across from other jurisdictions. Obviously, they're not subject to a lot of the carbon costs that we're incurring as we're making our businesses more efficient. One of the challenges that I think the government has is finding a way to equalize that cost at the border. You've heard my colleagues here speak to the efficiencies we have in our steelmaking process in terms of providing a greener product. The transportation costs alone for moving those products from China and overseas make the carbon footprint of that steel five to 10 times greater.

We challenge government to help us find a balance here. We want to provide the green steel that goes into construction products, automobiles, and the other infrastructure projects that everybody wants, in order to provide a greener footprint for Canadian manufacturing, but we need some help to equalize those costs at the back end. Whether there's a border measure of some kind that can be implemented in the form of a tax or some form of equalization, we're obviously all ears and willing to work with you. We've made that case to both parties, here in Ontario and federally.

The Vice-Chair (Mr. Randy Hoback): Thank you.

Mr. Bratina, welcome to the committee.

Mr. Bob Bratina (Hamilton East—Stoney Creek, Lib.): Thank you very much. It's a pleasure to be here.

The question that needs to be answered is whether steel should get the support of government in its decision-making. The things that are going against steel are the notions of rust belt and bankruptcy. This is unfortunate, because the image of steel is, to use a railway analogy, of a broken-down old steam locomotive rather than a modern bullet train.

I want to direct this first question to our Stelco people. What is the current state of your production facility? How good is it? Is it up to today's standard?

Mr. Michael McQuade: Yes. Lake Erie, built in 1980, is actually the most modern greenfield site in North America, and there has been significant investment made in the Hamilton facilities. What is left operating today is, we believe, world-class. We had benchmarking, as members of the larger U.S. Steel to which I spoke briefly, that indicated we are in the top with respect to competitiveness in North America.

Mr. Trevor Harris: I'll just quickly add to that.

As we have gone through a recently announced recruiting process, which Mr. McQuade alluded to, we're now repatriating Stelco and separating from our former American parent.

The biggest focus we have for recruitment right now is in the world of IT. We're building a new IT infrastructure. We understand that there is a perception out there that steel is not what it truly is. We in fact are a high-tech industry that is extremely technologically advanced. Admittedly, this is a challenge we need to meet head-on, to start demonstrating that we are as technologically advanced as we truly are.

Mr. Bob Bratina: General Leslie will know that in planning in a war scenario, in the darkest days during the darkest times there are always plans being made for the offensive. In your situation now, is there a vision for the growth and therefore sustainability of the Hamilton operation?

● (1700)

Mr. Michael McQuade: Unequivocally yes, there is. I won't get into details. We're in the midst of credit protection. We think we're in the home stretch.

Having said that, I make it analogous to a marathon. That last 20% is going to be some of the most difficult stretch, as we move through the coming months, but I believe the offer that's on the table from the interested party, Bedrock Industries, and is well publicized is going to have Stelco as a cornerstone of a much larger play that will involve growth not only within Hamilton but across North America and that will take Lake Erie up to capacity, from a steelmaking standpoint, and utilize the additional million tonnes of hot strip mill capacity. It will be a tremendous resurgence, led by this interested investor.

Mr. Bob Bratina: We heard testimony regarding air quality and so on. I know that Hamilton's air quality has improved significantly over the past 10 to 15 years, in part due to measures taken by the steel companies.

Concerning your water-cleaning technology, millions of dollars were going to be invested in sending clean water back into the harbour. What is the state of that?

Mr. Michael McQuade: As late as 2010, I believe, there was a significant investment made in the waste-water treatment plant in Hamilton. It is well ahead of the curve in terms of its overall environmental performance, compliant with standards that are out there and still to be achieved in years to come. We're already there.

Mr. Trevor Harris: Let me just put a fine point on that. It was actually a $25-million investment that was required for us to put water back into the environment actually cleaner than when we removed it. We've demonstrated our ability to meet the environmental challenges head on, and as Mike alluded to in his remarks, we've seen great improvement, of 97%, in our water efficiency emissions since 2007.

Mr. Bob Bratina: The bottom line is, how is the order book?

Mr. Michael McQuade: The order book is strong. We're running above the North American average, but we are also poised, on emergence, to be just that much more successful. The automotive sector in particular is waiting until the supply chain is clean, and we continue to keep up our communication with them. It's a target market that is waiting for our return.

The Vice-Chair (Mr. Randy Hoback): Do you have a Liberal colleague who wants to take a—?

Mr. Bob Bratina: No, I'm happy to just conclude by saying that, with all of the remarks we've heard from your colleagues with regard to the Chinese market, these are profound issues for the steel industry, are they not?

Mr. Michael McQuade: They absolutely are. When you have 400 million tonnes of surplus capacity over and above what's already being exported, just the presence of an offer—it doesn't even have to be a boatload—has a tremendous suppressive effect on pricing and is detrimental to the Canadian steel industry and to the North American steel industry, for that matter.

The Vice-Chair (Mr. Randy Hoback): Perfect. That was five minutes right on the nose.

Ms. Ramsey.

Ms. Tracey Ramsey (Essex, NDP): Thank you so much to all of you for being here. It's such an important study.

Some of the key things that you've been hitting on are, of course, how environmentally clean Canadian steel is and the good jobs it supports. In my riding of Essex, there's Atlas Tube, which was mentioned—a wonderful employer in a small community. The spinoff from those jobs sustains that community. It's so incredibly important.

The other thing I've heard from all of you is innovation. You're innovating; you're constantly moving forward. With all the infrastructure projects that are coming with the government, what ideally I think we'd all like to see is all of you operating at top capacity, employing people to the highest level, sustaining all the communities that you're part of.

My question is going to be, not surprisingly, to my own chamber president, Matt Marchand, from Windsor-Essex. I represent the riding of Essex, and we've had many conversations and done some work together around steel dumping and how we address this issue. Something that came up today, modernizing our trade remedy system, is number one. We have to do that. There was a report that came out of the finance committee to do so, and we need the government to implement that so we can start that remedy to come in line with other countries.

The second thing, really, is about China. It's about the market economy status, and it's about the impact of them receiving that. This is a very pertinent issue. Of course, you all know it's sitting right now at the WTO. Could you speak to the impact there would be on producers, like Atlas Tube, in our own area if China were to achieve market economy status?

Mr. Matthew Marchand: What I can say is that if we solved the dumping issue, just in the Windsor-Essex area alone the impact would be that the Atlas Tube plant in Welland could be reopened. That's 100 jobs there. In the Windsor-Essex area, the Harrow plant would increase its production to about 150,000 tonnes. Right now, they do 25,000 trucks a year. If we could solve the China dumping issue, if we could have fair trade as our leaders in the steel industry have told us, we could up production at our plant in Windsor-Essex by 35%, or something in that neighbourhood, and the Welland plant could be reopened—that's 100 jobs.

When you start looking at the spinoff effect of the steel industry, it is huge. The colleagues here have been very generous. It's a minimum 3:1, probably 4:1, high-value manufacturing jobs.

I would call on Bob Bratina. I just want to bring something to your attention. You mentioned earlier the state of plants. I would encourage the entire committee to come to Windsor-Essex. We will set up a tour with Tracey and Atlas Tube and you will see innovation front and centre. We'll go up the 401, and we'll stop and see our friends in Hamilton. I'm telling you right now that when you see what goes on with the high technology here in Windsor-Essex and across Ontario, you'll see that this is the innovation area: steel.

Thank you very much, Tracey, for the question.

● (1705)

Ms. Tracey Ramsey: Scott, do you want to go ahead?

Mr. Scott Duvall (Hamilton Mountain, NDP): I just want to thank everybody for coming out today.

When I worked in the steel industry, I did work with Mr. McQuade for quite a few years. He was my plant manager.

I've listened to all of you, and I've also talked to other people in the steel industry. How much damage has the steel dumping caused? I know two of you are in credit protection. You've been there a couple of times. Is the main reason because of the dumping of steel? Is that the major reason, or are there other reasons? If we don't do something to protect our borders with regard to the dumping of steel, where do you see the steel industry going, and how many job losses would happen?

Mr. Roger Paiva: I can speak for Gerdau in terms of damage. In 2012, we idled our melt shop in Cambridge. As I said, we are today running at 70% capacity, so we laid off people in the past. If we didn't have the unfairly traded steel, we would be running our plants at close to staff capacity, adding more jobs to the economy, and using more green steel, thereby helping the world become greener.

Mr. Michael McQuade: My comment would be that we face a host of challenges. They seem to change every day, but if I were to list number one, it would be the trade issue. It's been there for decades. As quickly as you solve one particular case, one particular product, with a number of countries, you're faced with a different product or a different set of countries producing and exporting exactly the same material. I would suggest that trade remedy has been an issue for a number of decades. Not to lay all the blame at the feet of trade remedy, a credit crisis in 2008 obviously caused issues, and on and on would go the list. However, if I had to have one sustaining issue for a number of decades, I'd put trade remedy at the top of the list.

The Vice-Chair (Mr. Randy Hoback): That's been more than five minutes, so I'm going to have to stop you there and move on to the next witness.

Thank you, Mr. Duvall.

Mr. Sheehan, please go ahead for five minutes.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you.

I'm going to start with Sault Ste. Marie Chamber of Commerce and Rory Ring for a couple of minutes, because he only had 30 seconds to present. Explain the impact that both Essar Algoma and Tenaris Tubes have on the local economy and the rest of your chamber members. As well, take sort of a national view. I know that when I was first elected, the chamber became a resource city. Could you explain the impact, nationally, that the steel industry has on the supply chain?

Mr. Rory Ring: Our chamber of commerce is 90% made up of SMEs. If you break that down, 60% of our membership are small businesses, and 30% of those would be considered micro-businesses, so the echo effect of every dollar taken away from the steel industry is multiplied throughout our membership and their ability to engage in commerce.

We also find that these chamber members are the innovators that are the supply chain into the steel industry, helping to create the innovations, whether it's water filtration or shrinking a carbon footprint.

We definitely see that impact hit us right on the street. As I mentioned, we've lost 500 businesses in the last five years. That's very significant, because small and medium-sized enterprises are job creators. In that national scope, 80% of all jobs in Canada are created by small and medium-sized enterprises.

We need to be able to give them the opportunity to access the capital that is generated from the activities of our large industrials, to recycle that into innovation, technology, and creating partnerships with our education and academic institutions for developing R and D and for really developing along the STEM education stream. This will enable us to build new and breakthrough innovations, as many of them have a base carbon footprint they cannot avoid, and breakthrough technology is required to reduce that carbon footprint.

Then, by engaging the membership and those in the SME world, we can develop proprietary knowledge and will hopefully be able to sell that in 2028—if you like—to the Chinese to help them understand that they are a producer of 28% of GHGs in the global economy. We could even help the U.S. to understand and start to build their technologies to address the 22% GHG they are responsible for in the global atmosphere.

It's very important for us to be supportive of keeping green and blue steel produced in Canada, whether that facility is in Saskatchewan or Alberta, or whether it's building ships in Vancouver or—in our own instances—the SIS Group providing locomotive framework to Peru and Chile and having the proprietary knowledge to be able to do that. It's very important to make sure our industry is treated as a supply chain cluster—and it is very much a cluster. Also, the drop in the pond for Essar Algoma represents 10,000 other jobs in our community, so for every one job lost and for every dollar lost, that echo is significant.

● (1710)

Mr. Terry Sheehan: Thank you very much for that.

I'd just like to ask Essar a question. In 2016 the budget had on page 128 some trade remedies, “Strengthening Canada's Response to Unfair Trade”. How has that helped the industry? We always like to showcase examples of where it does work when we change. As part of that, there was also a consultation process where they went out to both the producers and the unions to solicit input. What are your thoughts about perhaps more remedies that could be put in place?

Mr. Kalyan Ghosh: The most important point, as I think Mike said, is that the problem with unfair imports into the country is that when you stop one, another one comes up. The second problem is that a big chunk of it is coming from steel companies owned by state-owned enterprises, and you cannot fight governments.

The issue that came up in 2015 was purely imports, nearly two times the normal imports into North America. That led to the collapse. Yes, there were other issues at Algoma, but if that collapse had not happened, maybe Algoma would not have gone into CCAA at the end of 2015.

The processes are being changed, and I think the government is taking the right steps. However, I think the important point is that the commodity market that we play in is so volatile that the process has to be much more agile and responsive.

The Vice-Chair (Mr. Randy Hoback): Sorry, Mr. Ghosh. It seems as though I'm always cutting you off. I apologize.

We're going into our second round now. We are expecting votes here any minute now, so for the second round, we'll just go for three minutes.

We'll start off with the Liberals.

Mr. Peterson, you will have three minutes.

Mr. Kyle Peterson: Thank you, Mr. Chair.

Thank you to all the witnesses for participating today and for adding your important insight into what we're doing here. It is much appreciated.

I'll start with the Hamilton chamber.

Can you give a picture of how important the steel industry is to your community and your chamber of commerce?

Mr. Huzaifa Saeed: Absolutely. I briefly touched upon the supply chain that our colleagues have mentioned as well. One interesting thing about Hamilton steel is that it's not just Dofasco and Stelco—those are the household names—but it's companies that have been in business for over 100 years, and they're making the pipes and the value-added products. I think when steel is dumped into the market, a lot of them aren't at a scale where they can really pursue large-scale actions with CITT as some of the multinationals are able to. I think for them what is really necessary is for a system to be there automatically. It's not going to be a place where they can take unilateral action.

The other challenge is that, to their mind, the future of steel is going to be either a niche industry, in which they're able to specialize using R and D and capital investment, or them being bought up by a larger conglomerate that will help them evolve. Those are the only two pathways they see. The third pathway for them is something I don't think is amenable to the government at the provincial-federal level, and that is for the government to get out of their way. They're very afraid of the signals out of the U.S. in terms of environmental protections, trade remedies, Buy America, and America First. They're not able to compete at that level.

● (1715)

Mr. Kyle Peterson: I appreciate that.

I want to take a global look at industry for a moment, because we're all focusing, rightfully so, on the dumping, mainly from China. There's no doubt about it, that that's where most of it is coming from. We touched on Korea as well.

How much of this dumping actually affects your ability to export? Are other markets being dumped into and therefore there are no export opportunities for your company either? Is that also a factor that is playing a role here?

Mr. Kalyan Ghosh: Do you mean export out of North America?

Mr. Kyle Peterson: Yes.

Mr. Kalyan Ghosh: Logistically or structurally the industry is situated such that the logistics costs do not allow us to go to, let's say, Europe. That's the problem. If somebody has to come in, the same logistics costs apply, but if they're coming up from a state-owned enterprise, the cost is inconsequential.

Mr. Kyle Peterson: Obviously, your biggest export destination is the U.S. market.

Mr. Kalyan Ghosh: Yes.

Mr. Kyle Peterson: But they must be suffering from some of this dumping, as well, so is that impacting you? I take it that your export market has shrunk because of that as well, as have even export opportunities in the States?

Mr. Roger Paiva: I would just point out that in our case, half of the rebar used in Canada comes from offshore sources. We should be able to supply all the rebar for the domestic industry because we wouldn't have any logistics obstacles. It would be the cheapest rebar. For us to export to other markets, as my colleague said, becomes an issue of logistics, because it costs us a lot more.

The Vice-Chair (Mr. Randy Hoback): Mr. Ritz, you have the floor for three minutes.

Hon. Gerry Ritz (Battlefords—Lloydminster, CPC): Thank you, ladies and gentlemen, for your presentations today. I am sorry for the shortness of time.

The one thing that strikes me is that there is always going to be global ownership, but what concerns us are the local jobs, direct and indirect. It really doesn't matter who owns the company; it's where the paycheques are delivered to.

We've had a lot of good discussions here on trade remedy, and I certainly agree with you. We face this on a number of different issues. It's the agility and timeliness of the trade remedy as much as the rules that are around it. We're seeing Trump coming out now saying that even if there's a WTO recommendation on something, he may not follow it, which flies in the face of rules-based trade.

I was going to drill down just a little bit further. Somebody talked about border measures, and the problem we have is that when you look at the percentage that's used domestically in Canada, we always punch above our weight, and the vast majority of it has to find a home somewhere else. How do you set up border measures that don't create a problem for you trying to export into another market when it reciprocates?

Mr. Trevor Harris: I think that's the legitimate challenge that as an industry and as a government we need to overcome.

Hon. Gerry Ritz: It's sort of the last resort.

Mr. Trevor Harris: As we look at the North American steel industry, we are very tightly integrated. I think it was mentioned earlier that north of 80% of our exports go directly into the U.S., and another significant percentage would then go to Mexico. So steel leaving offshore is relatively minimal.

Hon. Gerry Ritz: That's steel leaving Canada, but it's—

Mr. Trevor Harris: When we look at the American market, it's almost a one-for-one exchange. They export into Canada as much as we export south.

Hon. Gerry Ritz: We build certain things, they build certain things, and we swap.

Mr. Trevor Harris: There's a certain balance that we need to maintain. Where it becomes inequitable is when you look at the automotive sector, as an example, because they're so tightly integrated. When we sell our steel into a plant in the U.S., and we're trying to compete with an American plant, we're forced to absorb.... I'll put a price on it, and there isn't a standard price because of cap and trade, but call it $20 per tonne of steel of carbon charge. If the American competitor doesn't have that same charge, we need to find some way to equalize that integrated market so that we're competing on a level playing field.

Unfortunately, there is no answer for that today, so that's something we continue to work on the government about.

Hon. Gerry Ritz: Sure. And we're doing a further study on NAFTA itself, and a lot of what we're talking about today is going to be foundational to what we discuss in NAFTA and the geopolitics of a strong North American market pressing back against the growing economies like China, India, and so on. So what you're saying today is very important.

Have you noticed a significant demand for your domestic consumption, for infrastructure, last year? Have you really seen an uptick in demand for structural steel, bridges, and pipe? I know there's some pipe going in, Mr. Winkler.

Mr. Conrad Winkler: First of all, we definitely applaud the actions around the pipeline infrastructure approvals that occurred in Canada. Those could potentially have an enormous effect. Eventually, when constructed, those will be great.

● (1720)

Hon. Gerry Ritz: Keystone included.

Mr. Conrad Winkler: Well, the pipe is already produced for Keystone, so that won't—

Hon. Gerry Ritz: It's already sitting in the yards right through my area.

Mr. Conrad Winkler: Exactly. So the Keystone pipe is already out there.

But clearly the infrastructure around the pipelines, and that balanced development, is really critical for our future. When you think about things like making over $200-million investments in the very high-tech things that we were talking about, that's really a very critical part of that. I'll speak to that.

Mr. Roger Paiva: I could just say in the case of Gerdau, of rebar, the reality is the country used more rebar and our market share went down.

The Vice-Chair (Mr. Randy Hoback): Mr. Ritz, I'm going to have to stop you there. I do apologize to the witnesses. I feel like we've shortchanged you here, which isn't fair, but that's the way the parliamentary system works here, good or bad. It's generally good.

We appreciate your testimony here today. If you have any more written submissions, I would encourage you to get them to the clerk, and then we'll include them in our report also.

Thank you for your time, and I will adjourn this meeting now.