

**Hamilton Chamber Presentation to All Parliamentary Steel Caucus: Keanin Loomis**

**Introduction**

The cities of Hamilton, Sault Ste. Marie and Windsor – Essex region are key drivers of Canada’s economic engine. Our legacies in manufacturing help build this country. Our partnership today represents the voice of just over 2,500 businesses in our three communities who are united behind the need for the Government of Canada to secure a competitive future for the steel industry.

In Hamilton, I am here representing over 1,000 members that employ 75,000 people and an organization that has operated as the Voice of Business for the last 172 years in our community.

Our membership includes not just steel producers but also hundreds of related firms in the steel ecosystem.

**A question we’ve been asked in the past is: What does the Steel Industry and Manufacturing mean to the Hamilton community?**

Despite the narrative and workforce figures showing a decline in overall Manufacturing employment and the rise in Knowledge Economy, Health and Professional Services industries, the fact remains that the Steel ecosystem still employs thousands of people in high-wage jobs, generates hundreds of millions in research and development, billions of dollars in export revenue, and props up local service providers while anchoring the existence of critical Canadian manufacturing industries like automotive, aerospace and natural resources.

According to a study by Informetrica, the steel industry has a multiplier of approximately 3.3:1; that is, every direct job within the industry supports 3.3 jobs in other sectors. Other research approaches suggest that the multiplier may be larger once we include related industries. Thus, the 6,000 people that are engaged in making steel in Hamilton employ, through almost \$2 billion in local procurement by the industry, at least another 20,000 people in our region.

In addition to direct and indirect job creation, the Steel industry also creates millions of bytes of research & development capital, produce on one of the world’s cleanest electricity grids, recycles millions of tons of local steel and will potentially be key suppliers within the Federal government’s upcoming infrastructure projects. This is clean steel that will be critical to Canada meeting its future carbon reduction targets.

Despite the storied history of large firms like ArcelorMittal Dofasco and US Steel, Hamilton still has over 1,000 manufacturers that use Steel in some capacity. In fact, in the Ontario context, a vast majority of manufacturing firms are small-sized businesses with fewer than 50 employees. Roughly 13 percent of companies are in the medium size segment, employing between 50 and 500 people. Large companies, with more than 500 employees, account for merely 0.6 percent.

Our three Chambers were here tonight representing not just the large Steel Producers in our communities, but also the thousands of small businesses who do not have meaningful avenues to engage with Government.

To prepare for this meeting, we have engaged a number of these firms through surveys and site visits.

### **Challenges and “Why” we got involved {Flip to Advocacy Timeline Slide}**

Before we get into Canada-US Trade, I wanted to set the context for why our members are concerned about the competitiveness of Canadian Steel in the increasingly challenging global scenarios.

As you know over the last two decades, a combination of increased regulation, the instability of the global market economy and illegal market behavior by foreign competitors has led to a sharp decline in their ability of our steel industry to compete. The impact of this decline has been transparent in our local economies, decimating thousands of jobs, families and capital investments.

The impact is also quantifiable. Not only have tens of thousands of jobs disappeared over the years, through a combination of shortfall of pension funds and suppliers owed, in 2014 the City of Hamilton measured at a short term impact to the Hamilton economy of over \$50 Million just from US Steel heading into receivership. While the US Steel issue is nearing resolution with their comeback with a full order book once again as Stelco, the impact on our economy will take a while to equalize.

### **{Flip to Media Coverage Timeline}**

Over the past year we've been actively engaged through the Ontario and Canadian Chambers of Commerce, with local MPs, Ministers, the Committee on International Trade and now your caucus. Our local media, as you can see with a selection of headlines, has been aptly following our engagements with strong engagement from their readership as well.

### **Canada-US Trade**

Despite the challenges the industry has experienced over the last couple of decades, our local industry has enjoyed a productive and balanced relationship with the United States under NAFTA. While the CSPA presentation excellently covered the production, in our consultation we found almost unanimous support for an even stronger partnership with the US amongst

smaller producers and manufacturers in automotive, construction and machinery sectors. They want closer cooperation and integration at the very moment that our relationship seems to be devolving to a previous era.

We hope you can convey in the strongest terms and build productive partnerships with your caucus counterparts and steel industries in the US to reiterate the mutual benefit of maintaining a free trade relationship between our countries.

The uncertainties of President Trump's platform and subsequent announcements have created significant fear and uncertainty within our membership. Many fear a nightmare scenario of border taxes, NAFTA exit and Buy America policies decimating their very existence. This is why the Canadian steel industry, despite recent challenges, is feeling more precarious than at any point in its history. This is a time to truly raise the alarm.

Figures range from as low as 35% to up to 85% of our small and medium firms' revenue is connected to US Export Sales. Several firms enjoy mutual product, market and research development partnerships. Raw material and value addition to Steel-related product happens frequently and freely up and down the North American supply chains.

In the auto sector, as many of us know, vehicles are made using parts that make frequent trips across NAFTA borders. Manufacturers like ArcelorMittal Dofasco in Hamilton have won consecutive Supplier of the Year awards from Big 4 Auto with its ability to create lightweight high-quality steel. Several others have specializations that don't exist in the US ecosystem; this has been described as a natural evolution and market specialization under NAFTA.

The US Government should also be reminded that the Auto and Mining sector in Southern Ontario, Ohio, Michigan and Midwest enjoys significant supply chain integration and R&D partnerships via proximity to our steel industry.

It is important for you to note to your counterparts that shutting Dofasco out of the auto manufacturing supply chain will cause significant disruptions throughout the system and lead to significantly increased prices. The US steel industry does not have the capacity or supply mix required to meet all the needs of the North American auto industry. It is also important for you to note to them that a majority of cans used in the food industry in the US come out of metal made in Hamilton. Food prices increases are sure to ensue as a result.

In closing, our discussions and recommendations can be summarized as follows:

- 1) **Trade Remedies:** We welcome the Federal Government's announcement of long needed Trade Remedy Reform. While Canada - US trade has been free of dumping controversies, a responsive Remedy system is critical to ensure Canada can address concerns from businesses in the United States. We also support accelerating timelines of the Regulatory Cooperation Council work plan, especially in relation to facilitating goods movement.

Several businesses that have answered our survey have noted a significant increase in scrutiny and delays at the border after the election last fall.

- 2) **NAFTA:** There was also consensus support to maintain and “improve” NAFTA. In particular shoring up concerns related to “Tariff Shift” and Rules of Origin. Businesses are interested in discussions to maintain current ratio and including Steel within the 62.5% content ratio clause to avoid the issue of Mexican auto plants using Asian steel. The feeling from our members is that this area, in particular, is ripe for US/Canada cooperation and can help solve most of the reasons behind the President’s worry for the US steel industry. It is ridiculous to know that you can make a car in North America entirely out of Asian steel and have it still qualify as a NAFTA-made vehicle. I think that this is an excellent place for you to begin with your counterparts in the United States.
- 3) Canadian Steel prides itself on **High-Value products** that can compete globally under fair conditions. The Federal government must continue to enhance investment into addressing Skills Gap, reasonable Labour Policies, Immigration and R&D funding to ensure our competitiveness with the US. The lack of Venture Capital for Steel is also cited as a major disadvantage. We in Hamilton are joining interests in the Waterloo – Toronto corridor in applying for innovation supercluster funding to innovate in advanced manufacturing.
- 4) **Environment and Carbon Pricing:** In any discussions with the US we must maintain parity on environmental regulations, potential carbon pricing and quality of electricity grids.

Any concessions would put our businesses at a significant disadvantage, especially given the rising cumulative regulatory burden of doing business in Ontario. Businesses were universally concerned about Carbon Pricing and its Cap and Trade interpretation in Ontario. While some large emitters would have exemptions until 2020, there is no clear pathway moving forward. Even worse off are SME’s who don’t meet any of the concession thresholds.

It was also suggested that **Federal Procurement** pricing and potentially tariff rules must be aligned to equalize the disadvantage posed by our progressive environmental rules. If carbon is taken into account in federal procurement, local, Canadian-made products are more likely to be used in future infrastructure projects.

- 5) Encourage partnership against Global Steel oversupply and dumping: We hope that the Canada-US relationship instead focuses towards addressing Global Steel Oversupply through stronger trade remedies and the G20 working group.
- 6) Take a strong stance against the avoidance of due process and negotiation in the administration’s invocation of Clause 232 of NAFTA (Industries of National Interest). It

would be unprecedented to equate economic security with national security, especially vis-à-vis a close ally. This requires close watching - what the Trump Administration will consider as "domestic" and what they consider "steel products" will be critical to Hamilton and Canadian industry.

I thank you for the opportunity to represent our members' and Hamilton's interests in this hearing. These are unprecedented times requiring unprecedented action and determination. We are counting on you to get through to the rational minds that surely must still exist in Washington, DC that Canada is not the problem. Canadian steel is fair, balanced and fully integrated. The issue is everyone else - we are a partner to the solution to fighting off-shoring and dumping.