high cost iron ore mines in Canada and the U.S.A., but the iron ore industry is being rationalized and iron ore costs are gradually being reduced. Similarly, labour costs are being moderated and may, in future, be partially tied to company profitability. The major factor, over which the companies have no control is exchange rates. In 1980, Canada had the lowest domestic market steel prices of all industrialized countries. In 1984 Canadian prices were second highest (after the U.S.A.). At current exchange rates, profitable offshore exports are almost impossible, domestic markets are seriously pressured by large volumes from offshore suppliers, prices are suppressed, and Canadian manufactured goods less competitive, reducing domestic demand.

3. **FEDERAL AND PROVINCIAL PROGRAMS AND POLICIES**

With a few exceptions, the Canadian steel industry has neither depended upon, nor received substantial government financial support.

The current major assistance program is IRDP, however, its applicability was sharply curtailed by the November 9, 1984, revisions. Most of the Canadian steel capacity is situated in Tier I regions which are ineligible for capital assistance.

EXEMPT - 15(1)

4. **EVOLVING ENVIRONMENT**

During the next 5 to 10 years, Canadian steelmakers are likely to face i) sluggish domestic markets; ii) competitive price and quality competition from both established and developing foreign suppliers; iii) growing protectionism in their prime export market, the U.S.A. The responses to this environment must be to: i) secure existing domestic share and improve price structure through enforcement of unfair trade statutes; ii) undertake capital projects needed to permit competing on the basis of price and product quality; and iii) maintain favourable accesses to U.S. markets. The latter consideration necessitates that the industry maintain its profit-oriented unsubsidized status.

5. **COMPETITIVENESS ASSESSMENT**

Aggregated statements on the competitiveness of the Canadian steel sector are not able to adequately describe many of the important industry characteristics. To this end, summary comments on three subgroupings are appropriate, as well as comments specific to the three major producers.

i) Mini-Mills - As group these companies dominate the production of steel bar and rod products, having competed successfully against traditional integrated mills over the past twenty-five years. They now compete amongst themselves, although foreign low-cost suppliers are eroding markets at the low quality end of the product range. Prices of scrap, the major input, are critical to competitiveness. Canadians generally enjoy low scrap prices. Canadian firms have been amongst the leaders in mini-mill technology. Generally, Canadian mini-mills are considered to be competitive, although since few if any financial data are available on these plants, this conclusion is primarily based on observation rather than documentation.

ii) Integrated Mills

There are five Canadian firms operating integrated mills, however, only Stelco, Dofasco and Algoma will be considered here. Sidbec Dosco and Sydney Steel (Sysco) will be addressed as a separate group.