

SYDNEY STEEL

On its last legs: How come?

by Ron Crawley

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For more than ten years Nova Scotians have been taking a daily media dose of doom and despair about the Sydney steel mill. The impression of hopelessness has been so strongly fixed in us that it must be hard, even for a lot of steelworkers, to remember that there was a time when the steel plant's future was full of promise.

The Dominion Iron and Steel Company, as it used to be called, was once the biggest in Canada. It had (and the present plant still has) a lot of natural advantages over other steel plants in Canada and other places in the world. It had easy access to plentiful and cheap raw materials. It was located on tidewater and it was closer to the British and European markets than the steel plants of Pittsburg and central Canada.

So great were these advantages that the English iron masters called the Sydney plant the 'Damocletian sword' that threatened their businesses.

The company's first general manager, J.A. Moxham, boasted, "So great is (its) promise that it has ceased to be local...ceased to be sectional. It has become international in influence...the strength of her position is conceded by every expert." H.M. Whitney, the original owner and president, waxed eloquent when visions of future profits danced in his head. "Here in the home of the great basic industry of iron and steel, all other industries will surely follow."

It was widely expected that Sydney would become "The Pittsburg of Canada."

Well, Sydney never became, and certainly isn't today, a Pittsburg. The early promises have a hollow ring — the people of Sydney, indeed all of Cape Breton, have never been so unsure of the future.

You only have to visit Sydney and walk the streets to sense the frustration, even despair, that grips people. In the last two years more than 1500 workers have been laid off at the steel plant, the cornerstone of the area's economy. Most of them are young people, hired during the modernization and reconstruction phase, as they called it. Many were just getting married, beginning to raise families, and investing in new homes. Now, with no jobs, they face the same high mortgage payments, and even higher food and electricity bills.

In the last year hundreds of these young people have been 'going down the road' — this time as often to Alberta as anywhere else. Laid off almost two years ago, one young ex-steelworker said, "I can't afford to wait any longer. So I've joined the armed forces. It was either that or go out west. I figure I have more security in the forces and I don't have to pay my way out there. Things may never pick up here and even if they do, I just can't afford to wait."

The stagnation and open despondency is closely tied to the fate of the plant: from early promise to a decaying industry in a little more than sixty years. How did it end up in such a sorry state?

A **Cape Breton Post** editorial furnishes some of the answer. "A large part of the blame for the present situation must go to the company's (Hawker-Siddeley's) failure to explore every avenue of development and diversification."

But the industry could only have developed and diversified if the plant's profit was reinvested in Sydney steel. Throughout its history, there was plenty of profit made. From 1913 to 1920 the plant netted a profit of \$41,520,932; in six years (1959-64), when it was controlled by Hawker-Siddeley, the net profit was \$17,055,952.

But instead of reinvesting these enormous sums, ensuring a healthy, modern steel industry for Sydney, the owners pumped their millions into mainly U.S.-controlled Upper Canadian industries. The Canadian Steel Corporation, Dominion Bridge Company, and Essex Terminal Railway Company, all American steel subsidiaries, were purchased with profits from Sydney. Because of these dealings the Cape Breton steel industry grew only 33% between 1944 and 1964, while the Steel Company of Canada expanded 194% and Algoma Steel grew 198% in the same period.

The government played its part too. Unequal freight rates made it more expensive to ship finished goods from the Maritimes to central Canada. "Freight rates on a ton of finished steel are about twice as much as for ingot steel," explained one recently retired steelworker. "The problem is they don't want us to make any finished steel that will compete with the products in central Canada."

When steel production was down in Sydney, the government had low tariffs which allowed American steel to



be sold competitively in Canada. The final straw came in 1967, when Canada signed the Kennedy rounds of tariffs, doing away with the \$3.00 per ton duty on imported steel.

Sixty years of company rip-offs and mismanagement, aided by their government allies, left Sydney steel largely outmoded and run-down by 1967. Hawker-Siddeley said the plant could no longer compete for markets, couldn't produce a profit. It has been losing millions, they said. On October 13, 1967 — Black Friday, they still call it in Cape Breton — Hawker-Siddeley told the people of Sydney their steel mill would be closed for good.

Strong local reaction forced the provincial government to buy the plant and keep it open. For a while a honeymoon atmosphere prevailed: newspaper stories told of new hope and enthusiasm among steelworkers. The provincial government promised tens of millions to rebuild the plant, to again make it the industry of the future.

Just talk to steelworkers these days, and you'll soon learn how quickly that rosy dream faded. Many now say that the government has treated the industry and people no different from the way the private companies did. The province hasn't begun to solve the basic problems of the steel industry. The mill continues to deteriorate, and the government shows little desire, and is making next to no effort to put Sydney steel on its feet.

Many more workers now realize that the provincial government was no saviour — in 1967 it stepped in to pick up the pieces from a situation it helped to create. It wasn't until Black Friday that government officials discovered Hawker-Siddeley's lack of "corporate responsibility", its lack of "ethics". Large companies like Hawker-Siddeley have only one "corporate responsibility" — to themselves, to increase their own profits.

Even now, nearly ten years after they took over the plant, the province is doing nothing to combat high freight rates, or get the federal government to reimpose tariffs on American steel.

Cape Bretoners ask, "Has anything really changed since the government take-over?"

Not when it comes to diversification. Today the plant is producing fewer and fewer kinds of products. "Back in 1941 or '42 we had a plate mill for making plates for ships during the war, but at the end of the war they sold it to some outfit in Texas to make pipes for oil wells," recounts one veteran worker. "And the same kind of thing has happened since the government take-over. In 1969 they took the wire and nail mill out of here, just when there was a construction boom on. Nails soared from 10c a pound to almost a dollar."

The quarter of a billion dollars spent on rehabilitation hasn't made too much of a difference, either. It's an impressive figure, but as one steelworker tells it, "Of the \$225 million spent on the plant, more than \$70 million was unaccounted for and what was spent wasn't used in the best way. There was a lot of waste and things were done backwards."

Another worker backs him up. "Instead of building Basic Oxygen furnaces which are known to be the most efficient, they went and poured millions into the Submerged Injection Process (SIP) which was being abandoned by other

companies and which was shown to be less efficient and have all kinds of problems."

And when it comes to excuses for a poor performance, there's no big change. Just like the private companies before them, the government is singing that old favourite tune, "Soft Markets". A lot of steelworkers don't believe a word of it. One says, "They say we have a soft market. Sure, there are soft markets, because we don't make the steel that is required. We need a diversity of products; this plant can't be run on just rail steel."

"If you look at the pipe and structural steel that is being used in the Maritimes for construction, you'll probably find that most of it comes from the U.S. or Japan or some other country. Why can't we produce this kind of steel?"

But one thing is new. Gerald Regan and his government are promoting the construction of a new steel plant at Gabarous, outside Sydney, to replace the present mill. Most steelworkers, and their union, see this as an unnecessary move. The site is there, right in Sydney, they say, and not all of it is useless by a long shot.

"I think Gabarous is a red herring," is the idea of one steelworker. "They say it will be good because it's a deepwater port and they will be able to bring in 200,000 ton ships. You can't bring those boats in, though, without building a 12-mile breakwater. They have some of the roughest coastline in the world there and it's full of shoals."

"Regan made a statement that we only have 38 feet of water at high tide in Sydney. But when Regan was talking we had a 45,000 ton ship come in and dock at the harbour, and it needed more than 38 feet of water. It would be better if we just dredged the Sydney harbour for 1½ miles. After all, only 3 or 4 ports in the world can take 200,000 ton ships, and how many of them are steel ports?"

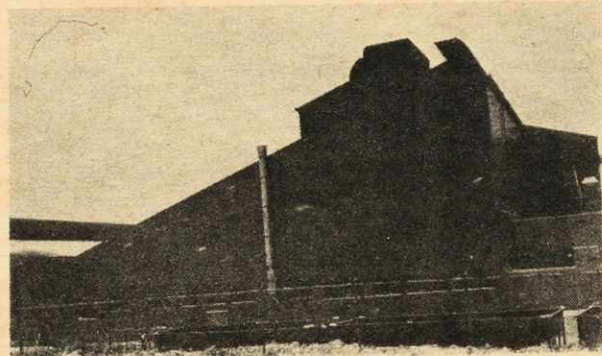
"There has been talk about making the steel in Gabarous and rolling it at the Sydney plant, more than 30 miles away. That'll cause a lot of problems, especially in cold weather. And what's the good of it anyway? It will just do away with the furnaces at Sydney and we'll be making the same kinds of steel as before."

"How is that going to improve the markets?"

The provincial government, many steelworkers have learned, has no more of the solution for Sydney's problems than the private companies did, and they cared for nothing but the number of dollars they could carry from Cape Breton. The government's control of steel production is no better than the old-fashioned private robbery. Workers have learned that neither corporations nor business-controlled governments have been able to keep a healthy steel industry going in Sydney.

So it's only the energy and initiative, the united efforts of Cape Breton working people, that will save Sydney steel. For they, not the Hawker-Siddeleys, not the Regan governments, are the real steel makers.

(Ron Crawley is a native of Sydney, Cape Breton who is doing graduate work on the early history of Sydney Steel. Jacques Desrosiers is a member of the Nova Scotia Labour Research and Support Centre who last year completed a study on Sydney Steel.)



Sydney steel plant.