

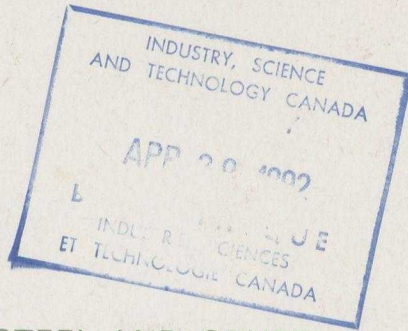
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Regional
Economic
Expansion

Expansion
Économique
Régionale



IRON, STEEL AND OTHER
RELATED METAL INDUSTRIES

CANADA/SASKATCHEWAN



4 JULY, 1974

subsidiary
agreement

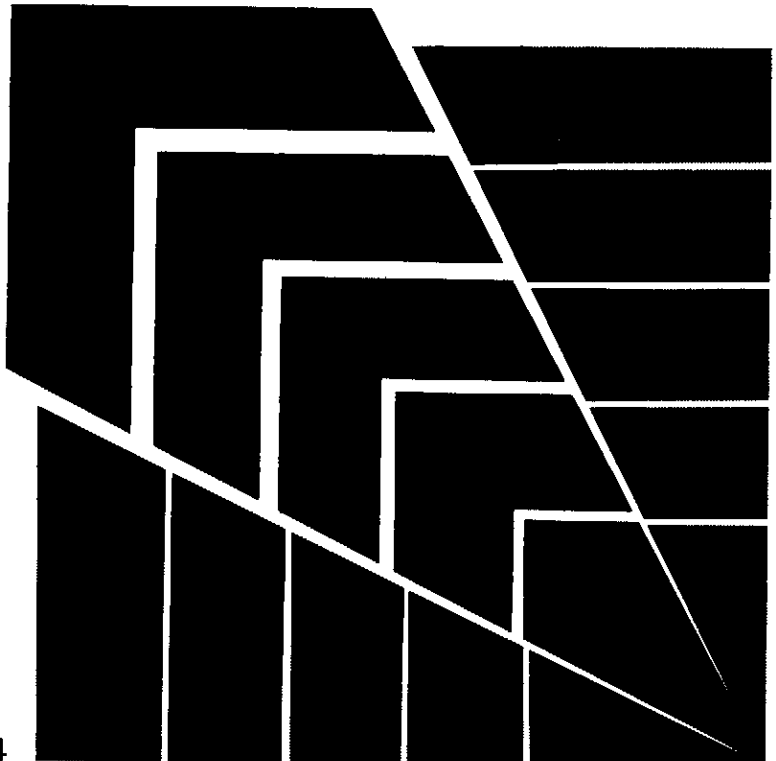


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IRON, STEEL AND OTHER
RELATED METAL INDUSTRIES

CANADA/SASKATCHEWAN



4 JULY, 1974

CANADA-SASKATCHEWAN SUBSIDIARY AGREEMENT ON
IRON, STEEL AND OTHER RELATED METAL INDUSTRIES

THIS AGREEMENT made this 4th day of July, 1974

BETWEEN:

THE GOVERNMENT OF CANADA
(hereinafter referred to as "Canada"),
represented by the Minister of Regional
Economic Expansion, the Minister of
Energy, Mines and Resources, and the
Minister of Industry, Trade and Commerce,

OF THE FIRST PART,

AND:

THE GOVERNMENT OF THE PROVINCE OF
SASKATCHEWAN (hereinafter referred
to as "the Province"), represented
by the Minister of Industry and
Commerce,

OF THE SECOND PART.

WHEREAS Canada and the Province have signed a General Development Agreement (hereinafter referred to as "the GDA"), dated February 11, 1974, under which they agree to cooperate jointly in selecting and implementing initiatives for the economic and socio-economic development of Saskatchewan;

AND WHEREAS Canada and the Province agree that the development of iron, steel and other related metal industries will significantly strengthen the economic base of Saskatchewan;

AND WHEREAS Canada and the Province have agreed to formulate and to cooperate in measures to develop, expand and diversify the iron, steel and other related metal industries in Saskatchewan through the coordinated application of relevant federal and provincial programs, and wish by this Agreement to provide a general framework to expedite this development;

AND WHEREAS Canada and the Province have agreed on the objectives, general strategy and procedures which shall govern the identification, selection and implementation of such measures;

AND WHEREAS development of the iron, steel and other related metal industries in Saskatchewan would contribute in a major way to the achievement of a greater regional income and a more overall balanced economic development in Western Canada;

AND WHEREAS the Governor in Council by Order in Council P.C. 1974-14/1459 of the 27th day of June, 1974, has authorized the Minister of Regional Economic Expansion, the Minister of Energy, Mines and Resources, and the Minister of Industry, Trade and Commerce, to execute this Agreement on behalf of Canada;

AND WHEREAS the Lieutenant Governor in Council by Order in Council No. 975/74 of the 18th day of June, 1974, has authorized the Minister of Industry and Commerce to execute this Agreement on behalf of the Province;

NOW THEREFORE the parties hereto mutually agree as follows:

DEFINITIONS

- I. In this Agreement:
 - (a) "Co-chairmen" means the Director General, Saskatchewan, of the Department of Regional Economic Expansion or his designate, for Canada, and the Deputy Minister of the Department of Industry and Commerce or his designate, for the Province;
 - (b) "eligible costs" means the costs generally indicated in section 5;
 - (c) "Federal Minister" means the Minister of Regional Economic Expansion of Canada and includes anyone authorized to act on his behalf;
 - (d) "fiscal year" means the period commencing on April 1 of any year and terminating on March 31 of the immediately following year;
 - (e) "initiative" means the subject matter of this Agreement and includes any program, project or other activity designed to implement the purposes of this Agreement;
 - (f) "Ministers" means the Federal Minister and the Provincial Minister;
 - (g) "project" means any specific project which by itself or together with other projects constitutes those elements of the substance of this Agreement as listed in section 3 (1);

- (h) "Provincial Minister" means the Minister of Industry and Commerce of Saskatchewan and includes anyone authorized to act on his behalf;
- (i) "Saskatchewan Steel Agreement" means the Canada-Saskatchewan Subsidiary Agreement on Iron, Steel and Other Related Metal Industries;
- (j) "Steel Development Group" means the committee so established and referred to in section 4(1);
- (k) "Steel Implementation Committee" means the committee so established in section 4(9); and
- (l) "Subsidiary Agreement" means an agreement made pursuant to section 6 of the GDA.

PURPOSE, OBJECTIVES AND STRATEGY

- 2. (1) The purpose of this Agreement is to facilitate joint federal-provincial cooperation in initiatives for the development of the iron, steel and other related metal industries in Saskatchewan to achieve the objectives stated hereinafter in accordance with the strategy agreed to in or pursuant to this Agreement.
- (2) Subject to the principles stated in the preamble and section 2(1), Canada and the Province agree to work toward the following objectives:
 - (a) to enhance the viability of the existing iron and steel industry in Saskatchewan;
 - (b) to expand and diversify iron and steel production in Saskatchewan; and
 - (c) to provide a substantial increase in the number and range of employment opportunities in the iron, steel and other related metal industries in Saskatchewan.
- (3) To pursue the objectives of this Agreement, as stated in section 2(2), Canada and the Province shall coordinate their efforts in order to develop an iron and steel complex in Saskatchewan (hereinafter referred to as the "Complex"):
 - (a) that is aimed at meeting the market demands of Western Canada;
 - (b) that has a diversified product base; and

- (c) that provides an economy of scale which is consistent with its production base and its market areas.
- (4) A broad strategy for achieving such objectives is provided in Schedule "A" attached hereto, which strategy shall be reviewed and revised from time to time by the Ministers.

SUBJECT MATTER

- 3. (1) The main elements of the substance of this Agreement outlined in greater detail in Schedule "A", are:
 - (a) an iron ore exploration program;
 - (b) related studies and administration costs;
 - (c) a direct ore reduction plant;
 - (d) the development, expansion and diversification of primary and secondary iron and steel facilities;
 - (e) the development, expansion and diversification of foundries and related metal industries; and
 - (f) infrastructure:
 - 1) infrastructure directly related to the Complex; and
 - 2) related community infrastructure.
- (2) Canada and the Province undertake to facilitate through appropriate measures adopted in accordance with sound commercial practice an adequate supply of feedstocks for the direct ore reduction plant proposed under this Agreement.
- (3) Canada and the Province, through the Steel Development Group, will seek to achieve the objectives outlined herein, by actively encouraging, inviting and pursuing participation by the private sector.
- (4) All measures deemed desirable by Canada and the Province to facilitate the implementation of the objectives outlined in section 2(2) shall be adopted having due regard for the environmental considerations.
- (5) The Federal Ministry of Transport, in cooperation with the Province, and the transportation industry, shall participate in the implementation of this Agreement by providing advice and consultation on all aspects of the transportation sector

affecting raw materials and finished products as it relates to the Complex.

- (6) The Federal Department of Manpower and Immigration, in cooperation with the Province, shall participate in the implementation of this Agreement by taking appropriate measures to facilitate the provision of a skilled work force for the Complex.
- (7) The Federal Department of Industry, Trade and Commerce shall use its broad range of programs, as may be deemed necessary, to assist in the effective implementation of this Agreement, and in accordance with section 3(2) shall participate in the activities therein outlined.
- (8) The Federal Department of Energy, Mines and Resources, in cooperation with the Province, shall provide technical assistance and support to developments related to ore exploration, ore feedstock and direct ore reduction processes as it relates to development and expansion of the Complex.
- (9) The Federal Department of Environment, in cooperation with the Province, shall participate in the development of the environmental requirements for the Complex to ensure that federal and provincial standards and criteria are met.
- (10) The Province shall acquire or, where appropriate, shall arrange for the private sector to acquire, all lands and interests in lands that are required for projects under this Agreement.
- (11) The Province hereby agrees to indemnify and save harmless Canada against all claims and demands from urban and adjacent municipalities arising out of the implementation of this Agreement.

MANAGEMENT AND COORDINATION

4. (1) The overall management and coordination of this Agreement shall be the responsibility of a Steel Development Group which shall comprise:
 - (a) the Director General, Saskatchewan, of the Department of Regional Economic Expansion or his designate, who shall be the Federal Co-chairman;
 - (b) the Deputy Minister of the Department of Industry and Commerce or his designate, who shall be the Provincial Co-chairman;

- (c) other federal members shall be one senior official representing each of the following Departments:
 - Industry, Trade and Commerce,
 - Energy, Mines and Resources,
 - and Finance;
 - (d) the Assistant Deputy Minister for the Western Region of the Department of Regional Economic Expansion shall be an ex-officio member; and
 - (e) other provincial members shall be one senior official representing each of the following:
 - the Department of Finance,
 - the Department of Mineral Resources,
 - and the Executive Council.
- (2) The responsibilities of the Steel Development Group shall be;
- (a) to review, comment on, and approve, recommendations made by the Steel Implementation Committee;
 - (b) to submit an annual report to the Ministers containing a review of the progress made to the end of the previous fiscal year under this Agreement and an estimate of the subsequent fiscal years' financial requirements;
 - (c) to recommend to the Ministers any changes required in the level of financing as outlined in Schedule "B"; and
 - (d) to recommend action to be undertaken for the purpose of meeting the objectives of this Agreement.
- The first reports are to be submitted by February 28, 1975, and annually by that date thereafter.
- (3) The Steel Development Group shall meet as necessary, or at least every three months, in order to discharge its responsibilities, with the first meeting taking place within 60 days of the signing of this Agreement.
 - (4) A quorum shall consist of five members so long as one of such members is the representative of the Department of Regional Economic Expansion, and one the representative of the Provincial Department of Industry and Commerce.

- (a) A vacancy in the membership of the Steel Development Group shall not impair the right of the remainder to act;
 - (b) if a member is unable to attend, his proxy shall be held by the appropriate Co-chairman representing the absent member; and
 - (c) it is understood that the ex-officio member referred to in subsection 4(1)(d) shall neither have a vote nor shall he be considered for the purposes of constituting a quorum.
- (5) The Steel Development Group may delegate to the Co-chairmen such authority as it may deem advisable.
 - (6) In the event of any irreconcilable disagreement in the Steel Development Group, the matter shall be referred to the Ministers for decision.
 - (7) The execution of this Agreement shall be the joint responsibility of the Director General, Saskatchewan, of the Department of Regional Economic Expansion for Canada, and of the Deputy Minister of the Department of Industry and Commerce for the Province.
 - (8) Responsibilities of the Co-chairmen with respect to the execution of this Agreement shall include but not be limited to the following:
 - (a) the provision of general direction to the Steel Implementation Committee;
 - (b) the approval of contract procedures pursuant to section 6;
 - (c) the approval of the entering into of contracts;
 - (d) the determination of eligible costs pursuant to section 5;
 - (e) the approval of estimates for interim financing pursuant to subsections 7(2)(b) and (c); and
 - (f) the review and recommendation, to their respective Minister, of changes in the responsibilities of the Steel Implementation Committee for the more effective implementation of this Agreement.

Without restricting the generality of the foregoing, it is

agreed and understood that the respective federal and provincial officials so authorized shall utilize their respective programs and staff to implement this Agreement, with authority to appoint an additional member as required to the Steel Implementation Committee representing the private sector.

- (9) Control over the day-to-day activities required to achieve the many aspects related to the various elements of this Agreement is vested in the Steel Implementation Committee. This Committee shall be established and shall comprise:
- (a) the federal member who shall be one official representing the Department of Regional Economic Expansion, appointed by the Director General, Saskatchewan;
 - (b) the provincial member who shall be one official representing the Department of Industry and Commerce, appointed by the Deputy Minister of that Department; and
 - (c) a Program Manager may be appointed by agreement of the Co-chairmen and upon such appointment shall become a member of this Committee.
- (10) The duties of the Steel Implementation Committee shall be:
- 1) to define and recommend a work plan, on a quarterly basis, to the Steel Development Group;
 - 2) to identify studies, approve terms of reference, review tenders, amend, alter, adjust, recommend the entering into or termination of contracts in accordance with established procedures, and review reports received for acceptance or rejection;
 - 3) to determine the infrastructure requirements of the Complex, and to prepare and receive proposal calls relating to the undertakings by the private sector;
 - 4) to review, evaluate and monitor the implementation of this Agreement, and to forward to the Co-chairmen changes and extensions as required for subsequent phases and/or projects; and
 - 5) to make general recommendations to the Co-chairmen as to the advancement or modification of the work plan or project, including the following:
 - (a) the form and level of financial assistance to private companies and/or crown corporations,

and/or joint ventures;

- (b) the structure of a possible public and/or private joint venture corporation, as may be necessary, to implement all or part of this Agreement;
- (c) memoranda with the private sector dealing with the following:
 - (i) a plan for completion of the relevant work specified in Schedule "A";
 - (ii) the nature and frequency of reports to be submitted to the Steel Implementation Committee;
 - (iii) general provisions relating to progress of work and expenditure, by the presentation of accounting information and documentation to the Steel Implementation Committee;
 - (iv) provisions relating to inspection of the work by a member of the Steel Implementation Committee or his designate; and
 - (v) general provisions relating to working conditions, employment, awarding of contracts, selection of materials and professional services in accordance with section 6 of this Agreement.
- 6) Such other activities as may be delegated by the Co-chairmen.

SECTION 5 - FINANCIAL

- 5. (1) Notwithstanding anything in this Agreement, the total amount payable by Canada in respect of the program elements identified in Schedule "A", either to the private sector or the Province, shall not exceed the sum of \$35 million in direct assistance and Canada may consider loan guarantees to the private sector, subject to the concurrence of the Minister of Finance, not to exceed \$25 million.
- (2) The total amount payable by the Province in respect of the program elements identified in Schedule "A" to the private sector on a non-equity basis, to Canada, or for studies and infrastructure projects, shall not exceed \$10 million in direct assistance and shall not exceed \$50 million in loans

or loan guarantees to the private sector.

- (3) In addition, the Province may provide equity financing as it deems advisable over and above any assistance provided under section 5(2).
- (4) Unless otherwise agreed in writing by the Ministers, the eligible costs of each element shall be limited to the estimated costs specified in Schedule "B".
- (5) With respect to the elements included in Schedule "B" the following provisions shall apply:
 - (a) for the cost of the ore exploration program, administration, studies and infrastructure related directly to the Complex, required to analyze and implement initiatives within this Agreement, the cost-sharing arrangements shall be sixty per cent (60%) Canada and forty per cent (40%) Province;
 - (b) for other related community infrastructure, specified in Schedule "B", the Province shall contribute one hundred per cent (100%);
 - (c) for all development incentive projects qualifying under the Regional Development Incentives Act (RDIA), Canada shall provide the required financing in accordance with the terms and conditions set forth in RDIA and its Regulations;
 - (d) for all development incentive projects not qualifying under RDIA, the Department of Regional Economic Expansion Act (" the Departmental Act") shall apply and, in keeping with the intent of this Agreement, Canada shall provide the required financing in accordance with the terms and conditions set forth in the said Departmental Act; and
 - (e) in the case of the direct ore reduction plant, Canada and Saskatchewan agree that, if the project does not qualify under RDIA or the Departmental Act, and if financial assistance is required, the cost-sharing arrangements shall be sixty per cent (60%) Canada and forty per cent (40%) Province.
- (6) Subject to sections 5(1) and 5(2), in those instances where special financial assistance to a legally constituted body, including crown corporations, is required over and above the amount available under the Departmental Act or the maximum available under RDIA, the cost-sharing arrangements

for the incremental amount will be sixty per cent (60%) Canada and forty per cent (40%) Province.

- (7) The Steel Implementation Committee may determine and suggest the level of funding of individual projects with recommendations to the Steel Development Group for its consideration. Individual projects requiring a financial commitment by Canada or the Province in excess of \$1 million shall be referred by the Co-chairmen to the Ministers for approval.
- (8) The costs to be financed by Canada do not include any costs relating to the acquisition of lands or interests in lands, or costs arising from conditions of acquisition.
- (9) The provision of financing by Canada and the Province for the implementation of initiatives undertaken pursuant to this Agreement is subject to the Parliament of Canada and the Legislature of Saskatchewan having provided funds for such financing for the fiscal year in which such financing is required.
- (10) The total annual level of funding to be provided by Canada and the Province for the implementation of this Agreement shall be based on an estimate of requirements for the fiscal year concerned as recommended by the Steel Development Group for the approval of the Ministers, on or before the first day of September of the previous fiscal year.
- (11) (a) The eligible costs to be financed or shared under this Agreement by Canada in respect of the directly related infrastructure program included in Schedule "A" shall consist of direct costs, including those relating to public information but excluding administration, survey, engineering and architecture costs, that in the opinion of the Co-chairmen have been reasonably and properly incurred by the Province for the implementation of the program, plus ten per cent (10%) of these costs as an allowance towards the exclusions specified provided, however, that costs of these exclusions incurred by the Province in the carrying out of jointly approved projects over and above the said ten per cent (10%) allowance as well as cost of jointly approved projects referred to in sections 3(10) and 5(8) shall be considered as part of the direct assistance to be provided by the Province.
- (b) Subject to subsection (c), the eligible costs for all other components of the cost-shared program listed in Schedule "A" shall consist of:

- (i) for staff employed on a full-time basis as determined by the Co-chairmen, gross salaries and wages and the employer's share of contributions for Canada Pension Plan and Unemployment Insurance, as well as reasonable travel and relocation expenses in accordance with appropriate provincial policies and directives, but shall be limited to costs that are incremental to the Province for such activities under this Agreement and that are in addition to such staff, services and facilities as are normally available or already in existence within the Province, and shall not include costs for accommodation in provincial buildings or costs for telephone and utility services in provincial buildings or other similar costs; and
 - (ii) the costs of external services obtained pursuant to section 5, and other specific direct costs as approved by the Co-chairmen.
- (c) For the special financial incentives assistance pursuant to section 5(6), the eligible costs to be shared shall be determined by the Co-chairmen.

CONTRACT PROCEDURES

6. (1) All contracts for construction, purchase and professional services to be awarded by the Province shall be in accordance with procedures to be approved by the Co-chairmen and accepted by the Ministers and, unless in the opinion of the Co-chairmen it is not desirable to do so, shall be awarded to the qualified and responsible tenderer submitting the lowest evaluated bid.
- (2) Canadian material, machinery and equipment and consulting and other professional services shall be used in respect of all initiatives to the extent to which these items are procurable and consistent with economy and efficiency as determined by the Steel Implementation Committee.
- (3) It is agreed that in all contracts awarded and in employment of persons related to a project under this Agreement, there shall be no discrimination by reason of race, sex, age, marital status, national origin, colour, religion or political affiliation.
- (4) The provisions of the Labour Standards Arrangement proposed by the Federal Department of Labour in 1970 shall be applicable to this Agreement, it being understood and agreed that

to the extent that there are higher provincial standards applicable to particular occupations or regions, these higher standards shall apply.

- (5) Recruitment of labour shall be conducted through the Canada Manpower Centres wherever practicable.

PAYMENT PROCEDURES

7. (1) To facilitate the payment for cost-shared projects and the payment of development incentives by Canada, two specific payment procedures shall be in force under this Agreement.
- (2) The payment procedure for cost-shared projects implemented by the Province is as follows:
 - (a) payments by Canada shall be made promptly to the Province on the basis of progress claims setting out the costs actually incurred and paid for projects submitted in a form satisfactory to the Ministers, bearing a provincial audit certificate and certified by a senior officer of the Provincial Department of Finance;
 - (b) in order to assist with the interim financing of Canada's share of these projects, Canada may make, if the Province so requests, an interim payment for the amount of funds required for the remainder of the quarter of the fiscal year in which a project is approved, based on a forecast of the funds required in that quarter, prepared by the Province, and approved by the Co-chairmen in a form satisfactory to the Ministers;
 - (c) in each subsequent quarter further interim payments may be made to finance Canada's share of expenditures in that quarter in connection with approved projects, upon request by the Province submitted in a form satisfactory to the Ministers, approved by the Co-chairmen, based on a forecast of cash requirements, taking into account the present status of the previous quarter's interim payments.
 - (d) the Province shall account for each such interim payment by promptly submitting to Canada, by no later than the end of the following quarter, detailed claims covering the costs actually incurred and paid, verified in a manner satisfactory to the Ministers, certified by a senior officer of the Province and bearing a provincial audit certificate. Any discrepancy between

the amounts paid by Canada by way of interim payments and the shareable amounts actually paid by the Province shall be promptly adjusted between Canada and the Province;

- (e) no interim payment shall be made in a subsequent fiscal year until the interim payments made in the previous fiscal year have been accounted for; and
 - (f) payments of claims under this subsection may be augmented by ten per cent (10%) as provided for in subsection 5(11)(a).
- (3) The payment procedure for development incentives made by Canada under this Agreement shall be as follows:
- (a) the procedures provided for under RDIA and its Regulations which are appropriate to this Agreement shall apply; and
 - (b) for special financial assistance required over and above the development incentives available under RDIA, or the Departmental Act, or for any special financial assistance that may be required for the direct ore reduction plant as specified in subsection 5(5)(e), Canada shall pay sixty per cent (60%) and the Province shall pay forty per cent (40%). Each party shall be responsible for such audits as may be required in a manner and form agreed to by the Ministers.
- (4) Subject to the approval of the Ministers, commitments made and costs incurred by either party to this Agreement prior to the date of this Agreement may be included if such commitments or costs were made or incurred after June 1, 1973.

EVALUATION

8. During this Agreement, Canada and the Province shall jointly effect an assessment of the elements listed in Schedule "A" with regard to the stated objectives. Annual progress reports shall be submitted by the Steel Development Group to the Ministers on, or before, the annual meeting of the Ministers as prescribed under section 9 of the GDA. In addition, Canada and the Province shall also jointly effect a periodic evaluation of this Agreement, particularly its impact on the economic development of Saskatchewan and Western Canada.

PUBLIC INFORMATION

9. (1) Canada and the Province agree to cooperate in the development and implementation of a program of public information respecting implementation of projects under this Agreement, and further agree to supply, erect and maintain throughout the period that work is in progress, one or more signboards indicating that the project is undertaken and financed in accordance with this Agreement, or bearing any other statement having the same meaning approved by the Ministers.
- (2) Canada reserves the right to provide and install, wherever suitable, on completion of the work, a permanent plaque or signboard bearing an inscription to the effect set forth in section 9(1).

DURATION

10. This Agreement shall expire on March 31, 1979. Any initiatives approved prior to the expiration date that cannot be completed by the date of expiration or termination of this Agreement, whichever is later, shall continue in force and effect until completion.

AMENDMENT CLAUSE

11. (1) For the purposes of this Agreement, sections 13, 15, 16 and 17 of the GDA shall apply.
- (2) This Agreement may be amended from time to time by the written agreement of the Ministers based on a recommendation of the Steel Development Group, except that any amendments to the financial limitations expressed in section 5 of this Agreement or to the cost-sharing arrangements by Canada and the Province, shall be made only with the approval of the Governor in Council and the Lieutenant Governor in Council.

IN WITNESS WHEREOF this Agreement has been executed on behalf of Canada by the Minister of Regional Economic Expansion, the Minister of Energy, Mines and Resources, the Minister of Industry, Trade and Commerce, and on behalf of the Province by the Minister of Industry and Commerce.

IN THE PRESENCE OF:

GOVERNEMENT OF CANADA

Witness

Minister of
Regional Economic Expansion

Witness

Minister of
Energy, Mines and Resources

Witness

Minister of
Industry, Trade and Commerce

GOVERNMENT OF THE PROVINCE OF
SASKATCHEWAN

Witness

Minister of
Industry and Commerce

CANADA-SASKATCHEWAN SUBSIDIARY AGREEMENT ON
IRON, STEEL AND OTHER RELATED METAL INDUSTRIES

SCHEDULE "A"

Introduction

The items contained within this Schedule "A", as agreed to between Canada and the Province of Saskatchewan, make up a development program for iron, steel and other related metal industries. The activities described in this Schedule will be developed and promoted by the Steel Implementation Committee and the private sector and will be subject to annual review by the Ministers. The nature of the development process envisioned will require continuous identification of development opportunities and initiatives to assist in their realization. The estimates that follow of capital cost and the implied estimates of output and employment size are tentative and dependent upon the findings of the proposed technical, economic and market feasibility studies. The areas of activity suggested in this Schedule do not limit this process but rather indicate areas of activity identifiable at this time and could in part be related, or follow-up work to an initial or priority phase of the program.

Background Circumstances

Saskatchewan entered the seventies with an economy that was, and still is, principally resource-based, highly capital intensive and heavily based on its mainstay - agriculture - for future performance. This economy has been characterized by relatively large swings in per capita income brought about because of the heavy reliance upon the primary industries. In addition, over the last few decades there has been a net out-migration of people, particularly young people, from Saskatchewan to other provinces. These factors have led to a number of undesirable results such as a limited number and range of job and investment opportunities and an unpredictable tax base.

The federal and provincial governments have agreed that special efforts are required to reverse this trend and to identify and realize opportunities in Saskatchewan that will make the Province a more dynamic component of the West and Canada. Towards that end they have agreed that they should cooperate to encourage steel production and other related metal industries in Saskatchewan. Because of their potential in the West and elsewhere (see below) steel related industries would assist in achieving an overall improvement in economic development in Western Canada. Further implementation of such a development program could significantly assist diversification of the provincial economy. In addition, the provision of a steel

complex in Saskatchewan would link the Province much more closely with economic activity throughout the region.

Indications are that for the next decade or so, steel demand will exceed foreseeable steel supply internationally, nationally and regionally. For example, the world steel demand projected for 1975 is 826 million ingot tons and projections have been made for a demand of more than 1,138 million ingot tons by 1980 - requiring an increase in world steel-making of 312 million ingot tons.

Similarly in Canada steel ingot capacity as of January 1, 1974, was approximately 17.0 million ingot tons with steel ingot production at approximately 15.9 million ingot tons for the same year. The projected demand of steel ingots by 1980 is 24 million ingot tons and annual ingot ton capacity required at the level will be 28 million ingot tons. This would require an additional 11 million ingot tons capacity, over 1974 levels.

Studies indicate that in the seventies and eighties there will be a large market throughout the West for a variety of steel-based products. Such products are needed for growth in agriculture, forestry, mining, construction, the petroleum industry and urbanization. However, steel-making capacity in Western Canada is presently only about 1.1 million ingot tons, with the largest primary steel producer in the West located in Saskatchewan.

Western Canadian steel mills are at present wholly dependent upon scrap iron and steel as a raw material source for their electric arc steel-making furnaces, and the region is deficient in locally produced scrap. An alternative, more reliable source of raw material in greater quantity is necessary for the long-term strength of the steel industry in Western Canada. The plants are dispersed over a large area, and ease of transportation is important in determining the raw material to be used. The use of pre-reduced iron ore is the only viable alternative.

By developing and expanding the iron and steel industry in the Province, to be a supplier of essential inputs into resource development and processing, Saskatchewan's growth rate would be associated with a dynamic West and would be the basis for a major expansion and shift in the economy of the Province. These development opportunities would have a significant impact on employment and investment in the provincial and regional economy.

Objective

Against this background the objective of the Subsidiary Agreement is to establish an effective mechanism by which the Governments of Canada and Saskatchewan may cooperate in the development of measures to encourage iron, steel and other related metal industries in Saskatchewan and in the implementation of such measures as may be agreed upon. Such measures will include plans to promote and develop a necessary supply of iron units

to provide basic steel and to explore possibilities of establishing, expanding and diversifying the industry to supply a regional market.

Program

The program will cover specific priority action relating to iron ore exploration, iron units, primary and secondary iron and steel production facilities, foundries, other related metal industries, infrastructure and studies. The elements so identified and making up the iron and steel development program to be pursued are as follows:

A. Iron Ore Exploration

To augment the geophysical and geological information on Saskatchewan iron ore deposits, it is proposed to undertake exploration in East Central Saskatchewan to determine if an economic iron ore body exists from which approximately 100 million tons can be mined on a commercial basis. Work will include ground magnetic and gravity surveys over most favourable areas. Drilling will be carried out in areas that appear to have the required tonnage. Estimated costs are \$1,100,000 phased over the period 1974-75 and 1975-76.

B. Related Studies and Administration Costs

This element of the program will identify and undertake studies related to primary and secondary iron and steel production facilities and related metal industries.

In addition to those preliminary studies already completed, it is proposed that this work determine the market for specific steel-fabricated products which, under the existing conditions, would be reasonably accessible to a Saskatchewan-based producer. Studies will be undertaken to determine incremental stages with respect to the size of future steel-making capacity, as well as the product items, including flat rolled products. Studies will be undertaken to determine the economic feasibility of establishing in Saskatchewan fabricating plants, either using locally produced steel products, or "imports", or some combination of both.

A proposal for a new steel plant site, or modification to the existing steel industry, including expansions to its basic steel-making facilities, will necessitate a study of pollution abatement. This study will determine the best and most efficient system to meet federal and provincial pollution control standards and criteria.

In addition, there are other study programs, which would relate to the more diversified side of a steel complex in Saskatchewan, such as: iron and steel castings; industrial

valves; steel wall, roof and floor panels; steel studs and joists; steel doors and door frames; telescopic power transmission poles; highway guard rails; storage bins and granaries, farm buildings; and components for the machinery and equipment industry such as trailer frames and fifth wheel attachments.

Costs for the proposed studies combined with the administration costs for the Steel Implementation Committee are estimated to be \$1,500,000 over the period 1974-79.

C. Direct Ore Reduction Plant

The limited availability of scrap in Western Canada as well as marked price increases, together with international policy changes curtailing the movement of scrap, combined with technical developments in the direct reduction of iron ore, indicate an increasing demand in the Prairies (as elsewhere) of metallized ore, as an addition to scrap charge for electric furnaces.

An alternative and more reliable source of raw materials in greater quantity is necessary for the long-term strength of the steel industry in Western Canada, not only to assist in further expansion but, as well, to sustain the level of production in existing operations.

The proposal is to promote immediately the establishment of a direct ore reduction plant in Saskatchewan, possibly in Regina. The proposed plant would produce approximately 400,000 short tons per year of metallized ore, which would meet the present market requirements. The output from the reduction plant would initially provide an additional and assured supply of feedstock for electric furnaces of major producers located in Western Canada, and thereby enable the further development of iron, steel and other related metal industries.

A proposal call may be made by the Steel Development Group, inviting firms to tender for the establishment and operation of a direct ore reduction plant with construction to be carried out during the period 1974 to 1977.

D. Primary and Secondary Iron and Steel Facilities

In order to have a greater impact, thereby assisting in a more balanced development for Western Canada, a primary steel facility with a 1.5 million annual ingot ton capacity by 1985 should be the target for Saskatchewan. The heavy demand in pipe to provide for oil and gas lines and the requirement

for oil sands development will substantially increase the total demand for steel in a growing western economy. This capacity should be attainable, considering the current capacity at the existing operation in Regina of 600,000 ingot tons per year.

By using scrap metal and metallized ore as a charge to the electric furnaces, a gradual expansion over the period of this Agreement to an anticipated capacity of 1.2 million ingot tons could be achieved at the existing operation in Regina or a new steel plant could be established employing the electric furnace practice and possibly utilizing continuous casting to provide basic steel for an additional 600,000 ingot tons.

The proposals outlined would mean the establishment in Saskatchewan of additional electric furnaces, a slab caster, a hot strip mill and the necessary ancillary equipment. Based on positive results from the studies to be undertaken, the estimated costs for such facilities including the direct ore reduction plant could total \$150 million phased over the period of this Agreement.

A proposal call by the Steel Development Group may be made inviting firms to tender for the establishment and operation of those components relating to the primary and secondary iron and steel-making facilities.

E. Foundries and Related Metal Industries

The development opportunities in foundries and related metal industries for products which are likely to be produced in Saskatchewan will be determined from the studies referred to in program element B of this Schedule and from other opportunities identified. Studies to date show that estimated capital costs for the foundries and related metal facilities are \$25 million and are scheduled to develop concurrently with the primary and secondary iron and steel facilities over the period of this Agreement.

F. Infrastructure

- (1) For the establishment of a direct ore reduction plant and other related expansions at the iron and steel complex, an infrastructure program is proposed. This will include provisions for, but not be exclusive to, power, water, land development and disposal facilities, and costs are estimated at \$1.2 million.
- (2) The Province will provide up to \$4 million on a non-shared basis with Canada, to facilitate related urban infrastructure.

This program would be phased over the period of this Agreement.

The preliminary estimates of the costs associated with the various elements that make up this program are outlined in Schedule "B".

CANADA-SASKATCHEWAN SUBSIDIARY AGREEMENT ON
IRON, STEEL AND OTHER RELATED METAL INDUSTRIES

SCHEDULE "B"

ESTIMATED EXPENDITURES (\$000)
FEDERAL, PROVINCIAL AND PRIVATE SECTOR

<u>Elements</u>	<u>Estimated Total Cost</u>	<u>Estimated Direct Jobs</u>	<u>Estimated Expenditures By Sector</u>		
			<u>Federal</u>	<u>Provincial</u>	<u>Private</u>
A. Iron Ore Exploration	1,100		660	440	
B. Related Studies and Administration Costs	1,500		900	600	
C. Direct Ore Reduction Plant)					
D. Primary and Secondary Iron and Steel Facilities)	150,000	1,000	25,255	4,480	120,265
E. Foundries and Related Metal Industries	25,000	900	7,465		17,535
F. Infrastructure					
(1) Direct	1,200		720	480	
(2) Community	<u>4,000</u>	<u> </u>	<u> </u>	<u>4,000</u>	<u> </u>
TOTAL	182,800	1,900	35,000	10,000	137,800

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