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REVERSAL OF FORTUNE: SECOND OF TWO PARTS

Sudbury booms on soaring metal prices

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BUSINESS REPORTER

"And everybody's tickled, for it's Saturday tonight"
- Stompin' Tom Connors, "Sudbury Saturday Night"

GREATER SUDBURY-It feels like Christmas here every day.

Everybody is in a rush. And everybody seems to have money to spend.

Newcomer Rick Chessel got that holiday buzz when he tried to elbow his way from shop to shop at the New Sudbury Centre on a recent Saturday.

"It was just like the day before Christmas," says the 51-year-old machinist. "It was shoulder to shoulder everywhere."

Diners are spending more at the Tommy's Not Here restaurant in the south end. At the SRO nightclub downtown, where the Eaton's store once stood, the acronym really fits because it's standing room only many nights.

"Everybody's happy," says miner Jack (Coco) Simons. "It's been a long time since we've seen this."

The "nickel capital of the world" hasn't had a boom like this since Stompin' Tom Connors began banging his feet and singing "Sudbury Saturday Night" at the Coulson Hotel in the 1960s.

"In my 30 years plus in the business, I have never seen it this good," says a beaming Gary Cormier, manager of the Notre Dame Boys furniture and appliance store.

Some old-timers would argue with that. They say the city of about 158,000 hasn't been this hot in its entire 125-year history.

"It's a gold mine here," says

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WHERE UPPER-CLASS INCOMES ARE EARNED UNDERGROUND

SUDBURY-Jack (Coco) Simons could retire today with a good pension. But he's having too much fun making a whole lot of money underground.

Riding the boom of all booms here, Simons collected about \$152,000 in gross pay last year as a top-notch production miner at Vale Inco's Coleman Mine in the northwest end of the city.

This year, Simons says he could crack the \$165,000

Sudbury goes boom, Windsor goes bust

Up a winding road off the Trans-Canada Highway, then down a hill and tucked into the corner of a Sudbury industrial park, is a mining-equipment plant where a city's boom flourishes.

mines, where production is running flat out in efforts to keep pace with worldwide demand for nickel and other minerals, particularly from China and India.

"These are times beyond the expectations of most people," says Fred Stanford, president of Ontario operations for Vale Inco, the region's biggest mining company. "Confidence is everywhere."

Labour shortages have triggered higher wages and overtime. Many miners are now grossing more than \$150,000 annually. A small number of key tradespeople are approaching the \$200,000 mark because of heavy overtime.

"They might as well be living there," laughs Simons.

Vale Inco is on its biggest hiring drive for skilled workers in more than 30 years. (The company was called Inco for decades – until Brazilian mining giant CVRD took it over in 2006.) Almost anyone who wants a job can find one.

But the boom has its bumps. Roads are crumbling and housing is scarce. Chessell, 51, is still shopping for an apartment a month after arriving from Chatham for his new job at a mining-equipment manufacturer. Home builders can't keep up with demand as real estate prices soar.

In one project, a developer is constructing houses on a rock outcropping at the top of the city. They feature views of lakes, distant mine shafts and the periodic dumping of bright orange slag from Vale Inco's operations across town.

IT'S ALL DRAMATICALLY different from the late 1970s, when housing construction stopped and businesses struggled. Schools and even some arenas closed.

The decline came quickly after Inco and Falconbridge, the Big Two mining companies at the time, drastically cut back nickel output.

Their profits disappeared because of an international oversupply, subsequent sliding prices and high production costs.

The companies' fortunes improved slowly as they reduced costs through better mining methods and technology over the next two decades.

To put it in perspective, the mining giants can produce more here now with one quarter of the workforce that they had 30 years ago.

With costs down, the companies then hit the jackpot when world demand and prices started to shoot up again earlier this decade.

Nickel, a key element in stainless steel, had languished at less than \$3 U.S. a pound for many years. But it peaked at \$24.59 last year on the London Metal Exchange. It's now in the \$13 range, which is

supervisor Janis Morin during another busy day at Tim Hortons in the Chelmsford community, where 40 vehicles line up for the "drive-thru" some early mornings.

She could have been talking about the community's real

mark with a little more overtime.

"It would be foolish for me to quit now," says the fit, 53-year-old Simons, relaxing on his couch after a 12-hour shift. "I love this. The money is just too good. It's motivational. Why not go for it."

Sudbury miners are making more money than ever because of soaring nickel prices and worldwide demand for the mineral, a key element in stainless steel and other alloys.

Simons receives a base rate of \$27.81 an hour but earns a great deal more because he's a member of one of numerous elite crews that each extract thousands of tons of ore every week.

The "partners" in the seven-member crew get extra pay for overtime, a shift premium for afternoon or overnight work, a special production incentive for the amount of ore the group extracts, vacation pay, and the mother of all compensation sweeteners, a "nickel bonus" tied to company profits or the price of the metal, whichever is higher. The bonus, negotiated by the company and the United Steelworkers union in 1985, when nickel prices were depressed, has turned into a windfall for employees.

In the first three months of this year, the bonus generated in excess of \$7,000 for Simons. Last year, he collected more than \$37,000 when nickel prices and profits hit new records (the metal peaked at \$24.59 U.S. in 2007).

Bernie Whitmel, 36, one of Simons' younger co-workers, earned about

still far above historical levels.

With forecasts for continuing strong prices and world demand, Vale Inco and Swiss-based Xstrata, Falconbridge's new owner, are investing hundreds of millions in local mine development and exploration. Sixteen mines dot the city, whose area dwarfs the GTA.

Two other companies, FNX Mining and First Nickel, are also mining here. Numerous smaller outfits have also set up shop to catch a piece of the action.

BUT THERE'S a lot more going on here economically. The diversification started shortly after Sudbury crashed.

Civic, business, academic and labour leaders pushed for and got a federal taxation data operation, the major tourist attraction Science North, the relocation of the provincial Ministry of Northern Affairs, land reclamation projects and additions to existing health-care and educational facilities.

The latter includes the Northern Ontario School of Medicine, a facility shared by Sudbury's Laurentian University and Lakehead University in Thunder Bay. It opened in 2005.

"We were tired of our children moving away from Sudbury when they grew up," says former mayor Jim Gordon.

"We were very determined to go after things. And when someone in government or a company told us no, we just kept coming back until we got it."

The new initiatives reduced dependency on the two mining companies and helped stabilize the economy. The city didn't grow much, but it didn't decline either despite continuing lean years in the mining industry.

There were some missteps along the way, including a Queen's Park-funded major sheep farm to produce angora wool for the clothing industry. It collapsed in a comedy of business errors and never produced one plush angora sweater.

At the same time, the existing mining-equipment and services sector emerged as a major force. It provided some of the key innovation and products – including cutting-edge drilling equipment and underground vehicles – that the industry needed to lower production costs. There was a market for them not just locally, but around the world. The sector has expanded from about 100 companies in Sudbury to more than 355, employing more than 13,000 workers – far more than the Big Two. Firms such as MacDowell Equipment, Bristol Machine, B and D Manufacturing, Carrière Industrial Supply and Anmar Mechanical are now international players.

"There is now a very visible entrepreneurial class in the mining industry here," says Dick DeStefano, executive director of the Sudbury Area Mining Supply and Service Association. "The region has created a significant pool of expertise that is unmatched in Canada and internationally,"

One such leader is Bob Lipic, who bounced around the industry as an equipment salesman for several years, eventually became a manager and then part-owner of the forerunner of Mining Technologies International. and later of MTT itself.

\$148,000 in gross pay in 2007 and thinks he will exceed \$150,000 this year. (Some miners are even topping \$180,000 because of extra overtime.)

"I work a little less overtime than Coco, but the money is unbelievable," says Whitmel, a graduate of the three-year mining program at the Haileybury School of Mines in Northern Ontario. "I could be doing something else in the industry, but I enjoy the physical labour. It's challenging and interesting."

Simons, a 33-year-mining veteran who could get a monthly pension of \$3,600 tomorrow, says the extra pay will likely lengthen his underground career until the end of 2010 and possibly longer.

"I'm in pretty good shape, so why not," says Simons, a married father of two who still plays oldtimers' hockey. "It keeps me going. I also like the variety of jobs."

Members of Simons' crew drill holes in an ore face, pack them with explosives, blast the ore into smaller pieces and then "muck it out" with rumbling load-haul-dump (LHD) vehicles to ore passes for delivery up to the surface. Once the ore is removed, they reinforce the ceiling of the new tunnel with steel rods and screening. Then they move along the rock face and start the process all over again.

Simons' task changes all the time. He's currently using a bolting machine to install rods in the tunnel's ceiling, 1,280 metres underground. Next week, he might be driving an LHD vehicle or "scoop tram." Its cab includes air conditioning and

The company struggled for several years until the early 2000s, but pushed innovation and eventually prospered in the production of drilling systems, underground load-haul-dump vehicles and rock-crushing machines.

"The Canadian market was dying so we expanded our services even outside of mining," recalls Lipic. "We made garbage trucks. We also had to look abroad for customers of our products to survive."

MTI continues to strive for innovation. Last year, it teamed up with a Mississauga company to develop vehicles that reduce underground emissions through the use of hydrogen gas in internal combustion engines.

MTI's revenues have grown from less than \$10 million in the mid-1980s to more than \$100 million annually.

Meanwhile, the Northern Centre of Advanced Technology (NORCAT) and the pending Centre for Excellence in Mining Innovation are the foundation for a cluster of mining-related research facilities in the community. Some local watchers are now calling the city "the Silicon Valley of the world's mining industry."

Or, as Paul Reid, an officer for the Greater Sudbury Development Corp., puts it: "Sudbury is the Disneyland of mining."

Outside of mining, Laurentian University and other partners are building a centre for global research in environmental restoration for damaged fresh water bodies. It's located beside Lake Ramsey in the heart of the city.

There are 330 lakes within the city's wide boundaries, and many of them were ravaged by heavy pollution from the Big Two in the past.

Gordon, the former mayor and an ex-provincial cabinet minister, also laid the groundwork for getting broadband Internet services to Sudbury during the 1980s. It became a factor in attracting several call centres. The city now has 10 major ones, employing about 3,000 workers.

On the cultural front, the interactive museum Science North and an accompanying IMAX theatre have spurred development of other tourist attractions.

Meanwhile, the entertainment industry has arrived with production of the sitcom *meteo+* for TFO, the French-language public education network in Ontario.

Just a few blocks away, March Entertainment produces animation programs including the CBC after-school cartoon *Chilly Beach*.

MAYOR JOHN Rodriguez, an NDP MP for the area for many years, contends the city must take advantage of the current boom to attract more jobs, particularly in mining services, research, educational facilities and health care. He also wants to boost small business.

"The stars got aligned for us and we have to capitalize on it," he says. "I will never allow this community to put all its eggs in one basket again."

Rodriguez and the city are trying to increase the community's share of tax revenues that the province gets from the flourishing mining industry.

Greater Sudbury wants more money from Queen's Park to fix the city's crumbling roads and sustain other public services.

"The system right now is extremely unfair," says Rodriguez. "We have a half-billion-dollar infrastructure deficit. With a boom, we should be able to eliminate it and do more."

a stereo system.

Mining has changed dramatically since Simons graduated from high school here in the '70s. Advances in technology and equipment have greatly reduced physical labour, jacked up productivity, improved safety and reduced emissions.

"I would never be able to last this long underground without the improvements," he says.

Whitmel, a father of three who snowboards, plays hockey and rides horses, says he can imagine working underground when he's in his 60s.

"We've got a very good situation."

Tony Van Alphen

Forecasters predict that nickel demand and prices will remain strong for at least five years.

"If China disappears, I think we would have a problem," says DeStefano of the mining equipment association. "But I don't think that is going to happen."

Even if it did, the reinvented, diversified and newly resilient Sudbury would likely prevail.



A promotional banner for Shoppers Drug Mart. The banner is divided into three sections. The left section is dark red and contains the text "RECEIVE" in small white letters above "20x" in large white letters, with a small image of a Shoppers Drug Mart loyalty card. The middle section is light red and contains the text "SATURDAY, MAY 3 TO FRIDAY, MAY 9" in red, followed by "THE POINTS WHEN YOU SPEND \$50 OR MORE ON COSMETICS OR FRAGRANCES" in black. The right section is white and contains the "SHOPPERS DRUG MART" logo in red and black, with a blue and white "Ni" logo to its right.



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