

If I may be permitted to do so, I would like first to point out the extent to which over-expansion of the newsprint industry has taken place, and the circumstances under which such over-expansion occurred, in the hope that a brief outline of the facts in this connection will make clear the responsibility for such over-expansion and "subsequent disorganization of an industry dealing in some of the most valuable of our natural resources."

The expansion of the newsprint industry in Canada since the War has been phenomenal, the annual capacity having increased from 715,000 tons per annum in 1917, to 3,898,000 tons in December 1930. During the first ten years of this period, the increase in installed capacity was moderate, averaging approximately 205,000 tons per annum, and the increase in consumption approximately kept pace with the increase in installed capacity, so that in 1926 the industry operated at over 96 per cent of capacity, and there was no difficulty in obtaining a fair price for the paper produced.

The contract price for newsprint paper in 1926 and 1927 was \$65.00 per ton, at which price any efficient mill could make a satisfactory profit. Between January 1st, 1926 and December 31, 1930, new newsprint machines were installed equivalent in capacity to all machines installed in Canada from the commencement of the industry to January 1, 1926, and it is the hopeless struggle to find business for these new machines, together with the almost precipitous decline in consumption consequent upon the world depression, that has caused the disorganization of the industry, because not only were long established companies forced to give up business to the new-comers, but in the desperate effort to get business for new machines, prices were cut, first from \$65.00 in 1927, to \$62.00 in the middle of 1928, to \$57.00 in 1931, to \$45.00 in the latter part of 1932, and to \$40.00 in 1933. At these prices it is doubtful if any of the newsprint companies can make a real profit if proper charges for maintenance, depreciation and depletion of timber limits are recognized.

The foolishness of such a policy is strikingly indicated by the fact that in some cases the taking of orders for a comparatively few thousand tons of paper, at cut prices, has resulted in smashing the price structure and involving the whole newsprint industry in annual losses aggregating many millions of dollars.

During the Dominion Government's fiscal year ended March 31, 1929, Canada exported 2,263,000 tons of newsprint, for which was received over \$142,000,000; for the fiscal year ended March 31, 1933, Canada exported 1,662,984 tons, for which was received approximately \$74,000,000—a difference of \$68,000,000. For the fiscal year ended March 31, 1925, exports were 1,251,000, with a value of over \$91,800,000; in 1926, the exports were 1,476,866 tons, with a value of approximately \$102,000,000. These figures strikingly indicate the colossal annual loss to Canada resulting from the policies followed during the last few years.

The tonnage exported in 1929 was the greatest in the history of the Canadian industry, and each year thereafter, there was a substantial reduction in the tonnage exported, up to 1933; this, of course, accentuated the competitive pressure for business, the capacity steadily rising during this period, while the consumption declined.

An analysis of the construction program since 1926 indicates that five groups, under American and English leadership, were responsible for 71.45 per cent of the new tonnage, viz:—

	Tons	Per Cent
International Paper Co. Ltd.	900	20.22
Abitibi Group	700	15.73
Minnesota & Ontario Group (including Great Lakes Paper Company)	600	14.61
Spruce Falls Paper Company	450	10.11
Anglo-Canadian Paper Company	480	10.78
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	3,130	71.45