

Supply—Defence Production

The difficulty is that the demand appears insatiable. We are trying to take care of first things first, and I believe we are having some success. I believe, too, that we have some of the ablest men in the steel business assisting our steel controller and trying to stretch the steel available sufficiently to take care of requirements.

The story with respect to newsprint is quite interesting, I think. Since the last year of the war the industry has been doing its best to meet demands for Canadian newsprint, which have been coming from domestic sources and from abroad, but has never quite succeeded in doing so.

Canadian publishers in 1950 received 84 per cent more newsprint than the average consumption of Canadian newsprint during the war years 1939-45. Compared with the last year of wartime conditions and rationing—that is, 1945—Canadian publishers received in 1950 an increase of 70·6 per cent in total supply over 1945. Canadian consumption in the last four years has been as follows:

Year	Consumption of Newsprint tons
1947	275,000
1948	306,000
1949	335,000
1950	355,000

Canadian consumption in the first four months of 1951 was 116,323 tons as compared with 114,787 tons in the first four months of last year. Canadian consumption is still rising. The continuation of this increased rate of consumption cannot be assured because of the reinstatement of some of our overseas obligations, particularly to the commonwealth and because of special shipments we might make as a result of recommendations by the international materials conference. However, it is expected that supplies for Canadian consumption in 1951 will be close to the record quantity of 355,000 tons provided in 1950.

Canada has been increasing its newsprint production but it has been faced with a peculiar situation. The price structure has not risen at a rate comparable with that of other paper products. It is a strange thing, but today in the United States market the pulp content of a ton of newsprint will bring more money than a ton of finished newsprint notwithstanding the expense of finishing and packaging. In other words, the pulp content of newsprint brings a higher price than the newsprint itself.

Mr. Browne (St. John's West): Is that Canadian pulp?

[Mr. Howe.]

Mr. Howe: Yes, sulphide and groundwood pulp. The pulp that goes into a ton of newsprint will sell for more as pulp than the newsprint will sell for after the pulp has been put in and the paper finished and packaged ready for shipment.

Mr. Hansell: Why is that?

Mr. Howe: The users of newsprint have a very potent lobby, if you like. It will be noticed that whenever there is an increase in the price of Canadian paper there are congressional investigations in the United States and we have extravagant statements made, such as appear in the papers today, by senators and other responsible United States public men.

Mr. Knowles: The newspapers' case gets space in the newspapers.

Mr. Howe: They are apt to do that. I think the last increase in the price of newsprint was in November, 1950, and up to that time there had not been an increase in the price for two and a half years owing to the fact that the mills had been made more efficient and additional production was obtained without corresponding capital investment. It was thus possible for the mills to absorb the increased costs, and costs have increased for everything they use, without making any substantial increase in the price of newsprint.

Mr. Hatfield: Can they find a market for all the pulp they could manufacture?

Mr. Howe: Perhaps not. They have not tried to sell it that way. I am simply saying that they could sell it that way if they wanted to. Since the termination of world war II price controls in the United States, newsprint prices in that country have advanced 26·2 per cent. In comparison, since the end of controls in the United States, book paper prices have advanced 54·3 per cent; craft paper prices have advanced 63·1 per cent; paperboard prices by 91·2 per cent; and tissue papers by 93·4 per cent. If the price of newsprint had risen since decontrol as much as the United States government pulp and paper index, newsprint prices would now be \$143 a ton instead of the announced price of \$116 per ton. If the price had risen as much as the weighted average index shown for the four major grades, the price would now be \$145 per ton.

The effect of this has been that no new major capital expenditures have been made. There have been ten major pulp developments in Canada since the war but there have been no major newsprint developments. The result is, as I have said, the price of pulp is greater than the price of the same pulp put into newsprint. Another