

3. Federal and Provincial Programs and Policies

Provincial government policies relating to water tax and power rates are important.

4. Evolving Environment

Aluminum is becoming a mature metal. While some markets are being lost to plastics, other stable uses are developing. Major in-roads are being made in the packaging industry and this market should continue to grow for some years. New aluminum-lithium alloys are permitting expansion of aluminum use in aeronautics and aerospace applications. Further developments will also be made in aluminum usage in automobiles. Annual growth will not likely approach the rates of the sixties and seventies but should continue at a more modest 2-4 percent per annum. Canada's position as a world exporter should remain secure due to the power cost advantage its industry enjoys. This position will be further enhanced as Alcan integrates forward in importing countries.

5. Competitiveness Assessment

With its secure hydro power base and its proximity to the major market, the U.S., Canadian aluminum producers should be well placed to compete internationally. Notwithstanding the fact that many Canadian smelters are old and therefore inefficient, the low power costs permit all Canadian production variable costs to fall within the lowest quartile of the attached cost curve (Figure 1). The second and third quartiles are mainly U.S. and European smelters and the extreme costs at the far right apply to plants still operating in Japan. With curtailments of private producing facilities because of power cost or antiquated equipment, new sites for production will be sought. Canada, Brazil and Australia are the most likely countries to be selected. New facilities built there will be efficient and together with low cost power should prove competitive and indeed displace older plants. From Canada's standpoint, it would be advantageous if new producers choosing Canada as a site for a smelter were fully integrated so as to assure a market for the metal produced and not require sale through the LME or Comex. The governments' role in fostering investment may involve offering competitive power rates, providing an attractive investment climate in regard to tax treatment taking whatever steps are required to improve labour stability, and resolving as early as possible the problems with native peoples' rights, and salmon habitat.