

3.

EXEMPT.  
150

- 4. A potential shortage of zinc smelting capacity in the 1990's could provide the opportunity for construction of two world scale zinc refineries in Canada totalling 200,000 tonnes.
- 5. Canadian companies have an opportunity to increase export market share:
  - in Japan, if tariff barriers can be lowered, and China, which gives the appearance of opening its doors
  - in newly industrialized and developing countries where growth rate, from a low base, is greater.

5. Competitiveness Assessment

Canada's primary zinc smelting industry is internationally competitive. In the case of lead, Canada's plants are relatively high cost; rebuilding of these smelters to change to some new smelting process appears to be necessary for survival.

This modernization is also required to improve occupational hygiene to avoid shut-downs by government regulators. Significant and increasing proportions of zinc extraction from concentrates are being carried out by the zinc pressure leaching process. This Canadian-developed process eliminates the evolution of sulfur dioxide gas and, instead, produces elemental sulfur.

Lead refining processes in Canada are state-of-the-art, and costs compare favourably with world costs. Nevertheless the refineries would close if the smelters did because the refinery feed comes from the smelter.

Canadian companies are not the only ones who are taking steps to strengthen their balance sheets and rationalize their horizontal and vertical linkages. For example, North Broken Hill recently raised \$64 million (Australian) by an equity issue. Belgium's Union Miniere is in a three-year restructuring of its two large French zinc affiliates, Vieille-Montagne and Royale Asturienne des Mines. Among other major changes, Austrigone's electrowinning plant is doubling its annual capacity to 200,000 tonnes and Vieille-Montagne's will cease to operate. It is believed that Union Miniere will not be eligible for the EEC subsidy of \$203 (U.S.) per tonne of production permanently stopped because the net reduction for the merged operation will be zero; in any case, it is believed that the E.E.C. shutdown agreement is, for all intents and purposes, dismantled.

Asarco is (again) considering a permanent shut-down of its 107,000 tonnes zinc refinery at Corpus Christi, Texas. It has been operating at only 37% of capacity since it reopened in May, 1984 after a lengthy 19-month "temporary" shutdown, and has apparently been operating at a loss. St. Joe Minerals Corp. bought National Zinc Co., Bartlesville, Oklahoma, to create the largest United States zinc producer with a capacity of 142,000 tonnes.

The above examples indicate the world-wide restructuring and modernization programs will maintain pressure on Canadian companies.