3. FEDERAL AND PROVINCIAL PROGRAMS AND POLICIES

In general the industry has not been dependent on government programs but have taken some advantage of them.

It is estimated that proposed new pollution regulations to reduce acid rain may require Noranda and Hudson Bay to spend large sums in relation to their smelter operations.

Existing programs are not primarily directed towards providing large companies with assistance for capital expenditures and the companies themselves are in a poor financial position to undertake such expenditures. Therefore, the two levels of government are considering the possibility of providing financial assistance where necessary.

4. EVOLVING ENVIRONMENT

World over-production and weak demand have resulted in depressed copper prices. Forecast consumption growth is not anticipated to exceed 2 percent per year in the next five to ten years. A large percentage of copper production capacity is owned or controlled by governments in the LDCs. Some of these countries have higher grade deposits, lower wage rates and, in some cases, less stringent pollution controls than in Canada. Consequently, some of these operations are profitable even at present prices. For a variety of social and economic reasons those that are not profitable have not cut back on production during times of low demand.

No new major uses for copper being developed to offset the inroads being made by technical developments in the use and application of other materials.

5. COMPETITIVENESS ASSESSMENT

The Canadian industry is internationally competitive; this is evidenced by the fact that over 60 percent of production is exported. The attached chart and graph show that Canada ranked in 1983 as having the second lowest copper production operating costs in the non-socialist world.

One of the main reasons for Canada's competitiveness is the proximity of the smelters to the mines which results in significant transportation cost savings. Unfortunately the major ore bodies which have supported the Rouyn/Noranda and Flin Flon smelters are nearing depletion. If Canadian smelters are to continue to operate profitably, new economic ore bodies must be discovered east of the Saskatchewan/Manitoba border.

World smelting charges are being quoted at less than cost as a result of actions taken by the NICs.

The proposed new pollution regulations to control acid rain which are being considered by governments in Canada are threatening to place a financial burden on Noranda and Hudson Bay. Not counting the necessary R&D expenditures, the required capital outlay would amount to some $249 million. Operating costs will also be increased. This expenditure is strictly related to environmental improvement.