

- There are at least two U.S. fine paper manufacturers each capable of producing a higher volume than the entire Canadian industry and hence derive substantial manufacturing cost advantages through long runs of commodity grades not at present available to Canadian producers. However, a gradual rebuilding of the FP industry is taking place to make Canadian mills cost competitive with U.S. mills, including the Domtar mill at Windsor, Que. to start up in 1987.
- This will lead to new capacity and removal of non-competitive machines resulting in an estimated average annual capacity increase of 2.9 percent over the next 10 years. Employment is expected to remain static due to lower manpower requirements for modern machines.
- Total new FP capacity investment is estimated to be as much as \$2.0 billion by 1995. Approximately half of this will be used by Domtar for the new Windsor, Que. mill.

5. Federal and Provincial Programs and Policies

- The major federal assistance program is the IRDP.
- No specific provincial programs are in place for these products.

6. Competitive Position

- In the past the FP industry was totally oriented to Canadian markets behind high tariffs, but recent and future cuts in tariffs is forcing industry to rationalize and become more cost competitive with U.S. producers.
- However US/Canada tariffs are losing their importance today. Exchange rate (low Canadian dollar) is the major element in keeping FP competitive with U.S. mills but the industry is not relying on the this low exchange rate and hence has started modernization program.
- Other markets could become more attractive to the FP providing tariff and non-tariff barriers are reduced, exchange rates are favourable to Canada and freight rates do not become excessive.

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- Future in-depth market penetration of the EEC appears unlikely unless the Canadian dollar takes a drastic drop in value or European currencies increase in value as both Nordic and German FP mills are close at hand, are very efficient and can, in most cases, deliver to customers overnight -- a service Canadian FP cannot provide without costly warehousing facilities in Europe.