- Canadian facilities, in general, are below the state-of-the-art of many U.S. counterparts and clearly below those of Sweden, and probably Finland.

- the low value of the product coupled with a low rate of capital formation inhibits the ability of Canadian mills especially in Eastern Canada, to upgrade production facilities.

- the single foreign owned mill, located in B.C., appears to be an exception and the facilities are modern, although not of the scale of many foreign mills.

Other Factors

- the mill product is the raw material for the corrugated container, demand for which it is closely tied to economic conditions in specific markets.

- the symbiotic relationship of the primary and converting subsectors transmits the converting sensitivity to the mills.

- the residual - supplier role of Canadian mills to the world markets reinforces this sensitivity where exports are concerned.

3. Federal and Provincial Programs and Policies

- the major assistance program is IRDP.

- there appears to be no specific policy in place at the provincial level regarding producer mills in this subsector.

- rationalization of product lines would assist the competitive position of the eastern mills.

- the domestic market, as a result of the MTN, is evolving into a North American market.

- perceptions of the Combines Act in a domestic-marketing context keep eastern mills from rationalizing the production of too many grades in one mill.

4. Evolving Environment

- the gradual but steady erosion of the world competitive position of the industry is particularly acute in this subsector.

- in the grades of kraft liner and corrugating medium, eastern mills are likely to be squeezed out of Europe.

- in the long term western-mill liner production is likely to lose major or total share in Europe.

- in this event, western production will seek to offset this loss in the Far East markets.

- in this market area the sole competition is U.S.-based and it is strong on all counts.

- domestically, the eastern mills are highly vulnerable to loss of market and will be exposed to disastrous loss if the currency exchange gap is significantly reduced.

- regional mill employment impact would be strongest in Ontario and Quebec.

- employment at risk in these provinces is some 3,400 jobs, all in outlying or single industry communities.