at 10,500,000 short tons. Capacity would therefore fall short of unrestrained demand by 400,000 short tons, but even with idle capacity of 1,500,000 short tons there is a shortage of 490,000 short tons due to the non-coincidence of capacity and demand in the same countries. This is shown in Table 3 of the Appendix. Lack of raw materials is the principal cause of idle capacity, and in view of the Conference conclusion (see paragraph 59) that a resumption of pulp-wood exports from the U.S.S.R. on the pre-war scale is unlikely it is not improbable that a significant portion of this idle capacity will convert to other purposes and further reduce world capacity below potential demand. On this basis world capacity may be more than 700,000 short tons below current potential demand.

(*d*) *Increased Capacity Required*

That the foregoing facts alone offer strong *prima facie* evidence *that on the assumption that normal international trading relations will be restored within, say, seven years, a substantial amount of new manufacturing capacity will be required* to meet not only to-day's potential demand, but that increased demand which will arise from the continued growth in *per capita* consumption and population. As will develop later, this necessary extra capacity will be of the order of over 1,000,000 short tons.

(*e*) *Long-term Trends in Newsprint Consumption*

That *per capita* and population trends must be used as a basis for the study of future markets. Various long-term trend lines of newsprint consumption in the United States of America and New Zealand as mathematically developed by the New Zealand Forest Service are shown in Graph 1. The Australian data covers too short a period to be regarded as completely authoritative, but there appears to be little doubt that a trend line for that country will closely parallel those for the United States of America and New Zealand, and on this basis an estimated trend line for Australia has been developed. Their parallelism indicates that the basic factors affecting the use of newsprint were very similar in these countries for the period under review. World War II, however, had such widely differing effects upon newsprint-consumption in the three countries that, with the exception of that for the United States of America, trend lines inclusive of war period data show no approach to parallelism or normality. Those for both Australia and New Zealand, being based on discontinuous and non-homogeneous data, must, in accordance with statistical principles, be discarded in favour of the parallel trend lines based on pre-war data. An endeavour was made to develop a valid argument based on fundamental long-term economic trends in the United States of America, and on the impact of radio and television on newspaper advertising which would warrant the adaptation of a curve rather than a straight line to the United States of America data to indicate a falling off in the rate of increase in *per capita* consumption. That such an occurrence must develop sooner or later is inevitable, but no evidence that it will be in the near future was found, and, in any event, it would not materially reduce straight-line estimates of total consumption in the foreseeable future.

Studying the cyclic variation of the basic United States of America data, current consumption is above the pre-war trend line for the fourth year in succession, whereas in the last boom period it remained so for eight years. And in 1949, as in 1929, advertisers are using newsprint to bolster up declining sales of both durable and non-durable goods, so that the usual lag in newsprint consumption on the downturns of general trade may be expected to keep demand above the trend line for a year or two at the least. Certain basic factors indicate it should be even longer. In the previous boom period the decline in general trade set in early in 1928, so that newsprint demand did not recede to the trend lines for three years. But the preceding boom period was characterized by blue-sky stock exchange speculation on margins, by similar speculation in both rural and urban property, by excessive inventory accumulation, by non-payable farm prices, and