5. Competitiveness Assessment

On a non-exchange rate-adjusted basis, Canadian furniture manufacturers incur higher labour and material costs than U.S. producers. In addition, due to the structure of the industry and the markets served, U.S. manufacturers are better positioned to effect cost savings through longer production runs, product specialization and usage of more modern machinery and equipment. As a result, it is estimated that a piece of furniture manufactured in the U.S. would be 20 to 25 per cent less expensive than if it were produced in Canada.

The current value of the Canadian dollar and the existing differential in Canada's favour, in the tariffs imposed by the U.S. and Canada have offset the competitive advantages enjoyed by U.S. producers to the extent that in most cases Canadian products are competitive in the domestic market. In addition, domestic manufacturers are able to compete in the U.S. market with unique products or products in which design and quality are as much or more a consideration as price.

To become more internationally competitive and be able to take advantage of future opportunities, Canadian manufacturers will need to reduce their costs through improved productivity. Accelerated modernization, the adoption of modern technology and improved marketing strategies taking into account production strengths would lead to more viable companies and a stronger industry. Since competitive pressures from Asia and the U.S. will continue and increase as trade becomes more liberalized, Canadian manufacturers will need to develop export markets in order to be able to benefit from the economies of scale required for more efficient operations.

Firms that are taking advantage of the present economic conditions to develop exports to increase production volumes may be able to adjust to the evolving environment and emerge competitive in at least the North American market.

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