

## II - CONCLUSIONS OF THE PEAT MARWICK STUDY

The U.S. Department of Commerce (USDOC) believes that demand for products in the valve and pipefitting industry is significantly affected by trends in energy-related industries, such as petroleum production and refining and hydro-electric power generation. Although demand for taps, cocks and valves from these industries has been in decline in recent years, the USDOC forecasts a substantial growth in demand from the pulp, paper, chemical and other non-energy-related industries especially for high-performance, close-tolerance valves.

Product groups from the seven-digit Schedule A classification of taps, cocks and valves include a wide variety of devices for controlling the flow of liquids or solids and made of various materials. This report focuses on one Schedule A product group: devices to control flow of liquids, gases or solids, nspf<sup>1</sup>, and parts, including ballcock mechanisms.

U.S. imports of the product of concern to this study are estimated at just under \$725 million (U.S.) for 1987. Major European exporters captured the largest share of this import market at approximately \$351 million (U.S.). They account for just over 48% of total U.S. imports, and their market share has been growing steadily since 1984. The Japanese share in the U.S. import market in 1987 was 28%, having increased since 1983. The market share for Canada, however, has declined during the same period to \$83 million (U.S.) and represents just over 11% of the total U.S. import market in 1987.<sup>2</sup>

The survey of U.S. importers indicated that 75.5% of the respondents were facing rising costs for their foreign imports due to the devaluation of the U.S. dollar. Almost 67% of importers who had not tried Canadian sources expressed interest in learning more about Canadian sources of supply. In addition, 42.5% of U.S. importers who would consider sourcing from Canada reported that after the implementation of the Free Trade Agreement between Canada and the United States, they

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<sup>1</sup> not specifically provided for

<sup>2</sup> It has been noted by an industry insider that the decline in Canadian exports may have been due to the need to divert production from the export market to the domestic market resulting from an increase in housing starts.