

- indications are that Canadian container producers have not matched the labour productivity gains of U.S. producers in the period.
- Canadian raw material (boxboard) costs in certain grades are not now competitive with U.S. costs, regardless of the currency denominated.

2. Strengths and Weaknesses

a) Structural

- the absolute size and concentration of the U.S. "regional" markets affords the U.S. producer undoubted benefits of scale such as specialization, long run orders etc.
- Canada's regional markets, even Ontario, are relatively small and do not permit specialization, nor large order efficiencies comparable to those in the U.S. markets.
- low real growth and overcapacity combine to keep most Canadian producers "all things to all buyers" in the face of too much capacity looking for too little business.
- among the few major producers some industrial adjustment, to accommodate new printing technology, continues and one major producer is rationalizing production facilities.
- Canadian producers are fully competitive internationally with respect to container design and graphics.
- transportation cost, in the main, limits the international marketing of the container.
- the U.S. niche markets are the only potential opportunities open to Canadian producers where price is less important than design and graphics.
- these markets tend to be small, with order quantities more suited to Canadian production capability.
- the market demand for improved graphics has become very strong in recent years - both in Canada and the U.S.
- Canadian producers have responded by way of acquisition of the necessary equipment despite the adverse impact upon the already evident overcapacity condition.
- product substitution (plastics, aseptic packaging etc.) is increasing steadily.

b) Trade Related Factors

- Canadian tariff on this product will be approximately 10 per cent, by 1 January 1987.
- U.S. tariff will be nominal, approximately 3 per cent, by 1 January 1987.
- For Canadian producers the principal protection against nearby, lower-cost U.S. product imports, into the domestic market, is now the NTB of currency exchange.
- the U.S.-based producer is the single potential competitor in the Canadian market.