

attempting to maintain their share of the market even in commodities for which they do not have a comparative advantage. As a result, production costs for these commodities are higher on both a regional and national basis because of these support programs with the result that their removal would cause both consumer prices and processor input costs to fall to more competitive levels. In addition, the taxpayers of those regions would see significant benefits from the removal of these barriers in the form of reduced government expenditures. Finally, the removal of these barriers would reduce the threat of countervailing action by the U.S. and serve to maintain and increase access to the U.S. market for Canadian agricultural products.

D. PROVINCIAL LIQUOR BOARD PRACTICES

The removal of provincial liquor board barriers would encourage the rationalization and modernization of Canadian producers, especially the brewing industry which has been excessively fractured by these barriers. Canadian breweries must become larger in scale and more technologically advanced in order to compete with U.S. producers that have many times the capacity of the entire Canadian industry. This can only be achieved over time by a centralization of production in a few larger-scale modern production facilities that are combined with efficient national and international distribution systems with common packaging requirements. Although this would initially require the abandonment of regional plants and the raising of substantial new capital, it would result in a more efficient use of capital in the industry when rationalization was complete. Similar benefits could also be realized by the distillery and winery industries, particularly through more efficient national distribution of their products. Consumers in all regions of the country would benefit from lower prices and greater choice if products were allowed to flow across borders without preferences being applied in each province. The removal of these barriers could also result in greater access to foreign markets for Canadian industries which could be exploited by a more efficient rationalized industrial structure in Canada.