Canada. Exceptions to this ruling are generally specialty machinery performing dual roles of formation and packaging of plastics products.

Sales Tax — This tax is levied at a nominal rate of 20 per cent on all packaging machinery except:

(i) where an agent or distributor avoids such tax by producing a sales tax exemption licence number, which is issued when machinery is for resale; or

(ii) when a manufacturer purchases machinery as an "aid to manufacture" and is thereby granted exemption.

Possible Development — A particular pressure point in Australian packaging is the likely inroads of linear low-density polyethylene (LLDPE) which has become available in volume. This plastic product, in which there is potentially a two-fold saving, is now selling in Australia for about the same price as low-density polyethylene (LDPE).

Associations — There are two major packaging associations in Australia: the Packaging Council of Australia (PCA) and the Australian Institute of Packaging (AIP).

The news, views and activities of the local packaging industry are reported in a monthly journal, *Australian Packaging*, which reports on companies, personnel and products within the industry.

The Competition and Competitor Activity

It is estimated that 75 per cent of packaging trade items are locally manufactured. As the tariff for this type of machinery is 15 per cent and the Australian labour rates have risen substantially over the last three years, the opportunities for imported machinery have been quickly taken by machinery manufacturing countries. West Germany, the United States, Italy and Switzerland in particular are very active through established agents. Their presence at trade shows and exhibitions is well organized, and their agent advertising in trade magazines is prominent.

The changing demands of the packaging industry, the requirement for greater flexibility in packaging of new shapes of containers, increased protection against thieving and tampering, and, for the labelling industry, demands for varying sizes and shapes of different materials all constitute a challenge that appears to have been met by the overseas rather than the local supplier. Recent presentations would indicate that Canadian companies are abreast of overseas machinery production innovations, but the present degree of penetration in this market is limited.

In addition to strong import competition, the Australian packaging industry is facing challenges from the implementation of the Closer Economic Relations Agreement with New Zealand. New Zealand offers Australian buyers a host of packaging materials and product supply sources at very competitive prices. This applies particularly to plastics and many types of steel products where, unlike the Australian converters, which are locked into expensive local raw-material supply sources, the New Zealand producers are able to import the raw material duty-free from the lowest cost sources throughout the world.

Forest Industries Equipment and Services

The Opportunity

Activity in the *pulp and paper industry* has centred around consolidation, rationalization or increasing productivity with minimal capital expenditure.

The need for partnerships in future major *pulp and paper projects* in Australia was highlighted at the recent annual conference of the industry association where the keynote speaker was Mr. Stan Wallis, Managing Director of Australian Paper Manufacturers Ltd. (APM).

Mr. Wallis saw the possibility of one or two pulp mills being built in Australia, each costing in excess of $500 million. For projects of this magnitude, he felt that there should be a consortium approach including involvement by customers in loan financing. Mr. Wallis suggested that there could be partnerships with firms based in New Zealand with whom Australians could share export markets.

Business in the *sawmilling sector* has picked up with improvements in housing starts coupled with easier and less expensive money available for loans. The earlier slowdown in this area led to a succession of takeovers, mergers and reallocations of resource quotas. Equipment suppliers report a gradual improvement in business activity as this section of the industry recovers from the recession. Within the *softwood timber industry*, the Radiata Pine Association of Australia and the New Zealand Timber Industry Federation recently agreed that the two organizations would

- work together to develop a preservative treatment policy that would lead to a unified branding of products treated for specific end uses;
- launch a promotional and educational program for radiata pine centred in the eastern states of Australia; and
- seek a rationalization of standards and sizes, especially for timber being exported to third countries.

With the development of Australia's softwood timber resources, a potential market for Canadian sawmilling equipment, chain saws and handling equipment is anticipated.

Recent Canadian Marketing Activity

Owing to the lull in business activities generally, the earlier promotional thrust by Canadian interests has tapered off in recent times. Several Canadian equipment suppliers have effected changes in their representation in the Australian market that should give them a stronger foothold when the market improves.

These changes include entering into a manufacturing-under-licence arrangement and the establishment of regional sales operations in Australia in order to provide better representation in this market.