

lesser extent by European developments. The preponderance of small to medium sized companies that make up the Canadian industry is also a characteristic of the industry of other countries such as the U.R., Germany, France, Denmark, etc. In the U.S. in the metal and office furniture industries, annual shipments amount to more than \$2 billion and although there are over 500 establishments, there is a higher concentration ratio than in Canada. In wood office furniture, the largest four U.S. manufacturing companies account for 32% of shipments while in metal office furniture, the similar figure is 47%. The fact that these two groups of companies employ only 18% and 38% of the respective labour forces illustrates the labour productivity improvements that can result from economies of scale.

Generally, the size of the market for office furniture in Canada has a limiting effect on the size of production runs and is not conducive to economies of scale. The development of export markets has enabled companies to increase volumes to improve production efficiency. Success in export markets for the most part has been the result of well designed and quality manufactured innovative furniture products in the medium to high price ranges.

In addition to the competitive disadvantages from lack of economies of scale, the Canadian industry incurs higher costs due to higher labour rates and material costs than the U.S. industry.

The competitive disadvantages confronting the Canadian industry have been significantly offset by relatively high rates of duty and in more recent years, the lower value of the Canadian dollar in terms of the U.S. dollar.

b) International Trade Related Factors

Non-tariff barriers are not a significant factor in international trade in office furniture products.

Most furniture imported into Canada is classified to one of two main tariff items depending upon the chief component material. The rate for furniture in chief part by value of metal prior to the Tokyo round was 17.5% and will be 12.5% in January 1987. The duty for other furniture, including wood, is being reduced from 20% to 15%. This level of tariff protection may have been instrumental in encouraging the establishment of subsidiaries of foreign owned manufacturers in Canada to serve the Canadian market. Exports of office furniture have been consistently less than 10% of the market. Products from the United States have regularly accounted for in excess of 85% of total imports into Canada with the remainder being essentially from Western Europe. Unlike the household furniture sector, imports from Asia represent less than one per cent of the total and therefore are not presently a factor. This is probably due to the fact that office furniture products tend to serve a contract market where new designs and customer specifications are more a factor than in the consumer market served by household furniture.

The United States as well as being the major foreign supplier to the Canadian market, is almost the exclusive recipient of exported Canadian made furniture. Currently, about 95% of Canadian exports are shipped to the U.S. market. Since U.S. tariff rates accorded Canadian made furniture range between 3.4% for wood to 10.9% for textile materials, Canadian products already have easy access to the U.S. market.

In making comparisons between Canadian and American exports of office furniture for the years 1975 to 1981, the increase in exports from Canada is marked, whereas U.S. export increases are not as spectacular. Canadian exports increased from \$14.1 million in 1975 to \$147.3 million in 1981, while American exports went from \$17.7 million in 1975 to \$79.4 million in 1981. In 1981 Canadian exports of office furniture amounted to 29.7% of the value of manufacturers' shipments, whereas, in the U.S.A., exports amounted to only 2.3% of the value of American manufacturers shipments. Again, currency exchange rate variations have influenced these trends.