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2. Strengths and Weaknesses

Structure

- no world-scale mill (1000 m.t./day capacity) exists within the subsector in Canada.

- none is likely because of high capital and production costs.

- certain economies of scale continue to be denied the Canadian industry because of this lack.

- eastern mills compound this disadvantage by making too many grades in any one mill.

- no industrial adjustment is underway in the subsector.

- international competitiveness is eroding and high transportation costs to world markets compounds the problem especially vis-à-vis Scandinavian and U.S. competitors.

- unstable labour relations are leading to onerous sales contract conditions especially for exports.

- the domestic container market is under strong competitive pressure from U.S. container producers and even the captive market for Canadian mills is very vulnerable if Canadian dollar appreciates.

- developments in the container industry will call for a higher quality liner and it is not yet clear whether Canadian mills will be able to undertake the necessary up-grading of their facilities.

Trade Related Factors

- Canadian linerboard tariffs have been adjusted, downwards, as a result of a special Canada/U.S. agreement during the Tokyo Round.

- the new level, 6.5 per cent effective January 1, 1987, will provide only nominal protection in comparison with the non-tariff protection afforded by the Cda/U.S. currency rate.

- of the five suppliers to the linerboard world market, Canada ranks third and is virtually a residual supplier, with a similar capacity ranking.

- 1983 world market percentage shares were U.S. 57; Sweden 28; Canada 8; Finland 7; Norway negligible.

- in semi-chemical corrugating medium, Canada had 25 per cent of world market in 1983 and ranked third marginally below Sweden, and the U.S. is not a significant competitor in this grade.

- world capacity and trade in kraft liner is dominated by the U.S. as the low cost producer and price leader.

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Technological Factors

- economies of scale are not present in Canadian mills nor are they a valid option now nor in the long term by reason of high capital cost, limited domestic market, high fibre-cost for a low-value product.