

stream. It is evident that sending excess production outside the country can be an interesting alternative to operating at a small fraction of capacity.

Since the market for bottled water is the developed, technologically advanced, environmentally conscious world, it is not surprising that, in most cases, exporting to those countries is a bit more complex than arranging for shipping. Sustained efforts are usually required to be successful outside Canada. It would be a mistake to think that exports, especially in the bottled water sector, can be used to "dump" excess production temporarily until demand picks up domestically. In almost all cases where potential exporters have approached foreign markets with this attitude, they have met with disappointment, if not disaster.

For the U.S. market, Canada benefits from transportation costs that are probably lower than those of any other supplier except those located inside the U.S. This is particularly true for north-south trade such as B.C. to California shipments. In addition, because the trade between the two countries is so pervasive, financial institutions in the U.S. know Canada well and Canadian banks are well informed regarding the United States. Finally, while there is some fluctuation between the currencies of the two countries, changes in relative value tend to be less significant than between the U.S. dollars and most other major currency, giving Canadian suppliers a more stable financial environment in which to operate.

#### 4. DOMESTIC MARKET

In 1985, the Food and Consumer Product Branch of the Federal Department of Regional Industrial Expansion (now Industry, Science and Technology Canada) published a Report on the Canadian Bottled Water Industry. The first sentence of this report stated: "Although statistical information on the Canadian bottled water industry is very poor, it is clear that demand for the industry's product has increased substantially in recent years..." In the five years since this report was published, there has been little improvement in the quality and amount of statistical information on the industry. Accurate, official data is still not readily available and estimates of the total value of bottled water sales in the country are just that: estimates. However, according to informed opinions of knowledgeable people close to the industry, the demand for bottled water in Canada has become stronger during the second half of the decade than it was when the above mentioned report was prepared.

Fortunately, our objective in this report - to help Canadian industry expand beyond our own horizons, does not require an analysis of domestic demand. And it is a certainty that supply is overabundant.