2. MACHINERY AND EQUIPMENT

2.1 Secondary and Service Industries Equipment

Overview

As noted in the following table of selected market segments, the U.K. secondary and service industries equipment sector embraces a wide and diverse range. In 1982, the overall market stood at £34.2 billion, a significant increase from 1981. However, while this higher figure reflects the gradual overcoming of the production slump and fall-off in new capital investment in the late 1970s and in 1980-81, it also shows the very mixed recovery. Foreign imports grew only marginally in 1982, but still captured 27 per cent of the U.K. market.

Canadian sales rose almost 25 per cent in 1982 to £63 million from £51 million in 1981. They represent a market share of less than 0.01 per cent. The increase in Canadian exports was attributable to metalworking machine sales.

The international recession of recent years and the increasing interests of various countries in export-led growth have resulted in a dramatic increase in the number of potential suppliers of secondary and service industries equipment to the British market. At the same time, a number of British suppliers have shown increased interest in their domestic market as they have found it necessary to curtail some of their activities in the Middle East and Africa.

In this environment, Canadian suppliers will need to reappraise their U.K. market strategy for this sector, including their price and product design characteristics. While specialized quality, and price-conscious equipment and machinery still command attention in this market, Canadian firms are finding that it is only by a significant presence that they will succeed.

Canadian exporters need to overcome some general obstacles when pursuing this market. There are few tariffs in this sector, which means that Canadian suppliers must compete against not only quality products from the U.S. and Japan, but also those products with duty-free access from EEC member countries, and price-competitive products from the Far East and Eastern Europe. Foreign exchange rates, transportation and market servicing costs are significant. Canada has a major marketing challenge in convincing U.K. and EEC clients that it is a source of high-quality engineered products in this sector.

Table 5
Market in the U.K. for Selected Secondary and Service Industries Equipment 1980-82

	(£ million)		
	1980	1981	1982
Forging, pressing and stamping equipment	1,005	887	938
Packaging products of metal	1,126	1,107	1,205
Domestic cooking and heating appliances (non-electrical)	224	239	243
Boilers and process plant fabrications	1,103	1,223	1,539
Textile machinery	278	256	232
Food, drink and tobacco-processing machinery; Packaging and bottling machinery	457	445	506
Mechanical lifting and handling equipment	1,205	1,014	1,114
Refrigerating, space-heating, ventilating and air-conditioning equipment	913	865	986
Pumps	395	390	408
Basic electrical equipment	2,030	1,938	2,177
Domestic-type electrical appliances	916	922	903
Electrical lamps and other electric lighting equipment	473	494	512
TOTAL	10,125	9,780	10,763

Source: U.K. government estimates taken from Annual Abstract Statistics (HMSO Books)

Nevertheless, the secondary and service industries equipment sector offers the most potential for Canadian exporters in the following areas: (a) printing/packaging/labelling equipment; (b) plastics processing equipment; and (c) cleaning/catering equipment. Each have shown sustained prospects, and because they have their own market characteristics and distribution channels, they will be considered separately.

Emphasis on these sectors should not discourage Canadian exporters from exploring possibilities in such other areas as agricultural machinery, material handling machinery and shop fixtures. Companies should visit the market, preferably at the time of an appropriate U.K. or Western European trade fair. That will provide them with the opportunity both to see the wares of the industry and to examine such