

EXEMPT  
15(1)

4. Evolving Environment

- no improvement in the modest real demand growth is foreseen.
- the excess capacity overhanging the market will persist unless producer action occurs to withdraw capacity and equipment is scrapped or exported.
- modernization in support of productivity improvement is likely to increase capacity in the segment.
- nothing on the horizon suggests any change in the role of the container as the lowest-cost protective shipping package in the world's distribution systems.
- highly competitive pricing will persist in Ontario and Quebec.
- improved margins will likely be possible only by making the product for less i.e. cost reduction will be increasingly necessary.
- while lower material cost is a vital cost reduction requirement, it is difficult to contemplate any significant degree of success being achieved on the basis of Canadian suppliers.
- the major raw materials (kraft linerboard and semi-chemical medium) are produced from a low-yield pulping process using high cost fibre.
- opportunities for significant mill price reductions are limited in the case of eastern mills and lower cost western mills cannot economically supply the eastern container producers.
- U.S. producers will continue to improve their cost ratios and increase their competitive position in a liberalized North American market.

5. Competitiveness Assessment

- Canadian producers, on average, are not competitive in the U.S. nor offshore.
- Canadian producers, particularly in Ontario and Quebec, are not fully competitive against U.S. producers in the Canadian market.
- in the larger volume business, Ontario and Quebec producers frequently have to match U.S. prices to retain Canadian business.
- the resulting loss of margin has impaired capital formation capability.
- raw material cost advantages will continue to lie with the U.S. producers because of U.S. fibre cost advantages.
- the NTN tariff reductions will be fully implemented by 1 January 1987 on corrugated containers.
- the final level is 9.2 per cent and by itself would provide little protection against the competitive price levels of U.S. producers selling into Canada.