Industry, Science and Technology Canada / Industrie, Sciences et Technologie Canada

CANADIAN BUILDING PRODUCTS EXPORT COUNCIL

FEASIBILITY STUDY

Canada

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Prepared for

INDUSTRY SCIENCE AND TECHNOLOGY CANADA
and
EXTERNAL AFFAIRS AND INTERNATIONAL TRADE CANADA

VOLUME 1

Undertaken by

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Flaman Partners Ltd.

July 1991

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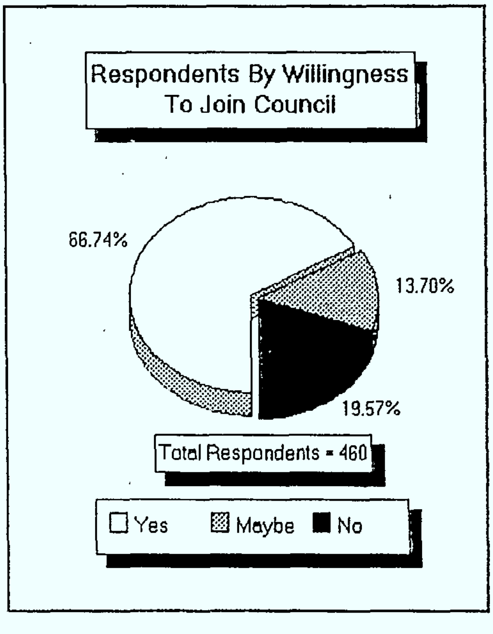
EXECUTIVE SUMMARY

This study was initiated in October 1990 by Industry, Science and Technology Canada (ISTC) with the financial participation of External Affairs and International Trade Canada (EAITC) in response to a perceived need for technical and marketing assistance by Canadian residential building product manufacturers to enhance their capability to penetrate export markets. The terms of reference require the study to outline the appropriate structure, management, operating costs and prospective sources of revenue for a Canadian Building Products Export Council (CBPEC) as well as undertake a representative survey of manufacturers to:

- ascertain if and under what circumstances a sufficient number of Canadian residential building product manufacturers would join an organization that would provide them the expertise and support to become increasingly internationally competitive;
- identify export market potential by obtaining from the manufacturer's a basic company export profile through soliciting their views on their export prospects and the importance to them of specific geographical markets;
- identify what specific export activities and/or services residential building product manufacturers require to compete successfully internationally.

The Canadian residential building industry annual value of output is approximately $47 billion, some 7% of GDP, directly employing 600,000 Canadians. Approximately one third of the output is residential building products many of which have high value-added ratios. Due to demographic factors, residential housing demand will decline in the 1990's and the current trend of increased building product imports will continue. Informetrica Limited in it's 1990 "Provincial Construction Report" forecasts a lower level of dwelling completions in Canada for every year for the next two decades. This phenomena, when combined with rising foreign competition in the domestic market, indicates that only increased exports will prevent a decline in Canadian residential building products output and manufacturing employment during the coming decade.

Value-added residential building products transform Canada's natural resources into high value-added manufactured production. Enhancing the international competitiveness of non-commodity building product manufacturers would support the widely held view that Canada's international competitive position must increasingly concentrate on transforming it's natural resources to value-added products to augment economic prosperity. An aggressive international marketing effort that renders Canadian manufacturers internationally competitive is the best defence against foreign competition in the domestic market. The survey results manifest that Canadian residential building product manufacturers do indeed wish to become more globally oriented.



A total of 2132 survey material envelopes were mailed of which an estimated 60% were to residential building product manufacturers. Some 558 response forms were returned of which 98 did not manufacture residential building products. Two-thirds (307) expressed a willingness to join a residential building products export council and another one-fifth (63) expressed conditional willingness to join. Collectively the 80% that expressed interest in joining represent total annual building product sales of $7.5 billion and exports of $1.5 billion. Their average sales are $20 million and average exports are $4.2 million. We estimate that approximately 60% of the industry was surveyed. **Extrapolation of the survey results indicates that an industry export council, based on the activities and fee structure proposed in the survey, could attract as many as 500 residential building product manufacturers with total annual sales of well over $10 billion of which at least 20% would be exports.**

The survey results confirm that a sufficient number of manufacturers with a profuse range of products will join an industry export council. The demand by Canadian manufacturers in this industry for assistance in exporting is very large and broadly based in terms of geographical location of manufacturers, types of products manufactured and size of company. Willingness to join the council is closely correlated with provincial populations, with all provinces and territories represented.

Although the United States is the largest current export market for those building product manufacturers that currently export and the respondents predict it will remain so, survey results indicate that manufacturers consider that they could also be internationally more competitive than they presently are in other geographical markets. The respondents are optimistic on their potential international competitiveness, expressing a priority for three geographical market areas; specifically the U.S, Asia Pacific and Europe. Geographical areas of export interest varies among products manufactured which implies that an export council will require three distinct geographical programmes tailored both to products and markets.

Statically, the profile of the Council member is a manufacturer with average sales of $10 million and exports of approximately $2 million. Close to one half of the Council membership would be manufacturers with less than $5 million in sales. Forty percent of respondents interested in joining the council do not currently export. The council would have to provide many members with fundamental export training assistance such as export readiness programmes. Many small manufacturers may not be able to pay the full cost of such services which indicates that the government would have to financially contribute to the activities of the council. The respondents expressed the collective opinion that, overall, the council's activities should be financed on a 60-40 government/industry cost sharing ratio. Council annual membership fee revenue would grow from $250,000 to $300,000 based on the fee structure proposed in the survey response form. For many Council activities cost sharing is a realistic and acceptable financing approach to members but for many smaller manufacturers the government will have to financally assist in their passage to international competitiveness.

Respondent Willingness To Join Council By Sales Volume

Total Product Sales	# Yes	# Maybe	Total	% of Total
<1M	53	18	71	19.19
1-<5M	94	15	109	29.46
5-<10M	58	4	62	16.76
10-<50M	89	20	109	29.46
50-<100M	5	2	7	1.89
100-500M	7	3	10	2.70
>500M	1	1	2	0.54
Total	**307**	**63**	**370**	**100**

The preponderance of the comments of those willing to join is that they lack the international marketing expertise and human and financial resources to access international markets. This is not surprising considering that two-thirds of those manufacturers wishing to join an export council have annual sales of less than $10 million. A residential building products export council would provide the government with a vehicle through which it could strengthen the competitiveness and maintain employment levels in one of Canada's most important manufacturing sectors, the prospects for which are threatened by demographic trends at home and increasing industry globalization. **The study indicates that initially 300 to 400 Canadian residential building product manufacturers are ready to globally compete in the US$200 billion international export market of building products by joining an industry export council.**

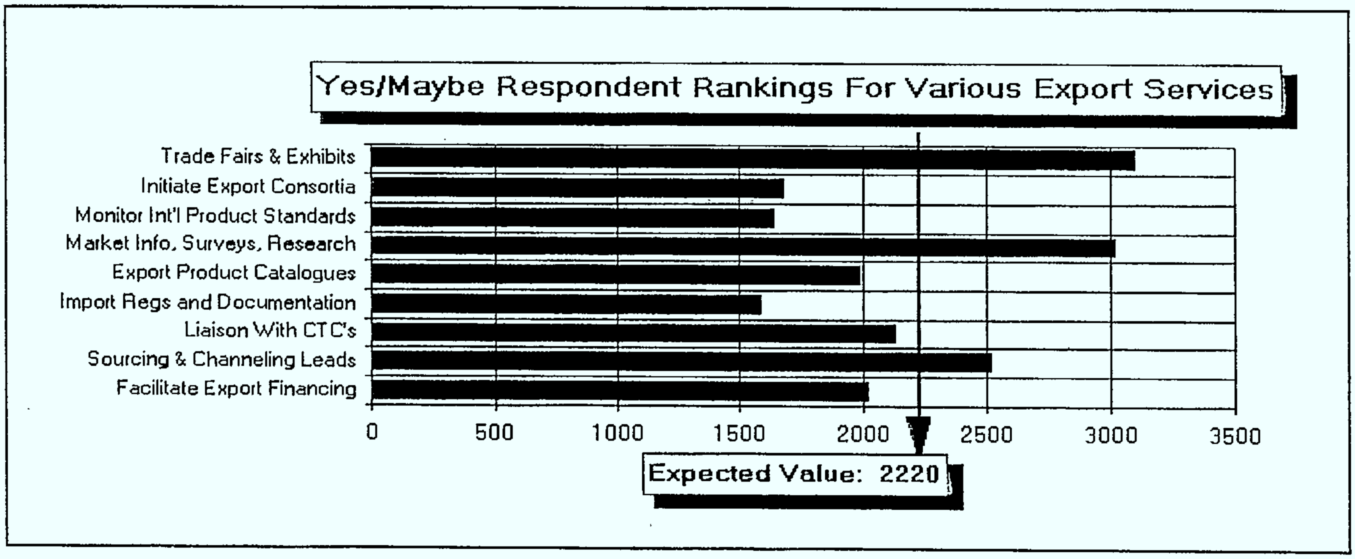
The Canadian building products industry contains all four necessary components of the Porter "diamond" for a nation's international competitiveness; many domestic competitive firms, demanding markets, the existence of national supporting industries and specialized training, equipment and research. Support for increased international competitiveness in the manufactured building products industry is complementary to and consistent with the D'Cruz/Rugman study conclusion that, in Canada, the foundation of the "diamond" must be our natural resource industries particularly the forestry and base metals industries.

?

The primary (building products) producers generally market internationally utilizing internal resources and to some extent are supported by product associations. However, most of these associations do not have export promotion as a primary mandate. Many of the manufactured products producers do not belong to product associations and do not have access to specialized export promotion assistance. A need exists in the Canadian building products industry for an entity that fills this void which inhibits the industry from realizing it's potential in international markets. **The purpose of the proposed private sector Export Council is to provide a vehicle that services both product associations and individual producers in their efforts to expand their international market development.** Internationally product standards are being harmonized, performance specifications strengthened, designs standardized yet many Canadian manufacturers do not have access to these developments nor a method to participate in their formulation. The Export Council would provide a forum for producers to address these important issues where, at present, they are unable to do so individually due to a lack of expertise and resources.

All activities (services) proposed for the council were considered valuable by the respondents. Three activities are most desired; assistance in entering trade fairs and missions, market information and research and sourcing business leads. The Council could undertake the following activities:

- Identify and coordinate Canadian manufacturers participation in international trade missions and exhibitions for building products on behalf of it's members.
- Undertake international market research for building product companies or associations.
- Provide systematic product information to the Canadian Trade Commissioner Service, Industry, Science and Technology Canada regional offices and sectorial staff and External Affairs and International Trade Canada geographic bureaus.
- Develop and provide members with export training programs especially for small manufacturers.
- Appraise members of market/contract opportunities.
- Assist member companies in obtaining export financing from Canadian and international financing institutions such as the Export Development Council, the World Bank, regional development banks and commercial financing institutions.
- Report to members on developments in international forums that affect Canadian competitiveness and market opportunities such as the GATT, Europe 1992, U.S-Canada Free Trade Agreement.
- Advise Governments in Canada on issues and policies that effect the international competitiveness of Canadian building product manufacturers.
- Identify barriers to building products trade and trade opportunities in selected nations.
- Develop catalogues of promotional literature of members building products.
- Encourage and assist the formation of Canadian building product manufacturer export consortia.
- Undertake industry seminars on a contractual basis for EAITC on such topics as international building codes, product standards and certification, import regulations etc.



RECOMMENDATIONS

- That Industry, Science and Technology Canada (ISTC) initiate a Plan of Action to establish a Canadian Building Products Export Council (CBPEC) that could begin operations as of January 1, 1992.

- That the mandate of the CBPEC be to assist building product manufacturers promote their value-added products internationally.

- That the Council be established as an industry non-profit organization independent of Government, governed by a Board of Directors that reflect the product category and geographical composition of the membership.

- That Council membership be initially limited to residential building product manufacturers and possibly extended to non-residential manufacturers as the Council matures administratively.

- That one role of a CBPEC be to assist existing related product associations provide export marketing services to their membership through the creation of a special Association membership category within the Export Council.

- That a special category of membership be created for small companies with sales of less than $1 million per year at an annual fee of $200.

- That EAITC utilize the Export Council to assist in identifying appropriate products and manufacturers to participate in trade exhibitions supported by EAITC's "Programme for Export Market Development-Government Initiative" (PEMD/GI) programme and consider establishing with the Council an annual consultation on priority product categories and geographic markets to enhance the international competitiveness of Canadian residential building product manufacturers.

- That ISTC consider granting the Council a three year $300,000 annual matching programme grant to fund the Council's programme activities from the department's existing budgetary programme resources to assist in increasing the industry's value-added manufacturing through strengthening the international competitiveness of Canadian building products manufacturers.

- That EAITC consider contracting, within it's PEMD-GI programme, the CBPEC to undertake industry seminars on such topics as international building codes, product standards and certification, import regulations etc.

- That at least half of any programme contribution of ISTC be directed to support the export needs of small manufacturers defined as those with total annual sales of less than $5 million.

- That ISTC and EAITC each consider providing the Council with one three-year staff secondment to assist the Council in it's formative years.

- That the survey findings be sent to all the survey respondents, related product associations, appropriate provincial ministries and other potential Council members in order to reach as close to all residential building product manufacturers as possible.

- That consideration be given to engaging a professional research firm specializing in this industry to develop baseline data for the Council on the residential building products industry that would further identify products, value-added manufacturers and sales and trade data.

SECTION 1

INTRODUCTION

1.1 Purpose of Study

1.2 Terms of Reference

1.3 Survey Methodology

1.4 Consultations with Industry Associations

1.5 Non-Residential Construction

1.1 Purpose of Study

This study was initiated in October 1990 in response to a perceived need for technical and marketing assistance by Canadian residential building product manufacturers to enhance their capability to penetrate export markets. Although a few Canadian firms in the industry are large, most would be classified in terms of sales as small to medium, traditionally domestic oriented and lacking experience, knowledge and resources in exporting. (The survey responses matched this a priori description of the Industry; see Section 3). The related product trade associations in this industrial sector have lacked either the mandate or the resources to assist their members individually to penetrate export markets (see Section 1.3 and Appendix 8). Flaman Partners Ltd. proposed in the summer of 1990 to industry Science and Technology Canada (ISTC) that it undertake a study that would ascertain industry interest and support for an organization that would provide export marketing assistance to individual companies in this industry and identify the nature of the services and expertise most required by the potential member firms.

Increasing globalization of business has made Canadian building product manufacturers more prone to competition in the domestic market from foreign producers. According to many Canadian building product manufacturers the Canada-U.S. Free Trade Agreement has compounded the globalization trend effects particularly in this industry. The flip side of both of these phenomena is that export opportunities for those Canadian manufacturers who are internationally competitive are enhanced. Traditionally many building product manufacturers in Canada have been almost solely domestically oriented. This aspect of the industry is examined in more detail in Section 2 but the main objectives of this study were to ascertain if Canadian residential building product manufacturers are interested in increasing their focus toward export markets and determine if they needed specific assistance in doing so. The results of the survey data presented in Section 3 indicate that the answer is overwhelming affirmative to both questions.

To keep it manageable, the focus of the study was intentionally narrow; it was threefold:

- to ascertain if and under what circumstances a sufficient number of Canadian residential building product manufacturers would join an organization that would provide them the expertise and support to become increasingly internationally competitive;
- to identify export market potential by obtaining from the manufacturers a basic company export profile through soliciting their views on their export prospects and the importance to them of specific geographical markets;
- to identify what specific export activities and/or services residential building product manufacturers require to compete successfully internationally.

Section 3 presents this profile, analyzes the data and summarizes the resulting respondents' observations. A listing of the comments of the respondents appears in Appendix "D".

1.2 Terms of Reference

Industry Science and Technology Canada (ISTC), jointly with External Affairs and International Trade Canada (EAITC) commissioned Flaman Management Partners Ltd. to undertake a study that would survey a representative sample of firms in the industry and consult with related trade associations on the three aforementioned topics. (see Appendix "H"). Flaman undertook the research and preparatory work during November and December 1990, surveyed the industry during January and February 1991, the survey results were compiled and analyzed in March and April and the report prepared in May and June 1991.

The Study Terms of Reference are detailed in Appendix A. They also include a requirement to outline the appropriate structure, management, operating costs and prospective sources of revenue for a Canadian Building Products Export Council (CBPEC). Section 4 deals with these aspects.

1.3 Survey Methodology

Flaman Partners, with the assistance of Statistics Canada, ISTC and EAITC adopted the methodology of undertaking a survey of manufacturers in the industry and, through ISTC, solicited the inputs of the major related trade associations. The response form was designed in consultation with ISTC and Statistics Canada and mailed by ISTC. The mailing was undertaken over a two week period in mid- January 1991 with a February 28th response return deadline. Section 3 contains a copy of the response form used in the survey and Appendix "G" provides a copy of the background material and covering letter which accompanied the response form.

The major problem encountered in undertaking the survey was the development of an appropriate mailing list for the survey. This activity required considerable work by both the contractor and the client due to the lack of a database on the Canadian residential building products manufacturing sector. This issue is discussed at more length in Section 2, but it should be pointed out that the mailing list which had to be developed for the survey was not done to be scientific in obtaining baseline data on the industry at large. This was not the terms of reference of the study. The mailing list was developed with the objective of reaching a broad representation of Canadian residential building product manufacturers from the standpoint of types of residential building products manufactured and size of company.

1.4 Consultations with Industry Associations

An industry body (Association) for all building products does not exist in Canada. However, there are many industry associations organized around specific types of building products. To solicit their views twenty-one associations that are related to building products were contacted in writing and four were interviewed. Ten associations responded in writing, four other associations responded through the survey response form. Of the sixteen associations only one, a commodity association, did not see a benefit to their members in the creation of a Canadian Building Products Export Council. All others have indicated their support and most would like to be eligible for membership in the export council. Appendix "H" contains the responses of those associations that responded in writing.

The existing product associations either do not have an export promotion mandate or lack the resources to undertake the activities that would be required to do so. They view an export council with a focused mandate that is specifically export oriented as complimentary to their activities. Many express the view that they would like to see membership in a Canadian Building Products Export Council open to the related associations so that they could make aware to their members on a regular basis the services available to them from an industry export council.

The strong support expressed by the industry product associations should greatly assist in securing membership in the export council. Both the Canadian Exporters Association and the Canadian Manufactured Housing Institute have offered assistance in initially housing the Export Council. Working with existing product specific associations would also benefit an export council by making available such required information as sources of supply, product standards, trade barriers etc..

The input from the related associations suggests an important dimension for an export council. A role of the council would be to complement existing associations by making available to related association members the international marketing and export services of the export council through the related associations. This implies that a membership category for associations be established by the council. In many instances companies would be members of both the export council and a related association. For those association members who are not members of the export council, a fee for service (paid by the company) agreement with the association would be required.

The comments of the associations indicate a desire for assistance in helping their members export and confirm the premise of the study that a CBPEC should have a specific and focused mandate that contributes to the international competitiveness of Canadian building product manufacturers.

> Recommendation # 1
>
> That one role of a Canadian Building Products Export Council be to assist existing related product associations provide export marketing services to their membership through the creation of a special Association membership category within the Export Council.

1.5 Non-Residential Construction

The question naturally arises as to the reasons and wisdom of excluding non-residential building products manufacturers in an Export Council. During consultations with the Canadian Construction Association (CCA) the option of adding non-residential manufacturers in a second phase was considered. The non-residential construction sector contains a much higher proportion of contractors and commodity producers than residential and the building products tend to be more customized than standard "shelf items". To avoid having the Council start with a mandate that may be initially too big, it was felt that the Council should initially limit it's activities to the residential market. Subsequently the institutional, commercial and industrial (ICI) building product manufacturers would be surveyed to ascertain their export assistance needs and interests with the prospect of adding these manufacturers when the Council is administratively mature.

In many instances manufacturers produce for both markets. In determining eligibility for membership in a CBPEC, it is recommended that a broad definition of "residential" be applied that would include vale-added products for the "high-rise" market.

SECTION 2

THE INDUSTRY AND INTERNATIONAL COMPETITIVENESS

2.1 Definition of the Industry

The Canadian building products industry should be viewed as two quite distinct segments. One segment is composed of primary products based on natural resources (e.g. wood, cement, steel) that contain relatively little value-added save the inherent economic rent of a natural resource product. In a sense such products are global commodities, price sensitive in export markets and traditionally have been export orientated. The other segment is composed of manufacturing companies whose products have high value-added, compete with imports but generally have not been primarily export orientated (e.g. doors, furnaces, electrical fixtures). While the former segment generally possess expertise and access to foreign markets, the latter does not. **Rather than the building products industry being perceived as a manufacturing sector it is usually looked upon as the grouping of particular manufactured products. This has constrained international marketing on a sectorial basis.**

Despite it's magnitude or perhaps due to it, the building products industry is not viewed as a distinct manufacturing sector in Canada. The proliferation of products, the survey respondents manufactured 264 of them, has resulted in the sector being organized and analyzed along lines of product categories. Specialized associations exist for some specific product categories (e.g. kitchen cabinets, doors and windows etc.) but international marketing efforts do not occur for complementary products. Often marketing one type of product requires complimentary products. For example pre-fabricated structures require a broad range of other building components such as hardware, heating, electrical and plumbing products.

This study was restricted to the Canadian manufactured residential building products industry defined as value-added products used in residential construction. The focus was on value-added products and therefore excludes basic "commodity" or natural resource products such as lumber. The intent of the study was to focus on high value-added residential building products manufactured in Canada. Eighteen percent of the survey respondent's products were not so defined and are not included in the survey database. A distinct database of high value-added residential building products manufactured in Canada does not exist. The survey attempted to identify such products by asking manufacturers in which international geographical markets and which products they deem they could be competitive.

2.2 Composition of the Industry

Although the market segment thus defined is constricted, the number of individual products is diversified, comprising 25 SIC product codes and more than 500 individual products. Table 8 in Section 3 lists the product categories into which the survey responses were categorized. Appendix "K" lists the "HS" product categories that were extracted from the "BOSS" index that formed the basis of the survey mailing list. Appendix "F" lists the 264 products manufactured by the 558 survey respondents.

In 1985 Statistics Canada industry data reported 13,100 enterprises in the total building products industry employing 489,000 full time. Using Clayton Research of Toronto (see Appendix "C") analysis of the data, close to half of the enterprises had less than 10 employees, 67% less than 20, 84% had less than 50 employees and 92% less than 100. The preponderance of the industry is small scale. If it is assumed that the core membership in an export council would be firms employing more than 20, who do not exclusively produce commodities or non-residential building products, and excluding regional producers who cannot be internationally competitive, the total number of firms that a residential building products export council could draw upon for it's membership would certainly be less than 2000 manufacturers.

2.3 Size of the Industry

The value of output of the construction industry in Canada in 1990 was $106 billion (15% of GDP) of which 43.6% was residential (7% of GDP). Residential construction has historically accounted for 42 to 47% of total construction output. Building products represent approximately 40% of total construction costs ($42.5 billion, 6% of GDP). Building products generally account for 30 to 40% of residential construction value. Extrapolating on this basis implies that 1990 residential industry sales were approximately $16 to 17 billion (2.5% of GDP). The five commodities of lumber, cement, steel, brick and mineral products traditionally account for approximately 22% of manufactured building products in Canada. Excluding these commodities indicates that the value-added residential building product market is about $13 billion. The magnitude of this figure is consistent with the sales information provided by the survey respondents if the assumption is correct that the responses represent approximately 60% of the industry.

Recommendation # 2

That consideration be given to engaging a professional research firm specializing in this industry to develop baseline data for the Council on the residential building products industry that would further identify products, value-added manufacturers and sales and trade data.

2.4 Importance and Prospects of the Industry

Besides the high value-added nature of non-commodity building products, their manufacture is a very important high employment component of the Canadian economy. It is primarily labour that converts our natural resources into manufactured building products. The industry is important in all provinces in Canada as the survey results attest. It is among the top five manufacturing industries in Canada employing some 70,000 in the mid 1980's which is subject to increased competition as a result of the Canada-US Free Trade Agreement. The aging of the "baby-boomers" has induced the leading forecasters in the housing industry such as CMHC, Informetrica Limited and Clayton Research to forecast a significant downturn in residential building products output and employment for this decade. The slow growth in new household formations expected in the 1990's will have negative repercussions on domestic residential housing starts in Canada and consequent output and employment in the industry.

A study by Clayton Research in 1986 on the Ontario building products industry of 20 product categories indicated that the Canada-US Free Trade Agreement would result in 8 "winners", 5 "losers" and 7 not significantly affected (see Appendix"C"). **If Canada is to only maintain the size of it's building products output in the 1990's we are going to have to save some losers and exploit the winners through strengthening our international competitiveness of Canadian building product manufacturers.** Informetrica Limited in it's 1990 "Provincial Construction Report" forecasts a lower level of dwelling completions in Canada for every year for the next two decades. This phenomena combined with rising foreign competition in the domestic market indicates that only increased exports will prevent a decline in Canadian residential building products manufacturing output and employment during the coming decade.

Although the home renovation market is forecast to expand by as much as eighty percent in the coming decade, it's growth is unlikely to compensate for the decline in new housing starts and the existing trend of increased building product imports. Strengthening the international competitiveness of Canadian manufacturers has an auxiliary benefit of reducing imports into Canada.

2.5 International Competitiveness

Building product imports were approximately $3 billion annually in the mid-eighties, some 20 to 25% of the Canadian market. **A survey of building product manufacturers completed in May of this year by Clayton Research Associates Limited reported that half the companies surveyed report a declining market share due to foreign competition. As markets become globalized Canadian building products manufacturers will have to increasingly become export orientated in order to remain efficient and competitive and to maintain present employment levels.** Otherwise foreign competitors, producing for a global market, will further penetrate the domestic Canadian market as protectionist barriers are reduced. Although market globalization is threatening to Canadian producers, the flip side of the coin is that globalization also offers new economic opportunities and this is especially so for building product manufacturers.

Growth in the primary product sectors in Canada have historically been achieved through an increase in the volume of harvesting but this cannot continue as we approach maximum levels of annual harvest. To maintain national prosperity we must change the focus of our exports from "volume to value". This requires becoming more competitive in manufacturing high value-added products from our natural resource base. Even with basic commodities included, the value-added component of building products manufactured in Canada in 1985 was 43%.

By and large the base materials from which residential building products are manufactured are natural resources principally wood, minerals, petroleum and energy all of which are abundant in Canada. The transformation of these natural resources into finished building products is very labour intensive. The building products industry is a high value-added contributor to the Canadian economy as the value of output and employment statistics manifest. It is a manufacturing industry in which Canada has a comparative advantage to most nations in the world including the developed economies of Asia and Europe.

The Canadian building products industry contains all four necessary components of the Porter "diamond" for a nation's international competitiveness; many domestic competitive firms, demanding markets, the existence of national supporting industries and specialized training, equipment and research. Support for increased international competitiveness in the manufactured building products industry is complementary to and consistent with the D'Cruz/Rugman study conclusion that, in Canada, the foundation of the "diamond" must be our natural resource industries particularly the forestry and base metals industries.

2.6 Scope of the International Market

United Nations statistics report that world imports of construction products totalled US $187 billion in 1987. While Canada had 28% of the U.S. market primarily due to basic wood products, in other sectors our strength diminishes as the amount of processing involved increases. Of 116 building products that the U.S. is among the ten leading importers, Canada ranks first among suppliers to the U.S. market for only 27 products. In metal work, plastic and electrical building products Canada's performance is far from outstanding in the U.S. market and dismal in the European and Japanese markets. As the March 15, 1990 issue of CanadExport concluded "there is certainly no lack of outlets for Canadian (building) products either in the U.S., Europe or Japan. What Canada requires is a more vigorous approach to them." **The Canadian Building Products Export Council would be a vehicle through which Canadian building products manufacturers can more aggressively penetrate the U.S., Europe and leading Pacific rim markets in a manner similar to that of other countries building products export marketing structures.**

2.7 Comparative International Strategies

Recognizing the importance of the international building products market, the U.S. Department of Commerce announced plans to launch a study of the housing and building products markets in 45 nations. Its goal is to help expand export markets for the U.S. building products industry. The study aims to identify major housing types and building materials used in the selected nations. Each country's ability to produce these building materials will be assessed, along with patterns of imports and barriers to trade. A Canadian Export Council could perform a similar role on behalf of it's members and government. Other competitors (e.g. Sweden and France) assist their manufacturers in this industry in varying manners such as directly posting abroad building products industry personnel to embassies and trade promotion offices; government subsidies to export consortium of complimentary products that offer customers a complete product range (e.g. Korea, Japan); and consortia contract bidding with government financial subsidies (e.g. Europe).

SECTION 3

SURVEY RESULTS

3.1 Survey Response Form

3.2 Statistical Results Tables and Charts

3.3 Survey Analysis

- 3.3.1 Survey Response Rate
- 3.3.2 Willingness to Join Council
- 3.3.3 Provincial Location of Respondents
- 3.3.4 Sales and Exports of Respondents
- 3.3.5 Types of Products Manufacturer by Respondents
- 3.3.6 Current Versus Potential Geographical Export Potential
- 3.3.7 Preferred Council Activities
- 3.3.8 Respondent's Govt/Industry Cost Sharing Views
- 3.3.9 Size of Firms Wishing to Join Council

3.4 Consultative Views

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CANADIAN BUILDING PRODUCTS EXPORT COUNCIL

RESPONSE FORM

It is proposed to establish a private sector organization that would assist Canadian Building Products Manufacturers achieve their export objectives. Please take a few minutes to complete the following response form. The information you provide about your company's exports and export potential will help in the assessment of private sector support for an independent national export body whose activities will address the export assistance requirements of building product manufacturers. Your participation is voluntary.

Part A: Company Information

Company Name

President

Mailing Address

....

....

Telephone No.

Fax No.

Contact Person(s) for exports

Part B: Building Product Information

Please indicate the building product(s) that your company:

Manufactures | and Exports ☐ | Geographical Export Areas (specify)

.... | .... | ....

.... | .... | ....

.... | .... | ....

What were your building product sales in 1990? $

What were your building product export sales in 1990? $

If you are not currently exporting but think that you could through the assistance of an export council , what building product(s) would it (they) be?

Part C: Export Market Potential

In which market(s) do you feel you have a reasonable chance to compete in:

☐ USA ☐ Japan ☐ Western Europe

☐ Eastern Europe/USSR ☐ Asia/Pacific ☐ Middle East

☐ Caribbean ☐ Latin America ☐ Africa

Part D: Building Products Export Council

Which of the following services suggested for the proposed Building Products Export Council would benefit your company in the export of your product(s)? Please rank in order of importance (1 = highest; 10 = lowest)

☐ Building Products Trade Fairs and Exhibits ☐ Initiate Export Consortia ☐ Monitor International Product Standards

☐ Market Information, Surveys and Research ☐ Publish Export Product Catalogues ☐ Import Regulations and Documentation

☐ Liaison with Canadian Trade Commissioners ☐ Sourcing Contracts and Channeling Leads ☐ Facilitating Export Financing

☐ Other (specify) ....

If the Federal Government was to contract the organization and management of specialized international trade fairs and missions to the Building Products Export Council, what industry-government cost sharing formula would you participate in?

Government ______% + Industry ______% = 100%

The annual fees to join the Council could be based on your company annual sales; for example:

Member annual sales:	Under $10M	$10M - $100M	Over $100M
Member annual fees:	$500	$1000	$2500

Would you join the Council? ☐ Yes ☐ No

Part E: Comments

Any comments or suggestions you may have regarding the feasibility/viability of the proposed private sector Canadian Building Products Export Council, its mandate and method of operation would be appreciated.

☐ **I wish to receive a copy of the study's conclusions and recommendations**

We very much appreciate the time and effort spent to complete the response form and request you return it by mail or fax before FEBRUARY 28, 1991 to:

Murray Hardie
Senior Commerce Officer
Resource Processing Industries Branch
Industry, Science and Technology Canada

Tel.: 613 954-3037
Fax: 613 952-4209

Table 1

All Survey Respondents Including Those Not In Industry	
Willingness to Join Council	# of Respondents
Yes	**307**
Maybe	**63**
No	**90**
Not in Industry	**98**
Total Respondents	**558**

Chart 1

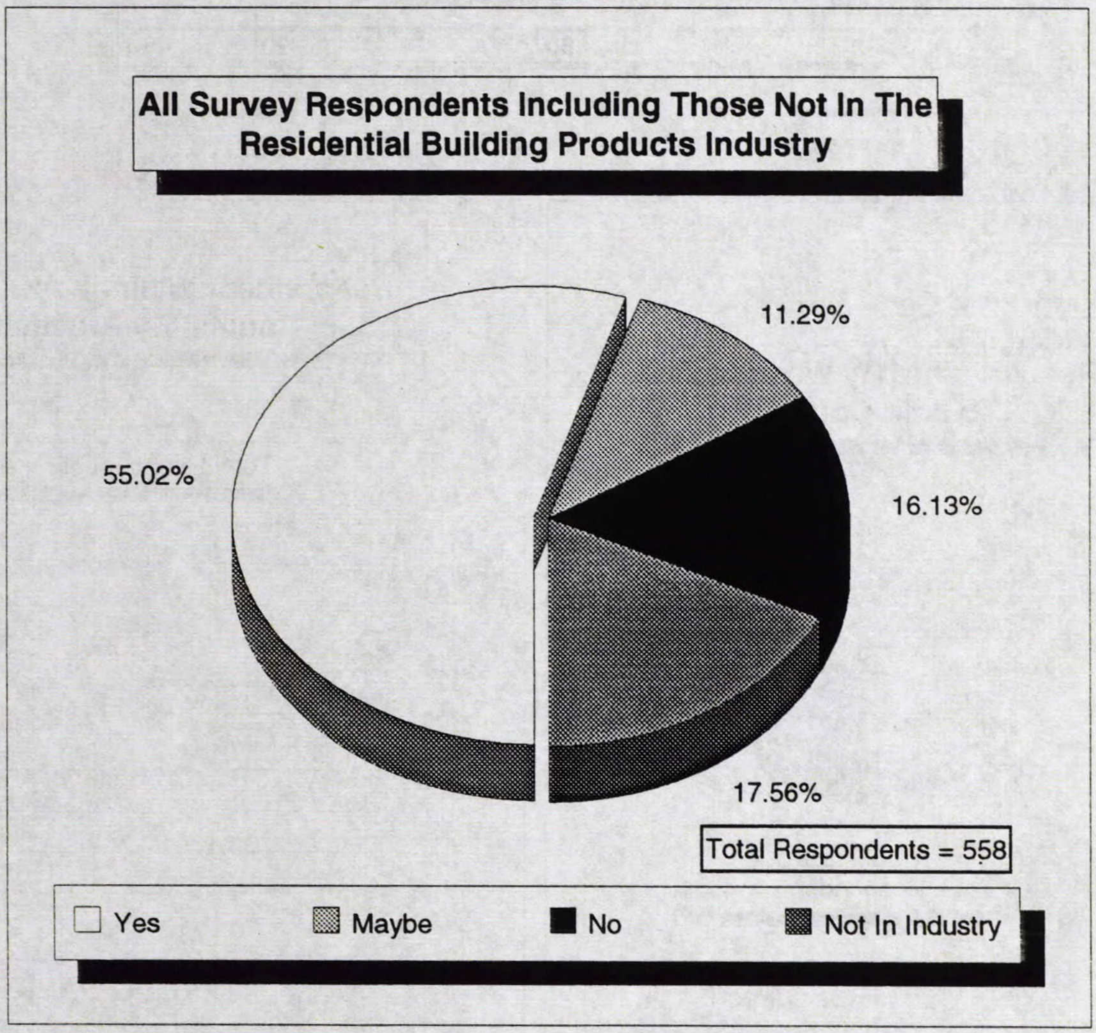


Table 2

Respondent Willingness to Join Council By Province				
Province	**Yes**	**Maybe**	**No**	**Total**
British Columbia	46	7	10	63
Alberta	16	5	8	29
Saskatchewan	3	2	2	7
Manitoba	16	3	5	24
Ontario	122	32	43	197
Québec	81	10	17	108
New Brunswick	9	1	2	12
Nova Scotia	7	3	2	12
Prince Edward Island	1	0	1	2
Newfoundland	3	0	0	3
Northwest Territories	2	0	0	2
The Yukon	1	0	0	1
Totals	307	63	90	460

Chart 2A

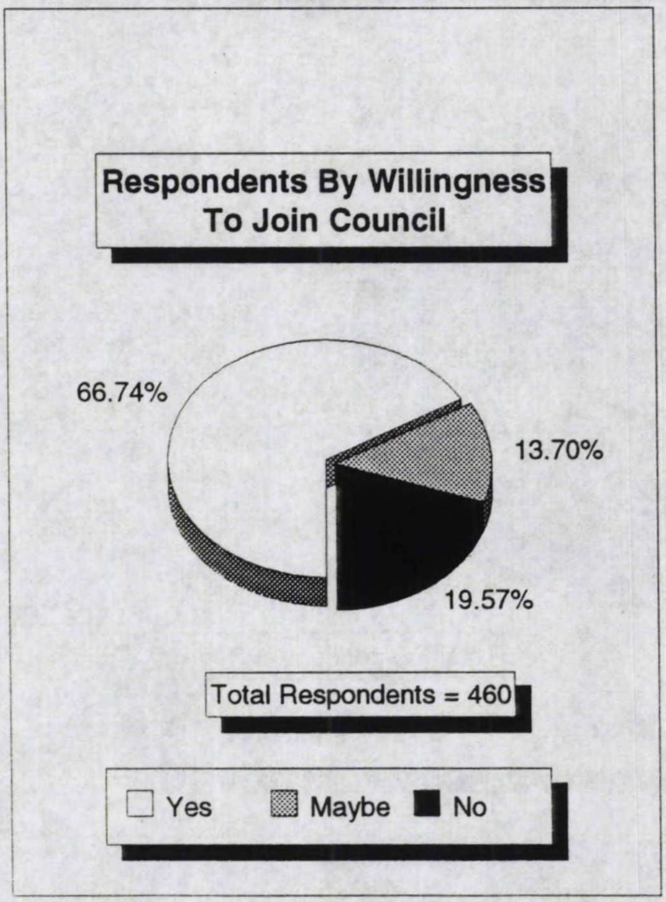


Chart 2B

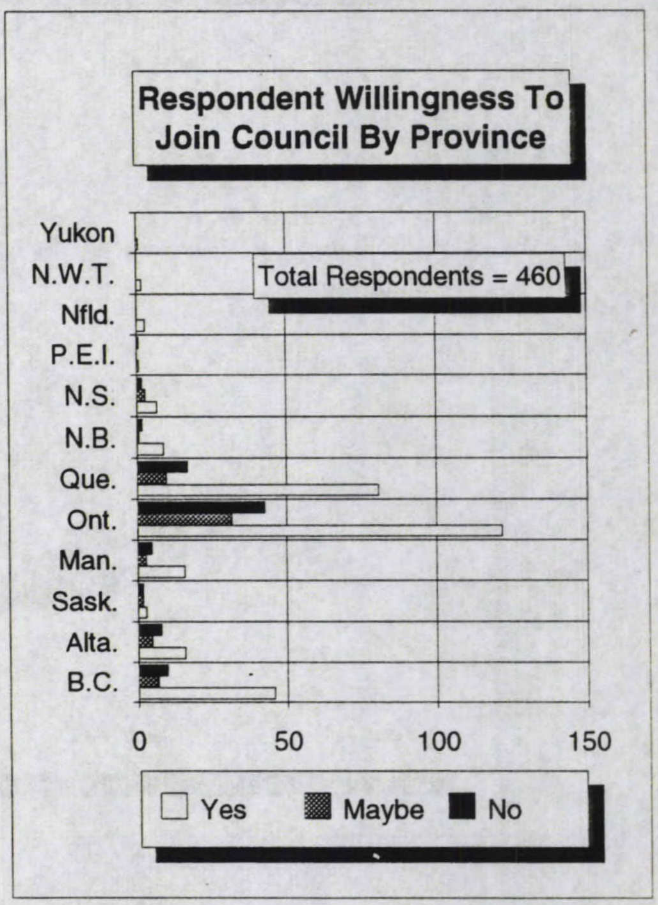


Table 3A

Total and Export Sales Data of Survey Respondents
All Survey Respondents

460 Respondents in Survey		# Providing Data	
Total Sales	$8,167,385,431	410	89%
Average Sales	$19,920,452		
Total Exports	$1,512,282,976		
Average Exports	$3,688,495		
Exports as % of Total	18.52%		

307 Respondents Answering YES		# Providing Data	
Total Sales	$4,758,937,332	285	93%
Average Sales	$16,698,026		
Total Exports	$1,307,298,131		
Average Exports	$4,587,011		
Exports as % of Total	27.47%		

63 Respondents Answering MAYBE		# Providing Data	
Total Sales	$2,034,651,099	59	94%
Average Sales	$34,485,612		
Total Exports	$137,545,500		
Average Exports	$2,331,280		
Exports as % of Total	6.76%		

90 Respondents Answering NO		# Providing Data	
Total Sales	$1,373,797,000	66	73%
Average Sales	$20,815,106		
Total Exports	$67,439,345		
Average Exports	$1,021,808		
Exports as % of Total	4.91%		

Assumption 1: If a respondent completes the Total Sales field, but leaves the Export Sales field blank, the Export field is set to "0" and included in average and percentage calculations.

Assumption 2: If a respondent leaves both the Total Sales and Export Sales fields blank, neither field is included in the average or percentage calculations.

Chart 3A

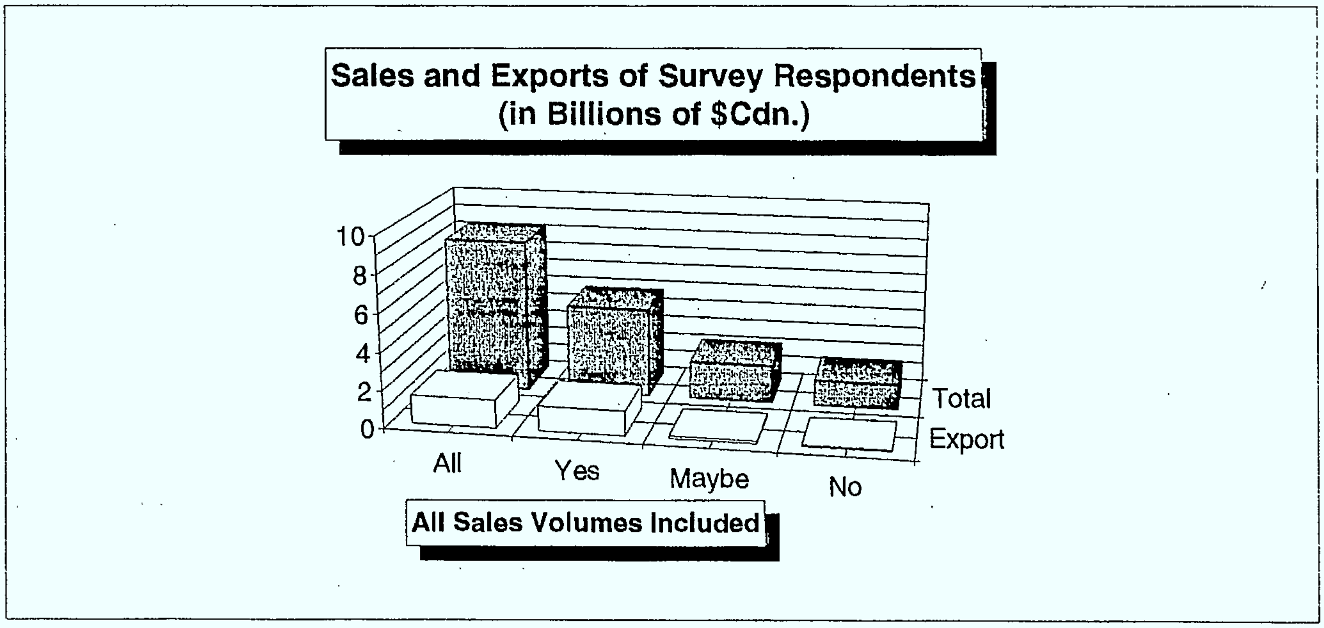


Table 3B

Total and Export Sales Data of Survey Respondents

Respondents With Sales Volumes of $50 Million & Over

25 Respondents Matching		# Providing Data	
Total Sales	$5,401,999,999	25	100%
Average Sales	$216,080,000		
Total Exports	$1,090,380,000		
Average Exports	$43,615,200		
Exports as % of Total	20.18%		

13 Respondents Answering YES		# Providing Data	
Total Sales	$2,743,000,000	13	100%
Average Sales	$211,000,000		
Total Exports	$981,580,000		
Average Exports	$75,506,154		
Exports as % of Total	35.78%		

6 Respondents Answering MAYBE		# Providing Data	
Total Sales	$1,658,999,999	6	100%
Average Sales	$276,500,000		
Total Exports	$71,000,000		
Average Exports	$11,833,333		
Exports as % of Total	4.28%		

6 Respondents Answering NO		# Providing Data	
Total Sales	$1,000,000,000	6	100%
Average Sales	$166,666,667		
Total Exports	$37,800,000		
Average Exports	$6,300,000		
Exports as % of Total	3.78%		

Assumption 1: If a respondent completes the Total Sales field, but leaves the Export Sales field blank, the Export field is set to "0" and included in average and percentage calculations.

Assumption 2: If a respondent leaves both the Total Sales and Export Sales fields blank, neither field is included in the average or percentage calculations.

Chart 3B

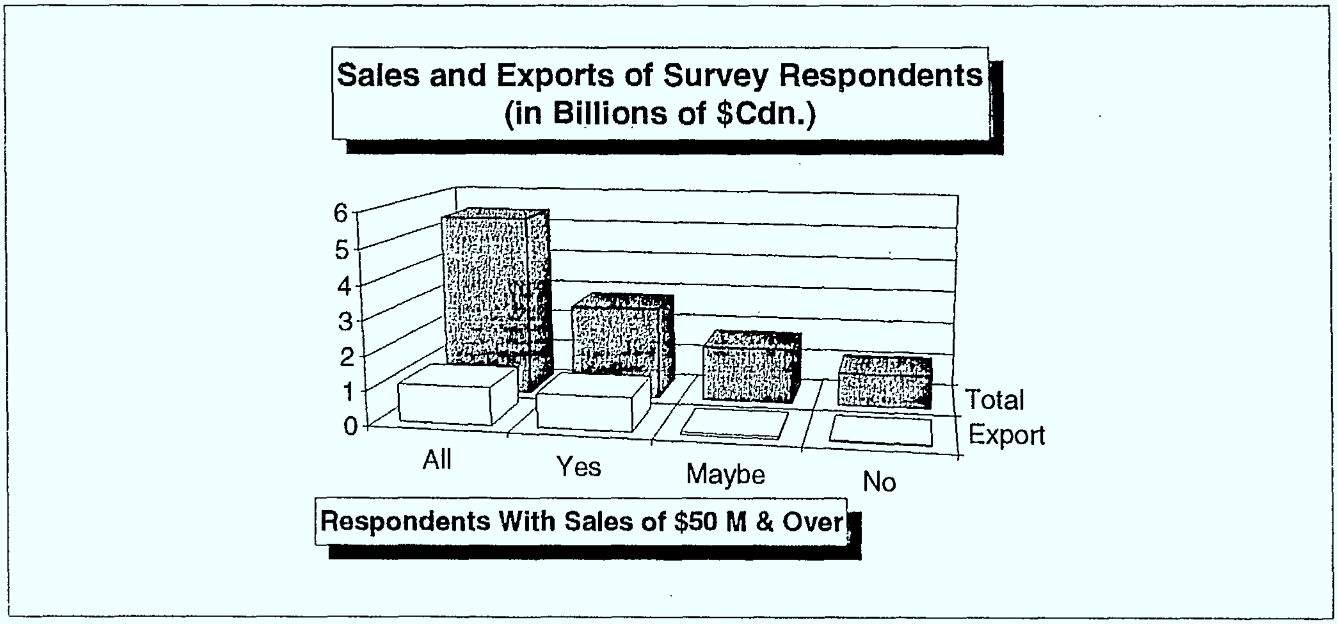


Table 3C

Total and Export Sales Data of Survey Respondents
Respondents With Sales Volumes Over $1 Million & Under $50 Million

286 Respondents Matching		# Providing Data	
Total Sales	$2,715,397,684	286	100%
Average Sales	$9,494,397		
Total Exports	$410,129,997		
Average Exports	$1,434,021		
Exports as % of Total	15.10%		

210 Respondents Answering YES		# Providing Data	
Total Sales	$1,979,912,684	210	100%
Average Sales	$9,428,156		
Total Exports	$316,242,652		
Average Exports	$1,505,917		
Exports as % of Total	15.97%		

33 Respondents Answering MAYBE		# Providing Data	
Total Sales	$368,400,000	33	100%
Average Sales	$11,163,636		
Total Exports	$64,705,000		
Average Exports	$1,960,758		
Exports as % of Total	17.56%		

43 Respondents Answering NO		# Providing Data	
Total Sales	$367,085,000	43	100%
Average Sales	$8,536,860		
Total Exports	$29,182,345		
Average Exports	$678,659		
Exports as % of Total	7.95%		

Assumption 1: If a respondent completes the Total Sales field, but leaves the Export Sales field blank, the Export field is set to "0" and included in average and percentage calculations.

Assumption 2: If a respondent leaves both the Total Sales and Export Sales fields blank, neither field is included in the average or percentage calculations.

Chart 3C

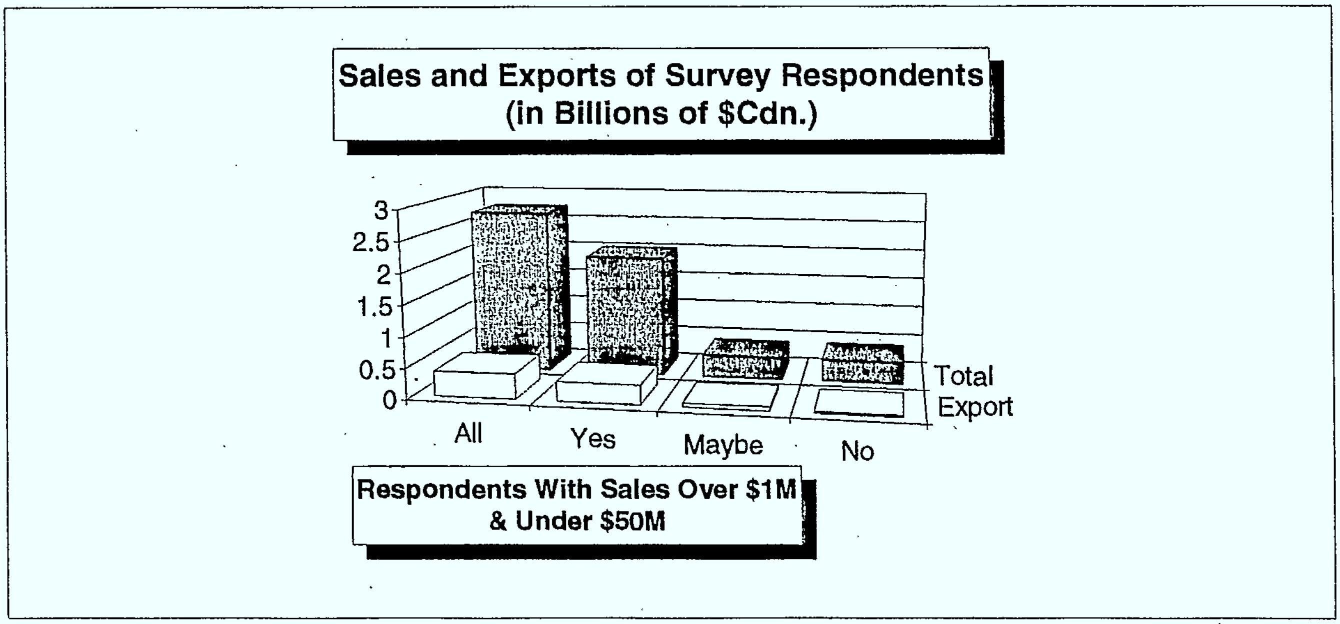


Table 3D

Total and Export Sales Data of Survey Respondents
Respondents With Sales Volumes of $1 Million & Under

149 Respondents Matching		# Providing Data	
Total Sales	$49,987,748	99	66%
Average Sales	$504,927		
Total Exports	$11,772,979		
Average Exports	$118,919		
Exports as % of Total	23.55%		

84 Respondents Answering YES		# Providing Data	
Total Sales	$36,024,648	62	74%
Average Sales	$581,043		
Total Exports	$9,475,479		
Average Exports	$152,830		
Exports as % of Total	26.30%		

24 Respondents Answering MAYBE		# Providing Data	
Total Sales	$7,251,100	20	83%
Average Sales	$362,555		
Total Exports	$1,840,500		
Average Exports	$92,025		
Exports as % of Total	25.38%		

41 Respondents Answering NO		# Providing Data	
Total Sales	$6,712,000	17	41%
Average Sales	$394,824		
Total Exports	$457,000		
Average Exports	$26,882		
Exports as % of Total	6.81%		

Assumption 1: If a respondent completes the Total Sales field, but leaves the Export Sales field blank, the Export field is set to "0" and included in average and percentage calculations.

Assumption 2: If a respondent leaves both the Total Sales and Export Sales fields blank, neither field is included in the average or percentage calculations.

Chart 3D

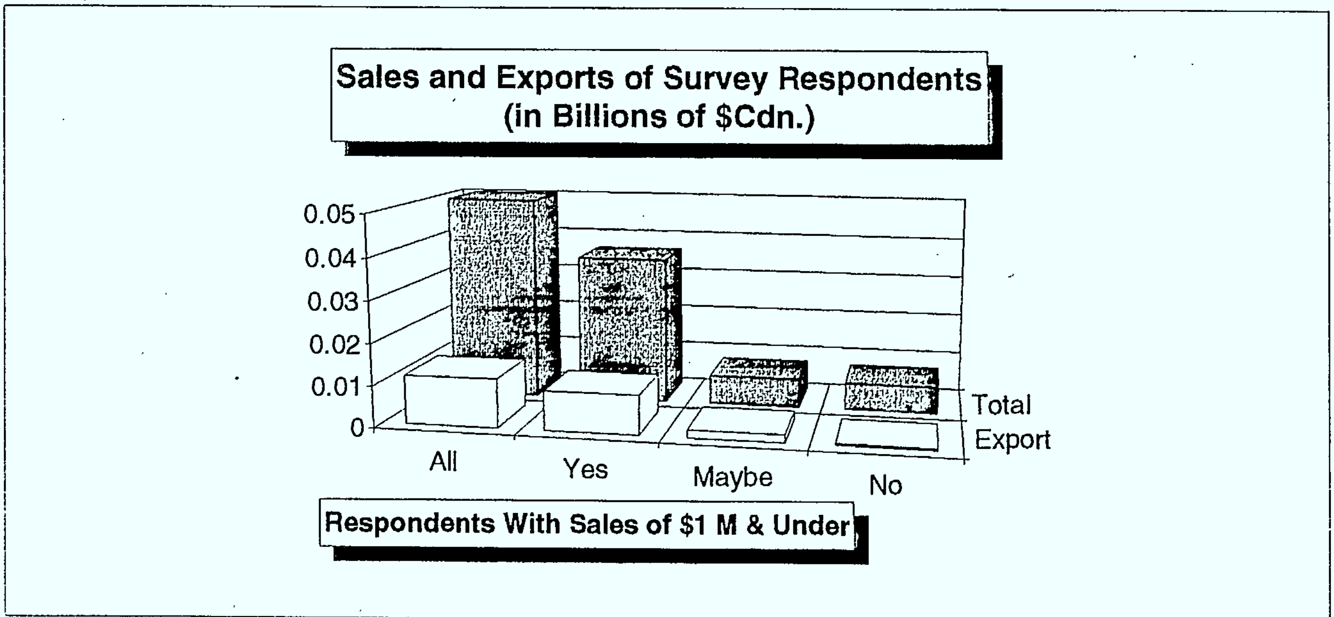


Table 4

Respondent Export and Total Sales by Province

Includes Only Yes/Maybe Respondents

Province	Export Sales	Total Sales	Firms Providing Data # of Firms Exporting	Total # Of Firms
British Columbia	84,421,558	331,770,812	38	49
Alberta	178,340,000	387,567,000	11	20
Saskatchewan	370,000	10,135,100	3	5
Manitoba	36,804,000	244,780,000	13	18
Ontario	908,793,472	4,179,189,794	98	144
Québec	213,031,862	1,537,298,271	50	83
New Brunswick	4,851,851	22,198,287	7	8
Nova Scotia	17,680,888	44,299,167	8	10
Prince Edward Island	0	1,500,000	0	1
Newfoundland	0	16,050,000	0	3
Northwest Territories	450,000	15,500,000	2	2
The Yukon	100,000	3,300,000	1	1
Totals	$1,444,843,631	$6,793,588,431	231	344

Chart 4

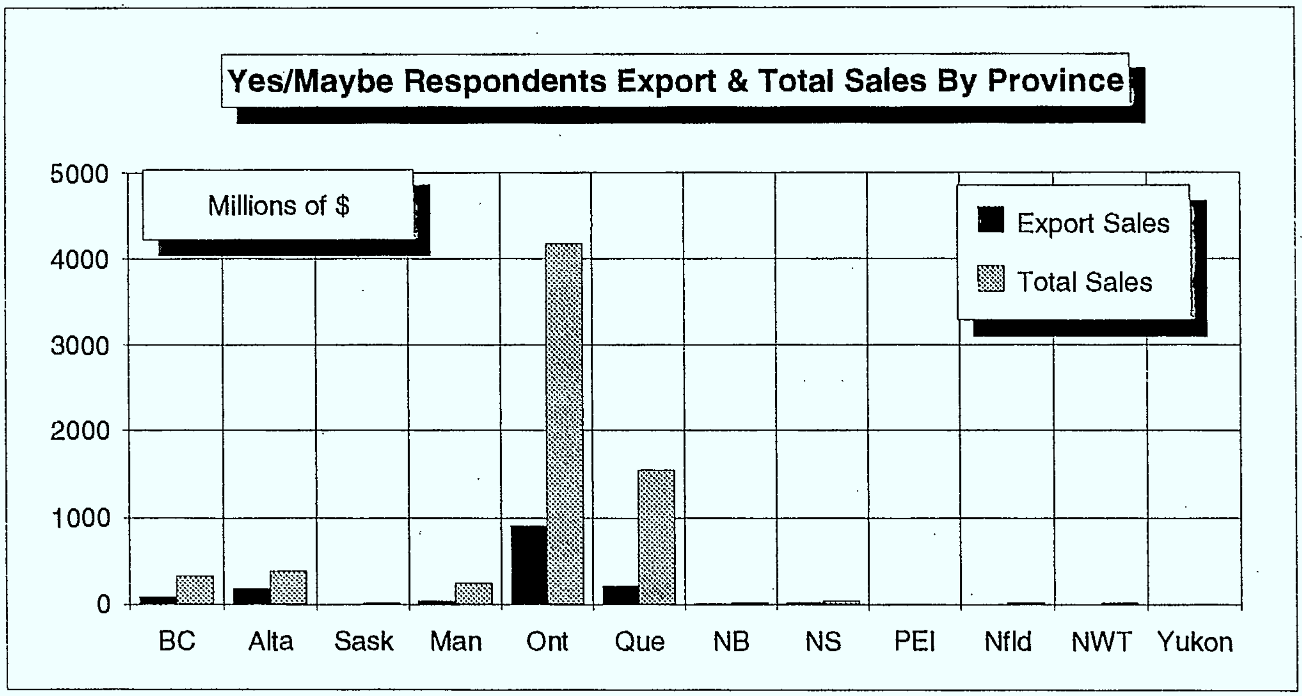


Table 5

Respondent Product Categories By Willingness To Join Council

Product Categories Manufactured				Product Categories Exported			
Category	Yes	Maybe	No	Category	Yes	Maybe	No
1 - Pre-fab Homes	73	9	16	1 - Pre-fab Homes	47	6	5
2 - Millwork/Moulding/Stair/Panel	38	2	5	2 - Millwork/Moulding/Stair/Panel	24	1	2
3 - Flooring/Tile/Carpet	19	0	1	3 - Flooring/Tile/Carpet	11	0	0
4 - Electrical Fixtures/Lighting	7	3	1	4 - Electrical Fixtures/Lighting	4	3	1
5 - Plumbing/Heating/Air Conditioning	29	14	12	5 - Plumbing/Heating/Air Conditioning	18	9	9
6 - Insulation/Roofing	23	3	4	6 - Insulation/Roofing	11	2	1
7 - Stone/Granite/Brick/Masonry	14	1	2	7 - Stone/Granite/Brick/Masonry	10	0	1
8 - Drywall/Tape	8	0	3	8 - Drywall/Tape	4	0	3
9 - Hardware/Paints	15	3	2	9 - Hardware/Paints	9	2	0
10 - Cabinetry	15	5	3	10 - Cabinetry	9	3	2
11 - Doors/Windows	75	12	20	11 - Doors/Windows	45	7	5
12 - Other	62	11	21	12 - Other	50	6	11

Chart 5A

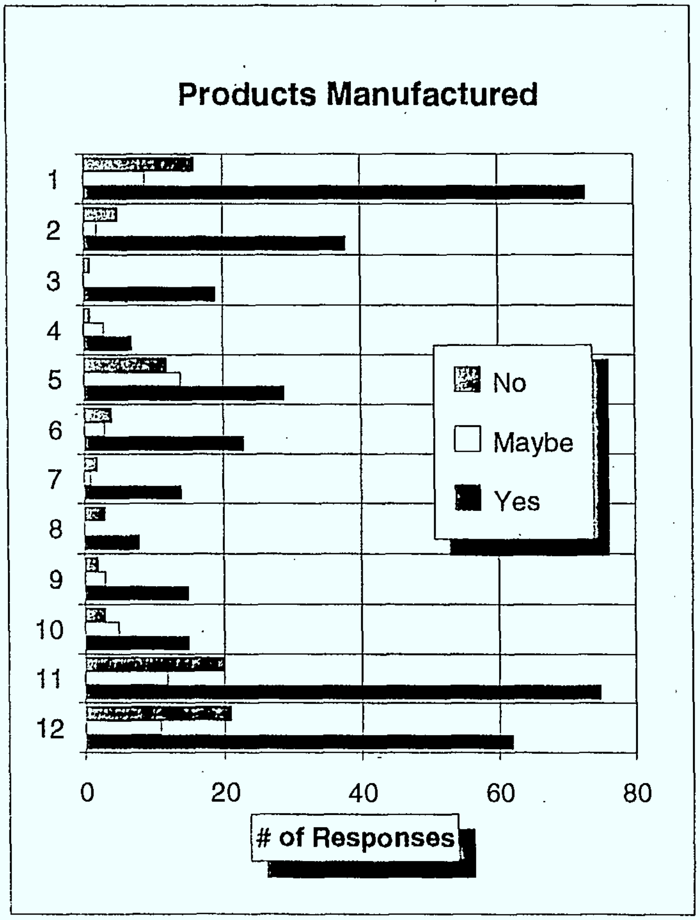


Chart 5B

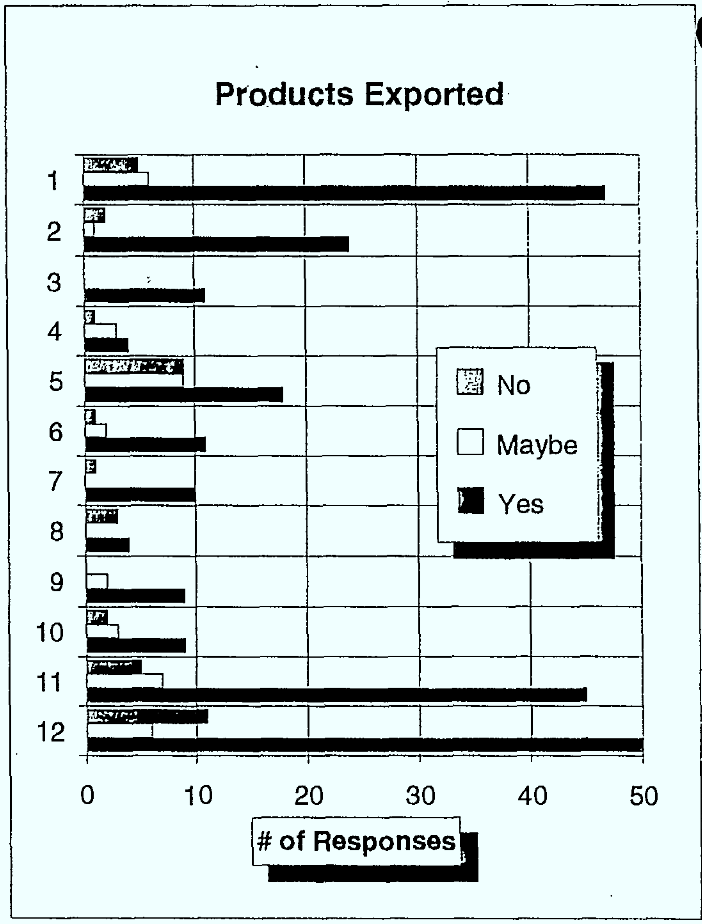


Table 6A

Respondent Product Categories By Province - Manufactured

Category	B.C.	Alta.	Sask.	Man.	Ont.	Que.	N.B.	N.S.	P.E.I.	Nfld.	N.W.T.	Yukon	Total	%age
1 - Pre-fab Homes	21	14	1	8	31	14	5	3	0	1	0	0	**98**	18.46%
2 - Millwork/Moulding/Stair/Panel	8	0	1	3	21	9	0	2	0	1	0	0	**45**	8.47%
3 - Flooring/Tile/Carpet	3	0	0	0	6	10	0	0	0	1	0	0	**20**	3.77%
4 - Electrical Fixtures/Lighting	1	1	0	0	8	1	0	0	0	0	0	0	**11**	2.07%
5 - Plumbing/Heating/Air Conditioning	3	1	1	4	31	7	2	3	0	0	3	0	**55**	10.36%
6 - Insulation/Roofing	2	1	0	4	18	2	1	2	0	0	0	0	**30**	5.65%
7 - Stone/Granite/Brick/Masonry	2	1	0	1	7	6	0	0	0	0	0	0	**17**	3.20%
8 - Drywall/Tape	1	0	0	0	8	1	0	0	0	1	0	0	**11**	2.07%
9 - Hardware/Paints	2	0	0	1	10	5	0	1	1	0	0	0	**20**	3.77%
10 - Cabinetry	3	1	2	0	11	6	0	0	0	0	0	0	**23**	4.33%
11 - Doors/Windows	20	2	2	6	40	29	2	5	0	0	0	1	**107**	20.15%
12 - Other	13	10	2	1	38	25	3	0	1	1	0	0	**94**	17.70%
Total	**79**	**31**	**9**	**28**	**229**	**115**	**13**	**16**	**2**	**5**	**3**	**1**	**531**	100%
%age	14.88%	5.84%	1.69%	5.27%	43.13%	21.66%	2.45%	3.01%	0.38%	0.94%	0.56%	0.19%	100%	

Chart 6A

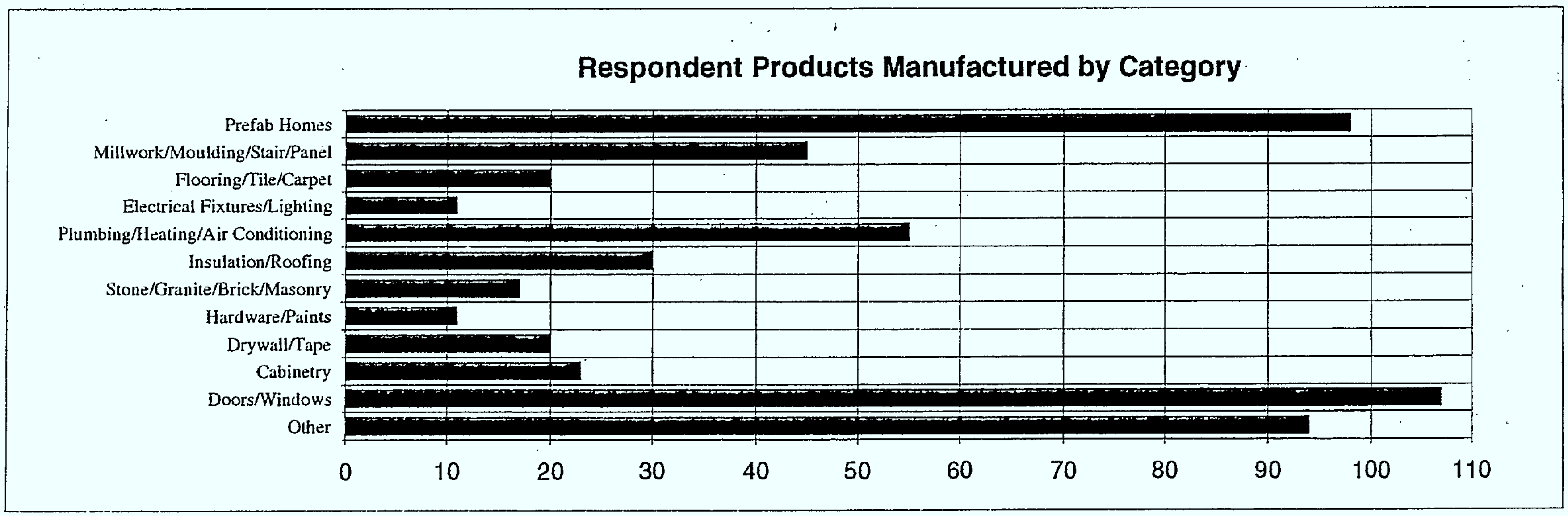


Table 6B

Respondent Product Categories By Province - Exported

Category	B.C.	Alta.	Sask.	Man.	Ont.	Que.	N.B.	N.S.	P.E.I.	Nfld.	N.W.T.	Yukon	Total	%age
1 - Pre-fab Homes	18	9	0	3	16	6	4	2	0	0	0	0	**58**	18.07%
2 - Millwork/Moulding/Stair/Panel	5	0	0	2	15	4	0	1	0	0	0	0	**27**	8.41%
3 - Flooring/Tile/Carpet	3	0	0	0	4	4	0	0	0	0	0	0	**11**	3.43%
4 - Electrical Fixtures/Lighting	0	1	0	0	6	1	0	0	0	0	0	0	**8**	2.49%
5 - Plumbing/Heating/Air Conditioning	2	0	1	2	23	2	2	3	0	0	1	0	**36**	11.21%
6 - Insulation/Roofing	2	0	0	1	9	0	0	2	0	0	0	0	**14**	4.36%
7 - Stone/Granite/Brick/Masonry	1	1	0	1	4	4	0	0	0	0	0	0	**11**	3.43%
8 - Drywall/Tape	1	0	0	0	5	1	0	0	0	0	0	0	**7**	2.18%
9 - Hardware/Paints	1	0	0	1	6	3	0	0	0	0	0	0	**11**	3.43%
10 - Cabinetry	4	1	1	1	5	1	0	0	0	0	0	1	**14**	4.36%
11 - Doors/Windows	11	2	0	2	18	19	1	4	0	0	0	0	**57**	17.76%
12 - Other	12	5	0	2	30	15	3	0	0	0	0	0	**67**	20.87%
Total	**60**	**19**	**2**	**15**	**141**	**60**	**10**	**12**	**0**	**0**	**1**	**1**	**321**	100%
%age	18.69%	5.92%	0.62%	4.67%	43.93%	18.69%	3.12%	3.74%	0.00%	0.00%	0.31%	0.31%	100%	

Chart 6B

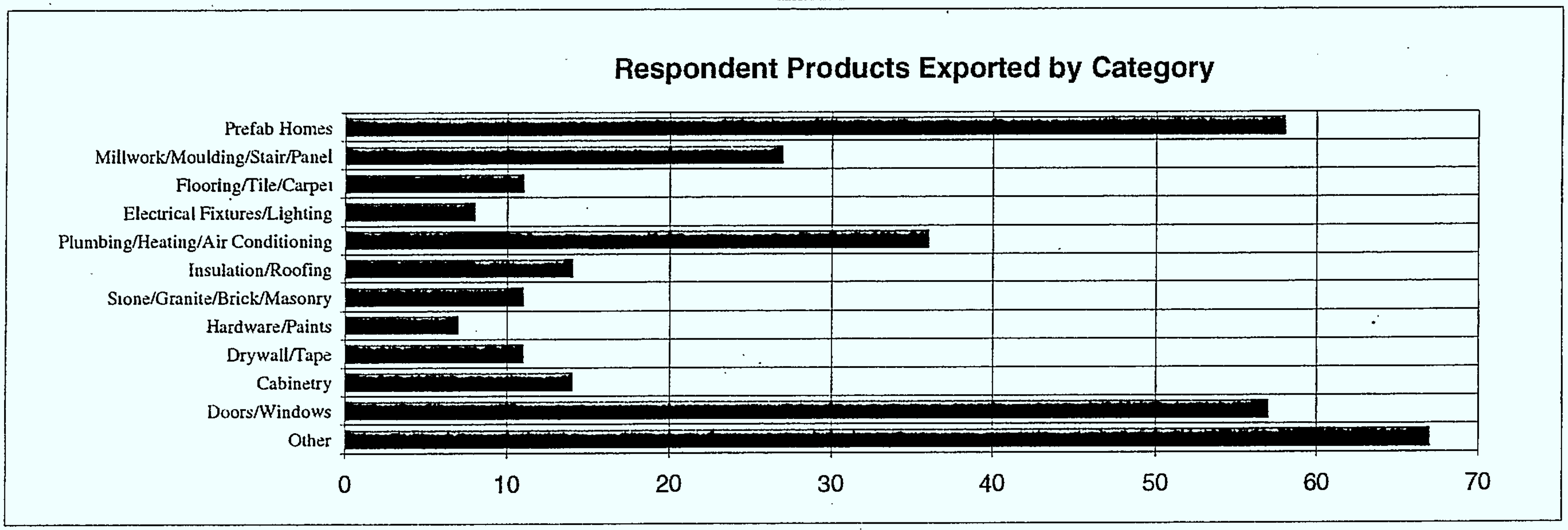


Table 7A

Geographic Areas of Current Exports By Province

370 Yes/Maybe Respondents Only

Area	B.C.	Alta.	Sask.	Man.	Ont.	Que.	N.B.	N.S.	P.E.I.	Nfld.	N.W.T.	Yukon	Total	%age
USA	28	8	1	10	76	35	6	6	0	0	1	1	**172**	41.75%
Japan	25	8	1	3	11	6	1	1	0	0	0	0	**56**	13.59%
Western Europe	11	4	0	1	27	12	2	1	0	0	0	0	**58**	14.08%
E. Europe/USSR	1	0	0	1	5	0	0	0	0	0	0	0	**7**	1.70%
Asia/Pacific	13	2	0	3	18	10	0	0	0	0	0	0	**46**	11.17%
Middle East	1	0	0	1	11	1	0	0	0	0	0	1	**15**	3.64%
Caribbean	4	0	0	3	19	5	1	0	0	0	0	0	**32**	7.77%
Latin America	2	0	0	2	8	2	0	0	0	0	0	0	**14**	3.40%
Africa	2	0	0	2	5	3	0	0	0	0	0	0	**12**	2.91%
Total Responses	**87**	**22**	**2**	**26**	**180**	**74**	**10**	**8**	**0**	**0**	**1**	**2**	**412**	100%

Chart 7A

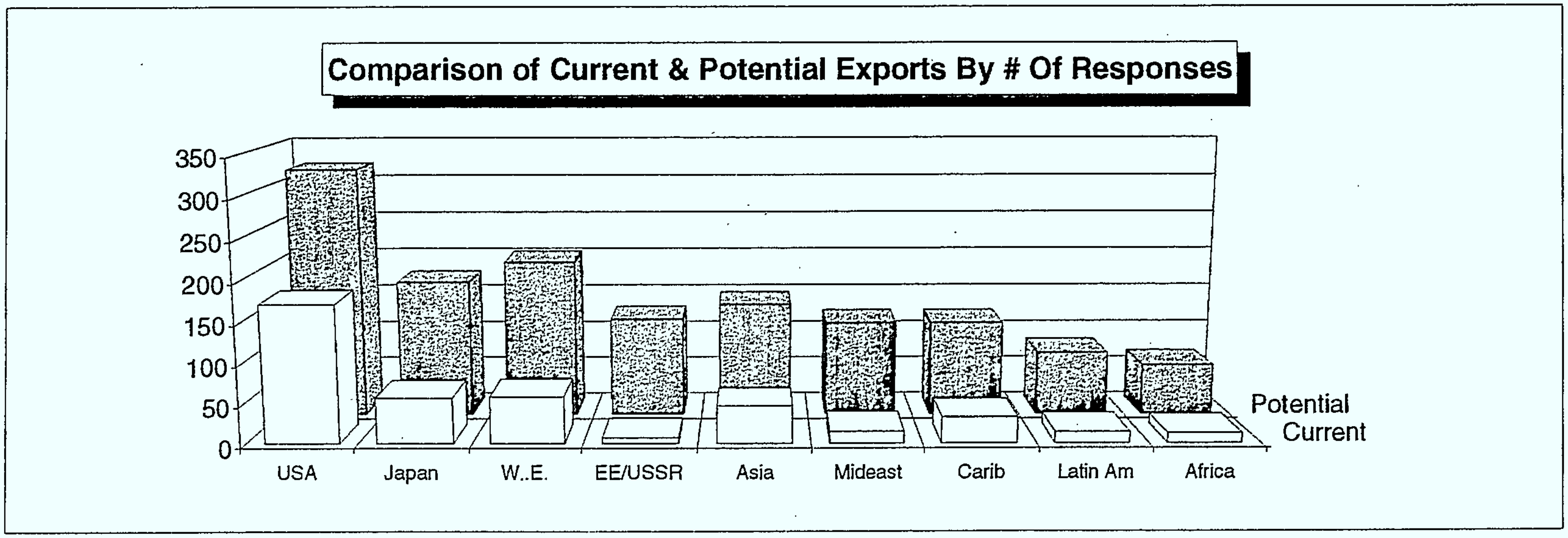


Table 7B

Geographic Areas of Export Interest By Province

370 Yes/Maybe Respondents Only

Area	B.C.	Alta.	Sask.	Man.	Ont.	Que.	N.B.	N.S.	P.E.I.	Nfld.	N.W.T.	Yukon	Total Responses	% of Total Responses	% of Total Respondents
USA	48	19	5	18	128	79	10	7	1	1	2	1	**319**	23.59%	86.22%
Japan	44	13	1	7	61	39	3	4	0	2	0	0	**174**	12.87%	47.03%
Western Europe	31	13	2	6	88	45	4	6	1	3	1	0	**200**	14.79%	54.05%
E. Europe/USSR	16	7	1	9	58	28	1	3	0	2	0	1	**126**	9.32%	34.05%
Asia/Pacific	32	11	1	8	66	23	1	1	0	1	1	0	**145**	10.72%	39.19%
Middle East	13	8	2	6	60	28	1	2	0	1	0	0	**121**	8.95%	32.70%
Caribbean	8	4	0	3	74	23	1	4	1	3	0	0	**121**	8.95%	32.70%
Latin America	7	3	0	6	44	18	0	2	0	1	0	0	**81**	5.99%	21.89%
Africa	5	4	0	4	37	9	0	3	0	3	0	0	**65**	4.81%	17.57%
Total Responses	**204**	**82**	**12**	**67**	**616**	**292**	**21**	**32**	**3**	**17**	**4**	**2**	**1352**	100%	

Chart 7B

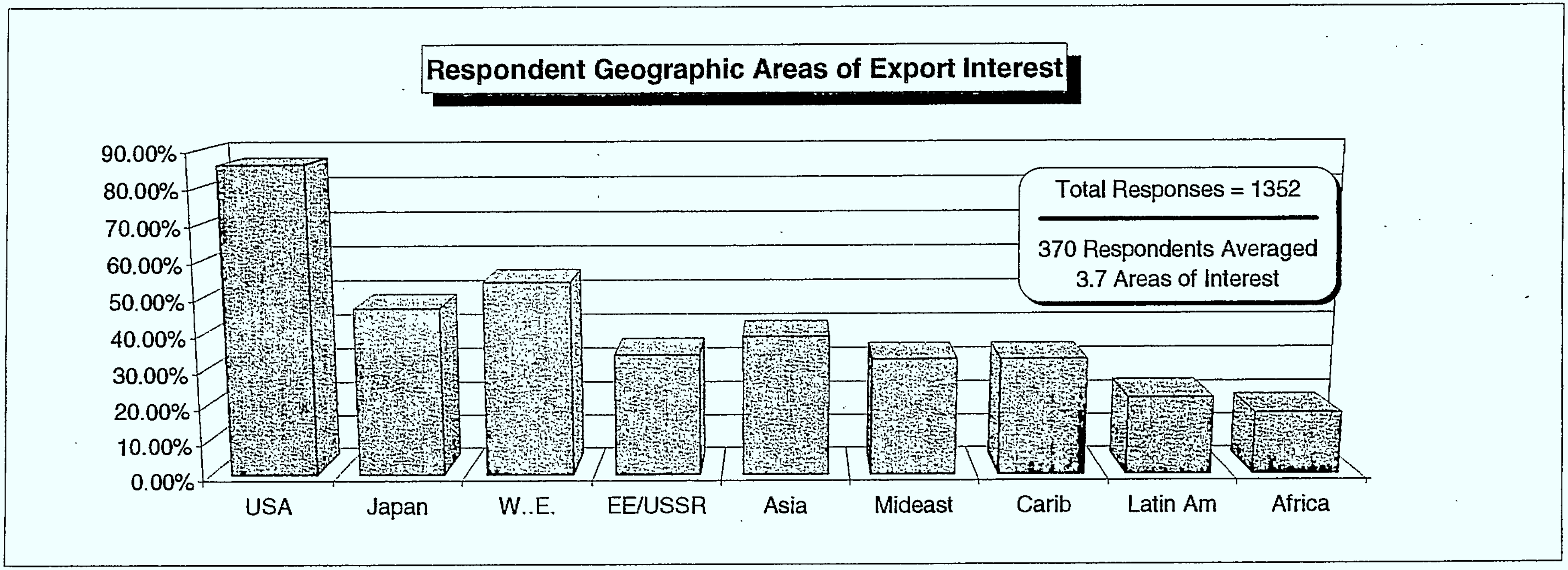


Table 8

Geographic Areas of Export Interest by Manufactured Product Category

370 Yes/Maybe Resondents Only

Manufacturing Category	USA	Japan	West Eur	E. E. USSR	Asia Pacific	Mid East	Carib	Latin Am	Africa	Total	% of Respnse	% of Respndnts
Pre-fab Homes	34	27	8	3	13	1	10	3	5	104	17.60%	28.11%
Millwork/Moulding/Stair/Panel	23	10	17	3	7	3	10	0	0	73	12.35%	19.73%
Flooring/Tile/Carpet	9	2	5	0	4	0	0	0	0	20	3.38%	5.41%
Electrical Fixtures/Lighting	4	0	1	0	1	1	2	1	0	10	1.69%	2.70%
Plumbing/Heating/Air Cond.	25	1	3	0	7	3	3	2	1	45	7.61%	12.16%
Insulation/Roofing	9	2	1	1	2	1	1	1	2	20	3.38%	5.41%
Stone/Granite/Brick/Masonry	8	4	3	0	1	0	2	0	0	18	3.05%	4.86%
Drywall/Tape	2	0	3	0	1	2	1	1	0	10	1.69%	2.70%
Hardware/Paints	8	8	5	0	2	0	3	1	0	27	4.57%	7.30%
Cabinetry	10	10	1	0	1	1	2	0	0	25	4.23%	6.76%
Doors/Windows	37	33	15	3	3	3	5	2	2	103	17.43%	27.84%
Other	46	36	15	3	16	4	7	6	3	136	23.01%	36.76%
Totals	**215**	**133**	**77**	**13**	**58**	**19**	**46**	**17**	**13**	**591**	100%	160%
%ages	36.4%	22.5%	13.0%	2.2%	9.8%	3.2%	7.8%	2.9%	2.2%	100%		

Chart 8

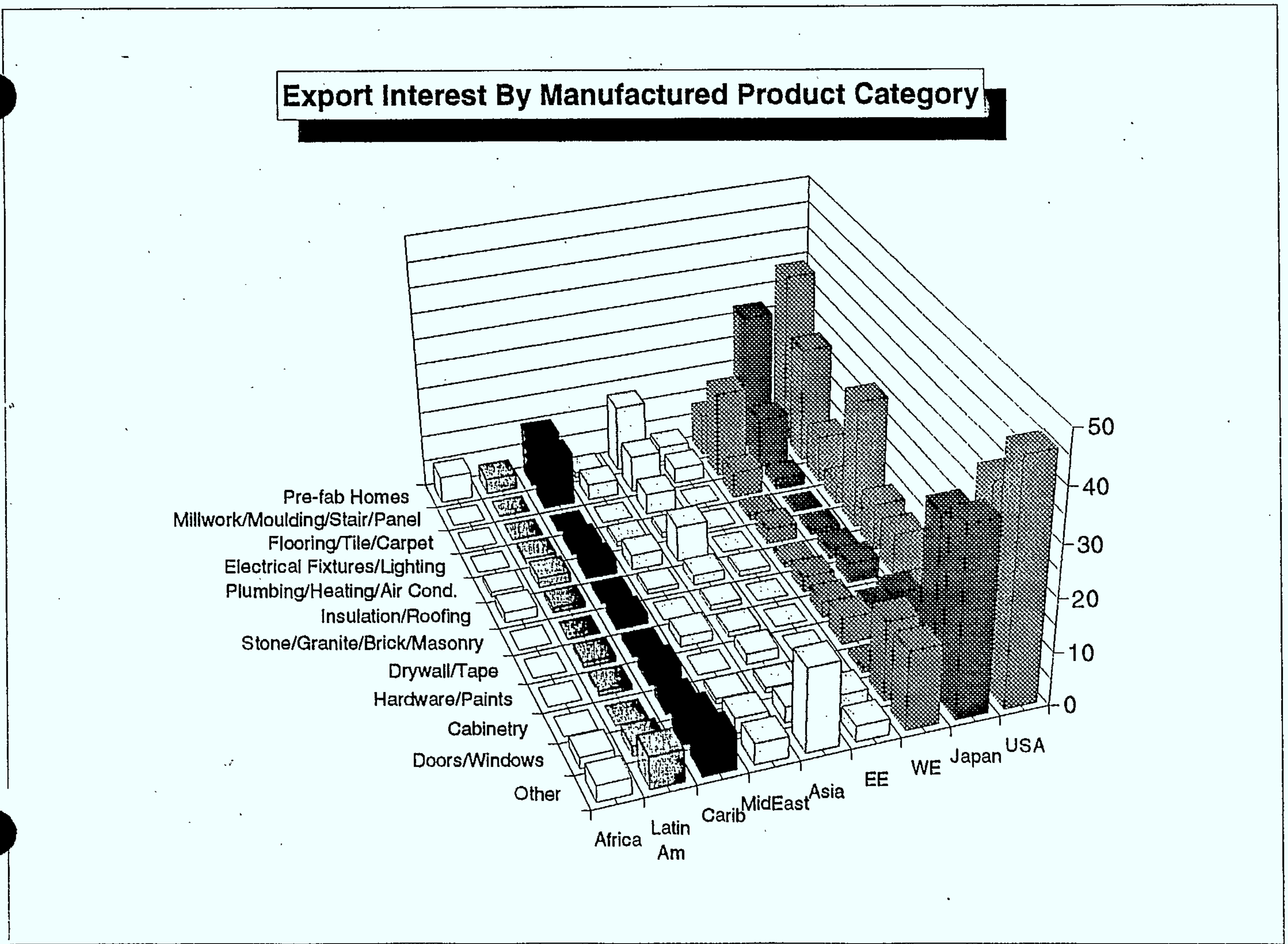


Table 9

Rankings for Various Export Services

Service	Aggregate Score	# of Yes/Maybe Respondents	# of NO Respondents
Building Product Trade Fairs & Exhibits	3100	341	50
Initiate Export Consortia	1686	276	38
Monitor Int'l Product Standards	1648	291	39
Market Information, Surveys & Research	3025	333	49
Publish Export Product Catalogues	1998	302	42
Import Regs and Documentation	1591	291	38
Liaison With Canadian Trade Commissioners	2135	307	39
Sourcing Contracts & Channeling Leads	2523	307	48
Facilitating Export Financing	2029	306	46
Other	274	49	8

Chart 9

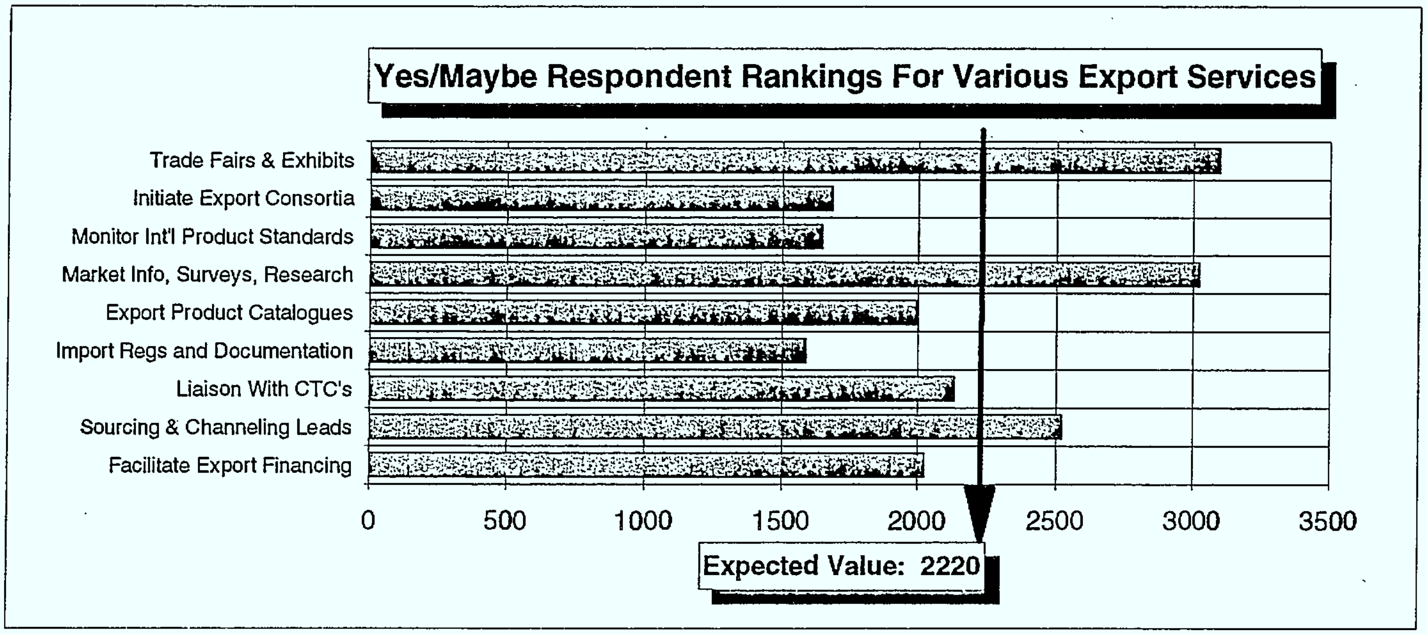


Table 10

Government-Industry Cost Sharing

Government	Industry	# Responding	%age
<50	>50	12	**3.24%**
50	50	159	**42.97%**
60	40	20	**5.41%**
70	30	20	**5.41%**
75	25	60	**16.22%**
80	20	23	**6.22%**
90	10	13	**3.51%**
100	0	7	**1.89%**
No Preference Identified		56	**15.14%**
	Total	370	100%

Table includes only those respondents answering YES or MAYBE to the question "Would you join the Council?"

Chart 10

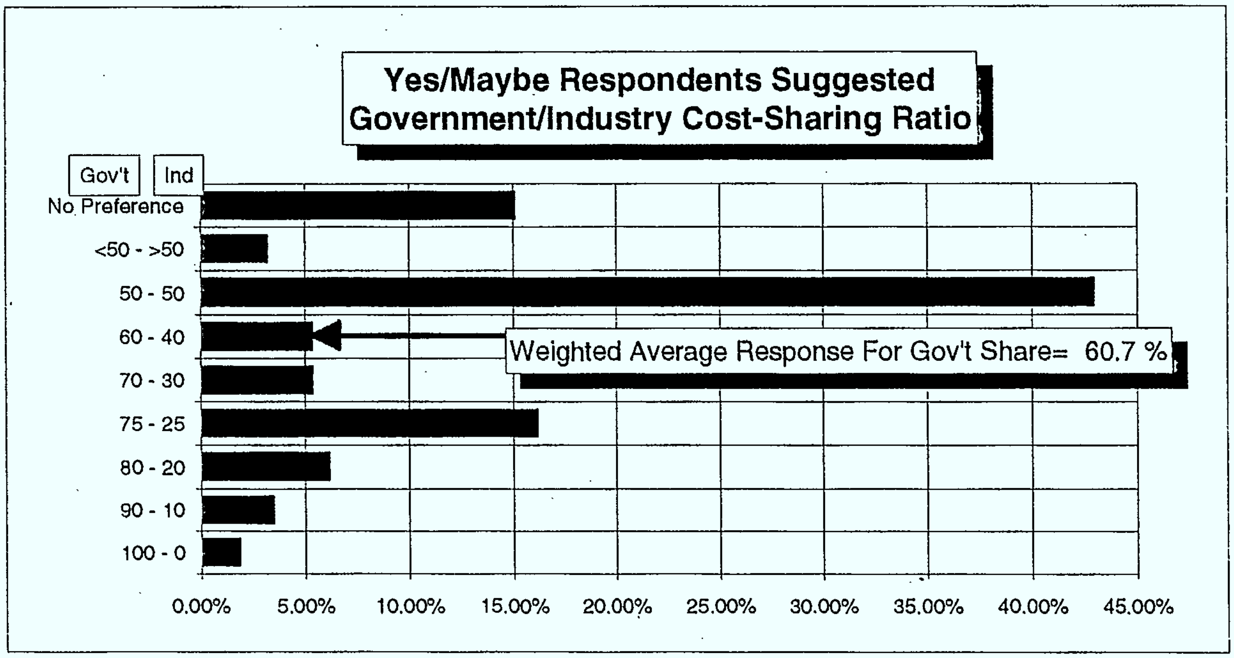


Table 11

Respondent Willingness To Join Council By Sales Volume

Total Product Sales	# of Respondents Yes	Maybe	Total	% of Total
<1 M	53	18	71	19.19%
1 - <5 M	94	15	109	29.46%
5 - <10 M	58	4	62	16.76%
10 - <50 M	89	20	109	29.46%
50 - <100 M	5	2	7	1.89%
100 - 500 M	7	3	10	2.70%
>500 M	1	1	2	0.54%
Total	307	63	370	100%

Table Includes All Yes/Maybe Respondents

Chart 11

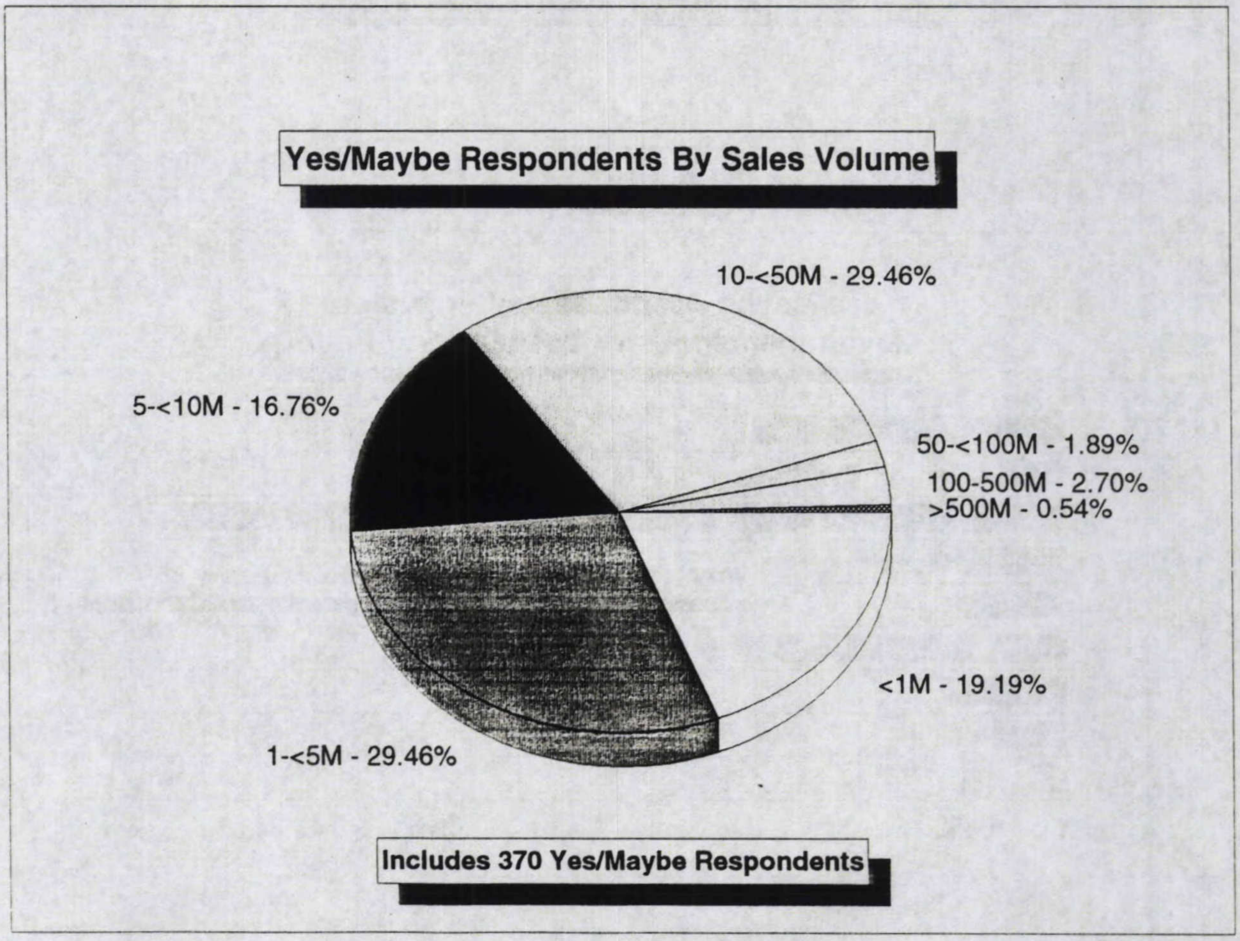


Table 12

Prospective Council Annual Membership Fee Revenue

Total Product Sales	Proposed Fee	# of Respondents	Total Fees
<1 M	200	71	14,200
1 - <5 M	500	109	54,500
5 - <10 M	750	62	46,500
10 - <50 M	1,500	83	124,500
50 - <100 M	2,500	23	57,500
100 - 500 M	4,000	10	40,000
>500 M	5,000	2	10,000
Associations	500	10	5,000
	Total	**370**	**352,200**

Table Includes All Yes/Maybe Respondents

Chart 12A

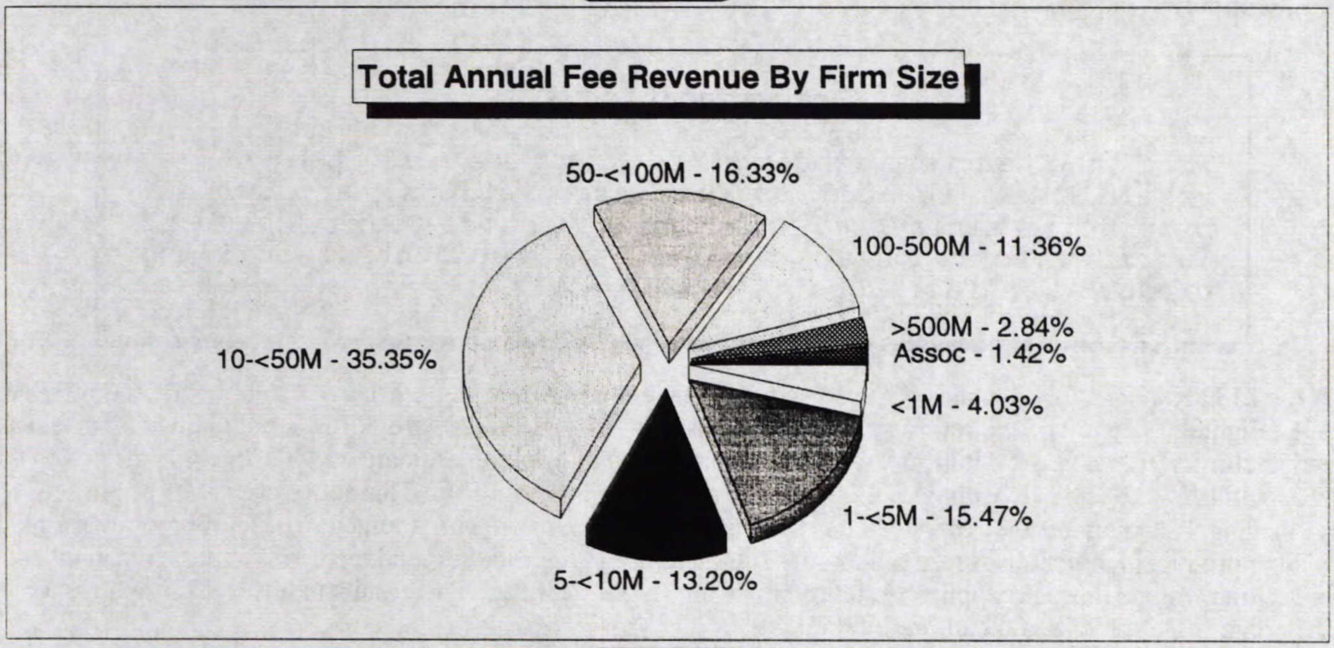
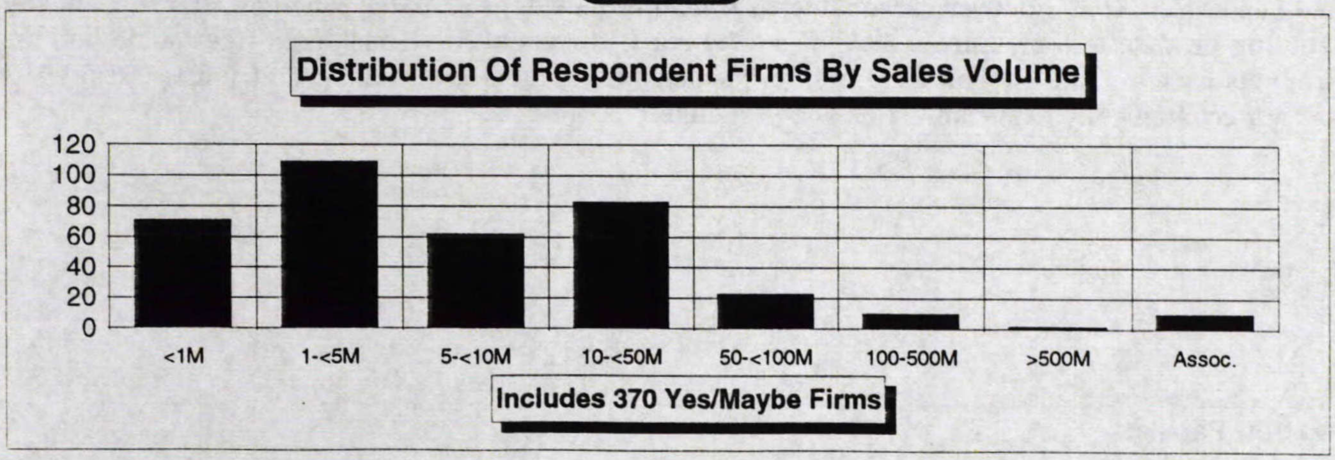


Chart 12B



3.3 Survey Analysis

3.3.1 Survey Response Rate

The mailing list developed was a composite of lists of manufacturers provided by ISTC sector branches and regional offices, some Canadian embassy's and certain categories of EAITC's Win Export list. Appendix "J" lists the product categories of the WIN list that were utilized. In the WIN list many manufacturing companies are listed in more than one category for different products and the list is not restricted to manufacturers. Although most duplication between the sectoral lists was eliminated through manual scans, considerable duplication occurred. Sample testing of the sectorial lists compared to the WIN list indicated a 40% duplication rate. It was decided that the costs involved in customizing an electronic process to remove the duplication within the WIN list would not be cost effective compared to the postage and paper costs of the duplication. The overall estimate of the mailing duplication is 25 to 40%.

The WIN list does not provide a detailed listing of products manufactured by company. As a result, the mailing list also contained a relatively high proportion of firms that did not manufacture residential building products or produce product components. The ninety-eight such responses received (a high number) indicates that approximately 20% to 35% of the mailings were to non-residential building product manufacturers. Combining the duplication and the non relevant aspects of the mailing list yields a mailing list accuracy rate of 40% to 60%. It is therefore reasonable to estimate that the overall accuracy of the mailing to the intended recipients is in the vicinity of 40%.

Recommendation # 3

That the survey findings be sent to all the survey respondents, related product associations, appropriate provincial ministries and other potential Council members in order to reach as close to all residential building product manufacturers as possible.

Of the 2132 response forms mailed 558 were returned by the mid-March cut off date for data computation, some 26%. Eighteen percent of the returned response forms were from firms who are not residential building products manufacturers (see table 1). Utilizing the high side mailing list duplication estimate of 45%, the response rate was 48%. Utilizing the low side estimate of 25% yields a response rate of 35%. This is the overall response rate to the mailing. To estimate the response rate of residential building product manufacturers, the 98 non-residential building product manufacturers respondents are subtracted from the total respondents (558) and the mean mailing list accuracy rate estimate is applied to the total mailing (2132 @ 50%). This results in a survey target response rate range of 36 to 54%; a mean rate of 45%.

The lack of an accurate sectorial database and mailing list makes more precise estimates of the industry response rate impossible. **It is however reasonable to conclude that approximately one-half of the Canadian building product manufacturers that the survey reached responded. Considering that some building products have a small geographical market (cement) and others are small scale (roof trusses) which are not economically exportable, this is a very high response rate.**

As discussed in Section 2, the total number of residential building product manufacturers in Canada who could compete internationally has not been accurately identified. If the number is less than 2000, the survey reached over half the residential building product manufacturers in Canada. This is a statistically significant sample size. The study utilizes this estimate as one factor in predicting the number of building product manufacturers who would join an export council. This topic is addressed in Section 4. The unusually high response rate for the overall mailing by residential building product manufacturers does infer a very high level of reaction by the industry to the proposal.

3.3.2 Willingness to Join Export Council

One criteria for the viability of an industry export council is that it have sufficient membership. The a priori view is that such an industry body should have at least one hundred members. Two out of three survey respondents (307) expressed an unconditional willingness to join given the stated possible activities of the council and the fee structure proposed. An additional 14% (63) expressed qualified willingness to join. These two groups represent 80% (370) of the responding manufactures. This an extraordinarily high positive response. **The survey results indicate that a sufficient number of residential building product manufacturers would join an industry export council.**

Of the 460 respondents who manufacture residential building products, 20% (90) are not willing to join the council (see table 2). The reasons given appear in Appendix "D". The most often stated reason is that their firms are too small. Ten firms did not want to be involved with or have government involved in export activities. Although "maybe" was not a response option on the response form, in compiling the response data this category was created for those respondents who qualified in some way their willingness to join the Export Council. Fourteen percent (63) of the respondents qualified their willingness and their comments appear in Appendix "D". Small manufacturers were concerned with the cost to join and others had concerns on how the Council would operate.

Some (9) survey respondents (who were among the 98 classified as "not in the industry" of Table 1) indicated that they would be willing to join the council if it's activities are not restricted to the residential housing industry. Since residential housing accounts for approximately 45% of construction activity in Canada it is not essential to include non-residential building product manufacturers in the council in order for it to be effective. These are quite separate markets. Although there would be benefits to the Canadian economy of including all exportable construction products in the council's activities, we would like to point out that it may be operationally preferable to restrict the activities of the export council during it's initial years to one market. The inclusion of the other half of the construction industry could be delayed, to benefit from awaiting the results and experience of a residential building products export council.

> Recommendation # 4
> That Council membership be initially limited to residential building product manufacturers and possibly extended to non-residential manufacturers as the Council matures administratively.

Assuming that the survey reached approximately 60% of Canadian non-commodity residential building product manufacturers it might be assumed that many of those that were not surveyed will also wish to join. Mathematically this implies a total membership of 500. Allowing for 30% to change their minds when asked for their membership fee payment **it would appear that the council will initially attract 350 members but the number could certainly be higher.** The financial projections of Section 4 assume a first year membership of 250. When determining membership fees it should be borne in mind that, administratively, the export council could not provide the level of services sufficient to satisfy 500 members with the number of initial staff proposed in Section 4.5..

3.3.3 Provincial Location of Respondents

There is a willingness to join an export council by manufacturers in all ten provinces and the two territories (see tables 2 and 4). The survey responses are very closely correlated with provincial populations. Ontario, Quebec, British Columbia and account for eighty percent of those manufacturers who expressed interest in joining an export council. It is likely that more manufacturers in the less populated provinces will join an export council when information on it's existence and activities become more widely known. Liaison with provincial departments of industry will be important during the Council's establishment phase to ensure that all manufacturers in each province are made aware of and provided an opportunity to join an industry export council.

3.3.4 Sales and Exports of Respondents

The manufacturing respondents who provided sales information to the survey reported total building product sales of over $8 billion. Since only 89% of respondents provided sales data, extrapolation infers total manufactured building products sales of $9 billion (See table 3). This is an enormous industry sector response. To eliminate the statistical influence of the largest companies we extracted those 25 firms with sales of over $50 million in Table 3B. The extrapolated result is still high, over $3 billion. To eliminate the statistical effects of the small and very large firms Table 3C illustrates that statistically, **the profile of the Council member is a manufacturer with average sales of $10 million and average exports of close to $2 million. However, one-half of the Council membership would be manufacturers with less than $5 million in sales.** The aggregate survey respondents sales data collaborates the estimated industry size and survey response rate discussed in Section 2.

Table 3 clearly demonstrates that those manufacturers who are currently exporting wish to join an export council more than those who do not, even among the small firms. Table 3D illustrates that the small firms who wish to join are currently exporting. Their exports as a percentage of sales are of the same magnitude as all respondents wishing to join an export council and 70% more than the average for all respondents.

3.3.5 Types of Products Manufactured by Respondents

Tables 5 & 6 confirm that an export council would have ample members in all residential building product categories but with a disproportionate number of pre-fabricated housing and door and window manufacturers. This can partly be explained by the higher number of manufacturers in these product categories and the accuracy of the mailing list compiled for these two categories. **An export council would have sufficient membership representation in all residential building product categories.** Appendix "F" provides a list of the products that are manufactured by the survey respondents.

3.3.6 Current Versus Potential Geographical Export Potential

The respondents are not pessimistic on prospects for their international competitiveness. In responding to which geographical regions they consider they could be competitive, the results display a marked difference in their assessment of market potential compared to current exports, as Chart 7A portrays. **Table 7B demonstrates that three geographical areas dominate the export interests of residential building product manufacturers, specifically the United States, Western Europe and Asia Pacific including Japan.** These three distinct geographical markets would be priority areas for the activities of an export council. The interest in Eastern Europe is also an engaging survey result.

These findings could impact on the three priority geographical marketing programmes that have been established by EAITC; namely the "NEXUS" programme, Pacific 2000 and Europe 1992. A CBPEC could assist the geographic bureaus of EAITC identify "export ready" manufacturers for participation in the international trade exhibitions supported by the department and advise on the appropriate product categories and markets in which the industry views itself as competitive.

Recommendation # 5

That EAITC utilize the Export Council to assist in identifying appropriate products and manufacturers to participate in trade exhibitions supported by EAITC's "Programme for Export Market Development-Government Initiative" (PEMD/GI) programme and consider establishing with the Council an annual consultation on priority product categories and geographic markets to enhance the international competitiveness of Canadian residential building product manufacturers.

3.3.7 Preferred Council Activities

A perhaps surprising survey result is that all nine types of activities (services) proposed for an export council were considered important. Very few respondents suggested activities other than those stated in the response form. Although Chart 9 discloses a priority for three types of activities, trade fairs and missions, market information and research and sourcing contacts and leads, statistically all nine activities are significant. This will place a demanding burden on an export council with respect to membership expectations. The proposed export council organization chart and operating budget presented in Section 4 is premised on the work load that this section of the survey indicates is required.

Taking into account the survey information described in Section 3.3.4, the survey results permit a generalization that those firms who wish to join an export council already export, want more exports and require a broad range of specialized assistance to do so.

3.3.8 Respondent's Government/Industry Cost Sharing Views

Table 10 implies that on average those manufacturers who wish to join the Council think that the government should financially support the Council on a 60-40 government/industry cost sharing ratio. The small size of many firms that would comprise an export council in this industry (49%) may not permit a council to fulfil the service demands of it's membership at such a funding ratio unless small manufacturers are excluded through high membership fees.

3.3.9 Size of Firms Wishing to Join Council

Chart 11 indicates that close to half the membership of an export council in this industry could be classed as small to medium size manufacturers (businesses) whereas the remainder would be of substantial size (annual sales of $5 to $50 million). Survey responses indicate that small manufacturers would require more services and are less likely to be able to contract for the services on a cost recoverable basis. Excluding small manufacturers would greatly reduce the size of an export council's operating and programme requirements. **Including small manufacturers will require a substantial government financial contribution to the activities of the Council since small manufacturers will require assistance in export preparedness that cannot be cost recovered by the Council.** This is a major issue to be faced. Section 4 assumes that small manufacturers will not be impeded from joining and the Council will require financial assistance to mount programmes especially tailored to their needs.

3.4 Consultative Views

The extensive comments furnished by the respondents on the survey response form, which are reproduced in Appendix "D" provide explicit views on the export potential of the industry and the assistance Canadian manufacturers require to be competitive internationally. It is unusual in a structured survey to have such a large number provide comments. The respondents appear to have viewed the descriptive material accompanying the response form as a "consultative" effort by the federal government and, by and large, reacted to it by presenting specific views and support for the creation of an Export Council. The following are ten examples;

> "The establishment of the council as the first step in a concerted and focused buildings products export strategy is a welcome initiative that will receive the support of BASF Canada."

> "The demand for a Canadian Building Products Export Council is a very real one, with the pressure of taking the export route in business increasing every day.....For example, Canada is viewed by many countries as a leader in the concept of timber frame housing and the state of the art building products that go with it." (Bay Mills Ltd.)

> "Je suis convaincu que la formation d'un Conseil canadien des exportateurs de materiaux de construction serait un atout important pour l'exportateur qui, la plupart du temps, manque d'information necessaire a bien presenter ses produits ainsi que pour etablir une bonne mise en marche." (Les Enterprises Vecor Inc.)

> "This is an excellent idea long overdue. The up-front market/sales costs are a problem, along with lack of knowledge of export markets. The services marked above would really help us in the Pacific Rim and adjacent areas of the U.S..." (Britco Structures)

> "Activities of the Export Council, listed on page 4 of your letter would be of value to the Canadian Log Home Producers, as we lack the human and financial resources to implement and maintain such a program on our own." (Faulkner Log Homes)

"It is imperative that Canada become an exporter of finished product, rather than exporting only it's natural resources. The program of Canadian built houses that Okaply is attempting to coordinate for export, is a prime example of exportation of Canadian technology and converted natural resources. I think this is an excellent idea . Time permitting, I would be pleased to assist in the operations of the council." (Industrie Okaply Ltd.)

"The formation of such a council can only benefit Canada and Canadian companies to gain increased export trade. I and my company will be willing to assist in any way." (Modular-Britt)
"The sooner the program can be initiated the better. I would be pleased to assist if required." (Lorlea Architectural Products)

"Ce futur Conseil devrait etre cree pour informer et aider toutes les entreprises quelles qu'elles soient a developper et a s'impliquer dans le domaine de l'exportation. Nous hesitons souvent a nous lancer dans l'exportation directe par manque d'information et de contacts avec les acheteurs etrangers." (Moulures Hudon Inc.)

"Noranda Forest Sales is definitely interested in participating in this timely and important initiative.....Most Canadian Building Product exporters recognize they need to increase their presence in export markets but lack the resources to do so on a sustained basis..." (Noranda Forest Products Ltd.)

The response form only offered the respondent a Yes/No option on their willingness to join the council. Of the 558 responses 18% in some manner qualified their willingness to join. To reflect this conditionality all respondents who indicated conditions to their willingness to join have been separated and classified as "Maybe". The two most mentioned conditions are the membership fee and structure.

For example;

"I would join if the fees were based on export sales rather than total sales." (BPCO Inc.)

"There should be a $200 fee for small companies with sales under $1M. We could benefit from such a council as we are currently expanding to be able to manufacture log houses and log shed kits." (Glengarry Restoration and Conservation Ltd.)

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Recommendation # 6

That a special category of membership be created for small
companies with sales of less than $1 million per year at
an annual fee of $200.
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Of the 558 responses received 17 provided negative comments on the creation of a Council. Most of the negative comments were concerned with government involvement in business and the use of public funds to support a council.

For example;

> *"I am suspect when it takes a government agency to set up a private sector council. If business needs one it will create one. I would suggest that redundant services like these be eliminated. Lower the Canadian dollar then we will succeed because we are competitive." (Cornelius Industries Inc.)*

> *"Where is the evidence to suggest that government sponsored export organizations are cost effective in generating incremental export sales? We must reduce programs and costs to reduce taxation levels which make Canadian industry less competitive." (Canplas Industries Limited)*

Many of the respondents who declined to join expressed support for the creation of the proposed council and it's activities but, for the most part they indicated that they would not be competitive internationally, were too small or their existing export efforts were adequate. Nine out of ten who declined membership wanted to input to the survey and completed the response form. They also indicated a desire to receive a copy of the study.

Recommendation # 7

That the Council be established as an industry non-profit organization independent of Government, governed by a Board of Directors that reflect the product category and geographical composition of the membership.

ISTC and EAITC might consider being ex-officio members of the Board of Directors and participate in specialized Council Committees as outlined in Chart 13 in Section 4.5. This will assist the departments in maintaining an ongoing liaison with the industry.

SECTION 4

ORGANIZATIONAL AND FINANCIAL PLAN OF THE COUNCIL

4.1 Council Mission Statement

4.2 Role of the Council

4.3 Membership in the Council

4.4 Organizational Chart and Job Descriptions

4.5 Estimated Annual Operating Costs and Council Financing

4.6 Estimated Annual Council Revenue and Programme Costs

4.7 Sources of Prospective Council Financing

4.1 Council Mission Statement

Recommendation # 8

That the mandate of the Canadian Building Products Export Council be to assist building product manufacturers promote their value-added products internationally.

4.2 Role of the Export Council

The primary (building products) producers generally market internationally utilizing internal resources and to some extent are supported by product associations. However, most of these associations do not have export promotion as a primary mandate. Many of the manufactured products producers do not belong to product associations and do not have access to specialized export promotion assistance. A need exists in the Canadian building products industry for an entity that fills this void which inhibits the industry from realizing it's potential in international markets. The purpose of the proposed Export Council is to provide a vehicle that services both product associations and individual producers in their efforts to expand their international market development. Many international contracts for building products now require bids on a range of complimentary items rather than sourcing each component item individually. Few mechanisms exist in Canada for consortium bidding on international contracts. Internationally product standards are being harmonized, performance specifications strengthened, designs standardized yet many Canadian manufacturers do not have access to these developments nor a method to participate in their formulation. The Export Council would also provide a forum for producers to address these important issues where, at present, they are unable to do so individually due to a lack of expertise and resources.

4.3 Membership in the Export Council

The Export Council would be composed of both individual building products manufacturers and building products associations who may wish to offer their members specialized assistance in the field of international marketing. The membership will be drawn from the broad product mix of building products manufacturers throughout Canada. Many specialty building product manufacturers are concerned with their individual inability to achieve access to international markets due to the up-front marketing and promotional expenditures involved and have reacted favourably to the concept of collective promotion of their products internationally. In the specialty product categories where associations exist, export promotion has not been given sufficient attention. Associations such as the Canadian Manufactured Housing Institute have expressed a need for assistance to be able to provide their members international marketing support.

Recommendation # 9

That at least half of any programme contribution of Industry, Science and Technology Canada (ISTC) be directed to support the export needs of small manufacturers defined as those with total annual sales of less than $5 million.

4.4 Activities of the Export Council

The Council could undertake the following activities:

- Participate in international trade missions and exhibitions for building products on behalf of its' members.
- Develop and provide members with export training programmes especially oriented to small manufacturers.
- Appraise members of market/contract opportunities.
- Assist member companies in obtaining export financing from Canadian and international financing institutions such as the Export Development Council, the World Bank, regional development banks and commercial financing institutions.
- Undertake international market research for building product companies or respective associations.
- Provide systematic product information to the Canadian Trade Commissioner Service, Industry, Science and Technology Canada regional offices and sectorial staff and External Affairs and International Trade Canada geographic bureaus.
- Report to members on developments in international forums that affect Canadian competitiveness and impact upon market opportunities such as the GATT, Europe 1992, U.S-Canada Free Trade Agreement.
- Advise Governments in Canada on issues and policies that effect the international competitiveness of Canadian building product manufacturers.
- Identify barriers to building products trade and trade opportunities in selected nations.
- Undertake market surveys and research on behalf of members.
- Develop catalogues of promotional literature of members building products.
- Encourage and assist with the formation of export consortia of Canadian building products manufacturers.

As pointed out in Section 3, respondents expressed priority be given to trade fairs, market research and sourcing market leads. The council should first address these needs on a priority basis. However the respondents indicated (Table 9) that all nine activities proposed in the response form are essential. This diversity of required services presents the council with a staff requirement for specialized professional international business services.

4.5 Organizational Chart and Job Descriptions

To provide the most desired export assistance activities that manufacturers identified in the survey will require five professional programme staff and an administrative officer. The organizational chart (Chart 13) proposes an initial council staff of seven including support personnel to provide the services required for the anticipated large membership. To meet the priority areas of assistance as identified by the survey, the professional staff could have the following responsibilities:

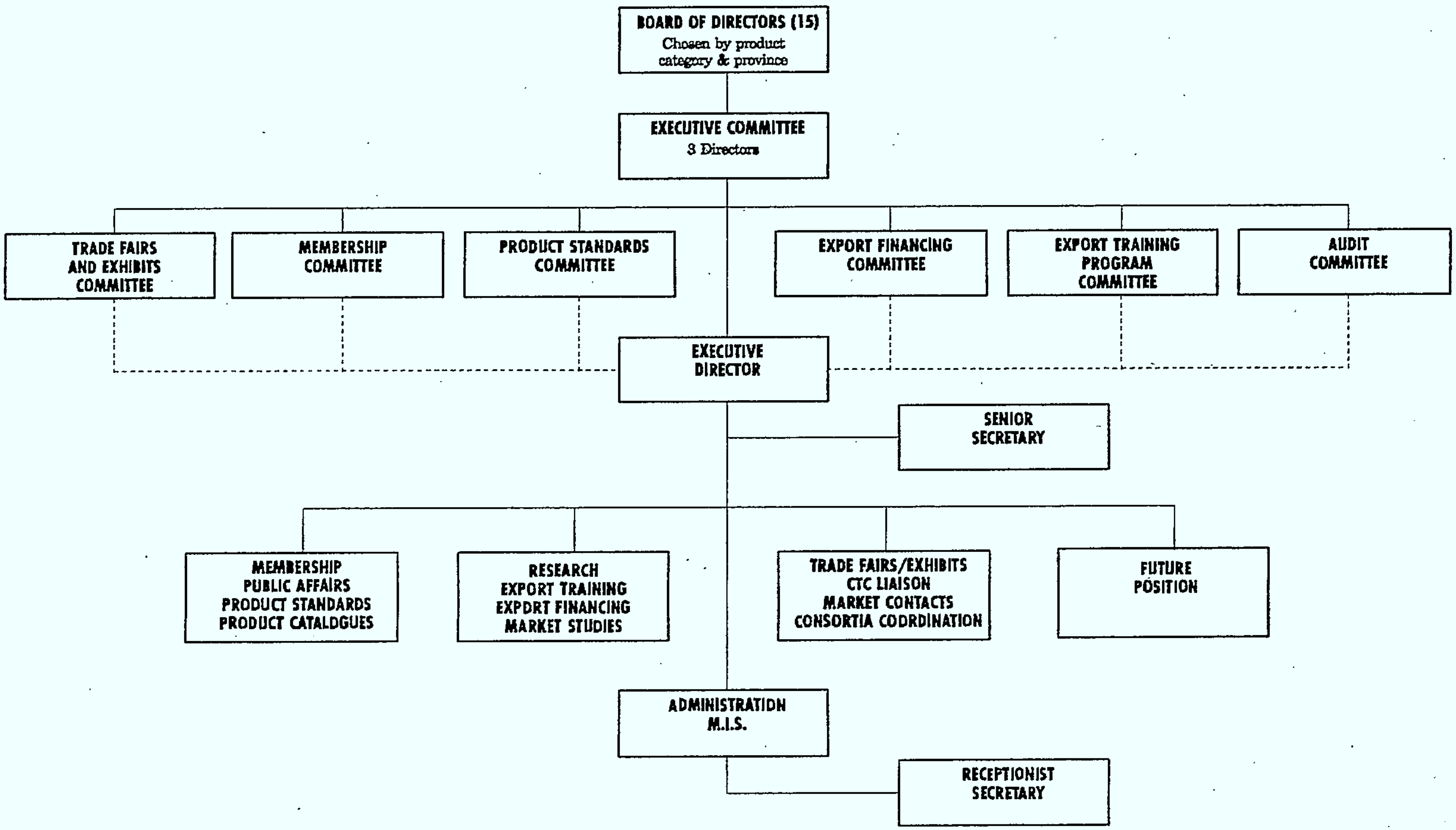
Executive Director	• council management • government relations • secretary of Board of Directors • develop annual strategic and operational plan
Officer # 1	• manage public affairs • membership communications • product literature/catalogues • product standards and import regulations
Officer # 2	• market research and surveys • export training • export financing • monitor international industry trade regulations
Officer # 3	• trade commissioner, ISTC and EAITC liaison • sourcing market leads and contacts • consortia coordination
Officer #4	• future position - non-residential building products
Administrator	• management information systems • accounting and payroll • maintain computer database

Provision has been made in the Council's Revenue and Expense projections (Table 14) for an additional officer position that would be required if ICI building products are added to the Council's mandate in year three. Additional support staff will likely be required as membership and activities grow. The membership officer should have a background in the industry while the research officer should have experience in training and international business. The market liaison position would be appropriate for an experienced commercial officer.The Executive Director should have experience and standing in the industry, have export sales and promotion experience and be entrepreneurial. In order to support the Council in it's formative years two of these positions might be staffed by government secondments.

> **Recommendation #10**
>
> That ISTC and EAITC each consider providing the Council with one three-year staff secondment to assist the Council in it's formative years.

Chart 13

Organizational Structure



4.6 Estimated Annual Council Revenue and Programme Costs

Table 14 presents a Five Year Pro-Forma Revenue and Expenditure Projection based upon the stated assumptions. Over the five year period the proposed financing package is based on a 50-50 government/industry cost sharing objective. It attempts to respect the survey respondents collective opinion that the financing of the Council be in the vicinity of a 60-40 government/industry split over the initial three year period due to set-up overhead and 40-60 after the third year. As part of the government contribution it is assumes that the export council will be able to undertake contractual geographical initiatives on behalf of the government in support of the Government's emerging international competitiveness strategy in the area of technical industry specific export seminars. An effectiveness evaluation should be undertaken in Year 3 to ascertain the nature and amount of government assistance that would be required after the initial years of operations.

This study proposes that a three-year funding commitment be made by the Government to a residential building products export council to enhance the international competitiveness of this important industry in order to prevent the projected decline in it's manufacturing output and employment levels. We realize some of the government assistance programmes that the Council would be eligible to access are administrated from the standpoint of commitments on an annual basis. This should not pose a serious problem if the Council can submit annually it's yearly programme of planned activities on the basis of which the government would make a financial commitment annually. This constraint to secure sources of revenue for the Council may be more applicable to EAITC's two PEMD programmes than ISTC's multi-year operational programmes (MYOP) funding authorities.

The operating expenses detailed in Table 14 are based on the Council being organized to address the priority activities as expressed by the respondents in Chart 9, Section 1.2. To service the large and product diverse anticipated membership would require an initial staff of four programme personnel and three support staff. The budget provides for the addition of an additional staff member in years 3,4 and 5 as membership and Council activities expand; an officer in year three and a support person in years 4 and 5. Service expectations will be considerable and unless the Council has an initial critical mass it will not be able to meet members expectations and membership would decline. If sufficient funds are available consideration should be given to a staff complement of ten that could provide a more full range of activities that the survey respondents requested.

The revenue section of Table 14 does not include the contribution in kind of any possible government staff secondments. The two recommended secondments would in effect make up for the projected deficits at the projected levels of government assistance and forecast revenue from Council members. Indeed, without secondments, government programme contributions would have to be approximately $150,000 to 200,000 higher per year to maintain the proposed level of Council services.

Council revenue would come from membership fees, contract assignments from members (eg. cost reimburseable market studies) and government. For large companies, export training seminars could be given on a fee basis. Membership fee revenue is based on 250 companies joining in the first year with growth growing to five hundred in year five. Membership fee revenue projections are based on the proposed fees and the size of company survey data shown in Table 12 starting with 250 in year 1 growing to 400 in year 5. The survey results indicate that Council membership could be much higher than the conservative estimated that we have utilized in Table 14.

Council operating costs have been estimated on the basis of the recommended staff size. Programme activities expenditures have not been detailed and a Council business plan should be developed that would more precisely specify their nature and amount.

Table 14

Canadian Building Products Export Council

5-Year Pro-Forma Revenue & Expenditure Projection

	1992	1993	1994	1995	1996
Revenue					
Membership Fees (1)	250,000	250,000	325,000	500,000	575,000
PEMD Matching Contributions (2)	250,000	125,000	125,000	125,000	125,000
Staff Secondments (10)	160,000	160,000	160,000	0	0
Service Fees:					
Members (3)	0	75,000	150,000	250,000	300,000
Seminars - PEMD - GI (EAITC) (4)	100,000	100,000	100,000	100,000	100,000
Revenue Available For Operations	**760,000**	**710,000**	**860,000**	**975,000**	**1,100,000**
Program Activities Contribution (ISTC) (5)	300,000	300,000	300,000	300,000	300,000
Total Revenue	**1,060,000**	**1,010,000**	**1,160,000**	**1,275,000**	**1,400,000**
Operating Costs					
Office Space (6)	48,000	48,000	48,000	48,000	48,000
Set-up & Equipment (7)	100,000	40,000	15,000	10,000	10,000
Telecommunications	15,000	19,000	22,000	24,000	25,000
Supplies	15,000	10,000	10,000	10,000	10,000
Staff Travel	100,000	125,000	150,000	175,000	190,000
Staff Salaries (8)	460,000	475,000	570,000	625,000	670,000
Legal & Accounting	30,000	15,000	15,000	15,000	15,000
Total Operating Costs	**768,000**	**732,000**	**830,000**	**907,000**	**968,000**
Program Activity Expenditures (9)	200,000	300,000	400,000	400,000	400,000
Total Expenditures	**968,000**	**1,032,000**	**1,230,000**	**1,307,000**	**1,368,000**
Cumulative Surplus/(Deficit)	**92,000**	**70,000**	**0**	**-32,000**	**0**

NOTA:

1. Based on conservative projection of Section 5, membership fee increases in Year 4.
2. According to existing PEMD/industry initiative funding ceilings.
3. Cost recoverable services will develop fairly slowly.
4. EAITC's geographical PEMD/government intiatives program.
5. Based on a $750,000 three-year contribution; renewed in Year 4.
6. 1,600 square feet @ $30 gross.
7. Furniture, fax, computer, etc.
8. Initial staff: two positions @ $35,000, 1 position @ $50,000, 3 positions @ $80,000, 1 position @ $100,000. 1 additional position is added in each of years 3, 4 and 5.
9. First year program activities will take lead time to initiate.
10. If secondments are not possible, consideration should be given to larger program contributions.

4.7 Sources of Prospective Council Financing

EAITC administers two Programmes for Export Market Development (PEMD), one that is industry driven (Industry Initiative) and a second that is government planned (Government Initiative). With the former the Company or Industry Association applies for matching assistance up to a $150,000 maximum annual contribution except for the first year when it can be granted twice.

EAITC allocate close to $2 million per year in support of building product exports through it's PEMD\GI programme. These funds are allocated by geographical divisions rather than centrally. A CBPEC could perform a service to EAITC in identifying building product manufacturers who could participate in industry trade fairs and missions. EAITC also have a need for assistance in mounting export seminars for Canadian building product manufacturers on specialized topics such as international building codes and standards. An export council would be an appropriate body to undertake technical seminars for building product exporters. It is estimated that such seminars could yield the Council an annual revenue of approximately $100,000.

> Recommendation # 11
>
> That EAITC consider contracting, within it's PEMB-GI programme, the CBPEC to undertake industry seminars on such topics as international building codes, product standards and certification, import regulations etc.

The survey illustrated that two-thirds of the Council membership will have sales of less than $10 million. Most of these manufacturers transform natural resources, particularly forest products and processed primary minerals into high value-added manufactured building products. Although the industry is very large the majority of firms that comprise it are not. These firms will not have the financial resources to undertake international market penetration initiatives on a full cost recovery basis and will require some financial assistance from the Council. Many of these firms will also require assistance in export preparedness from the Council.

> Recommendation # 12
>
> That ISTC consider granting the Council a three year $300,000 annual matching programme grant to fund the Council's programme activities from the department's existing budgetary programme resources to assist in increasing the industry's value-added manufacturing through strengthening the international competitiveness of Canadian building products manufacturers.

The Council would receive additional revenue from it's members for contractural work such as market studies and cost shared activities within government programmes such as seminars and product directories. The revenue projections of Table 14 assume that government contractual revenue will not grow over the five year period but Council generated revenue from services provided to members will grow as the Council's ability to deliver them matures.

5.0 CONCLUSION

The study survey results indicate that initially 300 to 400 Canadian residential building product manufacturers are ready to globally compete in the US$200 billion international export market of building products by joining an industry export council.

> Recommendation # 13
>
> That ISTC immediately initiate a Plan of Action to establish a Canadian Building Products Export Council (CBPEC) that could begin operations as of January 1, 1992.

NOTES