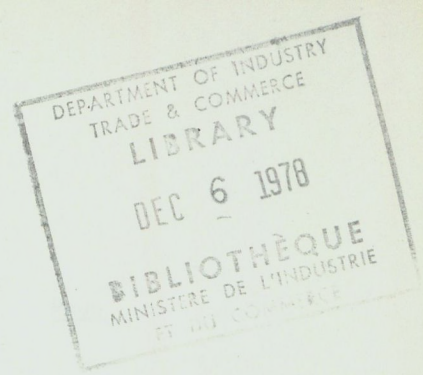


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A REPORT BY *Canada*
THE SECTOR TASK FORCE ON

THE CANADIAN COMMERCIAL PRINTING INDUSTRY

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REPORT

COMMERCIAL PRINTING INDUSTRY

CONSULTATIVE TASK FORCE

DATE

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TABLE OF CONTENTS

	<u>Page</u>
1. Executive Summary	(i)
2. Section 1: Objective of the Report	1
3. Section 2: Industry Summary	1
4. Section 3: Assumptions	3
5. Section 4: Issues	4
A. The Agreement of Toronto	4
B. Export Assistance	5
C. Valuation of Printed Imports	5
D. General Agreement on Tariffs and Trade	6
E. Government Procurement and GATT	6
F. Duty on Business Forms Presses	7
G. Government Procurement Policies	7
H. Competition from Publicly Funded Institutions	8
I. Canada Post Office	8
J. The Conserver Society	9
K. Advertising Mail	9
L. Liquor and Tobacco Advertising	9
M. Labour/Management Relations	10
N. Pollution Control Legislation and Safety Legislation	10
O. Technical Training	11
P. Management Training	11
Q. Supply of Printing Grade Papers	12
R. Capital Cost Allowances	12
S. Metric Conversion	13
6. Section 5: Overall Impact	13

EXECUTIVE SUMMARY
COMMERCIAL PRINTING INDUSTRY CONSULTATIVE TASK FORCE REPORT

The commercial printing industry, on the average, is relatively healthy at present, and can retain this status with appropriate action on the part of employers, employees and governments.

The industry has establishments located in virtually every part of Canada. These companies provide a stable employment base and the growth prospects for the industry reflect those of the Gross National Product.

The domestic market for commercial printers is subject to erosion as a result of competing technologies (e.g. television) and large levels of printed imports. In order to keep the industry viable, this market must be expanded. Productivity improvement is seen as a key in this regard since it will ultimately improve the competitive capacity of the industry in both the domestic and export markets. Steps which can be taken by governments to assist in market expansion include:

- Ratification of the Florence Agreement, thus preserving the Canadian exemption from the Manufacturing Clause of the U.S. Copyright Law and opening the American book market to Canadian manufacturers;
- A new valuation formula for printed imports as a means of domestic market protection;
- Elimination of duty on business forms presses;
- Continued commitment to present print procurement policies by governments;
- Provision of a continuing and reliable postal service at competitive rates;
- Resistance to recommendations such as those embodied in conserver society arguments and in suggestions to ban certain types of advertising of legally sold products which will not achieve the desired social results but will jeopardize the printing industry.

The industry has not advocated new government policies which will require substantial expenditures of public monies. Rather, minor adjustments are recommended which will allow the industry to compete more effectively. The industry has the technological skills and the required equipment to compete in the international market. More than anything, it requires from the government the development of a climate in which it will be possible to enhance productivity which can lead to economies of scale.

REPORT OF THE COMMERCIAL PRINTING INDUSTRY CONSULTATIVE TASK FORCE

SECTION 1: OBJECTIVE OF THE REPORT

At present, the Canadian commercial printing industry is, on the average, quite healthy. This report identifies trends which, if not addressed in the near future, could cause the industry to stagnate in the years ahead. If employers, employees and governments at all levels are willing to contribute to the success of the industry, it can continue to be a significant factor in the economic, cultural and social life of the nation.

The goal of the report is to offer recommendations which are designed to enhance the productivity of the industry. It is felt that by achieving this end, many of the other problems facing the industry would be solved or at least lessened.

The report addresses itself to several specific issues where positive government action would contribute to the health and competitive advantage of the industry in both domestic and export markets.

SECTION 2: INDUSTRY SUMMARY

An updated version of the sector profile paper entitled "Canadian Commercial Printing Industry" is attached. This document has been endorsed as an accurate industry portrayal. In particular, the following points outlined in the profile describe the industry:

- The commercial printing industry is composed of establishments primarily manufacturing custom-made items;
- Importations of printed matter substantially exceed exports; imports have remained at a relatively stable but high level for many years in terms of domestic market share. Export levels have increased but still play an insignificant role in total industry activity;
- Value added per production employee in the commercial printing industry tends to increase as companies grow larger;
- Canadian printers have difficulties in achieving high levels of production because of their limited domestic market;
- Canadian printers are sufficiently well-equipped to service existing markets. As markets expand, installation of equipment designed to enhance productivity still further, will be possible;
- Availability of paper will influence the growth pattern and capacity of the industry to enter export markets aggressively;
- The market for commercial printing follows a trend similar to the growth of the Gross National Product.

The Task Force feels that this description should be expanded somewhat since there are several characteristics which make the Canadian commercial printing industry relatively unique. A knowledge of these attributes is essential to placing the recommendations of this report within their proper context.

There are more commercial printing establishments in Canada than there are establishments in any other manufacturing sector. These establishments are located in virtually every community of any size in this country. Continuation of the industry's relatively healthy current status is important to Canadian governments at all levels since the industry is capable of contributing to the following national goals:

- provision of a stable and growing employment base;
- consumption of Canadian produced raw materials;

- contribution to the economic well-being of all parts of Canada;
- essential vehicle to the development of a distinct Canadian culture;
- substantial Canadian ownership;
- capable of continued expansion;
- interested in, and capable of, export market development.

Many other factors also serve to make the industry unique. Foremost, commercial printing is truly a custom manufacturing industry producing to fill the needs of others. This manufacturing status must be retained for tax purposes. It properly reflects the process of converting paper and other raw materials into end products. Although it is unquestionably a manufacturing industry, there is a substantial service factor which exists in commercial printing as a result of the manufacturer/customer relationship. Customers do not order printing per se. What they seek is a method to disseminate information; or to contain a consumer product; or to expedite a business function. As such, the industry comprises firms involved virtually in tertiary manufacturing and the expectations for the development of the Canadian commercial printing market are tied to the general development of the Canadian economy. Therefore the industry wholeheartedly supports the initiative taken at the recent First Ministers' conference to launch a "shop Canada" program.

In the short and medium terms, demand for printed products is relatively inelastic from a growth viewpoint. There are few occasions when it is possible for companies in the industry to create new and significant domestic markets quickly for printing. As a result, competition within the industry for market expansion is intense and is usually accomplished by attracting orders from one printer to another. When decisions are taken to transfer existing printing requirements to other media or to cancel print orders for any reason, the entire industry from coast-to-coast can be affected. In many cases, the printing company which loses the existing order is able to recoup its losses. However, this can usually only be done at the expense of other companies in the industry. Therefore, government decisions which restrict the market for commercial printers do not necessarily have their ultimate impact upon a relatively small number of larger companies. Often, the final impact will be felt in medium and smaller-sized companies far removed geographically from the companies that suffered the original losses.

Commercial printing is also unique within the overall manufacturing sector in terms of financing. The industry derives most of its financing through normal commercial channels as opposed to the degree of public financing which exists in most other components of general manufacturing.

Another factor making the printing industry relatively unique within the context of Canadian manufacturing is the degree to which its marketplace is vulnerable to erosion. Companies in all other economic fields of endeavour, as well as governments and educational institutions, are constantly examining the possibilities of establishing their own internal printing facilities in an effort to provide more immediate service and/or control costs. This paper will not refute the arguments for private plant printing although substantial arguments in this regard do exist. Rather, the issue is put forward as a further example of industry uniqueness. Specific references to the procurement policies of publicly-funded organizations will be made later in this report.

The technology explosion of recent years has had a great impact upon the industry in terms of competition within its traditional market. Other media, notably television, have eroded markets for commercial printing; the development of efficient and low-cost systems of electrostatic reproduction has made several types of non-printing operations capable of meeting many of their own printing needs; and the computer is growing in importance as a threat to the printers' market.

Still another factor which is important to an understanding of the Canadian commercial printing industry is that it is highly structured and organized from both a labour and management viewpoint. Although a large number of unions exist, the three major labour organizations active in the industry are the Graphic Arts International Union/Syndicat international des arts graphiques, the International Printing and Graphic Communications Union and the International Typographical Union. There has been a strong tradition of union responsibility in the Canadian commercial printing industry. This has been a reflection of the stable and progressive unions which exist as well as of mature communications between labour and management. A strong craft tradition exists within all elements of the industry and is a contributing factor to such relations.

Canadian management organizations include the Council of Printing Industries of Canada, the Packaging Association of Canada and the Canadian Envelope Manufacturers Institute. Several foreign associations have some Canadian membership, especially in highly specialized areas such as instant printing, business forms manufacturing, screen printing, and typography.

Within Canada, Graphic Arts Industries Association/Association des industries graphiques is the dominant management organization of commercial printers with regard to non-labour relations matters. Its 625 member companies are located in all parts of the country. In addition, the Association operates and represents Canadian Business Forms Association, Canadian Book Manufacturing Association and Canadian Bank Cheque Manufacturers. The membership also includes a representative cross-section of typographers, lithographic plate makers and book binders. Finally, 53 national and international suppliers to the printing and allied industries are associate members of the Association but belong to specialized organizations within their various sectors as well.

Generally, the interests of the Association and those of senior management of non-member companies are identical or extremely similar. In the areas of government representation and improving the level of management sophistication it is difficult to imagine instances in which there would be a broad variance of opinion on general issues. Nevertheless, it must be noted that the Association speaks for approximately 25 per cent of the commercial printing establishments in Canada, although Association members account for some 75 per cent of the total annual value of shipments.

A final factor which must be appreciated is that a strong entrepreneurial spirit exists within the Canadian commercial printing industry. As such, heavy reliance on government intervention in the industry does not appeal to most owners and managers. However, it is inescapably true that Canada has a mixed economy and that the role of government in industry affairs cannot be disregarded.

It is felt that governments have a role to play in the development of a stable environment for the industry. Implicit within this belief is the recommendation that governments recognize the need of the industry to be able to operate in a manner consistent with sound forward planning. Certainty in the economic process is lacking in Canada at present, and its restoration is essential to the industrial future of the nation. In addition, government decisions often seem to be taken for some form of "greater good" which may have negative effects upon the industry. If adjustments affecting the industry are deemed necessary by government, these changes should be undertaken in a manner which would involve strong consultation with all concerned elements. Finally, government decisions which affect the industry should be regarded as having a significant degree of permanency so as to re-establish needed confidence and to permit sound long-range planning.

Governments should be more acutely aware of the impact of their social programs on every facet of the community. At all times, government policy should consider the need to keep Canadian workers productively employed and to keep Canadian companies competitive within their own domestic and export markets.

SECTION 3: ASSUMPTIONS

While the Task Force had neither the time nor the resources available to study projections made by the Department of Finance on the performance of the Canadian economy, the overall feeling is that growth will stand at roughly 3.5 to 4 per cent in real terms. It also assumed that:

1. Capital Cost Allowances will remain constant.
2. Canada will promptly ratify the Florence Agreement, or at a minimum, zero rate the tariff on the products concerned, in order to assure access to the United States market.
3. Any reduction in tariffs on printed matter will be selective and compensated by equivalent reductions in tariffs on materials used by the industry (i.e. paper, ink, equipment)
4. Governments in Canada will remain dedicated to the competitive enterprise system.

SECTION 4: ISSUES

The need to remain competitive in domestic and export markets is regarded as the key to the future success of the Canadian commercial printing industry. It has already been noted that these markets are being subjected to pressures caused by competing technologies. Additional components of the drive to remain competitive include personnel training at both the craft and management levels, productivity improvement, cost control, availability of raw materials and government action. A number of specific matters are included below within the general format of issues, background/considerations, recommendations and impact.

A. The Agreement of Toronto

- i) Issue - In 1968, Canadian and American printers, publishers and union leaders signed The Agreement of Toronto. The Agreement called for the American signatories to work for Canadian exemption from the Manufacturing Clause of the U.S. Copyright Law. Once the exemption had been obtained, the Canadian signatories promised to urge Canadian ratification of the Florence Agreement. The Canadian exemption came into force on January 1, 1978 but there is no indication that Canadian ratification of the Florence Agreement is imminent. Lack of Canadian government action is placing the Canadian exemption in jeopardy.
- ii) Background/Considerations - On January 1, 1978 the Canadian exemption from the Manufacturing Clause of the U.S. Copyright Law came into effect. This was the result of many years of effort and substantial expenditures of money by the Canadian book industry, including printers, publishers and unions. The Manufacturing Clause had provided that the production of more than 1,500 copies of a book authored by an American citizen or by a person ordinarily domiciled in the United States had to take place in that country if the author's copyright was to be retained. This effectively denied much of the American book printing market to Canadian manufacturers because of either the legal implications of the Manufacturing Clause or because of fear that the Clause would be invoked whether or not such fear was legally justified.

The Florence Agreement provides for the duty-free entry of all books into countries which have ratified the Agreement. At present, books of an educational, scientific or cultural nature enter Canada duty-free. Ratification of Florence would thus mean that works of fiction as well would enter without attracting duty.

In 1977, representatives of the Canadian commercial printing industry met with the Canadian Book Publishers Council, the Association of Canadian Publishers, the Canadian Booksellers Association, the Canadian Library Association, etc. It was agreed by this group that tariffs on books entering Canada should be zero-rated as soon as possible as a first step towards Florence ratification. The Minister of Finance was asked to undertake this zero-rating in his next budget.

Regrettably, the recent federal budget did not contain this provision. Questions are now being asked by our American counterparts as to why the Canadian exemption from the Manufacturing Clause should not be rescinded. If this were to take place, benefits flowing from the efforts of the past decade will not be realized. Of more importance, however, is the economic damage which the printing industry will suffer. This will be particularly true for those companies that have already spent or committed millions of dollars for the acquisition of new high technology equipment and for market development to enable them to enter the American marketplace competitively.

iii) Recommendation

The Minister of Industry, Trade and Commerce should persuade the Minister of Finance to zero-rate the duties on books entering this country so that Canadian access to the American market will not be withdrawn.

- iv) Impact - Access to the United States market is believed to offer sales opportunities worth many millions of dollars. Sales of \$42,000 will sustain one new job in the industry.

B. Export Assistance

i) Issue - Many commercial printing companies in Canada are sincerely interested in developing export markets. The degree to which they can receive government assistance in this regard will enhance their efforts to become more export oriented.

ii) Background/Consideration - Until recently, most Canadian commercial printers have been satisfied to develop domestic markets for their products. There is a growing awareness that significant industry expansion will not be possible on this basis in the future. Competing technologies as well as a high level of market erosion caused by printed imports have created a new interest in exporting. In addition, the Canadian exemption from the Manufacturing Clause of the U.S. Copyright Law has been a stimulus to both book manufacturers and general commercial printers. The industry has traditionally maintained a high level of technological skill and can compete effectively in world markets.

Printers who have attempted to enter foreign markets have traditionally made use of government export programs. Such programs have been of genuine assistance to companies that did not have the initial resources or backgrounds to explore these markets.

iii) Recommendation

Government programs which will assist commercial printers to explore market opportunities and to enter such markets should be continued and, if possible, expanded.

iv) Impact - Enhanced exports will create additional jobs in Canada, consume Canadian raw materials and help develop an industry which can improve its productivity to serve both the domestic and foreign market.

C. Valuation of Printed Imports

i) Issue - If the Canadian commercial printing industry is to retain its share of the domestic market, it is necessary not only that appropriate tariff protection exists, but that the value declared for duty purposes reflects a fair market value.

ii) Background/Considerations - The basic steps involved in any printing job include pre-press preparation, press work and finishing. The major components in the cost of any printing job are raw materials (basically paper), factory payroll, factory expenses, administrative expenses and cost of sales. It is not possible to state precisely how such components relate with regard to specific jobs. However, industry statistics show that, for the average Canadian printing company, the elements contained in the eventual selling price are as follows:

Paper	22.90%
Other Materials	5.94%
Outside Services	7.98%
Factory Payroll	28.43%
Factory Expenses	10.71%
Administrative Expenses	9.89%
Selling Expenses	8.22%
Interest Expenses	1.42%
Net Other Income	0.63%
Net Pre-Tax Profits	5.14%
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Many portions of the final value of a printing order do not vary in relation to the length of the printing run. Examples in this regard include pre-press costs which occur once for each order regardless of its length; some factory expenses (including depreciation, property taxes, insurance, utilities, building rent, etc.); and administrative and selling expenses. Costs which do increase in relation to the size of the printing run are chiefly for paper, some other materials, and factory labour. In these cases, such expenses

occur almost exclusively with regard to press work and finishing. There is little or no additional pre-press cost for a long run as opposed to a short run.

It is not uncommon for printed matter to enter this country which is the tail end of a much longer run produced in another country. Printings of advertising matter are an appropriate example in this regard. In many cases, the value for the portion entering Canada is stated in terms of the incremental cost of printing and finishing the additional copies required for Canadian use. It is impossible for Canadian printers to compete against such imports unless a valuation formula is developed which takes full cognizance of substantial pre-press and other costs which are incurred and which do not normally vary in relation to the length of the eventual printing run.

iii) Recommendation

The government should develop a valuation formula for printed imports which would reflect the selling price to a customer in the country where the printing was manufactured for the same size order as the importation into Canada.

iv) Impact - Industry statistics indicate that it takes approximately \$42,000 in annual sales to sustain an employee in a Canadian commercial printing company. It is difficult to be precise as to the amount of revenue which would be gained by the industry as a result of the introduction of a new valuation formula. However, it should be noted that imports of printed matter are now in excess of \$500 million a year. For every one per cent of the market which could be repatriated, some 119 new jobs could be created in Canada.

D. General Agreement on Tariffs and Trade

i) Issue - Graphic Arts Industries Association/Association des industries graphiques has filed a submission reflecting the position of its members towards the current round of negotiations underway in Geneva concerning the General Agreement on Tariffs and Trade.

ii) Background/Considerations - The Task Force has considered this submission and endorsed its contents. However, it is not possible to endorse the specific recommendations made by the Association concerning particular tariff items. While the Association feels these detailed recommendations reflect the views of its membership, it did not survey the entire Canadian printing industry. Consequently, there may be non-member companies that might disagree with the Association's positions on such recommendations.

iii) Recommendations

a) The government should regard the submission by Graphic Arts Industries Association/Association des industries graphiques as generally reflecting the views of the industry. However, the specific tariff recommendations contained in this brief should be taken as the views of the Association only.

b) Any reductions in the tariffs currently protecting the Canadian commercial printing industry must be accompanied by reductions in the tariffs on raw materials and equipment which printers will have to import to remain competitive.

iv) Impact - Selective tariff reductions can be accomplished without unduly damaging the industry. However, there are other tariffs which, if reduced, would have a significantly negative effect upon the industry.

E. Government Procurement and GATT

i) Issue - Current GATT negotiations in Geneva contain a proposal that all government procurement in excess of \$200,000 should be open to international tendering.

ii) Background/Considerations - There are many problems for the Canadian commercial printing industry implicit in this GATT proposal. These include a fear that other governments would not share the attitude of the Canadian government concerning the amount of work that is available for public tender. To open the Canadian government's major print requirements to worldwide tender would be unacceptable if similar opportunities were not afforded Canadian printers in other countries. In addition, the possibility of abuse in a system of worldwide printing tenders is substantial. Any printing order can be directed to a specific producer depending upon the skill in developing specifications for

the order. It is easy to imagine situations where Canada's equitable tendering system based upon clearly written and fair specifications would not be matched by other countries.

iii) Recommendation

The government of Canada should oppose the current GATT proposal to have all government procurement in excess of \$200,000 opened to international tendering. Offsetting gains in foreign markets would probably not be sufficient to compensate for opening the Canadian market to this type of foreign competition.

iv) Impact - Orders for printing by the government that are in excess of \$200,000 are usually substantially in excess of that amount. They consist for example of orders for Canadian currency, stamps and the paper work associated with the Income Tax forms and government social programs. For every such order that was lost, substantial unemployment would result with no assurance of offsetting new orders. Major losses of this type would significantly and negatively affect the entire Canadian commercial printing industry.

F. Duty on Business Forms Presses

i) Issue - At present, all printing presses 17" x 22" or larger are admitted to Canada duty free with the exception of business forms presses.

ii) Background/Considerations - The exception of business forms presses from duty free importation was originally designed to protect one Canadian manufacturer of such machinery. Since that time, the company is no longer Canadian owned and the previous manufacturing facility has become exclusively an assembly plant.

iii) Recommendation

The government of Canada should rescind the duty currently levied on business forms presses and ancillary equipment.

iv) Impact - Canadian business forms manufacturers have difficulty entering export markets and are continually faced with domestic market erosion. To lessen substantially the cost of capital equipment would exert an important positive effect on the industry. Almost all business forms equipment in use in Canada must be imported. Thus, the effect of tariff elimination would be widespread, and would result in increased employment and earnings for business forms companies. Improved competitiveness for Canadian business forms manufacturers in their domestic market would lead to enhanced productivity and the development of increased export marketing potential.

G. Government Procurement Policies

i) Issue - The present substantial degree of government procurement from the Canadian commercial printing industry exerts a positive impact upon printers in all parts of Canada.

ii) Background/Considerations - The report of the Federal Glascoe Commission recommended strongly that the government of Canada buy as much of its printing as possible from the private sector as opposed to manufacturing it within government-owned and operated printing plants.

The intervening period has seen the federal government largely implement this Royal Commission recommendation. The ratio of printing being bought to printing being manufactured has shifted measurably in favour of the commercial printing industry and at the same time the total volume of the federal government's printing requirements has increased significantly. Both of these factors have been of great benefit to the Canadian commercial printing industry. In addition, most provinces have developed print procurement policies that are in the best interests of the industry.

iii) Recommendations

a) The federal government should retain its present commitment to a print procurement policy which provides substantial benefit to the Canadian commercial printing industry.

- b) Provincial governments, as well as all public agencies should also establish or continue print procurement policies designed to purchase their requirements from the Canadian commercial printing industry to the greatest degree possible.
 - c) Government printing procurement policies which direct significant work to the commercial printing industry should not be accomplished at the expense of the careers of public servants engaged in print production. Policies which favour the commercial industry should be sufficiently long-range so as to protect existing public service careers.
- iv) Impact - The degree of government printing being done by the private sector allows it to create significant employment and to enhance its productive capacity. To the extent that commercial printing establishments are able to expand their manufacturing capabilities as a result of government work, they should be capable of achieving economies of scale which will enhance their competitiveness in export markets.

H. Competition from Publicly Funded Institutions

- i) Issue - Printing manufactured by publicly funded agencies is often done at a price which makes it difficult for the commercial printing industry to compete effectively.
- ii) Background/Considerations - Some internal printing facilities have been established in government-funded institutions other than the government's own printing plants. For example, such facilities may be established in technical schools for training purposes, or in penitentiaries for rehabilitation purposes. In certain instances, such establishments have sought to extend the function of such facilities beyond the purpose for which they were originally intended by entering the marketplace. Since institutions seldom have the same needs to recover costs, it becomes difficult for commercial printers to compete in such cases.
- iii) Recommendation

Government policy should prohibit printing plants within institutions funded by public monies from competing in the marketplace.
- iv) Impact - It has been stated that \$42,000 additional sales will be sufficient to establish a new job in the commercial printing industry. Similarly, a \$42,000 loss is sufficient to jeopardize an existing job in the industry. Every time work is taken from the commercial industry by a publicly funded organization, industry jobs and earnings are threatened.

I. Canada Post Office

- i) Issue - The Canadian commercial printing industry relies upon a continuing and reliable domestic postal service.
- ii) Background/Considerations - As with all other sectors, the Canadian commercial printing industry requires an efficient and reliable postal service for invoicing, collection and correspondence. Whenever such service is not forthcoming, companies in the industry experience hardship.

Besides normal business concerns for postal service, the commercial printing industry's health is tied directly to prompt postal delivery at reasonable cost. Between 30 and 40 per cent of the work of the industry is advertising printing including direct mail and catalogues. Such printing is dependent upon the postal service for delivery. In addition, increases in second class postal rates threaten publications being manufactured by commercial printers while third class rate increases invariably mean that advertisers will consider the use of competing media for the delivery of their messages to the public. Finally, non-delivery results in the cancellation of advertising campaigns and negatively affects the greeting card industry.

iii) Recommendations

- a) It is not intended to propose specific manners in which the goal of a stable and reliable postal service could be achieved. However, government must recognize that such a service is essential and move forcefully to achieve this goal.

b) The impact of second and third class postal rate increases upon the commercial printing industry should be closely assessed prior to such increases being effected. This is particularly important in cases where such mail is already meeting the government's "User Pay" criterion.

iv) Impact - An efficient and reliable postal service will assist the business operations of Canadian commercial printers. It will also help the industry to utilize marketing strategies designed to increase the market for direct mail advertising.

J. The Conserver Society

i) Issue - From time to time, suggestions are made in favour of a conserver society which would restrict the use of packaging and advertising.

ii) Background/Considerations - The Canadian commercial printing industry is constantly concerned by proposals from non-industry groups which are deemed to be in the public interest. When such statements are made, they consistently seem to neglect to consider that jobs and corporate income are liable to be negatively affected as a result. Actions to create a conserver society which would result in a diminished market for the printing and packaging industries may be counterproductive. This is particularly true since the basic raw material for printing -- paper -- is supplied through a renewable resource. Many commercial printers are concerned with this issue not only because they manufacture advertising printing but also as manufacturers of print packaging.

iii) Recommendation

The government should reject all suggestions for a conserver society which could affect the printing and packaging industries until full industry consultation has occurred to determine whether, in fact, such proposals would either create more harm than good or would have little or no true beneficial results.

iv) Impact - Government positions which would curtail the growth of the printing and packaging industries would have serious effects in terms of lost employment and sales. Productivity would be severely damaged and the competitiveness of the industry would be destroyed.

K. Advertising Mail

i) Issue - From time to time, certain elements of society advocate the banning of advertising mail.

ii) Background/Considerations - Advertising mail is one of the backbones of the Canadian commercial printing industry. Individuals and groups who refer to such production as "junk mail" and advocate its control or elimination neglect to consider the positive effects which such mail has on the industry. The fact that some individuals within the elected and appointed political process occasionally refer to advertising mail in such terms as well does little to dissuade casual observers from the viewpoint that advertising mail is somehow undesirable.

iii) Recommendation

The government should not control or diminish the market for advertising mail which meets all legal requirements.

iv) Impact - Again, any government actions to curtail the advertising mail industry in Canada could have disastrous effects in terms of employment and earnings.

L. Liquor and Tobacco Advertising

i) Issue - Government bodies periodically indicate a willingness to ban advertising of liquor, tobacco and other products legally offered for sale.

ii) Background/Considerations - Liquor and tobacco advertising, in particular, are the revenue base for virtually every mass distribution publication in this country. If a ban on such advertising was initiated, many of these publications and the advertising of these products would merely be shifted to other jurisdictions within Canada or in other countries. Thus, the effect of bans of this nature would do little other than to penalize commercial printers and publishers in the jurisdictions where the bans were imposed. For governments to attempt to initiate actions which do little to solve major problems in our society but which can cause harm within related industries as a result does not seem equitable.

iii) Recommendation

Government prohibitions on the advertising of liquor, tobacco and other products legally offered for sale should not take place.

iv) Impact - Governments may feel it is important to dissuade the public from using certain legally sold products. In such cases, desired ends can be achieved without causing undue hardship to the Canadian commercial printing industry. Such hardship would inevitably result from advertising bans which would severely and negatively affect industry employment and earnings.

M. Labour/Management Relations

i) Issue - There has been sufficient discussion of tripartitism in labour relations, such that this report contains consideration of the issue.

ii) Background/Considerations - In all matters related to productivity improvement, there can be no doubt that appropriate consultation between employers and employees is a key ingredient to success. There has been some suggestion that joint labour/management/government productivity councils be struck. Within the context of the printing industry, it is felt that a direct relationship between management and labour is sufficient to meet the needs of both parties concerning productivity issues. It is difficult to imagine that a major government role in this process would be beneficial.

Labour and management have worked together in the past successfully both on issues related to productivity as well as in framing joint positions for the consideration of governments. The Task Force feels that further such co-operative ventures are important and can be properly accomplished without government assistance other than encouragement and sponsorship.

iii) Recommendation

Management and labour should strive to consult regularly on matters of common concern.

iv) Impact - Orderly consultation between labour and management will assist in the development of a more highly productive Canadian commercial printing industry. The parties involved are happy to evolve their own channels for consultation without substantial government assistance.

N. Pollution Control Legislation and Safety Legislation

i) Issue - Some pollution control and safety laws in other jurisdictions have created problems in the commercial printing industry.

ii) Background/Considerations - The Canadian commercial printing industry supports the concept of a clean and safe working environment and will co-operate to achieve this end. There is some concern within the industry that the introduction of similar legislation in Canada as that which exists relative to the American Environmental Protection Act and the Occupational Safety and Health Act would not be productive.

iii) Recommendation

The industry should be consulted by governments to ensure that safety and health legislation introduced is in the best interests of the industry and in particular of its employees. This should not be taken to mean that the interests of the industry should supplant the broader interests of the Canadian society. Rather, the industry wishes to emphasize the need for good and workable legislation which is in the best interests of all parties.

O. Technical Training

i) Issue - If the industry is to remain competitive in domestic and export markets, training and retraining mechanisms must exist so that sources of appropriately skilled manpower will be available.

ii) Background/Considerations - There is a continuing need for well-trained, highly-skilled personnel in the Canadian commercial printing industry. Training has traditionally been done primarily within plants or through union schools. To a lesser degree, vocational institutions have also been utilized. Technological changes within the industry have created problems relative to retraining. To remain competitive, the industry has been obliged to introduce more efficient equipment. In addition to retraining personnel for the resulting new functions, companies have had to redeploy some personnel declared redundant.

iii) Recommendations

a) Governments at the appropriate levels should continue their support of technical training and retraining programs to the fullest extent possible, including the subsidization of translation costs into both official languages.

b) Government activities in the area of job counselling should promote the printing industry as a viable source of career employment.

c) Government should continue to assist in the redeployment of redundant personnel.

iv) Impact - An adequate supply of properly trained technical personnel would ensure the continued growth of the industry and bring about increases in productivity.

P. Management Training

i) Issue - The need for greater management competency is an essential factor in any program designed to improve productivity and industry competitiveness.

ii) Background/Considerations - Given its large number of relatively small establishments, the industry has held little career interest to many highly qualified managers. As a result, the prime source of management in such companies has been from within the industry. In addition, again given the relatively small size of many establishments, owners and managers have had little opportunity to upgrade their management skills.

The Canadian commercial printing industry by virtue of its large number of operating units is intensely competitive. A high level of management skill is required to ensure that such competition will not operate to the ultimate disadvantage of the industry.

Industry associations have been active in the field of management training and education and have available the tools necessary for productivity improvement through the input of membership funds and are available for the exclusive use of members. They are available chiefly in the English language. Smaller printers in more remote locations, members or not, do not have equal access to association staff and training programs.

The Executive Internship Program underway in New Brunswick, as well as the recently announced federal Small Business Intern Program are regarded as positive steps. Such programs will help smaller and medium-sized companies employ university students with talents important to such companies, and who might otherwise not consider the printing industry on a career basis. The programs will benefit not only the companies involved, but also the students and the industry at large.

It should be noted that the industry has already developed a Canadian Graphic Arts Scholarship Trust Fund/Fondation pour l'attribution de bourses aux arts graphiques du Canada which is beginning to graduate future management personnel for the betterment of the industry.

iii) Recommendations

- a) Governments should make funds available for the translation and dissemination of association training material providing it can reach a modus operandi with such associations to allow an industry-wide distribution of the information.
- b) Government programs such as the federal Small Business Intern Program and the Executive Internship Program sponsored by the New Brunswick government should be considered by all governments.

iv) Impact - Government assistance designed to improve management capacity within the industry will increase productivity of both management and the workforce.

Q. Supply of Printing Grade Papers

i) Issue - It is important to the industry that a source of domestic supply for printing grade papers be available at competitive prices.

ii) Background/Considerations - Prices for Canadian-manufactured printing grade papers are higher than they are for most similar papers produced in the United States. This is one of the factors that allows American printers to compete effectively in the Canadian marketplace and also restricts the capacity of Canadian printers to develop export markets.

Recent years have seen certain types of printing papers be discontinued by their major Canadian suppliers. It has often been difficult for printers to establish new sources of supply for such grades.

Given the stated financial position of Canada's printing paper manufacturers, it seems unlikely that new capacity will be added in Canada for some years to come. This lack of additional capacity has created supply problems for the commercial printing industry in the past, and it is still not uncommon for quotas to be imposed on a selective grade basis. More severe supply problems within the next five years are anticipated, particularly if a more buoyant Canadian economy evolves during this period.

While some non-Canadian paper is used in the industry, the phenomenon of under-supply is also experienced in other countries. When such a condition occurs, it is not uncommon for non-domestic customers to have their source of supply restricted or eliminated. Canadian printers have experienced an abrupt curtailment of foreign supply on more than one occasion during this decade.

It is understood that previous attempts at rationalized production of printing grade papers have been opposed by government on the grounds that they might constitute restriction of trade. Some justification for re-examining rationalization exists at this time.

iii) Recommendations

- a) Steps should be taken, after consultation with the Canadian fine paper industry, to explore means by which production of the Canadian fine paper industry could be rationalized.
- b) The role of the government should be limited to creating an environment in which abuse of the rationalization process could not take place.
- c) In the event that rationalization was to lead to more competitive domestic prices for printing papers, consideration should also be given to lowering the tariffs protecting the domestic fine paper industry.

iv) Impact - A steady supply of printing grade papers at competitive prices will be a major factor in determining the long-range viability of the commercial printing industry as a source of employment and earnings.

R. Capital Cost Allowances

i) Issue - The planning cycle is normally on a five-year basis in the commercial printing industry. The temporary nature of the government's accelerated depreciation provisions is creating uncertainty.

ii) Background/Considerations - It is recognized that the government's program of accelerated depreciation has had a positive effect on those companies in the industry that were able to acquire equipment during the period this provision has been in effect. However, the result of the provision has not been uniformly positive since many companies have not been able to co-ordinate major buying decisions with this relatively short-term program. This lack of co-ordination between the industry's planning cycle and short-term programs finds a particularly apt example relative to capital cost allowances.

iii) Recommendations

- a) The government should make permanent its present system of accelerated write-offs, or some other system, on a consistent basis which will continue to reflect the difference between current and historical costs.
- b) If programs are implemented by governments which are not of a permanent nature, they should contain specific commencement and termination dates which will be adhered to in normal circumstances.

S. Metric Conversion

i) Issue - The industry has developed effective plans for metric conversion. It feels that the government should in no way profit from the conversion process in terms of sales taxes, tariffs, etc.

ii) Background/Considerations - It is not believed that substantial expenditures associated with metric conversion will be required by the industry. In addition, the industry accepts the premise that costs will have to fall where they may. It would be inappropriate for governments to profit as a result of tax and tariff collection for machinery, equipment, tools and supplies needed to facilitate the conversion process. While government statements have been made to the effect that it intends not to collect revenue in such cases, these statements have not yet been given the force of government policy.

iii) Recommendation

Governments at all levels should move immediately to provide assurance that the industry will not be penalized as a result of having to pay taxes and tariffs to accomplish the metrication process.

SECTION 5: OVERALL IMPACT

A salient fact in assessing the overall impact of recommendations contained in this report is that it costs approximately \$42,000 to sustain a job in the Canadian commercial printing industry. The detailed recommendations have indicated many areas where positive government action can be an effective catalyst to job creation within the industry. It is impossible to quantify the potential for employment in absolute terms. However, it is safe to estimate that several thousand job opportunities could be created if Canadian printers were able to compete more effectively both within their domestic market as well as in export markets. All of this could be accomplished with relatively low additional expenditures on the part of governments.

Government actions which would serve to restrict the domestic and export markets for printed products would have a substantial and negative impact upon the industry.

Of major significance is the fact that government policies relative to the commercial printing industry, be they positive or negative, will affect employment and earnings in communities of all sizes and in every part of Canada.

The following profile of the Canadian Commercial Printing Industry was developed by the Sector Task Force on the Canadian Commercial Printing Industry from a profile prepared by the federal Department of Industry, Trade and Commerce.

SECTOR PROFILE

CANADIAN COMMERCIAL PRINTING INDUSTRY

DEFINITION OF INDUSTRY

The industry is composed of establishments primarily engaged in the production of custom-made items, regardless of the printing method used. A wide variety of goods is produced ranging from simple black and white material to full colour, highly sophisticated pieces. Integrated printing facilities in organizations such as banks, insurance companies and governments, commonly referred to as "in house" printing plants, are excluded.

As indicated in Table 1, catalogues, circulars, price lists and other advertising matter represented the single largest group, accounting for slightly more than one-fifth of the industry's total output. The other two dominant product groups are register, continuous and individual types of business forms (17.5 per cent) and books, newspapers, magazines and directories (15.7 per cent).

Certain information about the industry is difficult to obtain because, for statistical purposes, commercial printing is combined with three other industries in a major group entitled "Printing, Publishing and Allied Industries". While there are notable differences in the structures and operations of these four industries, a high degree of interdependence exists among them.

TABLE 1
Commercial Printing Industry
Shipments by Product Group, 1976*

	Shipments	
	\$ Million	%
Advertising matter	285.7	20.2
Business forms	247.5	17.5
Books, newspapers, magazines and directories	222.1	15.7
Labels and tags	75.0	5.3
Greeting cards	45.3	3.2
Stationery products	39.6	2.8
Decalcomania transfers	11.3	.8
Calendars and calendar pads	8.5	.6
Other products and services	479.5	33.9
TOTAL	1,414.5	100.0

*Industry, Trade and Commerce estimate

INDUSTRY IN PERSPECTIVE

The commercial printing industry in Canada consists of more than 2,200 establishments located mostly in Ontario and Quebec. The industry's 1976 shipments of \$1.4 billion represented only about 1.3 per cent of the output of all Canadian manufacturing industries. The industry provides direct employment for almost 47,000 workers. In addition, it is responsible for the creation of jobs in related industries through its purchases of raw materials. In 1976, the industry purchased almost \$300 million worth of printing, book and fine papers (slightly more than 50 per cent of domestic production of these paper grades) and spent \$28 million for printing inks (about 47 per cent of domestic production). In addition, it consumed \$50 million worth of newsprint and \$57 million worth of other raw materials.

The industry is domestically oriented, and the majority of its domestic customers are small, placing orders intermittently for a variety of printed products. In most cases, their needs are unique and, since the value of individual orders is small, good service in terms of quality and delivery is a prime requirement. Consequently, the average printing firm tends to service only its local market and generates orders through personal contact with customers.

MARKET STRUCTURE

Since the output of the commercial printing industry overlaps to some extent that of other industries, it is not possible to assign the data on Canada's trade in printed matter to any particular segment of the "Printing, Publishing and Allied Industries" group.

The apparent Canadian Market (A.C.M.) for all printed matter tripled in size over the period 1965-77, to \$3.9 billion. Imports over this period increased slightly faster, from \$157 million (12.8 per cent of A.C.M.) to \$575 million (14.6 per cent). Estimates in real terms are difficult to obtain because of the lack of an industry selling price index. Table 2 provides a breakdown of imports for all printed matter by country of origin. Canadian MFN tariffs range from zero to 25 per cent.

TABLE 2
Canadian Imports of Printed Matter
by Country of Origin, 1965-77

	1965		1969		1973		1977	
	\$ Million	%	\$ Million	%	\$ Million	%	\$ Million	%
United States	136.1	86.8	206.0	84.6	270.0	81.9	498.2	86.6
France	7.0	4.5	14.4	5.9	24.7	7.5	31.9	5.6
United Kingdom	9.1	5.8	12.2	5.0	20.1	6.1	31.0	5.4
Other	4.5	2.9	10.9	4.5	14.8	4.5	14.0	2.4
TOTAL	156.7	100.0	243.5	100.0	329.6	100.0	575.1	100.0

SOURCE: Statistics Canada - Imports by Commodities - Cat. No. 65-007.

TABLE 3
Canadian Imports of Printed Matter
by Product Category, 1965-77

	1965		1969		1973		1977	
	\$ Million	%	\$ Million	%	\$ Million	%	\$ Million	%
Newspapers, magazines and periodicals	50.0	31.9	64.4	26.4	81.0	24.6	160.5	27.9
Books and pamphlets	68.7	43.8	122.3	50.2	154.6	47.0	247.4	43.0
Other	38.0	24.3	56.8	23.4	94.0	28.4	167.2	29.1
TOTAL	156.7	100.0	243.5	100.0	329.6	100.0	575.1	100.0

SOURCE: Statistics Canada - Imports by Commodities - Cat. No. 65-007.

While freight costs have provided an important element of protection against imports from overseas printers during the period 1965-77, the Canadian commercial printing industry has experienced strong competition from large American plants, primarily those located in New York State, Illinois and Ohio. The greatest import pressures have stemmed from mass-produced advertising

products such as catalogues, where the United States firms have a decided economies of scale advantage. Canadian imports of these low unit-cost items, which exceeded \$20 million in 1976, generally represented shipments which were part of much longer press runs destined primarily for the U.S. market. MFN rates for these products, which range from 17.5 per cent to 25 per cent, and the present formula used by Canadian customs to determine the fair market value of these imports have not proved to be effective barriers. Under the formula, the unit cost of producing the entire order placed by the American customer is increased by a factor ranging from 30 per cent to 45 per cent in order to arrive at the fair market value of the quantity exported to Canada. This formula is recognized to have little effect at current cost levels and is under study. Imports by product category for the period 1965-77 are presented in Table 3.

INDUSTRY STRUCTURE

The industry is characterized by a large number of small establishments. The average printing plant in Canada employs 20 people and has shipments of about \$600,000. As indicated in Table 4, almost 65 per cent of establishments in the industry have fewer than ten employees. The largest plant employs about 1,100 persons.

TABLE 4
Commercial Printing Industry
Employment and Shipments by Size of Establishment, 1976*

<i>No. of Employees</i>	<i>Establishments</i>		<i>Total Employment</i>		<i>Shipments</i>	
	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>	<i>\$ Million</i>	<i>%</i>
less than 10	1,452	64.2	4,587	9.8	116.0	8.2
10-99	728	32.2	19,657	42.0	599.7	42.4
100 or more	82	3.6	22,559	48.2	698.8	49.4
TOTAL	2,262	100.0	46,803	100.0	1,414.5	100.0

*Industry, Trade and Commerce estimate

In terms of industry concentration, the four largest companies account for about 24 per cent of shipments and the 50 largest firms (two per cent) control almost 50 per cent of output. Table 5 gives an indication of the increasing concentration of production among the four largest firms.

TABLE 5
Commercial Printing Industry,
Percentage of Industry Shipments of Four Largest Firms

1970	17.0%
1972	19.5%
1976*	24.0%

*Industry, Trade and Commerce estimate

SOURCE: Statistics Canada - Industrial Organization and Concentration - Cat. No. 31-402.

The development of multi-plant organizations is not yet significant in the Canadian industry. A slow trend toward amalgamation has been evident in recent years.

The small scale prevailing in the Canadian industry is also found in the United States where, in 1972 about 69 per cent of establishments had fewer than ten employees, and accounted for roughly one-tenth of the industry's employment and shipments. Units employing at least 100 people accounted for 50 per cent of all shipments. The corresponding figure for the Canadian industry was 44 per cent. American plants appear to have higher productivity levels. In 1975, value added per production worker

was about 10 per cent lower in Canadian plants. However half of this difference was accounted for by higher wages in the United States.

The bulk of the industry's production takes place in large metropolitan areas and Ontario and Quebec account for 85 per cent of the industry's shipments and employment. However, as indicated in Table 6, printing plants are located throughout Canada and the industry provides significant employment opportunities in smaller centres such as Saint John, N.B., Sherbrooke, Que., Brantford, Ont., Brandon, Man., and Moose Jaw, Sask.

TABLE 6
Commercial Printing Industry
Regional Distribution of Establishments, 1976*

Region	Establishments		Total Employment		Shipments	
	No.	%	No.	%	\$ Million	%
Maritimes	97	4.3	796	1.7	17.0	1.2
Quebec	717	31.7	14,275	30.5	444.2	31.4
Ontario	998	44.1	25,180	53.8	761.0	53.8
Prairies	242	10.7	4,072	8.7	110.3	7.8
B.C., Yukon and N.W.T.	208	9.2	2,480	5.3	82.0	5.8
TOTAL	2,262	100.0	46,803	100.0	1,414.5	100.0

*Industry, Trade and Commerce estimate

Although only two per cent of firms in the Canadian industry are foreign-owned (defined as having non-resident ownership of 50 per cent or more) they are larger than average and account for some 20 per cent of the industry's total shipments. Non-resident ownership is most extensive in the greeting card and business form fields.

As indicated in Table 7, value added per production worker in the commercial printing industry tends to increase with the size of the firm. Economies of scale are important in the industry especially in terms of product specialization and the ability to adopt new technology. Most printing establishments in Canada produce a wide range of printed matter. Many successful printers specialize in relatively few product lines and specialized firms exist for the production of items such as financial and legal matter, business forms and greeting cards.

TABLE 7
Commercial Printing Industry
Manufacturing Value Added per Factory Employee, 1976

Size of Firms	
Under \$250,000 annual sales	\$20,144
\$250,000 to \$499,999	\$27,893
\$500,000 to \$1,499,999	\$32,274
\$1,500,000 to \$4,999,999	\$31,562
\$5,000,000 and more	\$32,194

SOURCE: Graphic Arts Industries Association — "Canadian Ratios for Profit Planning". Based on statistics from 180 firms accounting for 29 per cent of the industry's total sales.

BUSINESS FUNCTIONS

The production process in the commercial printing industry is essentially a discontinuous one and can be separated into three basic steps:

- a) *preparation*, which includes the setting up and arrangement of the information into words, lines and sentences by hand, typewriter or typesetting machines (composition); the separation of the colour components of drawings and photographs with filters (colour separation); and the

production of printing plates containing the information and illustrations to be produced by mechanical, photomechanical and electrochemical means (platemaking)

b) *printing*, which involves the reproduction of the images contained on the plates onto paper or other substances. Offset (also called lithography) is the major printing method used by the industry — accounting for almost 80 per cent of the industry's shipments — followed by letterpress and gravure, which hold about 15 per cent and three per cent respectively of the market. Screen, flexographic and electrostatic printing methods account for the remaining two per cent

c) *finishing*, which includes operations such as folding, cutting, collating and binding.

The industry is relatively labour intensive. In 1975, wages represented almost 42 per cent of the manufacturing activity value added, close to seven percentage points above the average for all manufacturing industries. The finishing operations are relatively more labour intensive in both Canada and the U.S. To some extent this is because machinery suppliers have concentrated on automating the preparation and printing operations.

The commercial printing industry worldwide has relied on suppliers of machinery and equipment to originate technological developments. Extensive research and development programs have been conducted by suppliers in order to capture a larger share of the market. This has resulted in a rapid and continuing introduction of new and more sophisticated technologies. As in many other countries, smaller Canadian printing firms have not kept up with the pace of technological developments. The Stevenson & Kellogg study indicates that the time lapse from development to implementation of technological innovations is between ten and 30 years in small Canadian plants, compared with two to five years for larger firms.

FINANCE

The commercial printing industry has had relatively low levels of investment. Between 1969 and 1974 for example, \$311.9 million or \$7,070 per employee were invested in new equipment, buildings and repairs. This compared with an average investment of \$15,200 per employee for all manufacturing industries over the same period.

The most recently available financial ratios for the commercial printing industry and all manufacturing are presented in Table 8 below:

TABLE 8
Canadian Commercial Printing and
all Manufacturing Industries Financial Ratios, 1974

	<i>Commercial Printing</i>	<i>All Manufacturing</i>
Working capital ratio	1.6	1.6
Profit before tax on total income (%)	9.8	8.6
Profit before tax on equity (%)	28.8	22.9
Cost of sales/sales (%)	70.8	77.6
Long term debt/equity (%)	25.4	21.2

SOURCE: Statistics Canada - Corporation Financial Statistics - Cat. No. 61-207.

Table 9 below, indicates that after-tax profit on equity for the period 1969-74 was consistently higher for commercial printing than for all manufacturing industries. While statistics for the most recent period are not available, it is believed that the industry has continued to demonstrate a good profit position.

As indicated in Table 10, the most profitable firms in the Canadian industry appear to be large companies.

TABLE 9
Commercial Printing Industry
Profit After Tax on Equity, 1969-74

	<i>Commercial Printing</i>	<i>All Manufacturing</i>
1974	20.1	14.2
1973	16.8	12.7
1972	12.2	8.7
1971	11.2	5.8
1970	7.3	5.2
1969	9.6	6.7

SOURCE: Statistics Canada - Corporation Financial Statistics - Cat. No. 61-207

TABLE 10
Commercial Printing Industry
Profit Position, 1976

<i>Size of firms</i>	<i>Profit before tax on total income</i>	<i>Profit before tax on equity</i>
Under \$500,000 annual sales	2.9	15.0
\$500,000 to \$4,999,999	4.6	21.2
\$5,000,000 and more	5.6	16.7

SOURCE: Graphic Arts Industries Association - "Canadian Ratios for Profit Planning". Based on statistics from 180 firms accounting for 29 per cent of the industry's total sales.

LABOUR MANAGEMENT RELATIONS

The smaller firms in the industry tend not to be unionized while most of the large companies are unionized. It would appear that the unionization rate is higher in Canada than in the United States. The Canadian industry has been relatively free of labour disputes. According to the Stevenson & Kellogg study, there were a few brief work stoppages in the period 1971-73, however they did not have a disturbing effect on the industry. Many of the work stoppages occurred because of disputes over technological changes. The limited number of man-hours lost due to strikes reflects the above-average working conditions prevailing in the industry.

MANAGEMENT CAPABILITY

As a general rule, only larger firms in the industry are managed by professionals with specialized management skills. In the small and medium-sized plants, virtually all decisions are taken by one or two persons who are entrepreneurs with production or direct selling backgrounds and little experience in other functions. Most printing firms are privately owned. Individual ownerships and partnerships account for more than a third of all firms but represent only about five per cent of employment and shipments.

Industry management also lacks marketing strength. Most firms do not have clearly defined marketing objectives and strategies. Small printers view printing as a craft and themselves as craftsmen. Consequently, their orientation is essentially toward production, and the marketing function is left to salesmen. Even among larger firms, little attempt is made to comprehensively analyze market opportunities.

The Graphic Arts Industries Association, the national association of commercial printers in Canada, has developed a number of publications tailored to the needs of managers in small and medium-size firms. It also provides technical plant audits to improve management techniques. However, limited financial resources prevent the Association from extending its activities to all aspects of management. The industry has recently established a scholarship program for secondary school

students who want to pursue college degrees in the Graphic Arts. The current level of industry donations and pledges, however, enables the provision of scholarships to only five or six students annually.

INDUSTRY PERFORMANCE

TABLE 11
Commercial Printing Industry
Selected Statistics, 1965-76

	1965	1967	1969	1971	1973	1975*	1976*
No. of establishments	1,993	2,072	2,119	2,128	2,183	2,235	2,262
Total employment	35,264	38,154	38,723	39,632	42,894	45,440	46,803
Value of shipments (\$ million)	488.3	596.8	680.6	764.2	987.6	1,362.6	1,414.5
Imports share of apparent Canadian market** (%)	12.7	13.2	14.3	14.3	13.5	13.9	13.9
Exports as % of shipments**	1.0	1.3	1.7	2.0	2.3	2.4	2.9

*Industry, Trade and Commerce estimate

**Printing, Publishing and Allied Industries Group

SOURCE: Statistics Canada

The expansion of production since 1965 has resulted in the creation of about 11,500 jobs in the industry. Female employment has increased to 31 per cent of the industry's labour force and this is about six percentage points above the average for all manufacturing industries.

The industry has ranked in the top quarter of manufacturing wage rates. The average hourly earnings in the industry, in November, 1977, were \$6.78 compared to \$6.58 for the overall manufacturing sector, reflecting to a large extent the high skill requirements of many printing operations. Earnings tend to be relatively higher in urban areas and are generally lower in the Atlantic region than in the rest of Canada. As indicated in Table 12, the Canadian industry historically has had a much lower wage structure than its American counterpart. The difference in wages however has been decreasing and there are indications, as in Table 13, that for some occupations wages in Canada are now higher.

TABLE 12
Commercial Printing Industry
Average Hourly Earnings, 1965-75

	Canada	U.S.*	Canada/U.S. %
1975	\$5.04	\$5.23	96.4
1974	4.46	4.93	90.5
1973	3.97	4.62	85.9
1972	3.67	4.42	83.0
1971	3.41	4.02	84.8
1970	3.14	3.68	85.3
1969	2.97	3.58	83.0
1968	2.76	3.41	80.9
1967	2.56	3.14	81.5
1966	2.44	3.05	80.0
1965	2.31	2.95	78.3

*U.S. statistics include the looseleaf binder and devices segment

SOURCE: Statistics Canada - Printing, Publishing and Allied Industries - Cat. No. 36-203. U.S. Bureau of Census, Annual Survey of Manufactures

TABLE 13
Commercial Printing Industry
Average Hourly Earnings of Union Members - January 1978

	<i>Canada</i>	*	<i>U.S.</i>	**
Bookbinder I	\$8.92	(3)	\$7.74	(40)
Bookbinder II	5.85	(3)	5.19	(38)
Compositor	9.29	(3)	7.97	(33)
Cylinder pressman	9.05	(3)	8.10	(40)
Cylinder assistant	7.85	(1)	6.86	(33)

(*) Number of Canadian cities with populations of more than 100,000 used in computing average

(**) Number of American cities with populations of more than 100,000 used in computing average

SOURCE: Graphic Arts Union Employers of America

The higher cost of printing, book and fine papers in Canada is a major concern to members of the industry. These paper grades represent about 24 per cent of the industry selling price and receive tariff protection of 12½ to 15 per cent in Canada.

Transportation is not a significant cost element for most printing plants in Canada since they do not seek to service distant markets. The Stevenson & Kellogg study indicated that more than 80 per cent of establishments ship the bulk of their production within a 50-mile radius. On the other hand, two per cent send the bulk of their shipments to distances of more than 500 miles. For those firms soliciting orders from a larger market area, transportation costs can become an important element of competition.

The industry's annual capital and repair outlays for the period 1969-76 are presented in Table 14 below. Capital and repair expenditures dropped from 7.2 per cent of the sales dollar in 1969 to 4.4 per cent in 1976. As indicated earlier, the figures for the industry, in terms of average investment per employee, were well below the average for the overall manufacturing sector.

TABLE 14
Commercial Printing Industry
Capital and Repair Expenditures

	<i>Capital</i> (\$ Million)	<i>Repair</i> (\$ Million)	<i>Total</i> (\$ Million)
1976	\$46.7	\$15.9	\$62.6
1975	52.9	17.5	70.4
1974	49.3	15.3	64.6
1973	45.1	12.6	57.7
1972	36.1	12.0	48.1
1971	35.4	9.5	44.9
1970	37.8	9.6	47.4
1969	39.4	9.8	49.2

SOURCE: Statistics Canada unpublished data

Largely due to the low capital investment required to enter the industry, a large number of small production units have been established and there has traditionally existed excess production capacity. After purchasing new machinery and equipment, there has also been the tendency among larger firms to retain old equipment for use at times of peak demand. This situation has also occurred to a lesser degree in smaller companies.

The value added per production worker statistics for the Canadian and U.S. commercial printing industries for the period 1965-75 are presented in Table 15.

The difference in these levels in the two industries reflects in some measure the difference in wages. It can also be attributed to the fact that the larger American plants account for a greater share of total industry production and therefore achieve greater economies of scale. It is also due to the shorter production runs in Canada because the domestic market is divided into two linguistic groups.

TABLE 15
Commercial Printing Industry
Total Value Added Per Production Worker

	<i>Canada</i>	<i>U.S.*</i>	<i>Canada/U.S.</i> %
1975	\$24,184	\$26,525	91.2
1974	22,424	26,098	85.9
1973	19,589	23,313	84.0
1972	17,803	22,091	80.6
1971	16,464	19,921	82.6
1970	15,408	18,341	84.0
1969	15,367	17,853	86.1
1968	14,081	17,037	82.6
1967	13,416	15,682	85.6
1966	12,802	14,576	87.8
1965	12,150	13,871	87.6

*U.S. statistics include the looseleaf binder and devices segment

SOURCE: Statistics Canada - Printing, Publishing and Allied Industries - Cat. No. 36-203. U.S. Bureau of Census, Annual Survey of Manufactures

TABLE 16
Canadian Exports of Printed Matter

	1965		1969		1973		1977	
	\$ Million	%	\$ Million	%	\$ Million	%	\$ Million	%
United States	9.9	89.2	20.4	80.0	43.3	86.4	78.4	86.3
France	.1	.9	1.4	5.5	1.6	3.1	3.1	3.4
United Kingdom	.7	6.3	.4	1.6	.9	1.7	2.5	2.8
Other	.4	3.6	3.3	12.9	4.3	8.8	6.8	7.5
TOTAL	11.1	100.0	25.5	100.0	50.1	100.0	90.8	100.0

SOURCE: Statistics Canada - Export by Commodities - Cat. No. 65-004.

The relatively small scale of the Canadian market has imposed a severe limitation on the industry to the extent that the adoption of many technological developments in commercial printing are uneconomic.

The industry has traditionally been domestically oriented. Penetration of the American market has been hampered by a lack of marketing know-how and aggressiveness and by the manufacturing provisions of the United States Copyright Law. These provisions prevent the importation into the United States of English-language books and periodicals written by United States citizens or residents by limiting copyright protection in that country unless the products in question are manufactured locally.

Exports of all Canadian printed matter by destination are presented in Table 16. The increase in exports to the United States to a large extent reflects higher exports of books by Canadian publishers.

GOVERNMENT INVOLVEMENT IN THE INDUSTRY

Changes in postal rates and regulations and mail disruptions can have a significant influence on the industry since close to one-quarter of total shipments are ultimately distributed through the postal system. As an example, Canadian shipments of greeting cards increased every year during the period 1968-74 except in 1969 and 1972, reflecting higher first class mail rates which took effect on November 1, 1968, and June 1, 1972.

In the last few years, the federal government and the governments of Alberta, British Columbia, Ontario and Quebec have moved on several fronts to promote the growth of book and periodical publishing in Canada in order to reduce foreign cultural influence. Commercial printers in Canada have benefited from the strengthening of the publishing sector.

It is estimated that about half the industry's shipments consist of products which are protected by the Canadian Copyright Law. The present Law came into force in 1924 and no major revisions have since been made. Consequently, the Law does not take into account new technologies and the penalties for infringement are small by today's standards. As a result, there has been a growing use of illegal photocopying which has to some extent reduced sales of certain classes of books and periodicals. In April 1977, Consumer and Corporate Affairs Canada released for public discussion a series of proposals to revise the Law.

MARKET PROSPECTS

Excellent domestic market opportunities for the industry are forecast over the next few years, reflecting the anticipated increase in discretionary income, a larger population with higher levels of educational attainment and more free time. New export opportunities for the industry may arise as a result of the new American Copyright Law, which comes into effect on January 1, 1978. The new Law includes an exemption for Canada from the manufacturing provisions. However, this exemption is for a temporary period only, to January 1981, and it is anticipated that unless Canada provides duty-free entry as called for under the Florence Agreement the exemption will be terminated. Appendix A provides a complete list of products affected.

APPENDIX "A"

ANNEX A

BOOKS, PUBLICATIONS AND DOCUMENTS

Printed books.

Newspapers and periodicals.

Books and documents produced by duplicating processes other than printing.

Official government publications, that is, official, parliamentary and administrative documents published in their country of origin.

Travel posters and travel literature (pamphlets, guides, time-tables, leaflets and similar publications), whether illustrated or not, including those published by private commercial enterprises, whose purpose is to stimulate travel outside the country of importation.

Publications whose purpose is to stimulate study outside the country of importation.

Manuscripts, including typescripts.

Catalogues of books and publications, being books and publications offered for sale by publishers or booksellers established outside the country of importation.

Catalogues of films, recordings or other visual and auditory material of an educational, scientific or cultural character, being catalogues issued by or on behalf of the United Nations or any of its Specialized Agencies.

Music in manuscript or printed form, or reproduced by duplicating processes other than printing.

Geographical, hydrographical or astronomical maps and charts.

Architectural, industrial or engineering plans and designs, and reproductions thereof, intended for study in scientific establishments or educational institutions approved by the competent authorities of the importing country for the purpose of duty-free admission of these types of articles.

The exemptions provided by Annex A shall not apply to:

Stationery;

Books, publications and documents (except catalogues, travel posters and travel literature referred to above) published by or for a private commercial enterprise, essentially for advertising purposes;

Newspapers and periodicals in which the advertising matter is in excess of 70 per cent by space;

All other items (except catalogues referred to above) in which the advertising matter is in excess of 25 per cent by space. In the case of travel posters and literature, this percentage shall apply only to private commercial advertising matter.

ANNEX B

WORKS OF ART AND COLLECTORS' PIECES OF AN EDUCATIONAL, SCIENTIFIC OR CULTURAL CHARACTER

Paintings and drawings, including copies, executed entirely by hand, but excluding manufactured decorated wares.

Hand-printed impressions, produced from hand-engraved or hand-etched blocks, plates or other material, and signed and numbered by the artist.

Original works of art of statuary or sculpture, whether in the round, in relief, or in intaglio, excluding mass-produced reproductions and works of conventional craftsmanship of a commercial character.

Collectors' pieces and objects of art consigned to public galleries, museums and other public institutions, approved by the competent authorities of the importing country for the purpose of duty-free entry of these types of articles, not intended for resale.

Collections and collectors' pieces in such scientific fields as anatomy, zoology, botany, mineralogy, paleontology, archaeology and ethnography, not intended for resale.

Antiques, being articles in excess of 100 years of age.

ANNEX C

VISUAL AND AUDITORY MATERIALS OF AN EDUCATIONAL, SCIENTIFIC OR CULTURAL CHARACTER

Films, filmstrips, microfilms and slides, of an educational, scientific or cultural character, when imported by organizations (including, at the discretion of the importing country, broadcasting organizations), approved by the competent authorities of the importing country for the purpose of duty-free admission of these types of articles, exclusively for exhibition by these organizations or by other public or private educational, scientific or cultural institutions or societies approved by the aforesaid authorities.

Newsreels (with or without sound track), depicting events of current news value at the time of importation, and imported in either negative form, exposed and developed, or positive form, printed and developed, when imported by organizations (including, at the discretion of the importing country, broadcasting organizations) approved by the competent authorities of the importing country for the purpose of duty-free admission of such films, provided that free entry may be limited to two copies of each subject for copying purposes.

Sound recordings of an educational, scientific or cultural character for use exclusively in public or private educational, scientific or cultural institutions or societies (including, at the discretion of the importing country, broadcasting organizations) approved by the competent authorities of the importing country for the purpose of duty-free admission of these types of articles.

Films, filmstrips, microfilms and sound recordings of an educational, scientific or cultural character produced by the United Nations or any of its Specialized Agencies.

Patterns, models and wall charts for use exclusively for demonstrating and teaching purposes in public or private educational, scientific or cultural institutions approved by the competent authorities of the importing country for the purpose of duty-free admission of these types of articles.

ANNEX D

SCIENTIFIC INSTRUMENTS OR APPARATUS

Scientific instruments or apparatus, intended exclusively for educational purposes or pure scientific research, provided:

That such scientific instruments or apparatus are consigned to public or private scientific or educational institutions approved by the competent authorities of the importing country for the purpose of duty-free entry of these types of articles, and used under the control and responsibility of these institutions;

That instruments or apparatus of equivalent scientific value are not being manufactured in the country of importation.

ANNEX E

ARTICLES FOR THE BLIND

Books, publications and documents of all kinds in raised characters for the blind.

Other articles specially designed for the educational, scientific or cultural advancement of the blind, which are imported directly by institutions or organizations concerned with the welfare of the blind, approved by the competent authorities of the importing country for the purpose of duty-free entry of these types of articles.

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