

HC115
.A2524
no.7

c. 1 aa

**A REPORT BY
THE SECTOR TASK FORCE ON**

THE CANADIAN FURNITURE INDUSTRY

Chairman John W. Neufeld

REPORT OF THE CONSULTATIVE TASK FORCE
ON THE CANADIAN FURNITURE INDUSTRY

TABLE OF CONTENTS

	<u>PAGE</u>
MEMBERS OF THE TASK FORCE	i
LETTER OF TRANSMITTAL	ii
EXECUTIVE SUMMARY	1
RECOMMENDATIONS	5
1. IMPORT SAFEGUARDS	5
2. EXPORT DEVELOPMENT	7
3. TAXATION	8
4. THE LEGISLATIVE ENVIRONMENT	9
5. INDUSTRY DEVELOPMENT	10
6. LABOUR LEGISLATION AND TRAINING	11
7. TRANSPORTATION	12
8. GOVERNMENT PURCHASING POLICIES	13
9. DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE: ORGANIZATION	13

APPENDICES

- A. Household Furniture Industry, Consultative Task Force Report
- B. Sector Profile: Canadian Furniture Industry

CONSULTATIVE TASK FORCE
ON THE
CANADIAN FURNITURE INDUSTRY.

July 25, 1978

The Honourable Jack Horner,
Minister of Industry, Trade & Commerce,
Ottawa, Ontario.
K1A 0H5

Dear Mr. Horner,

On behalf of the members of the task force on the furniture industry we respectfully submit this report per your request.

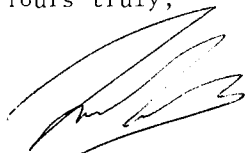
Due to circumstances described in the introduction to Appendix 'A' our report follows a format somewhat different from that originally requested. The recommendations speak to our entire industry while Appendix 'A' describes the past and future expectations of the household furniture industry only. While Appendix 'B' (Sector Profile) describes the entire industry including office furniture.

Thru this task force the Canadian Furniture Industry has developed cohesion among our various sectors.

We are most anxious to continue this consultative activity with your department and assist you in developing our recommendations.

We thank you for this opportunity to provide our industry's view of the Canadian economy and request that our recommendations receive early implementation.

Yours truly,



John W. Neufeld,
Chairman.
JWN:br

REPORT OF THE CONSULTATIVE TASK FORCE
ON THE CANADIAN FURNITURE INDUSTRY

EXECUTIVE SUMMARY

A - Industry Overview

- During the past several years a significant change in consumer lifestyles has greatly increased the interest in the home. This has been brought on by the increase in social, political and economic pressures coupled with greater leisure time.
- The exceptionally dramatic increase in the cost of home ownership has influenced many families to spend more lavishly on furnishings for rented premises.
- These factors, among others, have had a major impact during the 1970's on sustaining the market growth that peaked in 1973/74 at some 24 per cent per annum. The exceptional performance has continued in spite of a general downturn in economic conditions.
- The Canadian furniture industry has demonstrated its ability to meet this growth in demand. Industry shipments increased by approximately 50 per cent from 1965 to 1971 and by some 105 per cent from 1971 to 1974. However, beginning in 1973 our labour and material costs spiralled and our competitive position declined.
- During this time the U.S. market suffered from a reduced demand and the major manufacturers located in the U.S. southeast established a foothold in the Canadian Market. Internationally, the furniture industry supplies in excess of 90 per cent of its domestic market. In Canada, imports had captured 14 per cent of the market by 1974 and since then have continued to rise reaching 17 per cent in 1977.
- This encroachment has cost the industry 8,000 jobs and a reduction in capacity utilization to less than 70 per cent during a period of continued growth in market demand.
- The furniture industry is approximately 90 per cent Canadian owned and controlled. It is a major employer in small communities many of which are highly dependent on our industry for their existence.
- Capital investment per employee required by our industry is only 22 per cent of the average for all manufacturing thus allowing us to provide many more jobs per dollar invested. If these jobs are lost their replacement will cost significantly more.
- Relative to secondary manufacturing in general, the industry has a large number of establishments. This is a characteristic of the industry worldwide which provides it with the flexibility needed to adequately service a varied and changeable market.
- The industry is a major "further processor" of raw materials whose inter-linkage with other industries has a ripple effect of \$2.8 million in output for every \$1 million of production.
- The industry is highly labour-intensive and has the ability to use a large number of unskilled employees.
- Canadian wage levels have forced labour costs to a level more than 30 per cent above our American competition located in the low cost south east.
- Further our higher living costs, higher personal taxes, higher degree of unionization and higher costs of government at all levels contribute to making us less competitive.
- Transportation costs in Canada have a negative impact on our competitive position. Freight costs in which the movement of raw material is subsidized by the manufacturing sector, are higher than in the U.S. Further, the regulation of the trucking industry imposes an additional cost penalty.

- Government intervention in such areas as environmental protection, consumer protection, labour legislation and social welfare legislation has placed a heavy burden on the industry and has contributed to increasing costs and lowering productivity. Conversely lack of control in hardwood resource management has gravely affected the supply of that critical raw material.
- The industry, mainly through its trade associations, has made strenuous efforts to improve its competitive position through the organization of very successful furniture markets, involvement in credit and financial controls, the organization of technical exhibitions and conferences, the organization of shipment pooling services and manpower development. Government assistance with several of these programs has been sincerely appreciated.
- The industry in the past few years has made major readjustments and a general "weeding out" has improved the potential for a stronger competitive position. The industry is further encouraged by a favourable exchange rate now in position and the increased evidence of unionization in the American southeast. However, the advantages of location and economies of scale enjoyed by our American competitor will remain.
- The objective of the industry is to recapture its market share lost to imports and again become the supplier to more than 90 per cent of its market so that as a growth industry it can continue to make a major contribution to the Canadian economy.

B - Recommendations

General

1. We recommend a positive approach toward the support of all sectors of the furniture industry.
2. We recommend establishing the valuation of our dollar vis-à-vis the U.S. dollar within narrowed limits on a basis of economic factors to establish a competitive position.
3. We support the "Buy Canadian" program as a worthy federal program.

Import Safeguards

1. We recommend revision of anti-dumping legislation to improve its effectiveness and ease implementation.
2. We recommend strict and continuous monitoring of major foreign exporters' selling prices.
3. We recommend the easing of regulations restricting application of countervailing duties.
4. We recommend that the regulations applied on domestically produced goods such as CSA certification of cabinet lighting, fabric labelling requirements, etc. be applied equally to foreign exporters.

Export Development

1. We recommend design assistance programs be adapted to our needs and offer our assistance in their development.
2. We recommend that legislation be enacted to preclude the restriction of exports by Canadian subsidiaries of foreign firms.

Taxation

1. We recommend that amendments be made to the Income Tax Act to allow deduction of mortgage interest and municipal taxes from taxable income.
2. We recommend that furniture purchasing be reinstated under the Registered Home Ownership Savings Plan.
3. We recommend that federal sales tax be collected at the retail level to equalize the effect of this tax on foreign exporters and domestic manufacturers.
4. We recommend that the inventory tax allowance for manufacturers be substantially increased.
5. We recommend that provincial governments exert care to minimize disruptive fluctuations caused by upward changes in provincial sales tax.

Legislative Environment

1. We recommend a three-year freeze on all business related legislation to allow an absorption and adjustment period.
2. We recommend that in considering new legislation directly affecting the furniture industry, government consult with us to explore the possibility of self-regulation and to determine the impact on our competitive position.
3. We recommend that a clear separation between federal and provincial jurisdiction be established to eliminate the overlap that now exists in some areas.
4. We recommend that restrictions on burning of wood waste be eased to reduce this waste of energy.
5. We recommend that pulp and paper companies give access to hardwood saw mills to reduce this loss and waste of raw materials.

Industry Development

1. We recommend that our industry associations develop programs to upgrade the marketing and financial management skills of our managers.
2. We recommend that programs on product development be formulated which are more directly applicable to our industry and offer our assistance in developing such programs.

Labour Legislation and Training

1. We recommend that government re-allocate funds currently spent on manpower development to give a greater emphasis on in-plant and on-job training.
2. We recommend that provincial workmen's compensation boards or their equivalents be restructured to greatly reduce their administrative burden in order to substantially reduce their overall costs.
3. We recommend that the Unemployment Insurance Act be restructured to allow it to serve as insurance against unemployment and not as an alternative.
4. We endorse the position at the First Ministers' Conference that governments provide leadership in limiting wage settlements. We also recommend that the right to strike be removed from the public sector.
5. We recommend that "right to work" legislation be enacted.
6. We recommend that minimum wage legislation follow and not lead labour trends and that it allow for regional and industry differences throughout the country.

Transportation

1. We recommend that trucking regulations be relaxed to allow two-way movement of goods.
2. We recommend that equal ton/mile rates be established across Canada to eliminate existing inconsistencies.
3. We recommend that carload rates and minimums be reduced to a level equal to those in the U.S.

Government Procurement

1. We recommend that the federal government eliminate its internal furniture design program and purchase industry designed products.

Department of Industry, Trade and Commerce

1. We are appreciative of the assistance provided by the Department.
2. We recommend that the Department be restructured to separate industry from trade as the trade emphasis has affected the Department's effectiveness for industry.

REPORT OF THE CONSULTATIVE TASK FORCE
ON THE CANADIAN FURNITURE INDUSTRY

TASK FORCE RECOMMENDATIONS

The Furniture Industry Task Force in its deliberations has endorsed the position that a strong viable Canadian furniture industry is critical to the economic well-being of our country. We are therefore making our recommendations in a positive and constructive manner based on the responsibility we have, in conjunction with government, to maximize the opportunity to supply our rapidly growing market for furniture and thus to increase employment and the utilization of our raw materials.

As we have made several submissions regarding the GATT negotiations in Geneva and since these are still in a state of flux we have chosen to assume that some minor reduction of tariffs will be expected by our industry and thus increase the necessity to implement the recommendations we are making.

Our Task Force is most critical of the attitude we note towards a "winners and losers" syndrome.

Recognizing that in a totally free trade environment most labour-intensive industries in Canada would disappear and further recognizing the lack of high technological developments available in our country we must emphatically insist that our industry is a most necessary and critical component in providing necessary employment.

We draw your attention to the support that the Japanese and EEC governments are giving to their labour-intensive industries having placed them under a protective mantle in order to allow such industries to continue to provide productive employment to their citizens.

We therefore strongly endorse the concept that the prime responsibility of government is to provide a positive economic climate within which the citizenry can, through their own initiative and diligence, provide for the successful growth of our economy.

To this end we recommend that more stability be provided for our exchange rate especially vis-à-vis the United States dollar. We suggest that the dollar be allowed to float only within reasonable but publicly documented limits based on true economic relationships, that is, based on the true productivity of our country rather than on the borrowing requirements of financial institutions which at present have a major bearing on this valuation.

We make this recommendation recognizing its wider implications but in the awareness that progressive planning for the future must be based on meaningful and predictable valuation.

Further, our Task Force endorses the program recently adopted by the Department of Industry, Trade and Commerce, with the support of the provinces, of a "Buy Canadian" promotion. We are particularly pleased to see this as a federal program rather than an individual provincial program which we feel has had a divisive effect on the cohesiveness of our country in the past.

1. Import Safeguards

In its submissions to the Canadian Trade and Tariffs Committee, dated August 1974, October 1977, and January 1978, the industry strongly requested exemption from the Tokyo Round of Tariff Negotiations.

Of the so-called "soft sectors" of the economy referred to in the "Briefing Notes for Consultative Task Forces", the furniture industry is the only one that does not have some type of additional protection in place. During 1977, the industry, at 62.9 per cent, has operated at a lower capacity utilization than these additionally protected industries (see Table 8, Appendix B).

Imports in the market rose to \$218 million in 1977 --- double the level of 1973. During this period, although the domestic market increased by some \$497 million, the industry in constant dollar terms has been operating at 1972 levels and employment has declined some 8,000 jobs (see Table 6, Appendix B). Imports have had the benefit of the real market growth and are obviously the industry's most critical problem. Given the depressed conditions in the industry, it would be logical to request import quotas at the 1972 level to protect Canadian jobs and investment. The industry feels that it has a strong case to justify this position.

The Task Force, however, fully realizes the difficult problems this would create for the government with respect to possible compensating measures under the GATT. We also recognize the potential problems such action would create for the Canadian furniture dealer.

For these reasons, and after careful consideration, the Task Force has decided not to request quotas at this time. By following this course we are confident that not only will our request for import safeguards be granted but that careful consideration will be given to granting our other recommendations.

The Task Force feels that the forceful application of the safeguards will have a positive effect in checking the growth of imports. The other recommendations will help our competitive position and further stimulate the domestic market. This, in combination with the aggressive approach by our restructured industry, should result in the regaining of our pre-1973 market share. This will result in bringing our plants back to the higher capacity utilization --- restoring the jobs lost and increasing productivity --- and place us in a position to take full advantage of the rapid increase in domestic market demand expected when economic conditions improve. The furniture industry is unquestionably a growth industry and is in the position to make a continuing major contribution to the economy of Canada.

However, if these measures do not achieve the objective of reducing imports, the industry will have to consider other measures to protect Canadian jobs and investment.

a) Anti-Dumping Legislation

Canada is a natural dumping ground for excess merchandise from the United States as this distressed selling does not disrupt their domestic merchandising programs. Usually, this practice takes place when there is a softening in the U.S. furniture market.

Due to the nature of the industry, with its numerous designs, prices, styles, etc., it is extremely difficult to prove dumping and injury and to launch appropriate action. The current regulations require information that is almost impossible for the industry to obtain. As well, the procedures are too time consuming to deal with the problem of periodic "dumping" effectively.

The Task Force recommends that government undertake a complete revision of the anti-dumping regulations with a view to simplifying the procedures and reducing the amount of detail required.

b) Export Price Monitoring

We recommend that the government initiate a program to implement strict and continuous monitoring of selling prices in the plants of major furniture exporters to ensure that imported goods are correctly valued for duty purposes. All discrepancies uncovered should be thoroughly investigated. It should be a requirement that furniture exporters file with the government on a semi-annual basis, a copy of their pricing structure, including discounts, advertising allowances and the like.

We feel that strict application of such monitoring measures will help to ensure the elimination of periodic "dumping" of furniture in the Canadian market and its detrimental impact on the domestic industry.

c) Countervailing Duties

We recommend that the requirements for instituting countervailing duties be eased to allow their immediate application. A more flexible procedure is required so that duties can be applied without the need to first prove material injury.

We are of the opinion that the greatest percentage of our imports from the large U.S. furniture companies are deriving benefits from their government's DISC program. This has the effect of reducing the cost to the exporting company by the amount of such rebate. Therefore, a case for countervailing duties could be made.

d) Compliance with Canadian Regulations

In many instances, imported goods do not bear the same regulatory costs as domestic products. Various regulations such as fabric labelling under the Textile Labelling Act and CSA certification of cabinet lighting are examples.

Under provincial regulations, the installation of cabinet and wall unit lighting must be certified by CSA. In the case of the domestic firm, regular certification inspection is carried out at the plant level by CSA. At the retail level periodic inspection is carried out by the provincial regulatory bodies. Such policing is spotty at best and imposes higher costs on the domestic producer. We recommend that agreement be reached with the provincial authorities responsible to have certification demonstrated before the goods are allowed in the country. This would ensure the equal treatment of the domestic producer and exporter.

In the case of the Textile Labelling Act, we recommend that action be taken to ensure that the required information appear on the imported product at the time of importation. We also recommend that inspection be made at the border to ensure that imported goods bear a country of origin label and all goods that do not comply be impounded and returned to the manufacturer for proper marking.

Additional regulations and requirements will arise out of the development of bilingual labelling and metric conversion.

We recommend that the necessary measures be taken to ensure that all these regulations are as earnestly applied in the case of imported goods as they are in the case of the domestic product.

2. Export Development

While the furniture industry must deal with all the problems facing the manufacturing industry in Canada (low productivity, high wages and high costs) it cannot count on large corporations to provide managerial, technological and design/styling leadership as is the case in other Canadian industries or in the American furniture industry. The limited size of the Canadian market has been a main contributing factor to this situation. A few manufacturers have grown to a relatively large size but they have succeeded in doing so by obtaining a large share of a small market. In order to remedy this a number of Canadian manufacturers could tackle the export market.

There are two basic approaches a Canadian firm can adopt in its attempt to penetrate the American market:

- manufacture products similar to those produced by the U.S. firms and attempt to gain a competitive advantage through lower prices and/or better marketing programs;
- produce different products with sufficient appeal to justify a price differential and market these products accordingly.

The first approach contains a high risk element because of the Canadian industry's comparatively higher cost and because of such factors as the exchange rate, surtaxes and non-tariff barriers which can have a major impact on an exporter's performance.

We believe the export strategy that has the better chance of success would have the following characteristics: innovative design, high quality, high price, exclusive distribution and sophisticated promotion and advertising programs. In other words, it would be easier for Canadian producers to export with a strategy of differentiation, as the current cost levels preclude a "me too" approach.

To help in achieving this goal, the Task Force recommends that the federal government establish a furniture export development program under which Canadian firms would be reimbursed for a portion of the cost of designers and that non-Canadian designers qualify under the program. This program should be available to all Canadian furniture manufacturers as an overall improvement in the design and styling of the industry's product to help enhance its long run performance in the Canadian market. The industry is anxious to assist the government in developing such a program.

Finally, it is known that some American firms that operate plants on both sides of the border restrict their Canadian plants from exporting freely. We recommend that the government enact legislation to put an end to this practice.

3. Taxation

With our overall cost structure substantially higher than our U.S. competitor, the cumulative level of all taxes in the industry is greater. This situation is a contributing factor to our competitive position.

a) Mortgage Interest and Municipal Taxes

We recommend that amendments be made to the Income Tax Act to allow deductions from personal taxable income for mortgage interest and municipal taxes. This should lead to a substantial impact in housing construction and would mean an immediate rise in the demand for furniture. Such provisions are already in force in the U.S.

b) Registered Home Ownership Plans

We recommend that the purchase of furniture be reinstated as a qualifying expenditure under the Registered Home Ownership Savings Plan.

c) Federal Sales Tax

The application of federal sales tax at the manufacturing level imposes a cost burden on the domestic industry that does not apply to the foreign exporter. Within the industry, the importer is the retail dealer and he pays the tax at the time of importation. However, the domestic producer is faced with the cost of collecting, financing and administering the tax, including the tax liability on bad debts, on sales to the same dealer.

We recommend that the federal sales tax be collected at the retail level as this would ensure economic neutrality by removing the present inequity involved in collecting the tax and ensure the equivalent tax burden on domestic and imported goods.

d) Inventory Tax Allowance

We recommend that the inventory tax allowance of three per cent be increased substantially on inventories held by Canadian furniture manufacturers. This would reduce the tax burden in the industry and improve its competitive position without contravening Canada's obligations under the GATT.

e) Provincial Sales Taxes

Recent changes in provincial sales taxes have demonstrated that substantial fluctuations in demand for furniture can be initiated by a reduction of retail sales tax. Sales in Quebec, where the eight per cent tax was removed, have shown dramatic improvement. At the same time, it is more than likely that the partial or full reinstatement of the sales taxes will have an adverse effect on demand.

We recommend that care be taken by government to minimize future upward changes in sales tax in order to avoid disruptive fluctuations in the marketplace.

4. The Legislative Environment

The increased involvement by government in the social and economic life of Canada is adding significantly to the cost of manufacturing and marketing furniture products. The social benefits that should, but do not necessarily flow from government involvement must be balanced against the heavy costs that they impose upon the industry.

a) Freeze on New Legislation

The Task Force recommends that a three-year freeze on all new business related legislation be implemented by all levels of government in order to allow industry to digest the vast amount of legislation which is now in force. It would now be in the best interest of both the industry and the consumer to focus attention on solving some of the costly problems created by existing legislation.

b) Consultation on New Legislation

The Task Force recommends that in considering future legislation which may affect the furniture industry in particular, consultations be established with the industry through its associations. This would allow proper consideration of the possibility of self-regulation and enable an assessment of the impact of such legislation on our international competitiveness.

c) Simplification and Consolidation of Legislation

Existing legislation relating to the work environment in Canada is massive and complex. We are advised that there are 220 provincial and federal laws and 400 sets of regulations administered by some 90 different departments and agencies in this field. We recommend that the activities of this multitude of regulatory bodies be co-ordinated and integrated in order to eliminate overlapping and inconsistencies and to reduce the high cost of complying with current requirements. It is critical that the overlap between federal and provincial policies be eliminated.

d) Wood/Waste

The Task Force supports the efforts of government to promote a clean environment. However, the effect on the environment of burning wood waste should be reviewed and weighed against the heavy cost of current legislation limiting this practice. It is suggested that the burning of wood waste has a negligible effect on the environment. At the same time, this practice results in substantially reduced energy costs, an objective which should be a matter of high priority for all Canadians.

We recommend, therefore, that the governing regulations be amended to allow a more extensive application of this practice.

e) Hardwood Availability

Many of Canada's hardwood stands are located on pulp and paper company timber limits and therefore, not readily accessible to hardwood sawmills. Access to these stands by hardwood sawmills would increase the supply and stabilize the price of the industry's wood requirements and would also reduce its dependency on imported show woods.

We recommend that negotiations be entered into with the pulp and paper companies to allow unused hardwoods located on their limits to be harvested by hardwood sawmills.

f. Paper Burden

The industry is continuously confronted with requests for information on the part of all levels of government and the paperwork required to comply with these requests is massive, time consuming and costly. We understand that, as a result of the Enterprise 77 program, a project team has been formed with the objective of reducing government-initiated paperwork by business. We wish to express our strong support for this program and recommend to the government that measures be taken to reduce this paperwork by a minimum of 50 per cent.

5. Industry Development

a) Marketing and Financial Management

The Canadian furniture industry has grown to its present status from a group of small, family-owned, production-oriented plants situated in the hardwood producing regions of the provinces of Quebec and Ontario.

While the industry was expanding and developing over the years, there occurred a corresponding growth in the technical skills of its managers and owners. The American industry may achieve higher productivity levels than the Canadian industry but this is more attributable to their greater average size and level of specialization than to any technical superiority of American managers.

The same point cannot be made, however, with regard to the average level of marketing skills in the Canadian industry. Generally speaking, the industry is still highly production-oriented and skilled, sophisticated marketing managers are the exception rather than the rule. Industry managers need to develop an awareness for and place greater emphasis on the basic concepts of formulating plans based on the identification, stimulation and satisfaction of consumer demand. This would ensure that goods are designed, produced, priced and distributed with the sort of strategic planning that will mean the difference between a line with mediocre market performance and a genuine winner.

The industry, through its associations, intends to initiate programs to upgrade the marketing skills of its managers by making available to them first-rate instruction in marketing management. The Task Force feels that these professional development programs will make an incalculable contribution towards strengthening the industry, will enable it to protect itself from imports and eventually will help it to build its export market from a strong domestic base.

A second weakness of the Canadian furniture industry lies in the area of financial planning and control. As in the case of marketing management, the industry intends to make available through its associations, highly qualified professional instruction to upgrade the financial skills of its managers.

The industry will therefore be forming management development committees whose responsibilities will include the identification of its specific needs with respect to management training in marketing and finance and the specification of curricula for the programs to be provided. These committees will also play a strong leadership role in making the industry aware of the need for all of its senior and middle managers to avail themselves of these programs.

The Task Force recommends that any financial assistance for these professional development programs on the part of government be channelled through the associations' management development committees.

b) Product Development

New and original developments in the fields of design, styling and research in the furniture industry are usually accomplished with a shirtsleeve and shop floor approach rather than in an atmosphere of pure research performed in a laboratory.

This approach generally does not qualify for assistance under existing government programs and it is therefore recommended that these programs be restructured in such a way as to allow the industry to qualify for tax and other incentives in respect of its product development initiatives. The restructuring of these programs should focus mainly on re-defining the terms design, styling and research and development so that these new definitions correspond with the particular type of product development innovations carried out by the industry.

We recommend the furniture industry designate some of its members to form a special committee to work with the federal government on developing appropriate programs to assist in these areas.

6. Labour Legislation and Training

a) Manpower Development

The development of manufacturing and supervisory skills at the worker level will be indispensable to making the industry more competitive. Moreover, well thought out programs in this area should contribute to changing the attitudes of industry employees vis-à-vis management and to strengthening their sense of corporate belonging through a merging of their personal interests with those of the companies that employ them.

Manpower planning committees have been formed or are in the process of being formed through the industry's associations for the purpose of developing programs to upgrade the level of manpower in the industry. The main thrust of these programs calls for the establishment of the appropriate structures to provide administrative, consultative and instructional assistance to companies and the use of in-plant audio-visual techniques to provide training in manufacturing, technical and managerial areas.

We recommend that government re-allocate the funds currently spent on manpower development so as to substantially increase the emphasis placed on in-plant and on-the-job training.

b) Workmen's Compensation

The industry is concerned with the rising administrative costs associated with the operation of the workmen's compensation boards. An increasing portion of the assessment obtained from industry is going to the administration of the program rather than as benefit payments to injured workers. We recommend that government integrate workmen's compensation activities with other government programs to minimize the escalating administration costs.

The numerous legislative amendments to the programs have increased substantially the direct cost burden on industry. While not disagreeing with the need for such amendments, the industry is concerned that such increases are beyond the ability of industry to support. We suggest that the costs of such amendments be viewed as part of the overall social costs of society and that they be funded from general government revenues rather than directly by industry itself.

c) Unemployment Insurance

The industry supports the intent of the recent amendments to the Act designed to reduce the abuses of the program. The Economic Council of Canada has concluded that the 1971 amendments resulted in a 0.7 percentage point being added to the unemployment rate. The benefits under the program have made it difficult for industry to fill jobs at the lower wage rate levels. Moreover, the ease with which the intent of the program has been abused has increased the cost to the taxpayer and cast a shadow over those whose reliance on it is legitimate.

We recommend that government restructure the Unemployment Incentive Act with the objective of emphasizing the insurance aspect of the program and eliminating the opportunities for abuse.

d) Minimum Wage Legislation

It is characteristic of the furniture industry internationally that its wages generally fall into the bottom quartile of manufacturing rates. Changes in the legislated minimum wage have a direct effect on the industry leading to a comparable increase throughout its wage structure.

We recommend that with respect to future minimum wage changes, government ensure that such changes follow and not lead industrial wage trends; that they be increased gradually to minimize their negative competitive impact and enable industry to make the needed operational adjustments; that minimum wage levels reflect the differences among the regions of a province and the differences among industries in structure and productivity; and that the levels reflect the differences in labour force occupations.

e) "Right to Work" Legislation

We recommend that government introduce legislation similar to that recently enacted in the United States ensuring the individual's right to work regardless of whether he or she is a member of a union.

f) Public Sector Settlements

We endorse the position taken at the First Ministers' Conference that government should provide the example of moderation in settlements with its employees. Unlike the public sector, the competitive situation ultimately limits private sector settlements. Public sector settlements should follow rather than lead the private sector.

The high visibility of public service employees in smaller communities and economically depressed areas has had a disproportionate influence on wages. The movement of government offices into areas for temporary or permanent duration is particularly disruptive.

The well publicized "percs" provided the civil service such as indexed pension plans is a further strain on private sector negotiations as well as a contributing factor to inflation.

We also believe that the granting of the right to strike in the public sector has created a serious imbalance in its wage negotiations and recommend that legislation be introduced removing the right to strike as there is not the competitive control on its settlements as is the case in the private sector.

7. Transportation

In the shipment of its product the industry's competitive position is adversely affected by the high degree of regulation in the trucking industry, the inconsistencies in rail rates between various regions in the country, and the higher railway rate structure in Canada compared to the U.S.

The Task Force recommends that steps be taken to de-regulate the trucking industry so as to enable the industry to introduce the needed efficiencies in the transport of furniture. The current licensing system dictates that carriers serving the industry will travel empty half the time. The industry's experience in Alberta where the trucking industry is unregulated demonstrates that this will lead to an improvement in the landed cost of our product.

We recommend that in the rail transportation of furniture, an equal ton/mile rate be established to eliminate the inconsistencies in the current rate structure so all Canadian manufacturers, regardless of location, have an equal opportunity to penetrate distant domestic markets.

In addition, we recommend that carload rates and carload minimums on furniture be reduced to a level equivalent to that of U.S. rates. At present the cost of rail transport

across the U.S. allows furniture to be shipped into western Canada from the southeastern U.S. at substantially lower rates than those from central Canada.

Like Canadian secondary industry, the railways are burdened with a higher cost structure than their American counterpart. However, we feel that with the proper incentives, the railways can help eliminate this freight differential and thereby contribute to improving the competitive position of the Canadian furniture industry. Ultimately, this will lead to a recouping of the volume lost through direct carload movement from the U.S.

8. Government Purchasing Policies

The Task Force, and particularly those members belonging to the Canadian Business Equipment Manufacturers' Association are concerned about the policy of the Government of Canada regarding the purchase of office furniture and furnishings, as set forth in Treasury Board Circular 1972-6.8.

According to Statistics Canada, Canadian manufacturers sell approximately \$85 million of office furniture annually in Canada, and export an additional \$10 million annually, largely to the United States. We estimate that the Government of Canada accounts for approximately 25 per cent of the total Canadian market for office furniture.

Government policy, as expressed in Circular 1972-6.8 makes it clear that competing lines of supplier-designed furniture and furnishings will not be purchased by the government except at the discretion of the deputy heads of departments and then only for very senior managers.

We believe that office furniture and furnishings designed and manufactured in this country can obtain a larger share of Canadian and foreign markets. Success in achieving this objective depends upon the furniture and furnishings manufactured and sold by Canadian companies being of superior design and craftsmanship and being priced competitively. Tooling, design and other manufacturing costs for such products are extremely high and if their prices are to be competitive, Canadian manufacturers must amortize their fixed costs over as large a volume as possible. Unfortunately, our experience indicates that the office furniture and furnishings purchased by the Government of Canada are not in demand elsewhere either in domestic or foreign markets as the government has become a customer for unique office furniture and furnishings. A company selling to the government incurs tooling costs which cannot be amortized over sales to other customers. Furthermore, such a company will have to amortize its tooling costs relating to other furniture in a much smaller domestic market than would be the case if the government purchased supplier-designed furniture. This results in higher cost per unit and in turn makes the industry less competitive in its domestic and export markets.

We believe that if the Government of Canada were to purchase supplier-designed furniture and furnishings the following would result:

- The government would be buying office furniture and furnishings of contemporary design and quality at the lowest possible price;
- the industry would benefit from economies of scale, lower product unit costs, and an improvement of its competitive position in export markets;
- in achieving the above results, such a policy would lead to increased employment in the industry.

We recommend that the government modify its purchasing policies in order to allow the purchase of supplier-designed furniture and furnishings on a competitive bid basis.

9. Department of Industry, Trade and Commerce: Organization

The Department and in particular the members of the Textiles and Consumer Products Branch, have been of extensive assistance to our industry. This Task Force wishes to express its gratitude for this assistance.

We do feel, however, that due to a disproportionate emphasis on trade, the concerns of the industry have often not had the attention they deserve.

While we do not suggest that our present ills could have been totally averted, a more careful attention to understanding our industry would have provided an overview which might have allowed the Department to take action or to suggest actions to us that would have been beneficial.

We recommend therefore, that from the Deputy Minister level a reorganization take place which would have the effect of a separation of the functions of the industry and trade interests.

APPENDIX A

HOUSEHOLD FURNITURE INDUSTRY

CONSULTATIVE TASK FORCE

REPORT

TABLE OF CONTENTS

	<u>Page</u>
SECTION I - INTRODUCTION	1
SECTION II - INDUSTRY STRUCTURE	2
1 - Size and Location of Establishments	2
a) Composition of the Industry	2
b) Level of Fragmentation	3
c) Location	6
d) Ownership	7
2 - Inter-industry Linkages	8
a) End-Use of Furniture	8
b) Direct Supplying Industries	9
c) Indirect Supplying Industries	11
d) Income Multiplier Impact	11
3 - Dependency of Small Communities on the Furniture Industry	13
a) Province of Quebec	14
b) Province of Ontario	17
c) Rest of Canada	19
4 - Energy	20
5 - Capital Investment	22
SECTION III - MAJOR CHANGES WHICH HAVE OCCURRED IN THE INDUSTRY OVER THE PAST TEN YEARS	24
1 - Description of Major Changes	24
a) Imports	27
b) Exports	32
c) Labour Costs	35
d) Material Costs	41
e) Productivity	45
f) Transportation	47
g) Profitability	50
h) Legislative Environment	52
2 - Industry Efforts to Adjust to Changes and Solve Its Problems	53
a) Furniture Markets	54
b) Credit and Financial Controls	54
c) Infotech Canada	55
d) Export Development	55
e) Transportation	56
f) Manpower Development	57
SECTION IV - MARKET OUTLOOK	59

LIST OF TABLES

	<u>Page</u>
<u>SECTION II</u>	
II.1 Household Furniture Manufacturing, 1975	3
II.2 Household Furniture Manufacturing, Canada vs United States	5
II.3 Shipments by American Furniture Manufacturing Firms	6
II.4 Manufacturing Activity by Province, 1975	7
II.5 Disposition of Household Furniture, 1971	9
II.6 Use of Major Commodities by Furniture and Fixtures Industries as a Percentage of Their Use as Inputs into All Industries, 1971	10
II.7 Industrial Impact of a Million Dollars of Final Demand Expenditure on the Output of the Household Furniture Industry, 1971	Opposite 11
II.8 Number of Establishments by Municipality Size and Employment Size Ranges for Household Furniture Manufacturers, N.E.S. (SIC-2619), 1975	Opposite 13
II.9 Importance of Household Furniture Industry in Furniture Producing Municipalities, 1975	14
II.10 Industry Importance in Small Communities in Arthabaska Census Division, 1975	15
II.11 Industry Importance in Small Communities in Lotbiniere Census Division, 1975	16
II.12 Industry Importance in Small Communities in Bruce County, 1975	18
II.13 Industry Importance in Small Communities in Grey County, 1975	19
II.14 Energy Purchases by Industry, 1975	Opposite 21
II.15 Expenditures on Energy per Man-Hour, 1975	21
II.16 Gross Capital Stock per Employee	22

	Page
<u>SECTION III</u>	
III.1	Capacity Utilization Rates, Furniture and Fixtures Industry 26
III.2	Household Furniture Industry Imports 27
III.3	Household Furniture Industry Exports 33
III.4	Average Hourly Earnings 37
III.5	Labour Costs as a Percentage of Sales 38
III.6	Average Hourly Wages in Quebec Household Furniture Industry 40
III.7	Raw Materials Costs as a Percentage of Sales 41
III.8	Industry Selling Price Indices Opposite 45
III.9	Productivity Indices 46
III.10	Profitability Ratios 51
<u>SECTION IV</u>	
IV.1	Average Expenditure by Urban Families Opposite 59

TABLE OF GRAPHS

HOUSEHOLD FURNITURE INDUSTRY IMPORTS, EXPORTS AND DOMESTIC PRODUCTION	Opposite page 24
HOUSEHOLD FURNITURE INDUSTRY IMPORTS AS A PERCENTAGE OF DOMESTIC DEMAND	Opposite page 27
HOUSEHOLD FURNITURE INDUSTRY EXPORTS AS A PERCENTAGE OF DOMESTIC PRODUCTION	Opposite page 32
PRODUCTIVITY IN THE HOUSEHOLD FURNITURE INDUSTRY CANADA vs. U.S	Opposite page 46

I - INTRODUCTION

During the last quarter of 1977, the Canadian household furniture manufacturers formed a special committee for the purpose of documenting the contribution the industry makes to the Canadian economy, identifying its major problems and recommending programs that industry and government should implement to improve the industry's competitive position. This committee which was named the Furniture Industry Consultative Committee was composed of the President and the General Manager of each of the Quebec Furniture Manufacturers' Association, the Ontario Furniture Manufacturers' Association and Furniture West.

In early January 1978, the Furniture Industry Consultative Committee retained the services of Woods, Gordon & Co. to prepare a report on the competitive position of the industry, and on the measures required to improve it. While this report was in its final stages of preparation, the Furniture Industry Consultative Task Force was formed, and the members of this task force decided to integrate their own report to government with the Woods, Gordon & Co. report entitled The Competitive Position of the Canadian Household Furniture Industry - A Program for Improvement.

II - INDUSTRY STRUCTURE

The purpose of this third section is to analyse the structural characteristics of the household furniture industry in Canada, including its composition, its size and location, its relationships with other Canadian industries, its importance in small communities and its ownership. The major conclusions drawn from this analysis are that the Canadian furniture industry, although dwarfed in size by its American counterpart, is not much more fragmented; the household furniture industry through its many important linkages with other industries is an integral part of the Canadian industrial network; many small communities, especially in Ontario and Quebec, depend on the industry for their economic survival; and, finally, the household furniture industry in Canada is truly Canadian.

I - SIZE AND LOCATION OF ESTABLISHMENTS

a) Composition of the Industry

The household furniture sub-sector of the Canadian furniture industry is sub-divided into two categories. These are household furniture manufacturers primarily engaged in the manufacture of all kinds of household furniture (SIC 2619) and, secondly, furniture re-upholstery and repair shops (SIC 2611). This second category is of limited relevance to this study and failure to segregate its statistics from those of household furniture manufacturers can lead to distorted impressions of the industry's structure, particularly in regard to

fragmentation.⁽¹⁾ Household furniture manufacturing (SIC 2619), accounts for more than 90% of the employment and shipments by value in the household sub-sector but fewer than half the number of establishments. As indicated in Table II.1, the household furniture industry has 708 establishments across Canada, employing more than 27,000 workers. The industry had shipments of close to \$700 million in 1975.

TABLE II.1
HOUSEHOLD FURNITURE MANUFACTURING, 1975

	<u>Establishments</u>		<u>Employment</u>		<u>Shipments</u>	
	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
Furniture Re-upholstery and Repair (SIC 2611)	742	51.2	2,337	7.9	51,253	6.9
Household Furniture Manufacturers N.E.S. (SIC 2619)	<u>708</u>	<u>48.8</u>	<u>27,147</u>	<u>92.1</u>	<u>695,436</u>	<u>93.1</u>
Household Furniture Manufacturers (SIC 261)	<u>1,450</u>	<u>100.0</u>	<u>29,484</u>	<u>100.0</u>	<u>746,689</u>	<u>100.0</u>

Source: Statistics Canada, Catalogue 31-203

b) Level of Fragmentation

The point is often made that the Canadian household furniture industry is highly fragmented and that rationalization is one of the only means available to the industry to improve its competitive position in domestic and export markets. In fact, the Canadian industry is not much more fragmented than its American counterpart; where the Americans do have an advantage however, is in the relative size of their largest manufacturing firms which simply dwarf the largest Canadian firms.

(1) Due to unavailability of statistics, we have used data for the total household category (SIC 261) in some sections of the report. As a result, there is a slight variation between production and apparent market statistics in this report and those in the Sector Profile.

A widely used measure for concentration in an industry is the "top four concentration ratio" which measures the share of an industry's manufacturing shipments accounted for by the leading four enterprises in that industry. The latest data available for this concentration measure show that in 1974, 15.4% of Canadian household furniture shipments came from the industry's four leading enterprises, while the comparable figure for fifty major manufacturing, mining and logging industries in Canada was 47.8%.

While these statistics point to a highly fragmented household furniture industry in comparison to other Canadian industries, it should be noted that the furniture industry is traditionally fragmented in comparison with other industries in all furniture producing countries. The industry's fragmentation level is almost identical to that of the American industry whose top four concentration ratios for each of wood household, metal household and upholstered household furniture was 14% in 1972.

Moreover, small firms with under 20 employees represented 57.8% of the total number of Canadian establishments in 1975; in the United States, 56.5% of the establishments employed under 20 employees. In Canada, these small firms accounted for 10.2% of total shipments by value; in the United States, they accounted for 6.2% of total shipments. In Canada, 70% of the total value of shipments came from 20% of the establishments while in the United States 70% of the shipments came from 14% of the establishments (see Table II.2).

TABLE II.2
HOUSEHOLD FURNITURE MANUFACTURING
CANADA VS UNITED STATES

<u>No. of Employees</u>	<u>Establishments</u>		<u>Value of Shipments</u>	
	<u>Canada</u> (%)	<u>U.S.</u> (%)	<u>Canada</u> (%)	<u>U.S.</u> (%)
0 - 4	25.1	28.1	1.7	1.0
5 - 9	15.5	14.5	2.4	1.9
10 - 19	17.1	13.9	6.1	3.4
20 - 49	22.3	18.6	20.2	9.8
50 - 99	9.0	10.9	17.5	12.9
100	<u>10.8</u>	<u>14.0</u>	<u>52.1</u>	<u>71.0</u>
Totals*	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

* Totals may not add due to rounding

Source: Statistics Canada, Catalogue 35-211 (1975)
 U.S. Bureau of Census, Census of Manufactures (1972)

Although the Canadian and American household furniture industries are comparable in terms of fragmentation, the Canadian industry falls behind in the scale of its operations, a situation which is attributable to the vast difference in the respective size of the two markets. In 1972, there were in the United States, 753 plants employing more than 100 workers; this number is greater than the total number (708) of household furniture manufacturing plants in Canada in 1975. In this same year, there were 99 American establishments employing over 500 workers. In Canada, there is one plant with over 500 employees.

It is generally agreed that the majority of household furniture imports come from the largest, better organized and more successful American producers. In 1977, 15 American firms had sales in excess of \$100 million as shown in Table II.3 on the next page.

Furthermore, the four top American firms produced more than the entire Canadian household furniture industry.

TABLE II.3
SHIPMENTS BY AMERICAN FURNITURE
MANUFACTURING FIRMS

	Sales 1977 (\$'000,000)	Sales 1976 (\$'000,000)	Changes 1977/1976 %
MOHASCO	270.6	256.1	5.7
BASSETT	239.4	226.4	5.7
BROYHILL	205.0*	185.0	10.8
S & H	182.2	154.1	18.2
ETHAN ALLEN	171.3	162.6	5.3
KROEHLER	152.8	156.5	2.4
ARMSTRONG	146.1	130.3	12.1
SINGER	141.6	125.5	12.8
LA-Z-BOY	132.9	125.8	5.6
DREXEL	125.0*	105.0*	19.5
LANE	117.5	116.8	1.0
DE SOTO	113.1	87.5	29.4
BURLINGTON	110.1	103.3	6.6
DIXIE CO'S	105.0*	90.0*	16.7
U.S. INDUSTRIES	100.0*	85.0*	17.7

* Estimated

Source: Furniture To-Day, April 13-24, 1978

Canadian producers are at a distinct disadvantage in trying to compete in their own domestic market with companies enjoying the greater levels of specialization, marketing capabilities and economies of scale afforded by the size of operation of these American giants.

c) Location

The Canadian household furniture industry is concentrated in Quebec and Ontario where 80% of total establishments are located.

As shown in Table II.4, firms in Quebec account for 40.5% of the industry's employment while they supply 39.6% of its shipments. Ontario firms employ 47.1% of the industry's work force and represent 47.8% of total shipments by value. Manitoba is the third largest in terms of manufacturing activity, employing 4.8% of the industry's workforce and shipping 4.9% of its total value of shipments. British Columbia accounts for 3.6% of the industry's shipments, Alberta 2.4%, New Brunswick 1.1% and the other provinces 0.5%.

TABLE II.4

MANUFACTURING ACTIVITY BY PROVINCE, 1975
Household Furniture Manufacturers (SIC - 2619)

	<u>Establishments</u>		<u>Employees</u>		<u>Shipments</u>	
	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>\$'000</u>	<u>%</u>
Newfoundland	1	0.1	*	*	*	*
Nova Scotia	5	0.7	*	*	*	*
New Brunswick	5	0.7	294	1.1	7,601	1.1
Quebec	291	41.1	11,003	40.5	275,400	39.6
Ontario	281	39.7	12,794	47.1	333,040	47.8
Manitoba	38	5.4	1,299	4.8	33,983	4.9
Saskatchewan	4	0.6	*	*	*	*
Alberta	25	3.5	612	2.3	17,004	2.4
British Columbia	<u>58</u>	<u>8.2</u>	<u>812</u>	<u>3.0</u>	<u>24,924</u>	<u>3.6</u>
Canada	<u>708</u>	<u>100.0</u>	<u>27,147</u>	<u>100.0</u>	<u>695,436</u>	<u>100.0</u>

* confidential

Source: Statistics Canada, Catalogue 35-211

d) Ownership

The furniture industry in Canada is one of the few industries which is largely owned by Canadians. In 1975, only 8.6% of the household furniture industry's shipments came from foreign-owned plants located in Canada. This compares with 58% for total manufacturing industries, 67% for mining, and 99.8% for motor vehicle manufacturing.

2 - INTER-INDUSTRY LINKAGES

The furniture industry has many inter-linkages with other industries. Original expenditures on products of the industry have a mushrooming effect throughout the economy as output produced by the furniture industries requires inputs from other industries and therefore generates activity in these supplying industries. By considering the household furniture industry within a total economy framework, the significant contribution the industry makes to the Canadian economy becomes very apparent. In this section we will identify the most significant of the interdependencies between the furniture industry and other industries, basing our findings on the Input-Output tables developed by Statistics Canada. Our framework includes end-users of furniture products, direct and indirect suppliers to the industry, and the income multiplier effects of furniture manufacturing activity.

a) End-Use of Furniture

The furniture industry is important as a source of supply for inputs into the production of other goods and services as well as for satisfying final demand. The furniture industry itself is the major industrial user of furniture products such as frames and component parts. Primary metal industries, accommodation and food service industries and transportation equipment industries are also users of household furniture products.

The output of the furniture industry is, for the most part, sold to final demand markets, rather than used as inputs by other industries. As shown in Table II.5, durable consumer expenditure accounts for the largest proportion (94.1%) of its disposition. Out of a total of \$376.9 million of domestically-produced furniture in 1971,

\$354.8 million was purchased by consumers, \$18 million was held in inventories, \$15.9 million was exported and \$25.3 million was bought by industrial users.

TABLE II.5
DISPOSITION OF HOUSEHOLD FURNITURE, 1971

<u>FINAL DEMAND</u>	Expenditure on Household Furniture (*)	
	<u>\$'000,000</u>	<u>%</u>
Consumer expenditure	354.8	94.1
Inventories	18.0	4.8
Imports	- 37.2	- 9.9
Exports	15.9	4.2
Other	<u>0.9</u>	<u>0.1</u>
Sub-total	351.7	93.3
 <u>INDUSTRIAL USE</u>		
Furniture and Fixtures Industries	20.6	5.5
Primary Metal Industries	1.5	0.4
Accommodation and Food Services	0.6	0.2
Other	<u>2.6</u>	<u>0.6</u>
Sub-total	<u>25.3</u>	<u>6.7</u>
 TOTAL	 <u>376.9</u>	 <u>100.0</u>

* This data was obtained from Input-Output accounts for 1971 and may not agree with National Accounts data due to definitional and conceptual differences.

Source: Statistics Canada, Input-Output Division

b) Direct Supplying Industries

The industries which supply the furniture industry with the bulk of its inputs are the wood, textile and metal fabricating industries. As indicated in the following Table II.6, the wood industry is relatively dependent on the furniture industry as a market for its

products as 6.6% of all lumber and timber, 5.4% of veneers and plywoods sold for industrial use and 2.4% of other wood fabricated materials go to the furniture and fixtures industries; the value of these inputs amounted to \$62.2 million in 1971. Fabric manufacturers depend on the industry for approximately 8% of their sales to industry, or \$68.3 million in 1971. In addition, the furniture industry buys 5% and 3% respectively of the industrial output of rubber and plastic-fabricated products. Finally, paper and allied industries and the chemical products industries are also major suppliers to the furniture industry, although their degree of dependence on the industry as a market for their products is lower.

TABLE II.6

USE OF MAJOR COMMODITIES BY FURNITURE AND
FIXTURES INDUSTRIES AS A PERCENTAGE OF THEIR
USE AS INPUTS INTO ALL INDUSTRIES, 1971

	<u>%</u>	<u>\$'000,000</u>
Fabrics	7.6	68.3
Lumber and timber	6.6	28.6
Veneer and plywood	5.4	15.5
Rubber products (other than tires and tubes)	5.3	12.5
Plastic fabricated products	3.3	14.3
Other wood fabricated materials	2.4	18.1

Source: Statistics Canada, Catalogue 15-506

TABLE II.7

INDUSTRIAL IMPACT OF A MILLION DOLLARS
OF FINAL DEMAND EXPENDITURE ON
THE OUTPUT OF THE HOUSEHOLD FURNITURE INDUSTRY, 1971

	<u>Direct Requirements₁</u>	<u>Direct and Indirect Requirements₂</u>	<u>Total Including Income Feedback₃</u>
Agriculture	\$ 76	\$ 3,393	\$ 48,142
Forestry	1,306	34,466	37,503
Food and Beverage Ind.	2,403	7,669	114,221
Rubber & Plastics Products Ind.	25,221	30,168	38,208
Textile Industries	46,200	63,300	79,881
Wood Industries	81,049	94,483	98,940
Furniture & Fixtures Ind.	31,933	33,699	40,581
Paper and Allied Ind.	24,219	43,120	61,538
Printing and Publishing	932	13,380	27,946
Primary Metal Ind.	7,727	24,647	32,691
Metal Fabricating	30,954	43,260	54,864
Transportation Equipment Ind.	4,366	8,271	26,149
Petroleum and Coal Products Ind.	1,366	8,211	26,773
Chemical and Chemical Products Ind.	15,822	33,864	53,819
Other Manufacturing Ind.	21,111	42,864	126,370
Transportation and Storage	1,463	46,081	92,318
Communication	5,412	15,289	40,749
Utilities	5,094	12,105	33,936
Wholesale Trade	36,029	56,365	94,893
Retail Trade	1,238	15,832	114,743
Finance, Insurance and Real Estate	13,894	33,573	142,791
Other	67,220	155,290	1,456,169
Total	<u>\$425,035</u>	<u>\$819,330</u>	<u>\$2,837,225</u>

1. Direct requirements are the values of inputs required from those industries which supply the household furniture industry directly in order for the household furniture industry to produce \$1 million worth of output.
2. Direct and indirect requirements are the values of inputs required from those industries which supply the household furniture industry with inputs directly plus the value of inputs required by industries which supply the supplying industries, etc. in order that the household furniture industry can produce \$1 million worth of output.
3. Total including income effect is the total value of inputs required from industries which supply the household furniture industry both directly and indirectly plus the value of inputs required to satisfy the final demand which results from incomes generated in the production process. Wages earned by furniture industry employees are, for example, spent on products of the food and beverage industry. The values in this column represent the total impact on the economy of a final demand expenditure of \$1 million on the products of the household furniture industry.

Source: Statistics Canada, Input-Output Division

c) Indirect Supplying Industries

The importance of the furniture industry in the Canadian industrial network extends beyond the dependency of those industries directly supplying it or being supplied by it. Expenditure on furniture products sets up a spending chain reaction as supplying industries require inputs from other industries which, in turn, require inputs. In that context, several manufacturing industries emerge as significant indirect suppliers to the household furniture industry. These include forestry, paper and allied industries, printing and publishing, primary metal industries, metal fabricating, and chemical industries. Production in the household furniture industry also requires both directly and indirectly significant inputs from non-manufacturing sectors. As an example, wholesale trade, transportation and storage industries have strong ties with the household furniture industry.

d) Income Multiplier Impact

Wages and salaries generated within the production framework, which includes the furniture industry and its suppliers, are an additional source of spending activity in the economy. If production induced by this income feedback is considered in calculating the total economic impact of the household furniture industry, then the resulting multiplier is 2.8. That means that for every \$1 million of output sold by the household furniture industry, \$2.8 million of output is generated throughout the Canadian economy. Table II.7 on the page opposite sets out the impact on direct suppliers, direct plus indirect suppliers and all industries, of the requirements to satisfy \$1 million worth of final demand expenditure on the output of the household furniture industry.

The table indicates that in order to satisfy final demand for \$1 million worth of household furniture industry output, the industry requires total inputs worth \$425,035 from industries which supply it directly. Of this \$425,035 worth of inputs, \$81,049 worth comes from the wood industries, \$46,200 comes from textile industries, etc. These supplying industries in turn require inputs from other industries as do the industries which supply them. If inputs required from all of these suppliers are added up, the total input requirements are \$819,330 for every \$1 million of household furniture industry output. This is almost double the direct requirements. These direct plus indirect requirements include \$94,483 worth of inputs from wood industries, \$34,466 from the forestry industry which supplies the wood industry, \$46,081 from the transportation and storage industry which also supplies the wood industry, and so on.

Finally the production of these goods and service inputs to the household furniture industry generates incomes in the form of wages and salaries and profits. These incomes are fed back into the economy, whereupon further goods and service requirements are created. The total expenditures in the economy resulting from a \$1 million demand for household furniture amount to \$2,837,225. This is the total of column 3 in Table II.7. The total direct plus indirect requirements are almost double the direct requirements. The total impact including the income feedback effects are more than double again the direct plus indirect requirements. The industries gaining the most in terms of total impacts are finance, insurance and real estate, retail trade, wholesale trade, and food and beverage industries as over \$100,000 is spent on the products of these industries as a consequence of a million dollar expenditure on the household furniture industry products.

TABLE 11.8

NUMBER OF ESTABLISHMENTS
BY MUNICIPALITY SIZE AND EMPLOYMENT SIZE RANGES
FOR HOUSEHOLD FURNITURE MANUFACTURERS, N.E.S. (SIC-2619), 1975

Employment Size	0-4	5-9	10-19	20-49	50-99	100-199	200-499	500-999	1,000-14,999	Total
<u>Municipality Size</u>										
<u>Canada</u>										
1-4,999	47	16	13	26	15	18	5	0	0	140
5,000-9,999	7	2	4	4	2	2	4	0	0	25
10,000-29,999	10	10	5	9	4	6	5	0	1	50
30,000-49,999	5	0	2	6	1	1	0	0	0	15
50,000-99,999	5	2	2	2	0	0	0	0	0	11
100,000 and over	104	80	95	111	42	27	8	0	0	467
Total	178	110	121	158	64	54	22	0	1	708
<u>Atlantic Provinces</u>										
1-4,999	0	0	0	2	1	1	0	0	0	4
5,000-9,999	0	0	0	0	0	0	1	0	0	1
10,000-29,999	1	1	0	0	0	0	0	0	0	2
30,000-49,999	0	0	0	0	0	0	0	0	0	0
50,000-99,999	0	0	0	1	0	0	0	0	0	1
100,000 and over	3	0	0	0	0	0	0	0	0	3
Total	4	1	0	3	1	1	1	0	0	11
<u>Quebec</u>										
1-4,999	29	11	11	18	7	11	4	0	0	91
5,000-9,999	2	2	2	2	0	2	0	0	0	10
10,000-29,999	5	7	4	6	3	3	2	0	0	30
30,000-49,999	3	0	1	5	1	0	0	0	0	10
50,000-99,999	1	1	1	1	0	0	0	0	0	4
100,000 and over	35	28	25	29	14	12	3	0	0	146
Total	75	49	44	61	25	28	9	0	0	291
<u>Ontario</u>										
1-4,999	10	5	2	5	7	6	1	0	0	36
5,000-9,999	3	0	1	2	1	0	3	0	0	10
10,000-29,999	3	2	1	3	1	3	3	0	1	17
30,000-49,999	1	0	0	1	0	1	0	0	0	3
50,000-99,999	3	1	0	0	0	0	0	0	0	4
100,000 and over	38	31	47	61	20	10	4	0	0	211
Total	58	39	51	72	29	20	11	0	1	281
<u>Prairie Provinces</u>										
1-4,999	6	0	0	1	0	0	0	0	0	7
5,000-9,999	1	0	1	0	1	0	0	0	0	3
10,000-29,999	1	0	0	0	0	0	0	0	0	1
30,000-49,999	0	0	1	0	0	0	0	0	0	1
50,000-99,999	0	0	0	0	0	0	0	0	0	0
100,000 and over	14	13	5	12	6	4	1	0	0	55
Total	22	13	7	13	7	4	1	0	0	67
<u>British Columbia/ Yukon</u>										
1-4,999	2	0	0	0	0	0	0	0	0	2
5,000-9,999	1	0	0	0	0	0	0	0	0	1
10,000-29,999	0	0	0	0	0	0	0	0	0	0
30,000-49,999	1	0	0	0	0	0	0	0	0	1
50,000-99,999	1	0	1	0	0	0	0	0	0	2
100,000 and over	14	8	18	9	2	1	0	0	0	52
Total	19	8	19	9	2	1	0	0	0	58

Source: Statistics Canada, Annual Census of Manufactures

Through both its direct and indirect linkages with other industries, the household furniture industry is an integral and important part of the Canadian industrial network. The extensive industrial output stimulated by the production of household furniture and the income generated in the process show the significant contribution that the industry makes to the welfare of Canadian society, a contribution that tends to be overlooked if one considers only the value of output produced directly by the household furniture industry.

3 - DEPENDENCY OF SMALL COMMUNITIES ON THE FURNITURE INDUSTRY

The household furniture industry is an important source of livelihood for many small communities across Canada. Over 23% of the total number of establishments are located in communities of less than 10,000 population (see Table II.8 opposite). The number of employees in these small communities is estimated at over 9,000, almost a third of the total industry work force in 1975. An estimated 11.5% of total manufacturing employment in furniture producing communities of under 10,000 population is provided by household furniture manufacturers.

In most small communities where it is represented, and this is particularly true of the Victoriaville area of Southeastern Quebec and the Hanover area of Southwestern Ontario, the industry is a strategic source of employment. It is most important for small furniture producing communities with under 5,000 population in these two provinces since household furniture manufacturing employment constitutes over 17% of total manufacturing employment in these small communities, as indicated in Table II.9.

TABLE II.9

IMPORTANCE OF HOUSEHOLD FURNITURE INDUSTRY
IN FURNITURE PRODUCING MUNICIPALITIES, 1975

<u>Municipality Size</u>	<u>Household Furniture Manufacturing Employment as a Percentage of All Manufacturing Employment in the Municipality</u>		
	<u>Canada</u>	<u>Quebec</u>	<u>Ontario</u>
1- 4,999	16.9	17.3	17.4
5,000- 9,999	6.2	4.8	7.9
10,000-29,999	5.0	4.5	6.8
30,000-49,999	1.2	1.3	1.3
50,000-99,999	0.4	0.6	0.2
100,000 and over	1.8	2.1	1.6

Source: Statistics Canada, Annual Census of Manufactures

The table also indicates that with the exception of municipalities with over 100,000 population, the importance of the furniture industry as an employer in furniture producing communities diminishes as the size of the community increases. The following section investigates the contribution of furniture manufacturing in small communities in the Province of Quebec, the Province of Ontario and the rest of Canada.⁽²⁾

a) Province of Quebec

There are about 87 small communities in Quebec with under 10,000 population in which household furniture manufacturing (SIC 2619) is represented. These communities have about 5,000 workers employed by

(2) The municipalities or communities referred to in this section comprise those geographical units classified as census subdivisions according to the Standard Geographical Classification Manual, Vol. 1, January 1974, Statistics Canada, Catalogue 12-545

the household furniture manufacturing industry, which represented 13.8% of their total manufacturing work force in 1975. Moreover, for 11 of these small communities in Quebec (Ste Agathe, Ste Sophie de Leonard, Ste Marie de Blandford, Nicolet-Sud, St Remi de Tingwick, Maddington, Windsor, St Edouard, St Valentin, Val David and Delisle) household furniture manufacturing is the only manufacturing industry.

For several small communities in which the household furniture manufacturing industry is represented, we have attempted to identify the communities' dependency on the furniture industry and the industry's importance relative to other industries located in these communities. In the Quebec Census Division of Arthabaska, the household furniture industry is located in such small communities as St Remi de Tingwick, Arthabaska, Princeville, Ste Victoire d'Arthabaska, Maddington, Ste Anne du Sault, and Daveluyville. For these communities the relative importance of the industry is identified in Table II.10.

TABLE II.10
INDUSTRY IMPORTANCE IN
SMALL COMMUNITIES IN ARTHABASKA CENSUS DIVISION, 1975

<u>Industries</u>	<u>No. of Establishments</u>	<u>Employment</u>	<u>Percentage Distribution of Employment by Industry</u>
Furniture	13	1,126	42.0%
Wood	9	263	9.8
Food and Beverage	5	383	14.3
Knitting Mills	4	295	11.0
Transportation Equip.	3	240	9.0
Textiles	3	118	4.4
Other*	11	254	9.5
Total		2,679	100.0%

* Principal Employers include Publishing and Printing, Non-metallic Mineral Mfg., Clothing Industries, and Metal Fabricating Industries.

Source: Statistics Canada, Annual Census of Manufactures

In the Arthabaska Census Division, 42% of total manufacturing employment in towns with less than 10,000 population depends on the furniture industry. Over 1,100 workers in the small communities in this area alone depend on the industry for their livelihood.

Similar information was collected for small communities in the Lotbiniere Census Division including Ste Agathe, St Agapitville, Laurier Station, Deschaillons, and Ste Croix. In these communities, more than half the work force is employed by the furniture industry (see Table II.11).

TABLE II.11
INDUSTRY IMPORTANCE IN
SMALL COMMUNITIES IN LOTBINIERE CENSUS DIVISION, 1975

<u>Industries</u>	<u>No. of</u> <u>Establishments</u>	<u>Employment</u>	<u>Percentage</u> <u>Distribution</u> <u>of Employment</u> <u>by Industry</u>
Furniture	6	673	51.0%
Food and Beverage	6	108	8.2
Wood	3	80	6.1
Other*	5	<u>458</u>	<u>34.7</u>
Total		1,319	100.0%

* Principal employers include Iron Foundries and Non-Metallic Minerals Mfg.

Source: Statistics Canada, Annual Census of Manufactures

In the Papineau Census Division the small communities of Thurso and St Andre Avellin depend on the furniture industry for about 40% of total employment. The second largest employer in this area is a pulp and paper mill. Sawmills and planing mills employ about 20% of the work force.

In the majority of the small communities to which the furniture industry makes a major economic contribution, the wood industry also tends to be a principal employer, as the wood industry is situated in 45 out of 80 small furniture producing communities in Quebec. The furniture industry is dependent on the wood industry as a major source of inputs into manufacturing and its proximity in furniture producing communities probably stems from that strong economic linkage.

b) Province of Ontario

In Ontario, there are 38 small communities with under 10,000 population in which the household furniture industry (SIC 2619) is represented. An estimated 3,260 workers are employed in furniture manufacturing in these communities. This represented in 1975, 11.6% of these communities' total manufacturing employment.

As in Quebec, we have attempted to establish the extent to which certain Ontario communities with under 10,000 population depend on the furniture industry for employment and the relative importance of other industries located in these furniture producing communities. In the Census Division of Bruce County, the household furniture industry is located in several small communities, including Kincardine, Walkerton, Chesley, Southampton, and Wiarton. In terms of both number of establishments and employment, the furniture industry is the dominant manufacturing industry in the area with 8 establishments and 693 employees. Furniture manufacturing accounts for 42.8% of total manufacturing employment in these communities (see Table II.12).

TABLE II.12
INDUSTRY IMPORTANCE IN
SMALL COMMUNITIES IN BRUCE COUNTY, 1975

<u>Industries</u>	<u>No. of</u> <u>Establishments</u>	<u>Employment</u>	<u>Percentage</u> <u>Distribution</u> <u>of Employment</u> <u>by Industry</u>
Furniture	8	693	42.8%
Food and Beverage	7	403	24.9
Wood	4	243	15.0
Printing and Publishing	6	25	1.5
Other*	7	<u>255</u>	<u>15.8</u>
Total		1,619	100.0%

* Hardware, Tool and Cutlery Manufacturers and Battery Manufacturers are major employers in this category.

Source: Statistics Canada, Annual Census of Manufactures

In Grey County, Markdale, Durham, Hanover and Collingwood are all furniture producing communities with under 10,000 population. In this area's small communities the furniture industry employs nearly half of the manufacturing labor force, providing work for over 1,000 people. The food and beverage and printing and publishing industries combined account for another 713* workers or 31% of total manufacturing employment (see Table II.13).

TABLE II.13

INDUSTRY IMPORTANCE IN
SMALL COMMUNITIES IN GREY COUNTY, 1975

<u>Industries</u>	<u>No. of Establishments</u>	<u>Employment</u>	<u>Percentage Distribution of Employment by Industry</u>
Furniture	9	1,075	46.6%
Food and Beverage	10	348	15.1
Wood	3	315	13.7
Printing and Publishing	5	50	2.2
Other*	10	<u>518</u>	<u>22.4</u>
Total		2,306	100.0%

* Shoe Factories, Men's Clothing Factories, Sound Recording and Musical Instruments Manufacturing are other major employers.

Source: Statistics Canada, Annual Census of Manufactures

Other pockets of small communities which are significantly dependent on the furniture industry for employment are found in the Elora area of Wellington County and the Milverton and Listowel areas of Perth County.

In Ontario, as in Quebec, wood industries tend to be major employers in furniture producing communities.

c) Rest of Canada

In the Atlantic Provinces, 5 out of the 11 household furniture establishments and about 90% of the industry's employment are in small towns with under 10,000 population while in the Prairie Provinces and British Columbia, major employers in the industry tend to be situated in metropolitan areas. Alberta is the exception, with small communities such as Airdrie, Lacombe County and Ponoka County employing a large proportion of their work force in the manufacture of household furniture.

For small communities that produce furniture, the household furniture industry is of vital importance. This is especially true for small communities of under 10,000 population in Ontario and Quebec where an estimated 27% of the industry's work force is employed and where the industry's employees constitute 12.8% of the total manufacturing work force. In certain areas of Ontario and Quebec, the furniture industry accounts for about one half of total manufacturing employment. For a few communities, furniture manufacturing is the only manufacturing activity. The implication is that the livelihood of many small communities is in serious jeopardy if the import share of the Canadian market is allowed to continue to rise.

Although the furniture industry in Manitoba may not be as important to the livelihood of small towns as it is in Ontario and Quebec, the industry makes a relatively more important contribution to the overall economy of the province. In Manitoba, household furniture (SIC 2619) is the seventh largest employing industry in manufacturing and ranks fifteenth among Manitoba's leading manufacturing industries in terms of value of shipments. Because of its important position, variations in the industry's activity levels could have an even greater and more pervasive influence on Manitoba's economy than on the provincial economies of Quebec and Ontario, even though such variations may not have the same impact on small rural communities.

4 - ENERGY

In times of rising energy costs and increasing scarcity of energy resources, the household furniture industry is in an advantageous position, as it is not as important a user of energy relative to other Canadian manufacturers. For example, of the 20 manufacturing groups categorized by Statistics Canada, the furniture and fixtures industries rank 16th in terms of amount of energy purchased. As a percentage of value of shipments, the furniture industry's fuel and electricity costs are only 0.9% compared to 2.0% for all manufacturing, 7.8% for pulp and paper and 4.8% for primary metals (see Table II.14 opposite).

In terms of energy expenditures per man-hour, the household furniture industry spends substantially less than most other major employers in manufacturing. The most notable exception is the clothing industry which is highly labor intensive (see Table II.15). One of the main reasons for the low level of expenditure on energy by the household furniture industry is that many plants have been designed to utilize self-generated wood waste as fuel.

TABLE II.14

ENERGY PURCHASES BY INDUSTRY, 1975

<u>Major Manufacturing Group</u>	<u>Energy Purchased</u> \$'000,000	<u>Energy Purchases</u> <u>as a Percentage</u> <u>of Value of</u> <u>Shipments</u> %
Pulp and paper	418.8	7.8
Primary Metals	317.6	4.8
Chemical and Chemical Products	216.6	4.2
Food and Beverage	193.8	1.2
Non-Metallic Mineral Products	174.3	6.8
Transportation Equipment	80.2	0.7
Wood Industries	79.4	2.1
Metal Fabricating	61.3	1.0
Textiles	51.5	2.1
Petroleum and Coal Products	49.8	0.8
Rubber and Plastic Products	34.7	1.8
Electrical Products	34.3	0.8
Machinery	27.4	0.7
Printing and Publishing	16.0	0.6
Miscellaneous Manufacturing	15.6	0.8
Furniture and Fixtures	11.8	0.9
Clothing	7.9	0.3
Knitting Mills	6.3	1.0
Leather	4.7	0.8
Tobacco Products	3.6	0.4
Total, All Manufacturing	<u>1,805.6</u>	<u>2.0</u>

Sources: Statistics Canada, Catalogue 31-203

TABLE II.15

EXPENDITURES ON ENERGY PER MAN-HOUR

1975

<u>Industry</u>	<u>Expenditures/Man-Hour</u> (\$)
Pulp and Paper Mills	3.40
Petroleum Refining	3.05
Iron and Steel Mills	1.62
Food and Beverage Industries	.64
Wood Industries	.47
Motor Vehicle Mfrs.	.37
Machinery Industries	.21
Household Furniture Mfrs.	.12
Clothing Industries	.04
All Manufacturing	.69

Source: Statistics Canada, Catalogue 31-203

As relatively small users of fuel and electricity, furniture manufacturers will be less affected by future price hikes in energy products. Thus, this inflationary component of their costs will have less of an impact than in many other industries.

Because of its low level of dependency on energy resources, the household furniture industry should be given serious consideration and encouragement by conservation-conscious policy makers.

5 - CAPITAL INVESTMENT

Household furniture manufacturing is a relatively labor-intensive industry. Current dollar gross capital stock per employee was \$10,175 in 1975. This compares with \$45,768 for all manufacturing industries (see Table II.16)

TABLE II.16

GROSS CAPITAL STOCK PER EMPLOYEE

	<u>Household Furniture Manufacturing</u> (\$)	<u>All Manufacturing Industries</u> (\$)
1970	6,544	25,907
1971	6,815	28,470
1972	6,493	29,886
1973	6,836	31,758
1974	8,159	37,611
1975	10,175	45,768

Source: Statistics Canada, Catalogues 31-203, 13-211 and Construction Division

The labor to capital ratio in the furniture industry is considerably lower than that of several high-technology industries which are receiving encouragement and support from economic policy makers.

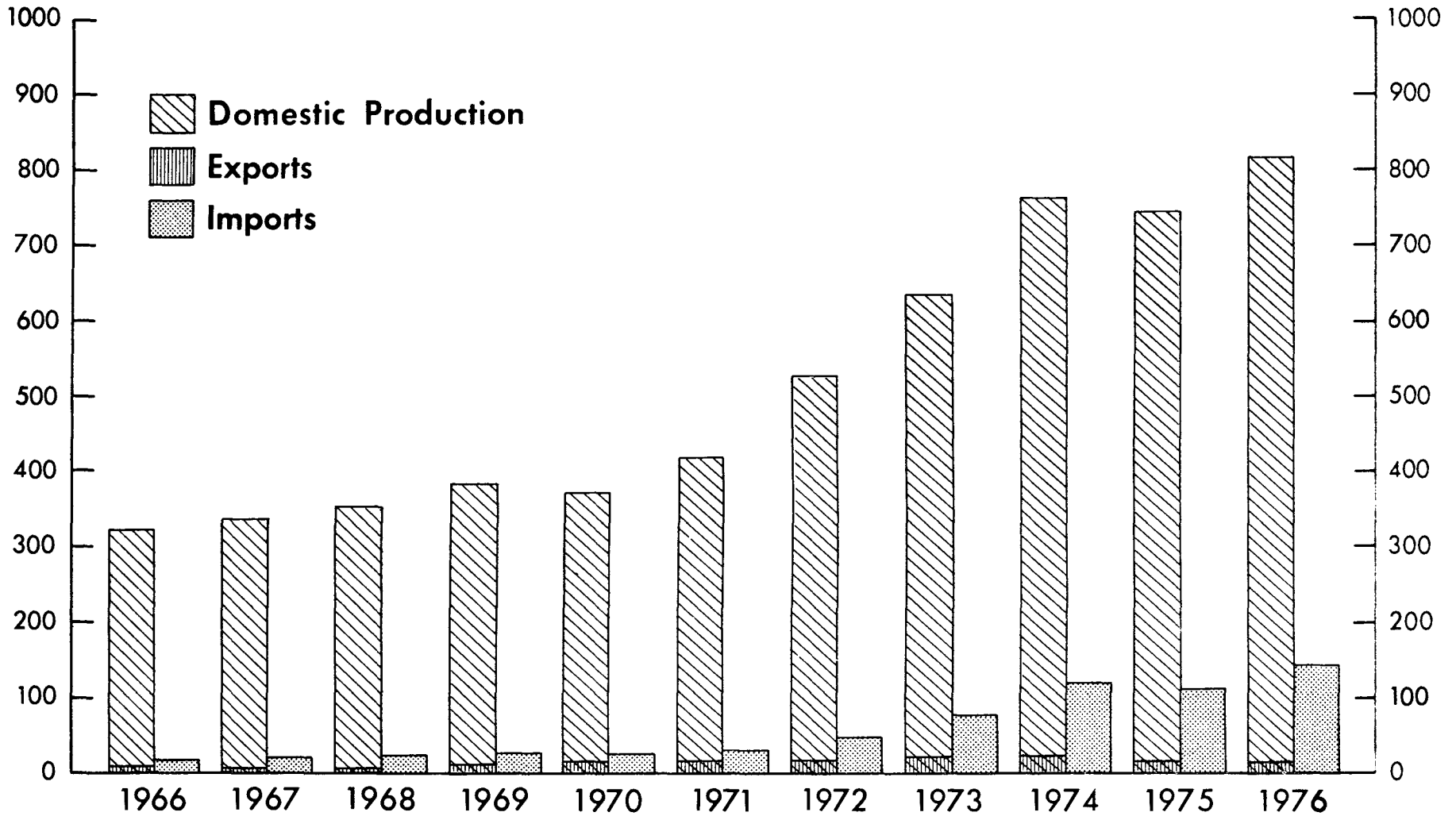
For example, in 1975 capital stock per employee was \$239,600 in industrial chemicals manufacturing, \$102,100 for iron and steel mills and \$136,000 for pulp and paper mills.

Household furniture manufacturing, with its low capital requirements per employee is an industry that is not easily replaceable. In considering the loss of jobs in the furniture industry which would result from import-induced production cutbacks and the need to replace these lost jobs with alternate new employment, the question arises as to whether there would be a willingness on the part of investors to commit the large financial resources required to create new jobs, through investment in more capital intensive industries, particularly in small communities.

HOUSEHOLD FURNITURE INDUSTRY

IMPORTS, EXPORTS AND DOMESTIC PRODUCTION

\$ Millions



III - MAJOR CHANGES WHICH HAVE OCCURRED
IN THE INDUSTRY OVER THE PAST TEN YEARS

1 - DESCRIPTION OF MAJOR CHANGES

The years from 1965 to 1974 were progressive ones for the household furniture industry and represented the first period of sustained growth after World War II. In the late 1960's there was steady improvement in the industry's production facilities, some new plants were built and several mergers took place. From 1965 to 1971, the value of domestic household furniture shipments rose from \$281.9 million to \$419.7 million, an increase of almost 50%. Price increases during this period were moderate, rising about 3.1% per year on average. During this same period, the import share of the total domestic market remained fairly stable, increasing from 5.7% in 1965 to 7.1% in 1971. Between 1971 and 1974, domestic shipments grew substantially and by 1974, the value of shipments was 105% above its 1970 level. Growth in the industry surpassed the growth in general manufacturing between 1971 and 1974 when the average annual increase in Real Domestic Product (constant dollars) was 10% for furniture compared to 6.3% for all manufacturing.

However, by this time inflation had set in, eroding the industry's real growth. In 1972, shipments increased by 26% accompanied by a 6.7% increase in the household furniture industry selling price index. In 1973, as shipments grew by 20%, prices rose by 11%. Beginning in 1973, as inflation gained momentum and wage rates spiraled, the industry strived to increase staff. In 1974, shipments rose a further 20% and prices by 23%, resulting in a decline in real growth.

While costs and prices were rising in Canada, the United States was experiencing a very soft market. The Canadian apparent market expanded 25% in 1974, the fourth successive year of large increases in demand. By 1974, the critical shortage of labor and unprecedented market demand led to some difficulties in supply. Imports jumped by over 50% again in 1974, following increases of 60.7% in 1972 and 59.6% in 1973.

The year 1974 was a critical year for the industry. There was a build-up in dealers' inventories arising out of frantic buying in anticipation of a continuing strong growth in a market that was already bouyant. In the fall of 1974, cancellations developed because of these large inventory build-ups and a softening market. Canadian factories with large backlogs in August were laying off in October. Capacity utilization rates declined as indicated in the following Table III.1. The Canadian industry has never really recovered from the set-back incurred during this period, capacity utilization has remained low and employment has fallen accordingly. It has been estimated that employment has declined by almost 5,000 man-years since 1974. Capacity utilization in 1977 was more than 20% below 1974 rates. Since 1974, costs have continued to increase with resulting price increases higher than those in the United States.

The domestic market has continued to grow in 1976 and 1977 but imports have gained the benefit of these increases with gains of 27% in 1976 and 11% in 1977. Since 1974, the industry has experienced a considerable readjustment. Many companies have undertaken a reassessment of their designs, merchandising and general operations.

Many large companies which undertook mergers in the late 1960's and early 1970's have recently undergone a retrenching of their operations under the strain of market conditions and import competition, particularly in medium-priced lines. Through bankruptcies and divestments there has been a general weeding out in the industry from which a stronger base should emerge.

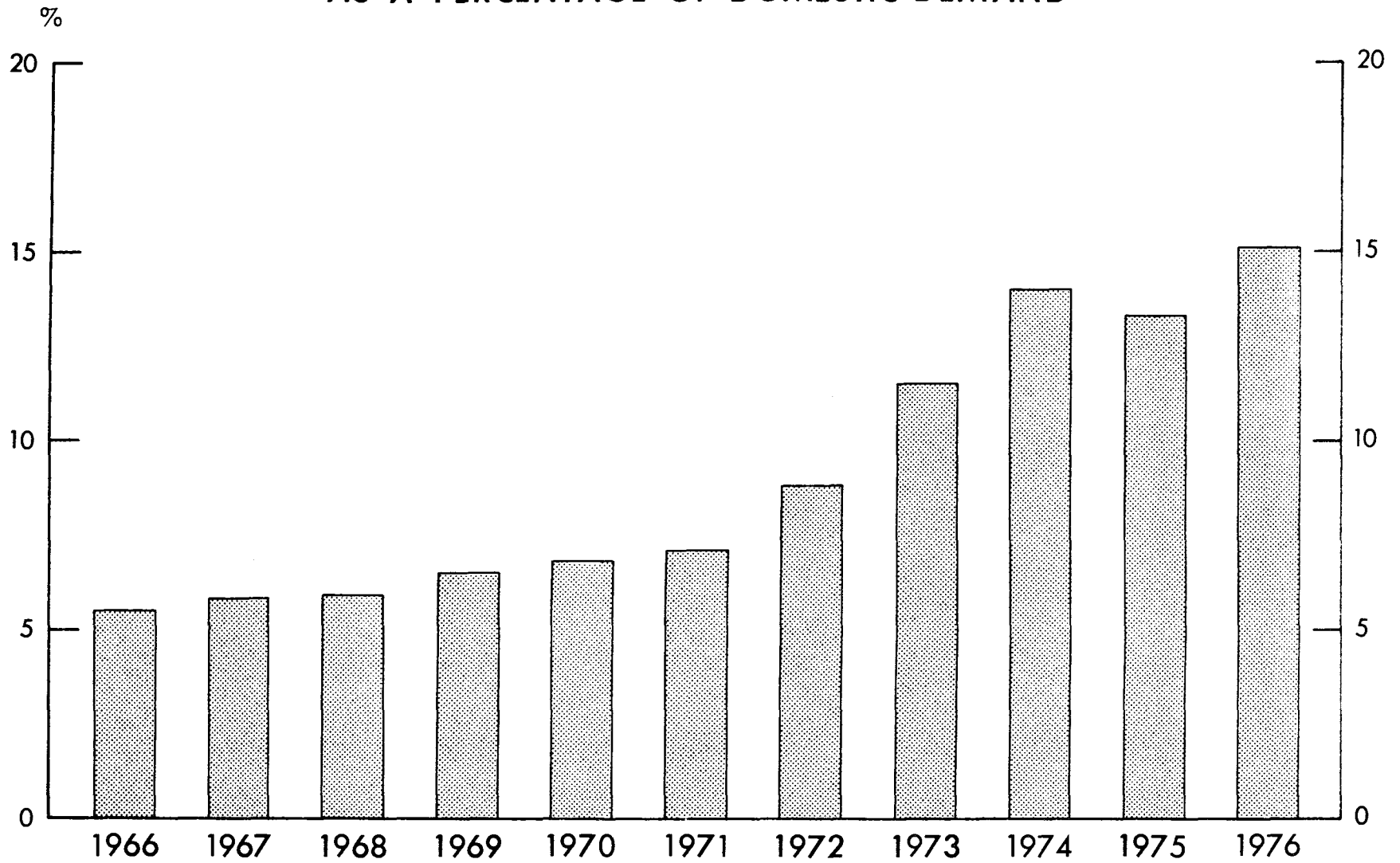
The potential for growth is promising for the household furniture industry, which has proven its ability to satisfy growing consumer demand as experienced in the pre-1974 period.

TABLE III.1
CAPACITY UTILIZATION RATES
FURNITURE AND FIXTURES INDUSTRY
(Per cent by Quarter)

1966	IQ	100.0	1972	IQ	85.3
	IIQ	99.5		IIQ	89.6
	IIIQ	99.0		IIIQ	89.7
	IVQ	96.6		IVQ	88.9
1967	IQ	94.0	1973	IQ	92.0
	IIQ	93.2		IIQ	90.5
	IIIQ	91.9		IIIQ	87.3
	IVQ	89.2		IVQ	88.7
1968	IQ	88.8	1974	IQ	89.0
	IIQ	88.2		IIQ	87.3
	IIIQ	87.0		IIIQ	83.1
	IVQ	87.2		IVQ	78.1
1969	IQ	87.5	1975	IQ	69.9
	IIQ	87.6		IIQ	68.5
	IIIQ	88.0		IIIQ	69.6
	IVQ	87.4		IVQ	71.1
1970	IQ	84.3	1976	IQ	73.5
	IIQ	78.8		IIQ	71.8
	IIIQ	77.9		IIIQ	70.5
	IVQ	76.5		IVQ	68.2
1971	IQ	73.4	1977	IQ	66.0
	IIQ	78.3		IIQ	62.3
	IIIQ	81.2		IIIQ	61.1
	IVQ	83.3		IVQ	61.5

Source: Statistics Canada, Catalogue 31-003

HOUSEHOLD FURNITURE INDUSTRY IMPORTS AS A PERCENTAGE OF DOMESTIC DEMAND



a) Imports

During the period 1966 to 1976, the import share of the Canadian household furniture market has almost tripled. The dollar value of imports has increased almost 800% from \$18.2 million to \$142.6 million. The major reasons for these significant and disturbing increases in imports are unique advantages of American producers shipping into Canada, structural weaknesses such as higher costs in the Canadian industry and reduced tariff protection. The table below illustrates the pattern of growth in imports and in the import share of the market. The table indicates that the problem has become more acute since 1971 with average annual growth rates of imports exceeding 50% while the total market grew at a rate of 18.3%. The graph opposite illustrates the substantial growth in the import share of the Canadian market which occurred between 1971 and 1976.

TABLE III.2
HOUSEHOLD FURNITURE INDUSTRY⁽¹⁾ IMPORTS

	<u>Apparent Market</u> (\$'000,000)	<u>Imports</u> (\$'000,000)	<u>Import Share of Apparent Market</u> %
1965	294.5	16.8	5.7
1966	331.6	18.2	5.5
1967	350.9	20.5	5.8
1968	366.8	21.5	5.9
1969	399.2	26.0	6.5
1970	381.5	26.0	6.8
1971	432.7	30.8	7.1
1972	560.2	49.5	8.8
1973	690.3	79.0	11.5
1974	860.2	120.8	14.0
1975	840.1	112.1	13.3
1976	945.3	142.6	15.1
1977	1004.6(e)	158.2	15.7

e - estimate

Source: Statistics Canada, Catalogues 35-211, 65-007, 65-004

(1) Statistics refer to Household Furniture Manufacturers, SIC 261.

Up until the early 1970's, American manufacturers seemed to make only temporary excursions into the Canadian market, but they now appear to consider it as an extension of their own local market. The United States, with a 66% share of imports into Canada in 1977, is by far the major source of furniture imports. The bulk of these imports are from North Carolina, which, with 78,800 employees in the industry⁽²⁾, is the major producing region in that country.

Between March 27, 1963 and January 1, 1968, the tariff on household furniture from the United States was 25%. On January 1, 1968 it was reduced to 24% and a year later to 23%. On June 4, 1969 it was lowered to 20%, reflecting an acceleration of the Kennedy Round of international trade negotiations. Between February 19, 1973 and June 1974, the rate was cut even further to 15%.

A 20% tariff was reinstated in the June Budget of 1974. Between 1971 and 1974, with the American economy in a recession, the rapidly expanding Canadian market with its reduced tariff protection and strong Canadian dollar, became a natural target for American manufacturers. During that period, imports quadrupled - from \$30 million to \$120 million - and the Americans gained a niche in the Canadian market which they have not since relinquished.

Moreover, during the '60's American imports into Canada had been concentrated in the higher-priced lines, but since 1970 these imports have been primarily in the medium-price range. This new category of imports is in direct competition with the core production lines of the Canadian industry. The majority of these imports originate

(2) State Labour Summary, North Carolina, January 1978, Bureau of Labour Statistics, U.S. Department of Labour.

from 6 or 8 giant manufacturers located in North Carolina, where lower priced labor affords a competitive edge. Import competition in this product area has had a devastating effect on the industry.

American producers enjoy unique advantages in the Canadian market. Because large American manufacturers do not require extensive coverage of the Canadian market, they generally select the most attractive dealers in a given region and give them exclusivity on their lines. Most Canadian producers cannot afford to do this since, if they wish to maintain a reasonable share of the market, they must distribute on a much broader basis. Because exclusivity often assures Canadian dealers of higher mark-ups, such arrangements with American producers become very appealing.

Retailing trends in Canada have also tended to favor the increased penetration of American goods in the Canadian market. One such trend is that of more concentration of business in fewer retail outlets. Department stores, warehouse type outlets and large aggressive independents who specialize in quality-based or in volume-based merchandising are increasingly gaining dominance in the market. In addition, the trend to giving more space to fewer designs within a given floor area in order to improve display results heightens the problem. The lower-priced exclusive import is a natural attraction for these progressive retailers. Thus, Canadian producers are left with diminished exposure and are forced to concentrate on smaller, less progressive, and often less financially stable dealers.

In addition large American manufacturers are able to offer design groups which include as many as seventy or eighty pieces.

Many different sizes of dressers, beds, tables and buffets are available in the same design group. This is not practical for the Canadian producer, but highly attractive to the Canadian dealer who can display the major pieces in his showroom and have the remainder of the line available through the catalogue. This feature gives American producers a further competitive edge in the Canadian market.

A practice which gives American producers an additional edge in the market is generally referred to as flexible pricing. By offering dealers merchandise at preshow prices which are usually about 10% below regular prices or by giving advertising allowances or discounts, the American manufacturer is able to undercut domestic producers. Because of the varied designs and product make up of the industry the problem is a difficult one to identify and combat; however, such practices are prevalent, particularly when the U.S. market is soft, as was the case in 1973 and 1974.

Finally, American producers have an added advantage in transportation costs. Because of certain peculiarities in freight rates, American manufacturers can ship into certain regions of Canada, the Western provinces in particular, more cheaply than Eastern Canadian producers. These freight rate differentials can confer as much as a 5% price advantage to American producers.

The major reason behind the Canadian household furniture industry's vulnerability to imports is undeniably the low degree of competitiveness of the industry vis-a-vis the American industry. Manufacturers and industry authorities agree that the price of household furniture presently manufactured in Canada is approximately 25% higher

than that of comparable American manufactured products. It should be noted however that Canadian furniture is generally recognized as being superior in quality and construction.

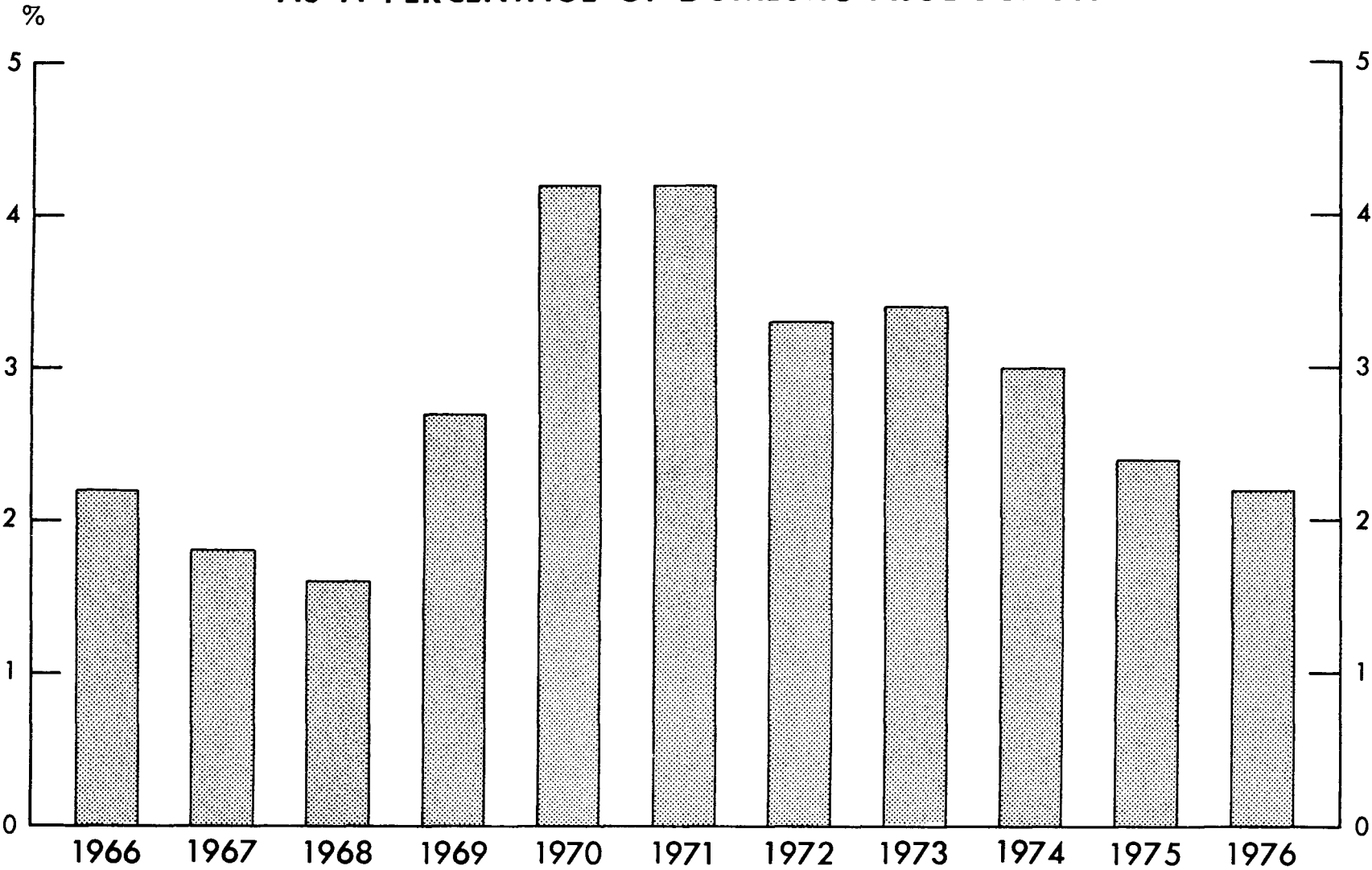
In addition to higher absolute prices, the Canadian industry has experienced considerably higher inflation rates. Since 1971, the pace of increase in industry selling prices in Canada has been double that in the United States. As shown in Table III.8, the industry selling price index in Canada increased by 78.6% between 1971 and 1977 while the index for the United States wood household furniture industry increased by 41.6% for non-upholstered products and by 36.6% for upholstered products.

Many of the reasons behind this low degree of competitiveness are structural in nature. These include:

- higher living costs in Canada than in the U.S. South which exert upward pressures on wage rates,
- higher personal taxes which have a similar effect,
- higher levels of unionization and union militancy in Canada,
- higher costs of government at all levels,
- lower productivity, in part due to the smaller size of Canadian plants and their lower degree of specialization, and
- hidden costs arising from the ever-increasing regulatory role of governments in such areas as pollution control, worker safety and health, and consumer protection.

The significant increase in the import share of the market is particularly distressing in view of the Canadian industry's deteriorating position as a domestic supplier: in Great Britain, Italy, Germany, France and Yugoslavia, which are the leading producing countries, the local industry supplies well over 90% of the domestic

HOUSEHOLD FURNITURE INDUSTRY EXPORTS AS A PERCENTAGE OF DOMESTIC PRODUCTION



market, while the American furniture industry supplies over 95% of U.S. domestic demand. In Canada, less than 85% of the market is supplied by Canadian household furniture manufacturers. Traditionally, furniture industries are oriented to and dependent on their domestic market due to the bulkiness of the product and transportation costs.

b) Exports

Conventional wisdom indicates that the American market is a natural extension of the Canadian market and that Canadian manufacturers should take advantage of opportunities in this market. The following excerpt from a recent government report supports this view:

"The United States provides a good potential market for Canadian-made furniture. A study of U.S. furniture retailers conducted in 1970 on behalf of ITC confirmed the acceptability of Canadian furniture and the existence of opportunities for Canadian manufacturers under equivalent cost conditions. In geographic terms, the Northeast U.S. market is as accessible from major Ontario and Quebec manufacturing areas as from the major U.S. producing areas. At least 25% of the total U.S. market is located within one shipping day of Toronto and Montreal."(3)

In fact, however, very few Canadian household furniture manufacturers have been able to achieve continuing success in the American market. This is reflected on the graph opposite and in the following table of industry export statistics.

(3) Sector Profile, Canadian Furniture Industry, A Discussion Paper by the Department of Industry, Trade and Commerce.

TABLE III.3

HOUSEHOLD FURNITURE INDUSTRY EXPORTS

	<u>Domestic Production</u> ⁽⁴⁾ <u>(\$'000,000)</u>	<u>Exports</u> <u>(\$'000,000)</u>	<u>% of Domestic</u> <u>Production</u> <u>(%)</u>
1966	320.7	7.3	2.2
1967	336.8	6.3	1.8
1968	351.1	5.7	1.6
1969	383.8	10.6	2.7
1970	371.3	15.7	4.2
1971	419.7	17.8	4.2
1972	528.5	17.8	3.3
1973	633.2	21.9	3.4
1974	762.5	23.0	3.0
1975	746.7	18.6	2.4
1976	820.8	18.1	2.2

Source: Statistics Canada, Catalogues 35-211, 65-004

Five or six years ago a number of Canadian manufacturers were prepared to make a strong commitment to an export drive to the United States. Recent discussions held with manufacturers in the course of this study revealed that there was now a reluctance to embark upon such a venture. One of the manufacturers interviewed considered that in the long run, efforts in the American market by the Canadian household furniture industry would have the same degree of success as would efforts in the major Canadian markets by a hypothetical Northwest Territories furniture industry: higher costs of living and higher wages due to the harsher climate, the need to import the bulk of its raw materials, smaller and less specialized plants and higher transportation costs are all factors which would limit this hypothetical industry's competitiveness in the relatively more developed and sophisticated Canadian markets.

⁽⁴⁾ Statistics refer to Household Furniture Industry (SIC 261).

While the key explanatory factor for the Canadian household industry's poor export performance is cost competitiveness, there are several other reasons for the very major change in the attitude of Canadian manufacturers towards the American market. The need in many cases to modify or customize designs for the American market is one reason why Canadian producers have been unable to benefit from the economies of scale which should result from exports. Secondly, there is a relatively high risk involved in committing resources to, and in establishing a presence in, a market from which Canadian producers can be expelled on short notice. The apparent profitability of the American markets can quickly be altered by the imposition of import surcharges (such as the 10% surcharge levied by the United States in 1971) and by adverse variations in the Canada/U.S. exchange rate. Thirdly, penetration of the American market is impeded by the need for Canadian producers to maintain a low profile in any given region. Canadian producers have been forced into this role by large American producers who are quite effective at exerting pressure on dealers who handle competing Canadian merchandise. And finally, since the vast majority of American furniture buyers do not attend the Canadian shows, Canadian exporters need to exhibit their products at American shows, a situation which further increases their selling costs. Costs associated with warehousing merchandise and renting showrooms are examples of additional costs of marketing in the United States. All of the above factors contribute to preventing Canadian producers from achieving a high degree of concentration in any given area, increase their shipping, distribution and selling costs and force them to deal with second or third rate accounts.

In addition to these impediments, many if not all Canadian manufacturers have been subjected to very strict controls, and in some cases sheer harassment, when their products cross the border. Delays and annoyances in unpacking and repacking cases for border inspection have been encountered in several instances. Most producers who have experienced such difficulties prefer to stop exporting rather than subject themselves to such treatment and the costs associated with it.

In spite of these obstacles the American market holds a tremendous promise for Canadian exporters and there is a possibility that, in the future, some of the industry's stronger companies who make a specialized product may be able to establish a foothold in the northern part of the United States. Recent exchange rate movements have given encouragement to the industry to accomplish this. However, the industry ability to export successfully, is entirely dependent on its ability to improve its cost competitiveness and to operate from a very strong domestic base.

c) Labor Costs

In the two previous sections we have stated that the Canadian manufacturers' ability to compete with American manufacturers in both the domestic market and in the American market was limited in large part by higher costs and, in the household furniture industry, labor costs constitute a substantial portion of total manufacturing costs. Relative to other manufacturing industries in Canada, labor costs in the household furniture industry represent a much higher

proportion of total costs. In 1975, labor costs as a percentage of sales were 25.9% in the household furniture industry compared to 14.3% for all manufacturing industries in Canada. In this section we intend to compare labor costs in the Canadian and American industries and discuss the sources of upward pressure on Canadian wages.

Table III.4 indicates that average hourly earnings in Canadian household furniture manufacturing in 1970 were 12% below those in the total American household furniture industry. Over the next seven year period however, Canadian wage rates grew at an average annual compound rate of 10.8% while total American industry wage rates grew at a rate of only 6.5%. In North Carolina the wage rate increased at a 6.9% rate. It is estimated that in 1977 Canadian hourly wages were \$.65 per hour or 16% higher than wages in the American industry. Canadian manufacturers are at an even greater disadvantage when competing with the industry in North Carolina: in 1977 the hourly wage gap reached \$.85, which represents a 22.3% differential. However, according to industry sources, the differential in hourly wages between major Canadian firms and their American counterparts is considerably higher than this.

There is more than a 30% labour cost differential between the Canadian household furniture industry and their American counterparts, considering the difference in fringe benefits. These average approximately 25% in the Canadian industry compared to 12% in the U.S. South. The resulting differential between average hourly labour costs in the industry in Canada and North Carolina is \$1.40.

TABLE III.4

AVERAGE HOURLY EARNINGS

	Canadian Household	U.S. Household		North Carolina	
	Furniture Mfg.	Furniture Mfg.	Diff.	Furniture Mfg.	Diff.
	<u>Hrly Avg</u>	<u>Hrly Avg</u>		<u>Hrly Avg</u>	<u>Diff.</u>
	\$ Can.	\$ U.S.	\$	\$ U.S.	\$
1970	2.29	2.61	+0.32	2.42	+0.13
1971	2.46	2.75	+0.29	2.56	+ 0.10
1972	2.61	2.89	+0.28	2.72	+ 0.11
1973	2.87	3.09	+0.22	2.93	+ 0.06
1974	3.27	3.30	+0.03	3.16	- 0.11
1975	3.81	3.55	-0.26	3.36	- 0.45
1976	4.29	3.76	-0.53	3.57	- 0.72
1977	4.70	4.06	-0.65	3.85	- 0.85
1978 (February)	4.84	4.28	-0.56	3.99	- 0.85

Source: Statistics Canada, Labour Division, Catalogue 72-002
U.S. Bureau of Labor Statistics

Current two and three year contracts in Canada and in the United States indicate a further widening of this wage gap, meaning a further erosion of the Canadian competitive position.

When measured as a percentage of sales, labor costs have been higher in Canada than in the United States and this gap is also widening. In 1975, Canadian household furniture industry labor costs, measured as a percentage of sales, were 6.7% higher than those in the United States. These labor cost estimates do not include fringe benefit costs which if considered would further widen this gap.

TABLE III.5

LABOR COSTS AS A PERCENTAGE OF SALES *

	<u>Canadian Household Furniture Industry</u> (%)	<u>American Household Furniture Industry</u> (%)	<u>Total, Canadian Manufacturing Industries</u> (%)
1967	24.6	21.5	15.1
1968	24.5	21.5	14.9
1969	24.8	21.5	15.1
1970	24.8	21.5	15.6
1971	24.6	21.1	15.6
1972	24.1	20.6	15.6
1973	23.4	20.5	15.1
1974	23.7	19.7	14.1
1975	25.9	19.2	14.3
1976	n/a	19.3	n/a

n/a - not available

* Wages of production related workers as a percentage of value of shipments.

Source: Statistics Canada, Catalogue 31-203
U.S. Bureau of the Census, Annual Survey of Manufactures

The major causes of the labor cost gap illustrated in Table III.5 are the higher wage rates discussed above and lower productivity. It is interesting to note that even when Canadian wage rates were lower than American wage rates (1970-1974) Canadian labor cost as a percentage of sales was still higher than in the U.S. However, since the selling price of Canadian furniture is on average approximately 25% higher than comparable American furniture, labor cost as a percentage of sales is calculated on a higher base in Canada than in the United States.

Wages in the industry are strongly influenced by going rates offered by other manufacturing concerns competing for the available labor supply. Textile mills are the major source of competing

manufacturing employment in North Carolina, employing about a third of the manufacturing work force. In competing with the textile industry and tobacco, cotton and clothing industries, with their traditionally low wage levels, North Carolina furniture manufacturers face less pressure on wages than their Canadian counterparts who, for the most part, compete with higher wage industries.

Substantial increases obtained by Canadian public service employees through collective bargaining have set the pattern for wage negotiations throughout the private sector which in turn have had a strong influence on wage demands in the furniture industry. Public sector wages are typically highly visible in small communities. Major collective agreements settled in 1974 averaged increases of 14.8% in base rates for the public sector. Since 1972, public sector settlements have exceeded those in the private sector.

Unemployment insurance and minimum wage laws have also had an inflationary effect on wage rates. Higher wages are required to attract workers away from voluntary unemployment induced by the U.I.C. program. The important disincentive effects on labor supply of this program have been confirmed in a recent study by Samuel Rea of the University of Toronto. The U.I.C. program has also resulted in reduced labor mobility.

Legislated minimum wages are 20 to 85 cents per hour higher in Canada than in the United States' federal level, causing even the wages of non-skilled workers in the industry to be higher in Canada than in the United States. Also, there is evidence that the minimum wage policy in Canada is inflationary in that minimum wage increases force other wage levels up through a ripple effect on the rest of the economy.

The movement of unions into both the textile and household furniture manufacturing industries in the U.S. South should ultimately contribute to narrowing, or at least maintaining the wage rate gap.

Growing militancy of labor unions in some areas has accentuated the problems of the Canadian industry in restraining wage demands. The employees of most major enterprises are unionized and a number of smaller plants have staff associations which serve the same purposes as unions but without the affiliation. Union militancy is a particularly sensitive issue for the industry in Quebec where pressure to increase wages is more intense. Wages in Quebec have been pushed higher than the industry average as indicated in the Table III.6 below.

TABLE III.6
AVERAGE HOURLY WAGES
QUEBEC HOUSEHOLD FURNITURE INDUSTRY

	<u>WOOD HOUSEHOLD FURNITURE</u>		<u>UPHOLSTERED FURNITURE</u>	
	<u>HRLY AVG \$</u>	<u>% INCREASE</u>	<u>HRLY AVG \$</u>	<u>% INCREASE</u>
1965	1.52	-	-	-
1966	1.69	11.2	1.77	-
1967	1.81	7.1	1.88	6.2
1968	1.96	8.3	2.05	9.0
1969	2.09	6.6	2.21	7.8
1970	2.27	8.6	2.23	0.9
1971	2.34	3.1	2.38	6.7
1972	2.46	5.1	2.54	6.7
1973	2.69	9.3	2.99	17.7
1974	3.13	16.4	3.50	17.1
1975	3.80	21.4	4.25	21.4
1976	4.42	16.3	4.91	15.5
1977	5.02	13.6	5.51	12.2

Source: Comite paritaire de l'industrie du meuble de Quebec

d) Material Costs

The following table indicates that, during the past decade, raw material costs as a percentage of sales have been relatively constant and have been comparable in the United States and in Canada.

TABLE III.7

RAW MATERIALS COSTS AS A PERCENTAGE OF SALES*

	<u>Canadian Household Furniture Industry</u> (%)	<u>American Household Furniture Industry</u> (%)	<u>Total Canadian Manufacturing Industries</u> (%)
1967	47.3	48.5	54.9
1968	47.1	48.3	54.9
1969	46.8	48.1	55.3
1970	46.7	48.3	55.4
1971	47.0	48.5	55.0
1972	48.2	45.5	55.4
1973	48.9	49.5	56.4
1974	50.4	50.4	57.6
1975	47.6	49.9	57.9
1976	n/a	50.4	n/a

n/a - not available

* Cost of materials and supplies used as a percentage of value of shipments.

Source: Statistics Canada, Catalogue 31-203
U.S. Bureau of the Census, Annual Survey of Manufactures

Although the above Canadian-American percentages are comparable, Canadians pay more in absolute terms for raw materials since, as we have previously mentioned, Canadian furniture is more expensive than comparable American furniture. The problems associated with three major raw materials, namely show woods, upholstery fabrics and lumber, are discussed below.

Wood products constitute about 30% of total costs of materials and supplies used in furniture manufacturing while fabrics represent 16%. In the upholstered furniture manufacturing sector, fabric represents 45% of all material used on the upholstered product and 25% to 30% of total costs of materials. The cost of these products to Canadian furniture manufacturers is inflated by virtue of the fact that a large proportion of wood and fabrics are imported. Duty on some of these imports, transportation costs and higher costs resulting from the recent weakening of the Canadian dollar contribute to the high costs of materials. Inflationary forces at work throughout the rest of the Canadian economy have also had a bearing on the furniture industry's raw material costs. The combination of a higher cost economy and higher material costs due to the need for the Canadian industry to import a number of raw materials have given the American industry an even greater competitive edge in the Canadian market.

Canadian furniture manufacturers must import large quantities of wood products because most species used as show woods such as ash, oak, cherry and walnut, are either not available in Canada due to the climatic conditions or are not readily accessible. Moreover, large quantities of hardwoods which could be utilized in furniture manufacturing remain unharvested on the limits of pulp and paper companies whose main requirements are for softwoods. The unavailability of these resources to hardwood sawmills supplying the furniture industry forces the industry to import hardwoods and contributes to increasing its raw material costs.

Show woods imported from the United States are becoming scarcer and more expensive. The current high activity in the American furniture industry has generated greater demand for hardwoods, while at the same time conservation trends exert pressures on supply. Weather conditions are expected to make the situation particularly difficult this year. A wet fall and a late freeze in the forest areas in the United States have delayed harvesting and a heavy snowfall has slowed harvesting operations. Because of strong demand and adverse weather conditions substantial scarcity-related price increases are expected.

Lumber used in furniture manufacturing must be dried to a moisture content of approximately 7%. In many cases green lumber is air dried to a moisture content of 25% and then placed in special kilns to bring it down to its desired moisture content. It is not economical for most small to medium size furniture plants to invest in these kilns, a situation which causes many Canadian producers to use custom drying services at a cost which varies from \$65 to \$85 per MFBM. These costs are substantially higher than in the United States where the air drying season is longer and where demand for custom drying is not as strong.

In Canada we have three to four months when little or no air drying takes place in the lumber yard. It takes twice as long to kiln dry lumber which has not been air dried. The Canadian wood furniture manufacturer has the choice of either investing in additional kiln capacity to take care of those winter months or investing in increased lumber inventories during the summer or early fall. Both courses of action involve additional costs for the Canadian manufacturer vis-a-vis his Southern counterpart. Snow removal costs are another example of extra costs imposed by Canadian climatic conditions.

Furniture is a style industry and consequently products designed for maximum visual impact create the greatest consumer reaction. In the soft goods segment of the industry, upholstery fabrics, the majority of which are imported from Europe and the United States, are the most important style component. Canadian textile mills offer a basic selection of low and medium-priced fabrics but do not have the equipment or the technical capabilities to produce the high style fabrics required by the market. Style trends originate elsewhere and without basic design expertise the Canadian industry can only copy the latest trends. Some Canadian mills are developing expertise in this area but in order to obtain the production runs required to be competitive, they must offer the fabric to all manufacturers. As a result they are not in a position to offer the necessary exclusivity of fabric to individual manufacturers.

In this regard, Canadian upholstered furniture manufacturers have a particular problem as they often must pay higher duties on imported fabrics than Canadian retailers pay on imported American furniture which has been upholstered with identical fabrics. Higher tariffs on fabrics than on upholstered furniture contradicts the basic philosophy of increasing tariffs according to the degree of manufacturing in the imported item.

Some economists believe that a reduction or elimination of tariffs on imported products would have important ripple effects on Canadian industry and result in a substantial reduction in its raw material costs. A survey conducted in March '78 by the leading companies in the Canadian furniture industry established that raw

TABLE III.8
INDUSTRY SELLING PRICE INDICES
1971 - 100

	<u>Canadian Household Furniture</u>	<u>Textile Industry</u>	<u>Wire Products</u>	<u>Paint & Varnish</u>	<u>Glue, All Types</u>	<u>Plastic & Synthetic Resins</u>	<u>Other Rubber Products</u>	<u>U.S. Wood Household Furniture Not Upholstered</u>	<u>U.S. Furniture Upholstered</u>
1971	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
1972	106.7	99.3	104.4	101.7	100.0	100.1	102.0	101.1	
1973	118.5	109.2	113.9	108.2	117.5	104.2	105.8	105.8	
1974	145.3	131.1	136.6	131.9	157.9	156.0	124.6	116.5	
1975	158.0	132.5	158.3	153.9	177.0	181.6	138.9	124.1	
1976	168.4	142.5	171.0	161.9	185.7	187.4	142.7	129.5	
1977	178.6	150.3	175.4	172.7	189.3	193.3	153.1	136.6	

Source: Statistics Canada, Catalogue 62-011
 U.S. Department of Labor Statistics

material cost reductions stemming from an elimination of tariffs would only result in a 4% price decrease for wood furniture and a 6% price decrease for upholstered furniture.

Finally, finishing materials prices have shown substantial increases in recent years. As many of these materials have a petroleum base, their prices have been influenced by the large price increases in oil products. The industry selling price index for paint and varnish is up by 72.7% since 1971. The price of glue has risen 89.3%. Plastics have increased 93.3% (see Table III.8 opposite). In comparison, the selling price of household furniture has increased by 78.6%. The American industry has not been faced with the same pressure from rising raw material prices and as a result, the U.S. selling price index for upholstered wood furniture prices has increased only 36.6% and non-upholstered wood household furniture prices have increased 41.6% since 1971.

e) Productivity

The Canadian household furniture industry's productivity index increased steadily from 1967 to 1973 and then experienced a serious decline between 1973 and 1975. More importantly, during this period of rising productivity the Canadian industry index was higher than that of the American industry; while the Canadian index began to slide during 1973, the American index continued to rise with the result that in 1975, there was a substantial gap between the American and the Canadian industries' productivity levels. In absolute terms, shipments per paid man-hour in 1975 amounted to \$14,056 in Canada. The comparable

**PRODUCTIVITY
IN THE HOUSEHOLD FURNITURE INDUSTRY
CANADA vs. U.S.**

Index
1967=100

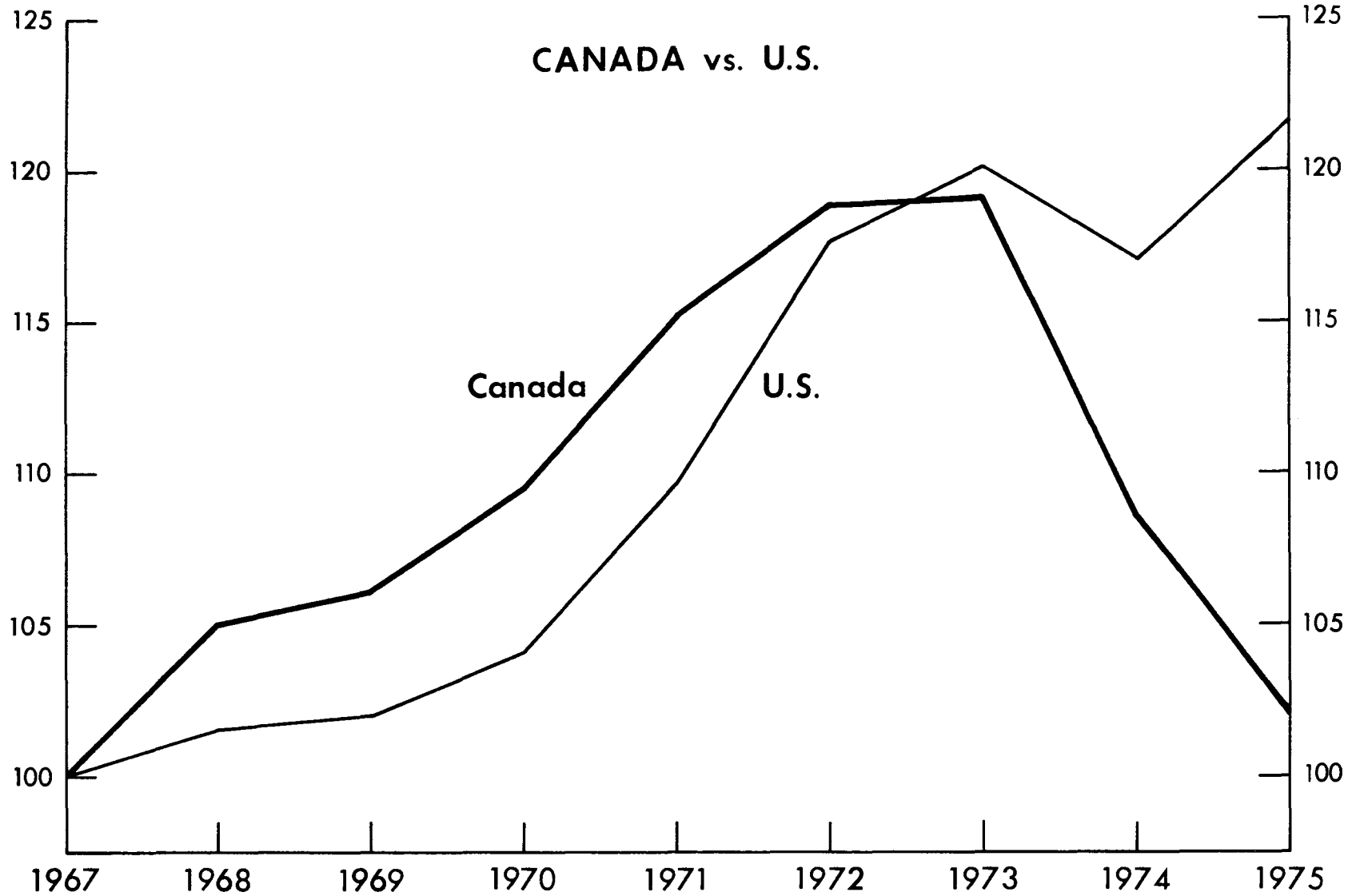


figure in the United States was \$18,565 which gives a 32% differential in productivity levels. Comparisons of productivity indices in Canada and the United States are illustrated on the graph on the opposite page while the detailed statistics are set out in Table III.9.

TABLE III.9

PRODUCTIVITY INDICES*

	<u>Canadian Household Furniture Industry Index 1967 = 100</u>	<u>U.S. Household Furniture Industry Index 1967 = 100</u>
1967	100.0	100.0
1968	105.0	101.6
1969	106.1	102.0
1970	109.5	104.1
1971	115.2	109.7
1972	118.9	117.7
1973	119.1	120.1
1974	108.5	117.0
1975	102.0	121.7

* Constant dollar shipments per man-hour.

Source: Statistics Canada, Catalogues 35-211, 62-011
U.S. Bureau of Labor Statistics

The household furniture industry's level of productivity depends on a number of factors, the key ones being scale of operations, technical advancement in production techniques, size of markets served, degree of specialization, and skills and attitudes of the work force.

Because of Canadian manufacturers' low penetration level of export markets and because of the smaller size of the Canadian market, the Canadian household furniture industry has not been capable of taking advantage of the economies of scale enjoyed by American producers, nor has it been able to achieve the level of specialization

which characterizes the American industry. However, a survey of 30 Canadian companies carried out by Simpson, Ross in 1974 established that in terms of production facilities and work pace, Canadian furniture manufacturing plants were comparable to American plants of similar size.

Finally, the reduction in the Canadian industry's capacity utilization from 1974 on brought about primarily by substantial increases in imports has had further adverse effects on productivity through shorter production runs and sub-optimum use of resources.

Increases in union militancy in some areas have also had a negative impact on productivity: while we do not subscribe to the view that unions deliberately attempt to limit productivity increases in the industry's plants, some of the tactics used by labor such as strikes, work slowdowns and refusal to work overtime have had very serious adverse effects on the industry's productivity levels; instead of protecting employment in the industry these tactics are bound to affect the industry's job creation potential by lowering its competitive position and increasing its vulnerability to imports.

f) Transportation

Transportation is an important factor in the marketing of furniture. Due to the nature of the product itself and to the structure and distribution pattern of the industry, freight is a major component of the landed cost. With the majority of the industry's products shipped on a collect or prepaid and charge basis, freight is also a very visible cost to the industry's customer. An increase in the freight component of the delivered price has a direct impact on the retailers'

assessment of the marketability of the product. The industry's main competition comes from the American furniture exporter. Freight rates available to this competitor are considerably below those available to the Canadian manufacturer, and this differential has played an important role in the declining competitive position of the industry in the Canadian market.

Currently, the industry is paying considerable attention to reducing the freight component in its landed cost. Within the industry there is a developing recognition that to solve its transportation problems, a specialized delivery system that is responsive to the marketing needs of the industry and that recognizes the peculiarities of the product is needed. The existing transportation structure in Canada is capable of handling this challenge given the support of the industry and the co-operation of the carriers and of regulatory bodies.

Furniture, by the very nature of the product, is bulky and easily damaged. It requires extra care in shipping while at the same time its low weight and high cubic volume mean lower freight income to the carrier. To compensate for these inherent freight disadvantages, the transportation industry applies minimum density requirements in its rate structure for furniture. This has the effect of increasing the rate for furniture some two to three times above the published tariff.

Truck transportation accounts for the major portion of furniture movement over the short/medium hauls and most carriers whose business is general freight do not want to handle furniture. In response to the industry's transport needs, specialized furniture

carriers have developed. Traditionally, these carriers have done an adequate job for the industry. However, conditions are changing and adjustments to the system are required in order to enable the industry to minimize its transportation costs. Unfortunately, provincial government regulation of the trucking industry inhibits the introduction of the needed efficiencies in the transport of furniture.

Under the current licensing system, these specialized carriers mentioned above are licensed to carry the goods of a particular manufacturer or manufacturers to the market. In some cases this means that competition from other carriers is not available since they are not licensed to carry these goods. But more importantly, the licensing system dictates that half the mileage travelled by these carriers will be travelled empty. The specialized carrier is not licensed to bring return loads of supplies or furniture to his local area.

For the long haul movement of its goods, particularly to Western Canada, the industry is, for all intents and purposes, a captive shipper of the railways. While there is some truck movement, at least as far as the B.C. border, the capacity of such carriers is limited and it is unlikely that in the foreseeable future these carriers will offer a viable alternative. Within the Western region, the local furniture industry is at a competitive disadvantage with respect to freight costs due to the long haul/short haul pricing concept of the railways. On a ton/mile basis, the rates applicable to the Western industry are higher than those paid by the Eastern industry.

In general rail rates available to the American exporter into the major Western Canadian markets, are considerably below rates available to Canadian producers over comparable distances. A 1975 study by the industry noted that the advantage enjoyed by the American producer in our market because of the freight differential is equivalent to some 5% of the factory selling price of furniture. Although this differential has moderated since then, the comparative advantage enjoyed by the American exporter still remains. Compounding this situation is the fact that carload minimums on the American shipments are considerably lower than in Canada. Such minimums are in the area of 10,000 pounds with the effect that even if the per pound rates were the same, the American shipper would still have a carload rate advantage of 40% over his Canadian counterpart moving similar volumes of freight.

The marketing strategy of the American exporter is such that he concentrates on the volume dealers in a particular Canadian market area. These are the carload buyers of furniture. As more American furniture is brought in, less of the volume is available for the Canadian carload shipper. He is left with only part of the business and insufficient volume to ship carload lots to the account. He is forced to ship his product at the higher LCL rates, thus increasing the freight component in the delivered price and decreasing his competitiveness in the eyes of the dealer.

g) Profitability

Import penetration, higher costs and lower productivity are all factors which have contributed to lowering the industry's profitability level.

In terms of profit before tax as a percentage of total income, the household furniture industry is less profitable than the average of all Canadian manufacturing industries. The same holds true if the cash earnings to sales ratio is taken as the profitability indicator. Between 1970 and 1975, profit before tax as a percentage of total income for the household furniture industry averaged about 49% below the all industry profit measure. The cash earnings to sales ratio averaged 95% lower. Furniture industry profitability showed a large decline in 1975 after three years of significant gains and indications are that the situation has worsened since then (see Table III.10). One of the major reasons behind the substantial decline in profitability in the industry from 1975 on is the decline in capacity utilization as a result of substantial increases in imports. The decline in before tax profits in 1975 was accompanied by a 17.3% drop in capacity utilization rates.

TABLE III.10

PROFITABILITY RATIOS

	Profit before tax as a percentage of income		Cash earnings to sales ratio	
	<u>Household Furniture</u>	<u>All Manufacturing</u>	<u>Household Furniture</u>	<u>All Manufacturing</u>
1968	3.9	6.0	4.3	7.6
1969	2.6	5.8	3.6	7.4
1970	1.4	4.2	2.2	7.0
1971	1.1	4.8	2.2	6.6
1972	3.6	5.6	3.9	7.1
1973	4.8	7.1	5.1	8.2
1974	5.0	7.7	4.8	8.0
1975	2.1	6.0	3.5	6.9

Source: Statistics Canada, Catalogue 61-207

h) Legislative Environment

Government intervention in such areas as environmental protection, consumer protection, labor legislation and social welfare legislation has placed an increasing burden on the industry in recent years. In trying to contend with federal, provincial and municipal bureaucratic requirements and at the same time compete in a market system whose self-regulating mechanisms are being restricted, the industry has suffered increased costs and lower productivity.

Jurisdictional problems between various levels of government further complicate the existence of household furniture manufacturers and contribute to increasing their costs. As an example, we were informed of situations where two and even all three levels of government, with different regulations and different monitoring and inspection systems were required to give their approval in respect of a specific area of regulatory activity.

Environmental controls, which are to a large extent established and enforced by municipal administrations, cover such areas as waste management, noise control, building regulations and air pollution limits. Such controls adversely affect productivity as they require firms to use more labor and capital for protection of the environment that could otherwise be used to provide output. Increased costs are incurred by the industry as a result of compliance with regulations and standards regarding employee safety and consumer protection. Government intervention and red tape have raised overhead costs, distorted resource allocations and, in many cases, have discouraged investment.

2 - INDUSTRY EFFORTS TO ADJUST TO CHANGES AND SOLVE ITS PROBLEMS

Confronted with the erosion of its home market by imports, rising costs, and declining capacity utilization and productivity, many of the firms in the industry went through intense adjustment programs, reassessing their designs and merchandising and reducing the scope of their operations. This is particularly true of the large companies which had gone through expansion programs, mergers and acquisitions during the late 60's and early 70's.

Many other initiatives taken by the industry to adjust to changes in the market have been coordinated through three strong and well-supported associations, the Quebec Furniture Manufacturers' Association (QFMA), the Ontario Furniture Manufacturers' Association (OFMA) and Furniture West. In addition, the Canadian Council of Furniture Manufacturers, a federation of these three associations, represents the industry on matters of national significance.

The three industry associations operate annual furniture markets which have played a major role in increasing awareness for Canadian furniture and which have become the main forum for an exchange of views between retailers and manufacturers. The associations also provide credit services to their members in order to assist them in the area of financial control. Several studies have been undertaken in order to gain a clearer understanding of the industry's problems and to identify its requirements of human resources, production and distribution. Programs are being developed to improve the industry's export potential. Manpower programs have been initiated in an effort to upgrade the quality and capabilities of the work force in technical and

managerial areas. Industry members have made joint efforts to achieve cost reductions through pooling of purchases and collaboration on transportation services.

a) Furniture Markets

The industry, through its associations, operates three annual furniture markets in Montreal, Toronto and Calgary. The latest addition to this series of markets is the Calgary market operated by Furniture West, which now attracts many of the Western Canadian retailers who had a tendency to attend the High Point, North Carolina market and not the Montreal and Toronto markets.

These markets, which are becoming increasingly active and popular, serve as the main forum for an exchange of views between manufacturers and retailers and have become the main contributing factor behind an increasing awareness of Canadian furniture on the part of retailers and consumers. These markets also produce revenues, which are in turn used by the associations to finance many of the services they provide to their members.

b) Credit and Financial Controls

The three associations provide the services of credit specialists whose responsibilities include developing close working relationships with accounts to ensure that problematic credit situations are identified, and corrective measures taken long before these become uncontrollable. Association credit programs also include the organization of seminars through which members and dealers can discuss mutual problems and be instructed in the ways and means of organizing for effective financial control.

c) Infotech Canada

Infotech Canada is a biennial technical conference which was organized by the Canadian Council of Furniture Manufacturers in 1975 with considerable financial assistance from the federal government and the Quebec provincial government. The conference represents a unique source of professional and technical information for the furniture and woodworking industries as well as an opportunity for furniture manufacturers and their suppliers from all over the world to exchange information.

Past conferences have included exhibitions of machinery, equipment, materials and supplies and seminars on various topics which are of interest to the industry. Some of the subjects covered by these seminars have included marketing, budgetary controls, government assistance programs, productivity and motivation, cost systems and pricing policies and quality control; various other seminars dealing with more technical aspects of manufacturing were also offered.

d) Export Development

In addition to active government support in developing export potential, all three associations are involved in one way or another in the field of export development. Several studies of export markets and export marketing have been sponsored in part by the associations, and a number of seminars have been organized with the objective of increasing manufacturers' effectiveness at penetrating foreign markets.

More specifically, the OFMA has recently formed a special committee consisting of producers who have had valid export experience to provide advice and guidance to other manufacturers who are considering expansion into export markets.

e) Transportation

Studies of various problem areas in the industry have proved an effective method of identifying and analysing problems and suggesting methods of solving them. This has been the case in the field of transportation. The industry, either on its own or in conjunction with government, has sponsored several studies in this field. In 1970, the QFMA in collaboration with the Government of Quebec and the Government of Canada, commissioned a study whose major objective was to analyse the possibility of pooling shipments of Quebec manufacturers in order to reduce costs and improve delivery times. In 1975, the OFMA and QFMA sponsored a study of the shipping patterns and practices of Central Canadian furniture manufacturers. The study suggested programs to be implemented to achieve desired cost savings in shipping.

In part due to these studies, the three furniture manufacturers' associations (QFMA, OFMA and Furniture West) now have fulltime transportation specialists on staff whose functions include the provision of shipment pooling services to their members. These services are well utilized and have been responsible for an improvement in the landed cost of the product. While these savings are indeed beneficial they are still not sufficient to offset the substantial advantage that American producers have in the area of freight costs.

f) Manpower Development

Over the past 15 years, the furniture industry has made several attempts to solve its manpower-related problems. In Quebec, the "Ecole du Meuble et du Bois Ouvre de Victoriaville" was established in response to a need by Quebec furniture manufacturers for effective manpower development programs. This school has proved successful largely because it serves the varied and changing needs of the industry and thus has gained its strong and continuing support. The programs and curricula are entirely controlled by the industry; in addition, all the board representatives are furniture industry members. The school, with an enrollment of 226 in 1977, offers one, two and three year programs leading to jobs in manufacturing or design and also provides special courses to individual firms.

In Ontario, technical training courses were first offered at Conestoga College in 1968; however, these courses were later assessed as inadequate due to limited resources, uneconomical for manufacturers faced with the high costs of the college's facilities, and unresponsive to industry needs. A Manpower Planning Committee has recently been formed in Ontario with representatives from the OFMA, the International Woodworkers of America and the International Brotherhood of Electrical Workers for the purpose of developing an effective program to upgrade the level of training in the Ontario furniture industry. The proposed program, which has met with the enthusiastic approval of the committee, calls for the employment of a manpower development coordinator to provide administrative, consultative and instructional assistance to companies and the use of in-plant audio-visual techniques to provide

training in technical and managerial areas. The program will involve individual companies directly and will be adapted to their own manpower needs. This program is expected to become entirely self-financing after an initial period of start-up subsidies.

TABLE IV.1

AVERAGE EXPENDITURE BY URBAN FAMILIES (1)

	<u>1964</u> (<u>\$</u>)	<u>1967</u> (<u>\$</u>)	<u>1969</u> (<u>\$</u>)	<u>1972</u> ⁽²⁾ (<u>\$</u>)	<u>1974</u> (<u>\$</u>)	<u>1964/1974</u> (<u>%</u>)
Furniture	86.9	96.2	135.7	162.2	263.80	203.6
Household Appliances	74.0	89.0	89.3	100.8	148.70	101.0
Car Purchase	333.9	336.9	382.7	430.3	588.70	76.3
Current Consumption Expenditures	5,296.0	6,379.9	7,050.2	8,190.7	10,467.0	97.6

AVERAGE EXPENDITURES BY FAMILY AS A PERCENTAGE OF TOTAL CURRENT CONSUMPTION EXPENDITURES

	<u>1964</u> (<u>%</u>)	<u>1967</u> (<u>%</u>)	<u>1969</u> (<u>%</u>)	<u>1972</u> ⁽²⁾ (<u>%</u>)	<u>1974</u> (<u>%</u>)
Furniture	1.6	1.5	1.9	2.0	2.5
Household Appliances	1.4	1.4	1.2	1.2	1.4
Car Purchase	6.3	5.3	5.4	5.3	5.6

(1) Montreal, Toronto, Vancouver, Winnipeg, Ottawa, Quebec, Edmonton, Regina, Saskatoon, Halifax, St. John's

(2) Quebec City, Regina and Saskatoon are not included in the 1972 survey

Source: Statistics Canada, Catalogues 62-530, 62-536, 62-541 and 62-544

IV - MARKET OUTLOOK

The prospects for consumer spending on furniture are very encouraging, particularly in view of changing consumer lifestyles, buying patterns and demographic trends.

Trends in lifestyles and buying patterns have had a positive impact on furniture demand. Increases in leisure time, and increases in the cost of recreational travel have both contributed to making Canadians spend more time at home for relaxation and entertainment, resulting in a larger portion of the consumer budget being spent on furniture. Table IV.1 opposite indicates that between 1964 and 1974, average urban family expenditure on furniture increased by 204%. This compares with 101% for household appliances, 76% for car purchases and 98% for total expenditures. As a proportion of the total family budget, expenditure on furniture increased from 1.6% in 1964 to 2.5% in 1974. This compares with no change in the proportion spent on household appliances and a decline in proportional expenditures on cars. As large homes have become more expensive, the tendency has been to buy smaller homes and spend more money on furnishing them with comfort and style.

Consumer interest in the home and all items pertaining to it has gained momentum in recent years. In a changing world of social, political and economic uncertainty, the home offers security and a restful atmosphere; it is a retreat from the jet age and the rapid pace of our daily life. The consumer's interest in furniture and home decorating is evident in the number of books available today on this

subject and articles in magazines whereas a few years ago there was almost a complete absence of such literature. The Conference Board in its March 1978 survey of consumer buying intentions indicates that 26.9% of the respondents plan to remodel or make improvements to their homes. This compares with 19.6% in 1976. This points again to increased interest in the home and the corresponding potential for home furnishings.

Certain demographic trends are developing which augur well for the furniture industry. The age group between 20 and 39, which is the group buying the most furniture, is forecast to comprise 36.4% of the population of Canada by 1987, compared to 26.4% in 1967. The number of Canadians in this age group by 1990 will be almost double what it was in 1967.

Historically, the furniture market has been one of the first to feel the impact of a downturn in the economy but that has not been the case during the most recent economic slowdown. The furniture retail business continued to increase in recent years despite poor economic conditions. Between 1975 and 1977, the apparent market for household furniture increased from \$840 million to over \$1 billion while during the same years the office furniture sector remained fairly stable at a level of approximately \$180 million. As economic conditions improve, the household furniture market has considerable potential for growth. The question is whether this will be to the benefit of domestic producers or importers.

SECTOR PROFILE

CANADIAN FURNITURE INDUSTRY

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

CANADIAN FURNITURE INDUSTRY

DEFINITION OF INDUSTRY

The Canadian furniture industry, excluding furniture re-upholstering, is composed of four sub-sectors:

- The household furniture sub-sector which produces wooden, metal and upholstered furniture for the home;
- The miscellaneous furniture and fixtures sub-sector which manufactures a variety of furniture and fixtures for restaurants, schools, churches, hospitals and other buildings, and box springs, mattresses, lockers, shelving, etc.;
- The office furniture sub-sector which manufactures such products as desks, screens, chairs, tables and filing cabinets of all kinds; and
- The electric lamp and shade sub-sector which produces portable floor and table lamps and shades.

Manufacturers in these sub-sectors produce a wide range of furniture satisfying most of the requirements of the Canadian market. As indicated in Table 1, the household and miscellaneous sub-sectors are the two largest, accounting for 59 per cent and 25 per cent respectively of the industry's total employment.

Table 1
Furniture Industry Apparent Market and Employment by Sub-Sector – 1977

<i>Furniture Sub-Sector</i>	<i>Employment* Number</i>	<i>Shipments* (\$ Millions)</i>	<i>Exports (\$ Millions)</i>	<i>Imports (\$ Millions)</i>	<i>Apparent* Market (\$ Millions)</i>	<i>Import % Apparent Market*</i>
Household	23,500	810.5	19.1	158.2	949.6	16.6
Miscellaneous	10,000	444.0	34.3	41.7	451.4	9.2
Office	5,000	197.0	33.5	12.5	176.0	7.1
Lamps and Shades	1,500	45.0	N/A	5.6	—	—
Total	40,000	\$1,496.5	86.9	218.0	1,627.6	13.4

* ITC Estimates

Source: *Statistics Canada, Catalogues No. 35-211, -212, -213, -214*
Statistics Canada, Exports and Imports by Commodities.

INDUSTRY IN PERSPECTIVE

The furniture industry in Canada consists of 1,140 establishments located mainly in Ontario and Québec. The industry's shipments in 1977 were approximately \$1.5 billion and, while this represents only about 1.4 per cent of output of all Canadian manufacturing industries, the industry provides direct employment for some 40,000 workers or approximately 2.2 per cent of the Canadian manufacturing work force. In addition, the industry consumes about half of all hardwood production in Canada and provides an important market for such materials as plastics, fabrics, finishing products and hardware. The export share of the industry's production is approximately six per cent.

The characteristics of the Canadian furniture industry, such as fragmentation, domestic market orientation and labour intensity, are also evident in the furniture industries of many of the major furniture producing countries of the world. It is estimated, however, that the Canadian industry is 25 per cent more fragmented than its counterpart in the United States.

MARKET STRUCTURE

The apparent Canadian market for furniture increased from \$656 million in 1968 to \$1.6 billion in 1977 – in real terms, this represented an increase of almost 30 per cent. Imports increased more rapidly over this period, however, from \$37.9 million to \$218 million. The increase in imports has been most pronounced since 1971 when, over this six-year period, the import share of the Canadian market increased from 6.0 per cent to 13.4 per cent. Since 1971, the market has grown at an average annual rate of 13.5 per cent while imports have increased by an average of 30 per cent per year. For individual product lines, the one most affected by imports has been household furniture, where imports currently exceed 16 per cent of the Canadian market increasing from \$31 million in 1971 to \$158 million in 1977. Imports of office furniture on the other hand, represent only about seven per cent of the Canadian market.

The increase in the import share of the market has occurred despite a level of tariff protection ranging from 15 to 20 per cent, with the most commonly applied rate being closer to 20 per cent. Tariff protection on furniture in the United States ranges from five to 17 per cent, with the most commonly applied rate being at the low end of the range.

A recent survey* of importers of household furniture across Canada found that imports fall in all price ranges and that the three main reasons given for selecting imports were the interrelated criteria of value, design and exclusivity. In terms of the geographical distribution of furniture imports, largely because of disparities in transportation costs between Canada and the U.S., the Western provinces, with 27 per cent of Canada's population, account for more than 32 per cent of furniture imports. A breakdown of furniture imports by product line is presented in Appendix A.

Furniture imports from the U.S. have accounted for more than 70 per cent of imports from all countries for the period 1965-77, with the largest share originating from the North Carolina region. According to industry spokesmen, the majority of household furniture imports are the products of a relatively few, very large U.S. furniture manufacturers with specialized production and marketing capabilities. Further, these imports are, for the most part, concentrated in the medium price range where most of the sector's employment is concentrated.

Another study** of the Canadian industry's international competitiveness estimated that the price of household furniture manufactured and sold in Canada was 20 to 25 per cent higher than comparable products manufactured in the United States.

As in most producing countries, furniture manufacturers have developed on the basis of successfully serving regional domestic markets. The high cost of transportation is an important factor leading to the concentration of production near the big markets of Québec and Ontario.

Although the more progressive producers are now giving increased emphasis to improvement in design, Canadian manufacturers of household and miscellaneous furniture do not necessarily have strong design capabilities.

Office furniture manufacturers, which serve a more specialized market, are more oriented towards innovative design and, to a large extent, this reflects their ability to invest in professionals with the necessary technical expertise required for good design development. The export share of office furniture shipments is more than double the figure for the household furniture sub-sector and import penetration is also lower.

INDUSTRY STRUCTURE

The Canadian furniture industry traditionally has been characterized by a large number of small plants (Table 2). Some 90 per cent of all establishments in the overall industry in 1977 employed fewer than 100 workers per establishment and accounted for about 50 per cent of the value of factory shipments. Of these, 607 (more than 53 per cent of all establishments in the industry) have fewer than 20 employees and are, in a sense, handcraft operations.

The structure of the furniture industry is similar in the U.S. where 85 per cent of the establishments employed less than 100 workers and 55 per cent less than 20. However, in the U.S. there are 99 plants that employ more than 500 employees, 15 of which have annual shipments of more than \$100 million. The three

* Robert St. Pierre Administration Ltée, *Survey of Household Furniture Imported into Canada*, for the Department of Industry, Trade and Commerce, March 1977.

** Simpson, Ross Ltd., *A Study of Productivity in the Canadian Furniture Industry* sponsored by the Department of Industry, Trade and Commerce and the Provincial Manufacturers' Associations, 1975.

largest household furniture plants in the U.S. produce almost as much as the entire Canadian household furniture sub-sector*.

While furniture manufacturing throughout the world is characterized by relatively small-scale operations, furniture plants in the U.S. employ an average of twice as many workers as Canadian furniture plants. Statistics indicate that they also have higher productivity levels. In 1976 for example, labour productivity in the Canadian industry, as measured by value added per production man-hour, was 18 per cent below the figure of the U.S. industry.

The largest eight firms in the industry produce about 20 per cent of total shipments. As Table 2 indicates, producers of office furniture tend to be larger than manufacturers in the other furniture sub-sectors. Office furniture firms in Canada also tend to be more specialized, and most are divisions of multinational enterprises which have the necessary financial, technological, marketing and management expertise to achieve greater economies of scale. In 1977, factory shipments for all household and miscellaneous furniture manufacturers were estimated at \$1.25 million per plant. The corresponding figure for office furniture manufacturers was \$2.5 million.

Table 2
Shipments by Establishment Size – 1977*

Number of Employees	Establishments						Shipments					
	Household Sub-Sector		Office Sub-Sector		Other Sub-Sectors		Household Sub-Sector		Office Sub-Sector		Other Sub-Sectors	
	No.	%	No.	%	No.	%	\$ Million	%	\$ Million	%	\$ Million	%
200 or more	23	3.5	7	9	5	1	202.6	25	71	36	59	12
100-199	52	8	12	15.5	27	6.5	218.8	27	67	34	132	27
50- 99	71	11	8	10	49	12	162.1	20	24	12	127	26
20- 49	150	23	25	32	104	25.5	154.0	19	27	14	112	23
Less than 20	355	54.4	26	33.5	226	55	73.0	9	8	4	59	12
	651	100.0	78	100.0	411	100.0	810.5	100	197	100	489	100

* ITC Estimate

Although the industry has establishments in all provinces, almost nine-tenths of total production is in Ontario and Québec. Many small communities in southeastern Québec (Cowansville, Montmagny, etc.) and southwestern Ontario (Collingwood, Hanover, etc.) rely heavily on the furniture industry. In fact, production in small communities in the two provinces is at least equal to half of the production of firms located in urban areas with populations of more than 100,000 (Table 3).

The furniture industry in Canada is largely domestically-owned. In 1974, Statistics Canada indicated that of the reporting corporations in the sector, only 40 firms (three per cent) were foreign-owned (defined as having a non-resident ownership of 50 per cent or more). However, on the average, the foreign-owned firms were significantly larger, accounting for 19 per cent of the industry's total assets and slightly more than 16 per cent of sales. Foreign ownership in the office furniture sub-sector is much higher than the industry average.

Canadian furniture statistics indicate that productivity levels increase, although only gradually, with plant size. The Simpson, Ross Ltd. study on the industry's competitiveness indicates that there are optimum plant sizes for furniture manufacturing. However, many plants smaller than these optimum sizes operate in Canada, as well as in other countries, and compete successfully in the marketplace. A small number of firms in the industry, by establishing multi-plant facilities, appear to have realized economies in terms of marketing, product specialization and so on. The multi-plant system, however, has not always been successful for all companies.

* Statistics Canada 25-211, Furniture/Today – April 13-24, 1978

Table 3
Furniture Industry⁽¹⁾ Productivity, Metro⁽²⁾ vs Non-metro⁽²⁾ Areas, Canada, 1974

	<i>No. of Establishments</i>	<i>Value Added per Man-hour Paid</i>	<i>No. of Production Workers</i>	<i>No. of Employees per Establishment</i>
Canada	1,207	\$ 8.24	47,351	39
Metro	701	8.17	24,860	35
Non-metro	516	8.20	22,491	44
Québec	478	7.78	18,268	39
Metro	285	7.24	11,412	40
Non-metro	193	7.82	6,856	36
Ontario	515	8.46	23,056	45
Metro	213	9.32	9,058	43
Non-metro	302	8.35	13,998	46

⁽¹⁾*Includes:* – Household Furniture Manufacturers (SIC 2619)
– Office Furniture Manufacturers (SIC 264)
– Miscellaneous Furniture and Fixtures Manufacturers (SIC 266)
– Electric Lamp and Shade Manufacturers (SIC 268)

⁽²⁾*ITC Estimate*

Source: Statistics Canada, Catalogue 31-209, Manufacturing Industries of Canada; sub-provincial areas 1972.

BUSINESS FUNCTIONS

Furniture manufacturing involves the following: wood treatment and breakout; sawing and shaping of wooden parts; sanding; assembly; finishing; upholstery; and packaging. Although these production steps are basic to all plants, the operation of each plant is different depending on the end product. The efficiency of the production process is most affected by product specialization. Short production runs in the industry, due partly to the small Canadian market, the ease of entry and the large number of firms in the industry, result in a great deal of down time as machinery is modified for different end products.

Most woodworking and upholstering operations are relatively more labour-intensive and the labour share of value-added is proportionately higher for plants producing better quality furniture lines. The industry employs traditional technology and much of the research and development is done by suppliers of materials and equipment.

FINANCE

The industry has a relatively low level of investment. Between 1969 and 1974, new capital expenditures per employee were substantially lower than those for secondary manufacturing industries. After capital expenditures of \$137 million over this period, the industry had a net capital stock of \$190 million, or an average of \$4,250 per employee. The corresponding figure for all manufacturing industries in Canada was \$15,200 per employee. However, the number of jobs created per dollar of investment is higher relative to other manufacturing sectors. The industry estimates that a \$3 million investment in a wood furniture factory would employ approximately 160 workers while a similar investment in an upholstery factory would employ considerably more. At the same time it should be noted that, as shown in Table 4, the wages and salaries as a percentage of total costs are substantially greater in furniture manufacturing than in manufacturing as a whole.

In the U.S., investment by the furniture industry has also been below the rate for all manufacturing industries and has been sporadic during the past decade.

Table 4
Canadian Furniture Industry and All Manufacturing Financial Ratios, 1975

	<i>All Manufacturers</i>	<i>Household Furniture</i>	<i>Office Furniture</i>	<i>Other Furniture</i>
Working capital ratio	1.6	1.5	1.7	1.7
Quick asset ratio	0.69	0.60	0.55	0.48
Profit before taxes on equity (%)	17.9	7.5	27.5	14.5
Wages and salaries/total costs (%)	20.3	33.2	30.8	29.4
Cost of sales/sales (%)	78.2	78.1	75.5	77.2
Debt/equity ratio (%)	22.2	14.7	5.4	12.8

Source: Statistics Canada "Corporate Financial Statistics"

The ratio of current assets to current liabilities was 1.5 to 1.7 for the industry sub-sectors and indicated a high level of short-term liquidity. The long-term debt to equity ratio was relatively insignificant and varied from 5.4 per cent in office furniture to 14.7 per cent in the household sector. The rate of return on investment in each sub-sector ranged from 7.5 per cent in "household furniture" to 27.5 per cent in "office furniture".

As indicated in Table 5 and the accompanying chart, over the period 1969-75 the industry's after-tax profit on equity was consistently below that for all manufacturing. While Statistics Canada information for the more recent period is not yet available, there are indications that the industry's profit position has further deteriorated since 1975. 1975 was a difficult year for the manufacturing sector as a whole. Unpublished data suggest that some furniture sub-sectors such as wooden household furniture experienced a more severe drop in profitability than the furniture industry average indicated in Table 5.

MANAGEMENT CAPABILITY

Management of the many small firms in the furniture industry is considered capable in terms of the establishment and day-to-day operation of a small plant. Specialized management skills are generally beyond the means of small companies in the industry and only the larger firms are operated by professional administrators and managers.

The changing economic environment of the industry, however, is making it increasingly important for furniture firms to have a much wider range of management skills, particularly in marketing.

INDUSTRY PERFORMANCE

The increase in furniture shipments during the years 1965-77 resulted in the creation of 2,000 new jobs in the industry. In the peak years of 1973 to 1975, the employment increase was as high as 10,000 jobs as compared to 1965. Over this period, female employment increased from 14 to 29 per cent of the industry's work force and there are indications that this figure may continue to rise. Since 1974 employment has decreased by 9,000 and in 1977 the industry was operating at about 63 per cent of capacity.

During the period 1968-74 the Canadian market experienced a period of sustained growth with the years 1971 through to 1974 generating an unprecedented rate of growth in the apparent Canadian market. In this four-year period the industry managed to increase its total shipments significantly from \$754.4 million in 1971 to \$1,287.2 million in 1974, an increase of 70.6 per cent. The rate of growth in demand was so strong, however, that imports grew from \$46.3 million to \$164.4 million in 1974, a four-year increase of 255 per cent. Table 7 indicates that the principally foreign-owned office furniture sub-sector has, however, been less susceptible to import pressures and more export oriented than the other sub-sectors in the industry.

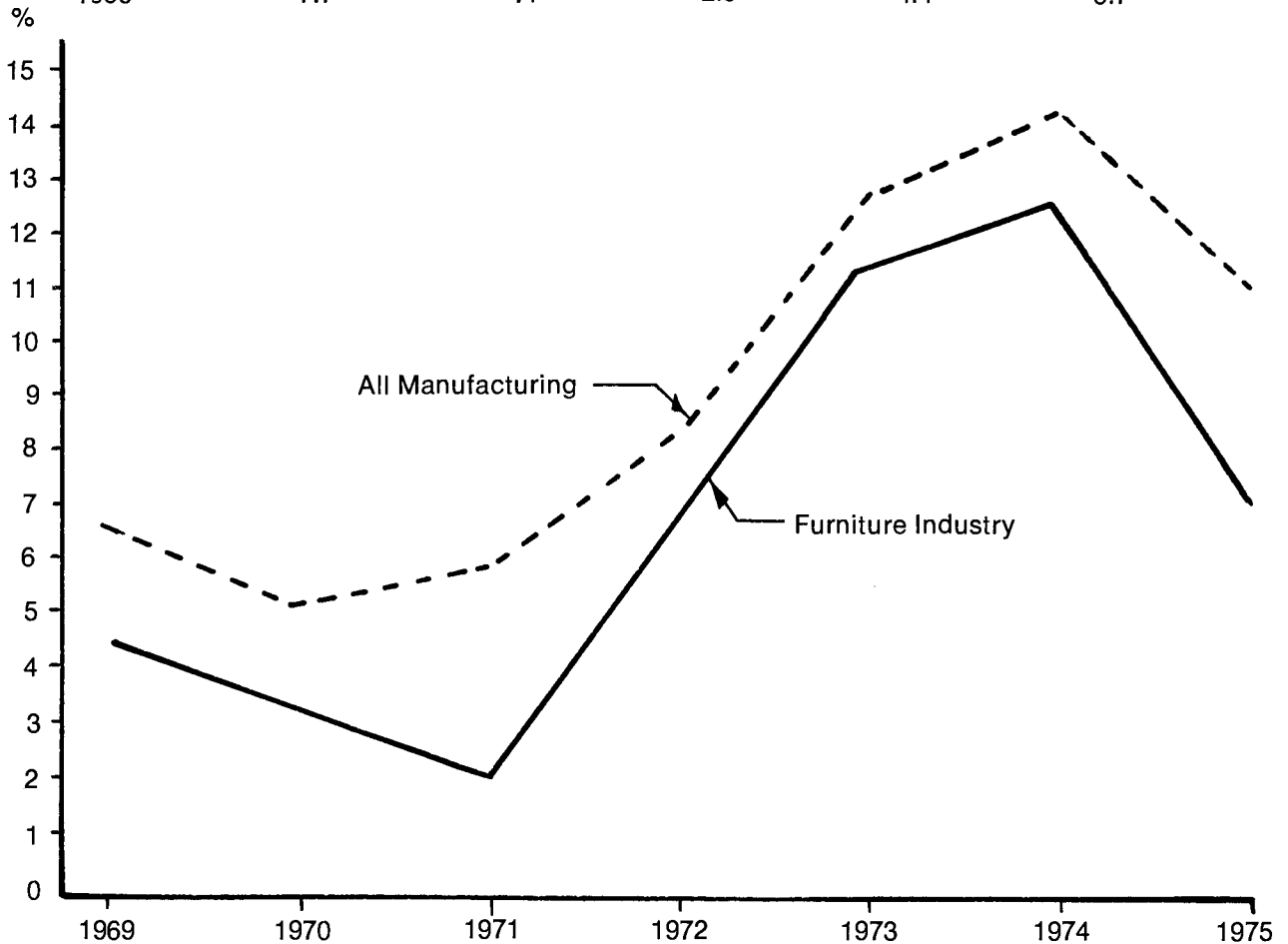
Table 5
Profit After Tax on Equity

	<i>Household Furniture</i>	<i>Office Furniture</i>	<i>Other Furniture</i>	<i>Total Furniture</i>	<i>All Manufacturing</i>
1975	5.0	16.8	9.1	7.4	11.0
1974	12.6	18.1	9.5	12.1	14.2
1973	14.4	3.4	10.3	11.5	12.7
1972	9.2	-2.6	5.4	6.2	8.7
1971	1.2	4.8	2.1	2.1	5.8
1970	1.8	5.2	4.1	3.3	5.2
1969	7.7	.4	2.6	4.4	6.7

Source: Statistics Canada "Corporate Financial Statistics" Catalogue No. 61-207

TABLE 5
PROFIT AFTER TAX ON EQUITY

	Household Furniture	Office Furniture	Other Furniture	Total Furniture	All Manufacturing
1975	5.0	16.8	9.1	7.4	11.0
1974	12.6	18.1	9.5	12.1	14.2
1973	14.4	3.4	10.3	11.5	12.7
1972	9.2	-2.6	5.4	6.2	8.7
1971	1.2	4.8	2.1	2.1	5.8
1970	1.8	5.2	4.1	3.3	5.2
1969	7.7	.4	2.6	4.4	6.7



Source: Statistics Canada "Corporate Financial Statistics"
Catalogue No. 61-207

Table 6
Furniture Industry Performance 1968 – 77

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977*
Number of establishments	1,332	1,321	1,264	1,225	1,202	1,183	1,265	1,217	1,142	1,140
Employment -- no.	41,215	42,885	40,473	41,221	44,951	46,948	49,031	47,351	45,610	40,000
Industry selling price index -- 1971 = 100	89.7	93.9	97.4	100	105.6	116.2	140.2	153.2	163.4	173.0
Total shipments -- \$ millions	631.5	698.5	701.1	754.4	922.3	1,076.2	1,287.2	1,312.4	1,416.8	1,496.5
Exports -- \$ millions	13.4	26.1	34.8	35.8	39.7	55.0	61.0	56.7	65.7	86.9
Domestic shipments -- \$ millions	618.1	672.4	666.3	718.6	882.6	1,021.2	1,226.2	1,255.7	1,351.1	1,409.6
Imports -- \$ million	37.9	42.8	41.7	46.3	70.2	109.3	164.4	153.8	194.0	218.0
Domestic market -- \$ millions ACM	656.0	715.2	708.0	764.9	952.8	1,130.5	1,390.6	1,409.5	1,545.1	1,627.6
Imports as a % of domestic market	5.8	5.9	5.8	6.0	7.4	9.7	11.8	10.9	12.5	13.4
Exports as a % of shipments	2.1	3.7	5.0	4.7	4.3	5.1	4.7	4.3	4.6	5.8

* ITC Estimate

Source: Statistics Canada

Table 7
Canadian Furniture Industry International Performance 1968-77

	\$000,000 EXPORTS			\$000,000 IMPORTS			\$000,000 ACM			IMPORTS % ACM			EXPORTS % SHIPMENTS		
	House-hold	Office	Other	House-hold	Office	Other	House-hold	Office	Other	House-hold	Office	Other	House-hold	Office	Other
1977*	19	33	34	158	13	47	949.5	177.0	502.0	16.6	7.3	9.4	2.3	16.7	6.9
1976	18	21	26	143	12	40	895.0	179.6	472.2	16.0	6.7	8.5	2.3	11.1	5.7
1975	19	14	24	112	12	30	788.4	179.0	442.0	14.2	6.7	6.8	2.7	7.7	5.5
1974	23	18	20	121	12	32	809.4	159.3	422.5	14.9	7.5	7.6	3.2	10.9	4.9
1973	22	18	15	79	8	22	648.0	113.8	368.4	12.2	7.0	6.0	3.7	14.5	4.1
1972	18	11	10	49	6	15	523.5	102.9	326.9	9.4	5.8	4.6	3.6	10.2	3.1
1971	18	9	8	31	5	10	400.6	84.6	280.2	7.7	5.9	3.6	4.6	10.2	2.9
1970	16	10	9	26	5	10	350.9	84.2	271.9	7.4	5.9	3.7	4.7	11.2	3.3
1969	11	8	7	26	5	11	367.3	84.2	261.9	7.1	5.9	4.2	3.1	9.2	2.7
1968	6	4	3	21	4	12	337.3	72.2	245.9	6.2	5.5	4.9	1.9	5.5	1.3

This sudden surge of imports and loss of market share by Canadian producers is attributed to a number of factors. First, there was a marked increase in consumer buying in Canada while at the same time a soft market and high inventories existed in the U.S. Second, the Canadian industry experienced some difficulty meeting this increase in demand with existing capacity, a situation which was exacerbated by critical shortages of labour, skilled and otherwise. Third, combined with a strong marketing effort and flexible prices, the U.S. industry managed to establish a niche in the market which it has not relinquished. Fourth, the industry experienced sharp cost increases with respect to labour and materials.

The cost increases referred to above remain and must be kept in mind when considering the industry's competitiveness and the tariff levels. The Canadian industry selling price index for furniture increased from 100 in 1971 to 173.0 in 1977 while the U.S. index moved from 100 to 142.9. The major cost areas affecting the industry's competitiveness are labour and material costs, transportation costs and tariffs on some materials.

Production employees in Canada earn \$0.78(Canadian) more per hour than their counterparts in North Carolina and \$0.21(Canadian) more per hour than the U.S. average for the furniture and fixtures industry. Recently, the rate of change in wages has become significantly higher in the U.S. and if this continues, some levelling off might be expected. However, the wage cost differential between North Carolina and Canada may be influenced by the fact that in North Carolina employment opportunities are mainly within the tobacco, textile, cotton and furniture industries, all of which tend to have wage rates lower than the average of all manufacturing, whereas in Canada many furniture manufacturers are located in industrial regions where there are industries such as automotive, chemical and steel which have higher than average wage rates. Canadian manufacturers also estimate that the employers' share of fringe benefits is substantially more than that paid by North Carolina employers. The current favourable Canadian exchange rate does not offset these wage cost differentials to the expected degree as it has the opposite effects on increasing the cost of material inputs.

Table 8
Average Hourly Wages – Furniture and Fixtures Industry – Canada, United States, North Carolina

	U.S.	North Carolina	U.S.	North Carolina	Canada
	(\$ U.S.)	(\$ U.S.)	(Equiv. \$ Can.)	(Equiv. \$ Can.)	(\$ Can.)
Mar. 1978	4.54	4.02	5.11	4.52	5.21
Mar. 1977	4.21	3.75	4.42	3.94	4.94
1977	4.31	3.84	4.58	4.08	5.07
1976	3.98	3.56	3.92	3.51	4.55
1975	3.75	3.36	3.82	3.42	4.00
1974	3.50	3.17	3.42	3.10	3.41
1973	3.26	2.94	3.26	2.94	3.00
1972	3.06	2.72	3.03	2.69	2.74
1971	2.90	2.56	2.93	2.59	2.57
1970	2.77	2.41	2.89	2.52	2.40
1969	2.62	2.30	2.82	2.48	2.22
1968	2.47	2.14	2.66	2.30	2.05

Source: *Statistics Canada, Labour Division*

U.S. Dept. of Labour, Employment and Earnings

N.C. Bureau of Employment Research, Employment Security Commission

Also, in view of the bulkiness of the product, transportation costs represent an increasingly significant portion of furniture selling costs. A recent study* found that U.S. railway and truck transport companies had freight rates which were between 20 and 30 per cent below Canadian rates for equal weights and distances. For example, it costs about \$116 to ship a 550-lb. bedroom suite from High Point, North Carolina, to Calgary,

* Kennedy, Ross and Associates "The Economics of Furniture Transportation from Ontario and Québec to Other Parts of Canada", conducted on behalf of the Ontario and Québec Furniture Manufacturers Associations, Montréal, 1975.

Alberta. The same suite costs \$136 to ship from Toronto, despite the fact that Toronto is almost 600 miles closer to Calgary. On the basis of the survey results, Kennedy, Ross estimated that transportation costs alone give U.S. manufacturers a five per cent price advantage over Canadian firms for equal distances.

In addition, the tariff protection on materials in Canada tends to increase the costs of manufacture in Canada, not only by directly raising the price of imported materials by the amount of the tariff, but also indirectly by raising cost of domestically produced materials because of the protection they receive. The 30 per cent tariff on the \$60 million in fabrics used by the industry increases the industry selling price of upholstered Canadian furniture by approximately seven per cent. In the wooden furniture sub-sector, when tariffs on materials used such as plastics (10 per cent), varnish (15 per cent) and hardware (17.5 per cent) are taken into consideration, the increase in the costs of Canadian manufacturing has been estimated at approximately one per cent. The rate of tariffs on these latter materials, however, has little bearing on the price of upholstered furniture. The industry feels that tariff protection on fabrics must be reduced in line with any reductions in Canadian tariffs on furniture.

The harsh climatic conditions of Canada relative to North Carolina also result in cost disadvantages for Canadian manufacturers. For example, the drying of lumber is a lengthy and expensive process which can be shortened by allowing the lumber to dry for an initial period under suitable atmospheric conditions. In Canada, this is impossible to do during the winter months. Canadian plants as a result require greater kiln drying capacity than plants of a similar size in North Carolina.

Turning to the rate of investment, the industry's capital outlays as a proportion of overall factory shipments have been below those of manufacturing industries as a whole, even during peak years. The industry's total investment expenditures and rate of capacity utilization for the period 1966-77 are presented in Table 9.

Table 9
Investment Expenditures and Rate of Utilization, Furniture Industry 1966-77

	Investment Expenditure			Industry Shipment		Capacity
	Capital Constant	Repair 1971	Total (\$M)	Constant	1971 (\$M)	% Utilization
1966	23.0	6.6	29.6	703		98.8
1967	22.0	6.3	28.3	703		92.1
1968	21.6	7.5	29.1	704		87.8
1969	13.4	7.4	20.8	744		87.6
1970	16.6	7.8	24.4	720		79.4
1971	13.6	8.0	21.6	754		79.1
1972	18.7	8.8	27.5	873		88.4
1973	29.9	6.3	36.2	926		89.6
1974	33.7	9.2	42.9	918		84.4
1975	25.1	8.5	33.6	857		69.8
1976	15.0	7.2	22.2	867		70.9
1977	11.8	5.9	17.7	865		62.9

Source: For Investment Expenditures — Statistics Canada "Fixed Capital Flows and Stocks".
Industry Shipments — Statistics Canada, Annual Census of Manufacturers
Capacity Utilization — Statistics Canada

The abrupt changes in utilization of productive capacity are to a large extent attributable to the high sensitivity of furniture purchases to income changes. Because consumers can normally postpone furniture purchases, the industry is susceptible to changes in economic conditions. Periodic restraint in consumer spending on furniture during downturns in the economy also tends to undermine the sustained market growth necessary for capital formation in the industry.

Finally, the labour productivity position of the Canadian industry as a whole has been consistently below that in the U.S. industry. Table 10 indicates that over the period 1967-76, value-added per production man-hour was from 18 to 25 per cent lower than in the U.S.

The office furniture sub-sector which serves a more specialized market has been relatively strong with higher productivity levels than the other sub-sectors.

Table 10**Furniture Industry Productivity Per Man-Hours Paid in Canada and the U.S. – 1967-76***

	<u>Canada</u>			<u>Total Industry</u>	<u>U.S.</u>	<u>Value-Added \$</u>	
	<u>Household</u>	<u>Office</u>	<u>Other</u>			<u>Man-Hours Paid Ratio Canada/U.S.</u>	<u>U.S.</u>
1976	8.23	12.12	9.88	9.12	11.09	.82	
1975	7.27	11.43	9.04	8.24	10.39	.79	
1974	6.98	9.69	8.29	7.66	9.54	.80	
1973	6.23	8.63	7.17	6.76	8.52	.79	
1972	5.63	7.55	6.44	6.09	8.06	.76	
1971	5.15	6.99	5.65	5.51	7.36	.75	
1970	4.78	6.95	5.61	5.31	6.83	.78	
1969	4.59	6.78	5.44	5.08	6.61	.77	
1968	4.28	5.53	5.09	4.67	6.22	.75	
1967	3.96	5.78	4.73	4.39	5.83	.75	

Source: Statistics Canada Catalogue No. 35-212, 35-213, 35-214,
U.S. Bureau of Census, Annual Survey of Manufacturers.

* U.S. Statistics, exclude the lamp and shade sub-sector.

MARKET PROSPECTS

Excellent market opportunities for most furniture sub-sectors are forecast over the next few years. Statistics Canada projects that the 20 to 35-year-old group, which traditionally accounts for about 30 per cent of furniture expenditures, will be the fastest growing age group to 1985. Related to this, the number of marriages is expected to rise from an annual level of 198,000 in 1972 to 250,000 by 1981. The office furniture sub-sector is expected to benefit from occupational shifts which will raise the portion of the work force employed in managerial, professional and clerical positions from 24 per cent in 1971 to 30 per cent in 1981*. The demand for office furniture should increase in proportion to the anticipated increase in office workers and new office buildings construction.

In addition to opportunities resulting from favourable demographic characteristics there are strong indications that an increase in consumer interest in furniture has developed due to changing life styles and higher disposable incomes. This can be seen in Table 7 which indicates that the apparent Canadian market for household furniture during the two-year period 1975-1977 increased by 20 per cent as compared to nine per cent for the remaining sub-sectors of the industry.

The Conference Board survey of March 1978 indicates that 26.9 per cent of the respondents plan to remodel or make improvements to their homes. This compares with 19.6 per cent who were so inclined in 1976. In the 20 to 34-year group the comparable statistic is 34.5 per cent. This trend indicates good marketing opportunities for household furniture.

A survey** conducted in 11 major Canadian cities shows the average furniture expenditure by family increased by 203 per cent from 1964 to 1974. By way of comparison household appliances and automobile purchases increased by 101 per cent and 76.3 per cent respectively for the 10-year period.

The United States provides a good potential market for Canadian-made furniture and exports have grown from \$13.4 million in 1968 to \$86.9 million in 1977. A study*** of U.S. furniture retailers conducted in 1970 on behalf of ITC confirmed the acceptability of Canadian furniture and the existence of opportunities for Canadian manufacturers under equivalent cost conditions. In geographic terms, the northeast U.S. market is as accessible from major Ontario and Québec manufacturing areas as from the major U.S. producing areas. At least 25 per cent of the total U.S. market is located within one shipping day of Toronto and Montréal.

* Woods, Gordon & Co. "Get Ready For Tomorrow's Customers/ 1974"

** Statistics Canada - Average Expenditure by Family.

***Ernst & Ernst. Marketing Canadian Furniture in the United States, sponsored by the Department of Industry, Trade and Commerce, 1970.

Appendix A
Apparent Market of Furniture and Fixtures Industry, 1976

<i>Commodities</i>	<i>Shipments (\$000)</i>	<i>Exports (\$000)</i>	<i>Imports (\$000)</i>	<i>Apparent Canadian Market</i>	<i>Imports % ACM</i>
Wooden household furniture	304,553	8,420	75,821	371,954	20.4
Metal household furniture	76,775	825	7,007	82,957	8.4
Upholstered household furniture (household furniture not identified by type)	273,992	4,154	16,324	286,162	5.7
Total household furniture	655,320	18,122	142,646	779,844	18.3
Wooden office furniture	57,492	3,913	N/A	—	—
Metal office furniture	107,040	17,420	N/A	—	—
Total office furniture	164,523	21,333	11,758	154,957	7.6
Special purpose furniture and fixtures	170,716	9,983	16,811	177,544	9.5
Mattresses and bed springs	132,966	209	2,469	135,226	1.8
Electric lamps/shades	40,455	N/A	5,312	—	—
Furniture components and other products* n. e. s.	252,947	16,055	15,022	251,914	6.0
Total furniture and fixtures	1,416,936	65,702	194,018	1,545,252	12.6

Source: Statistics Canada. Shipments by product categories.

* Includes shipments not classified by category as reported on "Short Form."

ADDITIONAL COPIES AVAILABLE FROM:
OFFICE OF INFORMATION AND PUBLIC RELATIONS
PRINTING AND DISTRIBUTION UNIT (2E)
DEPARTMENT OF INDUSTRY TRADE AND COMMERCE
OTTAWA, CANADA, K1A 0H5

AUSSI PUBLIÉ EN FRANCAIS