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# Canadian Market Opportunities— Import Profile

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Canada

PADLOCKS, (KEYS AND COMBINATION)

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These offices are listed on the last page  
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**REFERENCE SOURCES**

Department of Regional Industrial Expansion  
Statistics Canada  
Revenue Canada  
Supply and Services Canada

**EXPLANATORY NOTES**

**Valuation**

Imports are generally recorded at the values established for customs duty purposes according to the provisions of the Customs Act. Customs values are identical to selling prices for most transactions between non-affiliated firms, but customs values exceed selling prices for many transactions between affiliated firms. All values are reported in Canadian dollars and do not include duty.

**Average Growth Rate**

Growth rates are calculated on the basis of annual compounding.

**Rounding**

Due to rounding, sum of figures may not equal total.

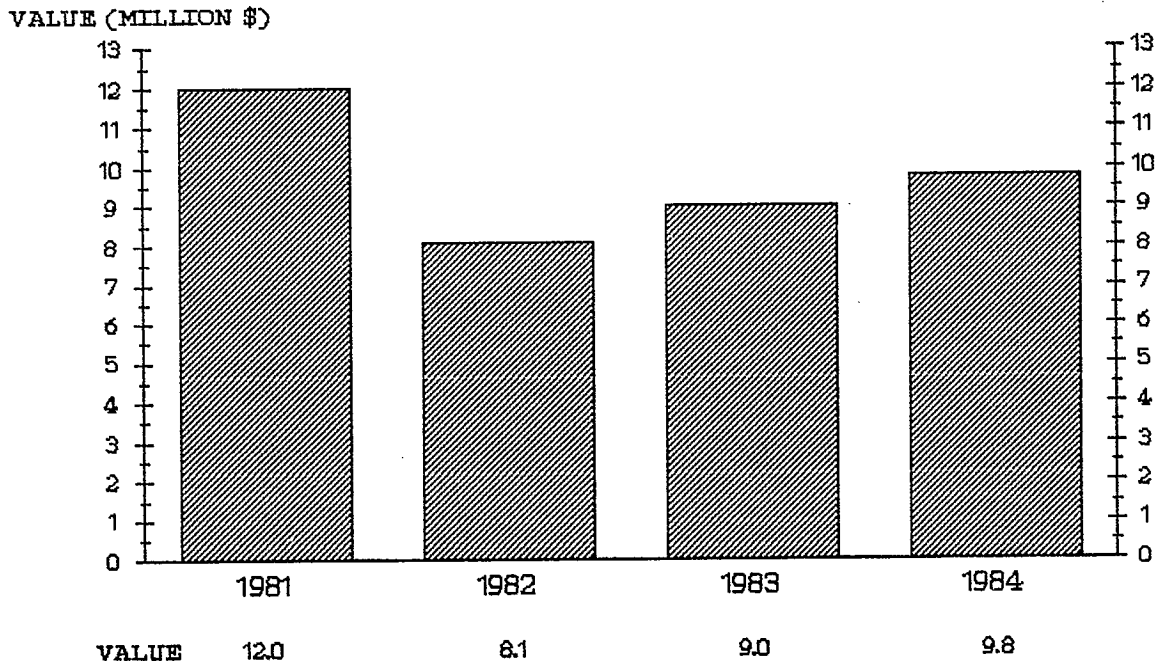
CANADIAN MARKET OPPORTUNITIES - IMPORT PROFILE

PADLOCKS, (KEYS AND COMBINATION)

This report is one of a continuing series designed to increase business awareness of the potential existing for domestic production and to stimulate Canadian business to further explore potential opportunities in both the Canadian and export markets. It is important to emphasize that this report does not attempt any assessment as to the feasibility of manufacturing or competing in a particular market and should be treated as an indicator or starting point for the manufacturer or entrepreneur.

This report covers imports of padlocks, including keys (Canadian International Trade Classification code (C.I.T.C.) 465-56-10). Padlocks as described in this report consist of a lock with a bow-shaped piece that can be snapped in or out of a catch (as by use of a key or combination mechanism).

IMPORT TRENDS



Imports of padlocks dropped sharply from 1981 to 1982, then grew slowly through 1983 and 1984, although they remained below 1981 levels.

VALUE OF IMPORTS BY MAJOR FOREIGN COUNTRY OF EXPORT

Foreign Country of Export	1981	1982	1983	1984	Average	Per Cent Change	11-Month Imports	
					Annual Growth Rate		1981-1984	1983-1984
					%	%		
UNITED STATES VALUE (\$000)	8 019	5 283	5 746	5 902	-10	3	5 516	6 353
HONG KONG VALUE (\$000)	1 502	1 049	1 208	1 487	0	23	1 456	1 656
TAIWAN VALUE (\$000)	469	442	646	905	24	40	863	1 249
ITALY VALUE (\$000)	741	390	346	562	-9	62	519	514
WEST GERMANY VALUE (\$000)	596	562	484	521	-4	8	496	517
OTHER VALUE (\$000)	710	376	605	454	-14	-25	428	606
<b>TOTAL</b> VALUE (\$000)	12 037	8 102	9 035	9 831	-7	9	9 278	10 895

Imports of padlocks, though showing some increase from the 1982 dip, had not recovered to 1981 levels by 1984: the four-year rate of decrease was seven per cent. In 1984 imports increased by nine per cent from 1983, and the value of imports increased by 17 per cent for the first eleven months of 1985 compared to the first eleven months of 1984.

The United States has consistently been the major exporter to Canada, accounting for 67 per cent of imports in 1981 but declining to 60 per cent in 1984. Imports from Hong Kong have grown from 12 per cent of total imports in 1981 to 15 per cent in the first eleven months of 1985.

IMPORT MARKET CONCENTRATION  
(BY % OF TOTAL 1984 VALUE)

<u>Top 5</u> <u>Importers</u>	<u>Top 10</u> <u>Importers</u>	<u>Top 20</u> <u>Importers</u>	<u>Top 30</u> <u>Importers</u>
34	45	58	68

The 10 major importers accounted for 45 per cent of the total imports for 1984. Eight of these were wholesalers, and two were retailers. Seven of the firms were located in Québec, two in Ontario and one in British Columbia.

NOTE: "Top importers" are the known importers with the largest imports by value in 1984.

TYPE AND LOCATION OF THE 45 TOP KNOWN IMPORTERS - 1984  
(77% OF TOTAL IMPORT VALUE)

	<u>WHOLESALEERS</u>		<u>RETAILERS</u>		<u>OTHER (1)</u>		<u>TOTAL</u>	
	<u>No. of</u> <u>Importers</u>	<u>Value</u> <u>(\$000)</u>	<u>No. of</u> <u>Importers</u>	<u>Value</u> <u>(\$000)</u>	<u>No. of</u> <u>Importers</u>	<u>Value</u> <u>(\$000)</u>	<u>No. of</u> <u>Importers</u>	<u>Value</u> <u>(\$000)</u>
Ontario	8	1 083	3	957	4	435	15	2 475
Québec	10	2 808	3*	523*	2	160	30*	5 075*
Western Provinces	12	1 350			3	234		
Atlantic Provinces	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>30</b>	<b>5 241</b>	<b>6</b>	<b>1 480</b>	<b>9</b>	<b>829</b>	<b>45</b>	<b>7 550</b>
Per cent of 1984 Total Value		53%		15%		8%		77%

\* Québec and Western Provinces aggregated to preserve confidentiality.

(1) Includes three manufacturers (value \$266,000).

There were approximately 293 known importers of padlocks during 1984. The top 45 importers accounted for \$7.6 million, or 77 per cent of the total imports. Of these 45 importers, 30 were wholesalers whose imports represented 53 per cent of the import total. Fifteen of these were wholesalers of hardware. Six of the top 45 importers were retailers whose imports represented 15 per cent of the import total.

CANADIAN PRODUCTION

There are no Canadian manufacturers of padlocks with keys. One Canadian company does manufacture a combination padlock. There are a few subsidiaries in Canada performing the "keying" of padlocks: that is simply inserting the appropriate number of various length pins into the padlock keyway in order that only one key can open the padlock.

Statistics Canada does not report separate data for padlocks, including keys and combination locks. Production of padlocks is estimated to be less than \$1 million.

EXPORTS

Statistics Canada does not publish separate data on exports of padlocks.

CANADIAN TARIFFS, 1985

Tariff Item	Description	% of Total Import Value (1984)	TARIFF TREATMENT				
			British Prefer- ential Tariff %	U.K. and Ireland %	Most Favoured Nation Tariff %	General Prefer- ential Tariff %	
44603-01	Manufacturers, articles or wares, of iron or steel or of which iron or steel or both are the component materials of chief value, n.o.p.	53	10.1	10.2	12.1	35	8
35200-01	Brass and copper nails, tacks, rivets and burrs or washers; bells and gongs, n.o.p.; and manufactures of brass or copper, n.o.p.	26	12.1	12.1	12.1	30	8
36215-01	Nickel-plated ware, gilt or electro-plated ware, n.o.p.	13	12	12	12	45	8
	<u>Future Scheduled Rates:</u>						
	January 1, 1986				11.1		7
	January 1, 1987				10.2		6.5

N.o.p. - Not otherwise provided for

Tariff Arrangements and Foreign Countries of Export:

MOST FAVOURED NATION: UNITED STATES, TAIWAN, ITALY, WEST GERMANY  
 MOST FAVOURED NATION OR GENERAL PREFERENTIAL\*: HONG KONG

ENQUIRIES CONCERNING TARIFFS SHOULD BE DIRECTED TO THE NEAREST CUSTOMS AND EXCISE OFFICE OR TO:

TARIFF PROGRAMS  
 REVENUE CANADA  
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\*NOTE: In order to qualify for General Preferential Tariff treatment, a special certificate of origin is required.

DEPARTMENT OF SUPPLY AND SERVICES PROCUREMENTS

The Department of Supply and Services reports federal government purchases of padlocks as listed below. Dollar values are not available. The majority of padlocks were imported.

NOTE: This data refers to purchases by the Department of Supply and Services only, and may not include some purchases by other federal government departments.

	<u>April 1984 to March 1985</u> <u>Quantity (Number)</u>	<u>April 1985 to October 1985</u> <u>Quantity (Number)</u>
Padlocks	69 467	34 702
Combination (General Purpose)	3 982	1 848
Combination (Security)	12 877	5 176

MARKET SUMMARY

The Canadian market for padlocks has been supplied by imports for some time. Establishing a new Canadian manufacturing facility would require significant investment in expensive, cost-effective modern technology because current foreign suppliers produce padlocks at low per-unit cost. A new Canadian operation would likely have to simultaneously penetrate foreign markets to ensure economies of scale to arrive at competitive prices.

Canadian distribution channels are well established through wholesalers and retailers and very easily identified. Padlocks are designed for security or to give the impression of security. Brand names help create the impression of security, and hence, the establishment of a Canadian manufacturing operations should include a joint venture with a recognized brand name company. A new Canadian manufacturer should have little difficulty replacing imports provided the price and quality are comparable and provided foreign suppliers maintain current prices.

The Canadian market for combination padlocks has shown no growth over the past three years. Combination locks represent about 10 per cent of the Canadian market for padlocks, and hence, represent about five per cent of the imports. The market for keyed padlocks, on the other hand, has grown at an annual rate of nine per cent. The Canadian market for keyed padlocks holds good potential for establishing manufacturing in Canada.

This report was prepared by:

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in collaboration with the  
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Machinery and Electrical Equipment Branch.

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