CANADA'S EXPORT STRATEGY

The International Trade Business Plan

1995/96

An Integrated Plan for Trade, Investment and Technology Development

The International Trade Business Plan is made up of an **Overview** highlighting Canada's international business development priorities, and a series of **Industry Sector Strategies**, which include lists of planned international activities. The following documents are available:

Overview

1. Advanced Manufacturing Technologies
2. Agriculture and Food Products
3. Aircraft and Parts
4. Automotive
5. Biotechnologies
6. Business, Professional and Educational Services
7. Chemicals, Plastics and Advanced Materials
8. Construction Products
9. Consumer Products
   - Apparel and Fur
   - Textiles
   - Footwear
   - Sporting Goods (including recreational watercraft)
   - Tools, Hardware and Housewares
   - Residential Furniture
   - Business and Institutional Furniture
10. Cultural Industries
11. Defence Products
12. Environmental Equipment and Services
13. Fish and Sea Products
14. Forest Industries
15. Information Technologies and Telecommunications
    - Sector Overview
    - Computers and Peripheral Equipment
    - Electronic Components
    - Geomatics
    - Instrumentation
    - Software Products and Computer Services
    - Telecommunications
16. Medical and Health-Care Products and Services
    - Medical Devices
    - Pharmaceuticals
    - Health-Care Services
17. Minerals and Metals
18. Oil and Gas Products and Energy Equipment
19. Power Equipment
20. Primary/Secondary Industrial Machinery
    - Mining, Forestry, Pulp and Paper
    - Agricultural Technology, Machinery and Equipment
    - Ocean and Marine Shipboard Technology
21. Rail and Bus Equipment
22. Space
23. Tourism

For information on how to receive the Overview, or additional Industry Sector Strategies, please call: **1-800-267-8376**

All monetary figures in this document are expressed in Canadian dollars unless otherwise indicated.

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Rail and Bus Equipment

This sector comprises urban transit systems (both guided rail and buses) and passenger and freight railway equipment.

International Environment

The market outlook for guided urban transit systems and intercity passenger rail equipment is very promising. Significant opportunities for Canadian mass transit suppliers exist, particularly in the United States, Mexico and Southeast Asia.

Cities in North America and overseas that were early converts to mass transit will need to renew their systems and rolling stock. Over the next decade, developing countries, which have some of the world's fastest-growing cities, will require solutions to urban transit problems.

By the year 2000, it is estimated that passenger rail projects valued at $37 billion will be undertaken, while the 20-year North American market for high-speed rail equipment has been estimated at $20 billion.

The North American bus sector has potential for moderate growth of 5 percent to 7 percent in volume annually. Federal, state and provincial regulations are a determining factor in assuring growth in this sector, as transit authorities are required to replace older transit buses to comply with new legislation requirements such as emission control and low-floor bus design to ensure accessibility.

As for the freight rail sector, the last year has seen a dramatic increase in the demand for rail cars and locomotives in North America. Orders for cars in 1994 were 50 000, double the 1992 level. This upsurge in demand is expected to continue for the next few years. Two factors have contributed to this market upturn: first, North American railroads have entered into a replacement cycle for their existing fleets, and second, significant technological innovations have occurred, primarily in intermodal systems. Canadian freight rail manufacturers are well positioned to take advantage of this growing North American market. Increased intermodal transportation linkages are also expected to provide renewed opportunities in the freight rail sector, especially since the implementation of the North American Free Trade Agreement (NAFTA) on January 1, 1994.

In Europe, some niche opportunities are foreseen. The advent of a single market increases the scope for cross-border strategic alliances and investments between suppliers. Potential in Eastern Europe, however, is limited by lack of financing, competition from European multinationals and the low costs of Eastern European manufacturers.

In Latin America, privatization offers new opportunities for the supply of equipment and consulting services. Rail standards are the same as those in Canada, and it is a relatively close and inexpensive market to service. In the short term, however, financial constraints may dictate that Latin American countries focus on upgrading and refurbishing existing plants and equipment. In Mexico, the focus will be on government procurement to upgrade the transportation infrastructure.

In Africa and the Middle East, including Israel, there are opportunities for consultants and suppliers of locomotives and rail maintenance equipment. In Saudi Arabia, there will be opportunities in consulting services for a national railway plan. Many of the opportunities in Africa are with major railroad rehabilitation projects financed by the African Development Bank or the World Bank.

There are a few opportunities in the Asian market for Canadian urban transit products and services, and there is some scope for railway systems and engineering. The World Bank continues to lend China large infrastructure loans for energy development and transportation. Private and government-promoted trade consortia are forging new business liaisons to promote Canada-China trade. A number of Chinese rail transportation projects are under scrutiny by Canadian firms. Canadian consulting firms are following closely railway rehabilitation projects involving track, bridges and signalling systems in countries such as Viet Nam, Cambodia and Laos.

For Asia in general, distance is a factor and negotiations are long, which substantially increases the cost of doing business. Culture and language are frequently perceived as barriers, and political instability has affected major projects.

In Australia, the building of standard-gauge systems and the demand for locomotives, rolling stock and control systems provide opportunities for Canadian exports.

Canadian Position

Virtually all Canadian urban transit and rail systems and vehicles are supplied by domestic sources. Over 70 percent of production is exported, mainly to the United States. About 10 000 people are employed in the manufacture of transit vehicles and related parts and supplies. This excludes aftermarket components and products, which cannot always be identified by sector, and consulting services, which are also substantial contributors to sales and employment.

Some of the major products and services provided by the Canadian rail and bus equipment industry are:

- rail rolling stock: passenger and freight;
- buses: large transit conventional, low-floor and alternate-fuelled, intercity coaches, and para-transit and school buses;
- diesel locomotives: DC/AC traction;
- advanced train-control systems;
- locomotive events recorders and simulators;
- radios;
- end-of-train units;
- head-hardened rail and other rail products;
- automatic vehicle location and health-monitoring systems;
- fare-collection technology;
- wheelchair lift and restraint systems for transporting disabled persons;
- linear induction motors;
- systems and software for scheduling and maintenance of bus fleets;
- supervisory control and data acquisition for metro systems;
- use of alternate fuels; and
- consulting services such as the development and implementation of management information systems (MIS) intermodal operations; supervision of rail construction; and locomotive rehabilitation programs.

In addition, some companies have developed specialized manufacturing processes for servicing the rail industry (e.g. transfer lines for stripping, cleaning, inspecting and rebuilding locomotive engines and robot-driven equipment for painting the inside surfaces of tank cars).

Canadian companies with proven technologies and expertise, new products, operational efficiency and proximity to the United States, should be well positioned to continue to expand market share in the United States. "Buy America" requirements with respect to urban transit equipment, however, restrict market access and discourage investment or expansion in Canada. The final assembly requirement has forced Canadian assemblers of buses and rail vehicles to set up facilities in the United States. The 60-percent U.S. content requirement compels Canadian component suppliers to establish an additional plant or relocate to the United States. Pressures to increase the content level will need to be countered. Canadian opportunities to participate in U.S. high-speed rail will also be restricted by local content requirements.

Freight rail equipment opportunities in the U.S. market are improving with the implementation of Canada-U.S. Free Trade Agreement (FTA) tariff cuts, which are to be completed by January 1, 1998. Canadian firms are expected to continue to play a major role in both the new and locomotive rebuild markets, largely in the United States, but with some offshore sales as well. Freight car manufacturers have made major inroads in the U.S. market in the last year. This trend is expected to continue as railways renew aging equipment and acquire specialized cars, such as those for intermodal use.

Strategic Direction

While some developing countries offer opportunities for Canadian rail and bus equipment companies, the United States remains the primary export market for Canadian firms. Consequently, government initiatives are focussed on the promotion of Canadian capabilities and accessibility to the U.S. market.

The Government will continue its work on government procurement and the elimination of non-tariff barriers affecting access to the U.S. market for Canadian products and services.

The Government will continue to provide support to the Canadian Urban Transit Association (CUTA) and its efforts to counteract the U.S. "Buy America" legislation and other non-tariff measures.

A federal interdepartmental task force has examined the issues of how to maximize Canada's commercial opportunities related to international financial institution (IFI) lending. The Department of Foreign Affairs and International Trade (DFAIT) and Industry Canada (IC) will improve mechanisms for supplier identification and development, and for the timely dissemination of project information and intelligence to potential bidders.

Under Phases I and II of the International Opportunities Canada (IOC) Program, DFAIT will maintain an up-to-date directory of Canadian exporters of rail and bus equipment and services, and will undertake a review of international market opportunities for exporters in this sector.

Timely information will be provided to Canadian exporters with respect to upcoming international trade shows, fairs and exhibitions (DFAIT/missions, IC).

With reference to the NAFTA, the Government will:

- carry out and disseminate the results of a survey to determine opportunities in Mexico for Canadian transportation products and services, and the type of commercial arrangements most likely to be successful in exploiting these opportunities (DFAIT, IC);
- focus on access to government procurement in Mexico, given Mexico's requirement to upgrade its transportation infrastructure (DFAIT).

Contact

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Rail and Bus Equipment

Activity	Date	Location	Dept.	Contact
Asia-Pacific South				
Railway Engineering and Operations Briefing	Sep-95	Sydney	DFAIT	613-996-1052
Canada				
Seminars in Canada to Distribute Urban Transit and Rail Study on Mexico	Apr-95	Toronto, Winnipeg, Montréal	DFAIT	613-954-3729
East Asia				
Transport Viet Nam - National Stand	Nov-95	Hanoi	DFAIT	613-995-8649
Europe				
Urban Transit - Market Opportunities - Seminar	TBD	Copenhagen	DFAIT	613-995-4730
Latin America and the Caribbean				
Rail and Transit Mission/Presentation	Jul-95	Buenos Aires	DFAIT	613-996-5549
Mexico				
Bus and Rail Mission	Feb-96	Mexico	DFAIT	613-995-0460
United States				
Transportation Newsletter	Apr-95	Chicago	DFAIT	613-944-5149
Transit Mission from Los Angeles	Jun-95	Vancouver	DFAIT	613-944-5149
Transit Mission from Detroit	Jun-95	Toronto, Montréal	DFAIT	613-944-5149
Northeast Public Project Opportunities Briefing	Oct-95	Boston	DFAIT	613-944-5149

Note: Dates and locations are subject to change.

Acronyms and Initialisms Used in The International Trade Business Plan

(This list does not include sector-specific references)

ACOA	Atlantic Canada Opportunities Agency
AG Can	Agriculture and Agri-Food Canada
ASEAN	Association of Southeast Asian Nations
BBS	electronic bulletin board system
BOSS	Business Opportunities Sourcing System
CCC	Canadian Commercial Corporation
CIDA	Canadian International Development Agency
CIS	Commonwealth of Independent States
CSA	Canadian Standards Association
DFAIT	Department of Foreign Affairs and International Trade
DFO	Department of Fisheries and Oceans
DND	Department of National Defence
EC	Environment Canada
EDC	Export Development Corporation
EU	European Union
FITT	Forum for International Trade Training
FORDQ	Federal Office of Regional Development - Quebec
FSU	former Soviet Union
FTA	Canada-U.S. Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GNP	gross national product
HRDC	Hum[illegible]
IC	Industry Canada
IDRC	International Development Research Centre
IFI	international financial institution
ISO	International Standards Organization
ITBP	International Trade Business Plan
ITC	International Trade Centre
MAPAQ	Ministry of Agriculture, Fisheries and Food of Quebec
MDB	multilateral development bank
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NRC	National Research Council
NRCan	Natural Resources Canada
NRCan-CFS	Natural Resources Canada - Canadian Forest Service
OECD	Organization for Economic Co-operation and Development
PEMD	Program for Export Marketing Development
R&D	research and development
SMEs	small- and medium-sized enterprises
UNEP	United Nations Environmental Program
WED	Western Economic Diversification
WTO	World Trade Organization

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CIDA	Canadian International Development Agency
CIS	Commonwealth of Independent States
CSA	Canadian Standards Association
DFAIT	Department of Foreign Affairs and International Trade
DFO	Department of Fisheries and Oceans
DND	Department of National Defence
EC	Environment Canada
EDC	Export Development Corporation
EU	European Union
FITT	Forum for International Trade Training
FORDQ	Federal Office of Regional Development - Quebec
FSU	former Soviet Union
FTA	Canada-U.S. Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GNP	gross national product
HRDC	Human Resources Development Canada
IC	Industry Canada
IDRC	International Development Research Centre
IFI	international financial institution
ISO	International Standards Organization
ITBP	International Trade Business Plan
ITC	International Trade Centre
MAPAQ	Ministry of Agriculture, Fisheries and Food of Quebec
MDB	multilateral development bank
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NRC	National Research Council
NRCan	Natural Resources Canada
NRCan-CFS	Natural Resources Canada - Canadian Forest Service
OECD	Organization for Economic Co-operation and Development
PEMD	Program for Export Marketing Development
R&D	research and development
SMEs	small- and medium-sized enterprises
UNEP	United Nations Environmental Program
WED	Western Economic Diversification
WTO	World Trade Organization