

# CANADA COMMERCE

OCTOBER  
1975

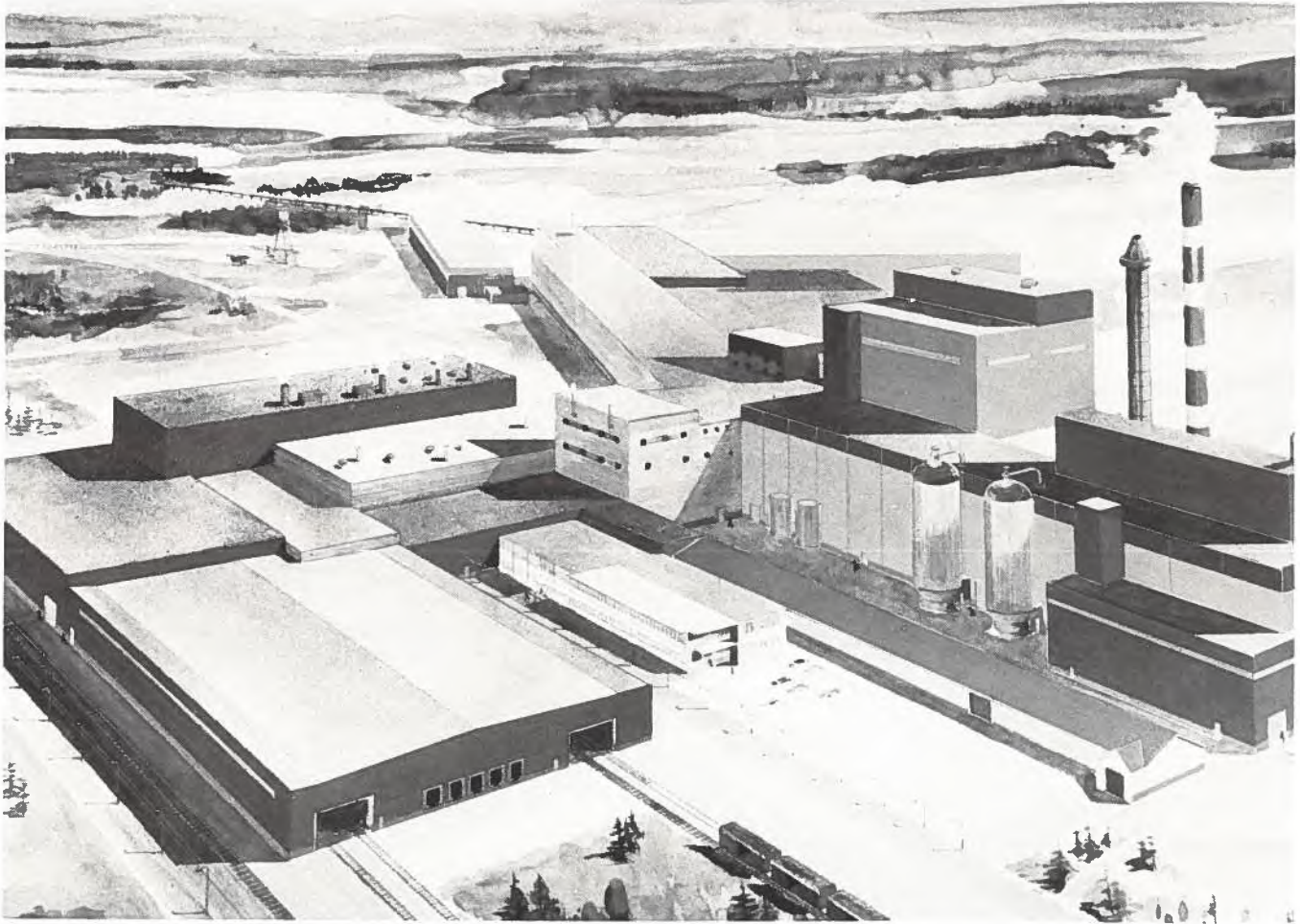


RECOMMENDED AS  
**ADULT ENTERTAINMENT**

## Monenco manages K-C's largest expansion

Two Monenco Companies will combine forces to provide project management for a major expansion of Kimberly-Clark of Canada Ltd.'s bleached-sulphate pulp mill at Terrace Bay, Ontario. According to Kimberly-Clark's president, Grant Puttock, the expansion is "the largest single capital project in the firm's history". Capacity of the existing mill is to be increased nearly three times — to 1250 tons/day — at an estimated cost of more than \$200 million.

E & B Cowan is carrying out the mill design, which will embody a number of environmental protection features, including the use of a low-odour recovery boiler. Montreal Engineering Company is undertaking construction management, construction supervision, quality control, and labour relations. About 1200 people will be employed at the peak of construction.



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The Hon. Alastair Gillespie, Minister  
O.G. Stoner, Deputy Minister



## The U.S. West Coast

This special feature was prepared by IT&C officers in Los Angeles, San Francisco, Seattle, Pasadena and Ottawa. While they deal primarily with the possibilities in California, Washington and Oregon, they also investigate potential in some of the other Western States. The feature concentrates on high technology equipment and

services, electronics, farm equipment, clothing and housing, but this is one of the most diversified market areas available to Canadians and it is probably safe to say there is considerable potential for almost any Canadian exporter. For more information, contact your IT&C Regional Office.

## High technology opportunities

R.P.W. MASON, Liaison Officer (Defence Production)

T.J.B. ROBINSON, Senior Liaison Officer (Defence Production)

Messrs. Mason and Robinson work out of IT&C's Pasadena office, which is a special operation responsible for maintaining our interests in defence and defence-related sub-contracting in the States of Arizona, California, Colorado, Hawaii, Nevada, Utah and Wyoming, in addition to U.S. Department of Defense prime contracting in these States, as well as Idaho, Oregon, Washington and Western Montana. The Pasadena office co-operates with our consulates in Los Angeles, San Francisco and Seattle.

There is significant potential in our territory for Canadian companies interested in penetrating the high-technology aerospace and defence-related markets of the United States. For example, defence contractors in California alone received 21.2 percent of the 1974 U.S. military budget allocated for procurement of hardware and R and D. Obviously, that one example says a lot. And this specialized high-dollar market can be divided into three distinct segments: 1) current programs, 2) new programs, and 3), after-market. This article analyzes each of these segments to illustrate the ways they can be penetrated by Canadian suppliers.

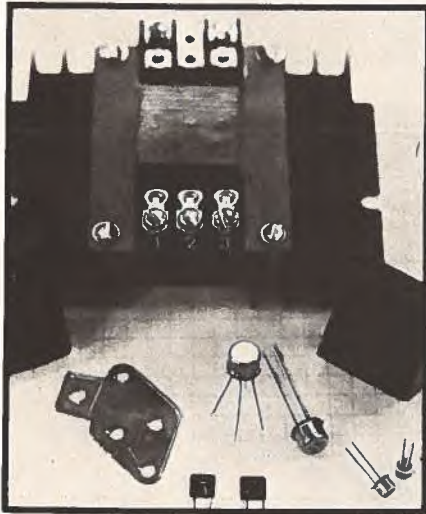
### Current programs

The discussion of current programs, which consist of equipment still undergoing development and production, will concentrate on the following industries: aircraft, electronics (navigation, communication, airborne instrumentation,

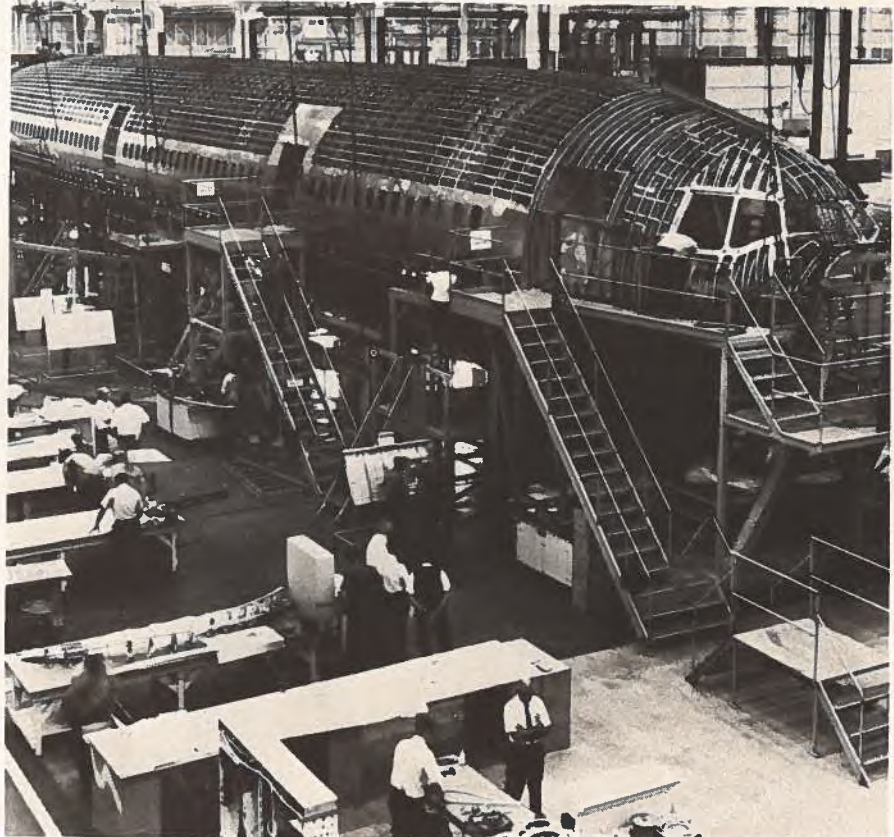
electronic counter measure, radar, ground support equipment, etc.), missiles, space, transportation, marine, and energy. During the past 15 years Canadians have obtained contracts in these sectors worth a total of more than \$550 million.

**Aircraft** — At this time, Canadian firms are manufacturing undercarriage doors, rear-engine S-Ducts, floor panels, bulkheads, auxiliary power unit engines, and undercarriage fittings for Lockheed's L-1011; large airframe sections for McDonnell Douglas' DC-9 and DC-10; centre landing gears for the DC-10; and are also doing work for Boeing's 707 and 747 production. In addition, Canadians are supplying sand-cast gear and transmission housings, and machined turbine blades to aircraft engine manufacturers.

**Electronics** — Canadian firms have been able to win three types of electronic contracts: primes, major sub-contracts, and components. In



Mockup of DC-10 tri-jet at California plant of McDonnell Douglas Corporation.



response to a competitive Invitation for Bid (IFB), Canadian Marconi was awarded a United States Navy prime contract for marine radar. Computing Devices of Canada Ltd. is a major sub-contractor to Hoffman Electronics Corporation of El Monte, California, in the manufacture of Hoffman's airborne MICRO-TACAN. Numerous Canadian firms specializing in the manufacture of electronic components have supplied such items as crystals, RF filters, connectors, bearings, hybrids, potentiometers, detectors, printed circuit boards, and thin wall castings.

**Missiles** — For several years Canadian manufacturers have supplied the Hughes Aircraft Company and General Dynamics Corporation with precision investment castings and high-reliability crystals.

**Space** — Both Northern Electric Company Ltd. and SPAR Aerospace Products Ltd. have participated with Hughes Aircraft Company in

the production of the ANIK-type Satellites for Canadian, United States, and foreign requirements. Canadian industry has also supplied the large antenna bases to several Western Region satellite tracking station manufacturers.

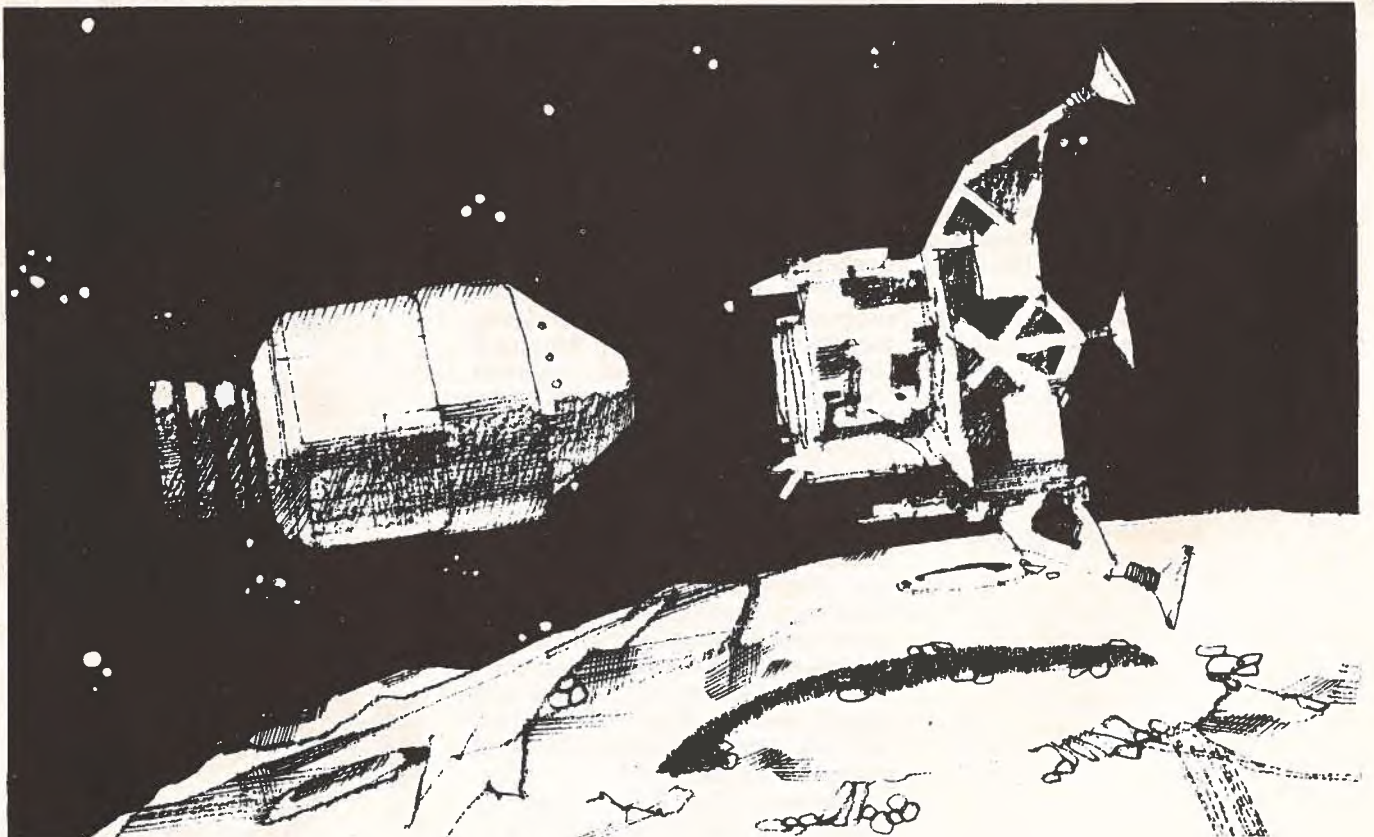
In addition, we are participating in the Space Shuttle program. Under an arrangement between the National Research Council of Canada and the National Aeronautics and Space Administration (NASA) in the United States, a Canadian industrial team composed of SPAR, CAE Electronics Ltd., RCA Ltd., and the consulting firm of Dilworth, Secord, Meagher & Associates will undertake the design, development, and manufacture of the Shuttle Attached Remote Manipulator System (RMS). This system will be used during on-orbit operations for the deployment and retrieval of spacecraft and payloads. As well, Walbar (Canada) Ltd. is supplying the Rocketdyne

Division of Rockwell International Corporation with machined turbine blades for the Space Shuttle engine.

**Transportation (vehicle)** — Torsion and track shoe steels, as well as winches, track shoes, gears and forgings have been provided by Canadian firms to FMC Corporation, San Jose, California, for the M-113 vehicle.

**Marine** — Nine Canadian vendors received contracts from Litton Ship Systems Division for various items on the USN DD-963 Destroyers and Light Helicopter Assault Ships (LHA). The hardware supplied ranged from ship whistles, air conditioning, steel gratings, hangar doors, fuel and oil filters, stern and bulkhead seals, valves, sonar domes, to stern gate closures. When LSSD was transferred to Pascagoula, Mississippi, in 1972, all procured items were delivered to Mississippi.

**Energy** — As a result of their



work on the DD-963, Huhn Seal Company Ltd. received a contract from Lockheed Propulsion Company, Redlands, California, for flexible joint rings for the Alaska oil pipeline being produced by Fluor Corporation. Another Canadian company, as a result of its defence work with the Rucker Company, Oakland, California, received a large contract for hydraulic actuators for oil platforms.

**General** — Unless a supplier is already involved with a current program, penetration of this market can be difficult, due to the U.S. military's insistence that, before service acceptance, defence equipment must pass stringent qualification procedures. Once qualified, supplier substitution would usually necessitate an equipment requalification program, which can prove to be an expensive proposition. This, combined with "tooled-up" competition, makes it almost impossible to persuade buyers to consider new sources.

However, opportunities do exist when volumes reach a level where manufacturers are interested in locating second and, sometimes, third sources. A good example can be found at Hughes Aircraft Company, Tucson, Arizona, where production of various equipment will be substantially increased, allowing opportunities for additional Canadian suppliers.

#### **New programs**

The U.S. military is continually trying to convince Congress of the benefits inherent in funding new programs. Congress realizes the importance of state-of-the-art defence equipment and thus authorizes annual expenditures for prototype development. This results in small quantity procurements but it is essential for interested Canadian firms to solicit this business. As noted already, addition of suppliers to follow-on production runs may prove to be very difficult if the system is qualified during the prototype development stage. An examination of selected industry sectors will once again demonstrate opportunities for Canadians.

**Aircraft** — The recent award by the U.S. Air Force of the Air Force Combat Fighter (YF-16) to General Dynamics Corporation, and by the USN of the Navy Combat Fighter (YF-18) to the McDonnell Douglas/Northrop team should be of paramount interest to a broad spectrum of Canadian industry. While the airframe will not be built in this region, a large percentage of the hardware sub-contractors are located in the region.

**Electronics** — Looking at only a few of the many new electronic programs undergoing development, it is easy to see that numerous opportunities are open to interested Canadian firms. Some of these programs are Hughes Aircraft Company's (HAC) PRC-104 Manpack Radio; HAC's Improved Weapons Delivery System (IWDS); HAC's participation as a sub-contractor in the Airborne Waving and Control System (AWACS); Litton Data Systems Division's TACFIRE, or field-based artillery computer; ITT Gilfillan's TPN-22 Ground Based Radar; Raytheon's Design-to-Cost Electronic Counter Measure programs; Solar's small-kilowatt generator development program.

Some Canadian firms have already been awarded contracts for prototype development and hardware for a variety of items.

**Missiles** — The Short Range Air Defense System (SHORADS) is a

very attractive United States Army anti-aircraft missile program. Hughes Aircraft Company, with Boeing as its major sub-contractor, was awarded a contract to produce, in the United States, the ROLAND II Missile, which had been jointly developed by the French and the Germans. Canadians should have an excellent opportunity to compete because the system will be built to metric standards and will utilize, to some extent, European specifications.

General Dynamics Corporation, Pomona, California, have development contracts with the Navy and Army to modernize existing systems and two Canadian non-ferrous investment casting houses have received prototype contracts in connection with these.

**Marine** — Hughes Aircraft Company, Fullerton, California, expects to be awarded a USN contract for a Surveillance Towed Arrayed Sonar System (SURTASS). A Canadian firm teamed with Hughes in the contract proposed expects to receive sizeable sub-contracts.

**Energy** — The Rucker Company, Control Systems Division, Oakland,

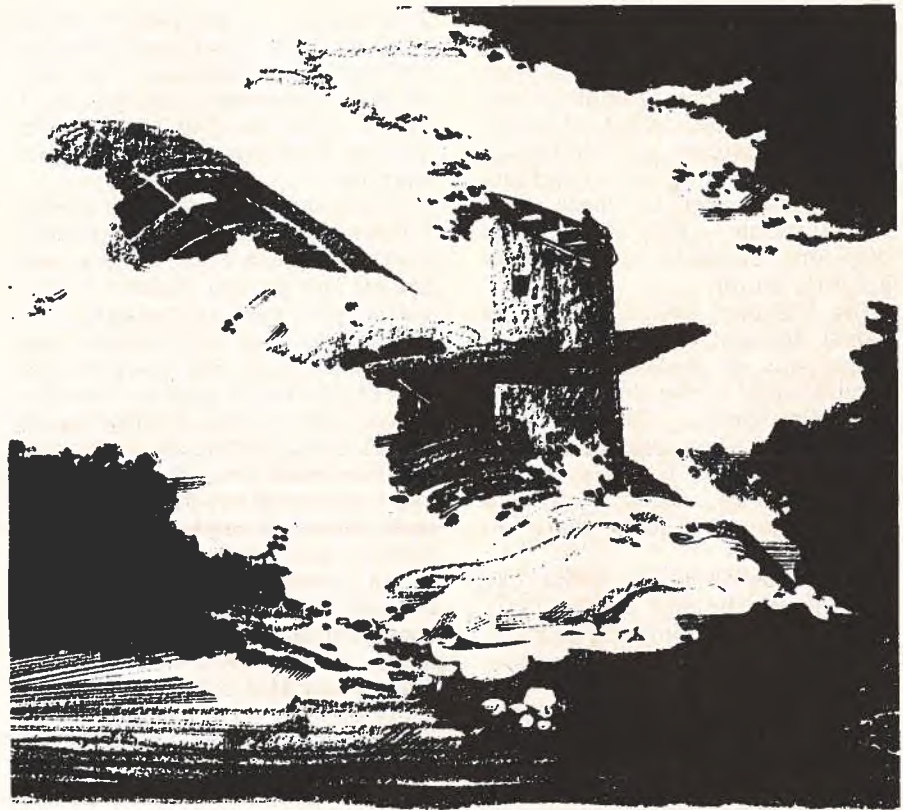


California, with their developments in oil platforms, has used Canadian vendors as team members in their proposals.

**After-market**

The aircraft after-market has proven to be very lucrative for several Canadian vendors. In fact, two Canadian firms have obtained annual prime contracts from the USAF to supply replacement parts for the F-104 aircraft. Besides the replacement market, one Canadian firm has managed to obtain a long-term repair and overhaul prime contract from the USAF for landing gear for C-130's and other types. Also being pursued at this time is the retreading of tires for USAF aircraft. Opportunities such as these arise continually and can be financially rewarding to interested Canadian vendors.

Because the United States defence market is so large it attracts many suppliers, and naturally, there is fierce competition. Another factor when considering this special market is duty-free entry. For most prime and sub-contracts the United States Government waives customs duties on a



wide range of Canadian supplies entering for defence programs. The Buy America Act has also been waived for all defence supplies made in Canada.

With such a specialized and diversified market, how can a Canadian firm penetrate?

First, evaluate your firm's capabilities and determine whether they can meet the stringent standards set by the defence and defence-related industries. (The local Canadian Department of Supply & Services (DSS) office will conduct facility surveys to assist firms in evaluating their ability to meet military standards.) You should then visit the U.S. Division, Office of International Special Projects, Department of Industry, Trade and Commerce, Ottawa, for a briefing on programs with the U.S.A. and make arrangements to have your company's capabilities forwarded to the U.S. Trade Commissioners and listed with the various U.S. Government defence agencies.

Second, if DSS indicates your firm is qualified, the Department of Industry, Trade and Commerce office at 3452 E. Foothill Blvd., Pasadena, California 91107, is always available to respond to your inquiries.

Third, through consultation with our office in Pasadena, arrangements can be made for a personal market survey of the territory. Fourth, if it is deemed appropriate as a result of the visit, your firm may want to appoint a local representative. In fact, due to the size of the territory, appointment of more than one rep may be required.



## Electronics: Almost recession-proof

CLAUDE N. FONTAINE, Vice-Consul and Assistant Trade Commissioner, San Francisco

The electronics and aerospace industries occupy a paramount place in the economy of the Western United States. For example, these two sectors represent approximately 30 percent of California's total manufacturing output and provide employment to more than 500,000 people — fully 30 percent of total jobs available in the manufacturing sector.

The Western United States (13 states) account for approximately 30 percent of electronics goods manufactured in the United States, and California, Oregon and Washington alone provide 24 percent of the total U.S. electronics manufacturing sector, with California having the lion's share (90 percent).

The industry in California has been greatly helped by the large number of prime contracts awarded by the Department of Defense and NASA. In the last few years, California's share of the total defence work performed in the U.S. has been anywhere between 20 percent and 25 percent. This figure increases to about 35 percent when space contracts alone are considered.

There are, of course, regional differences in the types of firms in California. For instance, the aerospace industry, both commercial and military, is centered in the Los Angeles area and is mostly heavy manufacturing firms such as General Dynamics, Northrop Corporation and Rockwell International. On the other hand, Northern California leans heavily to manufacturing high-technology electronic components, and electronic instruments and systems. There are also a few military establishments such as Lockheed Missiles and Space Company.

### **Northern California**

The Santa Clara Valley, also called Silicon Valley, is the heart of the semi-conductor manufacturing industry. A majority of the leading U.S. manufacturers, including Fairchild, Intel, National Semiconductors and Mostek, are located in that area. The electronics systems, equipment, measuring and control

instrument segment, which is the most important as far as Canadian components suppliers are concerned, comprises leading companies such as Hewlett Packard, Varian Associates, Ampex and Memorex.

In the past few years, the electronics manufacturing segment has made the Santa Clara County area one of the growth leaders in this state, providing substantial increases to the employment and population of the Bay Area. In 1973, half of 6,000 new jobs in manufacturing were in the electronics industry. Even in these days of economic recession the electronics manufacturing base has been one of the least affected and has demonstrated its strength and importance to the economy of California. Sales of California's electronic industry are expected to move ahead by nearly 17 percent in 1975, to approximately \$6.4 billion. This represents a huge market for suppliers of sub-systems.

### **Southern California**

Predictions of a possible up-turn in business during the fourth quarter of 1975 have been made and the big question will be whether the buyer will, in fact, come back. It has been fairly obvious these last months that there has been some revival of interest. Visitors to the leading trade shows have resumed the negotiations they had terminated abruptly. Previously large inventories have been trimmed but this reduction has not been as great as originally expected. Capital equipment expenditures are still held back since there persists a feeling that the new demand may not reach sizeable proportions.

On the positive side, it is generally felt that the electronics industry has made tremendous progress with automated production processes and these developments obviously have given the industry a substantial competitive edge. This, together with aggressive marketing schemes and strict attention to cost controls, has and will continue to contribute to a steady growth. Applications for

high-technology components and products have been found in other industries such as automobiles, environmental equipment, watch-making, medical equipment and retail business.

A steady, even spectacular, growth is forecast in the medical electronics business. Diagnostic instrumentation, therapeutic instruments, patient monitoring systems and medical EDP systems are expected to post a 9 percent or better annual growth rate during the next five years. The growth of the particular industry will be assured by continued high expenditures. Currently almost 8 percent of the GNP of the U.S. is spent on health care — \$104 billion in all.

Government electronics spending in fiscal 1976 is expected to hold up as well. It is, of course, to be noted that the real-dollar value of electronics funding to industry will decline since federal spending will not keep up with the 10-12 percent annual inflation rate. However, the electronics industry in Southern California should be able to look forward to a period of stable growth. The emphasis will be mainly in the civilian market place but the government sector will continue to be of vital importance.

### **Potential**

There are no easy means of establishing accurately the Western U.S. market potential for all segments of the industry, as statistics are not compiled on a state-by-state basis, however, it is estimated that about 25 percent of all U.S. electronic components imports end up on the West Coast. Total value of these imports is around \$250 million a year. When one considers that total Canadian exports of electronic components to the world in 1974 were only \$143 million, it becomes obvious that there is a tremendous market potential right on our doorstep.

Because of the geographic proximity, common business practices, and generally easy communications it is a straight forward proposition for Canadian manufacturers to sell their products in the Western United States. Historically, the

West Coast market has been covered by representatives or agents — either of Eastern U.S. manufacturers or foreign suppliers — and by and large that remains true today.

In most cases, it is virtually indispensable to have manufacturer's representatives in various sectors of the market. The structure of the market usually calls for different representatives in the Pacific Northwest, Northern California and Nevada, Southern California and Arizona, and the Rocky Mountain States of Colorado, Utah and New Mexico.

There are two kinds of manufacturer's representatives. Some call directly on original equipment manufacturers; others appoint distributors and send mail out to potential customers. Depending upon the product to be sold, and its price competitiveness one type may be preferable to another. Representatives work on a commission basis, usually charging between 5 percent and 10 percent, depending on the products. Because of the importance of representatives to the electronics products marketing structure, most of them belong to a strong national group, the Electronic Representatives Association, which has three chapters on the U.S. West Coast. The Trade Commissioners know many highly qualified manufacturer's representatives who have stated a keen interest in taking on Canadian lines.

#### Points to ponder

Tariffs on electronics components are usually not an obstacle to exports of Canadian-made products to the U.S. as duties are usually well below 10 percent for most components. As a matter of fact, nowadays the price of a product is not necessarily the most important factor influencing the purchasing manager. McGraw Hill, publishers of *Electronics* magazine, conducted through their subscribers a survey of various factors affecting buying decisions. The results showed that delivery schedules, security of supply, product acceptance, reputation of the manufacturer and quality were more important than price.

Transportation costs from Canada are highly competitive with those of non-West Coast U.S. suppliers. In fact, Canadian suppliers often have an advantage. In addition, the increased frequency of air freight flights to the U.S. West Coast by Canadian carriers (Air Canada has 2 flights a day from Edmonton/Calgary to San Francisco and two flights a day to Los Angeles from Toronto/Montreal; CP Air has two flights a day from Vancouver to Los Angeles and three to San Francisco) mean that delivery schedules pose little problem. Furthermore, with potential delay-causing transshipment points such as Chicago now eliminated, Canadian manufacturers can have an advantage over their U.S. competitors.

The Canadian manufacturer can consider the Western U.S. as part of the domestic market when it comes to pricing. If a Canadian firm quotes f.o.b. the U.S. customer's warehouse, in U.S. dollars (including applicable duties, brokerage fees (if any) and transportation costs), this removes from the customer's mind any psychological barriers to buying from a foreign source. But it is important that the exporter's commercial quotations and invoices give the U.S. purchaser the choice of buying f.o.b. Canadian plant-packaged, ready for shipment to the U.S. Should sales be made under these conditions, an export value is then established and duty is paid only on the f.o.b. plant price offer (with no duty on freight and other costs). There are no government policies, legislation or differences in local standards to interfere with Canadian sales of electronic products to this market.

#### Trade shows

The electronics industry is highly volatile, and the people in it are aggressive and innovative, with new, improved products being invented and put on the market virtually every day. This is perhaps one of the reasons trade shows have become an intrinsic part of the industry and the Western Electronic Show and Convention (WESCON) has become, over the years, by far the

most important of these events utilized by manufacturers, representatives and agents. Wescon is an annual event alternating between San Francisco and Los Angeles. It was created, developed and has evolved in tune with the electronics industry on the U.S. West Coast. It must be considered by any Canadian electronics manufacturer seriously trying to penetrate the market. Facilities available on-site allow participants to introduce new products to the market to present new technologies to the industry, to assess the overall industry, to discuss problems encountered by users or potential users and to meet with distributors.

Wescon's audience is made up of engineers, purchasing managers, executives, end users, manufacturer's representatives and distributors. This year, at Brooks Hall in San Francisco (September 16 to 19), upwards of 23,000 visitors came to the Show. The theme for 1975 was "Electronics for the next thousand days" and the technical and professional sessions program was attuned to that idea.

This year IT & C, in co-operation with the Quebec and Ontario governments, decided to encourage participation of Canadian manufacturers. Our information booth became a focal point of the exhibit floor and a "Canada Room" on the mezzanine floor for catalogues display, private interviews and receptions for selected trade people was also popular. Final results are still being evaluated to determine ways and means to enhance the contacts established. Our market studies so far have shown an excellent potential for Canadian electronic components, particularly resistors, capacitors, potentiometers, P.C. boards, microwave components and investment castings. Officers of the Consulates General in Seattle, Los Angeles and San Francisco are ready to assist Canadian firms looking at this market and we can provide market studies, assessments of potential for individual products and introductions to the local business community.

## The number one farm state: Natural market for Canadian manufacturers

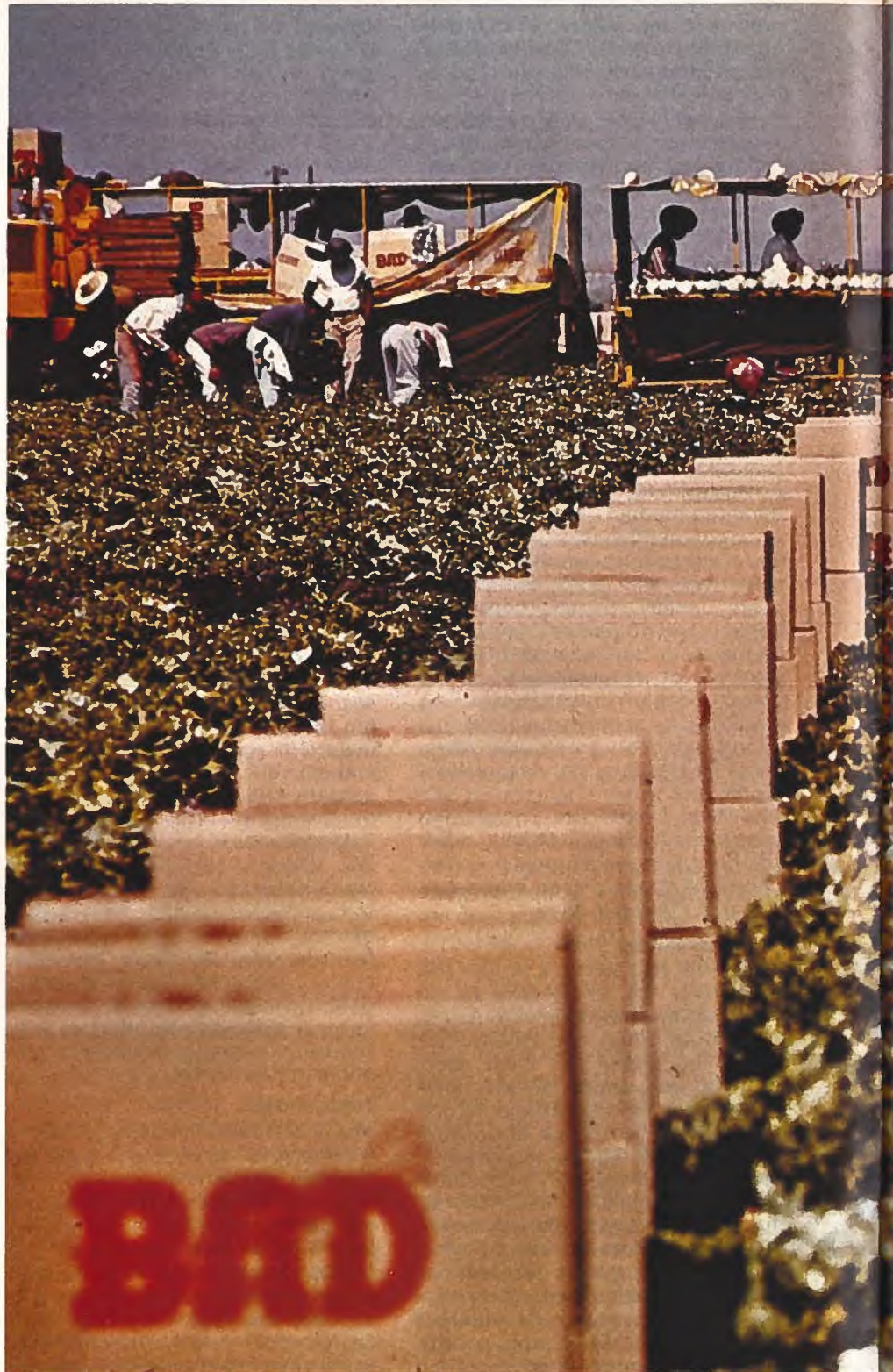
H.W. GUY, Consul and Trade Commissioner, San Francisco

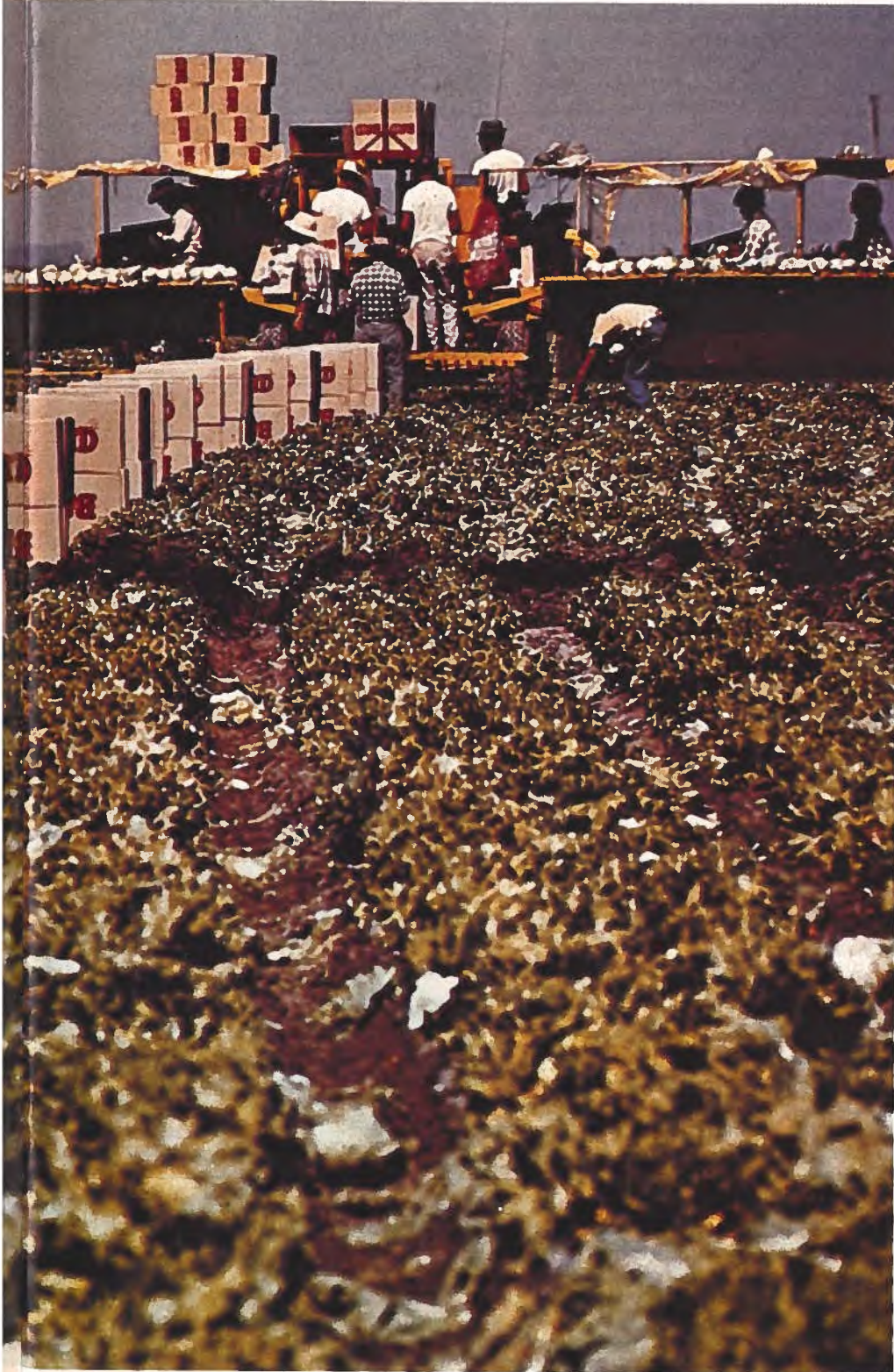
The lives of people all over the United States, Canada and the rest of the world are influenced by California's agricultural production. Not only has California a reputation for furnishing high-quality food and food products, but the industry itself has a tremendous impact on the economy of the State of California. By far the greatest share of farm products going into every shopping basket in the United States comes from California. Many row crop products are grown and harvested four times a year and California continues to lead the U.S. in production of both fresh and processed vegetables.

Agriculture, and the allied fields of food processing, distribution and marketing, constitute California's largest and most important industry, providing employment for more than two and a half million people and contributing in excess of \$20 billion to the economy of the state. Most of the agricultural products are distributed throughout the U.S. as well as being exported around the world. Even the olive in your next martini or the peanuts with your next beer quite likely will come from California.

California continues to be the United States' number one farm state, as it has been for a quarter-century. It produces more than 200 different crops from 56,000 farms and the production is so diversified that no single crop dominates. Most of the farms in California are located in the Sacramento and San Joaquin Valleys, in the interior of California; the Salinas Valley, near the renowned Carmel and Monterey Peninsula; the Imperial Valley of Southern California; and the wine-growing area of Napa Valley.

California farmers' cash receipts are the highest in the United States, at a record \$8.5 billion for 1974, and represent 9 percent of the U.S. total. By way of comparison, Canada's farm cash receipts totalled approximately \$7.1 billion for 1974. The California figure is even more impressive when you consider that only 2 percent of the farmers in the United States are located in the





state. Currently, there are about 37 million acres of farm land, either under cultivation or used for range land. The average California farm takes in 575 acres, and is valued at \$300,000, including buildings, compared with the national average in the U.S. of 383 acres, valued at \$94,000, including buildings. Of the 200 crops grown there are 46 commercial and livestock commodities in which California leads the nation in production. These include artichokes, asparagus, brussel sprouts, celery, grapes, olives, onions, lettuce, peppers, strawberries, spinach, sugar beets, tomatoes and walnuts.

Twenty top crop and livestock commodities account for 80 percent of the gross farm income in California. Cattle, calves and dairy products continue to dominate the livestock industry, while grapes, cotton, hay, and tomatoes are the most important field crops. California leads the U.S. by a wide margin in the production of fruits and vegetables, maintaining more than 8 million acres under irrigation, largely for production of specialty crops. There are extensive networks of canals carrying water from the Sierra Mountains to the central valley. These canals provide the majority of water used for irrigation as precipitation levels are not high, especially in the central valley of San Jouquin with temperatures frequently more than 40°C in summer.

#### **Government regulation**

The California Department of Food and Agriculture is, of course, vitally concerned with consumer service and protection and has the responsibility of administering, directing and enforcing the agricultural regulations of the State of California. The department is divided into several divisions, each responsible for a different sector of food and agriculture. The principal ones are plant protection, fruit and vegetable quality control, weights and measures, meat inspection, egg and poultry quality control, milk and dairy foods control.

The department assists in maintaining the high standards for which California produce has become famous. It has also been the major factor in development of the irrigation canals, bringing more land under cultivation, especially in the citrus areas of the Imperial Valley in Southern California.



#### Opportunities

The possibilities for Canadian sales are not restricted to short-line equipment, but include cattle and dairy equipment, as well as equipment for feedlot operations and poultry farms, and equipment accessories required in grain and alfalfa, row crop farming, and fruit and nut production. The high cost of farm labour as well as the declining availability of this labour makes mechanization a necessity.

Given the foregoing, it is not surprising that today California is one of the most important markets for agricultural equipment in the United States and represents a major market for Canadian manufactured farm equipment. The California farmer is always looking for, and expects, the best in farm equipment. Rugged, well-built Canadian equipment is already being used and is respected by many California farmers. But even though Canadian farm equipment enters the U.S. duty-free, competition is keen and selecting the right distribution channel is important.

•Each of the major U.S. farm

equipment manufacturers has its own well-established dealer network, with area managers co-ordinating marketing activity. But products new to California can be marketed with different methods, depending on the item, either through manufacturers' representatives, stocking distributors, or directly, through key dealers.

#### Manufacturer's Reps

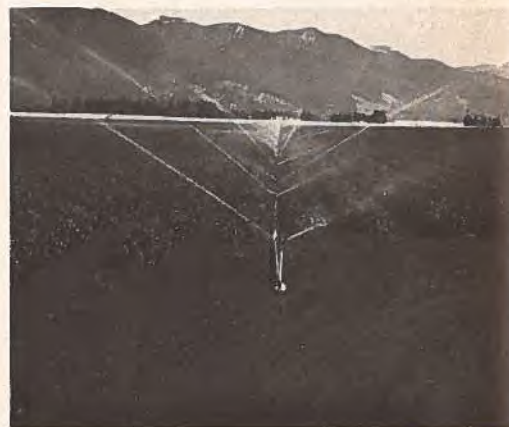
Very few manufacturer's representatives call on the dealers in the state who handle farm equipment exclusively. Most dealers usually handle four or five items of one manufacturer and a few accessory products of other manufacturers to round out the line. Some factory representatives operate in both agricultural and industrial areas. Since representatives do not normally provide factory service they are most useful in selling farm accessories rather than major pieces of machinery and equipment. While most representatives are fairly well committed to existing lines they are always interested in information on new products.

#### Stocking distributors

Over the past 10 years, the number of stocking distributors has decreased due to mergers, changes of business interests or the rigours of competition. Today, there are only six well-established major stocking distributors in California who represent and carry farm equipment. Some former distributors have switched to turf and lawn equipment and one to a mail order operation including household wares — areas which could continue to be of interest to Canadian suppliers. The six remaining in farm equipment sell to all of the U.S. West Coast states, including Nevada and Arizona, as well as Alaska and Hawaii.

These wholesale stocking distributors, with their aggressive sales networks, have a tremendous impact on the small to medium-sized lines sold through dealers and/or other retail sales outlets. They are particularly strong in machinery such as pumps and

valves, hydraulics, gear boxes, sprayers, gasoline and diesel engines, and equipment such as dozer blades, front-end loaders or disks and harrows. They do not normally stock the larger pieces of equipment such as balers or tractors. Naturally, they are interested in reviewing potentially profitable new products.





### Farm equipment dealers

There are approximately 343 farm equipment dealers in the various farm areas of California. Most already handle at least one major line such as Massey Ferguson, John Deere, or International Harvester. But it is not uncommon to find on the California dealer's floor two major lines and, in many cases, not



even the full line of any one major manufacturer. Depending upon the location in California and the crop produced, often there are requirements for only part of a major line.

In practice, the "dealer/principal" relationship tends to be more flexible than in Canada, with the result dealers are keen to review products that have potential in their area and which could be easily assimilated into their sales operation. They are prepared to deal directly with a manufacturer, either on consignment or direct purchase, depending on the circumstances, and then will always want an exclusive territory.

Marketing of the larger items of Canadian-made farm equipment could be through one or two "key dealers" located in each valley. We have discussed this concept with some dealers and they are quite prepared to negotiate arrangements with Canadian sources.

### Farm shows

Canadian farm equipment manufacturers interested in finding manufacturers' representatives, stocking distributors, or "key dealers" should not overlook the possibility of exhibiting at one of the two major farm shows held in this state. Because the shows attract dealers and farmers from the entire West Coast, machinery and equipment displayed at them are exposed directly to the farm community, as well as to potential representatives.

The Colusa Orchard Equipment Show, which caters essentially to producers of equipment for fruit and nut growers, is held the first week of February each year at Colusa in the Sacramento Valley, approximately 50 miles north of Sacramento. Several Canadian firms exhibited at the 1975 Colusa Show, through their dealers, such items as an all-terrain vehicle, hydraulic dumper, and a front-end loader. Most of the equipment shown at the Colusa Show comes from the major local dealers or stocking distributors and manufacturers' representatives referred to above. Very few manufacturers establish stands at

the Colusa Show.

Another big event held each year is the California Farm Equipment Show, also called Agri-Action. This takes place the second week of February, immediately after the Colusa Show at Tulare, about 40 miles south of Fresno, in the heart of the lush and productive San Joaquin Valley. This year, there were more than 560 exhibitors, making the California Farm Equipment Show the largest in the U.S. and — according to Agri-Action officials — the largest in the world.

The total value of products on display at this year's show was estimated at \$12.5 million, with attendance around 95,000. Clearly this is a show that must not be missed.

All the major U.S. farm equipment manufacturers maintain their own display areas at Agri-Action, rather than showing their equipment through local dealers — an indication of the importance they attach to this show. The U.S. Department of Commerce intends to bring to the show buyers from outside the continental U.S., thus, it will become even more important.

Some Canadian manufacturers regularly display their products, either alone or through dealers, at Agri-Action but this year IT&C sponsored an exhibit in which nine Canadian companies participated. Dealers and distributors were established and all exhibitors obtained on-spot sales. Space is always at a premium for this show, so an early decision to participate is necessary.

### Other methods of introduction

If your product can be easily transported, either hand-carried or trailer-mounted, you could schedule a trip through the major farm areas on the West Coast, calling on the factory representatives, stocking distributors, and dealers. Where equipment is too large for trailer mounting and display there is an alternative method of introduction — key dealers, once identified, could be invited to visit your plant and then, to talk business.

### Financing and other assistance

All major farm equipment manu-



## Food and beverage markets strong

RICHARD D. SIEGMETH, Commercial Officer, Seattle

facturers have established floor financing arrangements for their dealers. Much of this type of financing is now being handled by the three major banks in California, including Bank of America, the largest in the world. We have spoken with them and they assure us they are interested in additional floor financing and are prepared to work with Canadian manufacturers and their appointed dealers. In addition to straight financing, lease arrangements are possible whereby equipment is purchased from the manufacturer by a bank subsidiary and leased directly to the farmer, especially the larger corporate farms operating in California.

The Consulate General in San Francisco is co-ordinating Canadian farm equipment marketing activity on the U.S. West Coast, with the assistance of the Consulates General in Seattle and Los Angeles. We have identified the names and locations, as well as major line affiliations, of almost all dealers in this market, and are able to pin-point key dealers, depending on your product. We are also able to provide the names of the major stocking distributors and manufacturers' representatives.

The Pacific Northwest Region of the United States, including Washington, Oregon, Idaho, Western Montana and Alaska, is a prime area for Canadian food and beverage processors looking to expand their markets. Despite some slowing of growth, this region's economy has proven quite resistant to the national recession and has shown greater strength than the rest of the U.S. economy in the past year. The Pacific Northwest, long known for the splendor of its beautiful scenery and the majesty of its snow-covered mountain peaks, today offers strong and growing markets for the food and beverage industry of Canada.

With a total population over 7 million, this region has four primary market sectors in Seattle, Portland, Spokane, and Alaska. Each of these has a complete and extensive food and beverage distribution network ranging from importers, brokers, and distributors to wholesalers and retailers, many of whom already have proven their performance in sales to Canadian firms. While these sectors are separated geographically, they are interwoven by numerous National Food Brokers and Distributors Association members who have branch offices in all four sectors. This affords Canadian suppliers the opportunity to gain

entry into one sector of the region and, as supply permits, to expand into other sectors at their own pace. Thus, any initial marketing or supply problems can be smoothed over in relatively smaller sectors before moving to larger markets. However, one should not be misled when considering the size of these individual market sectors, as the cities of Seattle and Portland each contain a marketing base of over 1 million people and each recorded food store sales of more than \$1 billion in 1974.

In a larger perspective, the Pacific Northwest provides an ideal entry market for expansion into the entire West Coast, including California. Firms with production and supply capabilities ready to meet the challenge of larger-sized markets can consider the entire Pacific Northwest as an introductory market to the Western U.S., with substantial food store sales amounting to nearly \$4 billion in 1974, approximately 2.7 percent of the total in the U.S.

Numerous Canadian food and beverage processors marketing in this region for many years have proven that there is high acceptance of high-quality competi-



tively-priced Canadian products. A considerable number of former Canadians living in this region, combined with a surprising representation of Canadian ancestry, perpetuates the considerable popularity of the "Made in Canada" label.

Transportation is a crucial factor in the food and beverage industry and the U.S. Pacific Northwest offers efficient transportation systems especially advantageous to our Western Provinces. The region's proximity to suppliers in Western Canada minimizes transportation costs and for Western Canadians this may be a more economically practical market than those in the East. On the other hand, Eastern Canadian suppliers should not overlook this market because transportation costs need not be crippling.

The Pacific Northwest's location relative to Alaska and Asia has proven to be a definite advantage as it is a vital U.S. gateway to the entire Pacific Rim. The activity surrounding the \$4.6 billion Alaska oil pipeline has steadily increased demand for foods and beverages, not only in Alaska, but throughout the region.

If your firm is ready to consider the Pacific Northwest markets, it is highly recommended that a pre-planned approach be made. First, you should write to the Trade Commissioner in Seattle, including information about basic product, marketing and pricing (including basic export marketing plans, a complete description of product(s) and packaging, company brochures, if available, and an estimated landed price in Seattle). The Trade Commissioner will then contact potential representatives to determine market demand and the supplier's competitive position.

A short visit to the market area is advised so you can become acquainted with the four market sectors and their pricing structures, merchandising methods, distribution channels, and competitive products. It is important to note that information about U.S. tariffs, value for duty, labelling, etc. may be obtained from the U.S. Division, Western Hemisphere Bureau, Department of Industry, Trade and Commerce. It is most advantageous to obtain U.S. FDA label and contents approval before selecting a local representative.

Additional marketing data may be obtained from the Grocery Products Division, Agriculture, Fisheries and Food Products Branch, IT&C, Ottawa.

If you decide to pursue markets in this region, you should prepare a final price list including tariffs, freight and insurance which will reflect the actual cost of goods landed in local agents' warehouses. The most crucial step is appointing an agent, broker or distributor who will aggressively promote your product.

Canadian products with an excellent chance for success in the Pacific Northwest include all types of non-alcoholic and alcoholic beverages, honey, cheese, soups, cookies, jams and jellies. Of prime importance is an ever-increasing demand for frozen or canned foods, either in retail packs or intended for the HRI trade.

Canadian food and beverage processors wishing to take advantage of the opportunities should contact the Consul and Trade Commissioner, Canadian Consulate, 412 Plaza 600 Building, Sixth and Stewart, Seattle, Washington 98101. We are ready to help you through all the stages of catering to this market.



## Consumers look for quality clothes

S.R. HAAKENSEN, Commercial Officer, Seattle



Retailers in the Pacific Northwest have barely noticed the economic disturbances so evident in other portions of the United States. In general, declines have been substantially smaller than the national averages and in some cases increases have been experienced. For example, in the first half of 1975, major apparel department stores and specialty shops here have reported substantial increases over the same period in 1974. The buyers for these retail outlets indicate that the increases may not reflect a larger sales volume, but a tendency for consumers to purchase higher-priced clothing in inflationary periods because they are more concerned with quality rather than a large number of stylish low-end goods.

The new consumer awareness of quality apparel and accessories has created an open door to Canadian apparel manufacturers in this market. In the past, local retailers have conducted separate buying trips to Europe, New York and Los Angeles but now they include Montreal and Toronto as equally important stops in their pre-season sourcing trips. The European influence in Canadian fashions has attracted many U.S. retailers who formerly traveled all over the world for this look. Not only have the unique design features of Canadian manufacturers made this area's retailers look at Canada as an important source, but also they are assured of quality garments which lately have not been consistently available from their established domestic suppliers.

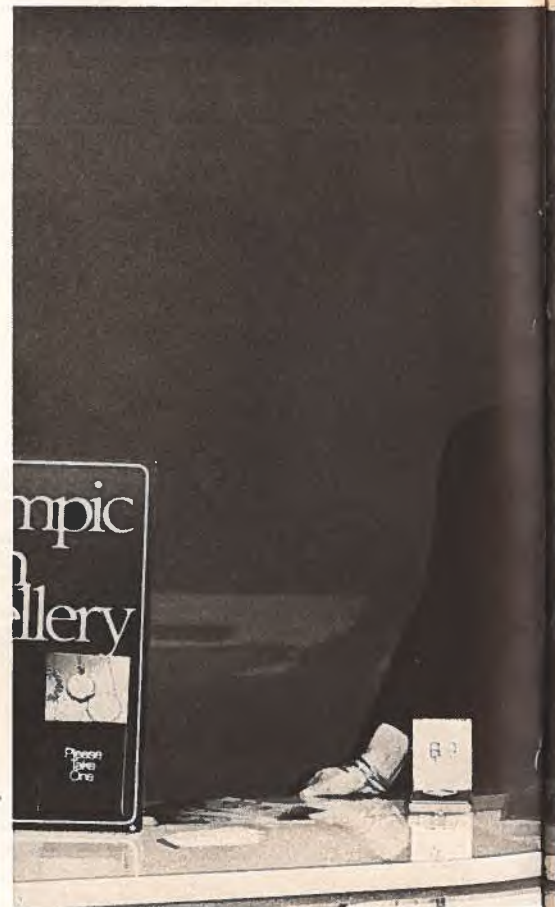
IT&C's Buyer Influence Program has probably helped considerably in exposing U.S. buyers to Canadian apparel. For example, representatives of a chain of leather specialty stores with headquarters in Portland attended the 1974 Leather Canada Show in Montreal through the program. Prior to the show this chain had tested Canadian leathers but had not stocked significant amounts, due to lack of exposure to the manufacturers. It appears that as a result of the show the company will be using from \$75,000 to \$100,000 worth of Canadian leathers a year. Other U.S. buyers were introduced to our products through the first Camex shows in Toronto and the annual Winter Footwear Show in Montreal.

Probably the most tested method of

exploring this market is the appointment of sales representatives to introduce products. Using an established agent gives a Canadian manufacturer immediate access to the agent's major accounts, complementary lines already carried by the agent, and an assurance to the local retailers that they can rely on an agent who can offer many of the same services as the representatives of domestic manufacturers.

This year, IT&C's Seattle office is concentrating on using the Buyer Influence Program to encourage retailers from the Pacific Northwest States and Alaska to look for new sources in Western Canada. We also have a new display area at our office and Canadian manufacturers new to the market are encouraged to make full use of the facilities.

*Olympic commemorative jewellery was featured at this year's L.A. Apparel Show.*



Generally, all types of apparel are marketable in Washington, Oregon, Idaho and Montana, due to varied climatic conditions and consumer demand. At the present time, wool outerwear, both domestic and Canadian-made, is experiencing declining sales due to a mild winter and early spring which left many retailers with substantial carry-overs. Another type of apparel which very rarely makes an impact on this market is the down-filled garment. Statistics show that more than 75 percent of the down-filled garments made in the U.S. are manufactured in the Pacific Northwest and the local retailers prefer buying from these sources.

These considerations aside, the Seattle/Portland areas are strong apparel markets, and between the two, have a population of over 3½ million (half the total population of all four states). This

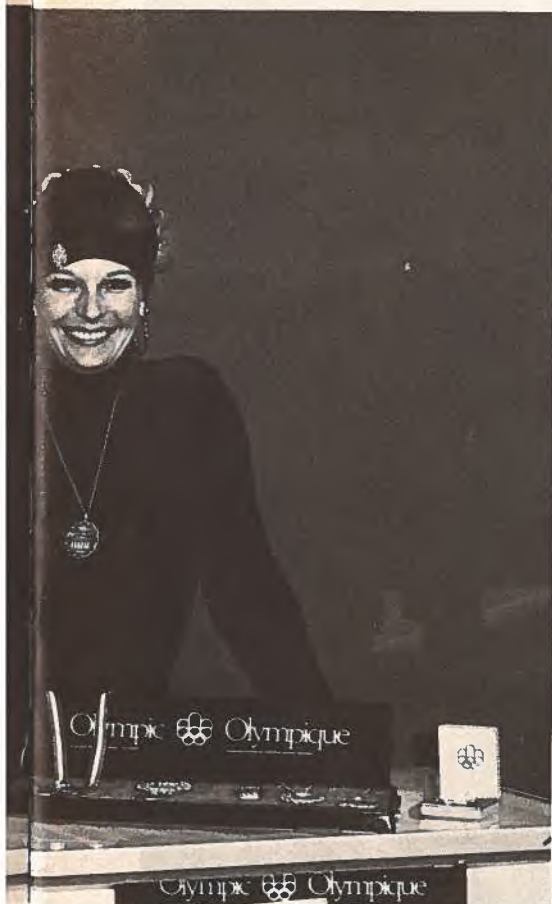
presents a sizeable market for the manufacturer who wants to test his product in a well-established market. Most of the central buying offices are located in the main stores in Seattle and Portland and in many cases visits to these two cities are all that is required. The central buying office concept also prevails in Alaska, where the department stores have their headquarters in Anchorage and the major large chain stores (Montgomery Ward, Penneys,

Sears) are regarded as overseas stores with independent buying authority.

Buyers here are interested in new sources and accustomed to dealing with Canadians. We are looking for reliable suppliers to work this market and interested manufacturers should contact their Regional Office and the Consul and Trade Commissioner, Canadian Consulate General, Plaza 600 Building, Sixth and Stewart, Seattle, Washington, 98101.

Store	Type of store	Pricing	Number of units in area
<b>EDDIE BAUER</b> (Div. of General Mills)	Casual outerwear, men's & women's	Better	One plus central buying office in area
<b>BON MARCHE</b> (Div. of Allied Stores)	Full-line dept. store, men's & women's	Medium	12 — Washington, Idaho
<b>FREDERICK &amp; NELSON, (Div. of Marshall Field)</b>	Full-line dept. store, men's & women's	Better	4 — Washington
<b>NORDSTROM</b>	Apparel dept. store, men's & women's	Better	11 — Washington, Oregon, Alaska
<b>LAMONT'S (Div. of Pay'n Save Corp.)</b>	Apparel dept. store, men's & women's	Medium	5 — Washington, Alaska
<b>JAY JACOBS, Seattle</b>	Fashion apparel men's & women's	Med-Better	14 — Washington, Alaska
<b>THE CRESCENT</b> Spokane (Div. of Marshall Field)	Full-line dept. store	Med-Better	3 — Washington
<b>LIPMANS, Portland</b>	Apparel dept. store	Med-Better	6 — Oregon
<b>MEIER &amp; FRANK, Portland</b> (Div. of May Co.)	Apparel dept. store	Med-Better	5 — Oregon
<b>FRED MEYER</b>	Full-line discount dept. store	Lower-Medium	31 — Washington, Oregon

All stores listed have yearly volume of over \$10,000,000.



## The Los Angeles Apparel Show

WILEY J. MILLYARD, Consul and Senior Trade Commissioner, Los Angeles

The Los Angeles Consulate General held its Third Annual Apparel Show at the Hyatt Regency Hotel, April 5-9. The show scored two firsts: it was the first time it had been timed to coincide with Los Angeles Market Week and it was the largest showing of Canadian apparel ever held outside the country, with 51 exhibitors and 57 lines from five provinces (Quebec, Ontario, Manitoba, Alberta and British Columbia).

Holding the show during Market Week proved to be good strategy, for attendance (452 buyers) was 80 percent above last year's. Furthermore, a survey showed that 52 percent of buyers were from cities more than 100 miles distant from Los Angeles, who probably would not have travelled so far only to see a Canadian showing. Emphasis was on sportswear, especially at the juniorwear level. The survey revealed that 31

showers had appointed agents for the first time and orders booked amounted to \$1,553,061 — and that spells success in anybody's language.

The show was financed almost entirely from entry fees, with assistance from the provinces. This permitted widespread advance publicity in the major West Coast and national trade journals, including an eye-catching supplement in Women's Wear Daily. The show itself was a handsome display and many of the designs were so attractive that they received generous editorial coverage in the Los Angeles Times and other publications. Undoubtedly the press coverage, both before and after, resulted in an unparalleled interest in Canadian fashions. It bodes well for the future and plans for next year's show are already at the advanced stage.



## Pre-fab housing market may open up

CLAUDE C. FONTAINE, Vice-Consul and Assistant Trade Commissioner, San Francisco

The construction industry in the United States netted barely one million housing starts in 1974 after producing from 1.5 to 2 million units a year for several years — a slump not unlike that taking place in the housing sector in Canada. No significant improvement has occurred in 1975, thus there is little immediate export opportunity in the United States for the hard-pressed Canadian housing industry. However, there are indications that next year should show a much-improved overall situation.

Because a serious shortage of new houses now exists, demand is expected to increase appreciably as interest rates go down and mortgage money becomes more easily available. But one important factor may hamper demand even when the recession is over — in a recent study conducted by the Congressional Joint Economic Committee, it was found that 85 percent of U.S. families cannot afford the median price of a new home, which is estimated to be \$41,300 (or approximately \$26 per square foot). This, in addition to the tight money situation, has been a major contributing factor to the depressed state of the housing industry. In fact, even when the recession is over, any sharp increase in demand for new homes may be conditional on a reduction in price that would make new homes affordable to more families.

In reaction to this, the trend among U.S. builders and developers is now to try to reduce the cost of houses by returning to a "back-to-basics" or "no-frills" approach, as some people in the construction industry call it. This is reflected in a reduction of the square footage, elimination of garages, carports and porches, lower ceilings, use of lower cost materials, and so on.

To date, pre-fabricated houses have not met with a great deal of consumer acceptance in the U.S., but the current situation may be just the catalyst needed to generate greater demand as consumers come to realize that pre-fabs are less expensive while providing vir-

tually the same facilities and conveniences.

While addressing the Annual Pacific Coast Builders Conference in San Francisco recently, the Chairman of the Federal National Mortgage Association — the largest private supplier of funds for the residential mortgage market — urged greater use of modular techniques, pre-fab structures and mobile homes as a means to reduce cost and make houses affordable to low and middle-income families.

However, as noted earlier, cost reduction is not the sole answer — if there is to be any appreciable increase in housing starts the tight, high-cost money situation must also ease. But there appears to be some positive movement in this area also. For example, as I was writing this article, the U.S. Senate passed, and President Ford signed, a middle-income housing bill providing up to \$10 billion in subsidized home mortgages. A substantial portion of this total would be released over the next few months at the attractive interest rate of 7.5 percent. Furthermore, the Governor of California signed in June a housing bond bill providing up to \$950 million in low-interest loans for low and middle-income families. This money will go directly to builders or buyers or, indirectly, through a private lender or government agency for construction or purchase of housing. The effects of these two measures are expected to be in full swing by the beginning of 1976.

The Western United States (13 states, including Hawaii) with a total population of about 35 million people are, of course, of particular interest to Western Canadian pre-fab manufacturers — as well they should. The state of California alone is about equal to the entire Canadian market. And even though California is the most impressive market, other states, including Alaska and Hawaii, should not be neglected. They have not escaped the high-price trauma but the situation tends to be worse in California, where unavailability of desirable

land has compounded the problem.

It goes without saying that in order for Canadian manufacturers of pre-fabricated houses to be successful in this market, knowledge of local conditions, standards, distribution channels, and financing arrangements is indispensable. Such data is more often than not hard to come by but this Consulate General is conducting a market survey on pre-fabricated houses on the U.S. West Coast in order to document the various elements which have an influence on market potential. Such considerations as product approval, local building codes and standards, price competitiveness (including freight and tariffs), interstate transport regulations, availability of local labour, U.S. labour legislation and, finally, consumer acceptance are being considered.

Initial findings indicate product approval by the Federal Housing Administration (FHA) is a must as this is a prerequisite to obtaining FHA's mortgage funds. Furthermore, it is helpful to be familiar with local building codes and standards as they may vary slightly from one county to another. And transportation is a determining factor in whether Canadian manufacturers can compete with local suppliers. But because the manufacturing cost of pre-fab houses is much lower, even the added cost of duty (e.g. 8 percent in the case of wooden frame buildings or 9½ percent for metal structures) plus freight should not produce a non-competitive situation.

Although our survey is not complete, one thing is obvious and that is that this market is big and promising enough to warrant the attention of Canadian house builders — particularly Western Canadian manufacturers of pre-fab houses. We feel that even though our survey is not finished and we do not have all the facts, Canadian manufacturers should be taking the time to visit this market, to familiarize themselves with the prevailing business climate and to establish contact with local developers, contractors and dealers, in order to determine



for themselves what adjustments, if any, must be made to product or market approach. We are convinced that now is the time to promote the concept of Canadian pre-fabs as an attractive alternative to expensive traditional houses.

What local people should the Canadian manufacturer be working with? There are several possibilities of course, including: direct contact with builders; utilizing builder/dealers or franchised dealers; or making deals with real estate developers. Each of them has something to offer but the developers may be the best people to approach. Because the developer usually has his own architects who have excellent knowledge of local consumer preferences, he can assist the Canadian manufacturer in making modifications that would facilitate meeting local standards and building codes, increase consumer acceptance and perhaps even reduce costs — climatic conditions can be quite different in some areas of California and Hawaii for example, thus reducing the need for insulation. Furthermore, developers usually sub-contract construction to local contractors and the Canadian manufacturer does not have the worry of such things as finding labour and dealing with unions.

## Foreign trade zones in the U.S.

STEPHEN P. HALDEN, Commercial Officer, San Francisco



In conclusion, we know there is a market potential for pre-fabricated houses in the Western U.S. and we are already acquainted with local developers who would be delighted to meet Canadian suppliers. We also know that Canadian pre-fab manufacturers turn out a product of high structural quality with finish, design and appearance features that will please the consumer. But because of the nature of the product and the multiplicity of sales and distribution methods, it is very important that the Canadian manufacturer look closely at the market, taking the time to visit this area to promote his product. And he should be willing to adjust to local requirements and consumer preferences.

After the completion of our survey we will be in a better position to provide detailed information on factors the Canadian manufacturer should be looking at to evolve his marketing strategy. But don't wait to talk to us — the people at the Consulates General in Seattle, San Francisco, and Los Angeles would like to hear from Canadian companies and we are looking forward to helping them enter the market.

Canadian manufacturers and exporters who are familiar with the advantages of continental free ports, free trade zones, and entrepot facilities, may find use for one or more of the 18 foreign trade zones within the United States which have been established to encourage the consignment and re-export trade. If you are new to exporting, or more particularly are interested in entering the West Coast market for the first time, this article briefly explains the use of an often-effective international marketing tool.

Four of the 18 zones in the U.S. are located within the territory covered by Canadian Consulates General on the West Coast. Besides the zone located at the Port of San Francisco, our office in San Francisco also covers the zones at San Jose, California (at the south end of San Francisco Bay) and at the Port of Honolulu, Hawaii, while the foreign-trade zone located at Seattle, Washington is covered by our Post in that city.

While foreign trade zones are physically on U.S. soil, for customs purposes they are considered to be offshore. Stated differently, goods stored in a foreign-trade zone are subject to customs entry, U.S. quota restrictions, payment of duty or tax, or bond. If the goods are to be re-exported, no duty or taxes are collected.

Additionally, while the merchandise is in a foreign trade zone, it may be stored for an indefinite period of time, sold, exhibited, broken up, re-packed, re-labeled, assembled, sorted, graded, cleaned, mixed with U.S. or other foreign merchandise, or be manufactured. The resulting merchandise then can be either exported or transferred into customs territory. Depending on the merchandise, processing or manipulation may qualify the final product for a lower duty when transferred into customs territory.

The opportunity to inspect the merchandise prior to formal customs entry allows the exporter or importer to destroy or return merchandise which is damaged,

spoiled or does not meet buyers' specifications, thereby avoiding payment of customs duties and taxes on unwanted goods. Industries ranging from food processing in the Prairies to high technology industries in the East are potential beneficiaries. For example, electronics manufacturers can work with their customers by letting the importer test parts while still in the trade zones. Your reputation as a supplier is enhanced because your customer receives undamaged goods, does not have to pay duty on unwanted products, and does not have to return or destroy damaged merchandise.

By using a foreign trade zone, an exporter's goods are brought to the threshold of the market, guaranteeing immediate delivery and avoiding possible cancellation of orders due to transportation delays. The ability to exhibit merchandise within a zone can also be important to an exporter. In addition, zone facilities can be utilized for the full exhibition of foreign merchandise without bond for an unlimited length of time and with no requirement for exportation or duty payment. Thus, the goods may be displayed by the exporter, his agent or an importer where they are stored. On-site sales are possible; the buyer can even take some merchandise when leaving. Indeed, if the sales merchandise is valued, for customs purpose at under \$250, then minimum formalities are required by the U.S. Customs Service.

Savings may result from manipulations and manufacture in a zone which in turn might make your product more price-competitive on the U.S. market. For example, many products, shipped to the zone in bulk, can be dried, sorted, graded, or cleaned and bagged or packed, permitting savings of duties and taxes on moisture or dirt removed and culls thrown out. Exporters of agricultural products might find this benefit alone reason enough to use one or more of the foreign trade zones.

Damaged packages and broken bottles can be removed from ship-

## The U.S. West Coast

ments of packaged or bottled goods. Savings can also be obtained where evaporation results during shipment or while goods are stored in the zone because contents of containers can be re-gauged with no duties payable on the portions lost.

Savings in shipping charges, duties, and taxes may result from such operations as shipping un-assembled or dis-assembled furniture, machinery, etc., to the zone and assembling or reassembling them there. Shipping costs may also be lowered by shipping full truck loads and storing unsold goods or quantities of goods in excess of a U.S. quota. Goods can then be entered into the customs territory at an appropriate time or can be re-exported. For example, merchandise bound for the Pacific Basin can be pooled with goods destined for the Western U.S. in order to obtain favorable transportation rates to at least the West Coast of North America.

Exporters who ship product on consignment for storage in California benefit in still another way by using a foreign trade zone for warehousing. Under California corporation income tax laws, a Canadian company with product stored in California on consignment is liable for California corporation income tax if the product is eventually sold.

The formula used to determine the income tax assessed takes many factors into account, such as company gross sales, and number of employees, in addition to the actual amount of sales of goods stored in California. By storing the unsold product in a foreign trade zone, the goods do not legally enter California until clearing U.S. customs, which would be after a sale has been made and the title for the goods has been transferred to the buyer's name.

A case in point might involve a frozen fish processor in British Columbia who sells through a California broker, a person who does not take title to the goods. In order to have product readily available to customers and also to



*Fisherman's Wharf, San Francisco.*

obtain a better transportation rate, the processor ships in carload quantities and stores the product in a warehouse on consignment to the broker. If this is a public warehouse the B.C. firm will owe California taxes on the product sold from stock in addition to already having paid U.S. customs duties on the entire shipment. If stored in a foreign-trade zone warehouse, no customs duties are paid until the product is sold by the broker and no California income taxes are collectable at any time.

The use of foreign trade zones is not necessarily applicable to every Canadian exporter nor will it be a solution to all exporting problems but the use of the zones should not be overlooked. This unique marketing tool is most successful when the Canadian exporter and the im-

porter work together to fully utilize the advantages offered by the zones. Needless to say, the Trade-Commissioners are also ready to advise and assist the exporter and importer in fully exploiting the possibilities. The accompanying list indicates the foreign-trade zones. Comprehensive information such as rates and charges, and details as to how individual foreign-trade zones can be utilized, may be obtained by writing to the Zone Manager.

However, if you desire specific information on regulations pertaining to your particular operation, this can be obtained from any U.S. consulate in Canada or from the Foreign Trade Zones Board, Department of Commerce, Washington, D.C. 20230.



## Canada to salute American Bi-centennial at 1976 Tournament of Roses Parade

### U.S. Foreign Trade Zones

Foreign-Trade Zone No. 1  
Bldg. 77 Brooklyn Navy Yd.  
Brooklyn, N.Y. 11205

Foreign-Trade Zone No. 2  
P.O. Box 60046  
New Orleans, La. 70160

Foreign-Trade Zone No. 3  
Ferry Building  
San Francisco, Ca. 9411

Foreign-Trade Zone No. 5  
P.O. Box 1209  
Seattle, Wash. 9811

Foreign-Trade Zone No. 7  
G.P.O. Box 2350  
San Juan, Puerto Rico 00936

Foreign-Trade Zone No. 8  
3332 St. Lawrence Dr.  
Toledo, Ohio 43605

Foreign-Trade Zone No. 9  
Pier 39  
Honolulu, Hawaii 96817

Foreign-Trade Zone No. 10  
Room 26, Bay County Bldg.  
Bay City, Mich. 48706

Foreign-Trade Zone No. 12  
P.O. Box 1988  
McAllen, Tex. 78501

Foreign-Trade Zone No. 14  
Little Rock Port Authority  
Lindsey Rd. at Arkansas River  
Little Rock, Ark. 72206

Foreign-Trade Zone No. 15  
P.O. Box 13244  
Kansas City, Mo. 64199

Foreign-Trade Zone No. 16  
College Ave.  
Sault St. Marie, Mich. 49783

Foreign-Trade Zone No. 18  
165 West Shaw Street  
San Jose, Ca. 95114

Canada has accepted an invitation to participate in the 1976 "Bicentennial" Tournament of Roses Parade. The Tournament Festivities have been designated by the American Revolution Bicentennial Administration as the official "kickoff" event for the United States' 200th Birthday.

Canada, as a close neighbour and friend will present at the Parade a bicentennial salute to the American people. The special "All Canada Salute" seven-unit section, a first in the Rose Parade history, will be composed of units sponsored by two Canadian cities (Calgary and Montreal), two provinces (Quebec and Nova Scotia), and all Canada units sponsored by the federal government.

A floral banner and the Royal Canadian Mounted Police Musical Ride will head the Canadian section. Interspersed among the floats will be two bands — the first "All Canada Pipe Band" composed of 140 pipers and drummers from all parts of Canada — from British Columbia to Nova Scotia — and the "Scarlet and Brass" Canadian Forces Band composed of the Princess Patricia's Canadian Light Infantry of Calgary and the Royal Twenty-Second Regiment of Quebec.



## Swiss industrial concerns and insurance companies

L. D. BURKE, Commercial Counsellor, Madrid

Mr. Burke was posted during the summer from Berne to Madrid. Just before his move, he wrote two articles on Swiss banking and industry. The first article appeared in the September issue of *Canada Commerce*. This is the second and it deals with what some people call Switzerland's "secret empire" — its international industrial concerns and insurance companies.

Faced with a shortage of raw materials and a limited domestic market the inclination by Swiss firms towards international trading activities goes back many years and the first expression of this was the appointment of sales agents abroad with regular travel overseas by purchasing officers of firms in search of industrial raw materials.

As demand for Swiss products grew and was complicated by problems of tariff barriers and transportation costs, foreign subsidiaries or associate companies were set up. Today nearly every major Swiss enterprise has establishments abroad. In fact, the various foreign interests of Swiss industry are so numerous that they are difficult to keep track of. For our purposes we will look at several of the largest Swiss companies with operations in Canada.

Let us start with the Swiss firm that has the widest network of affiliated companies and with a range of products so extensive that we probably all use one or another of them every day. The company is Nestlé Alimentana AG — better known as just Nestlé.

In 1866, two small companies were established in Switzerland, one by Henri Nestlé and a second called the Anglo-Swiss Condensed Milk Company, which was truly international from its inception. It was Swiss but started by two American brothers and before a year was over had a sales office in London. The word "Anglo" was included in the name because the company was primarily interested in exports to Britain and it was felt that this would help sales in that market.

Henri Nestlé started with the production of infant foods and within a very short time these were on sale in markets as varied as America, Russia, Argentina and France. Anglo-Swiss established its first overseas plant for the production of condensed milk in Britain in 1872, and Nestlé its first factory abroad in Norway in 1898.

Initially, the companies were keen competitors but by 1905 they had been amalgamated. At that date

the Nestlé and Anglo-Swiss Condensed Milk Company already had 18 factories (seven in Switzerland, five in Britain, three in Norway and one each in the United States, Germany and Spain). A period of expansion followed after the merger in terms of both products — chocolates, other milk products, cocoa, the development of the world's first instantly soluble coffee, etc. — and of manufacturing facilities abroad.

In 1936 a holding company for the Nestlé Group was established and a twin holding company (called Unilac Inc.) was created by Nestlé's overseas associates. In 1947 the name of the main holding company was changed to Nestlé Alimentana S.A. In 1960 Nestlé purchased Cross and Blackwell in Britain, and in 1962 the Scandinavian concern, Findus, which took the company for the first time into the seafood business, and eventually, into frozen foods and ice cream. Latest acquisitions by Nestlé include Libby, McNeil and Libby, and the Stouffer Corporation in the U.S., and a 25 percent participation in L'Oréal of Paris, manufacturers of cosmetics and Nestlé's first non-food venture.

A few statistics reveal the size and internationality of a firm such as Nestlé. The net profit of the Nestlé Group of Companies in 1974 amounted to nearly \$300 million (for this article an exchange rate of 2.6 Swiss francs to the Canadian dollar has been used) on a turnover of \$6,400 million.

Expansion and diversification within the Nestlé Group continues both in terms of new products (soluble tea, dietetic specialties, foods for pre-school children and now cosmetics as well) and in production facilities (new factories in Brazil and France last year and increased investments in factories throughout the world). In Canada, Nestlé operates five factories which manufacture a wide range of items including chocolates, confectionery, dairy products, soups, bouillons and frozen foods. The Nestlé Group of Companies em-

employs a total of 138,809 persons world-wide but only 7,044 of them are stationed in Switzerland.

### Chemicals

For the Swiss chemical industry, which is centred in Basel, it was natural for the firms which were thinking in terms of expansion to build initially establishments across the nearby frontier and it was, in fact, in Germany that the first foreign plants were built. Today, the three largest Swiss chemical companies — Ciba-Geigy, Hoffmann-LaRoche and Sandoz — are global operations.

Ciba A.G. and J.R. Geigy A.G. had their origins in the dyestuffs industries and later extended their activities into pharmaceuticals, which are now their most important product line and a field in which they are world-famous, as well as agro-chemicals, plastics and other products. The two companies, which were established more than 150 years ago, were amalgamated in 1971. Today, the group has 102 branch plants and associated companies in 50 countries. They employ 78,999 people, of whom nearly three-quarters are in establishments outside Switzerland.

The group had total sales in 1974 of approximately \$3,600 million and an after-tax profit of \$182 million. Ciba-Geigy estimates that more than half of its current production is located abroad. Indicative of the importance attached to foreign operations is the fact that of capital expenditure on plant and equipment in 1974, 61 percent of new investment was outside the country. During the year new plants were commissioned in France, South Africa, the U.S. and Australia; three firms were purchased in the United States; and new factories are planned in the near future for Brazil, South Africa and Japan.

Geigy established facilities in Canada in 1905 and Ciba followed in 1922. Ciba-Geigy Canada Ltd. was formed in 1971, following fusion of the parent companies in Switzerland. This company operates factories and other facilities in Quebec

and Ontario and it has an experimental farm in Manitoba. The 1974 annual report shows sales for the Canadian firm of \$66 million.

There is an associated company, Ilford Photo (Canada) Limited, and Ciba-Geigy also owns, in conjunction with Sandoz Limited, Mount Royal Chemicals Limited (Dorval). This latter firm has been expanded this year.

Sandoz Ltd., which was established in 1886, is a world-wide concern producing pharmaceuticals, dyestuffs, agro-chemicals and foods. Its 1974 annual report shows total employment by the Group of 34,901 of which 9,717 were employed in Switzerland. Sandoz has 81 affiliated companies and other jointly-owned factories and holdings in 41 countries. In Canada it operates two wholly-owned subsidiaries (Sandoz Canada Ltd., in Quebec, and Wander Ltd., in Ontario, with the latter manufacturing the well-known Ovaltine) and has a one-third interest in Mount Royal Chemicals Ltd. This company's expansion overseas continues and last year total new investment amounted to \$18 billion, nearly half of which was in land, buildings and plants outside Switzerland.

Hoffmann-LaRoche is the largest firm in the world in its specialized fields of pharmaceuticals (mainly psychopharmaceuticals) and vitamins. Founded in 1896, it was from the very early years a multi-national enterprise, with its first foreign plant established in Germany in 1896. Today the Hoffmann-LaRoche Group consists of more than 60 companies in 37 countries operating six large research centres, 26 chemical and chemico-pharmaceutical plants, 42 pharmaceutical factories and aromatic blending plants, and a large network of sales organizations and agencies. The group employs 37,213 people, most of whom work outside Switzerland.

LaRoche is known world-wide for a number of outstanding pharmaceuticals it has developed, for its work in the field of vitamins and especially for its psychopharmaceutical products. Based on its research and development in these fields, the company has now diversified into manufacturing aromatics, flavours, fragrances, cosmetics (the Pantene brand) and also medical electronics and diagnostics.

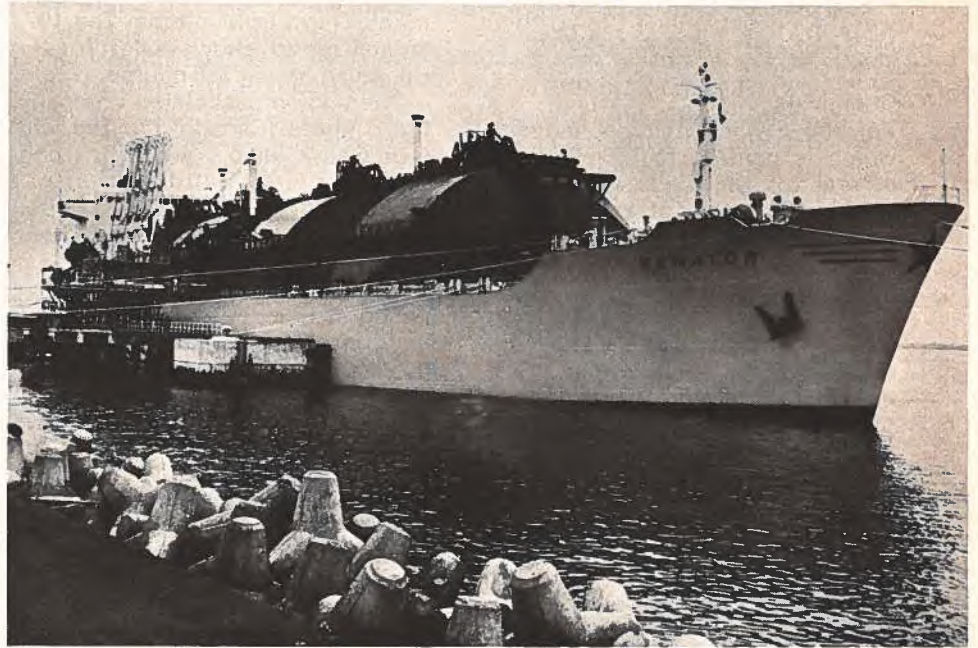
Hoffmann-LaRoche was estab-



lished in Canada in 1931 and began manufacturing here in 1956. It currently employs 350 persons. In addition it has a holding company in Canada, the Sapac Corporation, located in New Brunswick, which administers associated firms in North and South America, Britain, Australia, South Africa and Asia.

#### **Machinery**

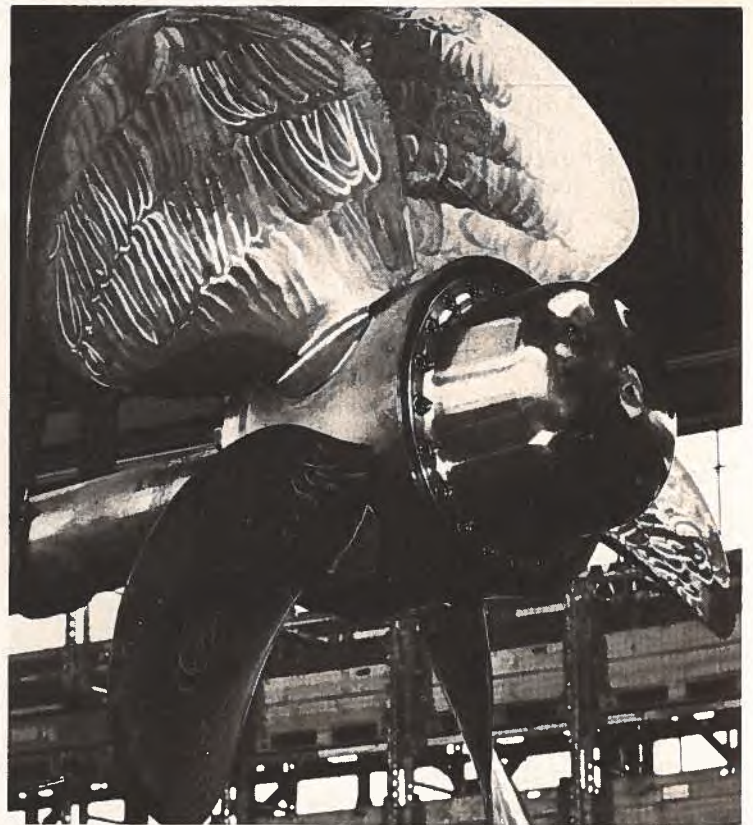
In the machinery industry, several Swiss companies have grown into world concerns. One of these is Brown, Boveri & Company Ltd. (BBC) of Baden. BBC's largest affiliated company is located in Mannheim, Germany. With 39,200 employees (including consolidated subsidiaries) the Mannheim subsidiary outranks the parent company, which employs 17,158 persons in the Baden and Oerlikon areas of Switzerland. The number of employees in the BBC Group as a



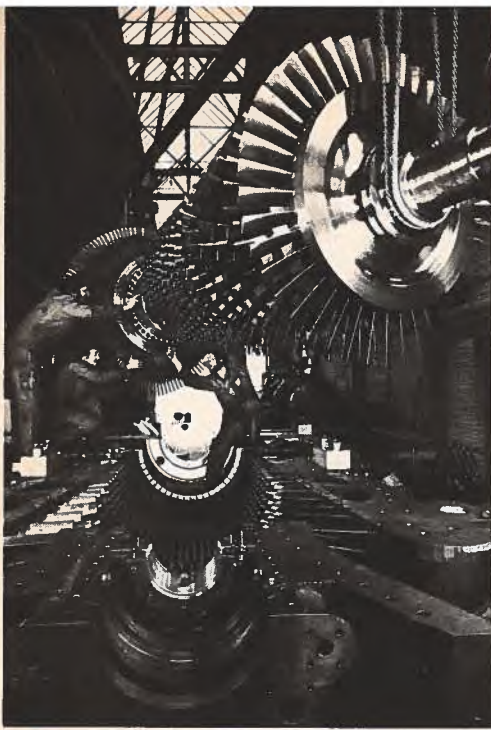
*Liquefied-gas tanker built by Sulzer Bros. Ltd.*



*Brown, Boveri locomotive for Swiss Railways.*



*Sulzer Bros. Ltd. controllable-pitch propeller.*



whole is 96,200, 80 percent of whom are employed outside Switzerland.

Other manufacturing subsidiaries of BBC are located in France, Italy, Norway, Austria, Brazil and Spain. BBC has selling companies, some in local production, in more than 100 other countries, including Canada. Of a total turnover of approximately \$2,900 million in 1974, more than 80 percent was provided by the three main groups in Switzerland, Germany and France, one-fifth of it provided by the Swiss Group and the balance by associated companies.

Brown Boveri (Canada) Ltd. was established in Quebec in 1933. Twelve years prior to that, BBC had been represented by a Canadian organization. The company manufactures and assembles in Canada motors, drives, electronics and switchgear. It employs 900 persons and has an annual turnover of approximately \$30 million. Recently this company purchased the Electrical Division of Canron Ltd. in Lachine, Quebec.

In this field mention must also be made of Sulzer Brothers Limited. Manufacturers of a wide range of equipment and one of the world's leading producers of diesel engines, the Sulzer Group consists of 50 firms in 24 countries. At the end of 1974, the group employed 37,642 people, 15,588 of them in Switzerland. Of a total of \$1,800 million in orders received during the year, approximately half were accounted for by the company in Switzerland and the balance from the remainder of the group. In Canada, Sulzer operates facilities in Quebec, Ontario and British Columbia.

### Insurance

The deep international involvement of Switzerland's insurance industry is clearly indicated by the fact that about 90 percent of the gross premium revenue earned by the Swiss firms engaged in "re-insurance" comes from abroad and 42 percent for those engaged in direct insurance.

The largest accident and liability insurance firm in Switzerland is the Zurich Insurance Ltd. This firm receives 80 percent of its premiums from abroad (not counting its affiliates) and is one of the most important of all international insurance groups. The parent corporation has 19 branches and 25 subsidiary companies in 23 countries. Employees total 15,000, 3,000 of whom are employed in Switzerland. In Canada, the Zurich Group operates two branches and a subsidiary with headquarters in Toronto and offices across the country.

In re-insurance (i.e. where the direct insuring companies lay off any exceptional risks or commitments), Switzerland has one of the best-known firms in the world. The Swiss Re as it is called, was founded in Zurich in 1863 at a time when that city had a population of only 20,000. In the first year of its operation re-insurance agreements were signed with firms in seven other countries and some of these agreements remain in force today.

By the late 1920's this company had become the most important re-insurance firm in the world, a position which it held up until about two years ago. Now it is ranked second among about 240 firms around the world that specialize in re-insurance. The Swiss Re employs more than 2,000 persons, 800 in Zurich and the balance abroad. There are about 1,000 direct connections between Swiss Re and insurance companies in other countries. There are 14 branch offices and subsidiary companies in five countries, including a branch and two subsidiaries in Canada.

At the end of 1974 these eight Swiss concerns described in the

foregoing employed nearly half a million persons, less than one fifth of whom were stationed in Switzerland and they operated a total of 703 factories and affiliated companies abroad. This is a remarkable performance for a country with a population of only 6.4 million.

Another indication of the international complexity of Swiss firms, in general, is revealed by a study of Switzerland's international investment position. In 1973 (latest year for which statistics are available) Swiss assets abroad, at \$74,150 million, were almost \$38,500 million greater than foreign assets in Switzerland, making this country unquestionably the world leader on a per-capita basis with regard to foreign assets.

In the field of direct investment, the value of Swiss subsidiary companies and of production facilities owned by Swiss concerns in other countries exceeded equivalent investments by foreign firms in Switzerland by \$15,000 million. This surplus confirms the growing implantation of Swiss companies abroad, which have greatly increased their investments during the last quarter of a century for a variety of reasons, including a shortage of labour. As a separate group, investments of Swiss insurance companies abroad at the end of 1973 were listed at approximately \$4,300 million.

Switzerland regularly shows a deficit in its trade balance and in recent years this deficit has been growing. However, the invisible earnings of the international operations of the Swiss service sector usually compensate for this and the contribution of this sector in terms of the country's balance on current account is very important. Tourism used to be the key factor and it still produces a new annual revenue of about \$1,000 million. But now capital investment is the top foreign currency earner yielding nearly \$2,000 million net in 1973, enough in itself to cover most of the country's trade deficit for that year.

*Mukalla City, South Yemen.*



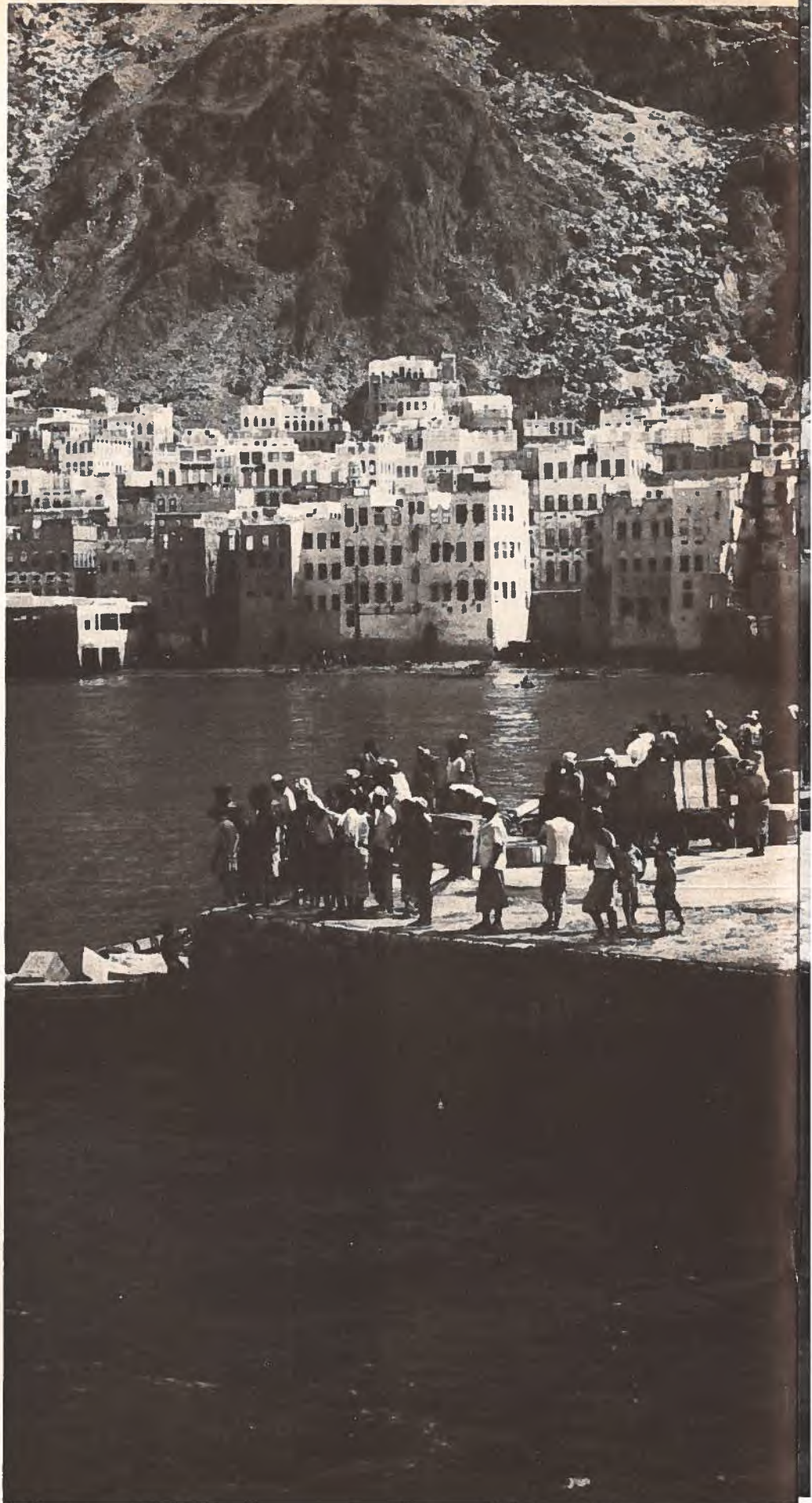
*Issa Town, Bahrain — part of a housing program to accommodate 35,000 people.*



*Residential suburb, Kuwait.*



*Bahrain's industrial expansion includes this aluminum smelter, which is the largest in the Arab world.*



## The Yemens & Oman: not to be neglected

JOHN H. BAILEY, Commercial Counsellor, Beirut

With all the exciting headlines about the wealth of Saudi Arabia, Kuwait and the other Gulf States, there is a tendency on the part of many Canadians to overlook the markets that exist in the three less-publicized countries lying at the southern end of the Arabian Peninsula: the Yemen Arab Republic, the People's Democratic Republic of Yemen and the Sultanate of Oman.

Even though these countries are relatively poor, in comparison with their more fortunate neighbours, there are some opportunities to sell selected Canadian goods and services. In 1974, for example, it is estimated that their total imports amounted to about \$200 million (exclusive of military equipment) of which the Americans obtained over \$20 million and Canada supplied only slightly more than \$6 million — \$3.7 million of which was in the form of wheat, with the major part of the balance of our exports being made up of flour, pipeline pipe, mining machinery, water heaters and air-conditioning equipment.

The total population of these countries is more than eight million — significantly more than the populations of Saudi Arabia and all the Gulf States together. Therefore, there should be a growing market for consumer goods once the standard of living has been improved (for example, the current per-capita

GNP is less than \$100 a year in the Yemen Arab Republic). Meanwhile, the main potential lies in providing basic foodstuffs and engineering services.

In the case of engineering services, the market has already provided some of Canada's leading consulting firms with millions of dollars in engineering fees for design and supervision services on such projects as highways, hospitals, fisheries, mining, harbour facilities and petroleum. More funds are becoming available each year from the development organizations established by the wealthier Arab neighbours of these countries, and from outside agencies such as the UNDP and the IBRD/IDA. The opportunities for Canadian engineers to participate profitably in the development of these three countries should grow substantially during the next five years.

### **The Yemen Arab Republic (North Yemen)**

This country, with its population of 6.25 million, probably provides the best market possibilities from the long-term point of view. On arrival towards dusk in the capital of Sanaa, one's first impression is like something out of a fable. As the daylight disappears behind the mountain peaks which surround this valley city of 100,000 people,



the call to evening prayer goes out from the many minarets that dot the skyline and the turbaned tribesmen, most of them carrying long curved knives in their waistbands and often sub-machine guns instead of flintlocks over their shoulders, throng the narrow streets. Other first impressions include noticing the presence of many Russian and Chinese advisors; the friendliness of the people when they find you are Canadian; the two and three-storey clay houses with their windows outlined in white; the ancient palaces of the rulers turned into hotels; the bustle and noise of the traffic in the city.

Another indelible impression is formed when you move into the countryside. The dependence of the economy on agriculture is clearly evident, with every square metre of fertile ground on every mountain-side terraced to retain as much soil and moisture as possible. In spite of their efforts to increase their irrigated land (a study of this has just been completed by Tipton & Glanbeck of Denver) and thus increase domestic production of grains (especially sorghum and wheat), imports of wheat, rice and sorghum will remain substantial for many years. In the case of wheat, this means that imports likely will continue to amount to between 50,000 and 70,000 metric tons annually.

A U.S. firm of consultants, C.M. Chisholm & Associates of Washington, has just completed a half-million dollar study on the dairy industry, financed by the Kuwait Fund. If the results are favourable, the country will undertake a project to establish dairy centres at Sanaa, Taiz and Hodeida. This will include the establishment of a feed mill and importing of cattle and equipment, and will cost at least \$20 million. Details on this project can be obtained from A.R. Al-Harazi, Head of Agricultural Section, Central Planning Office, Sanaa.

Canadians, Russians, Chinese and Americans are already working on projects in the transportation

and industrial development fields. Canadian companies, for example, are working on storage facilities and bulk handling projects in the ports of Hodeida and Salif, while the Russians and Chinese have built two important highway links between the three major cities. There will be many other projects. For example, the Canadian Trade Commissioner was asked during a recent trip to assist local companies in obtaining from Canada quotations on equipment and engineering services for a refinery (the Yemen Petroleum Company currently imports its requirements from Aden and Somalia); two small coastal vessels, one to carry 400 Mt of LPG and the other 5,000 Mt of refined products; a sawmill; as well as a flour mill on a joint venture basis.

#### **People's Democratic Republic of Yemen**

This country of 1.6 million persons, of which Aden is the capital, is one of the poorest countries in the world. However, with outside assistance from the socialist countries, the United Nations and the lending institutions in the West, some progress in improving living standards and the economy is now being made. In spite of the country's continuing conflict with Oman, there seems to be some warming up between the People's Democratic Republic of Yemen and its Arab neighbours, with the result that additional financial assistance may be forthcoming (Kuwait, for example, has provided a year's supply of crude oil for the BP refinery in Aden).

As in the case of North Yemen, imports from Canada into South Yemen are mainly basic foodstuffs — wheat and flour accounted for \$4.4 million out of the \$5.8 million worth of imports from Canada in 1974. Also as in the case of North Yemen, until the standard of living in South Yemen has been improved, most opportunities for Canadian firms lie in supplying engineering and capital equipment. The Central Planning Commission (Faruj Ghanem, Permanent Secretary;



Farook Basha, Deputy Permanent Secretary) is pleased with the work being done on a fisheries project by an engineering firm from Halifax and would welcome other Canadian firms to work in other fields. The new Five-Year Plan (1975/79) outlines a number of projects which might be of interest to Canadian firms and details are shown in the accompanying list.

For imports of goods other than those required for the aforementioned projects and for the military, there is only one buyer: the National Company for Foreign Trade (PO Box 90, Crater, Aden — Telex 211 AD). This state-owned organization is under the direction of a young general manager, Hussein Ahmed Fadak, and he has divided the company into four industry sectors: Engineering (machinery, vehicles, replacement parts, etc.); Building Materials (cement, lumber, reinforcing rods,



etc.); Foodstuffs (rice, wheat, sugar, cooking oils, canned goods, etc.); and Consumer Goods (textiles, soaps, appliances, etc.).

During a recent visit, the managers of the various sections asked the Canadian Trade Commissioner for quotations on such items as lumber (annual requirements are about 5,000 Mt), flat-bed trailers (20' x 10' with 2.2 Mt capacity) and wheat (requirements are expected to go up to 80,000 Mt annually when the new flour mill being built by the East Germans comes into production later this year). This organization will also require engineering services to install bulk handling and storage facilities at the mill site or at the harbour.

#### Oman

Oman, which is about the size of Newfoundland, has a population of about 750,000 with 80 percent of the people dependent on agriculture for a livelihood. Unlike the two Yemen socialist republics, Oman is still under the rule of a sultan. In fact, because of their political differences, there have been border clashes between this country and South Yemen for some time — and these troubles have placed a drain on the economies of both countries.

Oman enjoys one great economic advantage, and that is recently-discovered oil which is being exported at the rate of 300,000 b/d. With increased oil prices, this means that Oman is in a position to undertake a number of development projects. In fact, several Canadian engineering and prospecting firms are already hard at work designing roads, supervising hospital construction, performing aerial surveys and test drilling for minerals.



*Studies being done by Halifax firm will improve South Yemen fisheries.*

**PEOPLE'S DEMOCRATIC REPUBLIC OF YEMEN  
PROJECT INVESTMENT PLAN 1974/75 - 1978/79**

<b>Ministry and Project</b>	<b>Total Allocation (\$'000)</b>	<b>Remarks</b>	<b>Ministry and Project</b>	<b>Total Allocation (\$'000)</b>	<b>Remarks</b>
<b>Ministry of Economy and Industry</b>			<b>Ministry of Public Works</b>		
Tomato Ketchup (study only)	60	Consulting only	Roads — 700 miles	420	Financing by: World Bank, for consulting
Brewery (study only)	60	"		375	World Bank, for equipment
<b>Ministry of Agriculture and Agrarian Reform</b>				2,400	Local Govt. for equipment
Wadi Tin Development Study (FAO program: 40,000 acres, 2 experimental farms)	426	Consulting and study by FAO		2,095	Local Govt. for construction
Third District Development Study (20,000 acres)	600	Purely government study Consultants invited		14,100	KFAED World Bank for construction
Fourth District Development Study (6,000 acres)	180	Purely government study Consultants invited		24,000	China for construction
<b>Public Corporation for Fish Wealth</b>				2,105	FAO for construction
Fishmeal/flour/oil — II includes purchases of 6 boats	7,723	Financed by Arab Fund. Will be designed by Dar Al-Handasa, Lebanon. Tenders have been invited for contracting.	<b>Public Corporation for Electricity</b>		
Cold Storage (1 unit of 30 tons, and 2 units of 60 tons)	900	Self financed. No consulting. Only construction and installation required.	25 MW Power station (Khormaksar)	6,000	Bank loan
Fish processing & cold storage (MUKALLA)	1,500	World Bank project. Designed by Canplan, Halifax. Contractors invited to prequalify.	5 MW Power station (Mukalla)	1,740	Arab Fund
Fish receiving station (SHIHR)		World Bank project. Designed by Canplan, Halifax. Contractors invited to prequalify.	Power transmission	2,330	Bank loan Consulting not required
Fishing harbour study	450	World Bank project study being done by Canplan.	<b>Public Corporation for Water</b>		
			Water distribution	4,500	Consulting not required
			<b>Ministry of Communication</b>		
			Small harbour near Mukalla (A650 ft. x 150 ft.)	5,500	1/3rd financed by Arab Fund. Consulting required
			Telephones (6,000 lines)	2,000	
			<b>Ministry of Education</b>		
			273 Schools	18,000	No allocation for consulting
			<b>Ministry of Public Health</b>		
			Extension of 8 Hospitals	510	Consulting not required. Construction and furnishings only
			Extension of 11 Health Units	810	No details

**MAJOR PROJECTS  
IN OMAN**

**Development Council, PO Box 881, Muscat**

Port Qaboos, at Mutrah  
Roads  
Military barracks  
New township at Medinat Qaboos  
Gulf Hotel  
Intercontinental Hotel

**Holiday Inn Hotel**

Rural water resources and supply to selected communities  
Co-operative development centres  
Health and malaria control centres  
Vocational schools  
Electric power generation and distribution

**Ministry of Agriculture, Fisheries & Petroleum Affairs,  
PO Box 551, Muscat**

**Fisheries**

Survey completed by Mardela Int'l., Del Monte, and FMC, of the U.S. — report completed but not published — main lines are long term development and marketing of fish and marine produce, and, as a major part of the research program, the training of Omani fishermen. Other parts of the program include:

- . modernizing fishing methods, including supply of modern fishing vessels;
- . cold storage, preservation and canning;
- . optimum exploitation of marine plants;
- . fishmeal.

Canplan of Halifax have offered consultancy advice. Theirs and other proposals are under consideration. No early progress likely.

**Sugar Plant**

Project postponed. Priority is given to hydrological survey, and initiation of development of underground water resources for irrigation of sugar cane plantation and for other agricultural purposes.

**Poultry farming**

Consulting required.

**Ministry of Commerce & Industry, PO Box 550, Muscat**

**Pre-stressed concrete**

Proposals invited for consulting and construction.

**Cement limestone blocks**

"

**Glassware**

Proposals invited for feasibility study, design and engineering.

**Cold storage and ice making plants**

"

**Footwear (shoes, boots, sandals of leather and rubber)**

"

**Wood furniture (Mass production of standard house and office furniture, and wooden doors and windows)**

"

**Table salt refinery**

Proposals invited for feasibility study, design and engineering.

**Matches**

"

**Liquid and dry-cell batteries**

Proposals invited for feasibility study, design and engineering.

**Waste refuse re-utilization**

"

**Plastics (consumer, household, construction, piping)**

"

**Cigarettes (from local tobacco)**

"

**Nails and screws (for metal and woodwork- ing)**

"

<b>Dry-dock for Muscat Port</b>	No firm information. Tenders will be called for feasibility and other studies.
<b>Petroleum refinery</b>	"
<b>Petrochemical complex</b>	"
<b>Gas utilization</b>	Consultants, designers, investors and developers are sought. Offers received under consideration, but no early progress likely. Proposals from Canada will be studied, whether for consulting or concession exploitation.
<b>Ore mineralization and industrialization</b>	No firm information. No early progress. Prospection Ltd. of Canada has made an important copper find and Noranda is presently in Oman to sound out the chances of participation.



## Gulf States: competitiveness counts

EMILE MAKLOUF, Commercial Officer, Beirut

The greatest oil and gas reservoirs in the world lie along the Arabian coastline of the Persian Gulf. Some fields are under the deserts on the mainland or the off-shore islands, and some lie under the sea itself. During 1974 these huge reservoirs provided a total income of about \$14 billion to Kuwait, Bahrain, Qatar, and the United Arab Emirates — the Gulf States.

With expanding government holdings in the operating oil companies, this income will be substantially greater by the end of this year. For a population of less than two million, the per-capita income is extremely high. With this accumulation of capital money and the determined drive to develop into a

trading and financial force, the area as a whole represents a particularly attractive market — and a growing

one — for Canadian goods and services.

### CANADA'S TRADE WITH THE GULF STATES (\$ million)

	1972	1973	1974
<b>Canadian exports</b>			
Kuwait	2.7	1.8	4.8
Bahrain	0.4	0.8	0.8
Qatar	0.2	0.4	3.5
United Arab Emirates	0.6	1.8	3.8
<b>Canadian imports (crude oil)</b>			
Kuwait	2.6	3.7	64.7
Bahrain	5.2	0.7	0.2
Qatar	0.6	—	—
United Arab Emirates	27.0	50.2	84.7

#### Kuwait

By the end of 1974 Kuwait had achieved 60 percent ownership of its oil industry, with full control the goal for the near future. This year, oil receipts probably will be about \$9 billion, leaving a surplus of \$6 billion over budgeted expenditures. For 1975-76, allocations in the order of \$1 billion have been made for

development and construction, including \$120 million for land appropriations — a classic Kuwaiti method of distributing oil royalties to the people. Several projects like the TV centre, airport terminal and five hospitals should be completed. Among the new ones will be an electric power plant, a new runway

for the international airport, some 30 schools and a sports complex. Tenders are being studied for a liquid petroleum gas project to cost an estimated \$600 million and scheduled for completion in 1977.

Canadian consulting engineers are active in Kuwait. Services provided include master planning, design and implementation of projects such as the waterfront of Greater Kuwait, sea clubs, ferry terminals, boat harbours, public gardens and beaches.

Kuwait's enormous wealth has lent this small country an influence on regional economic issues out of proportion to its size and population. It makes heavy contributions to the financial resources of many international institutions, and provides generous assistance to other parts of the Arab world by grants and loans, the latter extended by the Kuwaiti Fund For Arab Economic Development, the Arab Fund for Economic and Social Development, and semi-private investment organizations. This assistance is also extended to other developing countries.

In the trading sector, Kuwait remains an open market for commerce and exchange, and imports virtually all of its requirements. In 1974, imports totalled \$1,087 million and are forecast to reach \$1,500 million in 1975, roughly \$1,500 for every inhabitant.

#### **Bahrain**

This tiny island has the distinction of being the first Gulf state to have struck oil in commercial quantities — in 1932. Its concessionaire, Bahrain Petroleum Company, is registered in Canada. But decreasing oil reserves have prompted an emphasis in the last five years on the utilization of immense gas resources in an industrial context, and the first major undertaking is ALBA-Aluminum Bahrain's aluminum smelter producing 120,000 metric tons of ingot a year. Plans are being made for an extension of this facility, as well as the installation of an extrusion plant. The Ministry of Finance and National Economy is

awaiting a survey by the World Bank of natural gas-based projects and this proposed development of LNG for export should be of interest to Canadian consultants.

Approval has been given by the Organization of Arab Petroleum Exporting Countries (OAPEC) for a dry-dock to be built in Bahrain to handle vessels up to 500,000 tons deadweight, and site dredging and a causeway are nearing completion. The Hilton Hotel is now in operation, and the Canadian contractors who built it are currently busy with a large hospital and a multi-storey commercial centre. Contracts have been awarded for a new power station and de-salination plant, port and airport extensions, while studies are underway for a waste disposal plant and a housing scheme comprising pre-fabricated and system building. A consultant has been appointed for a 30-mile causeway linking Bahrain to Saudi Arabia. Construction could begin in 1976.

Imports last year were valued at more than \$300 million. Development expenditures in 1975, it is estimated, will amount to \$100 million, with prospects for an increase in the near future.

#### **Qatar**

For Qatar, development continues in line with the Ruler's plan for economic expansion. With an oil income of \$2 billion, this country is able to keep a healthy balance of payments, with an even more determined push for growth, now that the government has announced its intention to take over the oil industry and has created the Qatar Corporation to handle all state oil interests.

Among the most important projects for the near future are a 600-bed hospital, a university, three additional power stations, a steel mill, a petro-chemical complex and the construction of an earth satellite communications station. Expansion of electrification in rural districts is making progress and advances have been made in airport development. Qatar's fishing industry is also thriving. With a

modern fleet of trawlers and up-to-date refrigerating and processing facilities, it now produces between six to seven tons of head-off shrimps daily. Plans call for increased production.

In 1974 Qatar's imports totalled \$220 million, of which machinery, building materials and foodstuffs accounted for more than half.

#### **United Arab Emirates**

Known previously as the Trucial States, the seven emirates of Abu Dhabi, Dubai, Sharja, Ajman, Umm Al-Qaiwain, Ras Al-Khaimah and Fujairah joined together in a federation in December 1971. Among other things, this unification has resulted in the formation of the UAE Currency Board and the issue of the UAE Dirham, worth about 25 cents.

Abu Dhabi is the largest and richest of these states, having the lion's share of the \$4 billion in oil receipts in 1974. It also bears the brunt of the federal budget, all of which it paid in 1974 — a total of \$250 million.

Dubai is the principal commercial and entrepôt centre. With its free port, oil production, and the construction of a dry-dock, it has all the characteristics of a booming economy though not in such a massive form as in Abu Dhabi. Total imports into Abu Dhabi and Dubai during 1973 amounted to \$850 million, mainly in machinery, textiles, household goods, building materials, foodstuffs and oilfield materials. In 1974, imports increased to \$1,380 million.

Until very recently, the other UAE states had only a traditional and impoverished economy based on fishing and pearling. All have now signed oil agreements and some oil has been discovered in Sharjah.

The UAE Development Budget for 1975-76 forecasts expenditures of approximately \$700 million. Priorities include hospitals and schools and a long-range development scheme focuses on such immediate projects as a sulphur recovery plant, LNG and LPG plants, an aluminum smelter and a number of small industrial plants. Other projects will include a new airport,

small fishing harbours, expansion of the sewerage scheme, roads, electricity and low cost housing.

### **Opportunities**

Canadian consultants have been active in the UAE and their demonstrated competence has paved the way for continuing penetration. The latest development is an agreement awarded to a Calgary company to build an LPG plant.

The Gulf States are cash markets, free of any import restrictions and, therefore, wide open to all comers. This naturally promotes an atmosphere of intense competition, but the quality and reliability of Canadian goods, equipment and services have created a reputation for Canada that stands high. Canada is an established supplier of automobiles, house appliances, lumber and oilfield equipment, as well as engineering. But its share is still small and can expand tremendously if the export community will take a greater interest in these markets.

## **Greece: new perspectives**

B.A. GAGOSZ, Commercial Counsellor, Athens

As you know, during the past several years, Greece has been the scene of political turmoil. Now, however, the inherent optimism of the Greek people has been justified and democracy has returned to its birth place. A civilian government under Premier Karamanlis came to power on July 24, 1974, and it was confirmed in elections held on November 17, 1974, which gave Greece the strongest freely-elected government in recent history. It is expected that the return to parliamentary democracy will re-establish the kind of professional management of the Greek economy which seemed to be lacking during the previous seven years.

The Greek economy reacted adversely to domestic and international conditions during the past 15 or so months. After experiencing high growth rates during the years 1969 to 1972, the economy started to slow down in the last months of 1973 and recession set in during the spring of 1974, deepening in the second half of the year.

When the Government of Premier Karamanlis came to power on July 24, 1974, the economy was in a recession, the rate of inflation was high, and the balance of payment deficit was large. A climate of uncertainty prevailed, aggravated by political events on Cyprus, as well as by adverse conditions and prospects on the international economic scene.

In 1974, for the first time in the postwar period, Greece experienced a fall in GNP while inflationary pressures continued. It is estimated that in 1974, GNP at factor cost fell by 2 percent, compared with growth rates of 9.7 percent in 1973 and 11 percent in 1972. At the same time the GNP deflator (consumer price index) rose by 29.6 percent in 1974 compared with a rise of 18.4 percent in 1973 and 4.7 percent in 1972.

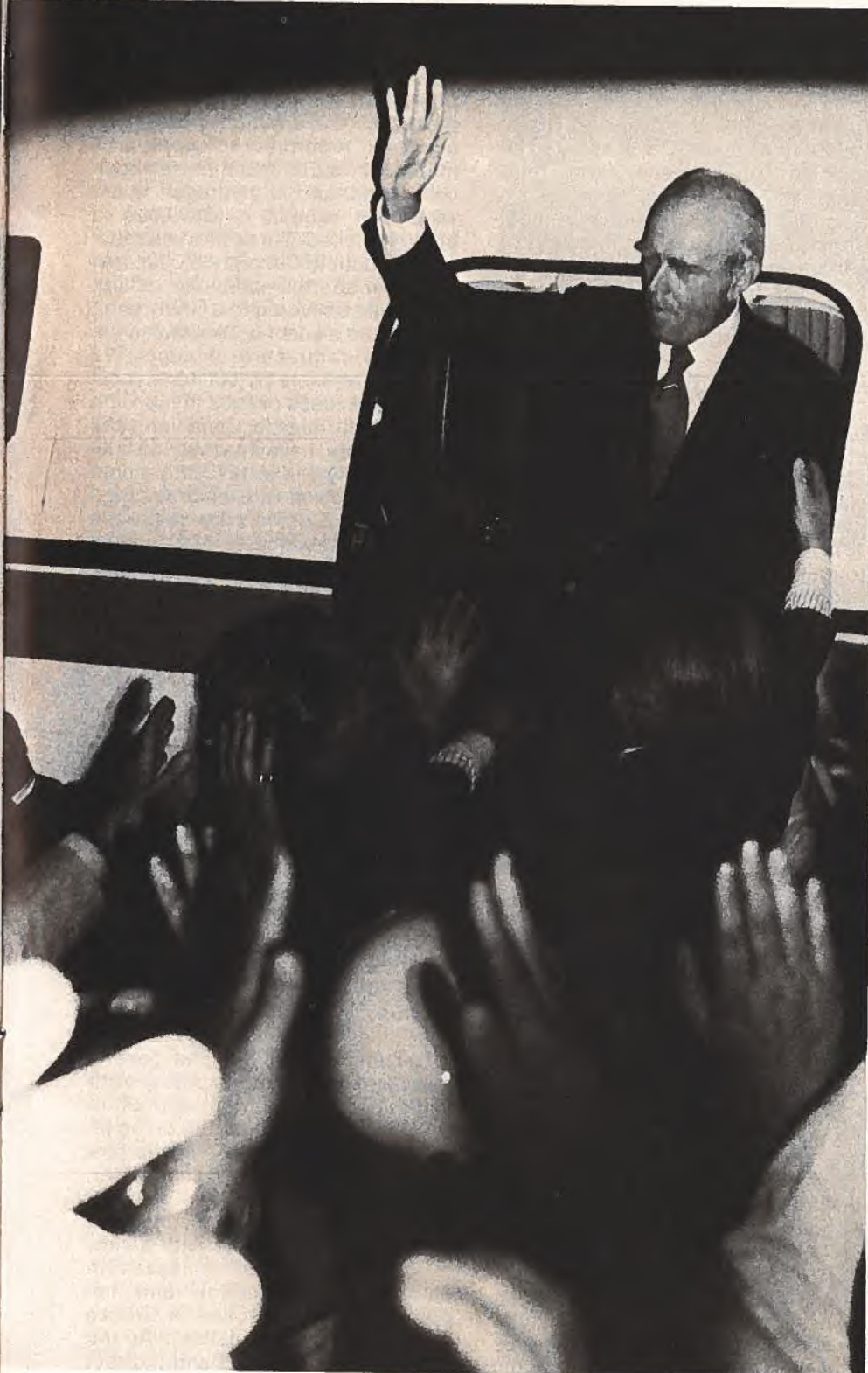
These developments were largely the outcome of economic policies pursued by the military regime, which encouraged economic activity, particularly in the industrial and tourism sectors, perhaps be-





*Greek Parliament Building.*

*Prime Minister Karamanlis returns to Greece, July 24, 1974.*



yond the limits of safe expansion, thus generating strong inflationary pressures. The abrupt imposition in 1973 of restrictive economic policies designed to slow down an over-heated economy, in fact pushed the country towards recession. Following on the heels of these measures were the oil crisis, a dramatically increasing import bill and a decline in the growth rate of invisible earnings due largely to the international economic decline and the events on Cyprus.

The 2 percent drop in GNP in 1974 stemmed from a 7.8 percent decline in real income from secondary production and a 1.9 percent drop in income from services. But the fall in income experienced by these two sectors was largely offset by a 12.4 percent increase in agricultural income.

The emphasis on industrial growth in the postwar period has resulted in basic structural changes in the Greek economy, producing an increasing reliance on the manufacturing sectors, accompanied by a decline in agriculture. The contribution of agriculture to GNP fell from 27.7 percent in 1958 to 19.5 percent in 1973 and at the same time employment in agriculture fell from 54 percent of the active population to 37.1 percent.

#### **International trade**

In recent years Greece's international trade has been characterized by a large and growing deficit in merchandise trade. During 1974, imports rose to \$4.7 billion from \$4 billion in 1973 and \$2.4 billion in 1972. As can be seen from the table, rapidly increasing imports have been a major contributor to a worsening balance of payments picture.

Improved export performance in 1974 assisted substantially in holding down a worsening deficit in merchandise trade. Furthermore, the economy's reliance on invisible receipts is illustrated by the significance of the \$1.6 billion inflow in 1974. Shipping remittances have been rising steadily and the Greek merchant fleet now amounts to

3,147 vessels, totalling 24,295,782 GRT, employing more than 100,000 seamen.

Tourism receipts, which grew steadily until 1973, dropped substantially in 1974 due largely to worsening economic conditions in other countries, increased costs of travel, and the uncertain political climate which prevailed. Emigrants' and workers' remittances which also grew steadily until 1973 reflect funds repatriated to Greece by emigrants in countries such as the United States, Australia, and Canada, and workers in member countries of the EEC (there were over 300,000 Greek "guest workers" in West Germany alone in 1973). The fall-off in 1973 reflects worsening economic conditions in host countries for Greek emigrants and guest workers.

#### **EEC Association**

As an associate member of the EEC, by far the largest percentage of Greek trade has been with the Community and in 1973 imports from the EEC countries amounted to \$2 billion, or approximately 50 percent of total imports. Overall exports to the EEC amounted to \$551 million, or approximately 41 percent of total exports. With the accession of the Karamanlis government last year, the path has been cleared for renewed progress in the development of association between Greece and the EEC. Arrangements provided in the Association Treaty of 1961 (and frozen during the past seven years) are now open for implementation and expansion.

Some progress has already been made on tariff realignment and as of November 1, 1974, raw materials and manufactured goods not produced in Greece (listed under the 12-year dismantling scheme) enjoy duty-free entry from EEC countries. At the same time the Common External Tariff of the EEC now applies to non-EEC suppliers of these products. All other goods fall under the 22-year dismantling scheme and duty reduction from EEC countries has reached 36 percent of basic duties, with a further 8 percent re-

duction scheduled to take place on November 1. A second alignment stage to that of the Common Market External Tariff vis-a-vis third countries will also take place on November 1. By 1984, the Common External Tariff of the EEC will apply to all imports into Greece from third countries.

In addition, negotiations are continuing, aimed at harmonization of certain agricultural policies with the EEC. The Greek Government's aim is full membership in the Community as early as possible before 1980.

Another important factor in Greece's foreign trade has been her bilateral clearing arrangements with state trading countries, principally Eastern European countries. Two-way trade with these countries amounted to about \$450 million in 1973, of which imports amounted to roughly \$254 million. For the most part, Greece imported capital equipment and machinery in exchange for agricultural products.

#### **Trade with Canada**

Canadian trade with Greece has increased considerably in recent years and our exports in 1974 amounted to \$45 million. Major sales last year can be broken down into the following general commodity groups: agricultural and food products, \$4.8 million; industrial materials (metals and minerals), \$5.1 million; pulp and paper, \$3 million; ships, \$16.4 million; railway rolling stock, \$8.6 million; and aircraft, \$1.6 million.

Canada traditionally has enjoyed a favourable trade balance with Greece and the ratio of exports to imports is roughly 3 to 1. Nevertheless, Greece's export performance in the Canadian market has also shown substantial and steady improvement and in 1974 Greek exports to Canada amounted to \$18.8 million. Major Canadian imports included: agricultural and food products, \$3.7 million; metals and minerals, \$8 million; wines and spirits, \$0.8 million; textiles, \$2.3 million; and footwear, \$0.5 million.

Major Canadian successes of the

last few years include the sale of 30 locomotives valued at about \$13 million. An initial sale of two CL-215 water bombers for forest fire protection in Greece has been made and prospects for additional sales are excellent. A contract to supply a \$7 million newsprint machine has been concluded and a hydrogen plant valued in excess of \$100,000 is being installed. Three of the largest tankers built in Canada (80,000 tons) valued at approximately \$58 million have been delivered to a Greek shipowner, and a second Canadian shipyard has contracted to supply 12 dry-cargo vessels (17,000 tons each) valued in excess of \$265 million. On the agricultural side, Canadian seed potato sales have reached \$2 million annually and in 1973 shipments of feeder calves to Greece reached a high of \$4.5 million. These are the most visible examples of Canadian market penetration but advances have been made on many product sectors, thanks in large measure to EDC financing.

#### **The outlook**

Various indicators suggest that Greece will continue to experience economic slowdown through 1975. The chronic balance of payments problem, aggravated by an increased energy bill (the value of petroleum imports increased from \$387 million in 1973 to \$821 million in 1974) will continue to cause difficulties. Nevertheless, more optimistic forecasters and the government itself are predicting that during 1975 the GNP will move into the plus column.

In order to deal with the balance of payments problem, the government is encouraging export growth and import substitution. Agricultural subsidies and prices are being increased to stimulate domestic production, particularly of sugar beet, maize and livestock.

Additional taxes have been levied on petroleum products with a view to curtailing further increases in petroleum consumption and imports (premium gasoline in Greece now costs \$2.65 a gallon). At the same time, road taxes and indirect

taxes on automobiles have been increased to reduce imports. The mechanisms for checking and approving price increases on imported commodities will be strengthened.

Generally speaking, in merchandise trade the emphasis will be on expanding export performance while discouraging a continuation of the strong growth in imports which has been experienced during the last few years. Shipping remittances, which grew from \$600.1 million in 1973 to \$874.4 million in 1974, are not expected to grow as much in 1975. Additions to the merchant fleet under the Greek flag continue and at the end of March 3,147 vessels were registered, totalling 24.3 million GRT (Greek-owned ships under foreign flags which are insured under the Greek Seamen's Pension Fund totalled 1,284 vessels for 22.2 million GRT). However, the international slump in the shipping industry has resulted in some 70 tankers, including very large crude carriers (VLCC), being laid up.

Emigrants' and workers' remittances declined from \$714.7 million in 1973 to \$624.4 million in 1974. In large part this can be attributed to worsening economic conditions abroad, which have curtailed the disposable income of Greeks living outside Greece. Additionally, the number of "guest workers" employed in EEC countries, particularly in Germany, has begun to decline substantially from the high of 300,000 in 1973.

The government introduced a budget which it hopes will result in "conservative reflation" of the economy. Highlights include an increase in government ordinary expenditures by about 35 percent from Drs. 104.7 billion to Drs. 140 billion in 1975. Total government expenditures, including the investment budget, are being increased from Drs.127.5 billion to Drs.172 billion in 1975. The deficit forecast for 1975 is Drs.31 billion (approximately \$1.3 billion) and it is estimated that at least half of this deficit, about \$650 million, will have to come from foreign borrowings. In 1975, defence spending is expected



to exceed \$1 billion, representing approximately 25 percent of the government's total budget.

The increase of the overall budget deficit, to 6.1 percent of the estimated GNP, is largely due to the impact of inflation and recession. To increase revenues, new taxes have been introduced, including increased turnover taxes, stamp du-

ties and taxes on luxury items, taxation on petroleum products, new taxation on real estate and increased taxes on ships.

On the brighter side, a recent offshore oil find in the North Aegean (off the island of Thasos) has given rise to some optimism that the high cost of energy can be offset by domestic oil production. The find

will be exploited commercially (estimated at 50,000 barrels per day) and optimistic forecasts indicate that Greece may be in a position to satisfy 50 percent of its crude requirements within a few years. Should the North Aegean prove to be a major oil field, Greece could be facing another economic boom.

**Greece — Balance of International Payments**  
(U.S.\$ millions)

	1972	1973	1974
<b>Imports</b>			
Foodstuffs	292.8	756.8	585.4
Raw materials	456.4	724.5	951.8
Fuels	216.9	413.5	863.5
Capital goods	785.4	1,163.9	1,257.8
Manufactured consumer goods	640.2	948.2	941.3
Unspecified (mostly freights)	15.2	23.9	35.5
<b>Exports</b>			
Foodstuffs and beverages	224.5	366.5	403.3
Tobacco	116.8	88.3	158.4
Raw materials and semi-manufactured products	80.8	136.6	121.1
Ores and minerals	54.7	73.1	103.1
Petroleum products	16.7	46.4	123.5
Industrial and handicraft products	317.2	477.2	822.5
<b>Trade Deficit</b>	-1,605.8	-2,816.7	-2,885.3
<b>Invisible receipts</b>	+ 1,206.5	+ 1,628.6	+ 1,645.8
Tourism	392.7	514.9	436.0
Shipping remittances	435.6	600.1	874.4
Emigrants and workers' remittances	559.6	714.7	624.4
<b>Current account balance</b>	-399.3	-1,188.1	-1,239.5
<b>Official gold and convertible reserves</b>	1,003.9	1,016.2	903.7
(net change)	(+ 501.2)	(+ 12.3)	(-112.5)

# Bonds and guarantees: increasingly a part of international business

MICHAEL McLEAN, International Financing Branch

Canadian exporters often are faced with having to provide bid bonds and performance bonds for potential buyers of their products. Alternatively, the exporter may be requested to provide bid guarantees or performance guarantees. It has been brought to the attention of IT&C that some companies have had difficulty meeting these requirements. In particular, small and medium-size contractors, equipment suppliers, and management consultants, new to the export game, are not familiar with the assurance requirements which have become more common in international sales contracts. What I want to do in this article is to examine the nature of the instruments requested, and in doing so, provide direction for Canadians in dealing with these requirements.

The potential purchaser of Canadian capital equipment, having decided on his particular needs, will invite companies from around the globe to bid for the contract. At this stage he may request that all bidders provide bid bonds or bid guarantees along with their tenders. Having chosen a particular bid and upon entering into a commercial contract with a supplier, the buyer will often request a performance bond or performance guarantee and may even seek down-payment and progress payment guarantees for pre-payment made by him.

**Bid bonds** are provided by bonding companies whose role has been assumed by insurance companies. A bond is a three-party contract involving the principal (seller, contractor), the obligee (buyer, owner), and the surety (bonding company) and is almost totally peculiar to North America. Generally, the bid bond guarantees that if the bidder is declared successful he will enter into a contract with the buyer for the amount of his bid and under the conditions agreed to in that bid.

A default ordinarily results in the principal being liable for the difference between the amount of the bid and the next lowest bidder who qualifies for the contract. The initial amounts, up to the total of the

bond, are payable by the surety while the principal is liable for amounts in excess of the bond. In addition the principal is liable to the surety for amounts paid out on his behalf. It should be noted that no amounts are paid out by the surety without the approval of the principal. Should the principal refuse to release the funds no moneys are paid out by the surety until either the principal agrees or the matter is settled in favour of the obligee in the appropriate court of law.

As the bond concept originated in North America, it is not indigenous to most other countries. The bond's role as pre-qualifier, meaning that a surety backs not only financially — sound companies but firms believed to be capable of performing the contract, is not generally understood not accepted in other countries. The request for some form of guarantee is becoming more and more common and hence buyers in many countries are turning to bid guarantees.

**The bid guarantee** differs from the bid bond in several fundamental respects. The bid guarantee is normally provided by a bank rather than an insurance company. Should the buyer decide that the bidder has defaulted, the funds normally are surrendered immediately to the buyer — usually it is not necessary to prove default in a court of law. The bidder is liable only up to the amount of the guarantee.

Like the bond, a guarantee is a contingent liability to the issuer. In Canada the bank in question will issue a letter of credit to the buyer on behalf of the seller or will counter-indemnify a local institution which provides the guarantee. A guarantee is not to be confused with a "deposit", which implies the provision of cash or a form thereof, along with the bid, and thus requires the seller to pay an interest charge rather than simply a fee.

**The performance bond** generally guarantees the performance of the contract and protects the buyer against default by the seller. The terms of the bond are the terms of

the contract. As with the bid bond, the insurance company is usually liable only up to the amount of the bond, the seller is liable to the surety for any amounts of money paid to the buyer on his account, and no moneys are to be paid by the surety until proof of default has been established.

It is not uncommon for a performance bond to cover a warranty or maintenance period following the completion of the contract. Again, it should be noted that bonds are not accepted world-wide and as in the case of bids described above, the foreign buyer will more often request a form of guarantee instead of a bond. Whereas performance bonds covering 50 or 100 percent of a project are common in North America, guarantees in the international market place normally cover only from 2 to 10 percent of a contract and the fee structure for guarantees is normally higher than that for bonds.

**The deposit** is an alternative form of protection for the buyer. It differs from the guarantee in one important respect. Rather than being a contingent liability for which only a fee is paid, it is a cash outlay requiring the contractor to pay interest on the money borrowed for that purpose.

The use of a deposit may result in a repatriation problem resulting from the nature of the instrument, as the deposit must be repaid by the owner at the non-acceptance of the bid of the final performance of the contract. The seller has funds tied up which he must finance and from which he obtains no benefit. As opposed to the requirements of either a bond or a guarantee, no third party need be involved in the provision of a deposit. As deposits are less common in international business, that is about all that has to be said about them.

A contract signed by buyer and seller usually calls for a down-payment to be made by the buyer and may even specify that progress payments should be made by same during the construction period of the project. Our experience with Middle Eastern buyers indicates

that although they may be prepared to make these payments, they will often insist on back-up unconditional guarantees equal in value to the payments made to the seller.

The financial implications of the buyer's demand for guarantees are plain. The bank will issue an irrevocable letter of credit in favour of the buyer or counter, will indemnify a foreign guarantor for a fee and will reduce the line of credit of the seller in that same amount. In the case of pre-payment guarantees, what normally could have been considered zero-cost financing now will cost

the seller the fee for the letter of credit and a loss of financing dollars available from his line of credit with his bank. In addition, the buyer is no longer a risk for the amount of the pre-payments which results in a fundamental change in the business relationship.

This will be especially important in those cases where a significant part of the project is taking place in the buyer's country. It is thus up to the seller to become thoroughly familiar with the buyer before entering into a form of blank-cheque arrangement. Insurance is available through the Canadian insurance

brokerage industry to protect the seller against an unwarranted calling of the guarantee by the buyer but this facility has little or no effect on the impingement on the seller's line of credit and may prove too costly, especially in the case of pre-payment guarantees, when these represent a substantial portion of the contract value. For more information contact your IT&C Regional Office, or the International Financing Branch, Department of Industry, Trade and Commerce, Ottawa, Ontario K1A 0H5.

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## Automation and Canada Commerce

E.C. BUTTON, Assistant Director, Creative Services

Automation and *Canada Commerce*? Now in its 71st year of publication, *Canada Commerce* is taking on yet another new look — not just in the publication itself — but also behind the scenes. You will have noticed the magazine's changing appearance and improved content. There are even more less visible changes. The Office of Information and Public Relations, where *Canada Commerce* is produced, is introducing automation in a number of areas — mailing lists, surveys, word processing, text editing and even publications inventory. Some will affect *Canada Commerce* and eventually you the reader too.

Since June, we have been using the computer to look after the mailing addresses for *Canada Commerce*. Not only does it make the job a little easier, but we save some money that way too. Having the mailing list on the computer has other advantages — your editor

now knows a lot more about the readers, such as the provinces you live in and the type of commodity or service you are engaged in. This will help him to seek out and select material of more interest to you.

Our recent survey is being handled in part by the computer. Those of you who volunteered to be on "The Editor's Panel" and completed the lengthy survey are on a separate mailing list, so that it will be a simple, fast and inexpensive operation for your editor to reach you from time to time to obtain your opinions.

Another area where the computer may benefit readers of *Canada Commerce*, not to mention many other Canadian business people, concerns *Canada Courier*, the tabloid which promotes Canadian goods and services in the international marketplace. More than 200,000 subscribers in virtually every country in the world are on

the mailing list and this list is also on the computer, enabling us to provide ourselves, and our offices abroad, the ability to do small, selective mailings to individuals in specific geographic areas with specific commodity interests. This list is available to Canadian companies being promoted by *Canada Courier* and a number have already requested specific audience selections from our list for their own follow-up mailings. For more information, contact: Creative Services Division, Office of Information and Public Relations, Department of Industry, Trade and Commerce, Ottawa, Ontario K1A 0H5.

## Edmonton firm marks 25 years of service

Today it is the largest Oilfield caterer in Canada but Fortier & Associates had a modest beginning in 1949. The company started up when Mobil Oil asked Leo Fortier to provide catering and camp facilities for a drilling crew near Peace River, Alberta. Today, as board chairman of the privately-held company, Mr. Fortier can point to company operations ranging from Prudhoe Bay in Alaska to the High Arctic Islands and to the Norwegian North Sea.

The company has progressed from feeding approximately 20 men in 1949 in the one camp, to feeding 3,000 men a day scattered at 150 or more locations. This far-flung operation is controlled from Fortier's main base in Edmonton. Its more than 17,000 square feet of space consists of offices, warehousing, commissary, loading and shipping facilities. A self-contained butcher shop employs seven people at peak periods to ensure a continuous supply of premium-quality meat, selected, hung and cut to Fortier's exacting specifications. "One thing we are particularly noted for is the quality of our meat," says Doug Cox, the company's president.

In addition to this facility the firm has a trailer manufacturing and maintenance plant north of the city with more than 12,000 square feet of working space and there are hundreds of the units it builds dotted all over the North at exploration and construction camps. A 10-man sleeper built by the firm features spring-filled mattresses, individual closets, modern bathroom, shower and dining area, food storage unit, office space and recreation hall equipment with closed-circuit television equipment for remote areas. These facilities are normally first on the scene in any operation to feed and house the men working on the project.

Trailers are examined each April and the necessary repairs noted. Some units are brought to the Edmonton plant for major overhaul jobs while others are repaired at Dawson Creek or Peace River. Fortier has 25 service people either in the shop or in the field year-round.

The logistics of supplying these operations is a feat in itself. For every man in a camp, 10 pounds of provisions a day are required and these are shipped from Fortier's Edmonton headquarters. Depending on the camp's location, transport ranges from company trucks, river barges, tractor trailer convoys to helicopters and Hercules aircraft.



The cook in each camp, who is responsible for camp operations from Fortier's point of view, makes up weekly menus and orders the necessary supplies from the Edmonton base. "I would suspect the tool pusher, who is the boss of a drilling operation, would also have some input to the cook," says Mr. Cox. Surprisingly enough, considering the remote locations of most of the camps, 70 percent of Fortier's cooks are women. These include man and wife teams, with the wife cooking and the husband looking after the camp. But even single women like getting away from it all and come to work for Fortier. "A man and wife team can earn in excess of \$2,000 per month between them, with little or no expenses," says Mr. Cox. It is not surprising that good help is fairly easy to attract even for remote areas.

Fortier supervisors maintain stringent quality control and high standards in the camps — and the company attempts to have one supervisor for every 10 jobs. During the peak season the supervisor

checks each of the jobs every 10 days to two weeks. A lot of traveling is done by car and 10,000 miles a month is not uncommon. The supervisor on his visits discusses problems with each cook and maintains liaison with the client.

There are 70 to 75 permanent employees with an extra 250-500 casual staff in the field at any one time. In addition to its Edmonton headquarters, Fortier has offices and warehouses at Dawson Creek and Fort Nelson in British Columbia, Peace River in Alberta and sales offices in Calgary; Anchorage, Alaska and Denver, Colorado. With increasing oil exploration activity in the North Sea, the company is considering establishing an office in Aberdeen, Scotland.

"On an annual basis, Fortier derives 15 percent of its volume of business from the construction industry, with the remainder pretty well from the oil industry," according to Mr. Cox. During the summer months, when the oil industry tends to slow down, Fortier feeds approximately 400 National Parks employees a day in Alberta and B.C. "We are also operating a couple of camps in Utah," said Mr. Cox. "However, our major opportunities for the future still lie to the north. In Northern Canada, the possibilities are unbelievable with increasing oil and gas exploration, announced pipelines and the Tar Sands developments."

## Something to think about: for many death is a way of life

DAVID VIRTUE, Special Correspondent

The Western world is confronted daily with media evidence of the deaths of thousands of people by starvation, malnutrition and disease. Experts, at the World Food Conference in Rome, estimated that in the next eight months half a billion of the world's people face starvation and malnutrition unless additional relief reaches them. Twelve thousand people die of starvation every day and these experts predict a billion deaths in this decade.

United Nations estimates indicate that the starving nations of the world need eight million more tons of grain in the next six months to avert disaster. Some of that need is being met but a large deficit, which is literally the difference between life and death for millions, remains. More than any other nation, except perhaps the United States, Canada is in a crucial position to fill this famine-threatening gap.

Food for the Hungry, Canada, is making the attempt to reach out to the millions of unfortunates. Ron Allen, director of this new organization, believes that Canadians have a moral responsibility to alleviate suffering. "With our natural assets and standard of living, we can no longer ignore the many who live with so little," he says. With his headquarters in Vancouver, Allen will co-ordinate the national effort.



Ron Allen, Canadian Director, Food for the Hungry.





To facilitate overseas operations, Food for the Hungry will utilize local help in putting donated foods into the hands of the needy through reliable, selected field workers.

"There can be little question that an enormous job awaits us," says Mr. Allen, "and no single organization can meet the need." Allen sees several directions which can be taken: "First, increase Canadian food aid this fiscal year to fully utilize all existing surpluses. Second, we should never make political considerations the prime object in the allocation of our food aid. The food we give should go first to where the most people are starving."

Food for the Hungry Canada is closely linked with F.F.H. in the United States, headed up by Dr. Larry Ward, who has been described by evangelist Billy Graham as a specialist in alleviating the world's physical agony. Under Ward, F.F.H. in the U.S. has channeled, since its inception four years ago, more than \$4 million worth of food to Honduras, Bangladesh, West Africa and Vietnam. Mr. Allen foresees in the new Canadian operation: long-range, self-help food development projects; immediate response in times of natural disaster; food supplies stock-piled in strategic areas worldwide; and extensive researching and recording of agricultural data to effect co-ordination of programs and higher productivity.

Mr. Allen believes that our meat-heavy diet is enormously wasteful of the grains needed by the rest of the world. He says, "changes in our patterns and in our rate of food consumption can eventually free more foodstuffs for the hungry and a reduction in meat consumption of just 5 percent would free six million tons of grain."

He recognizes that changes in consumption patterns might not immediately create more grain for aid but reduced consumption, he says, would prevent the higher domestic

food prices that some argue would be the result of increasing our food aid. He claims that over time the altered patterns of consumption would produce a greater surplus for those in need.

One of the methods F.F.H. Canada will employ to fight starvation is the "Fight Famine '75 Appeal" based on a miss-a-meal plan to help the hungry. A penny will provide a meal for a hungry child overseas. A dollar means 100 meals, and a weekly gift of one dollar will add up to more than 5,000 meals a year. "They die one at a time," Mr. Allen says, "so let's help them one at a time." According to Mr. Allen, F.F.H. serves in 14 countries and raised \$1.4 million last year, including donated foods and cash, while spending only 7 percent on administration and 3 percent on fund raising — this, he said, puts his organization among the groups with the lowest overhead.



Dulal Borpujari (left), Asian Director, Food for the Hungry.

## Work two days for world development

A former director of Miles for Millions says Canadians should work two days a year for others and donate the proceeds to a world development fund. J. Duncan Edmonds, who is now chairman of an organization called Public Affairs International, says the work should be done on two Saturdays of the year that would be called Global Citizenship Days.

Mr. Edmonds says Canadians could charge about \$10 for each day's services and the money would be donated by their employer to the proposed world development fund. He also recommends that such public personalities as the Governor-General lend their names to the cause.



## They get letters . . .



Maybe you have read about Canadian Executive Service Overseas, better known as CESO (*Canada Commerce*, March 1973). If you have, you know that CESO is an organization that arranges for Canadian executives, retired or on loan from their companies, to work in developing countries on special projects. The executives selected to participate have either management or technical expertise and they spend their time abroad building or re-organizing specific industries. CESO funding comes primarily from the Canadian International Development Agency but there is some financial support from private sources.

CESO is doing very well these days and projects it has become in-

involved in have taken many Canadian executives and their spouses all over the globe. That their efforts are appreciated is clear when you read some of the letters that arrive at CESO's head office in Montreal. The following is a sampling of some of them. Names of the foreign companies are not used because CESO promises clients confidentiality.

**Nigeria:** "I'm sure none of us in this company is competent to comment on Stanley's capabilities — and I'm not being modest. But had he not come at the time he did, we would have lost the company entirely — and more. From the human point of view, he was our personal adviser as well. There is nothing more to say, except that we are exceedingly grateful to him . . ."

**Philippines:** "In a relatively short stay of less than three months at our Iligan fertilizer plant, Dr. Streight has done a commendable job of improving present operation and production of our sulfuric acid plant unit as well as determining the maximum acid production potential and recommending specific measures on how to achieve the latter. In the first few weeks, he was able to pinpoint and correct deficiencies in existing operation and maintenance practices and within the same period, he demonstrated a 6 percent increase in acid production with present equipment but with a higher SO<sub>2</sub> gas concentration and rigid observance and control of operating procedures. He then conducted an in-depth study

**Caribbean:** "Mr. Reese undertook a number of assignments, particularly related to quality control on our tube-making operation, wherein lies his special expertise. Already his assistance and advice have borne fruit. For example, he has been able to solve our problems with excessive cold working which caused our tubing to fall short on the elongation property requirement of the ASTM 500 standard. And he was able to systematize our sheet coil buying thickness specifications, which we estimate will save the company about \$18,000 a year."

**Malaysia:** "Besides showing us how to manufacture margarine and vanaspati, Mr. Wastle has also assisted us in improving the quality of our other products, such as clear cooking oil, edible whole palm oil and shortening, and has always been ready to give us advice, when needed. His patience and willingness to help will always be remembered and we hope that, whenever the need arises, we may be allowed to have his services again."

**Iran:** "As you know planning is not easy to organize in Iran and with your understanding of our methods and customs your assistance has been invaluable. It is certain that our progress in proceeding with the

of existing equipment design, process limitations, necessary alterations and additions with the view of ascertaining just how much additional acid production could be further achieved after making the recommended improvements. The expected increase is estimated at 20 percent over current attainment. We are now implementing all his recommendations and if we succeed in realizing the additional production, this will indeed be an outstanding achievement of much economic benefit to us and to our country as a whole, considering the critical need for maximum domestic fertilizer production in order to support the government food production program."

new factory would have been considerably delayed if you had not been able to prepare the layouts and drawings which we have found so useful."

**Malaysia:** "On the eve of Don Pringle's home leave to Vancouver, I wish to thank and express my gratitude to CESO in helping me in the planning of quarry works in Sabah. I wish to emphasize especially that Mr. Pringle has performed the project superbly. The results achieved by Mr. Pringle during his short tour in Sabah are such that I am requesting him to return, in his own private capacity, to render his services as my consultant for a further period."

**Nigeria:** "From what I have seen of him he has rare personal qualities difficult to be found in most people — he is in a class by himself. His advice is not only memorable, but very instructive and conducive to the progress of the hotels generally. He is hardworking and painstaking. He is amiable. He has a very good approach to people — which makes him an asset to the tourist industry. He has proved a great asset to his organization."



*Gordon Britton, formerly of Northern Electric, in the Philippines.*

**Brazil:** "He was very welcome to the plant and performed an excellent job, the management of that division having considered his visit very profitable. We would like to thank CESO for their co-operation and to congratulate Mr. Barton on his work at the Mariangela Plant. There have been considerable improvements in the areas of production, maintenance and organization, mainly as a result of his having called our attention to irregularities that were systematically corrected."

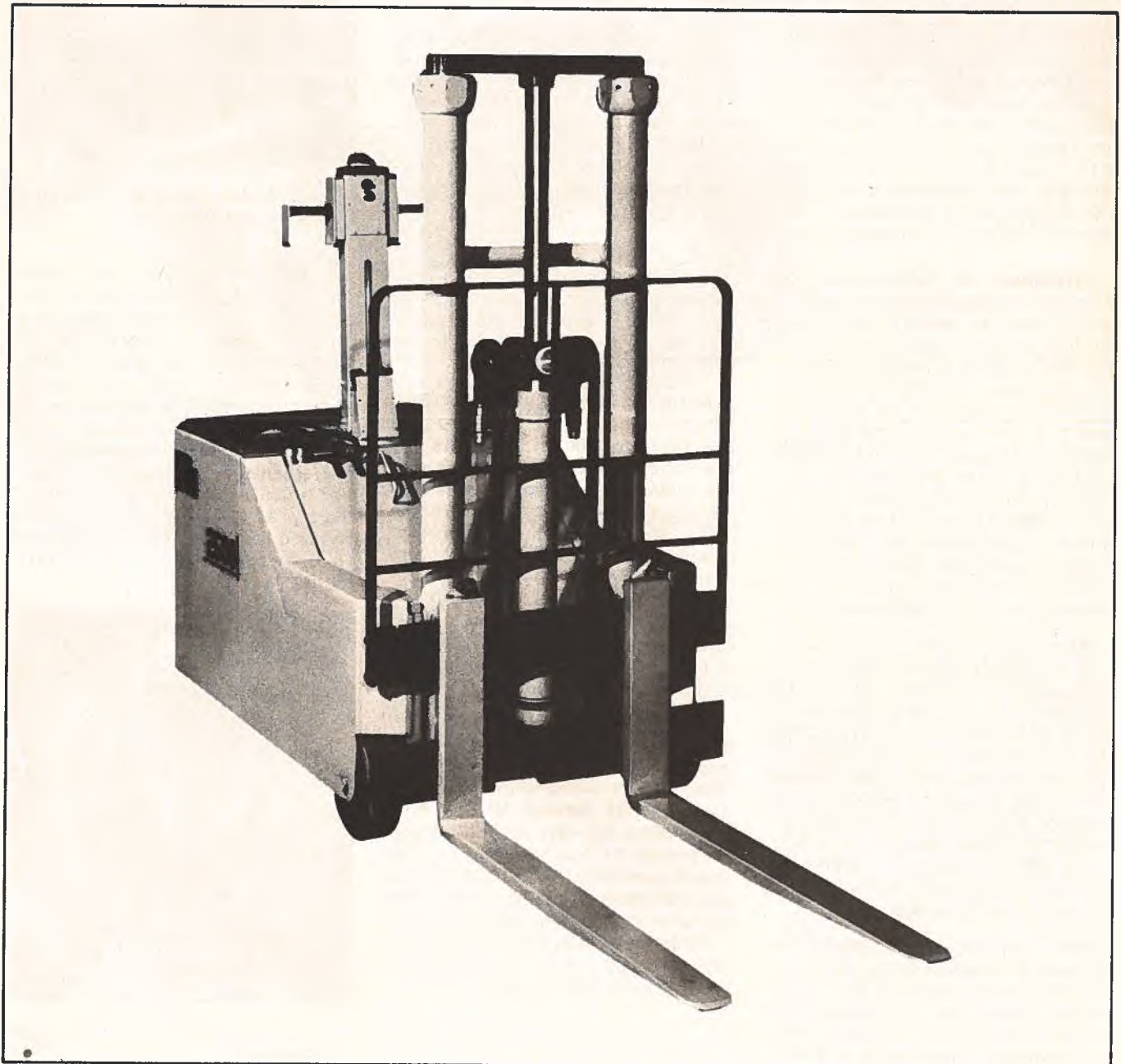
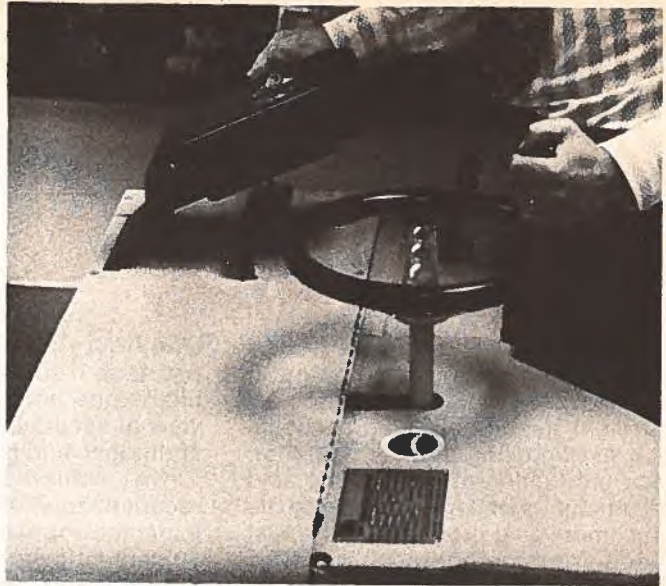


*Carl Whittemore of Belleville in Brazilian castings plant.*

## Spotlight on design

ATM Industries Limited of Malton, Ontario has developed a new concept in traction power. The Acromatic 2500 counter-balanced fork-lift truck has maneuverability, minimum dimensions and "remarkable" handling power for limited space situations.

All vital parts are enclosed for maximum protection and maintenance is simplified through use of solid-state components. The control configuration permits infinite speed variation but also ensures conservation of battery power. The design consultant was Lawrie McIntish.



# UPDATE

Foreign Exchange Rates  
Wanted Manufacturers  
International Projects  
Export Opportunities  
Foreign Tariffs and Trade  
Regulations



# Foreign Exchange Rates

Canada Commerce publishes these rates in order to provide a reference for currency fluctuations. Your banker should be consulted for up-to-date quotations. These tables should **never** be used in business transactions. When more than one rate is shown, the one to be used depends on the commodity traded. Information re: specific commodi-

ties may be obtained from the Department's International Bureaux in Ottawa. The mid-market rates only are quoted, except when buying and selling rates are specified. The buying rate is that at which banks purchase exchange from exporters; the selling rate is that at which banks sell exchange to importers.

Rates used exclusively in non-merchandise trading are *not* included in this table.

**Note: Because of unsettled market conditions exporters should consult their bankers for up-to-date quotations.**

Country and Currency	foreign currency unit in Canadian dollars	Canadian dollar in foreign currency units	Country and Currency	foreign currency unit in Canadian dollars	Canadian dollar in foreign currency units
Algeria Dinar	.2380	4.20	Ecuador Sucre (official)	.0402	24.88
Arab Republic of Egypt Pound (official)	2.6384	.38	El Salvador Colon	.4107	2.43
Argentina Peso (financial)	.0291	34.36	Fiji Dollar	1.2835	.80
(commercial)	.0367	27.25	Finland Markka	.2727	3.67
Australia Dollar	1.3397	.75	France, Monaco, etc. <sup>1</sup> Franc	.2372	4.22
Austria Schilling	.0570	17.54	French Pacific <sup>2</sup> Franc	.0130	76.92
Bahamas Dollar	1.0324	.97	Franco-African Republics <sup>3</sup> Franc	.0047	212.77
Belgium and Luxembourg Franc	.0272	36.76	Germany D Mark	.4032	2.48
Bermuda Dollar	1.0397	.96	Ghana New Cedi	.8947	1.12
Bolivia Peso	.0513	19.49	Greece Drachma	.0333	30.03
Brazil Cruzeiro (official free)	.1292	7.74	Guatemala Quetzal	1.0324	.97
Britain Pound	2.1975	.45	Guyana Dollar	.4444	2.25
British Honduras Dollar	.6078	1.64	Haiti Gourde	.2011	4.97
Burma Kyat	.2144	4.66	Honduras Lempira	.5134	1.95
Chile Escudo (commercial)	.0003	3,333.33	Hong Kong Dollar	.2094	4.78
(financial)	.0002	5,000.00	Hungary Forint (official)	.0869	11.51
China, People's Republic of Yuan	.4188	2.39	Iceland Krona (official)	.0067	166.66
Colombia Peso (fixed)	.0360	27.78	India Rupee	.1200	8.33
Costa Rica Colon	.1232	8.12	Indonesia Rupiah	.0024	410.00
Cuba Peso	N.A. <sup>10</sup>		Iran Rial	.0134	74.63
Czechoslovakia Koruna (fixed basic rate)	N.A. <sup>10</sup>		Iraq Dinar	3.4872	.29
Denmark Krone	.1747	5.72	Ireland Pound	2.1975	.45
Dominican Republic Peso	1.0324	.97			

Country and Currency	foreign currency unit in Canadian dollars	Canadian dollar in foreign currency units	Country and Currency	foreign currency unit in Canadian dollars	Canadian dollar in foreign currency units
Israel Pound	.1655	6.04	Philippines <sup>5</sup> Peso (free)	.1468	6.81
Italy Lira	.0015	666.68	Poland Zloty (fixed basic rate)	.2577	3.88
Jamaica Dollar	1.1356	.88	Portugal & Overseas Provinces <sup>6</sup> Escudo	.0410	24.39
Japan Yen	.0033	303.03	Saudi Arabia Riyal	.2850	3.50
Kenya <sup>4</sup> Shilling	.1379	7.25	Sierra Leone Leone	1.2371	.81
Korea, Republic of Won	.0024	404.38	Singapore Dollar	.3358	2.98
Lebanon Pound (free)	N.A.		South Africa Rand	1.4454	.69
Libya Dinar	2.777	.36	Spain & Dependencies Peseta	.0184	54.35
Malawi Kwacha	1.2280	.81	Sri Lanka <sup>7</sup> Rupee	.1534	6.52
Malaysia Dollar	.4135	2.42	Sweden Krona	.2410	4.15
Mexico Peso	.0821	12.18	Switzerland Franc	.3866	2.59
Morocco Dirham	.2448	4.08	Syria Pound (free)	.2711	3.69
Netherlands Florin	.3930	2.54	Thailand Baht (free)	.0502	19.92
Netheriands Antilles Florin	.5736	1.74	Trinidad & Tobago <sup>8</sup> Dollar	.4578	2.18
New Zealand Dollar	1.3091	.76	Tunisia Dinar	2.3590	.42
Nicaragua Cordoba	.1467	6.81	Turkey Lira	.0726	13.77
Nigeria Naira	1.4700	.68	United States Dollar	1.0324	.97
Norway Krone	.1905	5.25	Urguay Peso (free)	.0004	2,500.00
Pakistan Rupee	.1037	9.64	Venezuela Bolivar (official free)	.2398	4.17
Panama Balboa	1.0324	.97	Yugoslavia Dinar (official)	.0594	16.83
Paraguay Guarani (free)	.0080	125.00	Zaire, Republic of <sup>9</sup> Zaire	1.961	.51
Peru Sol (free)	.0225	44.44	Zambia Kwacha	1.3893	.72

1. Franc is also used in French Guiana, Guadeloupe and Martinique.

2. New Caledonia, New Hebrides, French Polynesia.

3. Chad, Central African Republic, Congo (Brazzaville), Dahomey, Gabon, Ivory Coast, Islamic Republic of Mauretania, Niger, Senegal, Upper Volta, Cameroon, Togoland, and Malagasy. Also Reunion, Co-

moro Islands, St. Pierre and Miquelon.

4. Rate also applies to Tanzania and Uganda.

5. Exchange rate in Philippines on floating basis with daily quotations by banks.

6. Approximately same for Portuguese territories in Africa.

7. Formerly Ceylon.

8. E.C. dollar, at same rate, used in Leeward and Windward Islands.

9. Formerly Congo (Kinshasa).

10. Rates not available at press time.

## Wanted: Manufacturers

This information is intended to promote additional manufacturing in Canada and is re-printed from the New Products Bulletin, published by the Industrial and Trade Enquiries Division of the Department. Further material on items listed is for Canadian manufacturers only and no responsibility is assumed for claims or statements made. Address inquiries, quoting item numbers, to: Industrial and Trade Enquiries Division, Department of Industry, Trade and Commerce, Ottawa K1A 0H5.

### Oil separation device

American company is offering the rights for manufacturing under licence in Canada its portable oil separation device. Constructed of plastic or fibreglass, the flotation device consists of a ballast compartment and a collecting compartment with flexible hoses for transferring the collected oil and water mixture to a separation tank. After settling and separation the clean water is discharged and the collected oil drained off for further use. The collecting device is submerged 1" to 2" below the oil slick to minimize water intake. It can be permanently anchored as a buoy in oil-loading areas for recovery of oil spills or deployed at offshore drilling operations. Literature available. **Item 3206**

### Filters

British firm offers under licence the Canadian manufacturing rights to its process filtration system which embodies a new concept of filter element, i.e. a permanent core and replaceable filter medium. The element has a stainless steel core over which the filter medium is placed and attached by clips to provide a 100 percent seal. The core is claimed to last indefinitely, while a range of low-cost replaceable filter media may be chosen to suit particular applications and to provide coarse, medium, fine or ultra-fine filtration. Filter media which may be used include cellulose and glass fibre papers, reinforced plastic membranes, felts, monofilament and multifilament fabrics. Literature available. **Item 3207**

### Modular multiplex housing for filters

British inventor offers under licence the Canadian manufacturing rights to his patented modular multiplex housing system for filters and other fluid treatment devices wherein each module can be independently and easily serviced while others remain on stream. A plastic housing system is available for the pharmaceutical, food, photoprocessing, electroplating and other industries. A metal housing with spin-on

element is provided for lubricating oils, hydraulic fluids and fuel lines in continuously operating machinery. A high pressure metal housing is designed for applications where loss of fluid or air ingress must be prevented. Literature available. **Item 3208.**

### Iceless ice skating surface

American company offers under licence the Canadian manufacturing rights to its synthetic resin system which produces a surface suitable for ice skating. When applied to concrete or like substrate the liquid resin becomes hard. With the addition of a special surface conditioner, it creates a low-friction gliding surface for ice skating, curling, hockey and other similar uses. A year around skating surface is provided without requiring refrigeration equipment, electricity or water. The material is claimed to be unaffected by sunlight or general climatic temperatures, and to have other applications in construction and manufacturing. Literature available. **Item 3209**

### Packaging system

German company is offering the Canadian manufacturing rights to its shipping and display containers for small articles. The cardboard parts are pressure die cast, extruded and deep drawn. The plastic parts can be produced separately from the cardboard parts and do not require mechanical joining. The containers are claimed to be lightweight, strong, beautifully designed and reusable. Literature available. **Item 3210**

### Lattice grid system

Swiss firm is offering the rights for manufacturing in Canada its lattice grids for ventilation and drainage. Owing to special sections, this new grid system permits speedy assembly without any workshop finishing. The cross bars, normally prepared in 2-metre elements, consist of three types of parts — the bearing rail, the taper pins and the gripping members. The grids can be assembled in any size desired merely by cutting the blades, and the admis-

sible loads are ascertained by varying the distance between the cross bars. It is claimed that this new system enables lattice grids of varying sizes to be produced at an attractive price with an appreciable saving in labour. Literature available. **Item 3211**

### Acid resistant cement

Russian state licensing organization offers a patented process for a cement additive which makes the cement resistant to sulphuric, muriatic, nitric, hypochloric, chromic, acetic, oxalic, lactic and other acids, hydrofluoric acid being an exception. The anti-acid protection is attained by adding cheap liquid glass to heat and fire resistant sodium and potassium silicate based cements. Cold acids penetrate this special cement to a depth of 2 to 4 mm; hot acids to a depth of 0.5 to 1.0 mm only. It is used to protect electrolyser baths, foundations, floors, etc. Use of the additive is claimed to greatly reduce costs and weight by eliminating the requirement for an acid resistant underlayer. Literature available. **Item 3212**

### Concrete tiles

British firm offers for manufacture under licence in Canada its process for producing concrete tiles. It is also offering the rights to manufacture the machine designed for producing these tiles. The machine incorporates an endless chain of moulds to which dry mixes of colour and concrete are added. Colour is restricted to the surface layer of the tiles. Compaction of the materials is done by vacuum. The machine is claimed to produce 180 to 250 tiles per hour. Any pattern is possible and the colours are practically limitless. The tiles can be laid after seven days. Literature available. **Item 3213**

### Esters for lubricating and tanning industries

British firm offers under licence the Canadian manufacturing rights to a number of esters in the fatty oil range of natural oils. These chemical specialties are used in the

preparation of products for the tanning and lubricating industries. The Canadian licensee will require an esterification plant. The British firm is also interested in obtaining manufacturing licenses from Canadian companies for oil drilling and production chemicals and other chemical specialties. Literature available **Item 3214**

#### **INVENTIONS**

The following manufacturing opportunities represent products and processes that have not been commercially proven. In some cases, prototypes have been developed.

##### **Removable partitions**

French inventor offers under licence the Canadian manufacturing rights to his removable office partition system which makes economical use of aluminum for posts and joining clips. This system is claimed to use four times less aluminum and to require less labour than conventional systems, and to satisfy any condition contained in specifications. Literature available. **Item 3215**

##### **Telescopic fishing net**

Canadian inventor seeks a licensing arrangement with a Canadian company for the manufacture of his telescopic fish landing net. This device features three solid net-supporting arms which expand from collapsed parallel position to form a triangle, firmly engaged with a handle. The hollow handle acts as a storage holder when the net is not in use. Anodized for resistance to the elements, the net incorporates a practical belt-loop to facilitate carrying. Literature available. **Item 3216**

##### **Electrical switch timer**

American inventor offers for manufacture under licence in Canada his electrical switch timer device for turning an electrical apparatus or electric light on and off at pre-determined times. The device replaces the conventional wall toggle switch, and provides a positive electro-mechanical means of opening and closing the circuit. The timer clock is reset without movement of the clock hand, but simply by sliding a circular plate. The device is claimed to be easy to install anywhere, using conventional tools and requiring no special skills. Literature available. **Item 3217**

##### **Vehicle parking system**

Canadian inventor offers under licence the Canadian manufacturing rights to his prefabricated automatic vehicle parking concept. This device's working parts consist of two large toothed rings affixed to the side walls of the parking enclosure. The rings are supported from below by a series of free rotating sprocketwheels and powered from above by a series of motorized sprocketwheels. A number of rotating platforms are pivotally suspended to the ring gears and allow vehicles to roll on and off at different parking levels. The device is operated with a minimum of electric power, and in an emergency by gravity. The inner circle of the rotating platforms can be utilized as parking space, thus providing a claimed increase in paid parking space of 40 percent over spiral driveway parking garages. Literature available. **Item 3218**

##### **Reading and recording device for microfilm**

Austrian inventor seeks a licensing arrangement with a Canadian company for the manufacture of his electronic data processing device for reading and recording of microfilm material for data storage. This invention enables the user to read and/or record microfilm outside the cathode ray tube by means of the electron beam which can be connected directly to a computer. Claimed advantages of this system are its low storage capacity requirement and the very high recording and reading speed. Literature available. **Item 3219**

##### **Combined letter-and-parcel boxes**

Swiss company is offering the rights for manufacturing under licence in Canada its three models of letter boxes which incorporate automatic-locking parcel boxes. These devices, which are intended to ensure efficient and safe distribution of letters and parcels, provide for an auxiliary box to be added to the letter box. The auxiliary box is fitted with an automatic locking system, operated by the parcel itself, the effect of which can only be cancelled by the addressee with his key. These combination boxes may be installed indoors or outside. Literature available. **Item 3220**

##### **Metal forming press**

South African inventor is offering under licence the rights to manufacture in Canada his multi-purpose

50-ton hydraulic metal forming press. This equipment can be easily adapted for bar or tube bending, shaft straightening, punching, shearing, cropping, etc. Stroke positions are easily set against a single scale. Tonnage control is provided and press overload is prevented by a maximum relief pressure. The press is claimed to be especially useful in trade schools, maintenance shops and small fabricating plants, or as a back-up in large metalworking plants. Literature available. **Item 3221**

##### **Humane animal death-trap**

Canadian inventor is offering the rights for manufacturing under licence in Canada his animal death-trap designed to humanely kill by strangulation or neck-breaking any creature that reaches the bait with its mouth. The trap is operational from any direction and incorporates a reversible spring which is adjustable for tension. Literature available. **Item 3222**

## International projects

### INDUSTRIAL CREDIT TO ALGERIA

The World Bank has approved a \$40 million loan to Algeria to increase production of construction materials and provide technical assistance for industrial investment.

The project will enable the Algerian Development Bank to develop a line of credit for small and medium-size industries mainly in the construction materials sector. It will support Algeria's Second Development Plan (1974-77), which has given priority to local production of construction materials to help meet a serious shortage of houses, schools, hospitals and other public buildings. A sevenfold increase in new investments in construction materials projects is intended under the Plan, to a total of DA 7 billion. Besides contributing to the state construction program, the project will provide materials required for rural housing. It will also enable the utilization of underemployed manpower in a labour-intensive industry.

### EAST MALAYSIA POWER PROJECT

The Asian Development Bank has approved a technical assistance loan of \$1,198,000 from its ordinary capital resources for the Tenom Pangi Power Project in Sabah, East Malaysia. The technical assistance loan will finance the foreign exchange costs of consultancy services for the preparation of detailed designs specifications and tender documents suitable for international competitive bidding for all work for the construction of a hydro-electric power station on the Padas River and transmission facilities in Sabah. This loan follows a detailed feasibility study, carried out under Bank technical assistance approved in September 1972.

**Implementing organization:** Lembaga Letrik Sabah

**Procurement:** Lembaga Letrik Sabah (LLS), Llu Pejebat, Peti Surat 452, Kota Kinabalu, Sabah, Malaysia

**Consultants:** (i) The consultants will undertake the preparation of detailed design and tender documents (ii) The consultants will be selected in accordance with the Bank's Guidelines on Uses of Consultants

### TELECOMMUNICATIONS IN FIJI

The World Bank has approved a loan of \$5 million to Fiji to assist in

the development of the country's telecommunications system. As a result of the project, Fiji will get better local long-distance telephone services and improved telex facilities.

There are several main features of the project. The capacity of local telephone services will be expanded by the installation of automatic switching equipment to provide 5,400 additional subscribers' lines together with cable; network and associated facilities. The project provides for the extension of long-distance services by the addition of radio systems and carrier equipment to improve interconnections between the main population centers and by providing new services to remote islands and rural areas. The Telex exchange will be expanded, and international services will also be improved.

**Implementing organization:** Government Department of Posts and Telecommunications, P.O. Box 40, Suva, Fiji

**Procurement:** The following items, which will be financed by the Bank, except consultant services and switching equipment (1.21 million) will be procured through international competitive bidding procedures in accordance with Bank guidelines: 5,400 automatic telephone exchange lines, expansion of trunk exchanges and international exchange, including installations; telephone sets, radio telephone equipment and radio base stations; cables and wires for local and trunk networks; microwave and UHF radio equipment; and consultant services. Purchase of the excepted items of equipment at reasonable prices will be negotiated with the supplier of existing installations. Of the switching equipment, 71% consists of extensions to existing exchanges while the balance is for one new telephone exchange.

**Consultants:** P&T will retain Messrs. Preece, Cardew and Rider to prepare bid specifications and the Crown Agents to assist in procurement. The total for these services is estimated at about 30 man-months.

### SINGAPORE ENVIRONMENTAL CONTROL PROGRAM

The World Bank has approved a loan of \$25 million to Singapore to help finance an environmental con-

trol project. The total project costs will be about \$55 million.

The project is one of the most important parts of Singapore's Environmental Control Program. It comprises the construction of an incineration plant at Ulu Pandan, the purchase of about 200 refuse collection vehicles and dump trucks, and staff training and consulting services. The incineration plant, which will be fully operational by early 1979, will be capable of incinerating an average of about 1,200 metric tons of refuse per day in three units. The plant will be intended primarily for the incineration of domestic and trade refuse, but will also be designed to handle oil and other industrial wastes.

Solid waste generated by domestic, commercial, industrial and other institutional sources in Singapore increased from 1,150 metric tons/day in 1969 to about 1,790 tons/day last year. Given the projected growth of the population and the economy, solid waste output is expected to increase to about 2,600 metric tons/day in 1980 and 3,800 metric tons daily in 1986.

In the keen competition for Singapore's limited land resources, the government has accorded high priority to industrial and residential use. As development progresses, less land will be available for waste disposal, although waste production will increase.

The government has considered alternative methods of disposal and has decided that under existing circumstances, incineration is the best solution. The incinerator will be located on high ground adjacent to the sewage treatment works in an area reserved for noxious or offensive trades and industries. Adequate safeguards against air pollution are included in the design to ensure that emissions will comply with the Clean Air Act of Singapore. The design also incorporates standard noise abatement measures. Before the plant is put into operation, the Government will establish a monitoring system to determine the effect of the plant's operations on the environment.

### DAIRY DEVELOPMENT IN TANZANIA

Tanzania's program for dairy development will be assisted by a \$10 million credit by the International

Development Association (IDA), an affiliate of the World Bank.

The IDA project will more than double annual output of milk on commercial dairy farms by 1987, substituting for the present high level of imported dairy products. It will also support Tanzania's efforts to establish village dairy units to provide milk for the rural population.

The project will include rehabilitation and expansion of commercial dairy farming on nine parastatal farms in five regions using some 6,000 cows. Farming models developed may be extended by the Government to other commercial farms in the future. Milk collection, processing and distribution will be improved.

In addition, a pilot program will develop dairy units in 50 ujamaa villages with a total population of 50,000 to provide a basis for widespread expansion of village dairy farming. Each village will increase the value of its production by about \$5,000 a year.

**Implementing organization:** Ministry of Agriculture, Dar es Salaam, Tanzania.

**Procurement:** International competitive bidding for equipment and furniture for contracts in excess of \$50,000. Government procurement procedures on contracts less than \$50,000 subject to a total limit of \$500,000. Civil works likely to be tendered locally.

**Consultants:** Internationally-recruited specialists will assist parastatal organizations.

#### **WATER SUPPLY IN URUGUAY**

The Inter-American Bank announced the approval of a \$7 million loan to help Uruguay expand and improve water supply systems in interior

towns with more than 5,000 inhabitants.

The loan, which was extended to the Republic of Uruguay, will be used by the Administracion de las Obras Sanitarias del Estado (OSE) the agency charged with providing water and sewage services throughout Uruguay with the exception of sewage services in Montevideo, the capital. The OSE will use the resources of the Bank loan to help provide 225 liters of water per person a day for 70 percent of the estimated population in towns of more than 5,000 inhabitants by 1980. The total cost of the project is estimated at \$10,220,000, of which the Bank loan will cover 68.5 percent and local sources the remaining 31.5 percent.

**Implementing organization:** Administracion de las Obras Sanitarias del Estado (OSE)

**Procurement:** International public bidding among Bank member countries on all goods and services imported with the resources of the Bank loan. National public bidding on domestic purchases except for the purchase of \$900,000 of fiber cement pipe which will be exempt from bidding.

#### **YUGOSLAVIA LENT \$40 MILLION FOR HIGHWAYS**

The World Bank has approved a loan of \$40 million to road organizations in three republics of Yugoslavia to help finance a highway project. The loan is going to the Republic Community for Roads of the Socialist Republic of Slovenia, the Association of Enterprises for Roads of the Socialist Republic of Serbia, and the Self-Managing Republic Interest Community for Roads of the Socialist Republic of Montenegro, with the guarantee of the Socialist Federal Republic of

Yugoslavia. It will assist in the construction and supervision of highway sections totalling about 90 kilometers in different parts of Yugoslavia.

**Implementing organizations:** Republic Community for Roads of the Socialist Republic of Slovenia, the Association of Enterprises for Roads of the Socialist Republic of Serbia, and the Self-Managing Republic Interest Community for Roads of the Socialist Republic of Montenegro. All communications should be addressed to: Savjet Republikih i Polrajinskih Organizacija za Puteve, Administracija, Titova 64, 61000 Ljubljana, Yugoslavia.

**Procurement:** Construction contracts on the basis of unit prices will be awarded in accordance with Bank guidelines. Prequalification procedures for all three subprojects began in June 1975. Bids for the construction contracts were invited in August and contracts are expected to be awarded in December 1975. The contracts will include price escalation clauses and are expected to be won by Yugoslav construction enterprises.

**Consultants:** The project includes 12 man-months of training and assistance for the staff of the Republican and Provincial Road Organizations and related institutes in the application of guidelines for the preparation of feasibility studies for major highways and in overall planning.

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## **Export Opportunities**

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The inquiries listed below come from several sources, including various Branches of the Department in Ottawa and the Trade Commissioner Service posts abroad. Exporters should correspond directly with the companies or agencies mentioned, using the addresses given, and should send copies of the correspondence to the Trade Commissioner for follow-up. The Department of Industry, Trade and Commerce cannot assume any responsibility for trade negotiations that exporters may enter into with these firms, nor can it vouch for their commercial standing.

#### **Books**

**BRAZIL** — A Brazilian book store is interested in distributing Canadian books on the following subjects: Administration, Economics, Art, Automobilmism, Aviation, Education, Physics, Photography, Psychology and related matters. Contact: Agencia Van Damme Ltda., Rua Da Bahia

1134, 3000-Belo Horizonte-MG, Brazil, giving detailed account of material offered, prices, delivery terms, etc.

#### **Chemicals**

**GUATEMALA** — Firm in Guatemala City would like to represent Canadian companies who manufacture

industrial chemicals. Contact: Comercial Lemar, 17 Calle 15-11, Zona 10, Guatemala City, Guatemala.

**UNITED STATES** — A Boston manufacturers' representative, with warehouse facilities covering six New England States, wishes to contact Canadian companies manu-

facturing plastic pipe and/or fittings, sizes PVC-DWV (drain waste and vent) schedule 40 from 1 1/4" to 6", polyethylene pipe 1/2" to 2", ABS-DWV pipe 1 1/4" to 6", CPVC for hot water 1/2" and 3/4". All above should be dual marked, i.e. manufacturers' name and approval (NSF), to be packed in cases, and prices quoted in U.S. funds, including the U.S. customs duty, c.i.f. Boston (trailer load shipments — maximum 3 stops per truckload). Contact: Consul and Senior Trade Commissioner, Canadian Consulate General, 500 Boylston Street, Boston, Massachusetts 02116, U.S.A. U.S.A.

#### **Equipment and Machinery**

**AUSTRIA** — An Austrian Import/export agency is interested in importing the following products from Canada: industrial anti-pollution equipment; specialized scientific apparatus; measuring instruments for quality tests; medical instruments and apparatus, including laboratory equipment; burglar, fire and smoke alarm systems; safety instruments against pollution, and anti-bugging devices. Contact: GESEMA, Puchstrasse 41, A-8020 Graz, Austria.

**CZECHOSLOVAKIA** — A Czech research institute of agricultural technology would like to contact Canadian manufacturers of all kinds of equipment for field experiments. Contact: Ing Josef Sedlacek, Vyzkumny Ustav Zemedelske Techniky, K Sancim 50, 163 07 Praha 6 Repy, Czechoslovakia.

**CZECHOSLOVAKIA** — A tradex foreign trade agency would like to get representation from Canadian manufacturers of noise control equipment, especially for large industrial enterprises using heavy machinery like presses, etc. Contact: Mr. M. Fiala, Deputy Director, Tradex, U Hadouky 9, 160 00 Prague 6, Czechoslovakia.

**CZECHOSLOVAKIA** — This country intends to construct a new plant for the production of asbestos-cement sheets and pipes of various sizes and is interested in importing the machinery and technology. Contact: Ing Pecha, Director of Internal Agency, Prazska 7, 88345 Bratislava, Czechoslovakia. Prices should include usual agency commission.

**CZECHOSLOVAKIA** — Equipment for the control of tightness of pipelines. Contact: Dr. V. Schillerova, Chief of Dept. for VTEI, CHEMO-PROJEKT, Stepanska 15, 111 85 Prague 2, Czechoslovakia.

**PHILIPPINES** — A Philippine company would like to contact Canadian companies who manufacture machinery for the production of aerosol valves. This equipment is to be supplied to the local canning industry. Contact: Mr. Thomas A. Gimenez, Vice President, Serv-Wel Marketing, Inc., 493 Shaw Blvd., Mandaluyong, Rizal, Philippines.

**PHILIPPINES** — An export/import firm in Manila requires second hand offset printing machines and rotogravure printing machines. Contact: Mr. Antonio Sy, World-Wide Commodities Co., Inc., P.O. Box SM-47, Manila, Philippines.

#### **Foodstuffs**

**SINGAPORE** — A firm in Jurong manufacturing Chinese sausage, who also import and export various kinds of food products, require a large quantity of fresh frozen pork fatbacks. Contact: Mr. Seit Wing Yun, Managing Director, Ideal Food Industries (Private) Ltd., 11 Hong Kong Street, Singapore 1, Singapore.

#### **Miscellaneous**

**BRAZIL** — Decalcomania paper. Contact: Maxicor Textil Industrial S.A., rue James Holland 633, 01.138 Sao Paulo — SP, Brazil.

#### **Musical Instruments**

**PHILIPPINES** — A Philippines company who manufactures and exports hand and machine-made classic guitars wishes to contact Canadian manufacturers of the following guitar parts: solid or standard sound boards, together with dimensions; rosettes; guitar strings and machine heads; frets; other guitar parts including parts for re-manufacture of electric guitars. Contact: Mr. Miguel L. Romero, Managing Director, Guitarmasters International, Inc., 10th Floor, Sarmiento Bldg., Ayala Avenue, Makati, Rizal, Philippines.

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## **Foreign Tariffs and Trade Regulations**

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### **Argentina**

The peso was further devalued on July 15 as follows: the financial rate of exchange was increased from 30 to 35.4 pesos to the U.S. dollar and the commercial rate from 26 to 28.08 pesos to the U.S. dollar. This is the third devaluation within a period of four months and is expected to be one in a series of mini-devaluations. The objective is to assist exports in being more competitive and to reduce imports.

### **Brazil**

The Customs Policy Council has announced the following tariff changes:

**Resolution 2404** of April 17, 1975 exempts from duty for six months anti-meningitis vaccine (tariff heading 30.02.01.99).

**Resolution 2406** of April 29, 1975 reduces the duty from 55% to 10% for one year on printed circuits of 3 or more plans of circuits (tariff heading 85.19.08.00) and electronic microstructures exclusively of rectangular form with more than 16 points, circular with more than 5 points and quadrangular (tariff heading 85.21.14.01), with no national similar, for use with automatic data processing machines.

**Resolution 2407** of April 29, 1975

reduces the duty from 37% to 15% for one year on a quota of 630,000 square meters, to be distributed by CACEX, of aluminum sheets or foil, of minimum purity of 99.5%, of lithographic quality, suitable for use in industrial processing of photosensitizing.

**Resolution 2438** of May 9, 1975 exempts from duty until March 31, 1976 acetone cyanohydrin (tariff heading 29.27.07.00).

**Resolution 2441** of May 22, 1975 exempts from duty until December 31, 1975 a quota of 50,390 tons of asbestos fibre, chrysolite quality, fibre length between 4A and 6D of

Canadian classification (tariff heading 25.24.02.00).

**Resolution 2450** of May 25, 1975 increases the duty from 15% to 45% for one year on ethylene glycol ethers (29.08.31.00), diethylene glycol ethers (29.08.32.00), diethylene glycol (29.08.34.00), monoethanolamine (29.23.03.00) and diethanolamine (29.23.04.00).

**Resolution 2451** of May 27, 1975 reduces the duty from 115% to 15% on chemically pure glucose and glucose syrup (tariff heading 17.02.01.01).

**Resolution 2452** of May 27, 1975 increased the duty from 20% to 50% on carbon tetrachloride (tariff heading 27.02.27.00) and from 30% to 60% on tetrachlorethylene (tariff heading 29.02.28.00).

**Resolution 2459** of May 30, 1975 exempts from duty vaccine for use against Marek's disease with or without the specific diluent (tariff heading 30.02.01.06).

By Resolution No. 331 of July 31, 1975 the Central Bank announced further import restrictions. The Resolution states that firms importing goods with applicable tariffs of 37 percent or more must deposit the full f.o.b. value of the merchandise with the Central Bank. The deposit will be returned after a period of 180 days. There are no provisions for payment of interest or for monetary corrections. The deposit requirement does not apply on imports financed by foreign organizations or on long credit terms; on imports essential for industrial expansion for which there is no

national similar; pharmaceutical products; antibiotics; oil seeds; fungicides, insecticides, etc.; purchases by Government agencies which are exempt from duty and goods financed by the foreign supplier.

#### Colombia

By Decrees 812 and 813 of May 2, 1975 the Colombian Government introduced duty increases and reductions on approximately 700 items. Information regarding the rates of duty applicable on specific products may be obtained from the Latin America Division Western Hemisphere Bureau.

#### European Economic Community

Canadian exporters of allmentary products should note that the E.E.C. has announced the temporary reduction or total suspension of the Common Customs Tariff on a number of agricultural items. These tariff reductions are in effect for varying periods, up to 12 months, depending on the product.

Some items of particular interest are as follows:

ITEM	PRODUCT	CCT	NOW
03.01.A1B	Salmon, fresh, chilled, or frozen	4%	free
03.02.C	Fish roe, salted or in brine	11%	free
07.05.B1	Beans, white, dried (phaseolus vulgaris)	4.5%	free
03.01.B1D	Sardines, whole, fresh, chilled or frozen	23%	free

Similar reductions are in effect on other products. For further details, please contact the European Bureau, Department of Industry, Trade and Commerce, 112 Kent Street, Ottawa, Ontario K1A 0H5; or telephone Area Code 613-995-9401.

#### Jamaica

The Jamaican authorities by Notice to Importers No. 2936 of June 30, 1975 have advised that import licences will be issued for a limited quantity of blankets. Quotas will be determined on the basis of imports of blankets for the calendar year 1973.

#### Mexico

The Mexican Government has decreed that effective July 14, 1975 all imports require an import licence from the Secretariat of Industry and Commerce. Previously, goods representing about 65 percent by value of Mexico's total imports were subject to import licences. Reasons given for the measures were: 1) the need to limit the export of funds required for national development and 2), the need to have a full understanding of all imports into Mexico

so that the Government can press forward with its programs of import substitution and job creation. The decree does mention however, that once the Government has a better picture of the import situation, they will be able to determine which products should be released from import licence requirement and which should be made in Mexico. No further details are available at present.

#### West Malaysia

Importing the following classified goods into the principal customs

area of the States of Malaya and into Penang Island from all coun-

tries is subjected to specific licensing and quantitative restriction:

Heading no.	Description of goods	Country
73 29 910	Chain and parts thereof, of iron or steel: Mild steel link chains	All countries

920	Transmission chains for motorcycles and timing chains for motor vehicles falling under heading No. 87 02 139 and 87 02 149	All countries
930	Track chains and links for tractors	All countries
940	Other	All countries

## Market facts for decision makers

Analyses of Canadian imports of a variety of products are available free of charge from the Import Analysis Division, Department of Industry, Trade and Commerce, Ottawa K1A 0H5. The following is a list of the latest

available. If you would like the Division to prepare an analysis for you, write to its Chief, or to the Industry Sector Branch that handles the product in which you are interested.

Report No.	Class No.	Subject	Period
28-75	377-65	Rayon-polyester broad woven fabrics	Oct. 1973 & May 1974
29-75	429-42) 720-44)	Fire extinguishers & fire extinguishing agents	July to Sept. 1974
30-75	423-89	Cellulose plastics	Oct. to Dec. 1974
31-75	524-14	Power chain saws	Oct. to Dec. 1974
32-75	209-49) 496-15)	Animal bristles	Aug. to Oct. 1974
33-75	921-34) 921-64)	Strings for musical instruments	July to Sept. 1974
34-75	509-85) 653-39) 697-69)	Hoods & aluminum filters	July 1974
35-75	800-89	Solidified alcohol for fuels	Oct. to Dec. 1974
36-75	634-77) 634-79) 918-13) 995-85)	Radio & TV commercials	May to Oct. 1974
37-75	377-67	Rayon man-made mixture broad woven fabrics	Oct. 1973 & May 1974
38-75	426-45	Food, drug & cosmetic dyestuffs	April to June 1973
39-75	377-69	Rayon mixture broad woven fabrics	Oct. 1973 & May 1974
40-75	589-99	Custom wheels	April 1974
41-75	885-52	Artificial limbs	July to Sept. 1974
42-75	452-23) 452-99)	Copper & copper alloy powder	Oct. to Dec. 1974
43-75	771-26	Cash registers	April to June 1974
44-75	377-73	Polyester-cotton broad woven fabrics	Oct. 1973 & May 1974

## And you think you've got trouble . . .

According to Reuters, the news agency, two dozen rare, yellow-bellied toads have halted construction of five houses in a new suburban section of Hildesheim, West Germany. The toads are protected by local law.

As a result, Hildesheim town

planners have had to re-draw their plans for an entire 50-house development and this is going to cost the town more than \$120,000. Yellow-bellied toads are so scarce they have been found in only one other pond in all of the State of Lower Saxony.

## Co-operation pact planned

According to *European Community*, an agreement for economic and commercial co-operation is "on the boards for Canada and the European Community."

The Community news magazine reports: "Following completion of exploratory talks, the Commission has requested permission from the Council of Ministers to negotiate such an agreement. It would be the first such agreement between the Community and an advanced industrial national outside Europe . . .

The principal objectives of the non-discriminatory, non-preferential agreement would be to promote development of European and Canadian industries, particularly in the raw materials area in which Canada is so rich; to co-operate in industrial technology; to explore new sources of supply and markets; to create new jobs; to share data and technology . . ."

Canada and the Community now have regular six-monthly consultations but these will be replaced by a planned EC-Canada Joint Committee.

## New shipping service to Guatemala

A new shipping service to Guatemala through the Port of Santo Tomás de Castilla, on the Caribbean side, has been arranged by Great Lakes Transcaribbean and Nopal

Caribe Lines. It consists of transshipment of cargoes at Kingston, Jamaica from Great Lakes vessels to Nopal ships, which supply Guatemala about once a month. For more

information, contact the Canadian Association for Latin America, 42 Charles Street East, Toronto, Ontario M4Y 1T4.

## Canadian cattle to Sweden

The first shipment of Canadian Herefords to Sweden flew out of Calgary on a Pacific Western Airlines cargo jet. The animals, 78 of them, were shipped by the Alberta Hereford Association to the B. Ragnarsson farm near Malmö.

Mr. Ragnarsson has been breeding Herefords for some time and has finally sold all of his Swedish stock in order to re-stock with Canadian Herefords. With this sort of work, Pacific Western is gaining recognition as the world's leading air carrier of livestock, according to airline officials.



## Corrections

The phone number of our Commercial Counsellor in Mexico was listed incorrectly in our last Trade Commissioner and Commercial Officer directory. Assistant Commercial Secretary P.A. Holton tells us it should be 533-06-10, Mexico City.

The telex number for the Canadian Embassy in Prague, Czechoslovakia should be 121061 and for Moscow, USSR, 7401.

## Grants to Lesotho

Canada will grant Lesotho up to \$972,000 this year for mineral exploration. Conditions are that Canadian services and equipment be used. An aeromagnetic survey of the African country, co-ordinated with work being done by UNDP, began in September and results should be known by next April.

## New name and logo

Monmax — H&G Services Ltd., of Calgary, Toronto and Montreal has a new name and a logo. According to Marketing Manager N.W. Plotke, the firm has expanded its capabilities in the process industries field and the new name — MHG International Ltd. should provide a more contemporary identification.

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## Directory for environment protection industry

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The directory, *Technological Yearbook for Environmental Protection*, is available by subscription from Eco Press SA, Florissant, 64, CH-1206 Geneva, Switzerland. It is published in four languages for circulation

in Europe, North America and Japan. According to its publisher it affords an excellent opportunity for Canadian manufacturers to promote their products, especially in Europe.

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## California Flammability Code: A challenge to Canadian suppliers

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DAVID F. COOPER, Consul and Trade Commissioner, Los Angeles

One topic on the minds of everyone having anything to do with upholstered furniture in the California market is the new Flammability Law. The law ensures that no upholstered furniture will be permitted to be sold unless it is fire-retardant and meets a number of stringent requirements set by the Bureau of Home Furnishings.

The regulations are contained in *Bureau of Home Furnishings Technical Bulletin Number 116* and *Bureau of Home Furnishings Technical Bulletin Number 117*. The regulations in *Number 117* specify which upholstery components must comply with the new technical standards: 1) resilient cellular materials (polyurethane foam, latex foam rubber, etc.); 2) non-man-made filling materials (cotton); 3) man-made filling materials (polyesters and other synthetics); and 4) upholstery fabrics.

It is estimated by the California Furniture Manufacturers Association (C.F.M.A.) that the price increase associated with the adding of flame retardancy to polyurethane foam will add about 20 percent to the cost. Low-density foam costs will be increased relatively more, which will result in higher prices for low-end furniture manufacturers than medium to high-end manufacturers. Current plans are to have all flame-retardant polyurethane foam colour coded to identify source.

Apparently, shredded polyurethane foam, whether fire retardant or not, will not of itself pass the test requirements of "117". The Bureau of Home Furnishings has successfully tested fire-retardant shredded foam encased in a fire-retardant bag or envelope and will soon release information on its

tests and develop a standard. The C.F.M.A. is attempting to have enforcement on shredded foam deferred until a satisfactory system has been developed.

Cotton suppliers presently have the ability to supply flame retardant cotton through the boric acid process. Best estimates are that complying cotton will cost between 2¢ and 3¢ per lb. more than non-complying cotton presently in use. The cost of flame retarding bonded polyesters is still unknown. Research is underway and there is optimism that techniques will be available to assure a sufficient supply of complying bonded polyesters.

Upholstery fabrics do not appear to present a problem. Most upholstery fabrics presently in use will pass the standards of "117". The exceptions are imitation furs and high-pile fabrics.

Special labelling will not be required but in order to identify merchandise shipped on or after October 1 (when the regulations took effect) manufacturers will be required to code their existing labels by imprinting "117 - 75" to indicate that the components of the labelled article are in compliance. The purpose of this coded identification is to enable wholesalers and retailers to distinguish goods purchased before and after October 1, if they are inspected by enforcement officers. A certification statement will also be required on each supplier's invoice.

Products may not be labelled "fire retardant" or "flame retardant" even though they comply with California's flammability regulations. Only furniture which will pass the complete open-flame

component tests, i.e. frame, filling materials, cover welting thread, etc. plus a cigarette ignition test of the finished product may be considered to be flame-retardant. Even so, there is doubt that the Federal Trade Commission will permit such labelling under any circumstances until there are Federal flammability rules.

### Enforcement procedures

The Bureau of Home Furnishings intends to conduct most of its inspections at the supplier level, although it will have the right to inspect at the manufacturing, warehouse or retail levels. Out-of-state and imported furniture and components will be inspected at the warehouse, wholesale and retail floor levels. Inspection may involve shipping a finished product to the laboratory in Sacramento for test purposes.

All imported upholstered furniture and components will be required to meet "117". For the purpose of enforcement, the California importer will be considered the manufacturer. The date on the foreign manufacturer's invoice to the importer will be the determining date as to whether the product must be in compliance with the new law. There is still some doubt if foreign imported furniture invoiced prior to October 1, 1975 is legally re-saleable in California after October 1.

### Exemptions

A bill (AB 2664) has been introduced in the California Assembly by the C.F.M.A. which, if enacted, would have the effect of giving the Chief of the Bureau of Home Furnishings the authority to exempt some items

of home furnishings from the coverage of the Act. Certain furniture commodities which are presently required to pass "117" obviously do not present an ignition peril, for example: dining and dinette chairs (not upholstered), headboards, folding chairs, and stools.

#### **Effects on Canadian suppliers**

Canadian suppliers of furniture and components (both residential and contract) will be forced to produce in compliance with the flammability standards of technical bulletins 116 and 117. This will result in increased costs of production for products destined to be sold in California.

Canadian manufacturers selling domestically and throughout the rest of the United States will have to

determine whether it is feasible to establish two separate inventories of materials (complying and non-complying) or to use complying materials for all their production. The latter is unlikely until there are similar Federal regulations as complying materials will definitely cost more and will put a supplier at a competitive disadvantage in markets outside California, where less stringent laws exist. On the other hand, the maintenance of separate inventories and the need to instruct and supervise employees in running twin production lines could mean additional administrative costs equal to the additional cost of full compliance manufacturing.

Local California manufacturers are already converting to complying

materials as of this writing, as are some of the out-of-state American manufacturers. Canadian suppliers are strongly urged to evaluate the situation and follow suit if they wish to continue marketing in California.

Copies of the technical bulletins may be obtained from:

1) The Department of Consumer Affairs, Bureau of Home Furnishings, 3401 La Grande Boulevard, Sacramento, California 95825;

2) The U.S. Division, Western Hemisphere Bureau, Department of Industry, Trade and Commerce, Ottawa, Ontario K1A 0H5.

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## **Picker picked for top prize**

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Picker X-Ray Mfg. Limited's Tomolex Table looks like another winner. In fact, it already is — having taken first place in an American Iron and Steel Institute competition. It was voted best design in the "Medical and Scientific Equipment" category.

The company says its Tomolex Table was designed to overcome some special problems in medical examinations requiring tomographic and radiographic studies of the human anatomy. Until this new product came on the market, apparatus available for this type of work was either very complex and very expensive or relatively low-cost and singularly awkward to use.

To simplify manufacturing and industrial design requirements common modules were designed. These

were made from 11 ga. cold-rolled steel with reinforcing braces. The table top, which presented the problem of supporting a patient yet providing a radiographic transparent area, required a frame made from 16 ga. folded cold-roll steel in which the rear was honeycombed for strength and the front reinforced by spot-welded 11 ga. folded steel. This provided the required strength to support a 300 lb./sq. ft. load anywhere on the radiographic surface.

There were several other innovations but because several patents are pending on the design, no details have been provided. The table was use-tested in a large teaching hospital and Picker officials say their new product is gaining wide acceptance.

What the new table had to have was this:

- 1) minimum patient to film distance;
- 2) float top table construction;
- 3) very easy table top movement;
- 4) automatic coupling and de-coupling for tomographic procedure;
- 5) common parts for various configuration and medical procedures;
- 6) parts to allow easier manufacturing;
- 7) configurations to be clean in design to allow easy access to the patient from all sides of the table;
- 8) ability to meet the required safety requirements for both patient and operator.


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## **NEXT MONTH IN CANADA COMMERCE**

**Cuba as a turn-key market**

**First word from North Vietnam**

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