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It Took TEAMWORK! — Page 16

Reports from Atlanta, Paris, Vancouver. . .

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Editor:
Anna Hibberd

Assistant Editor:
Bob McDonell

Designer:
Stephen Shewchuk

Correspondence to:
Canada Commerce (98)
Department of Industry, Trade and Commerce
Ottawa, Ontario, K1A 0H5

Telephone:
(613) 995-7489

The Honourable Herb Gray
Minister of Industry, Trade and Commerce

The Honourable Charles Lapointe
Minister of State
for Small Business

The Honourable Edward C. Lumley
Minister of State
for Trade

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Editorially speaking...

Did you pick up this magazine, look at the back cover first and flick forward from there? Lots of people do. If you are one, you will already know that Canada Commerce magazine is going monthly beginning September. If you are not, please read all about it when you get there!

Meanwhile we are delighted to report in this issue on the successful endeavours of Canadian companies at home and abroad — **Contract with China** (page 14) and **It Took TEAMWORK** (page 16). In both cases patience and persistence finally paid off. These are virtues pertinent to any business enterprise of çourse but they appear to have particular value when applied to sales efforts to countries of the Pacific Rim.

As we are about to go to press with this issue news is beginning to come in concerning the success of the trade mission to Australia and New Zealand in May. Our Minister of State for Trade, the Hon. Ed Lumley, was accompanied on that journey by 32 businessmen from across Canada. While some very large contracts were signed almost immediately, it will no doubt again take much patience and persistence on the part of Canadian companies to follow up and take advantage of the inroads made by the mission. (Our July Newsletter will carry more details). **Vancouver Report** (page 8) talks about the efforts being made in that IT&C Regional Office to promote the importance of trade in that direction.

It is essential that in our enthusiasm to break new ground we do not neglect our older established trading partners. The challenge of the seven southeastern states is reviewed in **Report from Atlanta** (page 1), while Canadian opportunities in the French marketplace for agricultural and farm machinery products is examined in **Report from Paris** (page 4).

A variety of other topics is presented in the following pages for your information and consideration but we are now about to take a breathing space in order to change our production gears to monthly publication. Please join us again in September!

A.H.

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John L. Stage (page 4)
L.C. Lozouet (page 5 bottom)
Lawrence Freed (page 11 top)

Challenge of the seven southeastern states

Although Canadian exports to this vast area of the United States have been increasing at an annual rate of more than 10 per cent and in 1979 amounted in value to some two billion dollars, the region is probably still one of the largest untapped U.S. markets for Canadian goods. That's the challenge discussed in the following...

Report from Atlanta

by Louis D. Burke
Consul and Senior Trade Commissioner

The Atlanta office is responsible for Canada's trade activities in the seven southeastern states of Alabama, Florida, Georgia, Mississippi, North and South Carolina and Tennessee. This region covers some 331,000 square miles (860,600 km^2), or almost 10 per cent of the U.S.A., and has a population of more than 30 million.

Together with the other "Sunbelt" states it is one of the fastest growing parts of the country. The influx of people from the northern U.S.A., Canada, Latin America and now also from Europe is reflected in the rapid population expansion of states such as Florida and in metropolitan centres such as Tampa, Fort Lauderdale and Orlando, Florida and Atlanta, Georgia. The Southeast has also been particularly successful in attracting new industry. The pro-business attitude of the governments, favourable tax and industrial incentives and good climate have been some of the factors instrumental in this. There also has been a gradual but continuous shift of corporate headquarters into the southeastern states.

It should not be surmised, however, that the whole region is one vast boom territory. It is not. There are still sections of the region that have not participated fully in this development and where the per capita income is well below the national average. Still it remains broadly true that the Southeast is thriving, that economic growth is likely to continue to flow in this direction and that because of its diversification (tourism, agriculture, industry, services) the territory will likely not be affected as much as others parts of the country if there is a continuing softening in the U.S. economy.

Here is a brief look at each of the seven states, the nature of their economies and what this means for Canada in terms of export sales:

Alabama is the major steel producing state of the South. It has ample resources of iron ore, pulp, oil and gas and its manufacturing industries include pulp and paper, chemicals, primary and fabricated metals, machinery and textiles. Canada's sales to Alabama in 1979 amounted to $200 million. Main items sold were iron ore and concentrates for the local steel industry, lumber, fertilizers, automotive parts and transportation equipment.

Florida tourism remains Florida's greatest single source of income. However, the state also has a wealth of natural resources including phosphate (now the principal export of Florida, having surpassed citrus products), forests, fisheries and, more recently, oil and gas. Florida is Canada's most important market in the area with nearly one third of total exports to the Southeast being sold there. Our exports to this state last year were valued at $540 million, made up principally of sales of lumber, newsprint, telecommunication equipment, transportation equipment and, interestingly, quite significant exports of such consumer items as pleasure boats, fresh meat, fish fillets and whisky.

Tourism remains Florida's greatest single source of income, with a not inconsiderable contribution from Canadians. Apart from Alice, Walrus, White Rabbit and the Mad Hatter, you may spot someone you know at this central Florida attraction.

(©Walt Disney Productions. 1979)

Georgia is one of the largest producers in the U.S. of mineral products and of pulpwood. Historically an agricultural state (cotton, peanuts, soybeans), farming is still a major business. Typical of the New South, however, Georgia's industrial products (apparel, automobiles, tufted textiles, poultry, furniture, chemicals, paper and paperboard) have surpassed those of her farm products in value. Canada sold Georgia $450 million worth of goods last year consisting mainly of lumber, automotive parts (for the GM and Ford plants here), pulp, office equipment, aerospace equipment and potash.

Atlanta is famous for its facilities for trade shows, trade meetings and conventions and the Georgia World Congress Center makes its own huge contribution. The 350,000 square-foot (316,000 m^2) exhibit hall can be subdivided to accommodate up to three separate exhibit functions, 32 separate meeting rooms and a 2,000-seat auditorium. Based on current bookings, the Center will host approximately 55 major trade shows and conventions per annum for the next decade.

Mississippi is one of the poorest of the U.S. states. However a program of industrialization has been underway for a number of years and the state now has shipyards, oil refineries, chemical plants, and other factories producing pharmaceuticals, pulp and paper products, furniture and clothing. Lumbering is an important industry and agri-business yields large crops of cotton, corn, peanuts, oats and soybeans. This is Canada's smallest market in the area with sales last year of $70 million consisting principally of lumber, pulp, combines, and automotive parts and engines for the sub-assembly plants in the state.

North Carolina this state's natural resources include forests and minerals. Traditional manufacturing industries such as tobacco processing, furniture making and textiles are being augmented by new developments in the areas of electronics, chemicals, paper products, metalworking and plastics. Canadian companies sold $270 million worth of goods to North Carolina in 1979 made up mainly of lumber, pulp, papermaker's felts, automotive parts, aluminum metal and alloys and fertilizers.

South Carolina has considerable areas of pine forests, commercial fishing and some mineral resources. Agriculture continues to be an important factor in the economy (tobacco, peaches, cotton, corn and soybeans). Manufacturing activities include textiles, apparel, paper, chemicals, processed food, furniture and machinery. Canada exported $150 million worth of goods to this state last year with construction machinery, fertilizers, materials handling equipment and synthetic rubber representing the main sales. South Carolina is another state in our territory where tourism is particularly significant and where we regularly sell such consumer lines as pleasure boats, foodstuffs and whisky.

Tennessee mineral resources are abundant. This state is America's largest producer of zinc and the South's only major copper producer. Forests cover more than half the state. Forest-related industries include sawmills, planing mills, furniture factories and pulp and paper mills. Other important industries are chemicals, electrical machinery, home appliances, textiles and apparel. Tennessee is the largest printing centre in the South, expecially for bibles and country-style music and Canada benefits from this through sales of substantial amounts of specialized printing paper to that industry. World-famous Tennessee Valley Authority has an on-going program of development of energy resources and a continuing requirement for equipment of all types. Canadian total sales in 1979 to Tennessee were $330 million and included as major items: lumber, pulp, newsprint, automotive parts, telecommunication equipment, chemicals, nickel and alloys and fertilizers.

World-famous Tennessee Valley Authority has a continuing requirement for equipment of all types. The Fontana Dam, highest concrete dam east of the Rocky Mountains, is on the Little Tennessee River in North Carolina and borders the Great Smoky Mountains National Park.

The Southeast is a large market, therefore, for Canadian products — and a growing one. Over the past two or three years, our sales to this area have been increasing at an annual rate of more than 10 per cent and in 1979 amounted to $2.0 billion. The region has also been described as probably one of the largest untapped U.S. markets that exists for Canadian goods. In attempting to step up trade promotion in the area we are faced with a number of problems and we have a number of advantages.

There are many items produced within the territory that are directly competitive with those we would like to supply from Canada (fruit and vegetable crops, commercial cattle, pulp and paper products, industrial materials, for example). Competition is very keen, surprisingly not as much from other countries as from other states and, finally, federal and state "Buy America" legislation can be a handicap in certain lines (although despite such legislation Canada recently won $72 million in orders for prestressed concrete components for rapid rail projects in Florida and Georgia).

Advantages in operating in this area include the well-established distribution and representational framework that exists for almost any item. The better agents and distributors are highly qualified and they know their customers. Consequently, there are few problems in the process of "offering" any type of product or service and getting a quick assessment as to its sales possibilities in the area. Canadian investment in the region is growing and the reasonably large number of Canadian firms now operating in the Southeast can be of assistance in providing information, contacts, or even in representing actual customers. Canadian banks are now also stepping up their activities here and can supply both assistance and, in many instances, financing. During the winter months there can be as many as 2.5 million Canadians visiting the area — an important factor if you are a supplier of a consumer item that is already known, or that can be developed, among this clientele.

We believe that opportunities for Canada in our territory are particularly promising for the following product lines: machinery for the pulp and paper industries; automobile parts and accessories; residential, office and contract furniture; electronic equipment for major defence contractors in the area and for private sector clients; telecommunication and related equipment; oil and gas exploration and exploitation equipment (in certain states) and supplies for the growing tourist trade in the area (recreational boats, meats, seafood items, gourmet lines).

Some of the programs that we have underway for these product lines that may be of interest to readers include:

Furniture:
The internationally-known Southern Furniture Mart will take place again this October in High Point, North Carolina, and Canadian firms will be participating.

Automotive parts:
We are organizing, as a major event, Canadian participation in the APAA Automotive Parts and Accessories Show in Atlanta in October, 1980. Thirty-five Canadian firms will be taking part in this show.

Forestry, pulp and paper equipment:
Calls are planned on all of the major clients in our territory for such equipment. Now is a particularly good time, consequently, for Canadian manufacturers of forestry harvesting, wood-lot, sawmill and pulp and paper equipment to contact our office.

Aerospace and defence-related equipment:
An important market for defence and aerospace requirements exists in the territory among specific clients such as Lockheed-Georgia Company (C130 aircraft and modernization of C5A and C141 and prime prospect now for CX Transport required for U.S. rapid deployment force), Gulf Stream American (business aircraft) and Warner Robbins Air Logistics Centre (logistics for helicopters, air-to-air missiles, C141s and C130s) — all in Georgia — and Ingalls Division of Litton Industries, Mississippi (destroyers for U.S. Navy, submarine repairs and off-shore drilling rigs), Charleston Naval Shipyards in South Carolina (supply centre and overhaul facilities for U.S. Navy), Arnold Engineering, Tennessee (testing of rockets and jet engines), Naval Training Equipment Centre, Florida (purchase of all training and simulation equipment used by U.S. Navy and Army) and Army Aviation Centre, Alabama (training of all helicopter pilots). We have an officer at the post who specializes in handling inquiries for such equipment and who calls on these defence establishments.

Pleasure boats and accessories:
One of several outstanding trade shows in the area is the Miami International Boat Show held annually in January. We suggest Canadian firms participate through IT&C's Program for Export Market Development (PEMD), or on their own. This post will support them in every way, since Canadian companies in the past have developed substantial business through the show.

We feel, however, that the key to effectively expanding our markets in the seven southeastern states even further is for Canadian firms to offer as many goods and services as possible. It is surprising what can be sold here. If a Canadian firm has a new or unique product, so much the better, but even if there are already several brands of a certain item on the market this does not mean that a new product cannot be successfully introduced. On the contrary, the American customer is used to being able to choose from several brands or varieties.

We recently put on a solo food specialty show in Atlanta, for example. Thirty-four Canadian firms participated and the reception was excellent. New representation or sales were secured for such lines from Canada as delicatessen meats, scallops, Chinese foods, pasta products, cod, perch and crabmeat. We also arranged a display recently, in the Consulate, of Canadian specialized hospital equipment. Potential agents were invited and arrangements are now being made for representation throughout the territory. Displaying in our Consulate offices is a good trade promotion technique and Canadian firms are invited to use these facilities.

We would encourage Canadian firms to write and tell us about their product. Normally, Canadian exporters do this reasonably well but it would help if the following points could be borne in mind:

When contacting our office, provide us with several sets of literature and specifications. Multiple sets are useful if we are to do a market survey in seven different states.

We need full information on the product, a summary of the firm's past business experience in this territory, channels of distribution used in Canada, delivery time, warranty offered, if any, and who the company's customers usually are in Canada.

Prices should be quoted f.o.b. U.S. border city and also, c.i.f. Atlanta, including U.S. customs duty, and quotations should always be in U.S. funds unless specifically requested otherwise.

Early in their export marketing program firms should get in touch with the U.S. Division, Western Hemisphere Bureau of the Department of Industry, Trade and Commerce in Ottawa and ask them for information regarding access for their product to the U.S.A. This is especially important if the Canadian firm's line is involved in any way with the food and drug or consumer product safety laws of the U.S.A. or similar legislation here.

Canadian exporters should normally think in terms of appointing an agent in this area, as compared to selling directly to customers. This is true even when the number of potential clients for any particular line is limited because local customers expect to be serviced by a resident agent and the Canadian firm will also usually need his local representative to deal with the continual competition that they can expect to have.

Canadian Consulate General
900 Coastal States Building
260 Peachtree Street
Atlanta, Georgia 30303
Tel: (404) 577-6810

France — a growing market!

Is your company in the farm machinery and equipment business? Interested in exporting to Western Europe? Consider France — that country imports close to 50 per cent of its agricultural machinery requirements. While the competition is stiff, there is no reason why Canadian companies cannot have a fair share of the market. Export opportunities are examined in the following. . . .

Report from Paris

by Hilary Woodhouse
Commercial Officer, Canadian Embassy, Paris

Hilary Woodhouse

As the world's second largest food exporter after the United States and as the largest agricultural producer in the European Common Market, France is Western Europe's biggest market for agricultural machinery and equipment.

For the past eight years the size of the farms in France has been steadily increasing due to migration from rural to urban areas. As well, rising prosperity has seen a rapid evolution in farming methods and the resulting demand for more powerful farm equipment.

In the years 1960 to 1974 sales in the farm equipment industry grew at an average rate of 6 per cent and, while French farms are relatively well equipped, there is a market for re-equipment.

The increase in the diversity of agricultural products has, in turn, given rise to an important and growing market for imported farm machinery and equipment. Cases in point: for every combine harvester sold, two are imported; and, of the tractors in use in France, 40 per cent are imported. Canadian farm equipment manufacturers are becoming aware of this and, as a result, are beginning to develop sales to the French market.

France is not only Europe's biggest agricultural equipment market, it is also the most varied, reflecting the broad range of agricultural products which France, because of its temperate climate, diverse topography and relatively large land area, is capable of producing.

Wheat is the country's most important single crop with barley, sugar, beet and fodder also being high on the list. Produced in quantities large enough for export are fruit, vegetables and wine. France is self-sufficient in the production of milk, butter and cheese and her livestock production is increasing.

Other important French products are: sugar and distilling beet, flax and hemp in the North; hops in Alsace; oil seeds, rape, poppy and olives in the South; flowers and herbs for perfumery along the Mediterranean; apples in Normandy and Brittany; plums and strawberries in the East; tobacco in the South-West and Alsace; and timber in the pine forests near Bordeaux and other regions near the Bay of Biscay and in the Vosges.

Derived from these resources are valuable commercial products: sugar and molasses; industrial alcohol; edible oils; perfumes; turpentine; beer; cider; tobacco; pit props; resins; wood; pulp and paper.

Grain produced is collected by farmers' co-operatives and by dealers with storage facilities. Retail outlets are then supplied with grain throughout the year.

Overall silo storage capacity has grown from 13.15 million tons in 1970 to 20.02 million tons in 1976-77. This represents an increase of 52 per cent and an investment value of 300 to 500 million francs a year. The Government VIIth Plan, which is perhaps overly optimistic, forecasts an increase in storage capacity of 6 million tons in the next five years.

Modern harvesting methods are creating a growing need for the drying and stocking of grain. Users are becoming more and more quality conscious and complete systems for handling and storage are becoming increasingly essential.

The Industry:
France's agricultural machinery industry is among the country's most important and ranks fifth by international standards — after Russia, the United States, West Germany and Britain.

In France there are 479 machinery and equipment manufacturers employing 44,000 persons. The size of the firms, however, varies greatly with as many as 377 companies with 50 or fewer employees.

These small, local firms cater to a specific demand — mostly for equipment adapted to special, local conditions.

The principal manufacturers are Massey Ferguson, Renault, International Harvester, Claas (Mercedes Benz), John Deere and Rivière Casalis.

One notable change in the industry is the manufacture of tractors which have significantly increased in size. In 1957 the popular size was 29 HP DIN. At present, tractors in the 50 HP to 80 HP range have 60 per cent of the market.

The farm owner now finds the 90 HP models to be the most worthwhile and specialists feel this size is likely to be the ceiling for quite a few years. Ploughs have also increased in size, from 512 kg to 600 kg, in the past three years.

The French industry has made remarkable progress but it remains scattered with many small manufacturers. The result is that it has not kept pace with the rapidly expanding market.

Canadian Opportunities:
Foreign equipment and machinery is widely known and accepted in France because half the products are imported. Customs tariffs and transport costs can sometimes overprice exports but a number of Canadian firms are already selling a wide range of equipment to the French market. Equipment with a built-in added value usually finds a ready market.

As last year's Canadian exhibitors at SIMA Agricultural Machinery Exhibition in Paris well know: opportunities for Canadian companies exist on the French market. Last year our manufacturers participated officially for the first time. The show laid

the foundation for the export of our agricultural machinery to France, to neighbouring countries and to North Africa.

More than 1,000,000 visitors attended the exhibition, including well-known Canadian firms and groups of agents/importers of Canadian companies from neighbouring countries. The British contingent was particularly strong with more than 30 agents/importers of Canadian equipment.

One exhibitor maintains he met his representatives from all over Europe. He also met a new Canadian client who lives virtually on his doorstep. This exhibitor and six other manufacturers returned to SIMA in March, 1980, knowing full well the market potential that exists in France.

It is difficult for a foreign manufacturer to compete effectively against the small firms which supply specific equipment for local conditions. More favourable opportunities exist for large, sophisticated equipment, as the half-dozen large firms are not able to satisfy the needs of the French market. In fact, 34 per cent of France's large scale complex farm machinery is imported.

The market is an open-minded one where a good piece of equipment or machinery will sell on its merits. It is a sector, too, where Canadian manufacturers with their experience and up-to-date machines are in a position to fulfill farmers' requirements on a country-wide basis.

While it is almost impossible to forecast precisely which machine or piece of equipment will sell best, a demand trend is evolving as farm sizes are now more constant. For instance, instead of concentrating on increased horsepower, manufacturers of tractors and combines will rely more on safety features, comfort, ease of operation, electronic monitors, and operating efficiency and economy.

There is a continued trend towards a better farm economy through crop residue savings. This includes the conversion of straw to feed supplement, manure and fertilizer management, minimum tillage, improved and monitored crop recovery in harvesting machinery, and a general reduction of waste on all levels of farming.

In other areas greater emphasis is being placed on irrigation, crop protection, farmstead mechanization and automation. Possibilities also exist in soil cultivation, seeders, cattle raising equipment, including the latest dairy equipment (but there is little scope for milking equipment).

Canadian farm equipment manufacturers interested in exporting to France should bear in mind that the scale of farming is smaller in the majority of cases and that small-to-medium-sized Canadian equipment usually corresponds to current requirements.

Opportunities for Canadian firms also exist through France's long tradition of

trade with francophone Africa — and the recent mini-recession has stimulated export activity in this direction. Indeed, export traders have expressed interest in Canadian-made harvesting and irrigation equipment for Africa.

Examples of these opportunities are many. In one case a complete farm turnkey operation in Iraq enabled a French subsidiary of a Dutch firm to supply stable equipment for 5,000 head of cattle.

Another instance occurred some time ago when a well-known Canadian manufacturer was in contact with a French consulting engineering firm responsible for a North African project. Here the interest was in Canadian soil cultivation equipment.

Sales Methods:
The French market can be approached in a variety of ways, ranging from direct sales, through various forms of licensing, to local manufacturing. Some of the more common approaches are:

- **Importer/Distributor who marks up 15 to 20 per cent on the price to the concessionnaire who, in turn, marks up 30 to 35 per cent on the price to the client;**
- **Commission agent working on a commission averaging 5 per cent and 10 per cent, depending on the equipment. There are, however, no hard and fast rules.**
- **Partial manufacture by a local manufacturer: An example could be a co-operation between a Canadian and French manufacturer in which the Canadian company provides the machinery and the French company builds the body work around it, probably selling the completed equipment through their sales network;**
- **Manufacture under license;**
- **Own manufacturing and/or sales subsidiary. This involves setting up a company. This post could provide information on the forming of a company in France as well as providing assistance in contacting official organizations.**

(Here it is interesting to note the size of France's distribution system: **The turnover in 1975 for the 1,500 concessionnaires and their agents was 15,800 million francs!**)

Co-operative industry arrangements:
Farm machinery is often bulky and costly to transport, especially to distant countries. Consequently, some form of industrial co-operation is often considered between manufacturers of complementary lines.

During the last Paris Agricultural Show several Canadian and French firms discussed the possibilities of reciprocal arrangements, manufacture under license and exchanges of technology in Canada. Possibilities were found to exist. Similarly, possibilities can also exist on the French market.

In the same way that the market is open-minded about buying foreign machinery, so, too, is technology — especially North American technology — appreciated by French industry. Canadian manufacturers should bear this in mind — particularly in light of the growing importance of industrial relations and technological exchanges between the two countries.

Special Market Considerations:
To compete effectively with foreign manufacturers of agricultural machinery and equipment, Canadian firms should ensure that sales literature and instruction manuals are written in French, for it must be admitted that Canadian equipment is not particularly well known in France.

It must also be realized that concessionnaires, dealers and potential customers in France have a wide range of domestic and foreign suppliers from which to choose. If an instruction booklet or repair manual were written only in English, it would almost certainly deter them from buying a Canadian machine.

In fact, the impression created would be that the Canadian firm was not sufficiently attentive to the French market and was indifferent to such necessities as back-up assistance and after-sales service. French, like Canadian companies, know that good installation of machinery and efficient after-sales service are of crucial importance — as is a good record of meeting delivery dates.

The general method of selling foreign agricultural equipment and machinery in France is through an agent or subsidiary company. Good agents are becoming increasingly difficult to find. Canadian firms should also consider forming their own subsidiary company or perhaps forming a joint venture with another firm selling or manufacturing complementary equipment.

The life of agricultural machinery under normal heavy use is considered to be 10 to 15 years and is usually written off at a rate of 15 per cent depreciation over seven years.

Customs Duties:
Soil cultivation and harvesting equipment is normally taxed at the rate of 4.5 per cent; milling equipment at 5.5 per cent; presses for wine/cider at 6 per cent; and fowl-rearing equipment at 5 per cent.

Nearly all agricultural equipment is in the 5 per cent region. In cases of doubt, the Commercial Services of the Embassy could advise or verify.

What it all boils down to is that France is a market with good opportunities for Canadian manufacturers — whose share in all sectors is greatly inferior to that of suppliers from the United States and Continental Europe.

This particular market needs constant attention by marketing executives WHO SPEAK FRENCH. If agents are appointed, it is essential — and on a regular basis — to visit the agents, their clients and potential clients.

In essence, foreign competition is strong but there is no reason why Canadian manufacturers cannot compete successfully in certain well-selected sectors.

From Barley to Bull Semen. . . Sauces to Seaweed Canadian Products Find Sales in France

Despite a certain amount of competition between the agricultural industries of France and Canada, Canadian exports to France are showing encouraging growth and the outlook is excellent for increased sales of livestock, grains, even frozen and processed food products. Francine Sarrazin, First Secretary, Commercial Affairs at the Canadian Embassy in Paris, gives some background on France's agricultural production and talks about Canadian sales prospects . . .

Agricultural production in France reached 144 billion francs (approximately $41 billion) in 1978 compared to 132 billion francs in the previous year. At the same time, food exports reached 55.4 billion francs and imports close to 54.3 billion. This surplus external trade balance of 1.1 billion francs rose to 6.7 billion in 1979 with a 15.4 per cent increase in exports; in the same period, imports increased by only 5.3 per cent. Seventy per cent of these exports are to the European Economic Community.

Although 95 per cent of exports are produced by 3,800 businesses in the agricultural food products sector, only 140 companies have export sales in excess of 35 million francs ($10 million). Based on 1978 statistics, the dominant characteristics of France's situation in 1979 were as follows: constantly increasing agricultural production; a very large number of food-related industries with business totalling 221 billion francs; export trade concentrated very much toward the Community; a balanced situation in terms of external trade; and incentives of all types to develop exports and provide assistance to weak sectors.

Despite a certain amount of competition between the agricultural industries of France and Canada, Canadian exports of food products have improved considerably, reaching $28.6 million in 1978 as compared with $16.1 million in 1977.

Canada's livestock sales in 1978 grew by 82 per cent (from $0.9 million in 1977 to $1.7 million in 1978) resulting from the export of 125 dairy cattle and an increased demand for poultry breeding stock. Also, Canada's participation in the Salon International de l'Agriculture in March 1979 and 1980 should result in increased cattle sales over the next few years, despite the high cost of the animals offered and progress in the area of artificial insemination. The Canadian poultry industry supplies France with 72 per cent of its imported goslings, 39 per cent of its pure-bred breeder chicks, 20 per cent of its pure-bred broiler chicks, 14 per cent of its young turkeys, and seven per cent of its fertilized turkey eggs. France's interest in poultry hatching and rearing should encourage Canadian exporters to renew their efforts to penetrate this market in the near future.

Canadian grain sales to France have increased by 170 per cent, from $6.2 million in 1977 to $16.9 million in 1978. One of the most significant factors here is the introduction of $2.9 million worth of Canadian barley sales (representing more than eight per cent of French barley imports in 1978), despite difficulties caused by Community tax levies. A large increase in hard wheat sales resulted in figures of $8.9 million in 1978 as compared with only $2.5 million in 1977. However, these Canadian sales still only represent 14 per cent of French import requirements. Linseed oil sales also expanded from $2.3 million in 1977 to $7.3 million in 1978 as a result of a drastic reduction in cereals. Canada now provides more than 50 per cent of French imports in this area and supplies the following percentages of French imports: seven per cent of its soft wheat, 69 per cent of its rye, 12 per cent of its seed corn, 20 per cent of its buckwheat, 22 per cent of its rapeseed, 80 per cent of its mustard seed, and 85 per cent of its clover. These percentages should improve in the future to the greater benefit of Canadian exporters.

The other agricultural products have had a more modest, 40 per cent, increase from $5.1 million in 1977 to $7.1 million in 1978. Increases were registered in the following areas: tobacco and cigarettes, leather and skins, bull semen (an increase of 228 per cent) and seaweed ($360,000 in 1978). There were reduced exports of cow cake and cattle feed. Canada is maintaining its portion of the market for horsemeat (16 per cent of French imports), pork offal (seven per cent), chicken livers (11 per cent) and industrial animal fats (15 per cent).

The grocery products sector is the only area in which exports dropped in 1978 (by 25 per cent, from $3.9 million in 1977 to $2.9 million). The main areas of decline were in milk products, fresh fruit (particularly table potatoes), dried fruit (–36 per cent), blueberries (no exports in 1978) and beverages (-33 per cent for whisky). On the brighter side, honey sales have increased by 184 per cent, from $0.45 million in 1977 to $1.3 million in 1978. As a result of an excellent pricing and quality policy and a superb trade organization, Canada now supplies 17 per cent of French imports of honey.

Sales of other products are also improving: deep frozen vegetables, particularly sweet corn ($240,000 in 1978 as opposed to $40,000 in 1977), canned vegetables, particularly corn, where Canada provides 15 per cent of all imports, peanut butter and maple sugar products. If we exclude potato exports, which were responsible for a drop of $1.9 million (and whose sales in 1977 should be considered as quite exceptional) altogether these goods represent an increase of almost $1 million. This should encourage Canadian exporters to redouble their efforts to sell to the French market, particularly dried fruit, lentils, honey, deep frozen vegetables (sweet corn and french fried potatoes), pet foods, dietary products, sauces and spices, and so on.

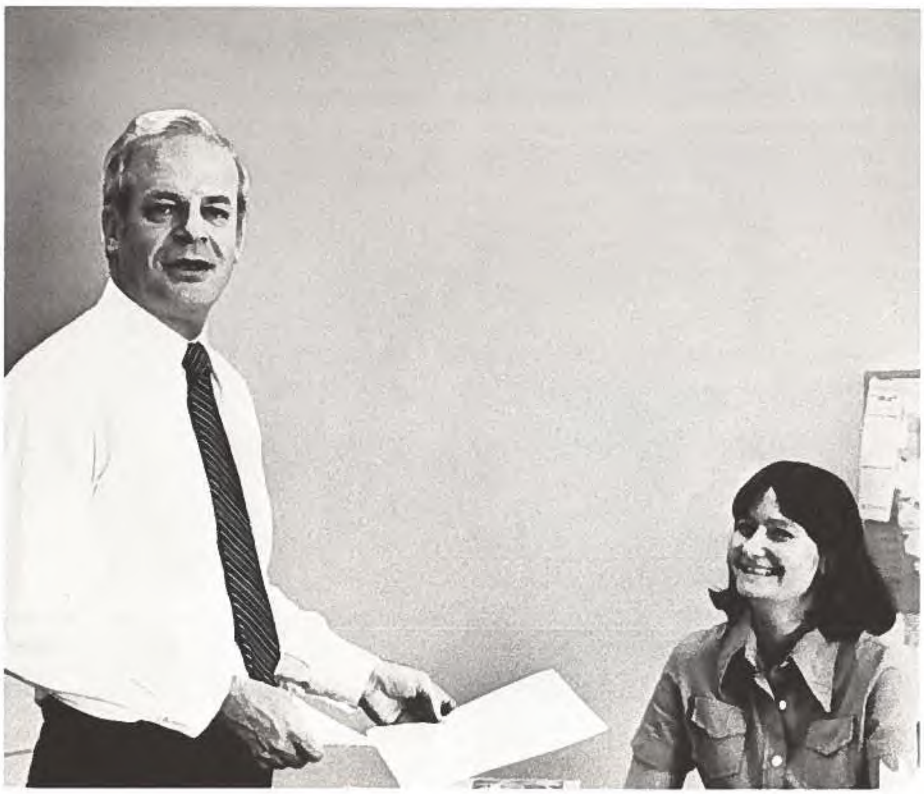
Even though the major portion of sales are of unprocessed or virtually unprocessed agricultural products, there are also sales prospects for processed food products on the French market, and these are beginning to be exploited by Canadian exporters.

As the agricultural food products sector has been identified by both Canadian and French authorities as one which offers opportunities for industrial co-operation, there will probably be sales in the technological area, agreements relating to production under license, and a number of joint projects and investments. Trade missions in this sector are being planned in France and in Canada for the current year.

Commercial Division
Canadian Embassy
35 avenue Montaigne
75008 Paris, France
Telex: (Area code 42) 280806

Vancouver Report

Elsewhere in this issue (FRIEND OF A FRIEND, Page 20) Commerce uses the true story of a Canadian businessman who came close to wasting a trip to Ottawa in order to illustrate the value of at least an initial contact with a local IT&C Regional Office. These ROs vary in size and manpower of course, but one thing they have in common — the desire and capability to assist the Canadian business person on the spot or by referral to the right person or organization. Bob Shaw, long-time Information Officer with IT&C in Ottawa, has recently been assigned to the B.C. and Yukon Regional Office and here takes us behind the scenes in Vancouver . . .



Regional Director-General Bob Dawson and secretary Sheila Norton. Dawson urges Canadian businessmen to recognize growing importance of trade with countries of the Pacific Rim.

"Go west, young man," exhorted Horace Greeley in 1850. "Go farther west, businessman,"exhorts Bob Dawson in 1980.

Greeley, as some people know, was the distinguished United States journalist who founded the New York Tribune in 1841 and then discovered the tremendous opportunities available to pioneers in the western U.S.

Dawson is the regional Director-General for the B.C and Yukon region of the Department of Industry, Trade and Commerce, who is aware of superb opportunities for Canadian companies to trade with Pacific Rim countries.

Regional Officers George Jung and John Wiebe confer in the busy Vancouver office.

But the activity in the Vancouver office goes far beyond mere exhortation. The 20 people on the staff actively encourage and assist B.C. business people to get out and sell the goods and services that are abundant in Canada's most westerly province.

The encouragement comes through services like the Program for Export Market Development (PEMD) and the Enterprise Development Program (EDP). During the first quarter of this year the Vancouver group approved 67 PEMD and 18 EDP applications, sending many businessmen scurrying across the Pacific and permitting others to improve products and facilities.

And then there are the visitors. . . In this case the Hon. Ed Lumley, Minister of State for Trade, who spent some time in the Vancouver Regional Office of IT&C before embarking on a trade mission to Australia and New Zealand in May. Here he is interviewed by Vancouver Sun reporter.

In addition, some 400 trade inquiries, both from within B.C. and abroad, were handled in an office where the telephone rang 13,650 times in three months and 11,893 outgoing calls were made in the same period!

There was also active liaison with the provincial government, with 40 meetings held between Vancouver regional office people and representatives of the province, jointly seeking to assist the exporter.

And then there were the visitors. During the first quarter 328 businessmen came to the Vancouver office seeking guidance. There were also 136 visits by federal and provincial government officials and another 34 visits by foreign businessmen and government officials.

But the office doesn't operate with a bunch of people sitting around waiting for somebody to call. The 10 officers on staff visited many plants and also arranged or took part in 13 seminars and conferences.

Then there were the trade missions. Thirteen high level missions came to the B.C. Region in the first three months and regional officers were active in arranging their programs. The office also helped to make arrangements for companies taking part in two outgoing missions.

The blizzard of paperwork handled in the office included 686 import permits and 104 export permits as well as the paper involved in processing program applications.

On top of all this activity was the work of the Business Information Centre, which opened for operation in April of 1979. The public was quick to catch on to the abilities of this two-person operation headed by Peter Fentiman. Inquiries run at the rate of 200 telephone calls per week plus 10 written inquiries and visits by another 10 individuals seeking direction.

There is also a branch of the Canadian Government Office of Tourism connected to the Vancouver regional office, headed by Art Fraser. The CGOT message is not "go west" but go east, or north, as long as you spend your vacation in Canada.

Through seminars for travel agents, public displays, direct mail, broadcasts and liaison with the news media, the CGOT story tells the public that in Canada there is "a lot to go for."

Inquiries pour into the CGOT office from the public, the trade, the provincial government and the news media at a rate of almost 400 per month and most of them are handled right in the Vancouver office with only a few referred to Ottawa.

It's a busy place, this Vancouver regional office — and it will be a lot busier as more and more people realize the growing importance of trade with countries of the Pacific Rim. Already Japan is Canada's second best customer and Australia is this country's fourth largest customer for manufactured goods.

The regional office staff is working to make sure that more and more people do realize the importance of what lies west of Vancouver Island and is prepared to handle the increased workload that will come as the Canadian businessman goes farther west.

Regional Director General
British Columbia and Yukon Regions
P.O. Box 49178, Suite 2743
Bentall Centre, Tower "111"
595 Burrard Street
Vancouver, B.C.
V7X 1K8
Tel: (604) 666-1434

According to one successful automotive parts manufacturer, Tridon President Don Green, "If you look at the GATT round of talks and all the newspaper articles that have been appearing in the last while — the trend will be free trade"* This means that the many opportunities of the 80s will belong only to those manufacturers who realize they can't continue to rest on the laurels of Canadian market concentration — that the future demands a commitment to export. . . .

Automotive Aftermarket Manufacturers Must Export to Survive. . .

by Lydia Huber

Two major events in the past five years have drastically altered the protective tariffs behind which Canadian manufacturers have prospered for the last 30 years.

In 1975, Canada, along with the other industrialized nations, voluntarily reduced its General Preferential Tariff on manufactured goods from the developing countries without reciprocity. The auto parts sector was affected more than any other because of one phrase — "one-third off the General Preferential Tariff or the British Preferential Tariff — whichever is the lowest." The British Preferential Tariff on aftermarket parts was zero!

This means that countries with highly developed auto parts industries — Taiwan, Brazil, Mexico, Korea, to name but a few — can export into Canada duty free.

To further add to this exposure, the recent Tokyo round of negotiations on the General Agreement on Tariffs and Trade (GATT) stipulate that Canada and other western countries must reduce their tariffs approximately 40 per cent over an eight-year period.

Starting January 1980, Canadian tariffs will begin to go down from 12 per cent to approximately eight per cent — this means that Japan, the European Economic Community (EEC) and the United States will find the Canadian market more enticing than ever. By the mid-eighties, those Canadian manufacturers who have traditionally considered the Canadian market their own territory, will be faced with fierce competition from lesser developed nations who are already exporting manufactured goods at competitive prices and quality.

The bottom line — new export markets have to be developed. First, a look at our closest market — the United States.

The Canadian International Automotive show (AIA) is a biennial event sponsored by the Automotive Industries Association. This year's show — held in Montreal — had a record 250-plus exhibits showing a wide variety of Canadian aftermarket parts, accessories, chemicals and service shop equipment and supplies.

***Taken from the recently released Royal Bank film "Export for Profit and Survival" — available through IT&C's Audio Visual Department (613) 996-8381.**

The U.S. Market

In the United States aftermarket parts and accessories total $34 billion — with 1990 projections calling for some $76 billion. There are seven different marketing regions. Most regions covered by the Canadian Trade Commissioner Posts represent a market as large as all of Canada. Tariffs on aftermarket parts average only four per cent.

Channels of distribution, more complex and sophisticated than those in Canada, dictate the use of manufacturer's agents, and there has been a significant rise in the number of "programmed distributers" such as NAPA, who now control more than 40 per cent of all the jobbers in the U.S.

The best way to penetrate the U.S. automotive parts market is to attend the many national trade shows such as APAA and ASIA, plus the many speciality and regional shows — backed by a sales network of manufacturer's agents.

Before shipping any product it's important that companies first establish the proper U.S. tariff classification and rate of duty for their products. This information is available in an IT&C publication called "Opportunities in the U.S. Aftermarket."

South and Central America

A new market area for Canadian automotive exporters is South and Central America — an area expected to grow two to three times the rate of the North American market in the next 10 years.

In March 1979 an IT&C market identification mission to Venezuela confirmed that importers and warehouse distributors were eager to buy Canadian goods. A common complaint that was repeatedly heard was that they never saw any Canadian manufacturers.

Earlier this year, a similar mission found the same type of favourable situation in Argentina — the vehicle product mix was different but the opportunities were just as attractive. Other government-sponsored missions are scheduled for certain Central American countries and Mexico.

Europe

Western Europe represents the largest single market for automotive parts in the world — it's expected to mushroom to some $75 billion by 1985.

Rebuilt parts are being recognized by the European consumer as a much cheaper method of repairing cars. Volkswagen recently finalized an expanding remission order under which purchases of Canadian parts are expected to reach $60 million in 1980. Other European vehicle manufacturers are expected to follow this lead — presenting even more opportunities for Canadians.

European tariffs have not been a deterrent — and many Canadian companies who are presently supplying aftermarket parts for European vehicles in the North American market, can, with minimum effort, supply Western Europe with the same products.

As well, the advent of the "world" car is instigating important European decisions which will affect the North American market.

Japan

Then there's Japan, a market which, in automobile production, is second only to the United States. Auto parts exports to Japan, which amounted to $200,000 in 1973 are expected to reach $10 million in 1980.

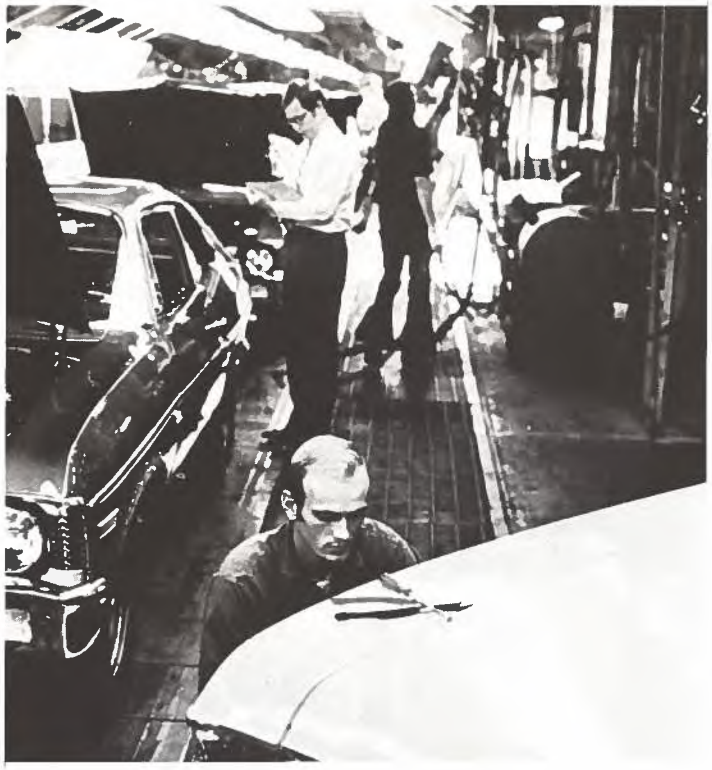
A handful of Canadian companies have penetrated this lucrative market — aided by the value of the Canadian dollar — by the recently approved expanded remission order, and most importantly, by patience and persistence.

Other market areas which have shown growing interest in Canadian products are Southeast Asia and Australia.

In all of these markets, Canadian products have the advantage of needing little or no adaptation to sell.

Canadian manufactured automotive parts are competitive in the international market and those companies which have been genuinely interested, from initial contact, through follow-up and persistence, have been successful.

A well-planned, long-term commitment is necessary — but the benefits can be tremendous. Here's what some successful Canadian manufacturers have to say about their export experiences. . . .



Brian Glynn, President, Tridon International

"I've been asked quite often what makes a successful exporter — and why one should export. It's obvious that in the economy of today, particularly the climate in Canada itself — to sustain growth one must find other markets. Those markets, naturally, must come from outside Canada. By spreading our risk of income to several countries, we alleviate the possibility of any major markets being responsible for a slowdown in our growth.

"Much has been said about the complexity of getting started in the export market. To be honest, the first two to three years we were learning how to conduct business in foreign markets. Initially everyone makes the same mistake — they underestimate the time it takes. In the early days we took advantage of trade missions sponsored by federal and provincial governments. In more recent years the availability of the PEMD (Program for Export Market Development) programs from the federal department of Industry, Trade and Commerce have assisted us also, not only in participation in trade missions as part of a Canadian manufacturing group, but participation individually in trade shows and international market exhibitions around the world.

"For example, within the last few years we've participated in trade shows around the world under the sponsorship of the federal and provincial export development programs. These programs are an essential part of feeling your way into an export market.

"The resources of Industry, Trade and Commerce and the branches of the commercial offices overseas are a very good source of marketing information. I believe that there has never been a more opportune time for Canadian manufacturers to approach the subject of export. Without export, it's quite obvious that Canadian manufacturers will not be able to survive in their own market."

Tridon manufactures windshield wipers, hose clamps and signal flashers. Its Burlington plant has expanded by 50 per cent and ships to more than 60 countries. By mid-1980, Tridon will have completed construction of its new plant for the exclusive manufacture of windshield wipers. Tridon has three major manufacturing plants overseas and five foreign subsidiaries. Its commitment to export is demonstrated in Tridon International, its exporting arm — which now offers other Canadian manufacturers a total overseas marketing package.

Joe Lewis, Vice-Chairman of the Board, Grant Brothers Sales Limited

"As a manufacturer in the automotive aftermarket in Canada for the past 30 years, I've never failed to export less than 25 per cent of my production. The opportunities are greater today, because, as Canadian manufacturers, we have a great number of advantages.

"We're one of the few countries in the world that package in the two commercial languages — English and French. We use the metric system — the standard for the automotive industry. We've one of the cheapest labour costs in the world — compare it with the two greatest exporting countries — Germany and Japan. We have some of the cheapest steel and our cost of energy is among the lowest in the world — less than one-half the cost in Germany and Japan.

"Canada has the finest Trade Commission Service in the world, and the federal department of Industry, Trade and Commerce has a thousand programs to help you . . . with cataloguing, with contacts, with trade shows. The federal government has an advisory council on exports in the automotive aftermarket — they're your representatives helping the government develop programs for export."

Bruce A. Sully, Champion Road Machinery*

"We have to educate the people — everybody — that it's terribly important that Canada does export. You have to be ready for what the marketplace requires in five years from now — it requires an investment today for the future.

"We specialize in building one product line — Canadians should realize that we can't be generalists — we have to pick what we're good at and be the best at that — and aim for that segment of the market.

"There are no great secrets in the export business. You have to get out in the marketplace — talk to the people and find out what's going on and what they're thinking. Learn their problems and then apply that knowledge to your business."

More information about the automotive parts market in general, and the many market opportunities available, can be obtained by contacting:

Automotive Parts Division
Transportation Industries Branch (53)
Industry, Trade and Commerce
235 Queen Street
Ottawa, Ontario, Canada
K1A 0H5
(613) 995-3201

What Is EDP?

One of the most enthusiastic proponents of IT&C's Enterprise Development Program is a private sector businessman — John G. McDonald Brown, vice-president of Ocean Limited of Windsor, Nova Scotia, and a member of the EDP central board. The Program, which helps Canadian manufacturing and processing through a selective system of grants and loan insurance, in fact owes much of its success to the business acumen of private sector members who serve on Enterprise Development boards right across the country. To explain further, Mr. Brown happily agreed to an interview with Commerce recently . . .

John G. McDonald Brown (left) at a recent meeting of the Nova Scotia Enterprise Development Program board in Halifax. Camera catches a lighter moment in the proceedings in this exchange with C.M. Forsyth Smith (right), regional director-general for IT&C and a member of the board. Looking on are W.B. Greenwood (second from left), acting chairman of the regional board, and businessman Michael Ponzo.

Commerce: *Perhaps you will give our readers a brief outline of the operation of — first of all — the central Enterprise Development board.*

Brown: Well, the central board consists of 16 members, eight from the private sector and eight from the public sector. For the most part, the private members represent a wide diversity of business expertise and regional backgrounds. In addition to myself from the Maritimes, our chairman D.N. Kendall and M.M. Koerner are from Ontario; E.S. Ondrack from Alberta and W.M. Murray Auld of Manitoba represent the Prairies; C.F. Murphy is from British Columbia and our vice-chairman A.C. Charron and P. Demers are from Quebec. The public members are from the Departments of Industry, Trade and Commerce — they have two members — Finance, Regional Economic Expansion, and Employment and Immigration as well as members from the Ministry of State for Science and Technology, the Ministry of State for Economic Development and the Federal Business Development Bank.

In operation the central board is called upon to study those applications which exceed the authority of the regional boards which are now limited to government assistance up to $200,000 for one company provided sales of that company are less than $5 million. Now that ceiling was raised last year from the previous one of $2 million. This means that while the *spending* ceiling has remained the same, the scope of the regional boards has been increased significantly and the delivery of the program to small businesses, particularly those located outside Central Canada, improved.

To better administer the large volume of projects involved with the program, the central board has created two panels — the Innovation Assistance Panel which has authority for projects requiring up to $2 million in contributions, and the Adjustment Assistance Panel of which I am a member with authority to approve projects which require up to $5 million in loan insurance. For larger projects and policy matters, the central board meets as a body.

Commerce: *As the member representing the Maritime provinces, I suppose you would see a greater need for such a program — realizing that business conditions are not as buoyant in the eastern provinces as they are in other parts of the country, for instance in Alberta.*

Brown: Of course, since the Maritimes are not as highly industrialized, we do not see the same volume of business either at the regional or the central board level as we do from the more highly industrialized parts of Canada. That is one reason why I am happy to see Commerce giving the program this publicity. For my own part, I am always available to speak on the program because I am thoroughly convinced that it is valuable and should be used to full advantage by those firms with a unique product or idea to develop and by those firms which are in a temporary bind because of the vagaries of the marketplace.

Commerce: *You were recently quoted in Halifax as saying that the Enterprise Development Program has fostered Canadian ownership in the manufacturing sector. Could you give us an example of this?*

Brown: While I can't name companies due to the confidentiality we try to maintain, I can give you examples of how this comes about. A foreign firm decides to close out a Canadian branch plant. Often, the reason has nothing to do with the economic viability of the operation but is part of the overall strategy of the parent company which may have decided to drop that product from their line — or perhaps have other places for their capital. Again it may be that top management finds the company takes up too much of their time. For whatever reason, the Canadian branch faces closure with the attendant layoffs, loss of revenue to the local economy and of taxes, family disruptions, increased social costs — all those factors which follow a plant closure.

If Canadian management, either from within the operation or another company with a similar or compatible product line is found to keep the plant open, the board, either regional or central, is willing to help with grants or loan insurance.

Commerce: *You have talked about the regional boards. Are these boards set up in each region of the country?*

Brown: In fact, there are ten of them, one in each province. I suppose they were called regional to distinguish them from a provincial government agency. Again, as in the case of the central board, each board consists of equal membership from the private and public sectors, but in this case there are six members, with the chairman and vice-chairman from the private sector and the public sector represented by a member from Industry, Trade and Commerce, Regional Economic Expansion and the Federal Business Development Bank.

Commerce: *We seem to have covered the basic make-up of the board. Perhaps you could now give us a brief summary of the type of assistance available and the amounts.*

Brown: Before passing over the composition of the boards, I would like to stress the importance of the private sector involvement in the program. As stated before, these members are all involved in their own businesses on a day-to-day basis and bring to the job their competence in a wide variety of fields. For example, our chairman, Doug Kendall, is an engineer, as are some other members of the board, and has the technical expertise required to assess proposals for innovative projects while, for example, I am a chartered accountant and can bring my expertise in accounting, management appraisal and evaluation into play.

However, to answer your question, there are two types of assistance — loan insurance and grants.

Grants are provided for the following purposes:

— To develop proposals for projects eligible for assistance — to ensure that the more complex proposals for innovation and adjustment assistance are developed on a viable, adequately researched and workable basis, grants can be provided to help offset the cost of consultants.

— To identify new products — to encourage the identification and development of new products, grants can be provided to share the cost of qualified consultants engaged in research of product user requirements and to undertake related product and market testing.

— For product design — to share the costs of the design of new or improved products.

— To study productivity improvement — to encourage feasibility studies of productivity improvement measures which are new to the firm and involve some risk.

— For product development — grants can be provided to selected projects concerned with the development of new or improved products and processes or service capability incorporating an advance in technology and offering good prospects for profitable commercial exploitation. Rights to the technology are vested in the company but the exploitation of the project must be undertaken in Canada.

Loan insurance is provided to facilitate restructuring or rationalization of manufacturing and processing firms in Canada, to permit Canadian firms to become more internationally competitive when the usual sources of term financing are inadequate. In addition, special forms of assistance are available for some purposes such as loan insurance and consulting grants to facilitate mergers and acquisitions of manufacturing and processing firms. This is the assistance I referred to earlier when I was talking about increasing Canadian ownership.

Commerce: *To what extent are these loans and grants available?*

Brown: In addition to the limits mentioned earlier for the regional and central committees, the EDP can make contributions up to 75 per cent of the eligible costs and loan insurance for 90 per cent of the term loan provided by conventional lenders.

Of course, the project must be viable and the project must represent a significant burden to the firm in relation to its resources. For loan guarantees, the firm must be unable to obtain financing on reasonable terms.

Commerce: *You have provided our readers with a valuable insight into the workings of the Enterprise Development Board and its Program but perhaps the most important fact remaining unanswered is how can a business person obtain more information and application forms?*

Brown: Probably the best place is through the local office of Industry, Trade and Commerce which processes the paperwork for the regional board and passes on to the central board those applications which are beyond their authority.

Contract with China

For the past 10 years the Canadian Government has made a concerted effort to develop the potentially huge Chinese market for those technologies favoured by China's planners and in which Canadian companies have particular expertise. One such is mining, and efforts in this direction have involved incoming and outgoing missions and the setting up of a six-week training program at Canadian mines for Chinese engineers. Arising from these and other efforts, and a Program for Export Market Development (PEMD) grant, a first contract has been awarded to . . .

Wright Engineers Limited

Stewart Andrews, David Wortman, Allan Deakin and Simon Lo, members of Wright Engineers investigative team, join their Chinese hosts at the Y mine site in Shandong Province.

A team of engineers, mining experts and metallurgists — representatives of Wright Engineers Limited of Vancouver — has just returned from China, having completed the first phase of a major engineering services contract with the Chinese government.

The contract, valued in the hundreds of thousands of dollars, requires Wright Engineers to carry out a feasibility study for a gold mine in Shandong Province in which there are two operating gold mines and which has a long history of gold mining.

On their return to Canada, the Wright team was followed by a group of Chinese mining engineers who will provide background data during the various phases of the study.

In addition to assessing the currently available data and information on the mine site, Wright Engineers is expected to evaluate the requirements for further data, the methodology for collecting this information, and based on this information (and Chinese approval to proceed) to plan the design and operating procedures of the mine and other facilities required to extract gold from the ore body.

While the size of plant required will not be determined until all the data is assembled and analysed, it is expected to be in the one-to-two-thousand-ton-a-day size.

According to Wright Engineers' Bill Morel and Tom Herbert, who signed the contract with the Chinese government in early January, and Dave Wortman, who has been chosen project manager and headed the latest fact-finding mission to the mine site, the Chinese have asked for the latest mine and mill technology to be applied to the new facility.

Throughout their stay in China the Wright team was given red carpet treatment — housed in modern camps, with excellent food and accommodations equalling a first class motel. As proof of this hospitality, six-foot-plus Dave Wortman cited the case of the Chinese cutting the lintels of several doors in the camp to allow him to pass through without stooping.

At the same time the entire team mentioned the protracted negotiations required to consummate the agreement. Whether it was the difficulty of translating the reams of technical information being passed back and forth or whether it was the traditional Chinese method of negotiation, it seemed to take an interminable length of time to reach a mutually satisfactory agreement.

Once the agreements were signed, however, the Chinese have been most helpful in providing the background data and information required to get on with the task. To date, almost 80 test holes have been drilled at the site and assay work and assessment of results are underway. Additional information on the availability of other data from the region and on services and so on required to bring in the mine is being supplied by the Chinese party which followed the Wright mission from China and will be part of the project team.

In addition to the mine and mill, Wright Engineers is expected to provide material handling advice and design, the latest in pollution control equipment, an assessment of the use of sea water for treating the ore, as well as mine drainage and water supply and treatment.

Chinese engineers involved in the contract first visited Canada in 1978 on a tour organized by the Department of Industry, Trade and Commerce. They visited the Sigma and Lamaque mines at Val d'Or, the Pamour and Dome mines at Timmins, Cominco's Con Mine at Yellowknife, the Buttle Lake, Vancouver Island mine of Western Mines, Teck's Afton Mine at Kamloops and Noranda's Brenda Mine at Peachland B.C. Plant design for the last three were done by Wright Engineers Ltd.

In competition with other international engineering firms and consortia, Wright's were successful in their bid for this mine called Y, probably based on their broad experience with gold and other mines in Canada and countries around the world.

Wright Engineer executives W. Gilmore, left and President L.F. Wright take time out from a busy schedule of meetings to sightsee in Peking.

Wright engineering representatives have visited China on many occasions since diplomatic relations were established with the Chinese Government, particularly on federal and provincially sponsored trade missions and through a Program for Export Market Development (PEMD) grant. The Wright team was also appreciative of the assistance received from the Commercial Division of the Canadian Embassy in China, which spent many days arranging meetings and providing help in translating and detail work.

Wright Engineers Ltd. is one of the world's leading engineering firms specializing in mining and associated material handling, including marine terminals and docks, water supply and treatment, environmental engineering and related services.

The firm, established in 1947 by Len and Harold Wright, now employs some 500 professional, technical and support staff at Vancouver, B.C., Sydney, Australia, and Hamilton, Bermuda. Operating in 35 countries around the world, the company applies a project team approach to each project from inception to start-up.

Chinese Gold Mine Engineer Training Program

Since diplomatic relations were established in 1970, Canada has made a major effort to develop and broaden its trading relationship with China (participation in three major industrial exhibitions, more than 80 mission exchanges). Moreover, close contact at the government level has been instrumental in maintaining the momentum in trade relations and has kept Canada's profile high among China's hierarchy of trading officials. In recent years the Department of Industry, Trade and Commerce has concentrated on industry sectors where the Chinese have a significant import requirement and where Canada has a demonstrated export capability.

In this context and with specific reference to the nonferrous metals sector, the Department, at the request of the Chinese Ministry of Metallurgy Industry, undertook arrangements for a six-week training program for 13 Chinese mining engineers and metallurgists. The delegation, which arrived in September 1979, was accompanied by three Chinese interpreters. The program was made possible through the cooperation of Western Mines Ltd., Cominco Ltd. and Pamour Porcupine Mines Ltd.

The initiative followed the December 1978 visit of 10 Chinese engineers and government officials to mines in Northern Quebec and Ontario, the Northwest Territories and British Columbia.

Western Mines and Pamour Porcupine each assumed responsibility for training five engineers while Cominco arranged to train three. The engineers, all involved in gold mining, were from the Jinchangyu mine in Hopeh Province, the Qinling mine in Honan Province and the Zhaoyuan mine in Shantung Province.

At the mines the engineers were instructed on mining methods currently in use, on mine exploration and ore delineation procedures, and on ore dressing and management. As part of their training program they spent time in the engineering office, underground and in the mill. They discussed mine management with senior supervisory personnel to determine how, through more efficient management of personnel and usage of equipment, the mines were able to keep production costs at a satisfactory level.

At a debriefing session in Ottawa, the engineers expressed satisfaction with the program. They were particularly impressed by the way in which the mines were operated, noting that considerably fewer employees were required than at comparable operations in China. They said they had absorbed a lot of information on mining methods which they felt would be utilized in China. The wide use of rock bolting had intrigued them and consequently consideration would likely be given to its greater use in China on their return.

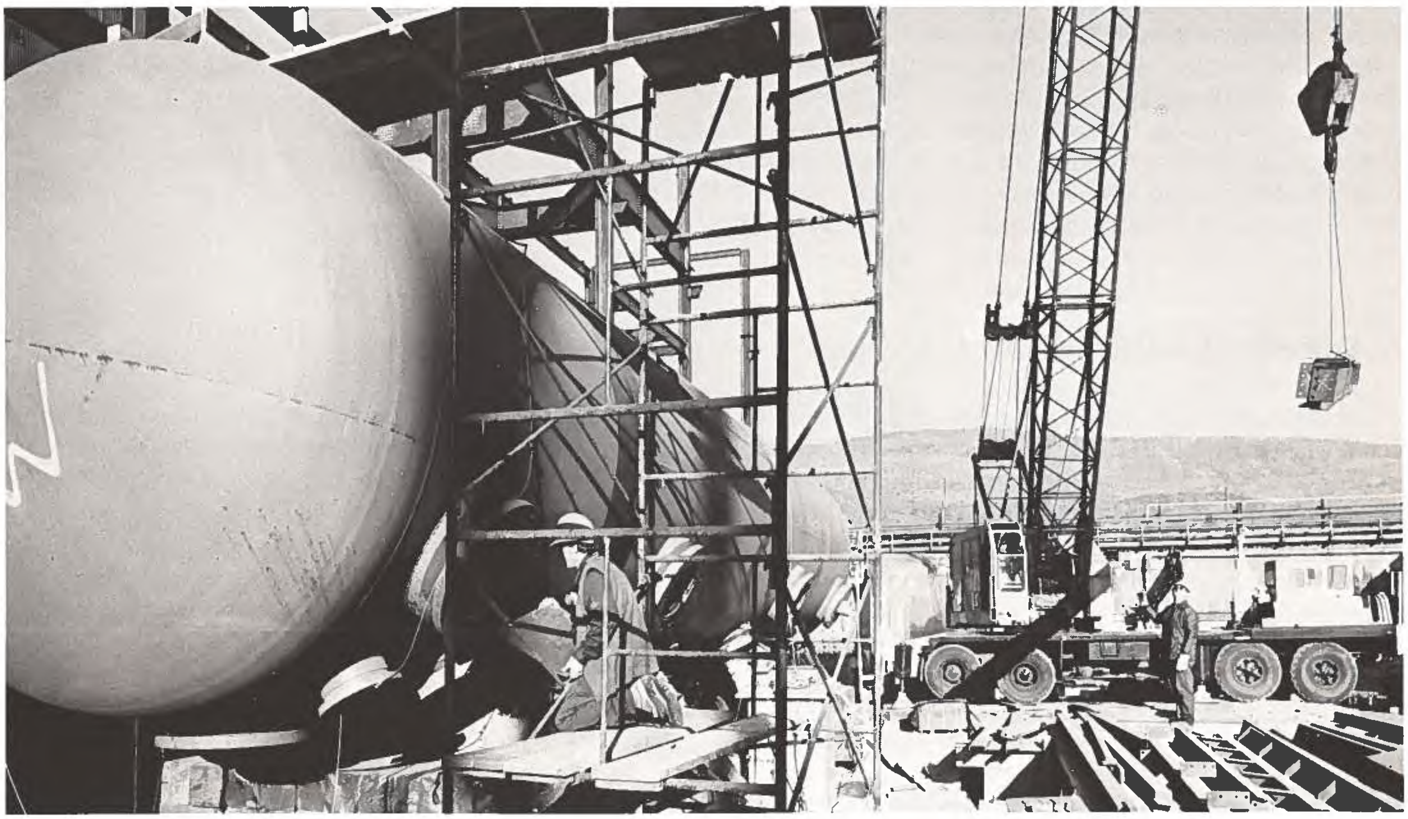
IT&C officials understand the engineers will apply the methods and procedures learned in Canada to new gold mines being opened in China. Chinese officials have expressed interest in importing Canadian equipment and services associated with these developments. And, of course, Wright Engineers Limited of Vancouver signed a contract in January of this year with the CHINA NATIONAL TECHNICAL IMPORT CORPORATION (TECHIMPORT) to investigate the nature of the ore, rock mechanics and water problems related to the Wai Gold Mine in Shandong Province.

J.W. Patterson
Non-Ferrous Metals Division
Resource Industries Branch
Department of Industry, Trade and Commerce

Late this fall, the world's first commercial-scale zinc pressure leaching plant will start up at the Cominco site in Trail, B.C. There should be resounding cheers on all sides, for this will represent the culmination of years of research and close co-operation between industry and government, all directed to a new system which will greatly improve industrial hygiene, environmental control — and productivity. Who could ask for much more?

Sherritt Gordon, Cominco, and EDP . . . It Took TEAMWORK!

by Bob McDonnell
Assistant Editor, Canada Commerce



Workman ease the autoclave into its cradle in preparation for righting it into its final resting place as the central piece of equipment in the Sherritt-Gordon-Cominco process for pressure leaching of zinc.

It certainly did! Not only involving the two companies — Sherritt Gordon Mines Ltd. and Cominco Ltd. — but the federal government, which has backed their research efforts through Enterprise Development Program (EDP) grants.

While the application of this hydrometallurgical refining process to zinc is new — and that is what will be taking place at the Cominco commercial-scale plant in Trail, B.C. — the process itself dates back to 1947. That was the year Sherritt Gordon engaged Professor Frank Forward of the University of British Columbia to develop a method of treatment to give better metal recoveries from the company's Lynn Lake nickel concentrate. He met with success in the development of the revolutionary ammonia leaching process.

This process of dissolving the metals into a solution and extracting them individually is unique to Sherritt Gordon.

On the basis of these successful laboratory results, a pilot plant was commissioned at the National Research Council in Ottawa and the process proven commercially in the period from 1949 to 1952.

By 1954, Sherritt Gordon, on the basis of abundant natural gas supplies for fuel and ammonia production, good water and rail transportation, had completed the first commercial-scale plant for nickel at Fort Saskatchewan, some 32 km from Edmonton.

In the intervening years, research into hydrometallurgical refining has been an important facet of SG's industrial strategy, now under the watchful eye of Dr. Herb Veltman, director of the company's research centre. As a result of this dedication to research, the labs at Fort Saskatchewan are continually testing ores from around the world to develop the best techniques and processes for their extraction.

It was natural, therefore, that when Cominco made the decision to upgrade their zinc refining facilities at Trail, they should investigate Sherritt Gordon's processes. The two companies, through their joint research facilities and with the assistance of an Industry, Trade and Commerce

Cominco workers rush the completion of the zinc pressure leaching installation at Trail, top, *completing the observation decks, and* below, *installing the lead lining in the autoclave (pressure vessel).*

This engineering model helps Cominco staff visualize the placement of equipment on the full-scale zinc pressure leaching facility being constructed outside their engineering offices at Trail.

development grant (EDP), entered into a concentrated program to adapt the SG hydrometallurgical processes to zinc. Through laboratory testing, a new method was evolved. This led to the pilot stage of the project with the use of the existing autoclaves (pressure vessels) at Sherritt's Fort Saskatchewan pilot plant. The results of the pilot tests were so favorable that Cominco made the decision to move to full-scale production at Trail.

The new plant will ultimately replace a suspension roaster and will treat nearly 25 per cent of the zinc concentrates being processed at the Trail operations. The main concentrate treatment will continue through two modern fluid bed roasters constructed in 1971 and a leaching plant which is being modernized.

The new system will greatly improve industrial hygiene, productivity and environmental control and will allow the company to produce elemental (solid) sulphur instead of sulphur dioxide gas.

According to project supervisor Don McKay, "It would be difficult to overemphasize the advantages of elemental sulphur."

He explained that under the present production system, sulphur dioxide — the by-product of zinc production at Trail — must be used in chemical and fertilizer production as it is produced.

"With elemental sulphur, we can store it easily in block form and use it at our convenience," he continued. "This will allow a degree of flexibility we've never had in our chemical and fertilizer production."

Project superintendent Vic Uegama outlined the industrial hygiene improvements: **"From the initial process step onward, solids are maintained in slurry form under pressure, and this requires a tightly enclosed system. "This combination of a wet system and absolute enclosure eliminates any possibility of hygiene problems normally associated with roasting concentrates and the related problems of handling hot gases and dusty solids."**

In operation, zinc concentrates are reacted with sulphuric acid and oxygen at high temperatures and pressure to dissolve the zinc and produce elemental sulphur.

With the sulphur removed, the remaining zinc-rich slurry will be pumped to the sulphide leaching plant where it will join the main flow from the conventional roaster-leaching operation.

The new plant at Trail will cost approximately $23 million and will have a capacity of 70,000 short tons of zinc per year. It is part of Cominco's eight-year lead-zinc modernization and expansion program at Trail, estimated to cost more than $425 million.

Cominco's own engineering and construction department is translating the pilot plant findings into the commercial-scale plant and is expecting that the expertise gained in this will be made available to other companies deciding to up-grade their facilities using the new technology.

For Sherritt Gordon, the new process has opened up a new market for licencing of the high technology involved. In fact, the pilot plant at Fort Saskatchewan is testing ores from various zinc mines with a view to using the pressure leach process on new ventures as well as the upgrading of existing facilities.

It is expected that these tests will open up new markets not only for Canadian mineral technology, but also for Canadian suppliers of mine and mill machinery. For example, the pressure vessel at Trail was constructed at Victoria by Victoria Machinery Depot. Very similar to a submarine in construction, the vessel is made of high tensile steel and lined with lead. At the site the vessel is being lined with a special interlocking brick designed specifically for the job.

Other interesting features of the installation include a flash-tank which recovers most of the waste heat and other equipment to recover oxygen, all designed by Cominco's staff and sourced from Canadian manufacturers wherever possible.

The Canadian Organization for the Simplification of Trade Procedures is better known (and one is thankful) by the time saving use of initials. This is appropriate, since time and cost saving is what COSTPRO is all about. . .

International Trade Simplification

by R.C. Milne
President, COSTPRO

In the February/March issue of Canada Commerce, Bob McDonell described some of the tools that COSTPRO can make available for companies wishing to reduce their overhead costs. These tools (such as the Canadian Trade Document Alignment System which can save users up to 70 per cent of their document preparation overhead) have emerged as the result of painstaking research and negotiation at the international level.

Much of the negotiation takes place in the United Nations Economic Commission for Europe and in the International Chamber of Commerce. It is unglamorous work, highly specialized and often tedious, but now and then it focuses on issues which have real impact for those who would dare to trade internationally.

Such was the case at recent meetings of the ICC and the ECE where DATA PROTECTION AND TRANSBORDER DATA FLOWS and the LEGAL ASPECTS OF TRADE FACILITATION were brought to the fore.

Over several years, governments have become increasingly concerned with the development of national laws to protect the rights and interests of individuals with regard to the handling of personal data. These concerns are of course legitimate, but the business community also has a legitimate interest in freedom of information to fulfill the needs of a free and democratic society.

Prime movers in the development of international and national laws on the protection of data flow are the Organization for Economic and Cultural Development (OECD), the Council of Europe and the European Parliament. These organizations have been preparing guidelines for international and national legislation which are potentially conflicting and which could severely increase bureaucratic impediments to business information systems.

Of the approaches presented the OECD guidelines are seen as the least restrictive. They address personal data privacy in such a way that most states would have little difficulty in adopting a voluntary code. They are not in a treaty and therefore would not entail the cumbersome process of ratification.

The European Parliament proposals on the other hand envisage a two-tier system of approvals for export of personal data beyond the boundaries of the EEC. The second tier of approval would involve a new kind of supranational authority which would severely limit the use of existing data exchange systems. Just imagine the effect on such systems as airline reservations, credit card operations, credit rating verification, etc.

The International Chamber of Commerce has come out strongly in support of the OECD guidelines but has likewise strongly criticized the European Parliament approach which could lead to the misuse (to achieve economic ends) of legislation designed to protect human rights.

In the United Nations Economic Commission for Europe (ECE), which should not be confused with the "Common Market," Canada has for several years been participating in the development of standards and recommended practices for trade procedures simplification. The work has resulted in aligned trade documentation standards and in recommendations for interfacing automated trade information systems.

With most of the technical systems work completed, the ECE is now turning its attention (at last) to some of the practical problems of implementation. High on the priority list are such considerations as alternatives to signatures in documents transmitted automatically, differences of interpretation arising out of common law and codified law applications, and how to encourage a new way of thinking by the traditionalists who have highly sophisticated systems available but who continue to link their procedures to documentation as "evidence."

As an experienced forwarder was moved to comment:

"Visualizing the use of computers as one might previously have looked at an electronic typewriter or a duplicating machine, that is to say grafting ages-old procedures and systems on to a revolutionary concept, makes as much sense as tapping the keys of an IBM typewriter with a hammer and chisel."

Back home we have translated the exotics of international work into simplified systems which have definite cost-savings advantages for you *now*, whether or not you are involved in international trade.

If you are already exporting and are typing documents but are not using a one-run method, I strongly suggest you investigate the CTDAS system. If you are not yet exporting and think that the procedures and documentation are too complicated, we can show you how an export transaction is merely an extension of domestic business. By exporting you can also benefit through economies of scale.

In these days of inflation, higher energy, labour and production costs, no company can afford to ignore potential savings through improved information handling. COSTPRO Systems Services field staff will be delighted to help you. For more information, call or write:

R.C. Milne, President
COSTPRO
151 Sparks Street, Suite 302
Ottawa, Ontario
K1P 5E3
Tel: (613) 995-2814

Economists' Corner

Beginning with our September issue, Canada Commerce looks forward to carrying a series of performance reports covering various aspects of the Canadian economy of particular interest to IT&C — these summaries to be supplied by IT&C's Economic Intelligence Branch. As a forerunner to the series, we asked Colin Hindle, Acting Assistant Deputy Minister, Economic Policy and Analysis, to give our readers some insight into the role of the entire Sector of which Economic Intelligence is only one part — Ed.

Commerce: *That sounds like rather a large order, Mr. Hindle... perhaps we could start with your view of this Sector's special niche in IT&C...*
Hindle: Special it is. You see this is an area which is deliberately designed to be free from heavy preoccupation with short-term events so that we are able to concentrate on the development of improved analysis. Economic Policy and Analysis does have an ongoing responsibility to bring good economic analysis to bear on current policy issues, but, at the same time, is able to give full consideration to long-term implications.

Commerce: *You conjure up a picture of a most studious group poring over mountains of raw data. Do you work pretty well in isolation from others in the department?*
Hindle: Quite the opposite. While other sectors of the department have a particular and well-defined area of responsibility, ours by contrast provides service to all of these areas in the form of economic intelligence, research and analysis, policy planning and co-ordination, development of analytical tools and so on. Economic Policy and Analysis is also responsible for advising the Deputy Minister and the Management Committee concerning the consistency of departmental and governmental objectives and the formulation of horizontal policies. In addition, we provide support, advice, economic analysis and written input to papers emanating from all sorts of other organizations within the department — perhaps most frequently from Industry and Commerce Development, Finance, and International Trade Relations.

Colin James Hindle, who joined IT&C in January, 1979, has an impressive background of economic expertise gained in both private industry and government.

Commerce: *How is the Economic Policy and Analysis Sector set up? The Branch that will be providing the material for this series — Economic Intelligence — is only one part of it?*
Hindle: Indeed yes. There are four branches reporting to me: Trade and Structural Analysis, Microeconomic Analysis, Special Projects, and Economic Intelligence.

Commerce: *Could you give us, just briefly, a description of the responsibilities of each of those areas?*
Hindle: Yes, I think so. But you will have to forgive me if I use an economist's terminology — I will try not to become too involved...

The **Trade and Structural Analysis Branch** serves as a departmental focus for the development and use of large-scale modelling techniques (a macro system of data, hypotheses, premises, etc. to produce a global pattern), and the co-ordination of medium-term studies involving structural forecasts and industrial and trade analysis. In other words, to examine such issues as shifting world trade patterns, the ramifications of slower growth in all developed countries and the latest round of Multilateral Trade Negotiations, the growing competition from developing nations (i.e. Hong Kong, Taiwan, Singapore, Brazil, Mexico, South Korea), rising energy costs, world agricultural problems, obsolete technologies in many of Canada's important industries with the forecast of accelerated technological change in the years ahead, and the demographic changes in North America and Western Europe (such as lower birth rates, aging of the population, smaller families, fewer young people entering the job market, more women seeking work, dual income families, increases in incomes, etc.).

The Branch carries out in-depth analytical projects in the areas of international economics and industrial development issues with emphasis on their significance in relation to the Canadian economy and medium-term policy. In this context, the Branch maintains and utilizes the U.N. International Trade Data Bank as well as the IT&C Canadian Explor Model. The Branch has responsibility for representing IT&C in international meetings such as the OECD Industry Committee, the Working Party on Future Industrial Structures, and the Special Group on Positive Adjustment Policies of the Economic Policy Committee as well as domestically on such groups as the Federal/Provincial Working Party on Procurement.

The work of the **Trade and Structural Analysis Branch** is conducted under broad themes. The "International Economic Studies" theme covers the global economy and is intended to situate Canada in this broader context in terms of "the new world economic order" developments and trade policy options. The "Structural Analysis" theme comprises analyses intended to maintain a sectorally disaggregated but essentially holistic view of Canadian economic development and the goverment's policy package. Both of these more macro themes are supported by the development and use of general equilibrium economic models. Building one of these models is the task of the "Canadian Explor Model Development" theme.

With the **Microeconomic Analysis Branch**, the focus shifts from the entire economy to individual sectors and their policies, and particular horizontal issues and policies. The "Secteurs Mous" and "High Technology" themes cover off developments and policy issues at the two extremes of the sectoral spectrum — the receding and advancing edges of Canadian economic development. A critical ingredient of the development process is the formation of real capital, and the **Microeconomic Analysis Branch** carries out a bi-annual survey of the capital expenditure plans of 300 of Canada's largest companies to provide important data for the analysis of this vital area of economics. Similarly, the Branch also has responsibility for collecting data on subsidiaries of foreign-owned companies of use for the equally important study theme "Foreign Ownership and Multinational Enterprise."

The **Special Projects Branch** has only just been created and will have an even more detailed focus. The Branch will be responsible for: the analysis of program, project and firm specific policy questions with a view to the generation of improvements in policies which are both economically efficient and politically feasible; the maintenance of programs of study and analysis in the areas of multinational enterprise, project cost benefit analysis, industrial incentive programs and industrial policy generally. In the conduct of this work, the Branch will participate in studies aimed to advise on the economic impact of major industrial projects and firm specific undertakings. The details of individual studies, etc., will be worked out once staffing has commenced early in fiscal year 1980/81.

. . . .your readers can expect to see short notes dealing with Canada's trade performance; various measures of our competitive position — such as prices, labour costs and wage indexes; the near-term outlook for Canadian economy; our energy situation; the investment environment and so on.

If we change the basis of comparison from macro-micro to a time scale, we are able to put the work program of the **Economic Intelligence Branch** into clearer perspective. Essentially, the work of all of the other branches has a more or less medium-term forward outlook attached to it. By contrast, the **Economic Intelligence Branch** maintains a short-term view of the future. The main function of the Branch is to provide the Minister and senior management with briefings on current economic conditions and the short-term outlook. The two principal theme areas "Briefing" and "Major Studies (Briefing)" are dedicated to this end. In addition, in support of its other work, the Branch maintains an extensive data base on Canada's trade by industrial sector.

Commerce: *Could you give us an idea of what type of economic information or summaries our readers can expect to see in Canada Commerce in the following months?*
Hindle: Certainly. Although not necessarily in this order, your readers can expect to see short notes dealing with Canada's trade performance; various measures of our competitive position — such as prices, labour costs and wage indexes; the near-term outlook for the Canadian economy; our energy situation; the investment environment and so on.

When seeking a business contact
A FRIEND OF A FRIEND may not be the answer. . .

A few weeks ago a Commerce staffer happened to be relaxing briefly in the convivial lunchtime atmosphere of the National Press Club here in Ottawa when he struck up a conversation with an obviously agitated stranger. Some discreet questioning revealed that said stranger had just come from the Department of Industry, Trade & Commerce where he had contacted a friend of a friend on a business matter — and had met with little success. The officer was preoccupied with other projects and could offer little advice to the man except that he should go home (to Winnipeg) and talk to the IT&C Regional Office!

Well, not surprisingly, the Winnipeg businessman was somewhat annoyed, not to say angry, with his friend, his friend's friend, the government, public servants and even central Canadians in general.

Our Commerce staffer felt badly about the situation and did what he could to rectify matters. He discovered that this was a manufacturer of a patented new lock washer. A sample of the product was obtained, the businessman's calling card, too, and on the way back to his own office, our man from Commerce dropped in to see P.E. Marchand, Director of IT&C's central Business Centre, and told his story there. Marchand promised to feature the lock washer in the Centre's New Product Bulletin. And next day, Marchand phoned the manufacturer at his Winnipeg office to tell him that the Department's specialist in fasteners would be in Winnipeg the next week and would visit him at his plant.

While it was pleasant for Bob McDonell of Canada Commerce to receive a subsequent thank-you call from a new friend (now a satisfied customer of the Department) this story serves to point up the fact that it pays to contact your local IT&C Business Centre (each province has one) before coming to Ottawa. It might save you a trip, since many decisions are made at the regional level. In any case your local Business Centre will help you cut through the red tape and arrange a meeting with the *right* person in Ottawa.

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Readers already on the Canada Commerce mailing list have been receiving the magazine and the newsletter on a bi-monthly, rotating basis. Now they will receive the magazine only, but *each* month, beginning in September.

AND the magazine will now carry those regular newsletter features which so many members of the business community find valuable such as the listings of trade fairs and missions and multilateral projects.

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New readers who would like to receive Canada Commerce on a regular basis — see the subscription card at page one of this issue.