

SECTORS OFFERING OPPORTUNITY

ADVANCED TECHNOLOGY

The total Italian market for advanced technologies, including software/hardware and telecommunications (valued at Cdn\$50 billion last year and the sixth largest in the world) is undergoing a period of transformation which offers unprecedented opportunities, particularly in software and telecommunications.

Software

Demand and investment in the software industry is undergoing an evolution. The traditional focus on customized software and EDP consulting is moving to DBMS and PC LAN software, facility management services and networking services. Local adaptation to the Italian language and local service support arrangements are essential.

Italy's domestic software industry, with the exception of Olivetti and Finsiel, is very small and the standard software products market is completely dominated by foreign vendors, especially from the United States. Given Canadian strengths in this field, Canadians should have a higher share.

Telecommunications

Driven by accelerated moves toward liberalization, deregulation, and privatization of the sector, Italy's telecommunications sector is dynamic and open to new Canadian products.

Installation of "fibre-to-the-home" cable networks for multimedia applications, a booming market for cellular radio and portable network services, advanced VAS services to business being introduced by Telecom Italia and new second cellular network operator, Olivetti/Omnitel, and the entry of numerous new foreign and domestic players positioning themselves to compete in the rich market for telecom services, are some examples of the dramatic expansion this market is going through.

Italy, which to comply with EU policies, must open its telecoms market to full competition on January 1, 1998, recently launched a \$15 billion national investment program named "Socrates" to cable 90 per cent of the country for interactive 'information highway' broadband services by 2003.

Major areas of opportunity in which the Italian Posts will be concentrating promotional activities are: Value-added services, advanced networking solutions, including ISDN, frame relay, ATM, Intelligent Network and Virtual Private Network Services, wireless products and services, computer telephony integration, and satellite communications systems for the business community.

As broadband infrastructure and services develop, demand will intensify for interactive multimedia and graphics and animation software, advanced database systems and products, as well as billing and customer tracking systems.

Software/hardware contact is Pierangelo Ponzone, Milan; John Picard, Rome, is the contact for telecoms, market access and contacts with the public-sector entities and end-users.

AUTOMOTIVE PARTS/TECHNOLOGIES

The Italian auto sector is virtually synonymous with the FIAT Group, which owns Alfa Romeo, Autobianchi, Innocenti, Iveco, Lancia, Ferrari and Maserati, in addition to its own label. FIAT also owns large suppliers such as Teksid and Magnetti Marelli. In addition, the sector includes luxury producers such as Lamborghini (controlled by Chrysler) and Bugatti.

Global and domestic pressures have spurred interest on the part of all Italian companies in this sector to look abroad for both solutions and opportunities. Now there is far more openness on the part of FIAT and its subsidiaries to consider new suppliers — if they can offer quality at a better price. Domestic suppliers to FIAT are also interested in international alliances to subcontract or to buy or sell technology.

Following the revamping of FIAT's production strategy and product lines, components now represent 60 per cent to 70 per cent of the industrial cost of cars and the proportion of imported components is constantly increasing. Moreover, with FIAT continuing to winnow its suppliers, many domestic suppliers are feeling the pressure to perform, adapt and look offshore for partners.

The FIAT Group's sales are booming in spite of stagnant domestic demand. Production was up 22 per cent in the first quarter of 1995 over 1994. FIAT plans to start production at the end of 1996 on its first "world car" experiment, the 178 model, predicted to reach 600,000 units within the next few years.

The "world car" will be offered in hatchback, sedan, and station wagon versions and be built initially in Argentina, Brazil, South Africa and Turkey and later possibly in China, Egypt, India, Mexico, Morocco and Vietnam.

Parts and repair shop suppliers should seek local representation. Sales are also possible through

Continued on page VI — Sectors