Automobiles and automotive parts

There are significant niche market opportunities in the EC for Canadian companies in all major automotive sub-sectors: vehicle assembly, original equipment parts and after-market parts. The emergence of the Single Market should lead to the development of a number of globally competitive EC firms and a restructuring of supplier relationships within the EC. Canada's well developed automotive suppliers industry is in a good position to take advantage of this changing market, particularly through joint ventures and technology sharing.

Increasing competitive pressures have made just-in-time systems and proximity to suppliers essential parts of competitive advantage in the sector. That means that Canadian companies will need a real presence in the EC. Often, strategic alliances will be the only way to go.

The 1970s and 1980s saw the establishment of a number of Canadian-owned parts manufacturers as significant North American players, such as Magna International (a widely diversified supplier with many small production facilities), the Woodbridge Group (insulation, plastic trim, seating), and A.G. Simpson (metal stampings). For these larger Canadian firms with the capabilities to act as "full-service" suppliers in Europe, joint ventures with accredited European suppliers can provide significantly increased market presence in the EC. Similar strategies have been used by Japanese suppliers in entering the Canadian market.

The heightened competition of the Single Market has made technology an even more important competitive ingredient for EC automotive firms. EC firms will be on the lookout for companies that can supply product and process improvements. That means increased opportunities for innovative small- and medium-sized Canadian automotive firms.

Canadian Automotive Exports to the EC, 1988

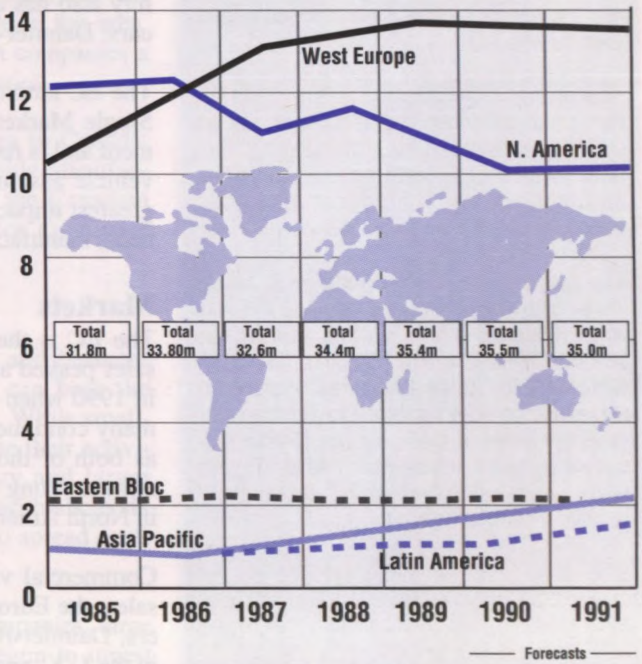
($)

Engines and engine parts	7,745,000
Other parts	80,711,000
Total parts	88,456,000
Passenger cars	56,349,000
Trucks	69,799,000
Other vehicles	27,428,000
Total vehicles	153,526,000
Grand total	**242,032,000**

Source: Statistics Canada.

World Sales of New Model Cars

(millions of cars)



Source: DRI World Automotive Forecast Report, Nov. 1990.

The automobile industries of North America, Japan and the EC are approximately the same size: each produces about 12 million cars and trucks annually. This industry is vital to EC prosperity. It accounts for about 9% of the industrial value-added content and employs 1.8 million people directly. Counting both direct and indirect employment (from suppliers to body shops), the industry employs one out of ten workers in the EC. Until recently, EC companies have been oriented towards the internal EC market, but they are now facing mounting competition from world competitors, especially the Japanese. For the last half of the 1980s, the EC vehicles market experienced strong growth. From 1985-88, the market grew from 10.8 million vehicles to 13.4 million vehicles, an increase of 24%.