

carriers and, to a lesser extent, to publicly funded operators for commuter services. The urban sub-industry sells primarily to publicly funded transit operators in both Canada and the U.S.

Like the mass transit equipment industry, the bus manufacturing industry relies heavily on the American market, where conditions have become increasingly restrictive. In addition, various factors make Canadian manufacturers more and more vulnerable. These factors include: (i) overcapacity, (ii) the depressed demand for new inter-city and urban buses in the U.S. market, (iii) intensified competition, such as the increased competition from commuter airlines for the inter-city sub-sector and (iv) competition from manufacturers entering the market, such as new European entrants (for example, the now well-known European manufacturers Neoplan, Setra and Bova).⁶⁰

The Canadian urban bus sub-industry has downsized its plant capacity, and continued rationalization is expected. In fact, establishing operations in the U.S.,⁶¹ linking up with joint-venture partners and establishing market niche strategies may prove to become more and more important to remain competitive on the market. Thus far, however, the Canadian inter-city bus sub-industry has been able to maintain its share of the market and remain competitive, and is well positioned to compete in the deregulated environment.

For Canadian manufacturers (with the exception of Bombardier, which has major investment in the EC), Europe is a highly protected and difficult market to penetrate. However, there are a number of examples of Canadian companies finding niche markets in the EC. For instance, Vapor Canada sold 800 door systems to London Underground; Giro and Teleride Sage have both sold bus scheduling systems and software to a number of transit properties in Europe; and Pylon Electronic Development Company Ltd. anticipates entering the European market shortly with the sale of transit curtain scrolling systems to a U.K. transit property.

b) European Urban and Inter-city Transport Industry

European Mass Transit Industry

Generally, the mass transit equipment industry is characterized by a high level of protectionism in industrialized countries and intense competition in developing countries.

On the whole, the EC is the largest manufacturer of mass transit equipment in the world and, in general, offers a high quality product. With the exception of Greece, Ireland, Luxembourg and the Netherlands, all EC countries have their own suppliers, principally AEG, Dueweg and MAN (Federal Republic of Germany), Alsthom Atlantic (France), Metro Cammel (the U.K.) and Breda (Italy).⁶²

Over the few last years, many firms have been merged into national groups. Two international groups have also been created in Europe, both involving firms from outside the Community. These are Bombardier (Canada) and BN (Belgium), and ASEA (Sweden) and BBC (Switzerland). Within the Community in 1989 (including both big groups and their many subsidiaries), there were 17 manufacturers (electrical and mechanical) of locomotives, 44 manufacturers of coaches and goods wagons, and 24 manufacturers active in both of the above industries.

In 1987, sales in this European industry reached approximately \$4 billion, of which close to 20 per cent were destined for exports.⁶³ Three Community member states, France, the Federal Republic of Germany and the U.K., were among the six biggest exporters, each having about 8 per cent of the world market, making for a total of approximately 24 per cent of the world market.

The national railway networks are controlled by single national operators. Highly dependent on its national markets, the Community rail transportation industry operates at about 50 per cent of its capacity.⁶⁴ Faced with a multiplicity of types of rolling stock materials and aggravated by a low level of intra-EC trade, it is difficult for the European industry to achieve optimal production runs.⁶⁵

The railways' share of the European transport market has decreased in favour of other modes of transport such as air transport. From the late 1970s to 1987, passenger traffic share has decreased from 8.9 per cent to 7.6 per cent and freight traffic share has decreased from 19.4 to 14.7 per cent. In terms