

Machinery and Moulds

The goal of this subsector is to increase machinery exports to \$1.3 billion and moulds exports to \$1.5 billion by the year 2000 (both figures are double the 1994 value).

A survey, conducted in the fall of 1995 by The Canadian Plastics Industry Association (CPIA) and Industry Canada, identified priority countries as: Argentina, Brazil, Chile, China, Germany, Mexico, the United Kingdom and the United States.

Plastic Products

This subsector is targeting an increase in exports to \$5 billion by the year 2000 (double the 1994 value).

A 1996 survey of plastics processors revealed that most plastics companies are already engaged in export activities, and the need for export-awareness training is limited to the smallest companies in the industry. There is, however, significant demand for foreign-market research reports and information on agents and distributors in target countries. The United States is the market of prime importance to all companies, but the U.S. subregions of interest vary depending upon the company's location in Canada. Although many companies have developed markets beyond North America, there is very little commonality of interest across companies. Primary export markets include: Argentina, Australia, Brazil, Chile, France, Germany, Mexico, and the United Kingdom.

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RAIL AND URBAN TRANSIT

In establishing sector strategies for international business development activities, the focus will be on the urban transit equipment and freight railway equipment subsectors, which offer trade growth opportunities.

Main Challenges

Canadian manufacturers of mass-transit equipment have done reasonably well in the large U.S. market, despite such non-tariff barriers as the federal Buy America Act. However, significant opportunities exist to increase market penetration if these barriers are removed. The Buy America provisions of the U.S. Intermodal Surface Transportation Efficiency Act (ISTEA) require 60-percent U.S. content and final assembly in the United States. These requirements have forced Canadian assemblers of rail vehicles and component suppliers to establish an additional plant or relocate to the United States.

Canadian opportunities to participate in U.S. high-speed rail projects are also restricted by local content requirements, and will continue to be so.

In the freight rail car sector, faster depreciation rates in the U.S. than in Canada result in lower after-tax equipment costs and, thus, lower leasing rates in the United States. It is, therefore, advantageous for Canadian operating companies to source equipment from a U.S.-based leasing company. Since the U.S. lessors are, in many cases, also the manufacturers of the equipment, Canadian freight car manufacturers are at a disadvantage.

A significant challenge that remains in the sector is to involve more Canadian small and medium-sized enterprises (SMEs) in export activities. Furthermore, there is a need to diversify export markets beyond the U.S. for all rail and urban transit manufacturers.

Canadian companies are not pursuing potential international financial institution (IFI) projects at an early enough stage of development to be successful when a formal request for proposals is issued.

Strategic Direction

The National Sector Team

In 1995 the National Sector Team (NST) for Rail, Bus and Urban Transit was established to develop sectoral action plans and support policy initiatives that will enhance the sector's international competitiveness. Government and industry activities will focus on urban transit equipment, principally passenger rail cars and buses, and freight rail equipment. Significant opportunities in these subsectors can be supported with selective trade and investment-promotion activities.

Policy Initiatives

Removal of the existing U.S. non-tariff barriers would provide significant opportunities to increase market penetration, particularly for small Canadian urban-transit suppliers. The NST will support continuing efforts by the Canadian Urban Transit Association aimed at achieving a consensus on both sides of the border in favour of liberalized procurement rules. Industry Canada (IC) will continue to work closely with the Department of Foreign Affairs and International Trade (DFAIT) in the formulation of Canadian positions for future negotiations.

The NST will continue to support efforts by the Canadian Association of Railway Suppliers to seek competitive Capital Cost Allowance (CCA) provisions for freight rail cars, to match what industry perceives to be the more generous regime found in the United States. Canadian railways and leasing companies will also be encouraged to participate in a study on tax competitiveness announced by the Minister of Finance.