

Rail and Bus Equipment

This sector comprises urban transit systems (both guided rail and buses) and passenger and freight railway equipment.

International Environment

The market outlook for guided urban transit systems and intercity passenger rail equipment is very promising. Significant opportunities for Canadian mass transit suppliers exist, particularly in the United States, Mexico and Southeast Asia.

Cities in North America and overseas that were early converts to mass transit will need to renew their systems and rolling stock. Over the next decade, developing countries, which have some of the world's fastest-growing cities, will require solutions to urban transit problems.

By the year 2000, it is estimated that passenger rail projects valued at \$37 billion will be undertaken, while the 20-year North American market for high-speed rail equipment has been estimated at \$20 billion.

The North American bus sector has potential for moderate growth of 5 percent to 7 percent in volume annually. Federal, state and provincial regulations are a determining factor in assuring growth in this sector, as transit authorities are required to replace older transit buses to comply with new legislation requirements such as emission control and low-floor bus design to ensure accessibility.

As for the freight rail sector, the last year has seen a dramatic increase in the demand for rail cars and locomotives in North America. Orders for cars in 1994 were 50 000, double the 1992 level. This upsurge in demand is expected to continue for the next few years. Two factors have contributed to this market upturn: first, North American railroads have entered into a replacement cycle for their existing fleets, and second, significant technological innovations have occurred, primarily in intermodal systems.

Canadian freight rail manufacturers are well positioned to take advantage of this growing North American market. Increased intermodal transportation linkages are also expected to provide renewed opportunities in the freight rail sector, especially since the implementation of the North American Free Trade Agreement (NAFTA) on January 1, 1994.

In Europe, some niche opportunities are foreseen. The advent of a single market increases the scope for cross-border strategic alliances and investments between suppliers. Potential in Eastern Europe, however, is limited by lack of financing, competition from European multinationals and the low costs of Eastern European manufacturers.

In Latin America, privatization offers new opportunities for the supply of equipment and consulting services. Rail standards are the same as those in Canada, and it is a relatively close and inexpensive market to service. In the short term, however, financial constraints may dictate that Latin American countries focus on upgrading and refurbishing existing plants and equipment. In Mexico, the focus will be on government procurement to upgrade the transportation infrastructure.

In Africa and the Middle East, including Israel, there are opportunities for consultants and suppliers of locomotives and rail maintenance equipment. In Saudi Arabia, there will be opportunities in consulting services for a national railway plan. Many of the opportunities in Africa are with major railroad rehabilitation projects financed by the African Development Bank or the World Bank.

There are a few opportunities in the Asian market for Canadian urban transit products and services, and there is some scope for railway