

**TRANSPORTATION SYSTEMS AND RELATED:
AUTOMOTIVE**

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Market Opportunity:

Japanese-owned assemblers account for 25% of the light vehicle market in North America. At the same time, these firms have established a significant vehicle production base in North America, representing about 16% of total NA production capacity, along with a corresponding parts manufacturing capability. The challenge for the Canadian parts manufacturing industry is to supply a more significant proportion of the parts required by the Japanese-owned assemblers, building on the 1992 sales level of approximately \$1 billion. In addition to the NA opportunity, there is a somewhat more limited market available in Japan, i.e. supplying Canadian-made parts to Japanese assemblers there. In 1992, Canada exported some \$75 million worth of auto parts, mainly aluminum wheels, to Japan. Overall, in 1992, Canada experienced a \$5 billion trade deficit with Japan in vehicles and auto parts.

Supplier Capability:

The Canadian auto parts industry has gone through a restructuring phase over the past three years, and while there are fewer companies involved now than in 1990, those remaining are extremely competitive. A growing percentage of the parts sector firms is Canadian-owned (30%), investment continues to flow into Canadian plants and equipment, and the Canadian industry has demonstrated impressive gains in competitiveness. A firm dedication to continuous improvement in productivity and further growth is in evidence. All of this is being aided by a favourable exchange rate. An increasing number of Canadian companies have become parts suppliers to Japanese assemblers in North America, on the strength of product quality, design capability, just-in-time delivery and price.

Action Plan Strategy:

Build awareness and market knowledge by supporting Canadian auto parts manufacturers in their efforts to demonstrate their world-class capabilities to Japanese vehicle assemblers.

Assist and encourage Canadian companies in their efforts to adapt their products to meet the exacting requirements of Japanese assemblers, by supporting company liaison visits to Japan, by organizing trade missions, trade shows, bilateral exchanges, etc. and by facilitating companies' efforts to become accredited parts suppliers to Japanese vehicle assemblers in Japan and elsewhere.

Promote the capability of Canadian auto parts manufacturers to supply Japanese assemblers, by supporting APMA/PAC seminars, industry liaison visits, incoming and outgoing missions and other initiatives aimed at increasing Japanese buyers' awareness of Canadian capability.