Establish Presence Now in EEC

Changes in Government Procurement and the Europe'92 Industrial Products Market

Changes in the European Community (EC)'s public procurement rules promise to have a significant impact on the European industrial products market, especially the large electrical equipment, wire and cable sub-sectors for which public utilities are the principal buyers.

The Market

Industrial products make up 32.7 per cent of EC government purchasing—higher than any other sector.

The increased transparency and liberalization in procurement practices will transform the European market for construction equipment, resource industries equipment, mining equipment, pulp and paper manufacturers and environmental equipment.

For all areas of the industrial products sector, it is suggested that Canadian firms establish a European presence, via alliances or mergers; locate and exploit appropriate market niches; and direct more emphasis towards R&D to make them technologically competitive on the EC market.

The Competition

Instead of the current scenario in which the German government gives priority and preference to German suppliers, the French government to French suppliers, etc., implementation of the new EC legislation will open public procurement in all EC countries to European and non-European companies alike, provided that EC content requirements are met.

Under new EC directives, governments will have difficulty protecting their national industries. Companies from every EC Member State, and even companies from outside the EC, will be able to obtain contracts that were previously the reserve of domestic interests.

Electrical Equipment

The electrical equipment subsector —including electrical generators and motors, engines and turbines— should see new opportunities as a result of Europe 1992.

The main customers for large custom-built electrical products (hydro-generators, turbines, power transformers, switchgear) are public utilities.

With the changes in regulations governing procurement practices, competitive Canadian-owned companies with subsidiaries in the EC stand to increase their business. This is a market where European firms are already making moves, growing larger and lobbying for their own interests.

Electrical Wire and Cable

The electrical wire and cable products sector is dominated in Canada by three companies, two of which, Canada Wire and Cable, and Northern Telecom, are Canadian. Canadian products, especially the more advanced (e.g. power and telecommunications cables) are competitive internationally, but were previously frozen out of EC markets because of utility purchasing practices and standards.

To market these products, a European presence will remain essential, not only to meet EC public procurement rules as regards local content, but also because their low value-weight ratio cannot support ocean-going shipping costs.

Construction Equipment

In the construction equipment sector, there are some market segments, such as large road repair equipment, in which Canadian firms have an edge.

In order to be competitive, smaller Canadian firms will need to develop strategies involving technology transfer, international licensing, joint ventures and modern production methods. For those who can find an adequate partner, and meet the other requirements, Europe 1992 offers possibilities for growth.

Resource Industry Equipment

The resource industries equipment sector should consider enlarging its market outside Canada, particularly in the areas of oil and gas field equipment. Due to the climate and geographical structure of Canada, Canadian firms have developed specialized products and have become international leaders in particular segments of the market.

Similarly, the Canadian **mining equipment** industry has developed leadership in high-technology geological exploration, reduced labour mining methods and high-efficiency smelting techniques. Where flexibility is more important than economy of scale —due to the custom-built nature of mining equipment— the strength of an innovative Canadian industry stands it in good stead for Europe 1992.

Canadian **pulp and paper** manufacturers have developed the technical expertise to compete in

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