

Urban Transit and Rail

A International Environment

During the past decade, the international rail and urban transit industries have faced major challenges. Competition from the trucking industry, the elimination of uneconomic routes, increased size of rail cars and attempts to extend the working life of rolling stock and locomotives have all led to a major streamlining of the rail sector. In urban transit, decreased budgets for purchasing equipment and services, strict controls on exhaust emissions, increased attention to passenger safety and accessibility for the disabled and the aged have had an impact on suppliers. Environmental concerns will be major determinants in plans for transit developments during this decade.

Over the next decade, developing countries, with some of the world's fastest growing cities, will require solutions to urban transit problems. Cities that were first to develop mass transit will need to renew their systems and rolling stock.

The advent of a single market in Western Europe increases the scope for cross-border strategic alliances and investments between suppliers. The potential in Eastern Europe is limited by lack of financing, competition from European multinationals and low costs of Eastern European manufacturers.

In Latin America, privatization offers new opportunities. Its rail standards are the same as Canada's and it is a relatively close and cheap market to service. However, in the near term, financial constraints may dictate that Latin American countries upgrade and refurbish existing plants and equipment, rather than purchase original equipment market (OEM) products.

In Africa and the Middle East, there are opportunities for locomotive suppliers, consultants and rail maintenance equipment. Many of the opportunities in Africa are with major railroad rehabilitation projects financed by the African Development Bank or the World Bank.

There is little interest, with a few notable exceptions, in the Asian market for urban transit products and services, but there is scope for railway systems and engineering. The distances and negotiations are long, which substantially increases the costs of doing business, and the culture is frequently perceived as a barrier.

"Buy America" policies remain a major non-tariff barrier (NTB) to the U.S. transit market and have resulted in an increasing number of companies establishing U.S. subsidiaries to ensure that they remain eligible to sell to American transit owners. In addition, many states have employment or procurement legislation giving their manufacturers preference over out-of-state suppliers. This particularly hurts the Canadian component suppliers.

B Domestic Position

The industry consists of about 250 companies, employs 10,000 Canadians, and is predominantly Canadian-owned. An estimated 60 per cent of the companies are interested or active exporters. Exports of rail and bus equipment were about \$1.2 billion in 1990, or 70 per cent of total sales in the sector. This excludes sales of aftermarket components and products, which cannot always be identified by sector. The sales of consulting services are also substantial.

Global changes in the urban transit and rail industry during the last decade have resulted in a considerably leaner, more aggressive and more competitive Canadian industry, which is successful in penetrating world markets. The Canadian industry is highly rated for the quality of its products, competitiveness in domestic markets, and access to competitive supplier firms and other factors of production.

Canada has experience in the building and operation of railways for a harsh and variable climate. Canada's track system is the third longest, and its freight system the fourth largest, in the world. The Canadian railway industry is a leader in developing solutions to the problems of transportation, especially in operating long-haul freight lines, and offers products and expertise that are of interest to railways abroad. Canada is providing innovative and efficient solutions to its transit problems. Toronto, Montreal and Vancouver are showcases of the achievements of Canadian companies. Substantial research and development is being conducted by such organizations as the Canadian Institute of Guided Ground Transport, the Transport Development Centre of Transport Canada and the Canadian Urban Transit Association.

Some of the major products and services provided by the Canadian industry are: diesel locomotives; passenger and freight-rail rolling stock; advanced train-control systems; locomotive event recorders and simulators; radios; end-of-train units; head-hardened rail and other rail products; automatic vehicle location-and health-monitoring systems; fare-collection technology; wheelchair lift and restraint systems for transporting the handicapped; linear induction motors; systems and software for scheduling and maintenance of bus fleets; supervisory control and data acquisition for metro systems; use of alternate fuels; and such consulting services as the development and implementation of management information systems (MIS), intermodal operations, supervision of rail construction, and locomotive rehabilitation programs. In addition, a number of companies have developed specialized procedures and equipment for servicing the rail industry; e.g. transfer lines for stripping, cleaning, inspecting and rebuilding locomotive engines, and robot-driven equipment for painting the inside surfaces of tank cars.

Competitive financial packages will continue to be a major determinant in the ability of the industry to succeed internationally. Buyers of mass transit are purchasing more integrated systems, which means that bidders must not only provide vehicles, but also consultant services and financial packages. Since most mass-transit competitors offer comparable technology, pricing and financing often become the deciding factors in the selection of winning bids. Canadian companies often lack the financial depth of other competitors, especially when presenting bids for turnkey projects. European or Japanese consortia, frequently, have combined assets greater than those of the whole Canadian industry, allowing them to