

The Infrastructure Development Market

Serious transportation bottlenecks have made infrastructure a policy issue for governments and for multilateral institutions such as the World Bank (WB) and the Asian Development Bank. Loans to China for rail, urban transit, highway and port development projects are substantial.

The potential for further involvement in transport infrastructure projects is significant. Firms will have to be flexible, adaptable and innovative in applying their experience and techniques to the Chinese market. Proposals must be focussed in order to minimize financial risk and ensure optimal assessment.

Airport development has been opened to limited foreign equity participation. Some projects may be approached and developed on a systems package basis. Demand is strong for airport and navigational aid equipment, both air-side and ground-side. Requirements include: equipment for terminal buildings, air-traffic control systems, radar, lighting, baggage handling, security and/or safety equipment, specialized vehicles, and flight management and display systems.

Aviation maintenance for the growing fleet of Western aircraft operating out of China is an important subsector. Canadian companies may offer specialized repair and testing equipment to existing facilities, or investigate a partnership for local development of equipment or services in this area.

Chinese authorities have placed a high priority on human resource development. Training is emerging as a potential market. Of particular interest will be expertise in support of the development of safe, efficient and profitable airlines and airports, financially viable highways, and efficient rail and urban transit systems. Opportunities for co-operation exist

in the areas of management and technical training, and in training related to safety and regulatory issues.

Large Canadian companies are already active in China. Smaller companies with specific expertise in niche areas can improve their profiles in China by subcontracting to larger companies, by participating in consortia, and/or by forming strategic alliances.

An important point of access into the Chinese infrastructure development market is through Hong Kong-based developers and merchant banks. As the area's foremost financial and information hub, Hong Kong can provide early signals of emerging opportunities and significant financial and networking resources.

Constraints

Financing the sale of products and services is often a significant hurdle, and exporters are frequently required to provide financing or investment as part of the transaction.

With the exception of the aviation and aerospace sector, Canada's capability in transportation industries and services is relatively unknown. Competition from European, Japanese and American suppliers can be fierce, particularly for large-scale, high-profile projects.

The Chinese market for manufactured goods remains protected by high import tariffs and trade-related investment measures designed to encourage domestic production of vehicles and parts. Whether in automotive, aviation, urban transit or other sectors, a successful strategy for China often includes technology transfer, training and possibly joint-venture manufacturing.

Whereas in other parts of the world it is possible to enter markets as a specialist contractor, a virtual prerequisite in China is to be part of a total project-delivery package. For example, engineering services, which are traditionally undervalued in China, need to be packaged into a larger transaction. The ability of a company, joint venture or consortium to deliver a complete package, including design, construction, financing, operation and maintenance, is particularly attractive in China.

Action Plan

The objectives of the Action Plan in this sector are as follows:

- to develop and support industry-government teams targeted to specific market opportunities following the successes of Airport Team Canada (1996) and Rail Team Canada (1995);
- to identify key Canadian parts and technology suppliers for strategic Chinese automotive and urban transit development projects, and assist them in developing their China business plans;
- to expand Canada's market for key aerospace and aviation products, including regional aircraft, simulators, air traffic control and aero-navigation equipment;

- to develop and facilitate access to investors, developers and merchant banks, conveying the benefits of Canadian technology and services;
- to target projects planned or funded by the WB and Asean Development Bank, encourage Canadian companies to follow the project-planning pipeline through bank headquarters, and follow up in the marketplace with project managers;
- to increase Chinese knowledge of Canadian capability in the transportation sector through selective, focussed support for missions, seminars and trade fairs;
- to build on the valuable contacts established through the bilateral transportation training programs of the Canadian International Development Agency (CIDA), by identifying channels for appropriate follow-up; and
- to establish and develop contacts with local government officials and project managers, and ensure that early notification of emerging opportunities is communicated to Canadian suppliers.