

planning stage, for example, the Alpine rail passes linking Northern Italy to the main central European rail system in Switzerland and Austria, and similar rail routes through the Pyrenees to improve Franco-Spanish links. Some are beyond the planning stage, as in the case of new high speed railway routes in France and the Federal Republic of Germany.

In the sub-industry of inter-city and urban transport material, the critical financial situation in which many entities responsible for the administration of inter-city and urban buses fleets share, does not allow them to consider new investments. These organizations will have to maintain their capital spending at a minimum level, to ensure essential replacement requirements.<sup>73</sup>

On the whole, the European rail and urban transit markets will remain highly protected and difficult for Canadian companies to penetrate.<sup>74</sup> However, the European mass transit industry will offer some opportunities for Canadian companies capable of finding niche markets. Some have already succeeded in selling to the U.K., one of the few member states (along with the Federal Republic of Germany and France) that is already purchasing from suppliers outside the Community.

## 2.2 Opening of Public Procurement Markets

It is still difficult to measure with precision the impact of the opening of the public procurement markets on these industries. Specific measures regarding these industries have only very recently been approved.

The opening of public procurement markets to intra-Community competition represents an essential element of the intention to create a European market by 1992. Liberalization of exchanges will then apply to an extensive range of public market contracts. However, it is conceivable that in the medium term, non-EC firms may not benefit significantly from a system that maintains a strong preference in favour of EC-based companies.<sup>75</sup>

The economic importance of the public and semi-public sectors' procurement of goods and services (and the impact they have on the completion of a Single European Market) becomes evident when

one considers that public purchases are evaluated on average at 9 per cent of GDP (15 per cent if government enterprises are included). Furthermore, the impact of public purchases in some sectors is even more significant when one considers that some related, important production sectors, such as aerospace manufacturing, armaments or the machinery and equipment industry, occupy a leading position and have the state as their largest single source of contracts. The Community has, therefore, set a goal of opening public procurement markets to Community (but not worldwide) competition and also of establishing an internal market in the public sector.

The impact of government procurement is the greatest in those fields of activity in which the state has granted special or exclusive rights to government enterprises. These sectors include transport, production, telecommunications and the distribution and transport of hydro and energy services. An EC official who participated in the development of the new rules governing public contracts emphasized that they are "distinct from other single market procedures, but born of a similar philosophy, with emphasis on flexibility and adaptability." The measures aim to set in place a common discipline ensuring market transparency with regard to supplies, as well as to open up national procurement markets to intra-EC competition only.

In the development of these new directives on sectors that, up until now, were excluded (hydro, energy, transport and telecommunications), the Community incorporated the concept of Community preference, a principle that was absent from existing general directives on supply and services.

During an internal market's Council in February 1990, the member states opted to establish a compulsory preferential mechanism, which would apply even when a Community offer is 3 per cent above a non-Community offer. This principle is complemented by the concept of local content. This means that the entity calling for tenders will have discretionary powers to reject any offer when "manufactured products or services supplied outside of the Community, or a combination of the two, represent half of the offer's value." It is therefore expected that, to be retained, non-Community offers