

Technological Factors:

Factors determining competitive success in the North American environment have shifted significantly in the last decade. In previous years, competition among the North American vehicle manufacturers was based on attaining economic scale in production, attractive styling and strong distribution networks. Today, improved product quality, the pursuit of productivity through new manufacturing systems and technological innovation have taken their place as the principal factors in competition.

The requirement for technological advance is being felt by the parts sector. Radical changes intended to improve productivity are underway. These have taken a number of forms including the institution of just-in-time production to eliminate most inventory, the reorganization of work practices to minimize downtime and automation to improve quality and reduce the labour content of production.

Additionally, foreign suppliers to offshore vehicle manufacturers are establishing in Canada to service plants being established by V.W., Honda, AMC/Renault, etc. and are bringing new technology to the marketplace.

3. Federal and Provincial Programs and Policies

The fundamental policy instrument is the Auto Pact. In addition, the government has encouraged the industry to capitalize on areas of strength by identifying and exploiting export and import replacement opportunities. Financial assistance is no longer available for the prime areas for automotive plant location under the Industrial and Regional Development Program to assist in plant modernization and expansion and product innovation. Programs such as the Program for Export Market Development provides assistance for export marketing and the Export Development Corporation provides export financing. Government funding of \$40 million was also provided under the Industry and Labour Adjustment Program to assist parts manufacturers in restructuring to meet the changing needs of the industry.

The government is also attempting to encourage offshore manufacturers which do not operate under the Auto Pact to source both original equipment and aftermarket parts in Canada through the automotive duty remission programs (these programs reduce the value for duty on imported vehicles by an amount related to the value of Canadian parts exported by the producer).

The Ontario Government recently announced a \$30 million fund to be administered by the Ministry of Industry and Trade and funded under the BILD Program.

4. Evolving Environment

The Big Three North American automakers have committed themselves to drastic changes in technology, product design, and management. These