Market opportunities and constraints

Annual exports by Canadian original equipment manufacturers to the German market now exceed $400 million in over 50 products. The following sub-assemblies and parts offer good opportunities for Canadian firms: electronics and microprocessors for engine management, ABS, anti slip, suspension, and transmissions, occupant safety systems-airbags and safety belt retainers, intelligent vehicle highway safety systems, GPS, plastic mouldings and recyclable plastics-interior and exterior, aluminum and magnesium die cast parts, emission control systems-catalytic converters, air conditioners, electric and electronic connectors, stamped and forged parts, natural fibres such as flax, as well as tools, service and garage equipment.

"Parts out-sourcing plays a major role in the German automobile industry"

Previously German firms favoured local engineering and production, thereby restricting foreign access. However, the drive to lower production costs and the increasing awareness of its skills, quality products and much lower prices have made Canada a more attractive supplier in recent years.

There are no government impediments to foreign suppliers selling to Germany other than import duties, which vary from 3% to 6% and import turnover tax of 15%.

Generally, manufacturers favour foreign suppliers who have local representation in the form of technical and engineering support offices. Local content regulations, emphasis on rapid delivery and the necessity of close consultation with the manufacturers' design, engineering and production staff also encourage establishing local subsidiaries near assembly sites. Most favoured suppliers will often receive assistance in setting up such facilities. There is also growing interest in overseas investment on the part of the major players as illustrated by BMW in Spartanburg, N.C. or VW's plans for building its "Beetle" in Mexico. Supply decisions for these plants are also made in Germany. This means that representation here could increase sales in North America as well.

Objectives for next five years

At present Canada's share of parts sales to Germany is low in comparison with the USA and Europe. A majority of decision makers are still unaware that Canada is the world's sixth largest automotive producer with annual production in 1995 of 2.4 million light vehicles and shipments of $50 billion. The vehicle systems, components, and parts manufacturing sector reported shipments of $21 billion manufactured by over 550 establisments. It is necessary to inform and raise awareness of key players via personal contacts, workshops, seminars, press releases, media events and trade fair participation to ensure that Canadian sources are fully considered and capture a market share commensurate with their capabilities and capacity.

In concrete terms, assistance must be provided to help Canadian companies increase the volume and value of their shipments, establish additional parts manufacturing sites in Germany, and encourage the movement of investment from Germany into new or existing facilities in Canada. Because of the significance of German overseas investment, contacts must be maintained and cultivated amongst corporate investment strategists in order to emphasize Canada's competitive advantages.

Activities

IAA International Motor Show	11 - 21 September, 1997, Frankfurt Germany's largest fair for automotive assemblers and OEM suppliers
Automechanika	15 - 20 September, 1998, Frankfurt World's largest fair for automotive spare parts and accessories Canadian participation organized by AIA
Business seminars	Organized periodically.

Aerospace

Overview

Annual turnover in the German aircraft industry is $20 billion, of which military procurement is 5%. Much of it is based on foreign trade: 1995 imports were about $13 billion, exports $13.5 billion. In 1995, imports from Canada totalled $420 million, up 68% from 1994. In addition to aircraft and parts, airport equipment and aviation services such as flight training also offer good prospects.

Major companies

The Defence Ministry and Lufthansa stand out as major aircraft customers. On the space side are the Space Agency (DARA) and the aerospace research body, DLR. The leading manufacturer is DASA and its subsidiaries, which account for well over half of turnover in the sector. Other manufacturers include STN Atlas, Diehl, Liebherr, Siemens, and BMW-Rolls Royce.

Opportunities and constraints

The 1996 defence budget for aircraft approached $1 billion and a further $1.8 billion was allocated for maintenance of the existing fleet. Purchasing for defence purposes is carried out by a civilian agency, BWB, a part of the Defence Ministry. There is a tendency to purchase from national suppliers. For this reason, Canadian companies