European country has experienced such growth in this sector.

Renault dominated the French market in 1982 with 39.2 per cent of the market, followed by Peugeot and Citroën. In total, 69.4 per cent of the cars registered in France were of French origin, whereas 30.6 per cent of the market was controlled by foreign companies (an increase from 28 per cent in 1981). This increase of imports was due mainly to the aggressiveness of foreign companies as well as to some difficulties of French manufacturers to meet the demand. It should be noted, however, that a 3 per cent quota limits the entry of Japanese cars in the French market.

The automotive sector is of major importance to the French economy. Of all the major French exporters, Peugeot had, in 1981, the best performance with sales totalling 28.7 billion FF, followed closely by Renault with 25.6 billion FF.

In addition to its dynamism in historical markets, the French automotive industry is aggressively pursuing market opportunities in North America through alliances and agreements in order to obtain well-established dealership networks, such as American Motors' network for Renault cars, and Mack Trucks' for Renault's medium-size trucks.

The Original Equipment Manufacturers

The best opportunity for the Canadian industry is for the supply of parts to original equipment manufacturers (OEM). Any analysis of Canada's relationship with OEM's has to take into account the fact that, although there are possibilities for competitive sales, the most distinct opportunities will originate from the Autopact Agreement and the Duty Remission Program. The Autopact affects Canada's sales to Renault-America and indirectly encourages Renault suppliers to establish themselves in North America. It must be pointed out that past sales experiences to American Motors by a number of Canadian suppliers should afford them a possibility to capitalize on sales to Renault-America within the framework of the Autopact which, in turn, gives them an ideal springboard for exports to Renault-France.

Although Renault seems at this time to offer the best potential, the Peugeot-Citroën group should not be ignored as it provides a small but growing outlet for Canada's industry and its efforts to source in Canada (due to the Duty Remission Program) are heartening.

The French OEM's purchase approximately $4 billion worth of parts annually. This figure excludes the in-house content which accounts for approximately 50 per cent of French automobiles. Currently, 3 to 4 per cent of OEM parts in any automobile are imported. Approximately half of these imports are due to compensation and offset agreements.

The Aftermarket

The French automobile aftermarket, estimated in 1983 at about $5 billion, offers some opportunity for Canadian manufacturers of automobile parts and accessories. There are more than 22.5 million vehicles currently in use in France: 19.8 million private cars, 2.7 million trucks and 61,000 buses. About 80 per cent of these vehicles are French and 20 per cent are foreign, with European makes in the majority. The average age of vehicles in use is approximately six years and average spending per car is about $360.

The primary opportunity in the aftermarket is in the replacement parts for *non-branded products*. Canadian firms will likely find difficulties in penetrating the replacement market for branded parts controlled by Renault and Peugeot-Citroën distribution channels. In part, this is because French and European firms accept lower returns on sales of OEM parts to automakers and maximize on sales of replacement parts through the established channels.

The accessories market is very price conscious and the decline of the franc will make it more difficult for Canadian firms to compete in these items. Nevertheless, there exists some potential for sales by Canadian exporters, including the small firms. Approximately 50 per cent of this aftermarket is controlled by Renault and Peugeot boutiques. They offer the largest distribution channel for accessories in France. The balance of the market, called "private market", is controlled by small private shops, department stores, supermarkets and gasoline stations. It is worth noting that the Peugeot organization has recently made efforts to locate Canadian accessories, which it plans to wholesale to supermarket chains, to fulfill its Canadian purchase requirement under the Remission Program.

Industrial Co-operation

The transfer of technology and the development of co-operation projects in new technologies will be reviewed in this plan. This particular aspect is the subject of a separate cross-sectorial study in Chapter 7, page 31.

The Canadian Automotive Industry

The automotive industry in Canada can be divided into three distinct groupings: the vehicle manufacturers, the original equipment parts manufacturers (OEM) and the aftermarket parts manufacturers (AM). There is an overlap between these groups, with vehicle manufacturers producing parts in-house and with certain parts manufacturers producing for both the OEM and AM.

Approximately 50 per cent of automotive parts production is carried out in-house by the vehicle manufacturers. About 20 per cent of parts produced by independents is manufactured by subsidiaries of eight large multinational corporations (Borg-Warner, TRW, Budd, Kelsey-Hayes, Eaton, Rockwell, Bendix and Hayes Dana).

The vehicle industry in Canada is largely composed of subsidiary operations of North American automobile manufacturers (GM, Ford, Chrysler). Vehicles produced are mainly shipped to the North American