SECTORAL MARKETING PROBLEMS:

Although concrete figures do not exist, the global telecom market for capital goods is generally conceded to be, at minimum, approximately US$ 100 Billion. The combined market for goods and services is estimated at $ 300 Billion, and includes the revenue of operating companies such as Bell Canada and AT&T. Canada's market share is between 3 and 4 percent of the capital market and approximately 4 percent of the combined market. The capital market is projected to grow to more than $ 300 Billion (200 %) by the end of the decade, and the market for services will grow to be at least $1 Trillion (400%)!

The global telecom market is best characterized as a market in which <u>nations</u>, not companies, compete eg. Germany Inc., France Inc., Japan, Inc. This is especially true for larger scale projects such as those funded by the World Bank. There <u>is</u> no 'Canada, Inc.' and our companies, especially those pursuing larger projects in several of the Tier B countries, and all Tier C countries, find it difficult to compete with the concessionary terms freely available from other nations.

Several factors have combined in the past two years to challenge the operating environment of Canadian telecom manufacturing companies and carriers attempting to compete in the global market. The major factors influencing this environment are:

- Introduction of the Free Trade Agreement
- Ongoing NAFTA and GATT discussions
- Domestic pressures upon the CRTC to lessen regulation
- Increasing competition in foreign markets

The impact of these changes are not yet fully determined, but impacts are certainly occuring within the industry. Companies are beginning to recognize that their continued survival in a saturated, competitive domestic market requires them to address export markets in a serious, focused fashion. The current domestic economic retrenchment has restricted capital spending by the larger domestic customers, driving most manfacturing companies in the sector to tighten up internal business practices such as product development cycles, marketing strategies and staffing levels. Companies are coming to view exporting as the principal means of business expansion in the current economic climate.

The niche product/market nature of the manufacturing portion of the industry, when combined with saturated domestic markets, fierce off-shore competition, high marketing costs and a weak economy, will almost certainly result in the disappearance, consolidation or foreign acquisition, of many small & medium-sized companies within the sector. Those that remain, however, are more likely to be able to cope with the demands of penetrating international markets. For those companies able to effect the changes required to

successfully compete offshore, aggressive marketing is expected to result in a larger percentage of revenues from exports. For many companies, this represents the best, and in