Both industries are, however, eventually expected to undergo a substantial rationalization. The rationalization of the bus industry has been delayed, in spite of the fact that bus operators are not expected to provide the industry with substantial orders. This is perhaps a result of the fact that measures meant to open up procurement are unlikely to be implemented in the medium term. These measures will probably be delayed because nationally owned domestic producers in the EC are not perceived to be in a position to cope with intra-EC competition.

The situation in the rail industry is substantially different. Already ABB and GEC-Alsthom have emerged as leading players, and it is expected that non-leading companies will have no choice but to opt for niche strategies. Furthermore, the planned installation of high speed rail networks across Europe is expected to provide EC rail companies with considerable business opportunities. In spite of measures aimed at opening this market, national considerations will probably continue to influence purchase decisions. Thus, Canadian exporters will probably continue to find it difficult to penetrate the EC market.[3] In contrast, Canadian companies with production bases in Europe, such as Bombardier, will be in a good position to take advantage of new opportunities, since they will be treated as EC companies.

Strategies

Generally, the opening of European procurement markets to EC-wide competition will have positive results only for Canadian companies that operate from a European base (for example, a subsidiary). Recently approved measures, however, make no specific mention of the rights of non-EC contractors, although they continue to give preference to companies that offer at least 50 per cent Community content in their products. Overall, Canadian companies operating in the aerospace, defence or urban and inter-city transport industries are all at risk from reinvigorated European competition. Companies who choose to ignore developments in the EC may soon find themselves competing in their domestic and third markets with European competitors.

In all three sectors, the current restructuring movement creates opportunities for Canadian enterprises with the means of reinforcing their presence in Europe through mergers, acquisitions or joint ventures. Opportunities also exist for Canadian companies to make sales by working with European contractors or for North American companies that are selling in Europe through EC-based subsidiaries. Finally, pursuing a highly specialized niche has proven to be a successful strategy for many Canadian companies, since companies that are able to establish themselves in highly specialized niches will obviously continue to sell their product(s) in the EC with an ease relative to their level of domination of the global niche market.

For those companies unable to reinforce their presence in the EC, measures should be undertaken to strengthen their position on the North American market. Thus, expanding operations to cover thoroughly both Canadian and American markets will become a necessity for these companies. Furthermore, a continuing emphasis on R & D will be important for Canadian companies, given the EC's emphasis on this competitive advantage. Canadians need to emphasize co-ordinated R & D with other Canadian companies and with foreign industries. This emphasis could help further refine niche markets.

- **Aerospace**

In the aerospace industry, companies selling to Europe's airlines will have to pay particular attention to Article 24 of Directive (89) 380. Information regarding the possible application of measures concerning public procurement markets to airlines is vital to companies selling to these corporations. However improbable, the extension of the proposed measures to include carriers such as Lufthansa would likely adversely affect Canadian industry, since the application of the 50 per cent EC content rule to commuter aircraft would effectively eliminate all non-European aircraft from the EC market.

Whenever possible, Canadian companies should undertake measures to ensure their participation in the EC market. Because of air transport deregulation and the increased level of trade likely to result from the Europe