



Canada: Coal Mining Equipment Industry

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Summary

Coal is a prosperous and integral part of the Canadian economy, ranking fourth behind zinc, copper, and nickel in production. Due to the economic slowdown, industry experts predict moderate decreases in metallurgic coal production and steady production of thermal coal in Canada for 2009. This industry is dependent on imported mining equipment. According to the US Census Bureau-Global Trade Atlas, Canada imported close to \$15 billion in mining equipment in 2007, with the US capturing 80% of the market or \$12 billion. With 23 operating coal mines in Canada and no indication of mines nearing exhaustion, Canada presents a large and receptive market for US manufacturers of coal mining equipment for the foreseeable future.

Market Demand

Worldwide coal prices have been on an upward trend over the past six years up, however, together with the current global economic crisis, coal prices have declined. Ultimately, coal is still needed globally for energy and steel production. Canada continues to supply millions of tons of coal to Japan, South Korea, China and the United States annually. As there remains a global need for coal, the Canadian mining industry and subsequently the mining equipment industry will continue to maintain its sales.

“Economic Stimulus Packages” announced by both the U.S. and Canadian federal governments, will help bolster thermal coal production as cement will play a vital role in construction upgrades and the reconstruction markets.

Trends

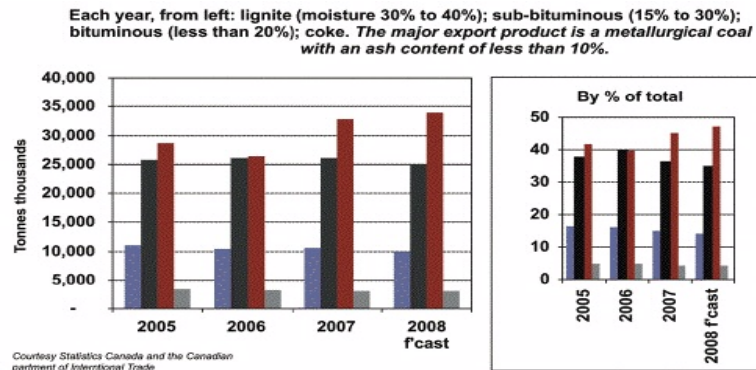
Canada relies heavily on imports of mining equipment. Canadian imports of mining equipment have steadily increased and are valued at \$14.9 billion. Of that amount, the United States is a key exporter representing almost \$12 billion. With increases in the share of exports annually it is evident that the United States represents Canada’s largest and most instrumental importer of mining equipment in the world.

Market Data

Canadians working in rural communities, throughout the ten provinces and three territories, are often either directly or indirectly employed by coal mines. Every year this industry contributes an estimated \$5 billion to Canada’s economy. According to Coal Information, the annual publication by the International Energy Agency, Canada holds 8.7 billion tons of coal in reserves, with another 193 billion tons identified. This is primarily bituminous and sub-bituminous coal, though Saskatchewan holds significant reserves of lignite coal. There are currently 23 operating coal mines in Canada, with the biggest being Elk View Coal in Sparwood, British Columbia. The majority of coal mines reside in the three most western provinces, British Columbia, Alberta and Saskatchewan.

Domestic Production

Over 2007, Canada produced 69.5 million tons of coal, a five percent increase from 2006. Up to July 2008, 42 million tons have been mined. With monthly production fairly constant, the indications for the full year are 72 million tons. Approximately 47% of Canada’s coal production is of bituminous coal. Sub-bituminous coal now represents 35% of production, while lignite represents 14%, with Coke making up the remainder of production. The past four years have shown a constant 40%/60% metallurgic/thermal production in Canada.



Source: <http://www.worldcoal.com/>

Canada's Coal Consumption

According to Natural Resources Canada, it was estimated that Canada's coal consumption in 2007 was 57.7 million tons, similar to that consumed in 2006. The largest consumer was coal-fired electricity generation used in Alberta, Saskatchewan, Nova Scotia and Ontario. The coal not used to generate electricity is consumed by Canada's steel, cement and other industries.

Coal Exports

After oil, coal is one of Canada's most prosperous commodities accounting for 13% of Canada's exports worldwide. Canada's coal export trade remained steady and reliable. During 2007 Canada exported 30.9 million tons of coal, valued at over \$3 billion (87% metallurgical coal). The major export region remains Asia, importing 59% or 18 million tons in 2007, and 10.8 million tons in 2008 to July. The Asian countries which were the most prominent were: Japan (10.6 million tons), South Korea (6.1 million tons) and Taiwan (1.1 million tons). The same pattern exists for 2008 with estimates increasing by 500,000 tons.

Europe, excluding the UK, is another significant export region for Canadian coal. Europe imported 21.7% in 2007 and has reported imports of 20% up to July 2008. The UK and the US are also regular destinations for Canadian coal. The UK imported 1.5 million tons in 2007 and 977,000 tons to July 2008, while the US imported 1.7 million tons in 2007 and 956,000 tons to July 2008.

Coal Imports

In 2007, Canada imported over 16.1 million tons coal, worth over \$1.1 billion. Up to October 2008, Canada imported over 18.1 million tons, valued at over \$1.5 billion. Of the total imports over 80% was thermal coal mainly for coal-fired electricity generation in the provinces of Ontario, Nova Scotia and New Brunswick. The remainder was coking coal which was consumed by Canada's steel industry. In 2007, the United States exported the largest amount of coal into Canada (13 million tons, valued at \$755 million). Colombia was second (1.4 million tons, valued at \$106.7 million). Up to October 2008, the United States followed by China, then Columbia were the largest exporters to Canada.

Exchange Rates

The Canadian Dollar has fluctuated extensively throughout the current economic storm, falling from a high of US\$1.09 in late 2007 to its recent average mark of US\$0.80.

Expected Inflation Rates

Current economic inflation rate is estimated at 2.6%. The forecast is that inflation rates will as the pricing of products and commodities dip in this time of economic unrest.

Coal Mining Equipment

*This report includes, but is not limited to, the following products identified by their Harmonized System (H.S.) Codes.

Table 1: *Coal Mining Equipment (used for this report)

H.S. #	PRODUCT
8207.11, 12	Rock drilling or earth boring tools
8207.60, 70	Tools for boring and milling
8425.20	Pit-head winding winches for underground
8427.10	Self-propelled work trucks powered by electric motor
8427.20	Self-propelled work trucks
8428.20	Pneumatic Elevators & Conveyors
8428.31	Cont-action elevators/conveyors for under-ground
8428.32; 33	Cont-action elevators/conveyor bucket type; conveyor belt type
8428.50	Mine car pushers, locomotive or wagon traverses
8428.90	Lifting, handling, loading and unloading machinery
8429.11	Bulldozers and angle-dozers, crawler type
8429.20; 30	Graders and levelers, self-propelled; scrapers, self-propelled
8429.51	Front-end shovel loaders
8429.52	Machinery with a 360 revolving superstructure
8430.10	Pile drivers and pile extractors
8430.31; 39	Coal and rock cutters, self-propelled; not self-propelled
8430.41	Boring and sinking machinery, self-propelled
8430.61	Tamping or compacting equipment, not self-propelled
8430.62	Scrapers, not self-propelled
8430.69	Construction equipment, not self-propelled
8431.41	Buckets, shovels and grips of excavating machinery
8431.42	Bulldozers and angle dozer blades
8459.21	Drilling machines for removing metal
8459.31	Boring-milling machines for removing metal
8459.40; 59	Boring; milling machines for removing metal
8474.10, 20	Sorting/screening/separating machinery
8704	Dump truck designed for off-highway use, Diesel powered trucks

Mining Equipment Imports

Table 2: Canada Import Statistics Coal Mining Equipment *							
Year To Date: January - December							
Partner Country	United States Dollars			% Share			% Change
	2005	2006	2007	2005	2006	2007	2007/2006
World	10736276744	12901725166	14956981912	100.00	100.00	100.00	15.93
United States	8384774684	10061500367	11999632957	78.10	77.99	80.23	19.26
Mexico	890305895	899757866	1107978152	8.29	6.97	7.41	23.14
Japan	510752694	669992179	658117020	4.76	5.19	4.40	-1.77
United Kingdom	168827473	220703676	222896771	1.57	1.71	1.49	0.99

Germany	172372433	225004972	209308252	1.61	1.74	1.40	-6.98
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Source: Census Bureau, U.S. Department of Commerce or Global Trade Atlas, 12/15/2008.

Best Prospects

The following illustrates the total sum of US dollars spent on mining equipment in Canada for 2005 through 2007. As shown below, there has been a steady rise in mining equipment imports to Canada. The top three types of equipment alone totaled over \$11.14 billion.

In addition to the below list, other requirements include: conveyor systems, roof bolters and coal hauling vehicles (shuttle cars). Replacement parts for mining equipment are also in high demand due to the large costs associated with purchasing brand new machines. Most mining companies expect to delay large equipment purchases until the economy rebounds. Many mining firms purchase used equipment and will rebuild as needed. By constantly replacing the regularly used parts (tires, lubricants, etc), the life of the trucks and machines can be extended from seven to fifteen years.

Table 3: Canada Import Statistics From United States
Commodity: Coal Mining Equipment *

Year To Date: January - December								
Commodity	Description	United States Dollars			% Share			% Change 2007/2006
		2005	2006	2007	2005	2006	2007	
	Totals	838477468 4	1006150036 7	1199963295 7	100	100	100	19.26
8704	Motor Vehicles For Transport Of Goods	660705328 9	7751133805	9287441335	78.8	77.0 4	77.4	19.82
842951	Mech Front-End Shovel Loaders, Self-Propelled	427544900	535202764	636113362	5.1	5.32	5.3	18.85
842952	Mech Shovels Excavators Etc W 360 Degree Sprstruc	372389077	446028635	507540948	4.44	4.43	4.23	13.79
842720	Self-Propelled Works Trucks And Forklifts, Nesoi	228566139	320478776	369466991	2.73	3.19	3.08	15.29
842911	Bulldozers And Angeldoizers, Self-Prop, Track Lay	226039829	290606602	339505429	2.7	2.89	2.83	16.83

Key Suppliers

Canada has a small, domestic mining equipment manufacturing industry. The majority of mining equipment in Canada has been imported from all over the world. As illustrated in table 2, manufacturers from the United States have the largest share of the Canadian mining equipment market, at 80% in 2007. Other large manufacturing nations include Mexico, Japan, UK and Germany.

Some of the large foreign companies in the Canadian mining equipment industry are Caterpillar (U.S.), Komatsu (Japan), Atlas Copco (Sweden), Sandvik (Sweden), Joy Global (U.S.), Metso (Finland), Ingersoll-Rand (U.S.), Boart Longyear (U.S.), Downer EDI (Australia). The large domestic suppliers include Atlantic Industries Ltd., Fordia Group, Conspec Controls Ltd. and Cubex Ltd.

Prospective Buyers

Table 4 below outlines the Canadian coal mines and their ownership. The majority of the mines are located, in the provinces of British Columbia and Alberta. A few of these coal mines reported large profits the last few years. Thermal coal producers are considering expanding their operations, while the metallurgical coal mines may be reducing their production. For example: Hillsborough Resources stated they will expand their operations at their Quinsam mine and foresee steady if not a slight increase of production in 2009. It is also reported at this time that Western Canadian Coal is cutting back production at their Brule and Wolverine mines.

Table 4: Coal Mines and Owners in Canada (u/g= underground, all others open-pit)

BRITISH COLUMBIA	ALBERTA	SASKATCHEWAN
Willow Creek (Western Canadian Coal)	Cheviot Creek (Teck Cominco)	Poplar River (Prairie Mines & Royalty Ltd.)
Wolverine (Western Canadian Coal)	Coal Valley (Prairie Mines & Royalty Ltd.)	Boundary Dam (Prairie Mines & Royalty Ltd.)
Quinsam u/g (Hillsborough Resources)	Highvale (Prairie Mines & Royalty Ltd.)	Bienfait (Prairie Mines & Royalty Ltd.)
Fording River (Teck Cominco)	Whitewood (Prairie Mines & Royalty Ltd.)	NEW BRUNSWICK
Greenhills (Teck Cominco)	Genesee (Prairie Mines & Royalty Ltd.)	Salmon Harbour (NB Coal Ltd)
Elkview (Teck Cominco)	Paintearth ((Prairie Mines & Royalty Ltd.)	NOVA SCOTIA
Line Creek (Teck Cominco)	Sheerness (Prairie Mines & Royalty Ltd.)	Stellarton (Pioneer Coal)
Coal Mountain (Teck Cominco)	Grande Cache u/g (Grande Cache Coal Corp.)	
Trend (Northern Energy & Mining)		
Brule (Western Canadian Coal)		

Major Canadian Coal Companies' Web Sites

Compliance Energy Corp.: www.complianceenergy.com
 Fording Canadian Coal Trust: www.fording.ca
 Grande Cache Coal Corp.: www.gccoal.com
 Hillsborough Resources Ltd.: www.hillsboroughresources.com
 Quinsam Coal Corporation: www.quinsam.com
 Sherritt International Corp.: www.sherritt.com
 Teck Cominco Ltd.: www.teckcominco.com
 Western Canadian Coal Corp.: www.westerncoal.com

Largest Mining Engineering Firms in Canada

Aker Solutions (www.akersolutions.com)
 AMEC (www.amec.com)
 BBA (www.bba.ca)
 Bechtel (www.bechtel.com)
 EBA Engineering Consultants (www.eba.ca)
 Fluor (www.fluor.com)
 Golder Associates (www.golder.com)

Genivar (www.genivar.com)
Hatch (www.hatch.ca)
Kilborn Engineering (part of SNC Lavalin, www.snc-lavalin.com)
SNC-Lavalin (www.snc-lavalin.com)
Micon International Ltd. (www.micron-international.com)
Mollart Canada (www.mollart.com)
Roche Consulting Engineers
SRK Consulting (www.srk.com)
Stantec (www.stantec.ca)
Stavibel Engineering Services (www.stavibel.qc.ca)

Market Entry

The Canadian mining equipment industry has two traditional distribution channels, direct sales to mining companies and selling through distributors. Equipment and machinery with large capital costs are normally sold directly to mining companies. Mining companies contact manufacturers directly when seeking specific types of equipment (unique or high ticket items). Manufacturers of less expensive, smaller pieces of machinery, often sell through local distributors.

Whether a U.S. firm plans to sell directly or through a distributor, it is imperative that the firm's products are approved by mining company's engineers and purchasing department. When making major equipment purchases, Canadian mining companies take into consideration product quality, track record, servicing, and price.

Market Issues & Obstacles

Mining Regulations: The provincial governments regulate mining in Canada's 10 provinces, the federal and territorial governments and aboriginal organizations regulate mining in Canada's three territories, as well as mining in Canada's offshore waters (12 miles from the low water mark) and continental shelf. Generally, the mining industry is regulated by way of mining laws supplemented by mining agreements in appropriate circumstances.

U.S. suppliers enjoy the benefits of close proximity to the Canadian mining market. The speed of delivery and servicing of equipment are two important criteria Canadian companies consider when purchasing product. As such, given the ease of entry and travel to the Canadian market, U.S. firms enjoy an important competitive advantage over their third-country competitors.

Under the terms of the North American Free Trade Agreement (NAFTA), there are no significant restrictions or limitations to imports of American manufactured machinery and equipment or services in connection with mining activities. Canadian importers of mining industry equipment must remit five percent of the duty paid value of their imported merchandise to Revenue Canada. The Canadian Goods and Services Tax (GST) is five percent on a value-added basis at each re-sale level. Importers are permitted to apply the tax paid against any accruing tax liability resulting from the re-sale of the imported goods, and remit to Revenue Canada the difference of the added value at that time.

Information on GST registration requirements for U.S. exporters is available on the Revenue Canada website (<http://www.cra-arc.gc.ca/>).

All electrically powered products sold in Canada must comply with the standards established by the Canadian Standards Association (C.S.A.), Canada's largest standard writing body. Information pertaining to these standards and pre-import requirements can be viewed at <http://www.csa.ca>.

Trade Events

Mineral Exploration Roundup 2009
January 26-29, 2009
Vancouver, Canada
<http://www.amebc.ca/roundupoverview.htm>

Prospectors & Developers Association of Canada, PDAC 2009
March 1-4, 2009
Toronto, Canada
www.pdac.ca/pdac/conv/index.html

Canadian Mining and Industrial Expo 2009
April 22, 23, 2009
Sudbury, Canada
www.dacshows.com/shows/

B.C. Mining Opportunities 2009
May 5, 6, 2009
Vancouver, Canada
<http://www.buyusa.gov/canada/en/bcminingopportunities2009.html>

CIM Conference and Exhibition 2009
May 10-13, 2009
Toronto, Canada
<http://www.cim.org/toronto2009/>

Resources & Contacts

Natural Resources Canada: www.nrcan-rncan.gc.ca
The Coal Association of Canada: www.coal.ca
The Mining Association of British Columbia: <http://www.mining.bc.ca/>
Prospectors and Developers Association of Canada: <http://www.pdac.ca/>
British Columbia and Yukon Chamber of Mines: <http://www.chamberofmines.bc.ca/>
The Mining Association of Nova Scotia: www.tmans.ca
Alberta Coal and Mineral Information: <http://www.albertacanada.com/industries/963.html>
Saskatchewan Mining Association: www.saskmining.ca/factSheets.php?PAGE=Environment

For More Information

The U.S. Commercial Service in Vancouver, Canada can be contacted via e-mail at: judy.simonite@mail.doc.gov;
Phone: 604-685-3382; Fax: 604-687-6095; or visit our website: www.buyusa.gov/canada.

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