



Canada: Mining Equipment Industry

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Summary

Canada continues to be a world leader in producing and exporting many important minerals and metals. In 2007, Canada's mineral production was valued at \$40.4 billion, up from \$34 billion in 2006. This 19% increase was due to significant growth in the value of metal and non-metal mineral production. Coal production valued at \$2.8 billion in 2007, decreased in value by 4.3% from 2006. The U.S. continues to have a strong presence in the Canadian market with an import market share of 63.8% in 2007, an increase of 1.5% over 2006.



Canada, with its population of just over 33 million people has a long history of mining and is rich in natural resources. The mining industry is predicted to grow for the next few years, as Canada has a favorable investment climate, sustained high commodity prices, plus continued world demand for minerals and metals (specifically China and India). One note to be aware of is that experts see a decline in mineral reserve levels in Canada. Government and industry are well aware of this inventory depletion and are trying to find solutions to increase exploration through government, both federal and provincial, tax incentives.

Market Demand

Worldwide commodity prices have increased substantially over the past five years. This has helped to fuel the mining boom in Canada. There have been large capital investments in uranium, nickel, gold, copper, potash, and diamond exploration. Analysts and industry professionals believe that this trend will continue in 2008 and for the next few years. Thus the mining industry and subsequently the mining equipment industry will continue to prosper in Canada.

In 2007, total exploration and deposit appraisal expenditures reached \$2.6 billion; a 34% increase from 2006. Various tax incentives available to mining exploration firms contribute to the growth of Canadian exploration. The discovery of more mineral deposits in Canada bodes well for the mining equipment industry, as more new mines will become operational in the years to come. This trend is likely to continue in 2008, as most provinces are expecting increased expenditures in exploration.

Since Canada is home to over 2,360 head offices of mining and mining related companies, it is highly recommended that U.S. manufacturers of mining equipment consider selling to the Canadian marketplace. Buying decisions are made at these head offices for mines owned in Canada and around the world. There are 1,274 mining and exploration companies currently listed on the Toronto Stock Exchange (TSX) and TSX Venture Exchange, representing more than 59% of the world's public mining companies. TSX mining stock trading has doubled between 2005 and 2007 from \$107 billion to \$309 billion.

To clearly understand the potential of the mining equipment industry in Canada, the following is a partial list of major new mines or expansions in Canada in 2007:

Mining Company	Name of Mine/Provincial Location
Western Canadian Coal	Brule / BC
Teck Cominco	Duck Pond / NL
Frist Metals Inc.	Fabie Bay / QC
Richmont Mines	Island / ON
Century Mining Corp.	Lamaque / QC
Roca Mines Inc.	Max Molybdenum / BC
Sherwood Copper Corp.	Minto / YT
San Gold Corp.	San Gold #1 / MB

Market Data

Canada is ranked globally for the production of

1. Potash and Uranium
2. Cobalt
3. Diamonds, nickel, aluminum, gypsum, titanium and platinum metals
4. Zinc and Molybdenum

molybdenum ore



The Canadian mining industry accounted for approximately 3.7% of Canada's GDP in 2007. This has been fairly constant with minimal increases over the last five years. The minerals and metals mining industry was valued at \$40.4 billion in 2007, an increase of over 19% from 2006, thus creating demand for more equipment in the industry.

Canada relies heavily on imports of mining equipment. Pre-2001, the United States' market share of imports of mining equipment was 70%. In 2006, the U.S. market share decreased to 62.5%, rising to 63.7% in 2007. This is mainly due to an increase in domestic and European manufacturing.

The products covered in this report are as follows (with the respective Harmonized System Codes):

HS Code	Product/Product Description
820713,19,60,70	Rock drilling/earth boring tools
842520	Pit-head winding gear and winches
842831,33,50,90	Action elevators and conveyors for goods/materials, railway cars, lifting machinery
842911,19,40,51,52,59	Self-propelled mechanical excavating machinery, bulldozers, tamping, loaders, shovels
843031,39,41,49,61,62,69	Coal or rock cutters and tunneling machinery, boring/sinking machinery, tamping, scrapers
843139,41,42,49	Parts of lifting, handling, loading or unloading machinery, buckets, shovels, bulldozer and angle dozer blades
845921	Other drilling machines – for removing metal
847410,20	Sorting, screening, separating or washing machines, Crushing or grinding machines
870410,23	Dump truck designed for off-highway use, trucks –loads exceeding 20t

In 2007, Canada imported \$6.67billion of mining equipment (products from table above). This is an increase of 6% from 2006. The U.S. is the largest supplier to this market at \$4.25 billion, or 63.7% market share.

Top Five Canadian Mining Equipment Imports¹

Country	2006	2007	est2008
U.S.	3,919,991	4,251,159	4,676,274
Japan	711,464	731,416	760,672
Sweden	278,833	272,638	284,906
Germany	204,762	237,710	285,252
United Kingdom	224,493	230,396	241,915
Others	947,051	944,672	985,748
TOTAL	\$ 6,286,594	\$ 6,667,991	\$7,234,767

Source: Industry Canada (www.strategis.ic.gc.ca)

¹ Values in thousands of US\$

Best Prospects

The following best sales prospects in Canada's mining equipment industry sector are determined by levels of increased importation and production from the period 2005 through 2007 (source: Industry Canada Trade Data). Mining companies contacted said as long as mineral and metal prices remain high, the following equipment would continue to be in demand.

- 842831 elevators, conveyors for underground equipment
- 843031 rock cutters and tunneling machinery
- 842833 elevators conveyers, belt type
- 845921 drilling machines, numerically controlled
- 847420 crushing or grinding machines

In addition to the list above, industry contacts stated specific items such as trucks, shovels, and tires are in high demand. Also replacement parts for mining equipment are needed because of the large cost associated with purchasing brand new machines. 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.

Key Suppliers

Canada has a small, domestic mining equipment manufacturing industry. The majority of mining equipment in Canada is supplied by subsidiaries of large international manufactures. Manufacturers from the U.S. own the largest share of the Canadian mining equipment market, at 63.7% in 2007, an increase from 62.5% in 2006. Other large manufacturing nations that supply to the Canadian mining industry include Japan, Sweden, Germany and the United Kingdom.



Some of the large foreign companies in the Canadian mining equipment industry are Caterpillar (USA), Komatsu (Japan), Cummins (USA), Atlas Copco (Sweden), Sandvik (Sweden), Joy Global (U.S.), Metso (Finland), Ingersoll-Rand (USA), Boart Longyear (USA), and Downer EDI (Australia).

Large domestic manufacturers of mining equipment include Abb (QC), Axton Inc. (BC), Breaker Technology (ON), Esco Ltd. (BC), Fournier Industries Inc. (QC), Knelson (BC), Mining Technologies Int'l Inc. (ON), Quality Components Intl. (ON), and Standard Machine (SK),

Prospective Buyers

With over 2,360 head offices of mining and mining related companies in Canada, this represents a very large market of prospective buyers. The “who’s who” of the world mining industry is operating in Canada because of the nation’s massive natural resources. BHP, Anglo-American and Rio Tinto are the three largest mining companies in the world and they all have operations in Canada.

Large Canadian mining companies include:

Company	Headquarters	Product	Mines or Future Mines
Barrick Gold www.barrick.com	Toronto, ON	Gold, Copper	27 Currently, 3 Developing
Cameco www.cameco.com	Saskatoon, SK	Uranium, Gold,	6 Currently, 2 Developing
Falconbridge www.falconbridge.com	Toronto, ON	Copper, Nickel, Zinc, Aluminum	22 Currently
Gold Corporation www.goldcorp.com	Vancouver, BC	Gold	12 Currently, 6 Developing
Potash Corporation www.potashcorp.com	Saskatoon, SK	Potash	7 Facilities
Teck Cominco www.teckcominco.com	Vancouver, BC	Zinc, Gold, Copper, Coal	12 Currently
Vale Inco Inc. www.inco.com	Toronto, ON	Nickel, Copper, Precious Metals	9 in Canada, 1 in Indonesia 1 in New Caledonia

Canadian purchasing decisions are based upon the price, quality, productivity of the product, servicing of the equipment, and speed of delivery. As mining costs continue to escalate, companies are always interested in new technologies and finding ways to become more efficient.

Distribution Channels

In the Canadian mining industry, there are two traditional distribution channels that prevail, direct sales to the mining companies and selling through distributors. Given the limited number of competitors, many manufacturers of heavy machinery (with a large initial capital cost) sell directly to the mining companies or at least are contacted directly by mining firms for specific bid tendering. 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 product(s) is established with a mining company’s engineers and purchasing department. The key decision criteria employed by mining firms for successful inclusion on the bid list are: 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, and the federal government regulates 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 decision 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 advantage when compared to 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) nets out at five percent on a value-added basis at each re-sale level. (Note: GST was lowered to five percent on January 1, 2008). 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>.

The Investment Tax Credit for Exploration (ITCE) was introduced in 2000. This tax credit provided an investment credit of 15% for investors with specified mineral exploration expenses. Junior mining companies have cited the ITCE as a significant reason for the increased investment.

The ITCE initially had come to an end on Dec. 31, 2005, but has been renewed for a third time with a new expiry date of March 31, 2008. There are also a number of provincial tax credit incentives that exist. The ITCE reintroduction applies to flow through agreements that were reached from April 1, 2007 and before March 31, 2008. More information can be found at http://www.nrcan.gc.ca/miningtax/faq_brochure.htm.

Trade Events

There are numerous upcoming mining trade shows throughout Canada, below is a sample of the biggest. Find more at: <http://www.canadianminingjournal.com/events/Upcoming.asp?option=up>

Event Title	Date	Location	Website link
CIM Conference and Exhibition 2009	May 4-6, 2008	Shaw Conference Centre, Edmonton, AB	http://www.cim.org/edmonton2008/index_A.cfm
Canadian Mining and Industrial Expo 2009	April 22-23, 2009	Exhibition Centre Sudbury, ON	www.dacshows.com/shows/
Mineral Exploration Roundup 2009	Jan 26-29, 2009	The Westin Bayshore Hotel, Vancouver, BC	www.amebc.ca/roundupoverview.htm
Prospectors & Developers Association of Canada PDAC2009	March 1-4, 2009	Metro Toronto Convention Centre, Toronto, ON	www.pdac.ca/pdac/conv/index.html

Key Contacts

Canadian Association of Equipment Distributors (www.caed.org)
Canadian Association of Mining Equipment and Services for Export (www.camese.org)
Canadian Institute of Mining, Metallurgy and Petroleum (www.cim.org)
The Coal Association of Canada (www.coal.ca)
The Mining Association of Canada (www.mining.ca)
Industry Canada (<http://strategis.ic.gc.ca>)
Natural Resources Canada, Minerals and Metals Sector (www.nrCan.gc.ca)
Provincial and Territorial Mining-Related Acts and Regulations (http://www.nrcan.gc.ca/mms/business/entrepreneur_e.htm)

For More Information

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The U.S. Commercial Service's National Sector Coordinator for the mining industry is Judy Simonite, who is located in our Vancouver office and can be reached at 604-685-3382, or Judy.Simonite@mail.doc.gov or visit our website: www.buyusa.gov/canada.

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