



Canada: Robotics – Industry Overview

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May 09

Summary

The Canadian robotics industry was valued at US\$ 474 million in 2008, significantly concentrated in Ontario and largely dependent on imports. About 25 percent of total imports originated from the United States. After strong results in 2006 - 2007, the market recorded a sharp decrease of over 20 percent in 2008. It is expected to contract further in 2009 with a slow return to positive growth possible in 2010.

The purpose of this report is to analyze the current status and trends in the Canadian Robotics market. The report examines three main segments: industrial robots; CNC machine tools/metal working equipment; and automatic welding equipment. The report also evaluates opportunities and best prospects for U.S. manufacturers of robotic equipment and services.

Market Demand

The main drivers for the robotics market are the manufacturing sector and industrial processes. This includes a large variety of activities in moving, handling, and transforming products and materials related to many sectors in the Canadian economy like construction, transportation, logistics, wholesaling, etc.

The Canadian manufacturing industry is facing difficult times. Fewer sectors are more energy-intensive or more exposed to competition from countries with low labor costs. The strong Canadian dollar coming to parity with the U.S. dollar in 2007 and high material costs have taken a toll on overall growth in the robotics industry. Although in 2008 the Canadian Dollar lost ground to U.S. Dollar, the global economic slowdown has impacted heavily on the Canadian economy. The manufacturing sector recorded the biggest decrease among all economic sectors. January 2009 continued the same trend with Canadian GDP contracting 0.7 percent compared with January 2008.

The most important driver by far in the robotics industry remains automotive manufacturing due to its importance to the entire Canadian economy. According to Statistics Canada, in January 2009, while 18 of the 21 major manufacturing groups lost ground, about half of the decline was attributable to a 27 percent reduction in motor vehicle and associated parts production. This is the main cause for the sharp decrease in demand for the robotics sector, a decrease which is expected to continue for the near term. The big three, (GM, Ford, and Chrysler), which are assembling in Canada both for the Canadian and for the U.S. market, are currently facing one of the most difficult crises of their corporate histories. Solutions for coming out of the current economic crisis involve restructuring, fewer brands, and technology transfers, and seem to have a common element. The big car-manufacturers need to change their technologies and build new types of cars. There is also a need to change and adapt manufacturing and assembling processes in the automotive sector, which, in turn, would drive a rebound of the robotics sector.

It is estimated that industrial processes from other economic sectors will also show positive growth together with a rebound of the Canadian economy sometime in 2010. That would also mean a rebound in the robotics sector.

Market Data for Robotics

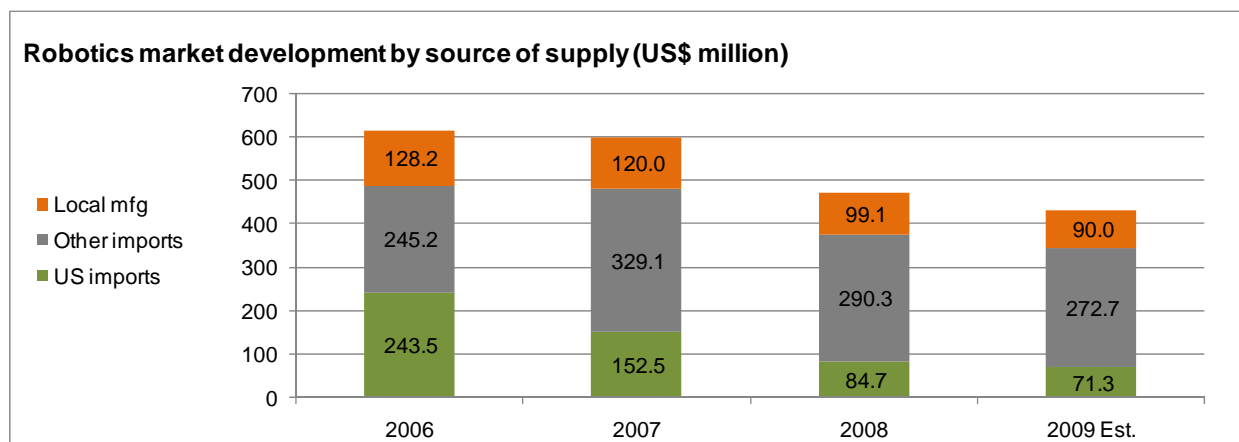
	2006	2007	2008	2009 (Estimate)
Total market size	616.9	601.6	474.2	433.9
Total local production	185.1	191.9	204.0	193.8
Total exports	92.1	100.8	145.9	144.5
Total imports	524.0	510.4	416.1	384.6
Imports from the US	270.7	176.9	114.2	100.5

(Source: Statistics Canada; million current US\$)

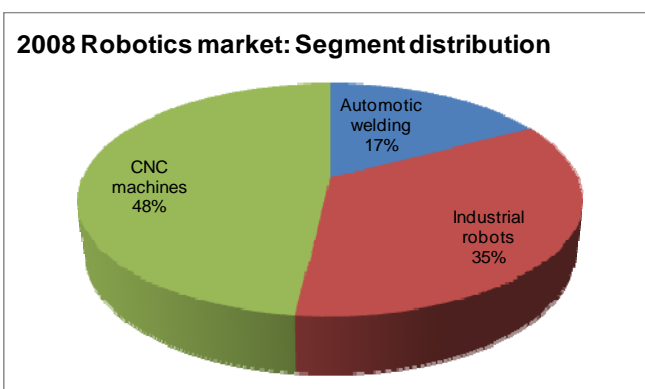
The estimates for 2009 are based on the trends of the past 12 months rolling market size, in the most recent 24 months of statistical records for various product groups in the industrial robots, CNC machine tools and automatic welding machinery segments.

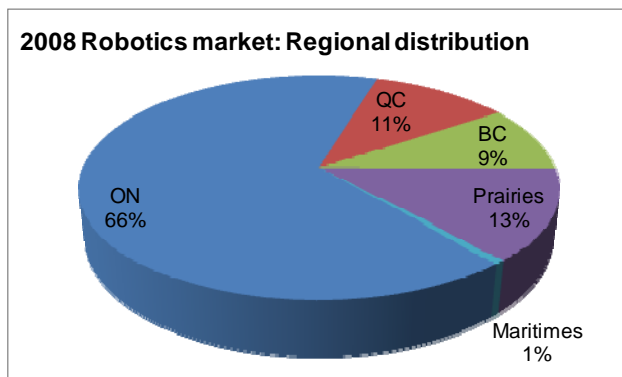
In 2008, the market recorded a sharp contraction of over 20 percent compared with 2007. Total imports decreased at a similar rate of over 20 percent while the imports from the United States decreased at a much higher rate. Domestic manufacturing of robotic equipment recorded positive results for 2008 driven by exports, which recorded significant growth. However, Canadian imports of robotic equipment decreased again in 2008. The market trend is indicating a further decrease in 2009 from all sources, including a decrease of imports from the United States.

Eliminating re-exports and counting the shipments for domestic use, the market development by the main sources of supply is illustrated in the following chart.



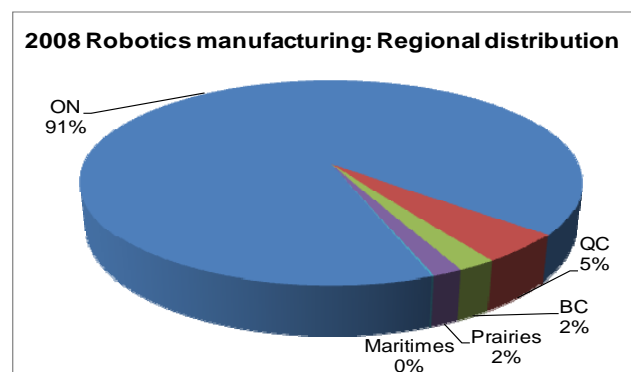
The product segments of the robotics market are showing an unbalanced distribution. CNC machines represent almost half of the robotics market and are widely used in the manufacturing sector. Industrial robots are about 36 percent of the market and are predominately used in the automotive sector. Last but not least, automatic welding holds the smallest stake in the robotics market with about a 17 percent share.





Regional distribution of the robotics market shows a high concentration in Ontario of 66 percent; largely due to automotive industry being located mainly in this province. Quebec, British Columbia, and the Prairies (which include Alberta, Saskatchewan, and Manitoba) have rather similar shares of 11 percent, 9 percent and 13 percent respectively. The Maritimes (which comprises of New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland) constitute only 1 percent of the robotics market.

Domestic manufacturing of robotics is almost completely located in Ontario with a 91 percent share. Quebec has only about 5 percent of robotics manufacturing. British Columbia and the Prairie provinces have about 2 percent each.



Best Prospects

Some of the best prospects by import volume in 2008, showing significant increases over previous years, include:

Multi-station transfer machines – For working metal (HS 845730) – In 2008, imports were valued at approximately US\$3 million, an 82 percent increase from the previous year. U.S. imports reached US\$0.6 million with a 71 percent increase from 2007.

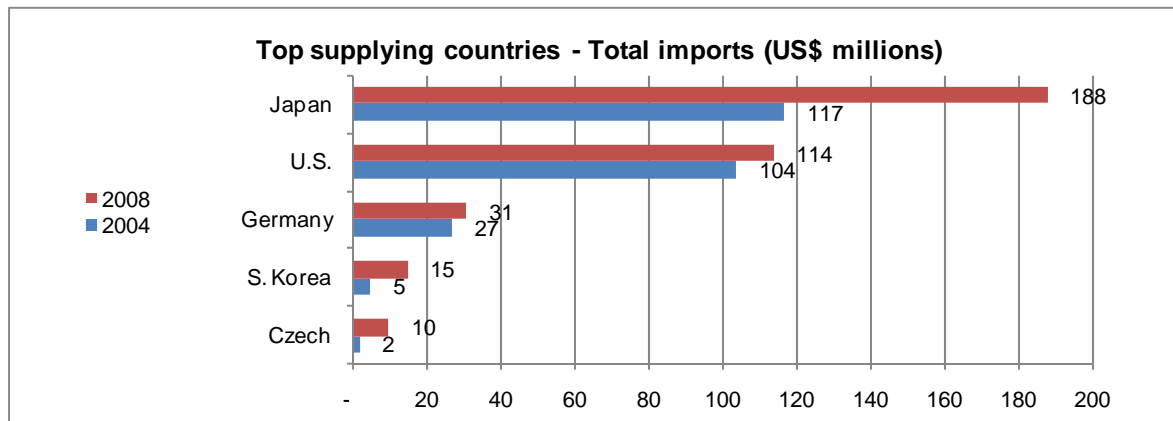
Non-horizontal lathes – Numerically controlled –For removing metal (HS 845891) – Imports were valued at US\$12 million in 2008, which is a 73 percent increase from the previous year. U.S. imports were US\$3 million with a 65 percent increase from 2007.

Despite the current overall decline of the Canadian robotics market, opportunities can still be identified by product subgroups and specific equipment or components in each of the market product segments. The U.S. Commercial Service can identify such opportunities for interested U.S. manufacturers.

Key Suppliers

Most of the major global manufacturers of robotics have a presence in the Canadian market.

Regarding the top supplying countries during the past 5 years, Japan recorded the biggest increase in terms of both absolute volume and growth rate. Both U.S. and Japanese imports recorded a decrease in 2008 as compared to 2007.



Prospective Buyers

Many companies are involved in the robotics market but without a doubt the most dominate players are the automotive companies. However, aside from well-known automotive manufacturers there are automotive parts suppliers, as well as robotics distributors including the companies listed below.

Allen-Vanguard Corporation
Fanuc Robotics Canada Ltd
AMT Machine Tools Ltd
Ariss Manufacturing
Linamar Holding Inc
Sirco Machinery Company Ltd
SMS Machine Tools Ltd (SMS Machine Outils Ltee)

The U.S. Commercial Service offers specific programs that assist U.S. companies in identifying and facilitating contacts with potential Canadian buyers and business partners.

Market Entry

The United States and Canada enjoy a long tradition of co-operative and lucrative trade. The North American Free Trade Agreement (NAFTA) provides a very favorable framework with no significant trade barriers such as tariffs or import quotas impeding imports of robotics equipment into Canada.

With most robotic equipment and components there are no significant labeling and regulatory issues, the requirements being similar to those in the United States.

Standards used in Canada are the same or similar to the ones used in U.S. certification. However, Canada's requirements are mainly managed by the Canadian Standard Association (CSA) and the Underwriter Laboratories of Canada (ULC). The process of obtaining certification is not very difficult. For example, in many cases the certification from ULC may be a very simple process, provided the product already has U.S. certification for the United States. Additional information on standardization and labeling regulations including web addresses for Canadian standards and certification organizations are available in the Country Commercial Guide for Canada - CCG 2009, Chapter 6: Trade Regulations and Standards.

In addition, further information on market access can be found on Industry Canada's website at <http://www.ic.gc.ca/>.

Entering the Canadian market requires that the U.S. manufacturer meet the needs of the end-user, as well as all regulatory specifications. Provided the product obtains the required certifications, a manufacturer's representative is generally the best vehicle to penetrate the Canadian market and develop business.

Due to the highly technical level of the equipment in the robotics sector, and the need to be designed for the project/end-user technical specs, a strong relationship has to be developed engineering companies in order to influence equipment-specifications for pending projects. Such an engineering company may be appointed as a manufacturer's representative. Many specialized, small engineering companies are active in Canada. Their number has increased recently due to the availability of engineering personnel, who had worked with large manufacturers.

Distributors with strong relationships in the robotic industries are also well situated to facilitate product entry, or to improve a product's market penetration. These companies are very good vehicles for entry into the sub-segments of specific equipment like CNC machines.

Additionally, given the aforementioned advantage held by American firms in R&D, there is room for U.S.-based production companies to establish working relationships with Canadian-based companies that may have an established market share or can impart industry knowledge.

Trade Shows/Conferences

The trade shows listed below are the most significant events for the robotics industry in Canada.

Exhibit name Western Manufacturing Technology Show 2009
Date June 16-18, 2009
Location Northlands Park, Edmonton AB
Organizer(s) SME (Society of Manufacturing Engineers), SME Canada (Society of Manufacturing Engineers)
Website <http://www.wmts.ca/>

Exhibit name CMTS: Canadian Manufacturing Technology Show 2009
Date October 19-22, 2009
Location Direct Energy Centre, Toronto ON
Organizer(s) Reed Exhibitions Canada, Reed Exhibitions Companies
Website <http://www.cmts.ca/>

Exhibit name MEET: Mechanical Electrical Electronic Technology 2010
Date May 5-6, 2010
Location Moncton Coliseum Complex, Moncton NB
Organizer(s) Master Promotions
Website <http://www.masterpromotions.ca/meet.asp>

Exhibit name Weld Expo Canada
Date TBA
Location Mississauga International Centre, Mississauga ON
Organizer(s) SME (Society of Manufacturing Engineers)
Website <http://www.sme.org/>

For More Information

The U.S. Commercial Service in Toronto, Canada can be contacted via e-mail at: stefan.popescu@mail.doc.gov; Phone: 1-416-595-5412 Ext.223; Fax: 1-416-595-5419; or visit our website: <http://www.buyusa.gov/canada>.

The U.S. Commercial Service — Your Global Business Partner

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Comments and Suggestions: We welcome your comments and suggestions regarding this market research. You can e-mail us your comments/suggestions to: customer.care@mail.doc.gov. Please include the name of the applicable market research in your e-mail. We greatly appreciate your feedback.

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