

**Highlights of the  
Pan Ontario mining supply and services sector economic impact study**

**Final Report, October 22, 2014**

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*The previously 'hidden' industrial sector providing equipment, supplies and services to the global mining industry, provides 68,000 jobs across all of Ontario, contributing 1% to Ontario's GDP, and \$1.5 billion in government tax revenues.*

**Purpose of the Study**

The main purpose of the survey was to measure the economic contribution of the Mining Supply and Services (MSS) sector to Ontario, using standard measures of economic activity. According to the Conference Board of Canada, the MSS sector is a 'hidden' sector, not directly measured by Statistics Canada.

The study reveals information previously lacking, which should be instrumental in development of policy that will help the MMS sector to increase its benefit to the province's economy.

The study was carried out by PricewaterhouseCoopers LLP (PwC) with advice and support from the Canadian Association of Mining Equipment and Services for Export (CAMESE) and financial support from Ontario's Ministry of Northern Development and Mines, Natural Resources Canada and the Mining Association of Canada.

**The Mining Supply and Services Sector**

The study, covering 2011, is based on a researched list of 913 companies, some of which have more than one establishment in the province, which would likely consider themselves to be part of the MSS sector.

A total of 268 companies responded to the survey with complete financial information, for a 29% completion rate. Companies were asked to provide expenditure and employment data for only those Ontario-based activities that were focussed on the mining sector.

Fifty-six percent of the companies offer mining equipment, supplies and services; 31% provide consulting services and another 13% offer mining contract services.

One-third of the companies' head offices are located in Northern Ontario, another third are in South Central Ontario, 21% are in the Greater Toronto Area and the rest are located in Southwestern (7%) and Eastern Ontario (5%).

Eighty percent of Ontario's mining supply companies have only one establishment in the province. Of the 1,459 total establishments, 30% are in the North, while the rest are in the South. Thirty-six percent of the establishments are in the Greater Toronto Area.

Of the companies responding to the survey, 48% had less than 10 employees serving the mining industry, 35% had 11 to 50 Ontario employees serving mining, while 17% had over 50 such employees.

Approximately 52% of responding MSS sector companies had mining industry revenues from their Ontario operations that were lower than \$1 million. Sixty-two percent had revenues less than \$5 million and 74% had annual revenues less than \$10 million from the mining industry. Approximately 14% had mining revenues that were greater than \$10 million but lower than \$50 million, while 7.5% had revenues in excess of \$50 million.

Companies were asked to specify the share of their Ontario revenue that was earned from supplying the mining industry. Generally, larger companies tend to receive a lower portion of their total revenues from the mining industry, while smaller companies tended to be more dependent on mining.

### **Economic Contribution of the MSS Sector**

Extrapolating the data from the 268 responses received to the total 913 companies in the defined MSS sector, yields the following results:

- In 2011, the MSS sector contributed a direct impact of approximately \$3.9 billion to Ontario's GDP. Taking into consideration indirect impacts, the total contribution was roughly \$6.2 billion, or approximately 1% of Ontario's GDP
- With 41,000 direct and 27,000 indirect jobs, the MSS sector is estimated to have contributed 68,000 jobs in Ontario in 2011
- MSS sector companies had expenditures in Ontario of over \$6.6 billion (direct impact) in 2011, which generated a further \$4.2 billion (indirect impact) in spending throughout the Ontario economy, for a total impact of \$10.8 billion
- MSS jobs are estimated to have generated nearly \$4.9 billion in salaries and wages.
- Extrapolation of the economic impact results suggests that the MSS sector is expected to contribute nearly \$1.5 billion in government tax revenues

- A study on the impact of mining on the provincial economy in 2011 entitled *Mining: Dynamic and Dependable for Ontario's Future*, done by the Policy and Economic Analysis Program of the University of Toronto's Rotman School of Management for the Ontario Mining Association (the "Rotman Report") found that direct employment in mining was "more than 16,000". Thus, with 41,000 direct jobs, the MSS sector provides 2.5 times the number of direct jobs as mining itself
- The Rotman Report found that there were 7,851 "workers employed in support activities to mining." The 41,000 direct and 27,000 indirect jobs revealed in the present survey likely capture significant MSS activities for non-Ontario mining operations by the 78% of responding companies that report earning revenues from outside of Ontario
- The Rotman Report gives a production value of \$10.7 billion, accounting for more than 1.6 % of Ontario's total GDP. Correcting this for the indirect GDP contribution, mining's direct contribution is 1.3% of provincial GDP. Thus, mining supply is approximately 77% as important to Ontario's economy as mining itself. Further, the two integrated sectors with activities within the province and including the MSS sectors' globally activities, together total about 2.3% of GDP
- The \$3.8 billion direct contribution to provincial GDP is larger than the motion picture and sound recording industries and the information and communication technology manufacturing sector, which directly contributed \$1.8 and \$3.8 billion respectively to Ontario's GDP in 2011

### **Export Propensity of the MSS Sector**

*The following findings on exporting, challenges and opportunities are based on responses from approximately 100 of the 913 companies.*

Approximately 70% of MSS companies report exporting outside of Canada, while 22% of the companies did not earn revenue outside of Ontario.

Estimates of market penetration (number of companies in the market) reveal that Ontario companies are most active in the USA, South America, Africa and Mexico. The second group includes Australia, Europe and Central America. Lesser market penetration is reported in Russia, China, India and the Rest of Asia.

When asked to specify target markets to which they were not currently exporting, the result is very close to the distribution of countries and regions where other Ontario mining supply exporters are having success.

In terms of market size (revenues) most exporting companies reported earning less than a quarter of their revenue from any one country.

### **Challenges and opportunities for the MSS Sector**

The greatest challenges cited by Ontario MSS companies not currently exporting were Market Intelligence and Marketing and Selling.

Companies in the MSS sector were surveyed on their perspectives regarding 18 factors which might represent challenges and/or opportunities for corporate success. Six of these were 'internal' competitiveness factors which are deemed to be controllable by companies. The less- or un-controllable factors are referred to as 'external' factors.

The 'internal' challenges about which something might be done, with the percentage of companies mentioning each are:

- Protecting Company Intellectual Property, 43%
- Access to and Knowledge of Global Markets, 42%
- Allocating Resources to R&D Activities, 37%
- Employing Appropriate Promotion and Marketing, 36%
- Growing Through Diversification, 31%
- Concentrated Customer Base, 28%

### **The full report**

The full report, *Pan-Ontario mining supply and services sector economic impact study*, by PricewaterhouseCoopers, is available at [www.camese.org/uploads/Pan-Ontario\\_mining\\_supply\\_and\\_services\\_sector\\_economic\\_impact\\_study\\_-\\_October\\_22nd\\_2014.pdf](http://www.camese.org/uploads/Pan-Ontario_mining_supply_and_services_sector_economic_impact_study_-_October_22nd_2014.pdf)

Jon Baird

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