



[MACHINERY AND EQUIPMENT SECTOR]
Canada's competitive advantages

CANADA'S MACHINERY AND EQUIPMENT SECTOR

Canada ranks among the world's top machinery-manufacturing countries. With over 9,000 establishments and a labour force of more than 170,000 workers, Canada's machinery and equipment industry recorded sales of goods manufactured of nearly \$45 billion, and exports accounted for more than 60 percent of all sales.¹ Foreign investors in the machinery manufacturing sector can expect to become part of a deep value chain with strengths in a diverse range of verticals including automotive and aerospace metalworking, extractive field machinery, construction machinery, agribusiness machinery and equipment and environmental systems.

- The Canadian economy is specialized in machinery-intensive industries. Agriculture, mining, oil and gas, utilities, construction and manufacturing (AMUCM) account for nearly 30 percent of Canadian GDP² and companies in these sectors spent over \$42.5 billion in 2012 alone on machinery and equipment.³
- The growth of this sector is due in part to the high level of activity in the natural resources sector in Canada. Strong demand for supplies, equipment and technology in Canada's natural resources sector fosters continuous growth in complementary industries such as machinery manufacturing.
- Between 2003 and 2013, Canada brought in 111 projects from foreign companies with operations in the industrial machinery, equipment and tools sector.⁴
- Canada offers one of the lowest cost structures among advanced economies. Metal machining and precision component operations based in Canada typically enjoy an 11.0 percent and 13.1 percent saving on total labour costs - including benefits - relative to their U.S.-based counterparts.⁵

A WEALTH OF OPPORTUNITIES

Global machinery manufacturers with a Canadian presence benefit from access to the large U.S. market. Because of the integrated nature of the North American Free Trade Agreement (NAFTA) region, global investors can quickly achieve economies of scale in a wide range of industry verticals where Canadian supply chains are highly integrated with the corresponding sectors in the U.S.

CANADA'S KEY STRENGTHS

- **Research and development:** advanced materials, machinery design, hybrid technologies, intelligent systems design and plant design
- **Product development:** engines, transmissions, electronic systems, bearings, cables, pumps, sensors, valves, fasteners, stampings, castings, forgings and extrusions
- **Key segment strengths:** automotive, aerospace, metalworking machinery, extractive field machinery, construction machinery, agribusiness machinery and equipment and environmental systems

¹ Industry Canada, Canadian Industry Statistics for NAICS 333 (Machinery Manufacturing) and NAICS 335 (Electrical Equipment, Appliance and Component Manufacturing) (December 2012).

² Statistics Canada, Gross domestic product at basic prices (2010) Statistics Canada CANSIM table 304-0014 using NAICS 333 and 335.

³ Statistics Canada, Capital expenditures for machinery and equipment by sector (2012).

⁴ fDi Markets database. Financial Times Ltd.

⁵ KPMG. *Competitive Alternatives* (2014).

MACHINERY AND EQUIPMENT CAPABILITY CLUSTERS

Machinery and equipment clusters are located across Canada with a broad range of capabilities.



MINING, OIL AND GAS FIELD MACHINERY MANUFACTURING

- » British Columbia, Alberta, Newfoundland & Labrador
- » **Leading companies include:**
RMS-Ross Corporation, Cameron Canada Corporation, Weir Oil and Gas (The Weir Group PLC), Enerflex Ltd., ESCO Corporation

AGRICULTURAL MACHINERY MANUFACTURING

- » Saskatchewan, Manitoba, New Brunswick
- » **Leading companies include:**
Brandt Industries Ltd., Flexi-Coil (CNH Global N.V.), Buhler Industries Inc., Thomas Equipment Inc.

CONSTRUCTION MACHINERY MANUFACTURING

- » Ontario, Quebec, Alberta, British Columbia, Manitoba, Saskatchewan, New Brunswick
- » **Leading companies include:**
Hitachi Construction Machinery Co. Ltd., Camoplast Solideal Inc., Atlas Copco Canada Inc., Black Cat Blades Ltd., Ebc Industries Ltd.

METALWORKING MACHINERY MANUFACTURING

- » Ontario, Quebec, Manitoba, Prince Edward Island
- » **Leading companies include:**
Illinois Tool Works Inc. (ITW), Ingersoll Rand plc (IR), ShawCor Ltd., Gerdau S.A., Honeywell International Inc.

RECENT INVESTMENTS

- In November 2013, U.S.-based **Cleaver-Brooks, Inc.** announced that it is investing in the city of Terrebonne, Quebec. The company, a provider of boiler room products and systems, has added a new high-bay hall to expand its manufacturing capacity and accommodate the growing demand for large, free-standing stacks.
- In July 2013, France-based **Loiretech**, announced plans to establish a manufacturing facility in Mirabel, Quebec after forming a joint venture with Canada-based **Composites VCI Inc.** Loiretech Canada will create 20 new jobs by 2016 and will serve clients across North America. Loiretech designs and manufactures tooling for large and complex thermoplastic and composite parts for transport industries.
- In February 2012, **Hitachi Construction Truck Manufacturing, Ltd.** announced a \$32-million expansion of its facility in Guelph, Ontario. It plans to increase its workforce by 575 people by 2018.

CANADA'S ADVANTAGES

MARKET ACCESS

Canada has a highly developed transportation infrastructure and duty-free access to the North American and many global markets. Under NAFTA, Canada enjoys preferential access to one of the largest and most important markets in the world. Further, once the Comprehensive Economic and Trade Agreement (CETA) with the European Union comes into force, Canada will have guaranteed preferential access to European markets. In addition, Canada recently concluded negotiations on a free trade agreement with South Korea, its first in Asia, providing a strategic gateway to this dynamic and fast-growing region. Canada is also engaged in negotiations with India, Japan and the Trans-Pacific Partnership, to strengthen its position as a global export base. These trade agreements allow machinery and equipment investors in Canada to benefit from integrated global supply chains and seize new export market opportunities.

DUTY-FREE MANUFACTURING TARIFF REGIME

Canada is the first country in the G-20 to offer a tariff-free zone for industrial manufacturers. Canada has implemented a major new initiative that will see tariffs on all manufacturing inputs reduced to zero by 2015. Investors considering their next investment destination now have the advantage of importing advanced machinery and equipment from their parent companies free of import duties. This duty-free treatment, together with Canada's straight-line depreciation method allowed for manufacturing or processing equipment, means that foreign investors can write off their capital investments in a very short period of time, thereby reducing the carrying costs of their investments in Canada.

SKILLS AND RESEARCH

Canada has a world-class higher education system, with 22 Canadian universities ranking among the top 500 universities in the world.⁵ Canadian universities and institutions offer a number of engineering programs at the undergraduate, graduate and PhD levels in addition to graduating skilled tradespeople with relevant skill sets in areas such as machining, metalwork, welding, robotics, manufacturing systems, repairs and maintenance and tool and die making. Canadian manufacturing workers are known for their reliability due to low turnover, as they stay with an employer for an average of 10 years.⁶

"With the recently launched Japanese-designed trucks, our goal is to increase the production volume for these new models as well as increase our current line of construction, quarry and mining-size trucks. We believe this complete product offering will allow Hitachi continued growth and solidify our footprint here in Canada. On behalf of Hitachi, I would like to express our appreciation and thanks to the federal government for the funding granted for the plant expansion."

Hideo Kitawaki, Former President,
Hitachi Construction Truck Manufacturing

⁵ Shanghai Jiao Tong University, Academic Ranking of World Universities (2011).

⁶ Statistics Canada, Labour force survey estimates (LFS), job tenure by National Occupational Classification (2012).

SUPPORT PROGRAMS AND INNOVATION

Canada offers generous programs to support the machinery manufacturing sector:

Many foreign firms are taking advantage of Canada's expertise through R & D programs and collaboration with research organizations.

- **The Scientific Research and Experimental Development (SR&ED)** provides income tax credits and refunds for expenditures on eligible R & D activity in Canada on wages, materials, some overhead and SR&ED contracts.
- **The Advanced Manufacturing Fund (AMF)** is a \$200-million program over five years by the Federal Economic Development Agency for Southern Ontario (FedDev Ontario) that supports investments by manufacturing firms in activities that create new and innovative products or production methods.
- **The Accelerated Capital Cost Allowance (ACCA)** is a temporary two-year program that allows companies to rapidly write off of eligible machinery input investments with a 50 percent straight line depreciation rate. The program provides support to businesses in the manufacturing and processing sectors to help them retool with new machinery and equipment.
- **The Industrial Research Assistance Program (IRAP)** supports innovative R & D and commercialization of new products and services by small and medium-sized firms.
- **Export Development Canada (EDC)** and **Business Development Bank of Canada (BDC)** provide flexible financing programs and solutions tailored to support foreign direct investment in Canada.

For more information about these and other programs, please visit: investincanada.com

Canada is also home to world-leading research institutions in industrial manufacturing equipment technologies.

- **Natural Sciences and Engineering Research Council of Canada's (NSERC's) Canadian Network for Research and Innovation in Machining Technology** has the world's most advanced virtual machining technology (VMT), which enables the manufacture of innovative products without resorting to costly physical trials.
- **National Research Council Canada** performs R & D on advanced materials and manufacturing technologies. R & D activities include greener materials and manufacturing processes, lightweight materials and advanced technologies and composites.
- **The Prairie Agricultural Machinery Institute (PAMI)** conducts R & D, international standard testing and quality assurance on agricultural equipment. Its engineering expertise also benefits the transportation, military, aeronautics, forestry and mining industries.
- **The Canmet Materials Technology Laboratory** is Natural Resources Canada's national laboratory dedicated to metals and materials research, focusing on fabrication, processing and evaluation. Its facilities in Hamilton, Ontario and Calgary, Alberta focus on research in the transportation, energy and metal manufacturing sectors.
- **The Integrated Manufacturing Centre (IMC)** is a unique Canadian educational resource co-located at Durham College and the University of Ontario Institute of Technology (UOIT) in Oshawa, Ontario. The fully automated, industrial-grade, flexible manufacturing facility is capable of fabricating and assembling a wide range of products from raw materials, with limited human intervention. The IMC serves as a model of the new standards in education in the fields of advanced manufacturing, mechatronics and engineering.

INVEST IN CANADA TO ACHIEVE GLOBAL EXCELLENCE

A WELCOMING BUSINESS ENVIRONMENT

Canada is ranked as the best country for business in the G-20.

Source: Forbes and Bloomberg

A HIGHLY EDUCATED WORKFORCE

Canada's workforce is the most highly educated among members of the OECD, with half of its working-age population having a tertiary-level education.

Source: Organisation for Economic Co-operation and Development (OECD)

LOW TAX RATES

Canada's overall marginal effective tax rate on business investment is by far the lowest in the G-7—about 17 percentage points lower than that of the United States.

Source: Department of Finance Canada

COMPETITIVE R & D ENVIRONMENT

Canada offers the lowest business costs in the G-7 for R & D-intensive sectors, with a 15.8 percent cost advantage over the United States.

Source: KPMG

FINANCIAL STABILITY

For six consecutive years, the World Economic Forum has declared Canada's banking system to be the soundest in the world.

Source: World Economic Forum (WEF)

UNPARALLELED MARKET ACCESS

Canada's NAFTA advantage gives investors access to 470 million consumers. Many Canadian production hubs are actually closer to U.S. markets than American production sites—of Canada's 20 largest cities, 17 are within an hour-and-a-half drive of the U.S.

Source: The World Bank

A GREAT PLACE TO INVEST, WORK, AND LIVE

Canada is one of the globally most multicultural countries with world-class universities, a universal health care system and clean and friendly cities in addition to having the second highest standard of living in the G-20, as measured by GDP per capita.

Source: The World Bank

Unless otherwise noted, all values in this publication are in Canadian dollars. Content is based on the latest available information at time of publication.

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