

Preface

This report provides a qualitative summary of the consultations held across Canada with mineral products industry executives from eight government/industry workshops conducted in the fall of 1998. The facilitated workshops were developed as part of a joint initiative by Natural Resources Canada (NRCan) and Industry Canada (IC) to review the challenges facing value-added activities by the mineral products industry in Canada. In a context of efficient governance and partnering with the provinces, several officials from provincial ministries and departments participated in the workshops.

This consultation is part of a federal process to meet the commitments made by the Government of Canada in its 1997 Liberal Policy platform. In its platform, the Liberal government recognized the importance of fostering value-added activities in the Canadian economy, and made a commitment to review the constraints and address issues for encouraging further innovation and enhanced productivity in the resource sector.

The regional workshops provided an opportunity to hear the views of industry executives, and at the same time gave them the benefit of sharing their suggestions and the specific needs of small- and medium-sized enterprises from a national perspective.

We would like to express our appreciation to the industry officials, representing the diversity of the mineral products industry, who enthusiastically participated in the consultation process and engaged in finding constructive and concrete approaches to foster value-added activities. As we carried out the consultations, the need to maintain a strong liaison with this industry sector became very apparent and was fully appreciated by industry participants.

This report will be circulated widely in government and industry circles. The main findings of the consultations will be shared extensively to highlight the needs and the challenges faced by the mineral products industry. The report will be used as a basis for orienting policy-making, developing targeted strategies, and enhancing the efficient delivery of services by the federal government in the Canadian resource sector.

In addition to ongoing initiatives, new activities will be suggested to other relevant departments to increase their awareness of the industry's challenges and to consider possible recommendations for actions within their respective mandates.

This document can be accessed on the Internet at:

<http://www.nrcan.gc.ca/mms/pubs/mineralprod-e.htm>

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1. Introduction

1.1 OBJECTIVES

In its 1997 Liberal Policy platform, the Government of Canada recognized the importance of fostering value-added activities in the Canadian economy and made a commitment to work with industry and other governments to remove barriers and capitalize on opportunities. Since 1997, Natural Resources Canada (NRCan) and Industry Canada (IC) have engaged in a coordinated approach to review the challenges faced by industry through a series of consultations and the publication of an issues paper on value added in the minerals and metals industry in Canada.

The objective of these initiatives is to engage the participation of and input from Canadian firms, associations and other stakeholders in the formulation of federal strategic approaches that will address the barriers to value-added processing and production in Canada, help exploit market opportunities, and further contribute to the Canadian economy.

Recommendations for possible actions will be assessed in the context of ongoing and possibly new federal initiatives within the current fiscal environment and the scope of existing programs.

1.2 CONSULTING THE MINERAL PRODUCTS INDUSTRY

Recognizing the important contribution of the mineral products industry to the Canadian economy, NRCan and IC launched, in September 1998, a series of consultations with that industry.

The cross-Canada consultations comprised eight half-day facilitated workshops that were held in major cities across the country during the period of September 21-October 2, 1998. The process engaged small- and medium-sized enterprises (SMEs), industry associations, and technical and research personnel, along with the participation of provincial officials, and provided an opportunity for more than 50 industry senior executives to voice their views.

1.3 MAJOR OUTCOMES

The government/industry consultations on value added in the mineral products industry provided a unique opportunity to examine the constraints and opportunities facing SMEs in the diverse and complex sector of industrial minerals and construction materials, and to attain a qualitative overview of the challenges faced by this industry.

Industry participants voiced their concerns and made several suggestions on five priority areas, selected from previous similar consultations in 1997: trade, human resources, environment, research and development, and business and investment climate.

Common themes have emerged from the workshops, and these were reflected both regionally and topically. From a subsequent survey and in line with industry executives' responses during the workshops, the following major themes have been prioritized within each sub-group in descending order:

- **Government Services**

- Increase access to and awareness of existing government programs and services to SMEs in the mineral industry;
- Increase the diffusion of and access to government knowledge for SMEs in the mineral industry;
- Foster a “single-window” approach and harmonization between programs; and
- Extend eligibility and improve flexibility in current government programs for SMEs in the mineral industry.

- **Business Climate**

- Improve access to capital for SMEs in the mineral products industry;
- Assess current loan practices in federal agencies and increase financial institutions' awareness of this sector; and
- Encourage efficient and competitive transportation systems that provide a fair equilibrium between shippers and carriers.

- **Environmental Regulations and Opportunities**

- Establish effective, short timelines for the Government's response in environmental assessments; and
- Support the development and use of “green” mineral products and processes.

- **Human Resources**

- Establish flexible immigration procedures to facilitate the hiring of specialized skills; and
- Expand and promote employment programs to include in-house training and apprenticeships.

1.4 NEXT STEPS

The consultations provided a renewed opportunity to establish a collaborative liaison between governments and industry, and to further engage in partnerships to bolster innovation and productivity in Canada.

This initiative provided a qualitative overview of the challenges faced by the mineral products industry in Canada (which includes more than 400 companies) to pursue or initiate value-added activities because the workshops comprised a significantly representative sample of this sector. Moreover, the major themes and related priorities reflect, in most instances, those that have been gathered through other recent government/industry consultations, namely the IC/NRCan workshops with the metal and metal parts industry in late 1997 and the cross-Canada Rural Dialogue in mid-1998.

The consultations raised the profile of the mineral products industry and highlighted its significant potential for growth in Canada; many of the issues raised during the workshops have factually validated and confirmed the need for continued government/industry partnering to tap this potential.

The major messages and issues emerging from this initiative will be widely shared with other governments and departments. In a concerted effort by NRCan and IC, the findings and suggestions for possible actions in each priority area will be disseminated and assessed for their potential contribution to ongoing government activities.

The industry perspective captured from the workshops will be used as a valuable and relevant input in the formulation of government initiatives aimed at fostering value added, community capacity-building, SMEs entrepreneurship, and innovation in the natural resources sector across Canada, including in rural and remote communities.

In parallel, a range of activities will be suggested to ensure that relevant departments are aware of the main challenges faced by this industry and that they consider and assess possible recommendations for actions within their respective strategic workplans and mandates.

2. Summary Record

2.1 TRADE

Industry Strength

Industry representatives raised the quality of mineral products as an important trade competitive advantage in global markets. High-quality products, associated with tight quality control and flexible customer services, provide for strong selling incentives, characteristics that are often perceived as Canadian trademarks.

"The quality of our base and refined mineral products is a big advantage in international markets."
Winnipeg, September 23, 1998

Canadian companies believe they are viewed as fair traders, benefitting from a "Canada" appeal in international markets. The implementation of ISO standards and the emphasis on a secure and reliable supply of high-quality products enhance Canada's competitiveness in major markets.

Positive Factors

Optimal managerial and operational practices such as just-in-time delivery are viewed as additional means of establishing long-term competitiveness. The current exchange rate level is profitable to Canadian exporters; however, they perceive this benefit as a short-term advantage.

Trade Agreements and Practices

The effects of Free Trade Agreements (FTAs) were assessed as helpful to neutral; most nonmetallic mineral products are sold in North America and are tariff-free entering the United States. FTAs were not identified as a significant factor, although the North American Free Trade Agreement (NAFTA) was generally perceived as positive, despite a few contingent issues related to immigration hurdles, lengthy customs procedures, and damaging dumping cases. The United States remains the major destination for Canadian mineral products, while exporters, at the same time, have been exploring opportunities in offshore markets. Industry participants expressed the need for further market intelligence on those emerging markets.

The American "Buy America" clause, which favours domestic procurement in major state construction projects, is seen as a constraint for exporting building materials into the United States. Other state procurement practices, such as limits on the number of bidders and explicit preferences for local supply, were also raised as restrictive trade measures in a few U.S. states. Company executives shared their negative perception on current dumping petitions against Canada in the United States and on dumping in Canada by foreign countries.

Effect of Globalization

Concerns were also expressed about the effect of globalization. The impact of the economic crisis in Asia and its ripple effect to other markets have affected the prospect of profitable offshore sales and have intensified competition from government-supported economies. The global rationalization and consolidation trend of the industry is creating major multinational competitors. Some acquisitions in Canada have resulted in the closure of established producers. At the same time, Canadian companies indicated that benefits are also being derived from trade opportunities in emerging markets.

Transportation Issues

Transportation is perceived as a major trade factor for producers. Freight charges may account for 50-80% of the delivered prices for industrial minerals.

Producers were critical of the lack of competition with railways and the need for upgrading the road infrastructure. Several producers complained that current rail legislation seems to favour carriers to the detriment of shippers; few were aware of the provision of a litigation process at the Canadian Transportation Agency.

“The port privatization process has to ensure that concerns of SMEs are taken into consideration by the new port management authority.”
Vancouver, September 21, 1998

Some producers mentioned the need to improve access to chartering foreign vessels for coastwise shipments to meet the expansion of demand in the United States, and to propose amendments to the current *Canada Shipping Act*.

Networking and Representation

The concept and use of networking among suppliers or the establishment of strategic alliances with suppliers or buyers are not currently extensive in the nonmetallic minerals industry. Executives indicated that the views of the mineral products industry are generally not voiced due to a lack of representation at various levels of government. The industry does not have a national association or organization, but some segments of the nonmetallic minerals industry have formed specialized associations with technical and/or trade mandates.

Government Programs and Services

Company executives lack awareness of government programs. While making no distinction between levels of government, there was general consensus on the need for better access to and information on government programs and services.

“There are significant disparities in program delivery. Some federal assistance programs don’t apply to mineral projects in some regions, particularly in southern Ontario.”
Toronto, September 24, 1998

The following major general comments were made:

- There is a general lack of knowledge on programs.
- Many companies complained about the extensive paperwork associated with government programs and related activities (e.g., customs forms).
- Industry participants expressed a need for better coordination between programs, timely responses, and simple forms.
- Companies have to hire consultants to understand government programs, and would prefer a single-window approach, combined with the service of designated “business case” officers in regional offices.

On specific trade-related assistance, industry offered the following comments:

- Team Canada missions have been helpful in networking among Canadian companies; however, the cost associated with these missions is often onerous for small- and medium-sized producers. Some government support, besides that of the Program for Export Market Development (PEMD), for participation in such missions should be contemplated.
- The services and programs of the Canadian Commercial Corporation, the Export Development Corporation, and the Canadian International Development Agency are well perceived for offering opportunities to realize business and sales abroad.
- Companies indicated that they are not well informed of current and existing government activities and services related to trade opportunities, export financing, and market intelligence.
- Accessing the Government’s ExportSource web site is not a widespread practice; several companies mentioned the need for simple links, better mapping and adequate filtering of government information on the Internet. Search engines were quoted as not always being user friendly.

Key Needs - Trade

Industry officials formulated a series of key needs to foster trade of value-added products:

- Market and product intelligence, and sectorial and country analysis;
- Market support from NRCan, IC, the Department of Foreign Affairs and International Trade (DFAIT), and embassies;
- More attention be given to SMEs in the mineral industry;
- Awareness of and access to government programs;

- Access to financing for SMEs; and
- Alternative and competitive transportation means.

Suggestions for Possible Actions - Trade

Suggestions were made by participants for government actions to improve the trade environment and to facilitate value-added exports by the mineral products industry:

Government Services and Programs

1. Promote a single-window approach to assist SMEs in accessing government programs and services, and reduce red tape;
2. Enhance communication of government services and programs, and promote info-fairs;
3. Establish business case officers in government business offices across Canada;
4. Maintain sectorial expertise for mineral markets in federal departments;
5. Create a single-window web site for minerals; and
6. Develop and disseminate services and program directories.

Trade Activities

7. Increase flexibility for accessing export program for SMEs in the mineral industry;
8. Expand market intelligence in key sectors and key markets;
9. Enhance support from embassies for SMEs; and
10. Perform due diligence analysis on potential competitive effects prior to trade missions.

Transportation Issues

11. Propose amendment of the *Canada Shipping Act*, allowing flexibility to charter foreign vessels for seaborne maritime traffic;
12. Propose amendments to the *Canada Transportation Act*, enhancing the bargaining position for shippers;
13. Produce comparative studies on foreign transportation systems (e.g., Europe, Japan, etc.);
14. Foster transparency in government service charges (Coast Guard services); and
15. Equalize shipping charges (Coast Guard, navigation aids, etc.) between large and small ports.

Industry Representation and Liaison

16. Approach trade associations and provincial mining associations to increase the visibility of government services, activities and programs;
17. Advocate nonmetallic minerals industry issues by NRCan and IC in Cabinet and among relevant departmental senior managers; and
18. Foster alliances and/or mentorships in partnership with industry and governments.

2.2 HUMAN RESOURCES

Two issues dominated the discussions on Human Resources: the adequacy of labour skills, especially for specialized professional work; and the lack of knowledge and expertise on industrial minerals in Canada.

Adequacy of Labour Skills

Industry officials reported that the current pool of labour is adequate and is not usually a major source of concern for the usual trade skills. Apprenticeship programs are helpful and should be further promoted across industry. Industry representatives believe there is an adequate level of government support to develop trade skills, and several companies and trade associations have benefitted from Human Resources Development Canada's (HRDC's) programs and studies to assess the labour skills market.

Industry representatives in several provinces shared their concerns about some government employment programs. It was stressed that many programs favour training for the reinsertion of unemployed people into the work force while there is little support for the upgrading and re-training of existing employees. There was a perception that such an approach creates distortions in the labour market.

"HRDC programs are often directed to external resources rather than fostering training activities within companies. Other programs bear demanding requirements for refunds; there should be more flexibility for SMEs."
Québec, October 2, 1998

There was also a growing concern about the shortfall of skills and a lack of qualified workers in rural and remote communities, including Aboriginal communities. Industry representatives suggested that more government programs to support training and capacity-building are required.

Shortfalls in Professional Expertise

Industry participants mentioned on several occasions the apparent shortage of highly specialized professionals in metallurgy and processing for industrial minerals. Producers shared their difficulty in finding expertise and identifying possible sources of specialized skills.

"It is extremely difficult to find the right expertise in industrial minerals processing in Canada. How can we get qualified people, train them, and then keep them?"
Sudbury, September 25, 1998

In several cases, producers have been relying on immigration to hire highly skilled workers, but it was mentioned that immigration regulations need more flexibility both for the hiring of professionals and the provision of work for their spouses.

Lack of Knowledge on Industrial Minerals

There is a general lack of knowledge in the field of industrial minerals in Canada; university programs on industrial minerals are unknown if not unavailable. Producers and several provincial mining associations have to develop public awareness programs to address this issue.

“There is a need for comprehensive and coordinated action to increase the level of awareness on the mining industry in Canada. Mining Week activities have been very helpful and should be further encouraged in partnership by governments and industry.”

Vancouver, September 21, 1998

Awareness programs include encouraging participation in Mining Week activities, mounting summer tours for teachers to visit mining operations, producing curriculum and pedagogic documents, and increasing the visibility of mining with open-door activities.

Apprenticeship programs should be further encouraged with additional assistance. Industry officials indicated the need to improve education on industrial minerals in Canadian technical secondary schools and universities, and the importance of introducing technical elective courses.

Key Needs - Human Resources

Industry officials formulated a series of key needs to address human resource issues for supporting value-added production in Canada:

- Access to specialized professional skills, and flexibility with immigration;
- Formation in capacity-building to implement ISO certification;
- Identification of sources of expertise in Canada;
- Flexibility in HRDC programs for SMEs;
- Technicians with knowledge in industrial minerals processing;
- Support and participation in Mining Week activities;
- Information on job and training programs; and
- Mentorship programs.

Suggestions for Possible Actions - Human Resources

Participants made several suggestions for possible government action to improve the human resources situation relative to the mineral products industry, especially with respect to value-added processing:

Labour Skills

1. Increase the flexibility of immigration regulations pertaining to highly skilled professionals and their close family members, taking into consideration regional needs;
2. Support studies of labour markets for industry on a regional basis;
3. Foster mentorship programs;
4. Develop ISO certification training programs; and
5. Fashion HRDC programs closer to the needs of SMEs.

Government Services and Programs

6. Establish a web site and directory of government expertise; and
7. Increase the visibility of government programs and services using a one-window approach.

Promotion of Mining in Canada

8. Encourage and promote jobs in the mineral industry across Canada;
9. Support educational activities promoting the mineral industry in schools and universities;
10. Continue to support and participate in Mining Weeks across Canada;
11. Counterbalance the negative perception of mining in the general public; and
12. NRCan and IC to maintain an advocacy role in governments.

2.3 ENVIRONMENT

A majority of participating producers agreed that new environmental regulations are beneficial to society as a whole, fostering a cleaner and more sustainable environment while creating market opportunities for new processes and products.

Public Image

Representatives of the mineral products industry believed that this segment of the industry is not generating undue stresses on the environment and would be perceived as having benign effects compared to other segments.

Industry would participate in a public promotion program that would emphasize the environmentally friendly aspect of its business. Mining is clean, profitable, and generates economic growth and community welfare. Industry officials suggested that governments should have a greater role in counterbalancing erroneous information about the impact of the industry and promote success stories regarding the mineral industry and the environment.

Market Opportunities and Challenges

Several producers are now producing more “green” environmentally friendly mineral products, derived from compliance with environmental regulations. Environmental pressures have created needs for new industrial minerals, opened opportunities for by-product waste materials in the domestic market and abroad, and created new markets for environmentally related products requiring minerals (e.g., insulation materials, photovoltaics, etc.).

“Environmental compliance has created new opportunities for industrial minerals. Pilot demonstration of new technologies will allow us to assess the potential in the North American markets.”

Regina, September 22, 1998

Industry signaled that governments should promote good practices and foster the consumption and trade of environmentally friendly products and processes.

At the same time, industry is confronted with the challenge of disposing of environmentally induced products (smelter acid, synthetic gypsum, waste salt, etc.); it is believed that governments should facilitate or support the use and commercialization of these by-products.

“The federal government should support the use of environmental wastes and provide incentives for recycling.”

Montréal, October 1, 1998

Executives indicated that recycling is creating market opportunities and should be both encouraged and supported by governments.

Environmental Regulations

Industry officials commented favourably on the ongoing regulatory reforms and indicated their support for acceleration of its implementation. They support the drive towards harmonization between government regulations, as well as the streamlining and integration of regulations.

Producers were critical of the multiplicity of regulations at all levels of government, including municipal boards, and they identified the need to reduce duplication. Industry commented on the lack of understanding of the extensive set of government regulations and jurisdictions, and stressed the importance of coordinated communication.

Industry representatives had generally positive comments about their respective provincial environment departments and praised the constructive support received from provincial staff (although they noted some unevenness among provinces in their effectiveness in dealing with this issue).

Environmental Assessment Process and Compliance

Environmental assessments and compliance with regulatory requirements are major cost factors for SMEs. Although industry representatives were appreciative of the need for environmental assessments, they mentioned that the process is cumbersome, lengthy and non-predictable.

"The federal government should impose a mandatory 45-day timeline to provide its response to promoters."
St. John's, September 30, 1998

Industry claimed that it would prefer a clear and timely negative response rather than face an uncertain extended timeline. It was stressed that governments should establish an adequate timeline to provide a preliminary response to environmental assessments. Industry officials suggested a strict timeline of 30-60 days, according to the complexity of each project; the timeframe should be shorter for projects associated with SMEs.

Several participants mentioned that the high cost associated with the environmental assessment process is an important consideration for SMEs. Delays in government responses are adding to the cost of the primary assessment and additional studies. In some cases, promoters have indicated that they would rather terminate a project than proceed through a series of extended timelines.

Industry indicated that government agencies should be made accountable for their efficiency and effectiveness in dealing with environmental assessments, and their performance should meet specific criteria.

Producers expressed their concerns about the mechanisms that trigger environmental assessments through the provision of hearings that could be triggered by one individual or a community.

It is perceived that such leverage by a small fraction of stakeholders has the potential to stonewall a whole project through a plethora of hearings and follow-up studies.

"The federal and other levels of government should articulate a simpler process. Projects should not be stalled by a 1% representation of a community."
Toronto, September 24, 1998

Industry executives raised their concerns about the triggers of the *Fisheries Act* and the *Navigable Waters Protection Act* and their respective interpretation, citing a lack of technical guidelines and inconsistency in their implementation. Producers and promoters provided a series of examples where a strict interpretation of regulations postponed their decision to proceed. Industry suggested that agencies and departments should take a more conciliatory and constructive approach. Industry also noted that this sector is not solicited to engage in the multi-stakeholder consultation process for policy-making, and pointed to the need to be informed and engaged.

International Standards and Regulations

Industry participants wanted to ensure that, in establishing national environmental regulations, governments take into consideration existing standards in competing countries.

The high cost of compliance with ISO standards was raised by participating SMEs. The specifications for ISO certification have emerged as a significant requirement in international business. Industry is seeking government in-house expertise to facilitate ISO certification.

Key Needs - Environment

Industry officials formulated a series of key needs to encourage the production, use and trade of environmentally friendly mineral products and processes:

- Harmonized and simpler environmental regulations;
- Shorter and predictable timelines;
- Improved communication and coordination on environmental regulations;
- A specific campaign for the promotion of “green” Canadian mineral products and processes in domestic and foreign markets;
- Support for demonstration pilot processes and recycling projects; and
- Access to government experts dealing with environmental issues and technologies.

Suggestions for Possible Actions - Environment

Participants offered several suggestion for possible government actions to improve environmental practices and foster development in the mineral products industry:

Government Regulations and Compliance

1. Accelerate regulatory reforms with streamlining and harmonization between all levels of governments, establish an approach based on facilitation and conciliation, and develop a Team Canada concept for environmental assessment;
2. Inform and engage the mineral products industry as a stakeholder in policy-making;
3. Establish strict timelines for government responses and adopt quicker ones for small projects;
4. Seek a balance of views between stakeholders in environmental assessments;
5. Take into account foreign environmental regulations in the current regulatory reforms to ensure a fair playing field in competing markets;
6. Establish a directory of accessible government experts on environmental issues; and
7. Produce a compendium of government expertise on environmental technologies and assessment processes.

Government Programs

8. Expand existing programs to fund industrial mineral projects associated with environmentally friendly processes; and
9. Encourage recycling in Canada through incentive programs.

Promotion of Mining and "Green" Products/Processes

10. Participate in public campaigns to increase the awareness of the net benefits of mining, and counterbalance the one-sided negative bias on the impact of mining.

2.4 RESEARCH AND DEVELOPMENT

The mineral products industry carries out R&D activities mostly through the use of government testing facilities wherever possible. There is no definite pattern to the types of R&D activities in this industry due to its diversity; R&D work includes testing and mineral characterization, basic and specialized processing technologies, and research on and characterization of finished products.

R&D Activities

By virtue of the small to medium size of the enterprises that typify this sector, most R&D activities are contracted out to research facilities or private laboratories. Several producers and promoters explained that the extensive use of government facilities and support is due to the high cost associated with batch testing in private labs, especially when specialized technologies or equipment are used.

For large corporations in this sector, in-house facilities provide both access to expertise and equipment to carry out comprehensive R&D activities. Large firms also have the financial capacity and resources to contract out specialized R&D work as needed.

R&D activities are generally perceived as quite expensive for SMEs in the nonmetallic minerals industry; industry often lacks the resources and time needed to access government programs.

Technology Transfer

Industry participants indicated that technology transfer from parent companies is done at a reduced scale. Therefore, value-added processing would likely be carried out in the parent's country rather than in Canadian subsidiaries. Industry officials signaled that processing industrial minerals is closer to custom processing with each mineral ore having its own characteristics; thus, technology is quite proprietary and involves confidential agreements.

SMEs in the mineral products industry are not widely involved in strategic alliances with customers or suppliers; only a few participants have engaged in technology exchanges with clients.

Government Facilities

Industry officials praised the quality of government facilities (CANMET, National Research Council, etc.). SMEs in this sector have largely used the benefits of the now-defunct Mineral Development Agreements to conduct R&D activities. Participating producers expressed their concerns about cutbacks at CANMET, and the loss of technical knowledge and expertise on industrial mineral processing in federal facilities.

“Cutbacks at CANMET have made it difficult for small- and medium-sized producers to find and access the right expertise at decent costs. There are no facilities in this province; we have to conduct tests in the United States.”
St. John’s, September 30, 1998

It was reported that, in some provinces, industry/government partnering, in some cases involving more than one firm, has been beneficial for testing mineral technologies in government laboratories. The use of private sector expertise has complemented the technical knowledge of government technicians. Several producers have engaged in R&D work through the use of provincial facilities and funding when available. However, difficult access to financing was raised as a major obstacle.

R&D Tax Incentives

Industry executives indicated that federal grant support (National Sciences and Engineering Research Council, National Research Council, etc.) and tax incentives, such as the Scientific Research and Experimental Development (SRED) tax credit, are helpful and used by some firms in this sector.

However, the compliance requirements for the SRED tax credit are perceived as tight and lacking flexibility, especially for SMEs in the mineral industry. Participants explained there is a need to simplify the forms and improve the definition of deductible experimental activities.

“The SRED tax credit is very helpful but refunds are too slow and applications require too much paperwork. Make it simple and faster.”
Montréal, October 1, 1998

Industry officials signaled that the benefits that could be derived from applying for a tax credit are offset by the time and resources needed to fill out forms and meet criteria. It was also reported that R&D funds are too difficult to obtain and tax refunds take too long to be received.

Most deductions for the SRED tax credits are made on earnings, while industry participants explained that much R&D work is also carried out in the pre-production phase for which the tax

incentive does not apply. Suggestions were made by several participants in many cities for a flow-through-share approach to finance R&D activities.

Industry expressed the view that the high technological risks associated with developing products and processes in the mineral products industry are mostly borne by the private sector, and merit some government assistance as the goal of such activities is increasing innovation and productivity, which are two priorities for both industry and governments.

Government Programs and Services

Company executives expressed a lack of awareness of government programs and services in support of R&D activities. Several programs do not consider mineral projects. SMEs in the mineral industry do not have the same resources and access to government programs such as the Technology Partnership Canada (TPC) program.

“Government programs that support technological innovation are often geared to specific sectors and only accessible to large companies. There is a need for greater flexibility and access for SMEs.”
Québec, October 2, 1998

Industry reported that government web sites are generally cumbersome and would need additional filtering and screening tools to be more useful; this would facilitate identifying and finding the right expertise in government departments.

The main needs associated with R&D activities in this sector would be related to specialized expertise on processing and access to licensing and patents. Participants also noted that a government commitment for long-term goals and objectives related to R&D would be helpful.

Industry officials indicated their first lines of expertise are universities and private laboratories, and in a few cases some provincial facilities (such as le Centre de Recherche Minérale in Quebec). Industry highlighted an uneven knowledge of the Industrial Research Assistance Program (IRAP) among SMEs.

“IRAP has been quite helpful in providing assistance in our product assessment, but it seems to be geared to serve large corporations; it should be further promoted to SMEs.”
Sudbury, September 25, 1998

Key Needs - Research and Development

Industry officials expressed their views on their key needs to foster R&D activities toward the processing of value-added products:

- Funding and financing for R&D activities by SMEs;
- Government expertise and services; and
- Access for SMEs to other government programs.

Suggestions for Possible Actions - Research and Development

Several suggestions were made by participants for government actions to encourage value-added R&D activities:

Government Programs and Services

1. Develop a long-term government strategy for R&D activities by SMEs in Canada;
2. Expand eligibility to TPC and other programs for SMEs in the mining sector;
3. Improve awareness of R&D government programs and services, and promote web sites;
4. Assess current R&D support programs in other countries (Europe and Japan);
5. Facilitate and broker strategic alliances between companies;
6. Increase funding at government facilities, particularly CANMET; and
7. Support and facilitate access to new technologies for SMEs, including mining, and promote IRAP expertise and services to SMEs.

Tax Credit Incentive

8. Accelerate refunds and streamline the SRED tax credit;
9. Expand its eligible criteria to allow flexibility for SMEs; and
10. Assess new fiscal approaches for R&D activities (flow-through shares, etc.) allowing for credits during the pre-earning/pre-production phase.

2.5 BUSINESS AND INVESTMENT CLIMATE

In broad terms, the current monetary policy of the federal government is perceived as positively helping the industry to pursue value-added projects; the low dollar and low interest rates are favourable factors in the short term. There were several comments about the high level of taxes in Canada; concerns were expressed about fuel and corporate taxes, as well as income taxes. Industry advocated a simplification of the goods and services tax/employment insurance/Canada Pension Plan (GST/EI/ CPP) compliance, a reduction in EI premium rates and other payroll taxes, and a significant cut in the number of forms, reports and surveys sent by governments.

Canada's Infrastructure

Industry officials described the transportation infrastructure and energy network in Canada as generally adequate and extensive, notwithstanding strong regional negative concerns expressed by some participants. Representatives emphasized the importance of an affordable and reliable transportation infrastructure.

It was reiterated that transportation remains an essential consideration for the mineral products industry because most of its activities are conducted in rural and remote regions and its profitability relies heavily on an efficient and cost-effective transportation system.

“Transportation is key. We are facing rail abandonment, deteriorating road conditions, and increasing rail freight. Rail charges have to be competitive with those in the United States.”
Regina, September 22, 1998

Access to Capital

The mineral products industry was characterized by a relatively high entry cost, bearing a long-term return on investment; thus, access to capital is critical for SMEs in this sector.

The difficulty to access financing was raised by most participants, suggesting it is due to a general lack of interest and knowledge about industrial minerals in Canada. Several industry representatives across Canada reported a perception of a negative attitude and discrimination towards the industrial mineral industry by chartered banks and federal institutions (regional agencies, Business Development Bank of Canada).

“Easier access to a pool of capital is paramount for this industry. It is very difficult to find financing for industrial mineral projects. Everything is linked to capital. Institutions are ignorant when dealing with nonmetallic minerals.”
Montréal, October 1, 1998

Since there is no association or institute representing the interest of this very diverse sector, individual producers perceived that their concerns are generally overlooked by government departments and agencies. Industry officials suggested that NRCan and IC maintain their advocacy role and continue to develop their relationship with the different segments of this sector.

Industrial mineral producers have indicated this sector is shadowed by large corporations in the metals sector and well-promoted junior companies in precious metals. As well, industry officials expressed their concerns about the consequent ripple effects from stock scandals on their business.

“The interests in junior industrial minerals firms are being swept away with those from the junior metal mining industry as a result of stocks scandals.”
Winnipeg, September 23, 1998

Government Programs and Services

Company executives noted the benefits of certain government programs that provide pertinent support to their activities (EDC, PEMD, provincial royalty regimes or tax credits, etc.). However, there was a general consensus among participants on the need to be more acquainted with programs and services from all levels of government.

“There seems to exist a range of potentially very helpful federal and provincial programs and services that we have never heard of. How can we access this information? Who should we contact?”

Toronto, September 24, 1998

On disseminating information on programs and reaching the mineral products sector, industry officials offered the following comments and suggestions:

- Favour a single-window approach to government services, and establish a “business case approach”;
- Reduce automatic phone systems and promote a human-face approach;
- Advertise services of the Canadian Business Service Centres to industry associations and institutes, and provincial mining associations;
- Develop a comprehensive database on producers and promoters to circulate available information;
- Integrate activities with other federal departments when targeting SMEs;
- Publish a compendium of government services and programs, and a directory of government specialists;
- Improve and advertise government web sites (improve cross-reference links, better mapping and adequate filtering for the mineral industry);
- Further promote Info-Fair to this industry;
- Participate in provincial open houses and Mining Weeks with presentations and kiosks; and
- Develop a domestic strategy that addresses the needs of SMEs in the minerals and metals sector.

Key Needs - Business and Investment Climate

Industry officials formulated a series of key needs to foster investment in value-added products and processes:

- Access to financing for SMEs; and
- Awareness of and access to government programs and services.

Suggestions for Possible Actions - Business Climate

Several suggestions were made by participants for government action to foster the adequate business and investment climate that would be conducive to support value-added activities in Canada:

Access to Capital

1. Facilitate access to loans for SMEs in the minerals and metals industry;
2. Assess current loan practices by federal agencies;
3. Assess the feasibility of flow-through shares for investors to finance value-added activities in industrial minerals;
4. Use current good practices (ACOA, EDC, European Development Bank) on risk assessment and loan evaluation in federal programs; and
5. Assess interest in setting up a seminar on industrial minerals for financial institutions as part of a campaign by NRCan and IC to increase the awareness of the viability of the mineral industry to decision-makers in financial institutions.

Government Services and Programs

6. Develop a communication plan aimed at SMEs in the mineral industry;
7. Promote access to government programs and services for SMEs;
8. Increase the flexibility of government services and programs for SMEs;
9. Develop and distribute services and program directories;
10. Establish a dedicated web site on industrial minerals;
11. Establish a mineral products industry database to share with other departments; and
12. Ask NRCan and IC to educate federal government agencies on industrial minerals.

Context, Objectives and Concept

VALUE-ADDED ISSUE: CONTEXT AND OBJECTIVES

In the 1997 Liberal Policy platform, "*Securing our Future Together: Preparing for the 21st Century*," the following commitments were made:

- "The new Liberal government will review the constraints facing value-added production in Canada to meet the needs of an evolving manufacturing sector more effectively . . ."
- "A new Liberal government will take a similar integrated approach . . . in other resource sectors to promote value-added production . . ."
- ". . . will work with industry and other governments to promote exports in areas such as . . . enhanced mineral and metal product manufacturing, and mining, smelting, and refining technology."

The Government of Canada values the important contribution of the minerals and metals industry to the Canadian economy. From the mining and processing of ore through parts manufacturing and final assembly into sophisticated consumer products, this sector makes a vital contribution to wealth generation and employment in both urban and rural regions of the country.

VALUE-ADDED CONCEPT

This initiative takes a broad definition of "value added." Derived from a macro-economic definition of the residual value between input and output, "value added" goes beyond the concept of added processing or further beneficiation of mineral and metal products. The approach to "value added" includes the benefits derived from mineral and metal mining, processing and assembly, and it encompasses the multiplier effect of those industries that benefit the service and supply industry, i.e., construction, energy, engineering and environmental services, equipment parts and supplies, financial and legal expertise, etc.

Thus, the value-added approach refers to enhancing the economic, environmental and social benefits that result from the processing and manufacturing of minerals and metals. Therefore, the goal is to increase the activities associated with further processing and its related spin-offs.

Consultation Process

VALUE-ADDED CONSULTATION OF THE MINERAL PRODUCTS INDUSTRY

The mineral products industry involves issues that are different from those in the metal producing and metal part fabricating industries. This sector is characterized by a different industry structure, largely composed of SMEs that produce a wide range of grades and supply diverse end-users. Market access and related knowledge are essential aspects, as well as technology and innovation.

Recognizing the important contribution of the mineral products industry to the Canadian economy, Natural Resources Canada and Industry Canada launched, in September 1998, a series of consultations. Close to 50 companies, which were representative of this sector, participated in the consultation, along with government officials from Natural Resources Canada and Industry Canada, and from provincial natural resource departments.

Industry participants received preliminary information on each theme; copies of the Value-Added Issues Paper entitled *From Mineral Resources to Manufactured Products: Towards a Value-Added Mineral and Metal Strategy for Canada* were provided along with other departmental documentation on government services and programs.

MAJOR THEMES AND KEY QUESTIONS

The consultations focused on the five major themes that were identified in the primary consultations with the metal and metal fabricating industry late in 1997, and which were reiterated in the Value-Added Issues Paper in mid-1998. These themes were followed to complement the current work and to facilitate a full integration with previous consultations.

The following themes and associated topics were discussed:

- a) Trade
Trade aspects include trade policies, trade agreements, government assistance and support to exporters, trade missions, Team Canada, dumping issues, foreign direct investment, credit support, etc.
- b) Human Resources
Government support in training and apprenticeship, immigration policies, assessment of skill shortages, etc.

- c) Environment
Environmental assessment regulations, climate change, recycling, regulatory reforms, international or bilateral protocols, etc.
- d) Research and Development
Government support such as Scientific Research and Experimental Development Tax credits, industry partnerships such as the Industrial Research Assistance Program, government research laboratories, and government programs, etc.
- e) Business and Investment Climate
Monetary and fiscal policies, taxation reform, Business Development Bank of Canada's financial products, the activities and services of Canada Business Service Centres, etc.

In the September-October 1998 industry consultations on value added, participants were asked a series of questions on each of the five major themes:

1. What is currently helping you in pursuing value-added production?
2. What is currently hindering you from moving toward value-added manufacturing?
3. What actions should/could the federal government undertake, in concert with industry, to enhance/facilitate your value-added production?

List of Participants

Name	Affiliation	Area Code	Phone	Fax	Venue
Anderson, Ron	Canadian Salt Company	(306)	345-5219	345-2552	Regina
Bamburak, James	Manitoba Energy & Mines	(204)	945-6534	945-1406	Winnipeg
Barnstable, Doug	Estevan Coal (1996) Corp.	(306)	388-2911	634-7058	Regina
Barthe, François	Bartolite	(450)	674-5566	674-3099	Montréal
Bélanger, Marc	Ressources naturelles Québec	(418)	627-6287	643-2816	Québec
Boisvert, Jean-Yves	Zemex - Mica Suzorite	(450)	655-2450	655-9942	Québec
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Colpitts, Jeff	Manitoba Energy & Mines	(204)	945-4004	945-8427	Winnipeg
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Gent, Malcolm	International Goldfields Inc.	(604)	684-0755	681-9501	Vancouver
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Gunter, Richard	Gossan Resources	(204)	943-1990	942-3434	Winnipeg
Hall, Maurice	Saskatchewan Energy and Mines	(306)	787-2521	787-2333	Regina
Harris, Alex	Burin Minerals Ltd.	(709)	596-7080	596-7081	St. John's
Hartwick, Perry	Upper Canada Store Co.	(905)	468-0500	468-0108	Toronto
Hawley, George	G.C.H. Associates	(518)	293-7021	293-7021	Montréal
Higdon, Llewellyn	Newfoundland Mines & Energy	(709)	729-6409	729-3493	St. John's
Howse, Ambrose	Newfoundland Mines & Energy	(709)	729-5969	729-3493	St. John's
Hurley, John	Trinity Resources and Energy Ltd.	(709)	838-2186	834-8856	St. John's
Jacques, Dominique	Ressources naturelles Québec	(418)	627-6296	646-7924	Montréal
Kelley, Lynn	Saskatchewan Geological Survey	(306)	787-2646	787-2488	Regina
Klein, Bern	University of British Columbia, Mining & Mineral Processing	(604)	822-3986	822-5599	Vancouver

Name	Affiliation	Area Code	Phone	Fax	Venue
Lagacé, Denis	Natural Resources Canada	(613)	992-2018	943-2079	Québec
Lecuyer, Robert	RSL Consulting Services	(514)	768-4360	N/A	Montréal
Lockhart, Wayne	Lockhart Exploration Services	(506)	369-2279	541-7545	Vancouver
Manedal, Ramesh	Ontario Mines and Northern Development	(705)	670-5827	670-5803	Sudbury
Marois, Pierre	Centre de technologie minérale et de plasturgie Inc.	(418)	338-6410	338-9584	Québec
McGuinty, Bill	Ontario Mines and Northern Development	(416)	314-3800	314-3797	Toronto
Meyer, Jamie	Meyer Dunsworth Entreprises Ltd.	(709)	686-2874	686-2026	St. John's
Mikelsons, Peter	Industry Canada	(613)	954-3381	954-3079	Montréal and Québec
Montgomery, Joe	Daren Resources Ltd.	(604)	684-6136	684-6270	Vancouver
Ng, Jean-Pierre	Unamin Canada Ltd.	(416)	232-2003	232-2389	Toronto
Opekar, Robert	Wollasco Minerals Inc.	(416)	362-8885	362-8601	Toronto
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Pichette, Michel	Lab Chrysotile Inc.	(418)	338-7640	338-9521	Québec
Poulin, Ronald	Spoltech SIGD	(514)	954-1998	954-9975	Montréal
Power, Basil	Power Slate Enterprises Ltd.	(709)	468-7008	468-7006	St. John's
Proud, Carole	Belmont Rose Granite Corp.	(905)	940-0700	940-0522	Toronto
Prud'homme, Michel	Natural Resources Canada	(613)	992-3258	992-7731	All
Rosa, Gaëtan	JM Asbestos	(819)	879-6005	879-2659	Québec
Rykiss, Bruce	Crystal Quartz Canada	(604)	261-7146		Winnipeg
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Stroughton, Howard	IMC Kalium	(306)	944-2231	944-4432	Winnipeg
Szabo, John	Industry Canada	(613)	957-1242	954-3079	West and Toronto
Tremblay, Pierre	A.C.R.G.T.Q.	(418)	529-2949	529-5139	Québec
Vagt, Oliver	Natural Resources Canada	(613)	992-2667	943-8450	St. John's
Virag, Lloyd	PSC Alsask	(306)	587-2518	587-2714	Regina
Winkler, Ron	GRACOM Masonry	(306)	934-6644	242-0605	Regina

Regional Interests

Priority Areas	Issues and Challenges	Strong Regional Interest					
		BC	SK	MN	ON	QC	NF
Trade	Importance of market knowledge for industrial minerals	X	X	X	X	X	X
	Lack of knowledge of government programs	X	X	X	X	X	X
	Foster single-window approach to programs and services	X	X	X	X	X	X
	Favourable factor: high quality of Canadian products	X	X	X	X	X	
	Low Canadian dollar: positive short-term effects		X	X	X	X	X
	Assistance from government programs	X			X	X	X
	Transportation issues: rail	X			X	X	X
	Transportation issues: shipping	X				X	X
	Importance of alliances and networking	X			X	X	
	Negative impact of foreign competition	X		X		X	
Assistance from Canadian embassies				X	X		
Human Resources	Lack of knowledge in industrial minerals	X	X	X	X	X	X
	Lack of technical expertise in industrial minerals processing	X	X	X	X	X	X
	Need awareness of mining in schools	X	X	X	X	X	X
	Need flexible immigration regulations for high-skill professionals			X	X	X	X
	Adequacy of labour skills		X		X	X	X
	Apprenticeship useful		X	X	X	X	
	Need programs to train employed people	X			X	X	X
	Government training programs useful but need flexibility	X				X	X
	Adequacy of labour pool		X			X	X
	HRDC labour skills studies	X	X	X			
	Shortfalls in labour pools in rural and remote communities	X	X				
Environment	New regulations creating opportunities for minerals	X	X	X	X	X	X
	Accelerate regulatory reforms and harmonization	X	X	X	X	X	X
	Lack of predictability of several federal regulations	X	X	X	X	X	X

Priority Areas	Issues and Challenges	Strong Regional Interest					
		BC	SK	MN	ON	QC	NF
Environment (cont'd)	Burdensome multiplicity of regulations	X	X	X	X	X	X
	Need strict and tight timeline for government response	X		X	X	X	X
	Increase public awareness of mining	X	X	X	X	X	
	Concern over trigger by one individual	X		X	X	X	
	High compliance and assessments cost for SMEs		X		X	X	X
	High appreciation of provincial environmental officials	X		X	X		X
	Highlight green mineral products and processes		X	X		X	X
	Mineral activities have benign effect on environment		X	X		X	
	Encourage recycling	X			X	X	
	Foreign regulation not an even playing field		X	X			X
Research and Development	Benefits from MDA, CANMET, NRC programs	X	X	X	X	X	X
	Lack of awareness of government programs and services	X	X	X	X	X	X
	Speed up tax credit returns	X	X	X	X	X	X
	Hurt by cutbacks at CANMET	X		X	X	X	X
	Expand TPC to SMEs in mining	X	X		X	X	X
	Research tax credits: favourable but too bureaucratic	X	X		X	X	X
	Assess flow-through shares for pre-earning research activities	X			X	X	X
	Assess foreign R&D assistance programs (Europe and Japan)	X			X		
Business and Investment Climate	Low interest rate and low dollar	X	X	X	X	X	X
	Difficult access to capital	X	X	X	X	X	X
	Need to better inform financial institutions	X	X	X	X	X	X
	Need to educate federal agencies	X	X	X	X	X	X
	Increase awareness of government programs and services	X	X	X	X	X	X
	Transportation: high rail cost	X	X	X	X		
	Capital intensive: high entry cost	X			X	X	X
	Favourable provincial royalty for value-added activities	X	X	X			
	Low energy cost	X				X	
	Use ACOA and EDC approaches to risk assessment				X		X