

British Columbia—World Centre of Excellence for Mineral Exploration

British Columbia can build on the existing mining cluster to attract, retain and incubate mineral exploration companies.

By: Robert Simpson

When you think about a robust mining industry, Finland may not be the first place that comes to mind. Yet, the enterprising Finns have capitalized on their mineral resource sector (just 2% of all the country's exports) and created one of the largest and most successful mining industry clusters in the world. Today, the eight billion-dollar-a-year Finnish mining equipment and services cluster employs almost 16 percent of the country's population and accounts for 12 percent of the GDP. What's even more astonishing is the Finland mining cluster was built on a foundation of only nine producing mining companies. If the Finns can do all this with their limited resources, imagine what could be achieved if the mineral exploration industry in British Columbia created the World Centre of Excellence for Mineral Exploration.

Moving to where the money is

There's a sound argument for creating a World Center of Excellence for Mineral Exploration in British Columbia. This should be a natural fit for British Columbia. There is an existing industry cluster of mining and mineral exploration and supply companies—at last count there were over 1,200 mineral exploration companies and 2,400 companies that supply the sector, with several thousand independent consultants. In addition to a skilled, professional workforce, the research and development, education and training institutions are world class. The robust capital markets and supportive, stable political environment provide sound footing to establish the World Centre of Excellence for Mineral Exploration.

There's some serious competition for establishing and maintaining British Columbia's dominance as the international centre of mineral exploration. The Ontario government and mining and mineral exploration industry has been actively promoting their advantage of proximity to Toronto's financial markets. Over the past six years, savvy marketers have successfully branded the Toronto Stock and Venture Exchanges and the City of Toronto as the international center of finance for mining and mineral exploration. In 2003, the Ontario provincial government in cooperation with industry and academia created the Ontario Mining Industry Cluster Council, charged with creating a larger and more globally competitive industry. So far, these efforts have been successful. In 2005, the Centre of Excellence in Mining Innovation was established at Laurentian University in Sudbury, with a primary focus on the technologies of mining and mineral processing. In May 2009, the University of Toronto announced \$20 million in government and private funding to set up the Innovation Centre for the Canadian Mining Industry, specializing in the research of processing innovation and sustainability.

A call for collective action

While Ontario's success is having significant influence on where the international mineral exploration and mining sector decides to locate their head offices, British Columbia is making no similar effort. Currently there are no cohesive or coordinated programs underway by government, industry and academia to retain, attract and incubate mineral exploration and supply companies in British Columbia. But given the immense advantage and opportunity a Centre of Excellence in Mineral Exploration will provide, a small group of industry leaders, sparked by the Association for Mineral Exploration in British Columbia (AME BC), are lobbying industry, government and academia to leverage

the hidden potential of the exploration cluster in British Columbia to develop a World Centre of Excellence for Mineral Exploration.

Leveraging BC's mineral exploration cluster

An industry cluster the size of British Columbia's mineral exploration industry is rare, and purposeful collaboration through a Centre of Excellence will enhance the industry's ability to drive economic development. As it stands, the mineral exploration industry and the corresponding supply companies already make a vital contribution to the local economy. According to the AME BC, mineral exploration companies in British Columbia raised \$2.9 billion in equity capital in 2008, much of which finds its way back into the local economy through jobs, research and development. According to the British Columbia Ministry of Mines and Petroleum Resources, in 2008, a total of 38,000 people were employed in the mining and minerals sector in over 50 B.C. communities, approximately 14,000 directly and 24,000 in the supply and service sector. A collaborative effort will undoubtedly improve the economic impact of the industry.

Think Hollywood, Silicon Valley and the Houston Oil and Gas cluster, where members of each industry cluster work together to retain, attract and incubate new business. The clusters are made up of interconnected companies and associated institutions linked by commonalities; the sum of its parts is greater than each individual company or institution. Clusters create synergy.

Opportunity costs

There is an enormous opportunity cost for every mineral exploration company that chooses to locate outside of the province—British Columbia loses the potential for a major producer to locate their head office here. When mineral exploration companies grow in one place such as Goldcorp from exploration to production, this represents a significant boon for the provincial economy. Goldcorp, which began as a mineral exploration company, has grown to become one of the largest gold producers in the world and last year contributed almost \$30 million to the local economy through taxes, wages and service and supply contracts.

By capitalizing on the existing business infrastructure of head offices such as Goldcorp, Teck, or Quadra, the World Centre of Excellence for Mineral Exploration would play an integral role in retaining and attracting head offices for other major producers, because the labour, expertise and innovative thinkers are already here.

Centre of Excellence is built on the cluster theory

The concept for the World Centre of Excellence for Mineral Exploration is based on Porter's Cluster Theory, where membership made up of industry, suppliers, government and academia create a coordinated approach. Currently government, industry and academia alone do not have the necessary skills to market the industry by themselves. A cluster will have more influence. Cooperation across all industry subsectors will provide a unified voice on industry-wide issues that improve the mineral exploration industry's visibility.

The cluster approach is about inclusion, collaboration and co-operation and there are benefits to all participants. This approach breaks down organizational, geographic and sector barriers and promotes horizontal collaboration and strategic partnerships. It focuses on strengthening economic foundations such as infrastructure and workforce development. The cluster strategy brings co-ordination to various programs and funding at various levels of government that usually exist in isolation and lack impact.

Finally, clusters attract brainpower, expertise and local suppliers. In turn, it makes the industry more eager to adopt new technology and approaches, enabling them to develop and export unique products and services. And from an educational institution and research point of view, clusters provide critical mass for brainpower, talent, funding for research and development and access to industry.

Creating sustainable growth and identity for a region

The Houston oil and gas cluster is an excellent example of a cluster that grew out of its local natural resource endowment. It shows that a natural resource-based cluster can create sustainable growth and provide a positive identity to the region. Today, Houston is known more as an international centre that exports brain power, knowledge and other supporting businesses rather than drilling for oil and exporting petroleum. Another example can be found in India where there are currently no operating diamond mines, yet has established itself as the world's largest manufacturing centre for cut and polished diamonds. Exports of gems and jewelry are worth \$12 billion annually. Locally, over the past two decades the Okanagan Valley has moved from Canada's fruit basket to quickly become an international cluster for wine production—thanks to generous government subsidies and industry tax breaks.

The strength of all of these examples is their ability to find their uniqueness, differentiate themselves from their competition and acquire first class competencies in specific areas. Clearly, British Columbia has all the characteristics to become a dynamic and vibrant Centre of Excellence for Mineral Exploration capable of creating sustainable growth. A global Centre of Excellence would prove to be a major economic force for achieving sustained prosperity and enhancing the standard of living for all British Columbians.

--30--

Robert Simpson is the president of PR Associates and working with AME BC to develop the World Centre of Excellence for Mineral Exploration.

Sidebars

Clusters are geographic concentrations of interconnected companies, specialized suppliers, service providers, firms in related industries, and associated institutions...that compete but also cooperate...clusters are a striking feature of virtually every national, regional, state, and even metropolitan economy...points to new roles for companies, governments and other institutions striving to enhance competitiveness."

-Michael Porter in "The Competitive Advantage of Nations" (1990)

Examples of Famous Clusters include:

- Finnish Mining Equipment and Services
- Silicon valley
- Hollywood
- Houston's Oil and Gas

Sidebar # 2

Advantages of Industry Clusters

Clusters improve competitiveness resulting in improved productivity in three ways:

1. Improve productivity through improved access to specialized suppliers, skills and information.
2. They improve competitiveness by raising the bar among competing local suppliers. The drive to distinguish themselves from the competition—to offer a better service or product—results in innovation.
3. Once established, clusters will grow as a result of the creation of new firms and the entrance of new suppliers.