



Canada-U.S. Water/Wastewater Equipment and Pipe Sector Profile¹

May 22, 2009

Overview

Canada-U.S. trade in the water/wastewater equipment and pipe sector is worth as much as \$10.18 billion annually. In 2008 the United States exported \$6.18 billion of relevant goods to Canada, and imported \$4 billion from Canadian manufacturers. While a comprehensive list of relevant goods is difficult to define, and many of the goods have multiple uses (e.g. pumps

have some uses outside of the water sector), the statistics outline the significant integration of the Canadian and U.S. water/wastewater equipment and pipe industries. In addition to a significant amount of cross-border trade, this sector enjoys considerable cross-border investment, rationalization of production, and integration of distribution networks.

An Integrated Industry

A significant portion of this category of goods are inputs into complex infrastructure projects that draw from suppliers on both sides of the border. In the highly globalized water/wastewater equipment and pipe sector, firms in Canada and the United States enjoy a competitive advantage due to the highly efficient supply chains that have developed between the two countries. Many Canadian innovations are contributing to a cleaner environment and safer drinking water in the U.S., including:

- Next generation UV technology developed by UV Pure of Toronto, Ontario, which has been awarded contracts in California, New York, Ohio and Wisconsin
- The largest installed base of UV systems in operation in the world, which was manufactured by Trojan Technologies of London, Ontario, whose stock was purchased in 2004 by U.S.-based Danaher Corp.

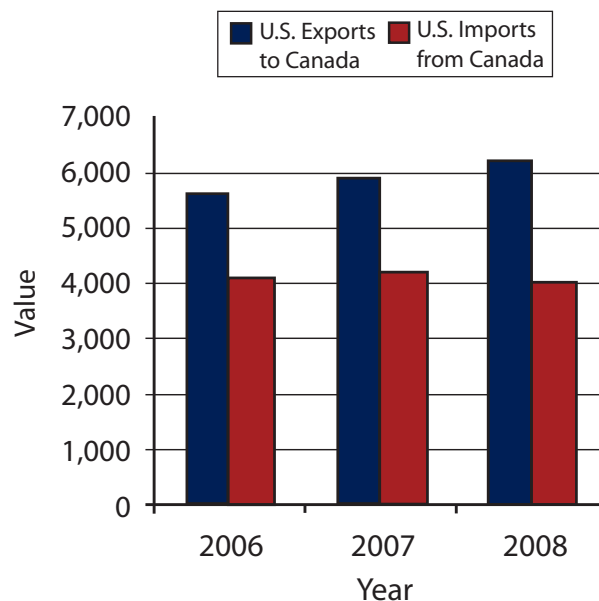
Cross-Border Connections: GE Water & Process Technologies

A leading supplier of water/wastewater treatment and process systems to the U.S. and Canadian markets, GE Water & Process Technologies has significant cross-border interests. In 2006 the company acquired the Oakville, Ontario-based Zenon Environmental, a recognized world leader in ultrafiltration membrane technology. According to GE, this technology has proven to consistently outperform conventional filtration technology while meeting or exceeding regulatory requirements, regardless of source water quality. The Oakville plant has a global mandate to supply GE's customers with this product. Access to this Canadian manufactured line of products ensures that U.S. municipal water agencies are able to deliver the highest level of public health protection to their constituents.

Rationalization of production among its U.S.-based and Canada-based operations allows GE to streamline costs and incorporate the best available technology into its global product line. This example is only one among many similar stories to be found in the deeply intergrated water/wastewater equipment and pipe sector.

Canada-U.S. Water/Wastewater Equipment and Pipe Trade

(Figures in millions of \$US)



Source of data: Statistics Canada Report | Date: 12-May-2009

¹ Defining the water (i.e. drinking water) and wastewater equipment and pipe sector is a challenging exercise, as it involves a wide variety of product categories. Our list is based on HS codes identified as relevant by Industry Canada, the U.S. International Trade Administration, and the water industry itself. Most of the products fall under HS chapters 39 (Plastic), 40 (Rubber & Articles), 46 (Straw & Other Plaiting Materials), 73 (Iron & Steel), and 84 (Machinery), which include items such as reservoirs, tanks, pumps, filters, mixers, and pipes.

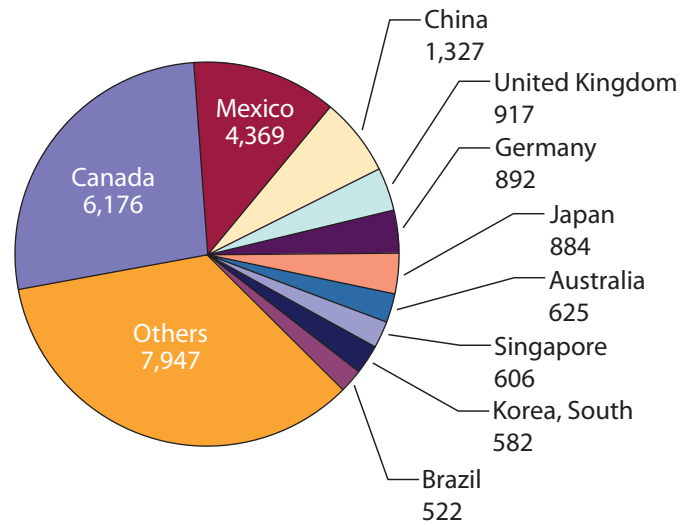
The Importance of Trade for the Sector

The U.S. water/wastewater equipment and pipe sector relies heavily on exports, which have driven its impressive growth rates in recent years. According to the U.S. Water and Wastewater Equipment Manufacturers Association, typically 30% of U.S. production in this field is exported. U.S. worldwide exports of these goods almost doubled from \$13.26 billion in 1998 to \$24.85 billion in 2008. U.S. exports to Canada during the same period grew from \$3.74 billion to \$6.18 billion, which represents 25% of total U.S. exports in this category. Canada annually imports \$8.15 billion worth of water/wastewater equipment and pipe. Seventy-five percent of that amount comes from the U.S. Canada is the largest market for U.S. exports of products in this sector, well ahead of both Mexico and China.

The Canadian water market has grown between 4-6% annually in recent years. The vast majority of this market is based on public procurement. While Canada and the U.S. have international obligations for federal-level procurement, both countries do not currently have municipal procurement obligations. Nonetheless, U.S. firms currently enjoy unfettered access to this market. A 2007 report by the Federation of Canadian Municipalities estimated the need for relevant infrastructure spending at \$31 billion, underscoring the significant growth opportunities in this area.

Top 10 Export Markets for U.S. Water/Wastewater Equipment and Pipe

(2008 figures in millions of \$US)



Total (all countries): 24,848

Source of data: Statistics Canada Report

Date: 12-May-2009

Harmonized Commodity Description and Coding System (HS) Codes for the Water/Wastewater Equipment and Pipe Sector

HS 391721 - tubes, pipes and hoses - rigid - polyethylene,
 HS 391722 - tubes, pipes and hoses - rigid - polypropylene,
 HS 391723 - tubes, pipes and hoses - rigid - polyvinyl chloride,
 HS 391729 - tubes, pipes and hoses - rigid - other plastics nes,
 HS 391732 - tubes, pipes and hoses nes - plastic not reinforced,
 HS 391733 - tubes, pipes and hoses nes - plastic not reinforced,
 HS 391739 - tubes, pipes and hoses nes - plastic nes,
 HS 391740 - plastic fittings for tubes, pipes and hoses,
 HS 392590 - fencing, fittings and mountings - of plastics,
 HS 392690 - articles of plastics, nes & art of other materials,
 HS 401693 - gaskets, washers and other seals,
 HS 401699 - articles of vulcanized rubber nes,
 HS 460121 - mats, matting and screens, of vegetable materials,
 HS 460122 - mats, matting and screens, of vegetable materials,
 HS 460129 - mats, matting and screens, of vegetable materials,
 HS 560314 - nonwovens - man-made filaments,
 HS 730900 - reservoirs, tanks, vats and similar containers,
 HS 731010 - tanks, casks, drums, cans, boxes,
 HS 731021 - cans (capacity <50 litres),

HS 731029 - other tanks, casks, drums, cans, boxes,
 HS 841320 - hand pumps,
 HS 841360 - rotary positive displacement pumps nes,
 HS 841370 - centrifugal pumps nes,
 HS 842199 - parts for filtering or purifying machinery,
 HS 847990 - parts of machines & mechanical appliances,
 HS 848130 - valves - check,
 HS 848140 - valves - safety or relief,
 HS 848180 - taps, cocks, valves and other similar appliances,
 HS 848190 - parts of taps, cocks, valves,
 HS 841350 - reciprocating positive displacement pumps nes,
 HS 841381 - ejector pumps and other pumps nes,
 HS 842119 - laboratory and other centrifuges nes,
 HS 842121 - filtering or purifying machinery and apparatus,
 HS 842129 - filtering or purifying machinery and apparatus,
 HS 848110 - valves - pressure reducing,
 HS 847982 - mixing, kneading, crushing, grinding, screening,
 HS 847490 - parts of machinery for handling stones, ores,
 HS 848120 - valves - for oleohydraulic or pneumatic,