

7. THE MARKET FOR SUPPLIERS OF MINING EQUIPMENT AND SERVICES

Potential opportunities coming out of the recovery and expansion of mining in Bolivia may be considered in three fields: exploration; rehabilitation, refurbishment and maintenance of old or established mines; and large projects.

For forty years, Bolivia saw virtually no serious exploration effort, a situation which is now changing rapidly. This kind of neglect generates serious interest; precisely, due to years of inattention, it is likely that exploration efforts will generate considerable level of excitement in Bolivia. This country may, thus, offer a promising territory for suppliers of modern prospecting and exploration services and technology. It may safely be speculated that foreign companies active in Bolivia will meet much of the demand for such goods and services by using their own in-house resources; however, while multinationals will be seeking large targets, many of their local counterparts will be looking for smaller, more easily manageable potential projects, and they will be applying more modest resources to the search.

Only three companies offer diamond drilling and reverse circulation drilling services to the local exploration market. They are: the local La Barca (Battle Mountain), Layne, and American Mining Service (AMS). Since, approximately, 134,000 meters of reverse circulation and diamond drilling will be drilled in 1996, there is a good market for new companies that can offer good technology and competitive prices.

Investment in exploration and prospecting by the medium scale private mining companies of Bolivia totaled some US\$33.8 million in 1995. A sum of US\$39.2 million will be made during 1996 for the same risk activities.

The rehabilitation, maintenance and expansion of established mining operations generates demand for a range of equipment. Medium scale private firms will invest US\$47.0 million in mining equipment in 1996, including US\$26.0 million for installation, remodeling and expansion of concentrator plants.

The existing mining operations (with the exception of Inti Raymi and Comsur) present a somewhat small market for new mining equipment. There is some ongoing demand for hand-held drills and consumables, but most of the leading suppliers are represented locally and competition is tough.

There is a marked preference on the part of many operators for reconditioned equipment, since the price of new machinery often cannot be justified in smaller operations. Those suppliers who are willing to dedicate a reasonable amount of effort to the logistics of moving "special" orders for recycled equipment, can make sales. Demand for rebuilt gear runs all the gamut from mills and thickeners to large winches.

The market for mining equipment arising from the development of new projects is constituted at the moment by the Puquio Norte project, due to start its operations by