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Priorities of the Northern Minerals Industry in Anticipation of the 2015 Federal Budget

The NWT & Nunavut Chamber of Mines is the leading advocate for mining and mineral development in Canada's North. Its key objective is to encourage, assist and stimulate prosperous, orderly and environmentally responsible development and growth of mining and mineral exploration, in all modes and phases, in the NWT and Nunavut.

Executive Summary

Despite enduring a period of protracted and significant market volatility in the minerals industry, healthy demand for mined materials is likely to persist over the long term driven by growth in the emerging markets. For Canada to seize the significant economic opportunities that the next upswing will present, the Northern minerals industry requires focused support from governments now to provide the right domestic investment, regulatory and operational environments to enable that future growth.

The Chamber of Mines recommends the following for consideration of the 2015 Federal Budget:

- Support capital raising efforts, particularly for grassroots mineral exploration to enable that segment of the industry to endure the current capital crisis and to access the capital required to: address declining domestic base-metal reserves, sustain Northern mineral production, and contribute to the sustainability of global minerals and metals supply chains.
- The Mineral Exploration Tax Credit (METC) should be renewed for a period of three years to provide longer-term stability to junior companies, enabling them to plan financing of multi-year exploration programs and providing a better sense of predictability for investors.
- Address regulatory uncertainty and inefficiencies by ensuring that changes to the regulatory environment are accompanied by clearly defined and well-resourced transition plans which minimize the regulatory burden on the mining industry.
- Strengthen workforce capacity by addressing the industry's human resources challenges to ensure a sustainable workforce for the future. Governments must work with industry, academic institutions, vocational schools, Aboriginal groups and other communities to address the sector's skills training, mobility and immigration needs.
- Strategically invest in infrastructure – particularly roads, ports and hydro-electric power generation and transmission – to facilitate new mining development. As a result of the biggest infrastructure deficit in the country, mines in Nunavut and the NWT must build and operate their own roads, power plants, airports, and seaports. This significantly increases capital and operating costs, reducing profitability and competitiveness in international markets. This discourages investment in exploration and actually prevents the development of known mineral deposits that might be economic to develop if they were located in southern Canada. The Federal government should take steps to provide funding mechanisms for mining infrastructure

including direct funding, tax write-offs, and supporting increases in borrowing limits for the territorial governments to support their strategic initiatives in infrastructure investment. In addition, policy should be changed so that mines are not required to remove valuable infrastructure at the end of mine life, rather treat it as an asset that can attract future investment in development. Improved infrastructure will help unlock the enormous untapped mineral wealth of the NWT and Nunavut, and help drive benefits in all six of the themes for the 2014 pre-budget consultations.

- Invest in public geoscience. Programs like the Targeted Geoscience Initiative promote geoscience innovation to enhance mineral production in more developed areas, which is critical to closing the discovery gap and ensuring the continued contributions of mining to the Northern and Canadian economy.

Theme: Balancing the federal budget to ensure fiscal sustainability and economic growth

- Create “North of 60 Exploration Incentives” like other provinces that have tax credits and/or exploration grants. Currently, all that exists in the north is the METC, yet northern jurisdictions are the most expensive for mineral exploration and development. This incentive would be revenue neutral and even positive, as it could attract much more investment than it would cost.

Theme: Supporting families and helping vulnerable Canadians by focusing on health, education and training

- A share of taxes paid by mines in the north should go directly to impacted communities. Currently, hamlets are also trying to enter Impact Benefit Agreements with companies because they do not see tax revenues coming back to their communities.
- Support short term, well supported education programs for Northern youth in southern based colleges. This would allow Aboriginal youth to experience life in an educational institution away from home for a short period of time and experience success. A lack of confidence with many northern youth is an impediment to addressing long term employment problems.
- Develop a job shadowing program outside of the territories for Aboriginal workers, with government department and businesses (non- government). This would provide short term, well framed experiences of work conditions and interest. Again, encouraging future commitment for education and building confidence in youth.
- Systematically offer financial planning education to all residents. The health of workers and their families is greatly dependent on sound money management. Income from any source may create social problems. Money management training should be on par with training for literacy or health.
- Addiction treatment centers are badly needed to contribute to healthy communities.
- Housing supply continues to be a challenge for helping working families get established in the wage economy.

Theme: Increasing the competitiveness of Canadian businesses through research, development, innovation and commercialization

- Geoscience investment is critical to the continued success of the mining industry. Every dollar invested in geoscience by the government triggers five dollars in exploration spending by the private sector and boosts the likelihood of discovering commercial-scale deposits, rendering economic dividends and community benefits into the future.

Theme: Ensuring prosperous and secure communities, including through support for infrastructure

- Invest in basic infrastructure (roads, railways, ports and power developments) so that new mineral developments are not burdened by these additional costs. Private sector investment for infrastructure (e.g. power, ports) should be supported as these are key hindrances to development in the North.

Theme: Improving Canada's taxation and regulatory regimes

- Continue with regulatory reform and provide regulatory certainty by ensuring that changes to the regulatory environment under MVRMA and NUPPAA are accompanied by clearly defined and well-resourced transition plans which minimize the regulatory burden on the minerals industry. Don't invoke cost recovery regulations in the North at this time as the North is already challenged as a high cost environment.
- Exploration investment by junior companies has declined considerably. A significant portion of exploration investment in the north over the last decade has been by junior companies. The METC is an additional incentive to invest. Extend the METC for three years, as opposed to one year, so that industry will have longer-term certainty to plan crucial investments in exploration.
- Allow exploration companies to claim all community consultation costs as Canadian Exploration Expenses, regardless of what point in time they are incurred prior to production in reasonable commercial quantities (not just those that are incurred after a permit has been secured). This would encourage/require companies to conduct community consultations prior to applying for plans and permits.
- Support qualified, experienced Institutes of Public Government boards and staff in sufficient numbers to ensure timely and fair environmental review processes.
- Provide other tax incentives, or tax relief, for private sector companies operating and living in the north. The high cost of operating a northern business gets passed on to the exploration and mining companies which puts them at a competitive disadvantage. Increase the Northern Residents Tax Deduction to help residents in these high cost jurisdictions, as it has not been adjusted for many years, eroding much of its previous benefit.

Theme: Maximizing the number and types of jobs for Canadians

- Invest in College programs that encourage development of skilled trades to offset the shortage of these people in the mining industry.
- Provide job shadowing and other short term training programs to encourage employment of northern residents.
- Continue investments in Aboriginal skills training programs. Aboriginal essential skills training and work readiness is critical to the sector's ability to recruit and retain Aboriginal workers. Support the creation of a Pan-Territorial Skills & Training Program.

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