

## Standing Committee on Finance (FINA)

### Pre-budget consultations 2012

# The Mining Association of Canada

## Responses

### 1. Economic Recovery and Growth

*Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?*

The prevailing view is that the Canadian mining sector's economic prospects will be strong for the long term. Despite recent concerns over growth rates of the BRIC countries, which have been considered the driving force behind global growth, it is widely held that fundamentals are solid. This means that growth, even if at a more moderately-reduced pace, is likely to remain strong for the long-term. As a country rich in mineral resources and mining talent, Canada has the opportunity to capitalize on a growing mining sector. Canada's mineral production value increased for the second consecutive year, rising 21% to a record \$50.3 billion. Mining contributed \$35.6 billion to GDP in 2011 – a 4.5% increase from 2010. The industry's trade levels also increased with exports growing 20% to \$101.7 billion, or 23% of Canada's overall total. A competitive and predictable domestic investment and regulatory environment is key to ensuring continued growth. Maintaining low inflation, reducing the federal deficit, preserving and improving competitive tax levels, and decreasing national debt all contribute to a positive business environment. The government should stay the course to maintain Canada's economic fundamentals. The government has contributed positively in recent years with policy developments and investments supporting the growth of Canada's mining sector, including: •Geo-mapping (GEM); •Exploration (Mineral Exploration Tax Credit (METC) and flow-through share mechanism); •Capital Investment (ACCA); •The responsible resource development initiative in Budget 2012. To reinforce these initiatives, the mining industry's priority recommendations for Budget 2013 are: •Fulfilling the government's commitment to enact a shipper's right to a service-level-agreement for rail freight service; •Working with provinces, industry and others to develop the domestic labour pool and increase access to foreign skilled workers; •Address Canada's depleting base metal reserves by making permanent the METC exploration incentive; •Continue to address regulatory uncertainty by ensuring federal government departments work closely with each other and with industry to ensure the recent regulatory changes achieve what the government intended, and address other persisting regulatory issues; and •Make strategic infrastructure and innovation investments to open regions to economic development and wealth creation.

### 2. Job Creation

*As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?*

By Natural Resources Canada definitions, the Canadian mining industry added 12,000 more workers in 2011, totalling more than 320,000 workers in mineral extraction, processing and manufacturing. Due to a combination of growth and an ageing workforce, it is estimated that the mining sector will need approximately 10,000 new workers per year over the next 10 years. Mining job growth cannot be taken for granted, however. The industry's ability to expand will depend on: •A competitive, efficient and predictable regulatory system, with strong federal/provincial cooperation and the elimination of

unnecessary duplication; •A continued healthy supply of new workers with the right qualifications and experience; •Competitive, cost-effective transportation and energy infrastructure; •Strategies to address the marked decline in proven and probable Canadian reserves in all major base metals. Lead, zinc and silver reserves have declined by 80%, while copper and nickel reserves have fallen by over half. Without sustained and effective exploration, Canadian mineral production will outstrip reserve additions, jeopardizing the country's smelters and refiners, and placing the domestic industry at risk; and •Open markets and eliminating non-tariff and regulatory barriers to trade, and protections against resource nationalism. Given the above, industry recommends that government: •Continue to support strategic investments in geoscience; •Fulfill the government's commitment to enact a shipper's right to a service level agreement for rail freight service; •Work with provinces, industry and others to develop the domestic labour pool and increase access to foreign skilled workers; •Address Canada's depleting base metal reserves through exploration incentives by making permanent the METC; •Continue to address regulatory uncertainty by ensuring federal government departments work closely with each other and with industry to ensure the recent regulatory changes achieve what the government intended, and address other persisting regulatory issues; •Make strategic infrastructure and innovation investments to open regions to economic development and wealth creation; and •Focus international agreements on eliminating non-tariff and other regulatory barriers to trade, enhance worker mobility and continue negotiating Foreign Investment Protection Agreements and FTAs, especially with emerging markets.

### **3. Demographic Change**

*What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?*

The Canadian mining industry requires 10,000 new workers per year over the coming decade to meet production targets. As the skilled core of the industry reaches retirement age, the output of post-secondary programs is falling short of needs, and global competition for sought-after mining skills is increasing. Governments must work with industry, schools, Aboriginal groups and community groups to address the sector's skills training, mobility and immigration needs. The federal government's decision to eliminate the sector council program is a concern. Recent industry consultations revealed four areas that would be irreplaceable if the Mining Industry Human Resources Council (MiHR) ceased producing them: labour-market intelligence, career awareness, essential skills training for Aboriginal people and worker certification. To continue serving industry needs, government must continue to make available programmatic support to MiHR in the following areas: •Labour Market Information (LMI) •Canadian Mining Certification Program (CMCP) •Mining Essentials (ME) The recent discontinuation of the Aboriginal Skills and Employment Partnership (ASEP) program has created a gap that needs to be filled. Mining is the largest private sector employer of Aboriginal Canadians; similar partnership programs that expand Aboriginal employment in the mining industry should be established. For example, we applaud a recent decision to continue funding the BC Aboriginal Mine Training Association through HRSDC's Skills Partnership Fund. BC AMTA is an excellent example of government, industry, First Nation and education collaboration. Based on these realities, the Canadian mining industry recommends that government: •Ensure programs exist, such as the former ASEP, that facilitate highly valuable employment skills training for Aboriginals, and reinforces the important partnership between the mining sector and Aboriginal Canadians; •Increase the labour pool for industry by streamlining regulatory processes for companies to bring in foreign workers; •Support workplace training by providing an Employer's Training Tax Credit that will enable employers to maximize the utility of their existing workforce and better plan for future human resources needs; and •Continue to make available program funds to support Sector Council's work in labour market information, worker certification and essential skills training for

Aboriginal Canadians.

#### **4. Productivity**

*With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?*

Investment in innovation, strategic infrastructure and capital investment are needed to augment Canadian mining sector productivity. The Canada Mining Innovation Council (CMIC) has grown significantly this year from 11 to 77 members, signifying the extent of industry-wide support. CMIC is a network of industry, academia and government leaders committed to enhancing the competitiveness of a responsible Canadian mining industry through research, innovation and commercialization. The Council has requested funding from the federal government with the aim of advancing the industry's R&D priorities. Strategic infrastructure projects relating to transportation, logistics and energy supply can substantially increase the economic viability of many projects. The ongoing extension of the Highway 37 transmission line in northeast BC is a good example of the positive impacts of infrastructure investment. This capital cost of \$400 million will enhance the economics of an estimated \$15 billion in mineral projects. Similarly, the planned extension of the Monts Otish highway in northern Quebec would improve future prospects for development of multiple projects in the surrounding region. In the far North, investment is needed in infrastructure such as all-weather roads and sea ports. Capital investment in machinery and equipment is a key driver of productivity as investments typically result in increased output and reduced production costs. The Accelerated Cost of Capital Allowance (ACCA) allows businesses to write off these investments against taxable income. The write-off generates cash flow critical for business development for companies investing in new production technologies. Given the importance of the above, industry recommends government:

- Help fund the CMIC by providing \$8M/year over 5 years so that investment in concerted industry R&D priorities can have the broadest and most beneficial impact possible;
- Revisit and amend the decision to reduce the SR&ED tax credit from 20% to 15% in 2014 to ensure that Canada remains competitive internationally in this important area;
- Work with industry to identify and invest in priority infrastructure projects that enhance the economic viability of mining developments, particularly in Canada's North; and
- Take action to make the ACCA permanent so that companies have greater certainty in making priority capital investments.

#### **5. Other Challenges**

*With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?*

An efficient and predictable domestic regulatory environment is essential for attracting international investment into Canada. Government has recently undertaken significant regulatory reforms, and many improvements are anticipated to result from them. Uncertainty remains, however, over how some of these changes will be implemented in practice, and how relevant federal, provincial and territorial authorities will work in partnership to enact the new legislation. The mining industry is seeking clarity on the following issues in particular:

- Fisheries Act – Clarity on how the “fisheries” and “pollution prevention” provisions of the Act will work together in practice, be predictable and proportionate to risk; and how the Metal Mining Effluent Regulations will include a compliance mechanism for non-metal mines, including diamond and coal mines; and
- Canadian Environmental Assessment Act (CEAA) 2012 – Clarity on how the Act, generally speaking, will function, and how substitution and equivalency will work with respect to Aboriginal consultation and federal permitting. The government has taken positive steps toward achieving “one project, one review” in the regulatory arena. In addition to the above

mentioned and appreciated reforms, continued work in the following areas is needed:

- Species at Risk Act (SARA) – Clarity on the interaction between the SARA and CEAA processes, a functional permitting system for SARA, and a shift in SARA from a species-by-species focus to a holistic ecosystems-based approach focusing on habitat-protection and environmental stewardship;
- Northern Environmental Legislation– Completion of work to amend the Mackenzie Valley Resource Management Act and advance the Nunavut Project Planning & Assessment Act to help the north realize its mining potential; and
- Migratory Birds Convention Act – Measures to provide industry with greater compliance certainty, reduce the potential for litigation and align better with provincial requirements.

Given the above, industry recommends that government:

- Continue addressing regulatory reform by providing clarity on the above points to ensure that the new regulatory model operates in an efficient and orderly manner; and
- Undertake new regulatory reforms to render both the SARA and the Migratory Birds Convention Act more predictable and proportionate to risk.