

Prospectors and Developers 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?

Last year, the federal government re-affirmed its commitment to Canada's mining industry by extending the Mining Exploration Tax Credit for another year. This year, the Prospectors and Developers Association of Canada urges the government to consider making the METC a permanent component of our economic growth & jobs strategy. Background The mineral exploration tax credit was introduced in 2000 at a time when it was very difficult to raise financing for mineral exploration. The credit provided a 15% tax credit on top of the 100% tax deduction for CEE. Several provinces added their own harmonized incentives. This system called "Super-Flow-Through" by the industry provided the incentive needed to attract investors. This system has been in place for over a decade and has helped ensure that Canada continues to attract the greatest share of global exploration (Canada is currently first among countries with 19% of the world's exploration investment). Benefits In an average year, the METC investors collectively provide companies with \$400 million in new financing to be spent on grassroots exploration in Canada. Tremendous regional employment opportunities for Aboriginal communities The money has to be spent in Canada, thereby ensuring that, if a mine is discovered, the jobs and associated economic opportunities benefit Canadians directly. Significant employment and economic development opportunities in the North If even a single mine is discovered, the taxes paid to all levels of government are significant. The Mining Association of Canada reports that \$8.4 billion was paid to governments by the mining industry in 2010. Recommendation Make the current 15% Mineral Exploration Tax Credit (METC) a permanent feature of the federal income tax system. Take action to make the Mineral Exploration Tax Credit permanent, so that industry will have long-term certainty to plan crucial investments in exploration. Further, provincial tax credits designed to compliment this program should be made permanent as well. Without sustained and effective exploration, Canadian mineral production will outstrip reserve additions, jeopardizing the country's smelters and refiners, placing the domestic mining industry at risk both competitively and strategically.

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?

Canada has a strong and vibrant mineral exploration and mining sector. The Canadian mining industry is a story of success and a fundamental driver of Canada's economy, employing 306,000 people, accounting for 3.5% of Canada's GDP and paying \$5.5 Billion to governments in taxes and royalties. There are few other economic sectors where we so clearly lead the world. One reason for Canada's mining strength is it is home to most of the world's junior (non-producing) mining companies, which are responsible for the majority of new discoveries in our country. These junior companies have no revenue from production and rely on risk financing from investors who are attracted by Canada's unique Super Flow-Through tax credits, which include the Flow-Through (Canadian Exploration Expense) 100% tax

deduction and the 15% Mineral Exploration Tax Credit at the federal level and various provincial tax incentives. Despite Canada's historic success, we cannot rest on our laurels. Continued exploration is the key to future jobs, growth and investment in Canada's mining sector. A positive step in the 2012/2013 federal Budget would be for the government of Canada to make permanent the Mining Exploration Tax Credit now scheduled to expire next year. Combined with the uniquely Canadian flow through share system, the METC is a proven success, resulting in significant mineral development since it was first introduced just a dozen years ago. There are examples of this success in nearly every Territory and Province in Canada, such as the 'Ring of Fire' project in Ontario. Not only would it be counter-productive to allow the job-creating METC to expire next year, but it would be a great step forward in terms of securing Canada's economic future to make this program permanent instead. The Prospectors & Developers Association of Canada, representing more than 10,000 members from both Canada and internationally, would very much appreciate an opportunity to appear before the Finance Committee to provide more detail about the importance of the Mining Exploration Tax Credit.

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?

It is the PDAC's assertion that Canada's position as the global leader in mineral exploration is at risk because of a multiple HR challenges, including the aging workforce. "Unearthing Possibilities" a recent study by the PDAC and the Mining Industry Human Resources (MiHR) Council, suggests that Canada's exploration industry faces challenges on three critical fronts: a lack of awareness about the exploration sector; a thinning labour pool that is affecting recruitment efforts; and mid-career attrition. The exploration sector faces the broad trend of an aging workforce — with 16 per cent of the workforce over age 55. Of particular importance, the sector has a dramatic shortage of mid-career workers (aged 35 to 44), suggesting challenges with mid-career attrition. The combination of labour shortages, an aging workforce and midcareer attrition could translate into a crisis for certain talent groups, management and senior-level positions. This sector is characterized as having high and rising educational requirements. The number of workers with a university degree across all sectors in Canada is approximately 22 percent while in mineral exploration workers, 52 percent hold a university degree and many with graduate degrees. The report notes extraordinary difficulty in recruitment for hard-to-fill positions such as geologists, geophysicists, geochemists and engineers. The global demand for skilled labour is constantly increasing and driving up the cost of human resources. The sector must address issues related to international mobility and ensure that the correct supports and services are in place in Canada to support Canada's worldwide exploration talent. Unearthing Possibilities suggests that educators more actively promote exploration careers as well as developing an experiential-based, earth science/geology curriculum. To ease recruitment issues, industry and training institutions must better communicate to ensure that candidates are ready for work. The report specifically cites the value of co-op programs, work placements and mentorships. The PDAC believes that there is much work to be done to attract more Canadians to this vibrant industry and that a collaborative effort on behalf of all stakeholders would capitalize on the mutual strength of each partner. The full report <http://pdac.ca/pdac/misc/pdf/110929-mihr-full-report.pdf>

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?

Active exploration operations across the country provide stability and ensure that the integrated network of suppliers, capital and labour remain engaged and less susceptible to cyclical vulnerabilities. The PDAC would cite the example of enhanced productivity and significant return on investment in the mineral sector in the Geo-mapping for Energy and Minerals (GEM) program. This re-investment in geological mapping will help address Canada's challenge of declining levels of proven and probable mineral reserves. The GEM program also provides jobs for skilled geologists, and triggers 5 times the spending in exploration by industry. We applaud the government for their strategic investment in the GEM program, which contribute a great deal to our economy and the productivity of the sector. There is abundant data highlighting the return on investment for geoscience research. The Geological Survey of Canada estimates that each dollar spent on programs such as these returns over \$100 on exploration related activities. The PDAC believes that productivity can also be found in finding efficiencies through a strong, collaborative regulatory framework and by providing clear guidance on various issues. Until recently, federal progress to coordinate with provincial and territorial processes has been slow. Recent regulatory developments however should lead to significant improvements in both these areas. The federal government's willingness to use delegation, and intention to use substitution and equivalency measures in correspondence with provincial processes for some environmental assessments is promising – the industry heartily supports these new measures. The PDAC also believes that great productivity could be accomplished through improved Land Access and Permitting Processes. In recent years, important questions have been raised regarding the related issues of Aboriginal consultation, land use planning, protected areas and revenue sharing. Continued ambiguity in these areas is having a negative effect on Canada's status as a destination for capital investment. The PDAC position statement of January 2011 on land access outlines 11 important principles regarding land use planning for crown lands – these are clearly articulated and should be carefully considered by Federal/Provincial and Territorial governments involved in these issues.

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?

The mineral exploration and mining industry offers tremendous opportunities to Aboriginal peoples in Canada and indigenous communities around the world. Aboriginal people and the mineral industry are natural partners and mineral exploration and mining represents one of the few economic opportunities in many parts of Canada that can support business development, jobs, training, education and sustainable economic and community development. The mineral industry is the largest private-sector employer of Aboriginal peoples in Canada and that Aboriginal employees comprise 7.5 percent of the country's total mining labour force – a number that continues to grow. Furthermore, the average income of Aboriginal people in mining is double that of the national average for Aboriginal income. The PDAC sees tremendous potential for significant Aboriginal employment opportunities is strong, but essential training to develop the requisite skills is paramount for success. Recent studies from the Conference Board of Canada, including Understanding the Value, Challenges and Opportunities of Engaging Metis, Inuit and First Nations Workers, and a recent joint communiqué from the three Territorial Premiers reinforces industry's fundamental need for skilled labour and the substantial role that Aboriginal peoples can play if opportunities are made available to them. It is essential that a

similar program be established to deliver that which Aboriginal Skills and Employment Partnership (ASEP) provided, namely, focused and employable skills training that enhances the synergy between Aboriginal skills and mining industry prospects. The PDAC encourages the Federal government to seek out greater collaborative opportunities with provincial, territorial governments, industry, educators, Aboriginal groups and other communities to address the sector's skills training, mobility and immigration needs.