

November 24, 2014

Hon. Joe Oliver, Minister of Finance
90 Elgin Street
Ottawa, Ontario
K1A 0G5
Sent via email: Joe.Oliver@fin.gc.ca

Dear Minister:

I am writing to respectfully request that in its upcoming budget, the Government of Canada reverse its 2012 decision to exclude the mining industry from the Atlantic Investment Tax Credit (AITC). We ask this for two main reasons:

- Making our industry again eligible for the AITC would help us grow and create jobs for Nova Scotians, especially in rural areas which are so desperate for economic opportunity.
- The federal decision, which we believe was flawed, has had an unfortunate knock-on effect which has resulted in our industry also being excluded from the Government of Nova Scotia's recently-announced Capital Investment Tax Credit (CITC) because the CITC's eligibility criteria are being aligned with the AITC. The combination of being excluded from both these programs is very harmful to our industry and makes it harder for Nova Scotia's mining and quarrying companies to create new jobs.

Background

While the mining and quarrying industry is a large and important industry in Nova Scotia – we employ 5500 people and generate \$420 million per year in economic activity – we also face significant challenges:

- The Ivany Commission on the future of our province's economy said traditional industries like mining and quarrying "will provide the essential foundations for Nova Scotia's rural economy."¹ At the same time, Ivany also highlighted the challenges our industry faces, including the need for government to "provide a modern and responsive legislative framework to support and promote sustainable mineral resource management."

¹ <http://onens.ca/>, page 54

- According to 2013 research commissioned by Nova Scotia's Department of Natural Resources, Nova Scotia's mining and quarrying industry lost approximately 800 jobs in the past five years, and its economic output shrank by \$80 million per year.²
- According to PricewaterhouseCoopers, Nova Scotia is the highest cost jurisdiction in Canada in terms of tax/royalty payments.³
- According to the Fraser Institute's global survey of mining executives, Nova Scotia is seen as the least attractive province for mining companies to invest in.⁴ 2013 was the fifth year in a row that Nova Scotia ranked last in Canada.

Our industry faces tremendous challenges, both because of the global downturn in the industry and because of government policies that are preventing the industry from growing and creating jobs for Nova Scotians.

AITC Flawed Decision

Mining was eligible for the Atlantic Investment Tax Credit since the 1970s but was dropped from the program in the Government of Canada's 2012 budget. We respectfully suggest that this decision was based on a flawed understanding of Nova Scotia's mining industry, how it works and how different it is from mining industries in other provinces.

The federal 2012 budget offered two rationales for dropping mining from the AITC:

"The Canadian oil & gas and mining sectors have generally been performing well, and investment by these industries in the Atlantic region is robust and growing. Recognizing this, Economic Action Plan 2012 proposes to phase out the Atlantic Investment Tax Credit for investments in the oil & gas, and mining sectors."⁵

The reality is that Canada's mining industry had been doing well in all provinces except Nova Scotia when the federal government made this decision. Natural Resources Canada data shows that from 2001-2011, the mining industries in all other provinces grew substantially while Nova Scotia's industry shrank from a value of \$285 million to \$247 million. That is a 14% decrease in output, which resulted in our national ranking dropping to last in the country. By comparison:

- Newfoundland's mining industry grew 6 times larger over the ten year period; and

² http://novascotia.ca/natr/meb/data/pubs/13ofr03/ofr_me_2013-003.pdf

³ www.pwc.com/ca/canminingtax, see exhibit 6, page 21 of the 2013 edition

⁴ <https://www.fraserinstitute.org/research-news/display.aspx?id=20902>

⁵ 2012 Government of Canada Budget Plan, page 118, <http://www.budget.gc.ca/2012/plan/toc-tdm-eng.html>

- New Brunswick's mining industry grew 1.6 times larger.

I also reiterate that 2012 research commissioned by Nova Scotia's Department of Natural Resources shows that Nova Scotia's mining industry has lost 800 jobs in the past half dozen years, and dropped \$80 million in economic output.⁶

Nova Scotia's mining industry is not "performing well" and investment in it is not "robust." We need the support of the Atlantic Investment Tax Credit.

The 2012 federal budget went on to state:

*"The change will help improve the neutrality of the tax system for the oil & gas, and mining sectors across Canada and constitutes further action by Canada in support of the commitment by G-20 Leaders to rationalize and phase out inefficient fossil fuel subsidies over the medium term."*⁷

This is clearly a reference to "mining" in the oil sands in Alberta, not the hard rock and precious metals mining we do in Nova Scotia. In other words, the 2012 budget lumped our industry in with the oil and gas industry. However, mining in Nova Scotia has nothing to do with oil and gas, and our province's mining industry obviously does not receive "fossil fuel subsidies." This rationale for dropping mining from the AITC has no applicability to Nova Scotia.

Nova Scotia's CITC

The Government of Nova Scotia announced on October 22, 2014 that it is establishing the Capital Investment Tax Credit, which "will give businesses which invest more than \$15 million a 15 per cent tax incentive."⁸ It went on to say that the "tax credit is being aligned with the federal Atlantic Investment Tax Credit."

According to the Canada Revenue Agency, the industries currently eligible for AITC are "farming, fishing, logging, manufacturing and processing, storing grain, harvesting peat, prescribed energy and conservation property, and the production or processing of electrical energy or steam in certain areas."⁹ Because the AITC no longer includes mining, our industry will also not be eligible for the new CITC.

⁶ http://novascotia.ca/natr/meb/data/pubs/13ofr03/ofr_me_2013-003.pdf

⁷ 2012 Government of Canada Budget Plan, page 118, <http://www.budget.gc.ca/2012/plan/toc-tdm-eng.html>

⁸ <http://novascotia.ca/news/release/?id=20141022003>

⁹ http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/ncm-tx/rtrn/cmpltng/ddctns/lms409-485/412/tlntc-eng.html#Spcfd_prctngs

While the Government of Nova Scotia is responsible for the mistake we believe it is making in excluding our industry from the CITC, the fact remains that the federal government should never have dropped mining from the AITC in the first place. The Government of Canada's unfortunate decision has led to a double whammy for our industry – we are being excluded from two programs that could help us create jobs for Nova Scotians for no reasonable policy reason.

Conclusion

We respectfully request that Government of Canada once again make the mining industry eligible for the Atlantic Investment Tax Credit in its 2015-16 budget to help our industry grow and create jobs.

Thank you for your consideration.

Yours truly,



Sean Kirby, Executive Director
Mining Association of Nova Scotia

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