

October 27, 2014

Hon. Diane Whalen
Minister of Finance
financeminister@gov.ns.ca

Hon. Michel Samson
Minister of Economic and Rural Development and Tourism
econmin@gov.ns.ca

Hon. Zach Churchill
Minister of Natural Resources
min_dnr@gov.ns.ca

Dear Ministers:

I am writing to respectfully request that Nova Scotia's mining and quarrying industry be eligible for the recently-announced Capital Investment Tax Credit (CITC).

The government's October 22 news release announcing the new tax credit stated that "the Capital Investment Tax Credit will give businesses which invest more than \$15 million a 15 per cent tax incentive."¹ It went on to say that the "tax credit is being aligned with the federal Atlantic Investment Tax Credit."

Officials at the Department of Finance have since confirmed that aligning the provincial tax credit with the Atlantic Investment Tax Credit (AITC) means that Nova Scotia's mining and quarrying industry will not be eligible for the CITC because the AITC used to include our industry but no longer does.

There are two main reasons why we believe the Government of Nova Scotia should tweak the eligibility criteria for the CITC to include our industry instead of sticking solely with the current AITC criteria:

¹ <http://novascotia.ca/news/release/?id=20141022003>

Fairness

As with the fuel tax rebate, it is simply unfair for the government to establish a new tax credit for which other resource industries are eligible while deliberately excluding mining and quarrying.

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.”² By aligning the Capital Investment Tax Credit’s eligibility criteria with the AITC, the province would exclude mining and quarrying.

We have applauded the Government of Nova Scotia’s decision to extend the fuel tax rebate to our industry and the government’s acknowledgement that it was unfair to give the rebate to other resource industries while not giving it to mining and quarrying. Giving our industry the rebate, as the government has promised to do starting in the 2015-16, will right a long-standing wrong and help our industry grow and create jobs for Nova Scotians. It would be strangely inconsistent for the province to make the same mistake with the CITC that it has committed to fixing with the fuel tax rebate.

All we are asking is that we be treated the same as other resource industries – fairly – as the government designs the Capital Investment Tax Credit.

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. This decision by the federal government 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. In short, the federal government’s decision was simply out of touch, and we hope our provincial government will not compound this mistake by copying it.

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

² http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/ncm-tx/rtrn/cmpltng/ddctns/lms409-485/412/tlntc-eng.html#Spcfd_prcntgs

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.”³

The reality is that Canada’s mining industry has been doing well in all provinces except Nova Scotia. 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
- New Brunswick's mining industry grew 1.6 times larger.

I also note that 2012 research commissioned by Nova Scotia’s Department of Natural Resources shows that our industry has lost 800 jobs in the past half dozen years, and dropped \$80 million in economic output.⁴

Nova Scotia’s mining industry is not doing well and needs the support of the Capital Investment Tax Credit to help it grow and create jobs for Nova Scotians.

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.”⁵

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. The federal government lumped mining in with the oil and gas industry, which is not surprising given its Western Canadian orientation. However, mining in Nova Scotia has nothing to do with oil and gas, and our industry obviously does not receive “fossil fuel subsidies.” This rationale for dropping mining from the AITC has no applicability to Nova Scotia.

³ 2012 Government of Canada Budget Plan, page 118, <http://www.budget.gc.ca/2012/plan/toc-tdm-eng.html>

⁴ http://novascotia.ca/natr/meb/data/pubs/13ofr03/ofr_me_2013-003.pdf

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

In short, the federal government made a decision at the national level that demonstrated an unfortunate lack of understanding of the unique circumstances of Nova Scotia's mining industry. We hope the Government of Nova Scotia will not make the same mistake.

The Solution

The solution is simply to adopt the AITC criteria as they were prior to 2012 so that mining/quarrying is included in the new Capital Investment Tax Credit. This made-in-Nova Scotia solution would help our industry, which is very capital-intensive, create new jobs for Nova Scotians, particularly in the rural areas that are in such desperate need of economic opportunity.

This would also align the CITC with the government's strong commitment to treating all resource industries fairly, as demonstrated by its promise to extend the fuel tax rebate to mining/quarrying.

While generally aligning the CITC with the AITC is sensible, the government should avoid compounding the federal government's mistake and tweak the eligibility criteria so they are more appropriate for the unique needs of Nova Scotia.

Conclusion

Nova Scotia's mining and quarrying industry is a key creator of jobs and prosperity for Nova Scotians. It provides 5,500 jobs, mostly in rural areas, and contributes \$420 million dollars to the province's economy each year. The Ivany Commission said traditional industries like mining and quarrying "will provide the essential foundations for Nova Scotia's rural economy."

We strongly support the government's move to establish the Capital Investment Tax Credit but respectfully request that the government ensure Nova Scotia's mining and quarrying industry is eligible for it.

Thank you for your consideration.

Yours truly,



Sean Kirby, Executive Director
Mining Association of Nova Scotia