



December 9, 2016

Hon. Randy Delorey

Minister of Finance

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budget@novascotia.ca

Dear Minister:

I am writing on behalf of the Mining Association of Nova Scotia to respectfully request that the upcoming budget extend the fuel tax rebate to the province's mining and quarrying industry.

By fulfilling its commitment to extend the off-highway fuel tax rebate to mining/quarrying, the government would help the industry grow and create jobs for Nova Scotians, particularly in rural areas. It would also send a vital signal to the global mining industry that Nova Scotia is open for business.

As you know, provincial fuel tax is supposed to help pay for public roads and highways by charging the vehicle owners who use them. The government gives other resource industries a tax rebate for fuel used in vehicles that do not go on public roads, such as fishing boats, farm tractors and forestry harvesters. Nova Scotia gives the rebate to fishing, farming and forestry, but does not give it to mining and quarrying even though most of our vehicles also do not use public roads and highways.

The government should treat all resource industries the same. Forestry, fishing and farming get the fuel tax rebate. The mining and quarrying industry should get it too.

Rebate Cost: \$1.3 million

Mining and quarrying is a large and important industry in Nova Scotia – it employs 5500 people and generates \$420 million per year in economic activity. However, it also faces significant

challenges, including the loss of over 800 jobs since 2008¹ and the highest tax/royalty burden of any mining industry in the country.²

Ongoing low production volumes since the start of the global economic downturn have resulted in a significant reduction in the industry's fuel consumption, and therefore a reduction in the fuel tax the industry pays.

Based on a 2011 Gardner Pinfold study, we previously estimated that extending the rebate to the industry would cost the government \$2.6 million per year in foregone tax revenue.

However, we have recalculated the cost of the rebate based on the most recent data available and now conclude that it would cost approximately \$1.3 million per year for the government to fulfill its commitment to the industry. The estimated cost of the rebate is half what it was previously.

The revised cost estimate is based on the Department of Natural Resources' 2014 industry production volume statistics (16.9 million tonnes of total production), and using the same formula we used in 2011 (an average of 0.5 litres of fuel per tonne of production). This shows the industry consumed 8,450,000 litres of fuel in 2014, and that it paid \$1.3 million in fuel tax (at 15.4 cents per litre for diesel).

The 2014 drop in production was not an anomaly, but part of an ongoing trend of the industry struggling through an extremely difficult period. According to DNR data, the industry's production volumes were 16.4 million tonnes in 2012 and 16.6 million tonnes in 2013. The fuel tax rebate in those years would therefore have been worth \$1.26 million in 2012 and \$1.28 million in 2013.

We hope you will keep this dramatically lower cost estimate in mind as you consider our request to receive the rebate in the 2017 budget.

Conclusion

Nova Scotia's mining and quarrying industry faces tremendous challenges, as evidenced by our job losses and reductions in production volume. Extending the fuel tax rebate to the industry would allow mining and quarrying companies to reinvest the savings in their Nova Scotia operations and create more jobs for Nova Scotians, particularly in rural areas.

¹ http://novascotia.ca/natr/meb/data/pubs/13ofr03/ofr_me_2013-003.pdf

² <http://read.ca.pwc.com/i/754827-cdn-mining-tax-2016>, see exhibit 6, page 21

The government's 2016 overhaul of the province's Mineral Resources Act struck the right balance between cutting red tape and supporting job creation, while also holding the industry to the highest standards in public consultation and reclamation. MANS applauded the overhaul and greatly appreciated the government's partnership on that important initiative. We hope the government and the industry can partner in a similar fashion to resolve the fuel tax rebate issue and help the industry grow and create jobs.

Thank you for your kind consideration.

Yours truly,



Sean Kirby, Executive Director
Mining Association of Nova Scotia

cc: Hon. Stephen McNeil, Premier of Nova Scotia
Hon. Lloyd Hines, Minister of Natural Resources
Hon. Mark Furey, Minister of Business