

April 11, 2014

The Honourable Zach Churchill  
Minister of Natural Resources  
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1701 Hollis Street  
Halifax, Nova Scotia  
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Sent via email: [min\\_dnr@gov.ns.ca](mailto:min_dnr@gov.ns.ca)

Dear Minister:

I am writing on behalf of the Mining Association of Nova Scotia to express our concerns with the exploration claims fee hike instituted by the previous government and to ask that it be reversed. At the very least, we respectfully request that the government suspend the fee increase until the Nova Scotia Tax and Regulatory Review has the opportunity to consider this issue and make recommendations to the government.

### **Background**

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

- The Ivany Commission said traditional industries like mining and quarrying "will provide the essential foundations for Nova Scotia's rural economy."<sup>1</sup> 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."
- According to 2013 research commissioned by the Department of Natural Resources (DNR), 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.<sup>2</sup>
- According to PricewaterhouseCoopers, we are the highest cost jurisdiction in Canada in terms of tax/royalty payments to the provincial government.<sup>3</sup>
  - Nova Scotia's corporate income tax rate applicable to mining is 16%, tied for highest in the country with PEI.

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<sup>1</sup> <http://onens.ca/>

<sup>2</sup> [http://novascotia.ca/natr/meb/data/pubs/13ofr03/ofr\\_me\\_2013-003.pdf](http://novascotia.ca/natr/meb/data/pubs/13ofr03/ofr_me_2013-003.pdf)

<sup>3</sup> [www.pwc.com/ca/canminingtax](http://www.pwc.com/ca/canminingtax), see exhibit 6, page 21 of the 2013 edition

- Nova Scotia’s general tax and mining tax combined rate is 31%, which is again the highest in the country, tied only with PEI, which does not have a mining industry of any significance.
- 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, and government policies are a major reason.<sup>4</sup> 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 Nova Scotia-specific policies that are preventing the industry from growing and creating jobs for Nova Scotians. The exploration claims fee hike is a prime example of how government policy is hurting the industry.

### Exploration Claims Fee Hike

As you know, prospectors and explorationists are required to pay fees to acquire exploration licenses and to renew them annually to keep claims in good standing.

In one of its final cabinet meetings before calling the election, the previous government increased exploration claims fees by 75% effective August 26, 2013. These huge fee increases are discouraging exploration and are particularly hard on individual prospectors who simply cannot afford them. Many prospectors intend to abandon claims because the fee hike, applied to significant numbers of claims, can increase fees by thousands of dollars. In other words, prospectors are giving up their claims and walking away from potential future mines because they simply cannot afford to keep them. The Ivany Commission said mining is an essential part of Nova Scotia’s economic future but the government is choking off the future of our industry with these fees.

	Current Fees (per claim)	Fees prior to Aug. 26, 2013 (per claim)
Year 1	\$10.00	\$5.71
Years 2-10	\$20.00	\$11.42
Years 11-15	\$40.00	\$22.85
Years 16-25	\$160.00	\$91.40
Year 26, 26+	\$320.00	\$182.85

To illustrate the impact of the fee hikes:

- A prospector with 50 claims now has to pay \$9500 in fees over ten years instead of \$5,424 prior to the fee hikes, an increase of \$4076.

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

- A prospector with 300 claims now has to pay \$57,000 in claim renewal fees over ten years instead of \$32,547 prior to the fee hikes, an increase of \$24,453.

These claims fees are in addition to various other fees and work requirements imposed by DNR.

The industry was not consulted about the fee increase or given any warning. In fact, the fee increase was not even properly announced when it was implemented. We only learned about it because there was a vague reference to the government having “updated its claims fee structure” at the bottom of an unrelated news release about NovaRoc, the online mineral staking system.<sup>5</sup> The news release was issued on August 30, four days after the fee increase came into effect on August 26.

Because prospectors are at the beginning of the long and difficult mining cycle, their claims usually generate no revenue during this ten-year period and the vast majority never result in an actual mine being developed. They therefore cannot afford such a dramatic increase in costs.

The fee hike also puts Nova Scotia fees dramatically out of step with other Atlantic provinces. The new fees are, on average, 53% higher than New Brunswick’s and 621% higher than Newfoundland and Labrador’s.

### Industry Survey

According to a recent survey of Mining Association of Nova Scotia and Nova Scotia Prospectors Association members, 79% of prospectors and explorationists expect to drop at least some of their claims within one year of the fee hike, before annual renewal fees are due. 54% of survey respondents plan to drop over half their claims.

The survey also found that 87% believe the fee hike will harm their business and 88% believe the fee hike will harm the province’s mining industry.

The survey included a “comments” section so I am appending for your information examples of the feedback we received. As you can see, the general theme is that the fee hike is causing tremendous harm to the industry and discouraging exploration in Nova Scotia. The comment below is illustrative:

*“It makes absolutely no sense to kick the mining industry when its down, especially an industry that largely benefits rural Nova Scotia. The Ivany Report documented the economic plight of rural Nova Scotia and by actions like this one it appears that the present government is ignoring its recommendations.”*

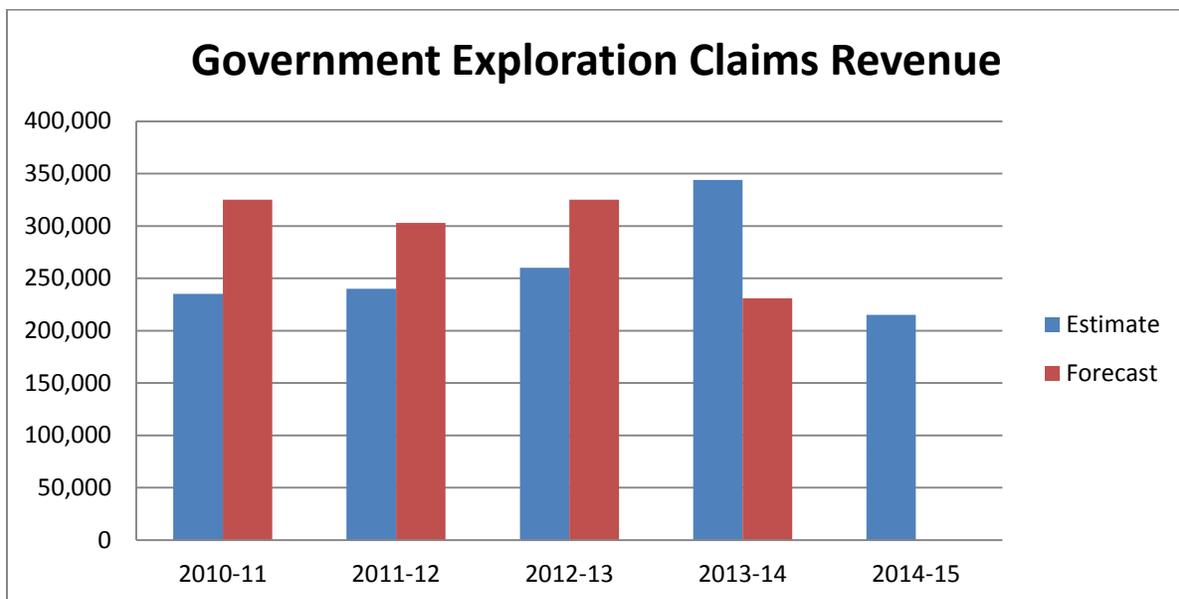
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<sup>5</sup> <http://novascotia.ca/news/release/?id=20130830016>

The survey results point to a potentially devastating loss of exploration activity, which will result in less knowledge about our geological resources, fewer future mines and jobs that will never be created.

### Industry cannot afford Fee Increase

The 2014-15 provincial budget estimates government revenues from exploration claims will be \$215,000 this year, down significantly from the 2013-14 estimate of \$344,000, or even the 2013-14 forecast of \$231,000.<sup>6</sup> Indeed, the \$215,000 revenue estimate is well below the estimated or forecasted revenue from exploration claims going back several years. This drop in exploration claims revenue is evidence of the extent to which our industry is struggling and why our members simply cannot afford the fee increase.



The state of the global mining industry is the worst it has been in many decades, perhaps since the Great Depression. It makes no sense that the previous government imposed this fee increase on an industry that was already struggling to survive – and especially to impose it on the people in the industry with the least ability to pay.

### Harm of Fee Hike disproportional to Revenue Generated

It is also important to note that the incremental revenue the fee hike will generate for the government (i.e. \$75,000-\$85,000) is virtually insignificant in context of the government's \$9.9 billion budget. The harm being caused to the industry by the fee increase is completely disproportional to the small amount of revenue being generated for the government. The fee increase is particularly short-sighted given the millions of dollars in taxes and royalties that a single mine can generate.

<sup>6</sup> [www.novascotia.ca/finance/en/home/budget/budgetdocuments/2014-2016.aspx](http://www.novascotia.ca/finance/en/home/budget/budgetdocuments/2014-2016.aspx)

In other words, the government can afford to give up the fee hike money. Prospectors cannot.

### **Conclusion**

In summary:

- Nova Scotia's mining industry already faces significant challenges, including 800 lost jobs, the highest tax/royalty burden in Canada and a reputation as the worst province for mining companies to invest in.
- The exploration claims fee increase was imposed without consultation or warning, on prospectors and explorationists who simply cannot afford it.
- 79% of survey respondents say they are going to drop claims as a result of the fee increase – 54% plan to drop over half their claims.
- The harm being caused to the industry by the fee increase is completely disproportional to the small amount of revenue being generated for the government.

Given the above, we respectfully request that you reduce claim staking fees to what they were prior to the August 2013 increase. At the very least, we request that the government suspend the fee increase until the Nova Scotia Tax and Regulatory Review has the opportunity to consider this issue and make recommendations to the government.

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. Diana Whalen, Minister of Finance and Treasury Board  
Ms. Laurel Broten, Nova Scotia Tax and Regulatory Review

## **APPENDIX**

### **Examples of comments received in the industry survey**

“It makes absolutely no sense to kick the mining industry when its down, especially an industry that largely benefits rural Nova Scotia. The Ivany Report documented the economic plight of rural Nova Scotia and by actions like this one it appears that the present government is ignoring its recommendations.”

“The government of Nova Scotia is making it very difficult to do business here. Major issues with NovaROC and the extreme fee hikes, etc...., don't help!”

“hard to find exploration dollars are going where they have more mineral bang for the buck!. Nova Scotia one of the least hospitable places in canada to do exploration work.”

“For Prospectors, the increases could not have come at a worse time given the current world situation in mining. Prospectors are at the very bottom of the Mining food chain and deal mainly in undeveloped or 'greenfields' projects. These projects are the hardest to promote and given the current climate, virtually impossible to promote successfully. Nova Scotia now sits at the bottom of the Fraser Institutes Canadian most favourable mining jurisdictions. Personally, I am dropping over 75% of my claims.”

“This policy will kill exploration in Nova Scotia.”

“The fee hikes will for most harm the prospector level which will there for have a negative effect on more exploration work done on this level. Less prospector work will also filter up to the larger Junior companies that encourage prospectors to bring forth their projects for Joint Ventures/Option agreements. This issue effects the industry as a whole. I do not see how the government gaining the extra income will help the industry as the money is better spent on exploration work. More exploration work will already see more income for the government!!”

“Why would we continue to work in this jurisdiction when there are much more favorable locations in Canada and the world in which to conduct our business?”

“Nova Scotia not competitive with other Atlantic Provinces comparing staking fees. Lack of a 'level' playing field will hurt small Exploration businesses and drive investment away.”