



January 18, 2016

Hon. Stephen McNeil
Premier of Nova Scotia
7th Floor, One Government Place
1700 Granville Street
Halifax, Nova Scotia
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Sent via email: PREMIER@novascotia.ca

Dear Premier McNeil:

We are writing to update you on discussions between the Mining Association of Nova Scotia (MANS) and the provincial government in the past half-year, and to submit our one request for the upcoming budget – that the government follow through on its commitment to give the mining and quarrying industry the fuel tax rebate.

Background

Nova Scotia's mining and quarrying industry is a large and important industry – 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

An annual survey of global mining executives conducted by the Fraser Institute regularly finds that Nova Scotia is seen as the least attractive province for mining companies to invest in.³

In August 2015 we sent you a report prepared by MANS, entitled "*Sorry, we're closed: How the province's reputation in the global mining industry is costing Nova Scotians jobs.*" The report detailed research into how the mining and quarrying industry, both here and elsewhere, views Nova Scotia as a place to invest. The answer: *Closed for business.*

A number of reasons were raised for the province's poor reputation, including many decisions made by the Government of Nova Scotia in recent decades. The report also provided examples of policy issues that, if resolved, would send a signal to the global mining industry that Nova Scotia is open for business – that we want the jobs and opportunity the industry can create.

¹ <http://800lostjobs.ca/800-lost-jobs>

² www.pwc.com/ca/canminingtax, see exhibit 6, page 21 of the 2013 edition

³ <http://www.fraserinstitute.org/research-news/display.aspx?id=22259>



To help address the issues detailed in the report, MANS held a half-day conference in November – called “Yes, We’re Open” – at which industry and government representatives discussed the report and how we can work together to improve the province’s reputation as a place to invest.

We want to emphasize that almost all the policy decisions that are considered harmful to the industry were made prior to the election of your government, in most cases many years prior. For example, excluding mining and quarrying from the fuel tax rebate and the uranium moratorium, two hugely symbolic issues in the industry, both date back to the 1980s. Criticism of government policies is, therefore, criticism of the government as an institution, not of the McNeil Government or any specific administration.

Recent Developments

Overall, we are very pleased with the government’s response to the report and the conference, and we want to acknowledge the tremendous improvement in both the quality and quantity of discussions we have had with the government in the past half-year. The report and conference challenged the government to be open-minded about criticism of past policy decisions and to work constructively with the industry on policy solutions to the issues we face. The government rose to the challenge and we feel the relationship between the industry and government has been significantly improved. We sincerely thank you and your colleagues for this.

We would like to particularly highlight two developments that illustrate this point:

Defending Donkin – Your comments about the Donkin coal mine, as quoted in the National Post⁴ and on CBC⁵ earlier this month, were exactly the sort of strong, sensible defence of the industry that the industry has hoped for from our premiers in the past several decades. Your words were an excellent example of how the government, and you personally, can send the signal to the global mining industry that Nova Scotia is open for business.

Mineral Resources Act - The review of the Mineral Resources Act appears to be going very well and we appreciate the government’s willingness to work with us on it. While we will withhold our final judgement until the revisions are finalized, at this point we are very pleased and we intend to endorse the overhaul. If the government would like to have a quote from MANS in the news release announcing the legislative changes, we invite your staff to contact us.

At the same time, problems created over the course of many years cannot be entirely solved in only a few months, and we also have to flag the following negative recent developments:

⁴ <http://news.nationalpost.com/news/canada/king-coal-comes-to-cape-breton-u-s-billionaire-looks-to-open-mine-resurrecting-an-industrial-past>

⁵ <http://www.cbc.ca/news/canada/nova-scotia/donkin-mine-project-stephen-mcneil-supports-it-1.3393916>



oneNS Coalition – The oneNS Coalition’s report, released in November, barely mentioned mining and did nothing to support the industry. In the report’s 106 pages, mining was mentioned only twice, and both times it was in a list of resource industries. By comparison, aquaculture was mentioned 41 times and was given its own set of policy recommendations. This was particularly disappointing given that our industry provided detailed input to the Coalition via the oneNS Subcommittee on Mining and Extraction.

Unfortunately, the Coalition’s report fit the pattern of what we argued in the “Sorry, we’re closed” report: that the government, over several decades, has not prioritized mining or supported us as it has other industries.

Member Survey – We recently surveyed our members to follow up on issues discussed in “Sorry, we’re closed” and to gauge our members’ optimism as 2016 begins. The results were troubling.

Asked “what you think the state of your business will be within the next six months as compared to today,” 49% said about the same and 26% said either somewhat worse or a lot worse.

39% expect to keep their number of employees the same as they are now – at depressed levels – and 14% expect to further decrease their number of employees.

Given that the industry is already struggling with low job levels, production volumes and investment, these responses suggest 2016 will be another very difficult year for Nova Scotia’s mining and quarrying industry.

Asked “What grade would you give the Government of Nova Scotia for how it regulated and supported the industry in 2015,” 39% gave the government an F; 32% gave the government a D; and 28% gave the government a C. No one gave the government an A or B. (79% said this was the same grade they would have given the government in prior years, which again suggests that the responses reflect the actions of the government as an institution, not the McNeil Government specifically).

Asked about the government’s overall impact on the industry, 77% said negative; 16% said neutral; and only 7% said positive. This is a modest improvement on the responses we received to this question last year.⁶

We believe the survey results mean two main things:

- The industry is struggling and is in desperate need of the government’s support.
- The industry needs to see evidence that the government understands what “Sorry, we’re closed” said about the need to send a signal to the global mining industry that Nova Scotia is

⁶ In April 2015, 80% said the government’s impact on the industry was negative; 20% said neutral; and no one said positive.



open for business. We believe the Mineral Resources Act review will be a very positive step in that regard but much more is needed.

Budget 2016-17: Fuel Tax Rebate

Given the above, we have just one request for the 2016-17 budget: please follow through on your commitment to give the mining and quarrying industry the fuel tax rebate.

Doing so would provide a much-needed boost to the industry as it struggles through this difficult period. The rebate is also the single most important thing the budget could do to respond to the "Sorry, we're closed" report and demonstrate to the industry, both here and elsewhere, that Nova Scotia is open for business.

More information on the fuel tax rebate issue is available at: http://tmans.ca/fuel_tax_fairness

Conclusion

We acknowledge and thank the government for its partnership in recent months. We feel great strides have been made in improving the relationship between the industry and government, and that both sides have demonstrated their willingness to work constructively together.

At the same time, there is still much to do to help the province's mining/quarrying industry grow and create jobs for Nova Scotians. Our top priority for the upcoming budget is to finally secure the fuel tax rebate and undo the damage this unfair policy has done to Nova Scotia's reputation in the global mining industry since the 1980s.

Thank you for your kind consideration.

Yours truly,



Sean Kirby, Executive Director
Mining Association of Nova Scotia

Cc: Hon. Randy Delorey, Minister of Finance (FinanceMinister@novascotia.ca)
Hon. Lloyd Hines, Minister of Natural Resources (MINDNR@novascotia.ca)
Hon. Margaret Miller, Minister of the Environment (Minister.Environment@novascotia.ca)
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