



*Mining: Your Solution Provider”*

*Presentation to*

**Ontario Legislature**  
Standing Committee on Finance and  
Economic Affairs

Cedar Meadows Resort  
Timmins, Ontario

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## **Introduction:**

As the current chairman of the Ontario Mining Association, I thank you as members of the Legislature's Standing Committee on Finance and Economic Affairs for this meeting and I appreciate the opportunity to present some suggestions – and concerns – on behalf of the province's mining sector

It is particularly appropriate to be able to do this in Timmins – one of Ontario's and Canada's and the world's most renowned mining camps

At this time, we see mining humming along all around the world

Gold prices of well above \$550 an ounce, copper prices of more than \$2 a pound and strong nickel and zinc prices have ignited mining activity just about everywhere

This situation could continue into the future as demand remains strong particularly from the developing economies of China and India

There is a lot of merger and takeover activity going on – around the world – and my company -- Falconbridge -- is involved in some of that activity

## **Contribution of mining:**

Just as a reminder, the contribution of mining to the province is significant and it can be demonstrated through some of the following statistics

- \$6.4 million per year claim staking business at the front end of the exploration and development side of the sector to the
- \$139 billion market capitalization of mining companies listed on the Toronto Stock Exchange and the Toronto Venture Exchange
- 197,000 people employed in the mining cluster with an annual payroll of \$9.5 billion
- \$3.1 billion in value added to Ontario's economy.
- 85% of mining workforce uses advanced technology – advanced materials, telecommunications and electronics

- As a percentage of total employees, mining has 50% more people with PhDs than the manufacturing sector
- R&D investments in higher education sector in Ontario on natural sciences and engineering has increased to \$1.1 billion annually
- Value added per employee annually in mining is \$239,000 – up 45% in 10 years
- Mining value added per employee outpaces chemicals and computer and electronics sectors and the average for all manufacturing
- Mining productivity has grown 42% from 1997 to 2003 – higher than total manufacturing, chemicals, electronics and computers
- Mining holds high potential for regional development

In Timmins, we know mineral production supports local industries

- Mining operations in Ontario spend about \$1.2 billion on goods and services annually
- From the \$1.2 billion, \$925 million (76%) is spent in Ontario and \$286 million (24%) is spent outside the province
- 45% of that \$925 million -- \$543 million – is spent on purchases from suppliers within a an 80-kilometre radius of operating mines

### **Government support:**

But what specific actions can government take to support this modern, high-tech, environmentally responsible, wealth creating industry so it can provide greater benefit to the society and economy of Ontario

The Ministry of Northern Development and Mines consultation paper “*A Mineral Development Strategy for Ontario*” is a forward looking initiative which holds the potential to provide a framework for future mineral development in Ontario

The mining industry noted with interest some of the suggestions in the 2005 Auditor General's Report concerning governmental administration of mining

While the OMA would support the Auditor General recognized initiatives to review auditing methods applied to claim staking and assessment requirements and address the abandoned mine site situation, the OMA would like to emphasize the need for improved geological mapping

The \$15 million commitment in the last provincial budget over three years in this area is helpful

However, more is needed and advancing knowledge through geological mapping benefits the mining sector through increasing the possibilities of future exploration activity and responsible mine development, which in turn benefits all Ontarians

Investments by the province in geological mapping could be enhanced if better coordinated with federal support of geoscientific programs

**Quebec incentives:**

Also, I would encourage the committee to look to our neighbouring province of Quebec

In the Quebec provincial budget of 2001, there was an announcement for tax credits to provide incentives for mineral exploration

This program has been extremely effective in stimulating mineral exploration and development activity in Quebec

Although, there are variations based on the location of mineral exploration activity in Quebec (Near North or Far North) and whether or not the company is operating or non-operating, the essential element of the program is that a company can be reimbursed for 45% of its exploration costs

Tied in with a need for more geological mapping and exploration incentives is the need for additional resources and support for First Nations and Aboriginal communities for training and education

Supporting the greater involvement of First Nations residents in the economy through skills development is a just action from the perspective of societal development and something that we hope will better equip First Nations communities to be better prepared to take advantage of employment and entrepreneurial opportunities within the mining industry

### **Research funding:**

Mining in Ontario is a high tech industry and it needs to be in order to be competitive in the global mineral marketplace

Mining in Ontario is part of an economic cluster which makes an important contribution to the provincial economy including R&D

The Ontario Mineral Industry Cluster Council (OMICC) is playing a major role in helping to enhance this cluster and the economic benefit it provides for Ontario

One extremely important initiative, which is a collaborative effort among industry, government and academia, is the Centre for Excellence in Mining (CEMI)

CEMI is a vital research effort providing a strong foundation for global competitiveness and building a long term plan to establish excellence in mine planning and design

R&D is needed to apply more intellectual rigour to mine planning and mine processing to ensure we extract long term potential and sustainable value from our mineral resources

While R&D has plenty of merit in itself, a spinoff benefit is that it trains the next generation of mining's skilled and innovative workers needed to close the job shortage gap and enhance the industry's competitiveness

However, in government research funding programs, the mining sector is largely ignored

Mining industry needs are not well represented in current funding themes and guidelines, which puts mining R&D groups at a disadvantage

Researchers supporting the mining industry have a difficult time leveraging funding from government research programs, which in turn makes it more difficult to train highly qualified engineers and scientists through research necessary to keep the industry competitive

The OMA would like to see current – and future – research programs give more consideration to the research needs of mining and that mining be included as an important industrial sector in the research funding allocation process

### **Skills training:**

The shortfall in the projected mining skills crunch can be seen as an opportunity

The mining industry needs to fill 81,000 high-paying, highly skilled new positions in the next 10 years according to a comprehensive study by the Mining Industry Training and Adjustment Council (MITAC)

Schools like Northern College and the Haileybury School of Mines do a great job helping fill that jobs gap

Northern College and Cambrian College in Sudbury are the founding partners in an initiative which now links them with Canadore College in North Bay, Confederation College in Thunder Bay and College Boréal and Laurentian University in Sudbury to create the new Federated School of Mines

The government should be helping more with the training and skills development of students to help better prepare them for the opportunities the mining sector is and will be making available

### **Environment:**

One of the areas addressed by the Auditor General involved abandoned mines

The Memorandum of Understanding (MOU) between the Ontario Mining Association and the Ministry of Northern Development and Mines is a model to the world for addressing historic environmental mine site issues

However, Good Samaritan legislation would be a positive step forward in giving mining companies a green light to engage in a broader clean-up of orphaned and abandoned mine locations in Ontario

In another matter, while De Beers Canada is on the verge of developing Ontario's first diamond mine, the province needs to consider a diamond strategy for Ontario and how it would mesh with the national diamond strategy

### **Electricity costs:**

One of the bigger issues for mining operations in Ontario remains energy

The OMA is part of a broadly based electricity customer group which is advocating the need for a period of stable and predictable prices while working on a plan to provide reliable and affordable electricity in the future

We are recommending an extension of the revenue cap on Ontario Power Generation Inc.'s (OPG) unregulated generating stations for three years

Also, we would like to see an expansion of the coverage to 100% of OPG's output from the current 85% and the immediate return of OPG profits, which are surplus to immediate needs, to customers

If action is not taken by government, all electricity customers could face another round of rate increases in May of this year

There also is concern about Ontario losing a bit of its luster as a favourable destination for future investment

Contributing to this perspective – along with electricity uncertainty – are permitting delays, added costs from Bill 133 and employment taxes

Despite a safety record which has improved steadily for more than three decades making Ontario the safest mining jurisdiction in the world, and mining one of the safest industries in the province, government imposed Workplace Safety and Insurance Board premiums continue to increase

There is a double billing of health care costs for workers and the WSIB's new model of fairness harms mining and other employers and employees in Northern Ontario

Reform of the workers' compensation system and electricity network in Ontario need to be part of an overall industrial strategy for the province

**Solution providers:**

Minerals and their products are solution providers

The mineral products the world needs – perhaps demands is a more accurate word -- will come from somewhere and if Ontario wants to be part of this trend and benefit socially and economically from mining, infrastructure support and a business competitive environment need to be created and maintained

Ontarians want mining to play a role in their economic and social future  
A survey conducted in early November by the Mining Association of Canada in late 2005 has shown that

- 85% of Canadians believe that mining is an innovative, high-tech industry
- 83% of Canadians believe it is important to have Canadian global champions in the mining industry and
- 96% of Canadians believe it is important for mining companies to have head offices in Canada

Again, thank you for the opportunity to present these ideas and I – and my colleagues at the Ontario Mining Association – would be pleased to discuss any of these issues further and provide more detailed information.