

**To the Nunavut Standing Committee Hearing on Bill 55,
An Act to Amend the Property Assessment and Taxation Act**

*By: Terry Dobbin & Tom Hoefer
NWT & Nunavut Chamber of Mines – June 23-24, 2021*

Thank you very much, Mr. Chair. And thank you to the committee for allowing us to speak with you today.

Who is the Chamber of Mines?

- Created in 1967
- Our Vision: *A vibrant and sustainable exploration and mining industry in the NWT and Nunavut which has the support of the peoples of the North.*
- Our Mission: *To provide leadership on, and advocate for, responsible and sustainable mineral exploration and development in the NWT and Nunavut*
- Represent members with interest in a strong northern minerals industry, including:
 - Mining & exploration
 - Service & supply
 - Consultants
 - Indigenous corporations
 - Individuals
- Offices in Yellowknife, NWT and Iqaluit, NU
- Learn more at: www.miningnorth.com



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By way of introduction, this is who we are.

We've been around for over 50 years, and our Vision and Mission is to be a strong supporter of healthy and responsible mineral development in the NWT and Nunavut.

I am the General Manager of the Nunavut office, and Ken Armstrong who joins us here today is our current President. Many of you may know him from his other job as president and CEO of North Arrow Minerals exploring for diamonds near Naujaat.

Key Messages

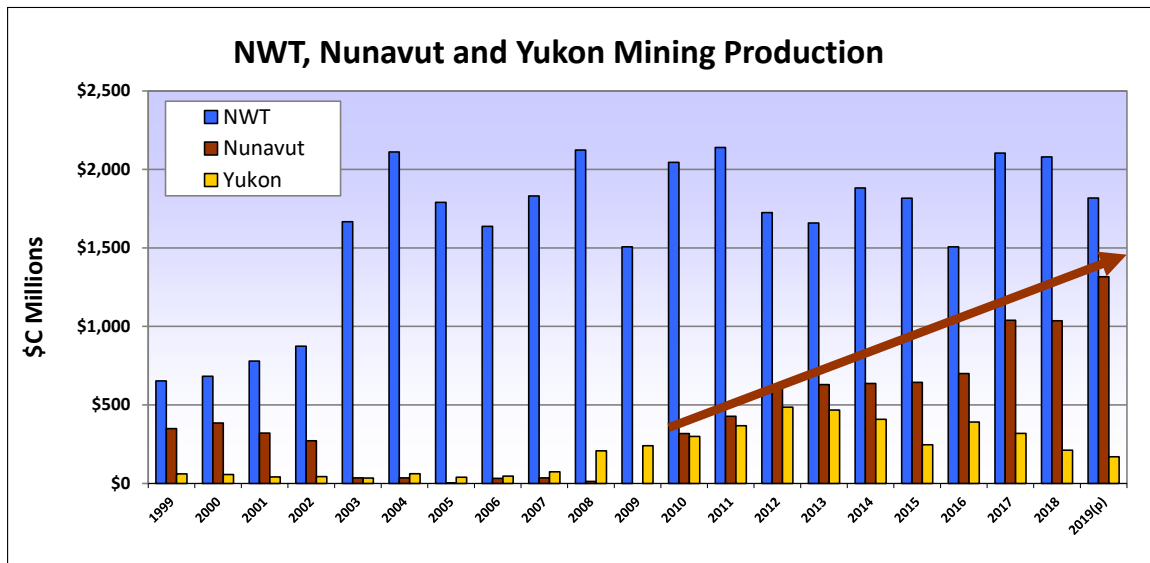
- Mining is significantly important to Nunavut
- However, Nunavut is a costly jurisdiction adding challenges
- The property tax regime in Nunavut is unique in Canada and adds additional cost pressures
- Alternatives to consider



In our short presentation, we want to deliver these key messages to you today.

- Mining is significantly important to Nunavut
- That Nunavut is a costly jurisdiction adding challenges to our mines
- The property tax regime in Nunavut is unique in Canada and adds additional cost pressures
- And we'll close with some alternatives for the committee to consider

Nunavut's mining industry is growing



- From no mining in 2009, Nunavut mining production is now over \$1 billion annually
- It means more jobs, more business spending, more taxes & royalties



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This chart shows how mining has grown quickly in Nunavut.

There were no mines operating in Nunavut in 2009 and the value of production was zero.

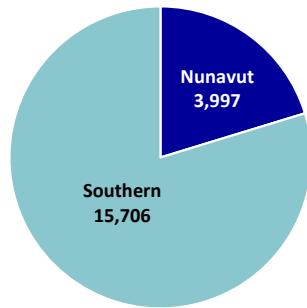
Since 2010, we have seen openings of the Meadowbank gold mine, Mary River iron mine, Hope Bay gold and Meliadine gold mines.

As a result, mining production has risen rather quickly from zero to nearly \$1.5 billion dollars in value at last report.

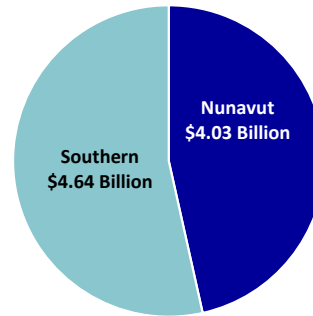
Nunavut mining creates significant benefits

(data from 2009-2018)

Mine Employment
(over 19,000 person years total)



Mine Spending
(\$8.7 billion total)



- Mining is good for Nunavut and outside Nunavut too
- Additional benefits: Significant taxes and royalties to Inuit and public governments
- By increasing public awareness of opportunities, Nunavut benefits can be grown



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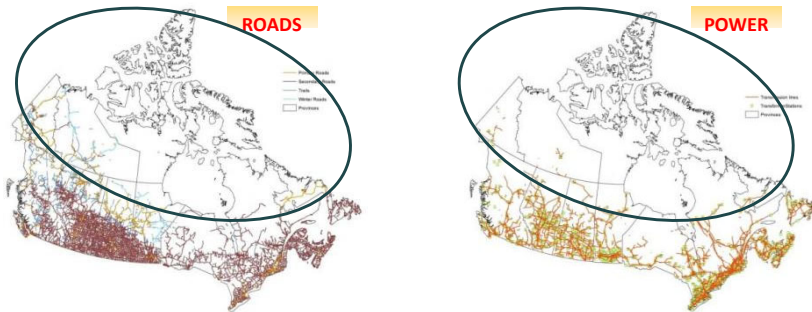
As shown here, mining pays wages to workers, and buys goods and supplies to operate the mines and pay various taxes to governments.

Not shown here, in 2019 Nunavut's mines employed over 5,000 workers and spent \$1.8 billion. About a quarter of those jobs went to Nunavummiut, and about half of the spending went to Nunavut companies.

These are fantastic benefits, and there is room to increase these and generate even more taxes paid to governments.

But ... the North is Canada's most expensive place to work

- How much more expensive?
 - Exploration costs up to 6 x higher
 - Mine capital costs up to 2.5 times
 - Mine operating costs 30 to 60% higher
- Why? One reason is lack of road and power infrastructure



Source: Industry Study: Levelling the Playing Field, May 2015

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This slide reminds us that Nunavut is a very expensive place to live and work.

For the minerals industry, it can cost up to:

- 6 times more to explore,
- up to 2.5 times to build a mine, and
- up to 60% more to operate a mine.

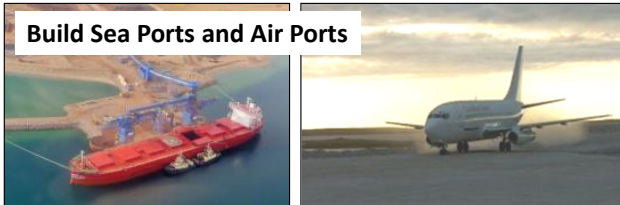
This makes it challenging to work here, particularly when mineral prices go down.

Industry doesn't face this challenge in southern Canada where there is much more infrastructure.

Added costs: Northern mines must provide all their own services



= \$!

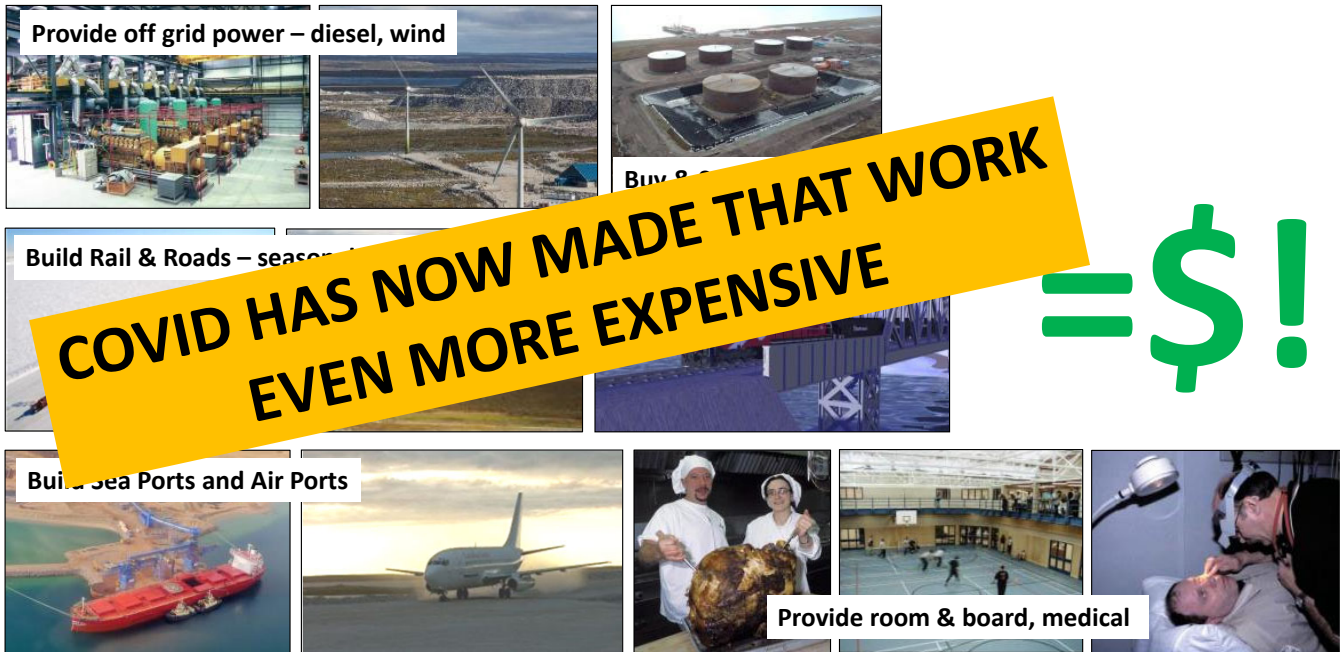


Another reason costs are high in Nunavut is because our remote mines must look after themselves entirely.

- They must provide their own power, their own roads and ports and rail, and airports.
- They must provide camps for their workers, with recreation and medical facilities too.
- And like a community, the mines must provide their own services like water and sewer and garbage.

This all adds costs that most mines in southern Canada don't have to pay.

Added costs: Northern mines must provide all their own services



On top of those higher costs, COVID has now made that work even more expensive.

I wouldn't read these, unless asked for time's sake:

For example they:

- sent their northern workers home with pay,
- chartered more aircraft,
- put COVID protections into place, and
- installed their own COVID labs.

Higher costs add business risks to northern mines

- Some symptoms over just the last 12 years:
 - Meadowbank gold mine not profitable – deposit quality, infrastructure costs
 - Snap Lake diamond not profitable & closed – deposit quality
 - Jericho diamond mine closure and bankruptcy – deposit quality
 - Ekati mine bankruptcy protection – maturing deposit quality, COVID market
 - Mary River iron mine profitability – market risk, infrastructure deficit
 - Hope Bay gold mine profitability – technology risk in Arctic
- Strong market prices can help but ...
 - We can't cross our fingers for high markets to reduce this risk – we need gov't help too with costs



All these higher costs add business risks to northern mines.

Here are some examples from Nunavut and the NWT just in the past 12 years. (on slide)

Thankfully, strong and healthy gold and iron prices helped the mines Last year, not like diamond prices which put one mine into bankruptcy protection.

No one can control the market prices, but Governments can take actions to help the industry with costs, like taxes.

Government used to help the mining industry more

- 1948 – Canada built Snare Hydropower for Yellowknife gold mines
- 1959 – Built highways to mining towns like Yellowknife
- 1961 – Built the Great Slave Lake Railway for Pine Point zinc-lead mine
- 1966 – Built the Taltson Hydropower for Pine Point mine
- 1974 – Partnered 18% in the Nanisivik zinc-lead mine
- 1974 – Built the townsite, dock, airport for Nanisivik mine
- 1975 – Partnered in Ice-breaking cargo ship technology for NU mines

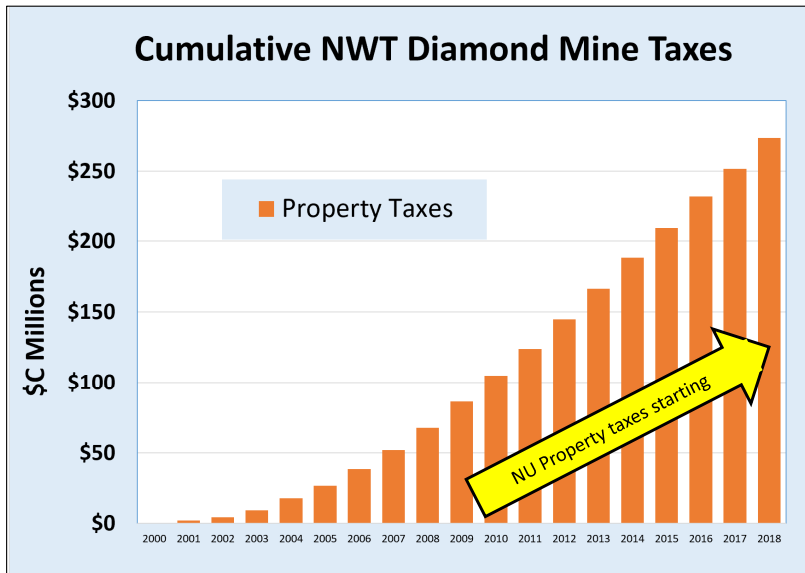


Government used to help the mining industry more than today, and this slide shows some historical examples.

A good example was Nanisivik, where gov't owned 18% of the mine, and provided much of the community services: the townsite, dock, airport and roads.

Sadly government does not provide support like this anymore and companies have to do more themselves.

Property taxes add another cost and can be significant



- Since Nunavut grew from the NWT, they are the only two jurisdictions in Canada to charge property taxes to remote mines.
- In the NWT, property taxes to date from diamond mines exceed \$250 Million
- Nunavut mining began later, and total taxes are smaller



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Property taxes add extra costs. And they can be significant.

We don't have the exact figures for Nunavut, and perhaps the GN can make that information available.

But in the NWT, which is where Nunavut's tax originated, you can see the diamond mines have paid over \$250 million in property taxes.

That is a lot of money for no services.

Some observations on property taxes

- Property taxes are generally meant to help pay for government/community services
 - But in Nunavut, mines must provide their own municipal and community services – gov't doesn't
- Mines in similar areas (remote hinterland) in provinces would not pay property taxes.
 - NWT and Nunavut are the only Canadian jurisdictions that levy property taxes at significant levels.
- Property taxes are regressive: mines must pay them even if they're losing money
 - This adds costs and business risk to NU mines, and makes NU less attractive for mining
- Nobody knows where NU property taxes go and what they are used for
 - They disappear into general revenues, which government uses for various services
- Mines are even charged property taxes for buildings they need to remove and reclaim
 - But they must also pay reclamation security on those same buildings = more costs



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We would make these observations on property taxes (in slide).

(Read these.)

Property taxes are generally meant to help pay for government/community services, like water, sewer and garbage.

- But in Nunavut, the mines provide all their own municipal and community services, not government)

Remote mines in the provinces do not pay property taxes.

- NWT and Nunavut are the only Canadian jurisdictions that levy property taxes on remote mines at these significant levels.

Property taxes are regressive, which means mines must pay them even if they're losing money

- This adds costs and business risk to NU mines, and makes NU less attractive for mining

Nobody knows where NU property taxes go and what they are used for

- They disappear into general revenues, which government uses for various services

Not only do Mines have to pay property taxes, they also have to pay security to remove those buildings, adding even more costs. It's like government is double dipping here charging twice for the same things.

Considerations for Government

- Follow the lead of southern provinces – do not charge property taxes on remote mines
- Provide a property tax rebate to mines for the municipal/community services they must provide themselves
- Do not charge mines retroactively for any taxes missed (would the deeming clause 48.(10) do this?)
- Tell the public how much GN is collecting in property taxes and what the money is used for
 - Consider assigning mine property tax moneys to a housing fund
- Look for new tax revenues by increasing Nunavummiut employment



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We'd like to close with some considerations for you.

- Follow the lead of southern provinces and do not charge property taxes on remote mines. They serve no purpose given mines have to provide their own services.
- If you're going to tax, then consider a property tax rebate to mines for the municipal/community services they already must provide themselves
- Do not charge mines retroactively for any taxes missed. We are not sure we understand the deeming clause 48.(10) in the bill, which suggests this (need BIM to tell them more).
- Tell the public how much GN is are collecting in property taxes and what the money is used for
- If you are adamant about keeping property taxes, consider assigning them to a housing fund so communities can see another benefit of mining in their communities.
- If you're looking for new tax revenues, work to increase Nunavummiut employment. We'd respectfully suggest that if you helped get another 800 Nunavummiut into mining jobs, it would return tens of millions per year in income taxes alone. A bigger return than property taxes.

Thank you.