

# How to find – not lose – a billion dollars from resources

Northern News Services

Several of our members and I had the pleasure of attending the Ledge Talk, titled *How to Lose a Billion Dollars*.

It's certainly a subject that hits home – we're resource rich and we're all for sharing responsible resource development benefits.

The title of the talk, delivered by video by Dr. Don Hubert, president of resources for Development Consulting, comes from his report of the same name. The report shows how governments of some countries rich in oil, gas, and minerals often fail to secure a fair share of their natural resource wealth.

Dr. Hubert shared Natural Resources Canada data from 2012 which shows the NWT total resource tax rate at 20 per cent, very

much in line with the rest of Canada. Presumably NRCAN was demonstrating Canada as an attractive place for resource investment. While other countries are much lower, the top end was almost 60 per cent. Dr. Hubert admitted he didn't know the particulars of the NWT, but in his estimation Canada as a nation is missing out on resource tax revenue, which he believes should be much higher.

Looking at the NWT total tax take, is 20 per cent a 'fair share' when it comes to the North?

This is a complex question, and will require a not-insignificant analysis by GNWT, looking at all the tax and other burdens industry faces. For example, it must include property taxes, which are unique to

our northern mines; southern provinces don't charge them. And it must include the other hurdles we face, like building our own ice roads annually. As another regulatory expert – one Dr. Hubert admires – Andrew Bauer identified to the GNWT in his report: "The high cost of building winter roads every year to existing mines shrinks royalty and corporate income tax payments."

To Dr. Hubert's other messaging, we also support clear, understandable taxation. Clarity reduces company risk and strengthens investor confidence. And how could one not support another notion of Dr. Hubert's that companies need to follow the law.

According to Dr. Hubert, this is where some nations lose, or one might say, find, a billion dollars.

To speak to the positive returns from mining, Dr. Hubert presented some good examples from countries like East Timor, and its phenomenal profit from oil and gas revenues when markets were strong. And Dominican Republic, which has done well by gold mines. Closer to the NWT, he pointed

## GUEST Comment

Tom Hofer is the Executive Director, NWT & Nunavut Chamber of Mines.

out Botswana, which has based its economy on diamond mining. Through wise management of its diamond revenues, it has been able to invest in the betterment of its people through better health care, education and poverty reduction.

Although agreeing on what's 'fair' taxation might be tough, when it comes to mineral resources, I think we can all agree that we rely on government to put the returns to good use. Once the resource is mined, it's too late.

We recommend reading the 72-page report from Resource Development Consulting's web site. Sure it's a long read but who knows, maybe it shows how to 'find a billion dollars' that was already there to begin with.

That sounds fair.