Chamber of Mines News Briefs – October 20 - 23, 2012

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ARCTIC SOVEREIGNTY AND SECURITY NEWS

Irving Shipbuilding presses Ottawa on Arctic ship deal
Canadian Press – October 19, 2012
Published on Friday October 19, 2012
Michael MacDonald

HALIFAX — The president of Irving Shipbuilding Inc. is applying pressure on Ottawa to sign a contract on design work for eight new Arctic patrol ships.

Steve Durrell said Friday unless the contract is signed and engineering work begins by January, the company’s Halifax Shipyard will have a tough time meeting its goal of cutting the first steel for the project in 2015.

“We’ll be looking at this day by day,” he said. “If it gets delayed a month, it will delay the program a month.”

Durrell set the deadline during a briefing that marked one year since the federal government awarded the shipyard a $25-billion contract to build 21 combat vessels over 30 years.

“We are definitely not waiting to get started,” he said. “We are doing everything we can to advance the timetables and begin building vessels for Canada as quickly as possible.”

The company is still negotiating two contracts with Ottawa — one for design work and the other for the actual construction of the patrol ships.

Durrell repeated his company’s promise to have the first patrol vessel built by 2018, which is already three years behind the original schedule.

The ships, first announced in 2007, were projected to cost $3.1 billion to build and $4.3 billion to maintain over their expected 25-year life cycle. Durrell declined to say whether he thinks the costs would rise in the years to come.

The business executive, speaking to reporters at the sprawling shipyard on the Halifax waterfront, also made a pitch to Ottawa concerning the maintenance contract, which has yet to be awarded.
Earlier this week, documents obtained by The Canadian Press revealed the patrol ships will cost more to maintain because National Defence won’t be signing a long-term service contract until the ships are well into construction.

An internal briefing to former associate defence minister Julian Fantino last fall said the project was full of financial questions, starting with the actual cost of building up to eight warships. Durrell said the final costs have yet to be negotiated. He said the cost of design work will be revealed early next year, but the cost of construction won’t be known until 2015.

Irving Shipbuilding currently employs 1,150 at the Halifax Shipyard. It expects to hire another 1,500 over the next 10 years, providing a big boost to the Nova Scotia economy.

NUNAVUT NEWS

The North: Canada’s missing link

*The road to a richer future is in the North, but does the will exist to fulfil the historic vision?*

Free Press – October 20, 2012

Gerald Flood

The peremptory dismissal of the North as a barren and frigid region unsuitable for economic expansion is as meaningless as similar statements were relative to the expansion westward in the 19th century. The majority of people in southern Manitoba, as the majority of Canadians generally, fail to appreciate that it is the south that will be the beneficiary of northern development.

Would a road and power line from Sundance in northern Manitoba to Rankin Inlet, at a cost of at least $1.7 billion, kick-start economic development in the region?

That’s been the dream for the past 50 or so years, and it’s a question a task force looking into economic development opportunities in the southwest basin of Hudson Bay is expected to answer later this year.

It’s a big, complicated question that needs answering -- and for a whole lot of good reasons. Travel in the North today is both an expensive and uncertain thing, in part because distances are vast, the climate is difficult and travel options are limited. Shipping can be delayed for weeks by early thaws or late freezes, or by the movement of icebergs and pack ice, as happened in Iqaluit this summer.

Blizzards freeze aircraft in -- and out -- of airports for days at a time. Fog is a perennial problem because all Nunavut communities are coastal -- which means, in the fall especially, land and sea temperatures can become wildly out of whack, resulting in fog as thick as proverbial pea soup. Wind can be a curse at any time.

Delay, then, is expected in the North. It compounds staggering costs of living (double the Canadian average), and it plays no favourites.

Even Prime Minister Stephen Harper’s closely scripted, massively planned annual tours of the Arctic can go awry. Which is how it came to be that Harper recently spent 24 hours more in Churchill than he intended, with the consequences that Mayor Mike Spence had a lot more casual face time with the PM than he dreamed possible.

And because both he and Harper share an abiding interest in northern development, it wasn't long before they got to talking about Churchill's future, the certainty of which had been shaken when Harper stripped the Canadian Wheat Board of its monopoly to sell western Canadian wheat and barley and to ship sufficient quantities of the commodities north, thus providing life-support to the 80-year-old Port of Churchill.
To be sure, Harper didn't entirely pull that worn rug out from under the port. He created a $25-million fund to subsidize grain shipments through the port for five years. This opened a window for the town and the owner of the port and the railway that links it to Prairie grain elevators, OmniTrax, to come up with a more dynamic business model than simple reliance on the CWB largesse to not only sustain grain elevators at the mouth of the Churchill River, but to diversify and expand their use.

But everyone involved knows that won't be enough.
Churchill has to diversify, Harper told Spence.
I know, he replied, but how?
The exchange between Harper and Spence nicely encapsulates the issues with which Ottawa, Manitoba and Nunavut must grapple if the potential of the North is to be realized -- at last and for the betterment of all.
Transportation north of Sundance and all the way to Alert at the tip of Ellesmere Island in Nunavut -- a distance of more than 3,000 kilometres -- is almost entirely dependent on unreliable and expensive airplanes and container ships. There are no roads linking anywhere to anywhere else. The only operating road in all of Nunavut was built to move processed ore to tidewater. Another road, and a railway, are planned for the same purpose, but they will have zero impact on the transportation needs of the Nunavummiut, who pay astronomical prices for everything delivered by air and sea.

Electricity in many northern Manitoba communities and everywhere in Nunavut is generated by diesel-fueled turbines, which require millions of litres of fuel a year to keep the lights on. It is estimated transportation adds $1 to the cost of each and every one of those litres. It amounts to hundreds of millions of dollars, some of which might be better spent extending Manitoba's power grid into Nunavut.

Add to this the paradox and mystery of climate change. Warming temperatures in the north are paradoxical because they at once signal a global problem and a northern opportunity.

Longer ice-free seasons are in large measure allowing Nunavut to expand commercial fishing into waters that never before had been fished, creating jobs and the promise of more of them. But what if the fishery is less sustainable than it appears?

Warming and technological advances largely explain the potential of the $4-billion Mary River iron mine development on Baffin Island. That development alone will pay billions of dollars in royalties to the territorial government and employ hundreds, potentially thousands, of Inuit. But the model assumes Arctic ice will be navigable year-round using ice-enforced ore freighters. What if the warming trend is anomalous? Or what if warming accelerates and affects the permafrost that makes gold mining in the Kivalliq region northwest of Churchill possible?

That development, by the way, is expected to create hundreds of jobs in Kivalliq -- and in Manitoba.
It is believed global warming could open up resources the Arctic icecap has covered forever. But the very potential, including the possibility a Northwest Passage one day will be open year-round, already is raising issues of sovereignty and international competition -- two problems that could become opportunities across the North, and in particular at Churchill, which has the only deep-water port in the Arctic.

Climate change, in other words, could close as easily as open development potential. And nobody knows with certainty where climate change might lead.

Longer ice-free seasons could be a boon for the Port of Churchill, but not likely until it is determined for certain warming is for the long term, not a blip. Until then, shipping insurers are not likely to change the way they operate, and without the insurance, neither will shipowners.
Meanwhile, despite the crushing costs of living in the North, there is very little employment for a rapidly growing population -- whose average age of is 25!

Northern dependency on federal transfer payments is almost complete -- 92 per cent of Nunavut's $1.4-billion territorial budget, for example, is supplied by Ottawa.

Little wonder Harper wants to see northern leaders succeed at diversifying their economies. Economic growth in the North would be a win for everybody involved.

But all this is known, or should be. With the exception of the paradoxical mysteries of climate change, none of the factors raised above is new -- they've just never been seriously addressed.

Ask Art Mauro, one of Manitoba's wisest and most accomplished business leaders and statesmen.

More than 50 years ago, in 1958, a Boston consulting company advised that Manitoba buy the rail line to the Port of Churchill in order to ensure its continued success. The report had been prepared for the Manitoba Liberal government of Douglas Campbell, but with its defeat earlier in 1958, the report fell in the lap of newly elected Conservative Premier Duff Roblin, a true believer in northern development.

Roblin and Art Mauro, who was then a young lawyer and legal counsel to the province on transportation issues, travelled to Ottawa and met with George Hees, transportation minister in the Diefenbaker Conservative government, which had won election in part by campaigning on a vision of northern development.

As open as Hees seemed to have been to a Manitoba takeover, he told Roblin and Mauro that, regrettably, they had arrived too late -- he had just days earlier transferred ownership the railway to the CNR, which then and after was a reluctant owner and promoter of the line.

A decade later, in 1967, Roblin and Mauro teamed up again. Before he resigned as premier, Roblin established a royal commission to look at northern transportation and development and put Mauro in charge as commissioner.

It was Manitoba's centennial year. Roblin thought it only appropriate that the province look to tap northern resources to guarantee its future.

At that time, Churchill had just passed its zenith -- the American and Canadian military were pulling out of Fort Churchill, removing the very foundations of its prosperity and putting its future in grave doubt.

Mauro tabled his report a year later, and it was published in 1969. Among other things, it recommended a road be constructed from Gillam to Churchill at an estimated cost of $15 million.

Whether Manitoba should have bought the Hudson Bay Railway and operated it to maximize northern development, or whether it should have built a road from Gillam to Churchill, the fact is that neither of those initiatives, or a whole range of other visionary recommendations to extend Manitoba's reach into what is the now the Kivalliq region of Nunavut, were undertaken.

Which you might think would have dampened Mauro's conviction that Manitoba's future today lies in the North as surely as was believed when the Golden Boy was placed atop the legislative building holding a torch lighting the way north.

But it didn't. If anything, his convictions have grown stronger.

Last year, he was part of a task force that produced a report for the Business Council of Manitoba that urged the province to help make northern development a "national priority," much like he had done in the '60s.

The report underlined Manitoba government complacency by drawing attention to what others are doing -- Quebec last year unveiled an $80-billion plan to develop its northern resources and British Columbia is extending its electrical grid in support of mining development.
Meanwhile, provinces that are looking north -- and Nunavut itself -- are attracting hundreds of millions of investment in new mineral exploration. The most recent figures show exploration investment in Nunavut is almost triple the amount invested in Manitoba, and Manitoba is sinking fast relative to its competitors in large measure, it is agreed, because Manitoba has not created a process of negotiating resource development with First Nations that inspires the kind of confidence seen in investments in Nunavut.

It’s no secret Nunavut is looking to Manitoba to become a partner in exploiting the potentials. Manitoba and Nunavut have already undertaken a joint examination of the cost of building a road from Sundance - - the end of the road in Manitoba -- to Rankin Inlet, with links along the way to Churchill, Arviat and Whale Cove in the Kivalliq region on the western coast of Hudson Bay.

With a price tag of $1.4 billion, according to the most recent estimates this year, it is difficult to see how the cost of 1,300 kilometres of roads could be carried by the population base alone -- fewer than 10,000 people.

But there is more to it than that.

What if the road was also the path for a power line? The most recent estimate (1998) of the cost of such a line is pegged at $200 million -- plus or minus zero to 50 per cent. In other words, $200 million to $300 million.

Together, the road and power line would save hundreds of millions of dollars annually in freight and fuel costs.

A spokesman for Agnico-Eagle Mining Co., which operates a multi-billion-dollar gold mine at Baker Lake and has spent about $600 million developing another near Rankin Inlet, where 200 people already are employed, said the company would be most interested in discussing with Manitoba a reliable and less expensive energy option than diesel fuel, but it has never been asked.

Meanwhile, there are 16 other gold projects in the area and a dozen uranium and rare-earth deposits, according to a 2011 Nunavut Department of Minerals and Petroleum report. They all could become more viable if transportation and energy costs could be brought down.

No one, of course, is saying Manitoba should somehow do any of this alone. And furthermore, it only makes sense Manitoba's focus doesn't extend past neighbouring Kivalliq, where connections are already well-established, as they are further north with Quebec and Ottawa.

Nunavut Premier Eva Aariak said in an interview at her office in Iqaluit Nunavut very much appreciates the partnerships it has with Manitoba, especially the provision of heath-care services to Kivalliq.

She perked up considerably at the mention of the proposed road and power line.

And, as Mauro observed 50 years earlier, she said the cold, hard reality is that the South must understand it is not being asked to do the North a favour as it is the South that will benefit most from northern development.

Nunavut, for example, imports 210 million litres of fuels for domestic heating, driving, flying and generating electricity -- all of it bought in the South and shipped to the North by southern carriers.

Canada and Nunavut’s neighbours need to realize accepting a moral responsibility to assist Canadians living in the Arctic to grow their economy, will benefit them, too -- maybe even more so.

"In the early years, Canada completed itself from East to West."

The East took the responsibility to complete the West, and everybody benefited as a result, she said.

"I strongly believe that the time has come to complete the map. The Inuit have always lived here. But we are Canadians, and we have the right to enjoy the same infrastructure and benefits as the rest of Canadians."
You hear similar arguments everywhere in Nunavut. The territory is too big with a population too small - 33,000 people in two million square kilometres of territory, or 1.3 people per 100 square kilometre compared to 29 in the rest of Canada -- to achieve self-sufficiency without partners.

And it will be up to governments, especially Ottawa, but with provincial co-operation, to help Nunavut build the infrastructure needed to exploit its untapped resources.

Aariak said she is encouraged by the attention Prime Minister Harper is focusing on the North and the attention it draws to Nunavut’s potential.

She said she was most encouraged that he is shifting from military and sovereignty issues to more bread-and-butter talk of infrastructure and development, most recently a government pledge to assist in a $300-million redevelopment of Iqaluit’s strained airport.

She indicated she’s looking forward to what Manitoba might offer in the way of mutually beneficial partnerships.

You can bet there is considerable anticipation in Sundance, Churchill, Arviat, Whale Cove and Rankin Inlet, too.

**Nunavut MLAs to vote capital budget this session**

*Integrity Commissioner expected to table Schell report*

Nunatsiaq News - October 23, 2012

DAVID MURPHY

Head’s up — it’s capital budget day in Nunavut Oct. 23.

The legislative assembly is presenting its capital budget for the 2013-2014 fiscal year at the third and final sitting of the assembly this year.

The territorial government’s current capital budget, which guides spending on the construction of schools, health centres, municipal offices and other pieces of infrastructure, as well as the purchase of vehicles and equipment, runs until March 31, 2013.

The next capital budget, under discussion this week, will kick in April 1, 2013. But, by convention, Nunavut’s capital budgets are voted on earlier than normal, in the fall, to allow tenders and RFPs to be issued in time for contractors to make spring sealift deadlines.

The government house leader, Lorne Kusugak, doesn’t think there are any surprises in the proposed budget, but does expect a lengthy debate.

“I’m sure we’ll have a lot of questions and issues played back from regular members over the next 10 days,” Kusugak said. “I’m confident it will go through, I’m hopeful.”

As well, Integrity Commissioner Norman Pickell will likely table a report on the conduct of South Baffin MLA Fred Schell.

Premier Eva Aariak stripped Schell of all his cabinet portfolios this past March. He now sits as a minister without portfolio.

At the same time, Dan Vandermeulen, the secretary to cabinet referred the matter to Pickell, citing allegations of conflict of interest and abuse of authority.

This past August, speaker Hunter Tootoo gave Pickell until Oct. 31 to finish his report.

The specific nature of the allegations against Schell have not been made public. Earlier this month, Pickell held a behind-closed-door hearing on the matter.

After Pickell tables his report, MLAs may vote to either accept or reject his recommendations, but, under the provisions of the Integrity Act, they may not amend it.
“Hopefully it will be well written and understandably enough so that we can make a decision on what to do in this case. Because I think everyone’s tired of the issue,” said Quttiktuq MLA Ron Elliott.

Elliott wants to know what the GN is doing about its poverty reduction strategy, search and rescue services in Nunavut, the Nutrition North food subsidy program, and on the public-private partnership for the GN’s proposed $300-million airport.

“Are we still on track with prudent spending? Are we still on that question? I’m hoping ministers will update us on the P3 project. I think a lot of people have a misunderstanding of what that project is,” Elliott said.

Elliott also wants to see discussion on mining — “maybe an update from one of the ministers on some questions on how they’re going to balance environmental protection with actual mineral exploration.”

Kusugak also said to “keep an ear out for” a talk about the upcoming Arctic Winter Games in Greenland in 2016.

Greenland plans to cut six events from the games: dog mushing, gymnastics, short-track speed skating, figure skating, midget hockey and curling. The hockey tournament is expected to be held in Iqaluit.

And, as minister of community and government services, Kusugak said he might have something to say about the cuts to certain sports.

The fall sitting of the assembly concludes Nov. 6.

**NWT NEWS**

**Mine society growing emergency responders pool**

_NWT Mine Training Society teams with Arctic Response Canada Ltd. to roll out emergency medical response courses in communities_

NWT News/North – October 19, 2012
Thandiwe Vela

A new NWT Mine Training Society partnership is generating local emergency medical response jobs in the territory’s mining and exploration industry.

Northern safety training company Arctic Response Canada Ltd. is delivering the Mine Training Society advanced first aid courses for exploration camp first aid attendants—training workers in communities where there is high exploration activity, such as Fort Liard and Fort Simpson.

"We’re looking at exploration camps," said Hilary Jones, general manager at the Mine Training Society.

"We’ve been working closely with (Arctic Response) in getting emergency medical responder training into the smaller communities in the North."

The program is targeting communities that don’t necessarily have full-time nurse or ambulance services, in order to also build pre-hospital care capacity in the communities, said Tony Clarke, Arctic Response industrial safety trainer.

"Even if all of (the students) don’t complete the course, when we train 10 people as emergency medical responders into a community—whether it’s Rae Edzo or even Yellowknife for that matter—that’s 10 people who have training, who can help out in the event of an emergency," Clarke said. "When we go into a lot of these communities the resources there to respond are limited, so people like the Mine Training Society and ourselves we’re obviously giving workers the skills to get the job done."

The company recently teamed up with the Academy of Emergency Training in British Columbia to offer their 90- to 100-hour emergency medical responders (EMR) certification, which is a more advanced certification than the 40-hour advanced first aid course previously offered in the communities.
"(The advanced first-aid course) gives the person a lot of skill sets but it doesn't quite prepare them for that moment when they're a camp cook who's done two or three patients who has to deal with something major and then gets weathered in so they have to deal with the patient for a day or so," Clarke said.

The emergency medical responders training is the basic level needed to operate an ambulance, he added, and prepares people to respond to injury and trauma in remote locations for extended periods of time in an emergency.

"They're learning how to deal with everything from a paper cut to emergency child birth," he said.

The Mine Training Society and Arctic Response are planning to offer EMR courses starting in January, possibly in Trout Lake, Fort Liard, and Nahanni Butte.

Clarke said the target is to have 100 emergency medical responders trained in the NWT in the next year.

The federal government, in addition to exploration companies Avalon Rare Metals Inc., Canadian Zinc, and Devonian Metals Inc., are among the participants of the training program so far.

The EMR training is in compliance with mining industry and Workers’ Safety and Compensation Commission health and safety legislation, Jones said.

RESOURCE DEVELOPMENT AND ENERGY NEWS

Agnico-Eagle moves on asbestos control at Nunavut gold mine site

“*It’s all about controlling the dust*”

Nunatsiaq News - October 19, 2012

JANE GEORGE

Although it’s business as usual at the Meadowbank gold mine near Baker Lake, some of the 1,050 workers on site now wear special gear, such as disposable outerwear and respirators, when they’re on the job.

That’s because this past January, Agnico-Eagle Mines Ltd. found naturally-occurring asbestos fibers in the dust samples taken from the secondary crusher building at its Meadowbank mine. A second sample in March confirmed the presence of asbestos, which, with prolonged exposure, is linked to a variety of lung ailments and cancers.

Asbestos has been found at other gold deposits in Australia, but “it was certainly something we weren’t expecting,” said Dale Coffin, Agnico-Eagle’s director of corporate communications.

“But with the sampling program we have, we were able to detect it.”

The company has since identified small concentrations of fibers in the ore from some areas of the Goose and Portage open-pits where Coffin says there are “very small amounts” of naturally-occurring asbestos in thin bands.

There also seems to be an association between the presence of asbestos and soapstone, he said.

The presence of asbestos was not revealed in earlier sampling of the ore, Coffin said, but the company is now rechecking that information.

Air sampling continues to provide results that aren’t always consistent about the levels of asbestos, he said.

But to reduce the amount of any asbestos that workers could be exposed to, the company has changed work practices.
It’s implemented personal hygiene measures such as disposable coveralls and slippers over boots as well as training and measures to control and prevent the spread of asbestos dust to non-affected areas. Workers in the mill and crusher plant must now take off that protective gear before they leave those areas and are required to use specialized vacuums to clean their work clothes.

Air sampling is also done regularly to monitor airborne asbestos levels in the occupied areas across the mine site.

“We’ve implemented a standard [for asbestos] that’s even more stringent than the current ones that are required in the [Canadian] mining act,” Coffin said.

Changes have been made to the dust control ventilation system that have “significantly decreased the amount of airborne dust in the crusher plant,” according to a Meadowbank bulletin on dust control and asbestos.

“It’s all about controlling the dust, and we are going to implement measures where there’s more dust,” Coffin said.

Other systems to control asbestos include conveyor enclosures, water and dust-suppressant sprays.

A full-time industrial hygienist is overseeing the asbestos management program.

Agnico-Eagle has also hired an external asbestos expert, while a third-party laboratory is carrying out the asbestos analysis.

Soon the mine will start processing ore from a new pit where no asbestos has been detected, said Coffin, so the hazard from asbestos is expected to diminish.

Fibrous asbestos can be hazardous because its tiny particles can remain suspended in the air for long periods of time.

Prolonged exposure to asbestos in mining has been linked to:

- asbestosis, where the asbestos fibres scar and damage the lungs;
- lung cancer related to the degree of asbestosis in the lungs;
- mesothelioma, a cancer of the lung’s lining, and,
- cancer of the gastrointestinal tract and larynx.

**ArcelorMittal eyes Canadian iron ore stake sale: sources**

*Deal could potentially avoid Investment Canada hurdle*

Reuters – October 19, 2012

Euan Rocha

TORONTO – ArcelorMittal, the world’s largest steelmaker, is exploring the sale of a minority stake in its Canadian iron ore business, sources familiar with the situation said.

The company has retained RBC Capital Markets and Goldman Sachs to assist in the process, which has been going on for a few months, said one of the sources, adding that a deal is likely to be announced before the end of the year.

ArcelorMittal (NYSE: MT) is one of Canada’s top exporters of iron ore to steel markets around the world and its operations account for about 40 per cent of Canada’s iron ore output. It operates two large open-pit mines in the province of Quebec, where it also owns the Port-Cartier industrial complex that includes a pellet plant, storage areas and port facilities for shipping.

ArcelorMittal Mines Canada, which traces its origins back to the QuDebec Cartier Mining Co., produces 15 million tonnes of iron ore concentrate and more than 9 million tonnes of iron oxide pellets annually.
The sources familiar with the situation said the stake sale process is generating a lot of interest from Asian steelmakers that are keen to lock in off-take agreements to secure their own future supplies of the raw material crucial to the steelmaking process.

ArcelorMittal had been expanding its iron ore resource base in an effort to reduce its dependence on miners like Vale SA (NYSE: VALE), Rio Tinto (NYSE: RIO) and BHP Billiton (NYSE: BHP). Last year it even acquired the huge Mary River project in the Canadian Arctic.

But the bleak economic situation in Europe and lacklustre growth in steel demand in the aftermath of the financial crisis have forced ArcelorMittal and its rivals to rethink plans. The company has been cutting steel output in Europe for more than a year, even as iron ore prices recently fell to a three-year low, as China’s slowdown hurt demand.

Despite the bleak outlook in the sector, the sources said the scarcity value of world-class producing iron ore assets and the chance to own a stake in assets in a politically safe jurisdiction make the deal attractive to potential buyers.

ArcelorMittal could not be reached for immediate comment.

Earlier on Thursday the Financial Times, citing sources familiar with the matter, reported that ArcelorMittal’s entire Canadian business could be worth $8 billion to $10 billion.

But others said those numbers were highly inflated and unrealistic given current iron ore prices.

Since ArcelorMittal is only interested in selling a minority interest in the Canadian assets at this time, this offers foreign buyers a chance to buy assets worth billions of dollars without the deal having to go through an Investment Canada review process, said one source.

Under the Investment Canada Act, the Canadian government has to review all major deals to ensure they are of “net benefit” to the country.

Ottawa last blocked a foreign takeover deal in 2010 when it stunned markets by preventing Australia’s BHP Billiton Ltd from buying fertilizer producer Potash Corp.

The Canadian government is reviewing Chinese state-owned oil major CNOOC Ltd.’s (NYSE: CEO) $15.1 billion bid to acquire oil and gas explorer Nexen Inc, a deal that has raised fears about opening the Canadian energy sector to the Asian power’s state-owned companies.

Diamond industry optimistic as demand grows
Globe and Mail – October 19, 2012
BERTRAND MAROTTE

It’s still a sluggish global recovery, but early signs indicate that consumers this holiday season are prepared to step up in surprisingly good numbers for that ultimate luxury purchase: diamonds.

Demand for diamond jewellery is expected to hold its own over the critical holiday sales period, although not at the same levels seen in the two previous years, say industry officials.

Euro zone debt worries, an uneven recovery in the key U.S. market and a slowing Chinese economy seem to have only put a dent in diamond sales. It appears the 1-percenters and even buyers of more modest means aren’t completely shunning the bling.

“Global diamond jewellery sales have risen again,” said Richard Chetwode, vice-president of corporate development at Harry Winston Diamond Corp., one of the world’s top diamond producers and high-end retailers.

“Our business is doing very well.”

“We’ve had a golden week in China, the start of trade buying season,” he said.
Don’t expect the 25-per-cent year-over-year growth for diamond sales that China has posted over the past several years, but quite robust demand nonetheless, said Mr. Chetwode.

The world market has been helped by cutbacks in production by key players such as De Beers SA and the stockpiling of diamonds by the Russian government, which have helped reduce supply.

David Preger, global head of corporate affairs at De Beers Group, says he’s looking forward to an acceptable level of sales during the holiday season, which extends from U.S. Thanksgiving in November, through Diwali in India (an important market), Christmas, Chinese New Year and Valentine’s Day in February.

“Based on the trade shows and the investments folks are putting into them, we’re cautiously optimistic,” said Mr. Preger.

“We anticipate low to mid-single-digit growth by the end of the year, which is modest but certainly surpasses our expectations.”

De Beers reported in August that growth in global diamond demand could slip this year to between 3 and 5 per cent, from 11 per cent in 2011.

Mr. Chetwode said the United States market – which represents almost 40 per cent of the global diamond jewellery market – is slowly bouncing back.

Mr. Preger says just about all the ground that was lost in the brutal 2008-2009 period, at the height of the financial meltdown, has been regained.

It’s still not clear to what extent shoppers this year will opt for more modest gems rather than spring for diamonds of more than 3 carats, said Mr. Chetwode.

Of course, consumers have kept the faith through thick and thin when it comes to buying the perennials, such as engagement rings, said Mr. Preger.

Other basic – if such a word can be used when speaking of diamonds – items such as diamond-stud earrings are doing well, he said.

“For us, this has been a kind of return to basics,” he said.

**Resources are important but they’re not enough**

_The strongest economy is one that is well-diversified, both in its sources of economic growth and in its markets. Ignoring the need for a vibrant advanced manufacturing industry and high-value knowledge-based services, as well as a resource sector that upgrades its output in Canada, is a recipe for disaster._

Hill Times – October 22, 2012

DAVID CRANE

TORONTO—The Harper government’s economic strategy is to brand Canada as a resource superpower, in the belief that our future depends on increasing our dependence on the resources sector as the critical engine of economic growth. This would be a big mistake. Resources Minister Joe Oliver is busy trying to persuade India to buy our energy. Ditto Prime Minister Stephen Harper with China. And the job of our embassy in Washington is to get the Keystone pipeline approved so we can send oil sands oil to Texas to be refined into finished products that the U.S. can export.

Resources will continue, of course, to play an important role in our national prosperity, as they have done in the past. But there are serious limits to resource development as the key to a competitive, knowledge-based national economy since the resource sector can never be sufficient to support a strong coast-to-coast economy. There are risks as well given the volatility of resource prices (see the budget problems in B.C. and Alberta caused by low gas prices or the shock to Alberta when oil prices
plummeted in the early 1980s), as well as environmental constraints as we move towards a low-carbon economy.

While we are busy promoting ourselves as a supplier of raw materials to the world, the United States is engaged in a major effort to strengthen itself as a knowledge-based economy based on advanced manufacturing and innovative services while Mexico is out-competing us for the next generation of automobile plants while boosting its attraction for aerospace and other higher-value investments. The strongest economy is one that is well-diversified, both in its sources of economic growth and in its markets. Ignoring the need for a vibrant advanced manufacturing industry and high-value knowledge-based services, as well as a resource sector that upgrades it output in Canada, is a recipe for disaster. Resources are important but they are not enough. Interestingly, one of the people who understood this best was Peter Lougheed when he was Alberta’s premier.

He was greatly concerned with diversifying Alberta’s economy and upgrading its energy resources into high-value products, including a petro-chemicals industry. Before his recent death he continued to voice opposition to sending oil sands oil to Texas through the proposed Keystone pipeline to be refined there instead of the oil being refined into higher value products in Canada.

He also believed that more of Alberta’s resource benefits should be saved for future generations, which is why in 1976 he created the Alberta Heritage Savings Trust Fund.

Now comes a report from the respected Canadian International Council championing Canada’s future as a “resource superpower,” urging a range of policies to strengthen Canada as a nation based on resource development. It seems less concerned with the environmental consequences and much more concerned with advancing the role of resources in the economy.

Last year, the report boasts, the top merchandise export to each of our major trading partners was a natural resource. But is that a reason to celebrate, especially if the top imports from our major trading partners are automobiles, aircraft, computers, machinery, consumer electronics and other technology-based products? We dig stuff out of the ground and other countries make high-value products.

While the report raises important issues, many of its recommendations capture issues we have been discussing for decades—how to move beyond resource extraction to building high-value industries that exploit resources, how to diversify our trade to reduce dependence on the U.S., how to create more Canadian-headquartered resource multinationals, how to ensure more Canadians with advanced skills rather than seeking to tap the skills of other countries to meet our needs, how to ensure that the public gets fair value for Canada’s resources, and how to develop a national energy strategy. Unfortunately, it falls short on workable solutions.

The problem is that we have all-too-often lacked the leadership and will to even try for solutions. Moreover, the foreign-owned companies that own much of our resources sector are not interested—their concern is to get stuff out of the ground as cheaply as possible, and send up howls of protest when it is suggested that royalties should be raised. Once they have exploited the resources they will be gone but we’ll still be here.

Yet it is hard to debate these issues in Canada even among Canadians in a non-divisive way. Even Bank of Canada Governor Mark Carney has become political, attacking those who worry that our single-minded focus on resources is a risky strategy and environmentally not sustainable. In a recent speech he even contended that high resource prices are “unambiguously good.” Not so, and he should know better. A steady rise in oil prices, for example, has big distributional impacts on the economy and consumers.

Farmers are big energy users so their costs rise, as does the cost of their chemical fertilizers, which means higher food prices. Trucking companies, airlines and railways must pay more for their fuel, which
is passed on to consumers. Individuals face higher prices at the pump and manufacturers face higher input costs.

So we need a much better understanding of where our future interests lie, which means an innovative and highly-productive knowledge-based economy that is well diversified and which brings prosperity to all parts of Canada. The CIC report is helpful on resources but we need a much wider debate our future course if we are to have a prosperous country from coast to coast.

Unfortunately, we are not getting that. The Harper government is pushing the resource-based economy. As former Harper Cabinet minister Jim Prentice puts it in the CIC report, “there’s no shame in hewing wood and drawing water as long as you are the best in the world.” Fair enough, but that will not position Canada for success in the 21st century. NDP leader Thomas Mulcair is vilified by both Conservatives for Liberals for being “divisive” when he talks of a more balanced and sustainable economy. For their part, the Liberals attack both the Conservative and the NDP but have no ideas of their own to offer. We need an adult conversation on our future.