

**HONOURABLE GORDON HOGG  
MINISTER OF STATE FOR MINING**

**SPEAKING BULLETS**

**AME BC Speaker Series Breakfast Key Note Presentation**

**"RESILIENCE IN THE B.C. MINING INDUSTRY"**

**December 9, 2008**

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**Time: 7:30 TBC**

**Speech: 25 minutes**

Check against delivery

## **INTRODUCTION**

- Thank you for the kind introduction Len Boggio
- I would like to acknowledge the Coast Salish people on whose traditional land we are gathered today.
- Last week we announced the extension of the B.C. Mining Flow-Through Share Tax Credit to the end of 2009.
- And the formation of the Economic Task Force for Mining.
- This task force will:
  - Bring together industry leaders to monitor the economic situation.
  - Recommend measures to mitigate the effects of the global downturn on the mining industry.

## **MINING SECTOR UPDATE**

- In 2001, we began the process of revitalizing the mining sector to achieve the Province's goals for:
  - Unprecedented job creation.
  - Developing our mineral resources in a responsible, sustainable manner.
  - Developing our New Relationship with First Nations and working with them on mining issues concerning access to land.
- Today we have in operation:
  - 9 metal mines.
  - 9 coal mines.
  - Over 30 major industrial minerals quarries and mines.
  - More than 500 aggregate pits.
- As you well know, British Columbia is a global leader with our award-winning online data access systems for mineral exploration.

- The Fraser Institute World Survey of Mining ranked B.C. among the top in the world last year for the quality of our geological database.
- Mineral Titles Online and MapPlace are two of our most important technological advances.
- We're the second largest exporter of seaborne metallurgical coal in the world.
- We're one of Canada's largest producers of copper.
- In 2006, the mining and minerals sector employed 28,000 people in over 50 B.C. communities:
  - 13,000 directly employed.
  - The rest in smelting, refining and downstream mineral processing.
- Geoscience BC's QUEST project is helping to:
  - unlock the province's mineral potential.
  - diversify communities.
  - stimulate new economic activity.
- Over 1 million hectares of new mineral titles have been staked within the boundaries of the two areas since project inception.
- The Province has provided a total of \$11million to the QUEST/QUEST West program.
- This includes: \$5 million in 2007 ---- and a further \$6 million in April 2008.
- This funding was used to accelerate the mineral exploration and geoscience projects in pine-beetle affected areas of B.C.
- In total, QUEST-West surveyed 40,000 square kilometers of pine beetle-affected area, from Vanderhoof-Fort St. James to Terrace.

## **OUR SUCCESSFUL PARTNERSHIP**

- The AMEBC has been an important part of the development of mining in B.C.
- Your support has been instrumental in the growth and prosperity of the mining industry for nearly a century.
- And in particular the past seven years.
- Partnerships like ours are important to the continued success of mining in B.C.

## RECENT ECONOMIC PERFORMANCE

- The value of the B.C. mining industry is estimated at \$5.6 billion for 2007 --- up from \$2.9 billion in 2001.
- The world's number one cluster of exploration and mining professionals is now based in British Columbia.
- Over 50 per cent of Canadian exploration and mining companies are now based in our province.
- In 2007, B.C.- based companies raised a staggering \$6 billion in equity capital in this sector.
- This is about 37 per cent of the total equity capital raised by Canadian listed exploration and mining companies.
- Vancouver is a centre for the more than 400 mining industry service suppliers.
- However --- the recent downturn in the global financial markets has affected all sectors.
- The cyclical nature of commodity prices has slowed the demand for some metals, such as molybdenum and copper.
- This has directly impacted the mining industry such as:
  - Care and Maintenance - eg. Myra Falls mine near Campbell River (effective Dec. 27, 2008).
  - Scaled back operations - eg. Greenwood Gold and Copper mine at Merritt (45 workers affected).
  - Postponed development – eg. Davidson Molybdenum
- Our thoughts go out to all affected employees and their families.
- Now -- more than ever -- we need to work together to build a strong, sustainable mining industry.
- The latest Provincial Outlook report shows the Conference Board of Canada expects B.C. to show economic improvement into 2009.
- We have a triple A credit rating which will help with lending confidence.
- But conventional financings will be difficult until the world financial system has been recapitalized.
- Exploration spending is anticipated to be lower in the coming months.

- However -- B.C.'s mineral industry is resilient and has a strong foundation.
- We are in a good fiscal position to weather the current financial situation.
- And the weakened Canadian dollar makes our commodities more attractive.
- We are also well positioned geographically as Canada's Pacific Gateway, which gives us a competitive advantage.
- B.C. is in a good position to participate in Asia's economic prosperity.

## **ASIA PACIFIC TOUR**

- Asian investors will play a key role in the development and continued prosperity of B.C.'s minerals sector.
- Despite the economic situation around the world, China's economy continues to grow.
- The country is embarking on an enormous infrastructure program.
- One headline in a Chinese newspaper said that economic growth was going to drop to 10.4 per cent next year.
- I can't remember when we saw an economic growth rate of 10.4 per cent in North America.
- So, as China and other Asian countries embark on their growth strategies, British Columbia's mining sector is definitely on their radar.
- In Late November, China slashed interest rates to boost its economy.
- This has raised investor optimism about a boost in global demand for metals.
- Asian investors are anxious to invest in joint venture partnerships with British Columbia companies.
- They see a real opportunity with the current lower market prices.
- In November, I led a delegation on an Asia Pacific 2008 investment mission.
- Your president and CEO, Gavin Dirom, was a part of this mission.
- This was our third trip to China.
- These trips are crucial to developing personal relationships with investors in China.
- We know that this is how they do business -- they want to know you and trust you.
- Among other things, we attended the China Mining Conference.

- Throughout the mission we reassured Asian investors that the economy in British Columbia remains strong.
- B.C. is open for business when it comes to mineral exploration and development.

### **MINISTER'S COUNCIL ON MINERAL EXPLORATION AND MINING**

- As many of you know, one of my first actions as Minister of State for Mining was to start a Minister's Council on Mineral Exploration and Mining.
- The intent of the Council is to ensure that industry and First Nations are informed and involved in the formation of public policy.
- Your representative is Gavin Dirom.
- The council will help identify conditions necessary for the long-term success of mineral exploration and mining in an evolving environment.
- The Council has developed a Work Plan that recognizes jointly identified priorities for all members.
- The council held its third meeting last week, and I am encouraged by the progress made to date.
- At that meeting, Premier Gordon Campbell came to listen and speak with the industry.
- I think it's a good indication of the importance this government puts on the relationship with our partners in the mining industry.
- And the Minister's Council is already producing results – both Resource Revenue Sharing with First Nations and the funding for the environmental assessment of the electrification of Highway 37 are just two examples and I will expand on those in just a moment.

### **HIGHWAY 37 ELECTRIFICATION**

- The Province remains as committed as we were last year to building this transmission line.
- It's important that we continue to build B.C.'s infrastructure to remain competitive globally.
- We have \$250 million on the table and are challenging industry to join us, put a plan and financing forward to make the Northwest Transmission Line a reality.
- The Northwest Transmission Line is a \$400 million project that will carry power 358 km from Terrace to Bob Quinn Lake.

- It could potentially support the development of 10 new mines and create an estimated 10,700 jobs, according to MABC's recent studies.
- This project will take advantage of the vast mineral potential of that region and continue to develop the infrastructure of the northwest.
- It will also help to realize the potential of the Prince Rupert Fairview Container Terminal.
- Building the NTL project will depend on an environmental assessment, permitting and First Nations consultation.
- In September the Province announced that it will invest \$10 million to move forward on the environmental assessment work and First Nations consultation required for the construction of the NTL.
- Community and First Nations engagement has begun through a process of consultation and information exchange.
- Future public and stakeholder engagement will include meetings, public open houses and information sessions by the BC Transmission Corporation.

## **INDUSTRY INCENTIVES AND TAX CREDITS**

- The Province has cut business taxes, extended tax credits, streamlined regulations and provided tax incentive programs to reduce the cost of doing business in B.C.
- On December 5, we announced the extension of the Mining Flow-Through Share Tax Credit to the end of 2009.
  - It is subject to approval in the legislature.
- Flow-through shares provide a non-refundable 20 per cent tax credit to qualifying grassroots exploration expenditures in British Columbia.
- Flow-through shares allow exploration companies to pass eligible expenses to investors.
- Allows investors to deduct 100 per cent of the eligible exploration expenses (under federal income tax rules).
- The combined effect of the flow-through share deduction, the federal credit and the provincial credit for an individual investor is to reduce the cost of a \$1,000 investment to about \$383.
- The tax credit is available only to individuals.
- The Mining Exploration Tax Credit has been enhanced to 30 per cent for exploration in areas ravaged by the mountain pine beetle infestation.

- Exploration outside the areas affected by the mountain pine beetle will still be eligible for the 20 per cent tax credit.
- This tax credit is harmonized with the Federal Exploration Investment Tax Credit, which can make the after-tax cost of \$1,000 of eligible grassroots exploration in B.C. the second lowest in Canada.
- Government has streamlined regulations reducing duplication by over 30 per cent.
- The Province has also reduced business taxes and is committed to a zero net increase in regulations between 2004 and 2012.
- The Province has also cut corporate income tax to 11 per cent and eliminated provincial sales tax on machinery and equipment.
- The mining industry has responded by continuing to increase investment in our province.

### **FIRST NATIONS RESOURCE REVENUE SHARING**

- We are proud to be the first Canadian province to implement a revenue sharing approach with First Nations.
- This is a significant step forward for new mine development in British Columbia.
- And a clear demonstration of the Province's commitment to the principles in the New Relationship.
- There is no cost to the mining industry – this is a commitment by the Province to resource revenue sharing from new mines.
- Resource revenue sharing will be part of the negotiating process with First Nations on a project-by project basis.
- The revenue sharing approach will be applied where there is a proposed project that will result in a new stream of direct resource revenue to the Province.
- This process will ensure that First Nations will receive resource revenue throughout the life of those mining projects.
- The key benefits from resource revenue sharing will be a strong focus on community development to assist First Nations in meeting their social and economic goals.
- We expect the mining industry will continue to do its part to work with First Nations and continue to do impact and benefit agreements with aboriginal communities.
- We already provide Economic Benefit Agreements for Treaty 8 communities around oil and gas, and more than 150 First Nations share in close to \$224 million in forestry revenues.

- Resource revenue sharing will help to build a more inclusive and prosperous future for all British Columbians.

### **HUMAN RESOURCE – MINERAL AND MINING LABOUR TASK FORCE**

- In British Columbia's mineral exploration & mining sector, up to 40 per cent of the workforce will retire over the next 10 years (e.g. Teck).
- The projected job openings, even in times of economic uncertainty, give us indications that this industry will need new and highly skilled workers.
- Women, aboriginal youth, persons with disabilities and immigrants are under-represented in the workforce.
- We are working with the industry to support efforts to meet labour market demands.
- Industry representatives formed the Mineral Exploration and Mining Labour Shortage Task Force to plan for the impending labour shortage.
- On November 28th, I participated in a meeting to discuss the Human Resources Strategy developed by the Task Force.
- Recommendations were put forward for the committee to review their priorities and deliverables according to new economic environment and revised labour market numbers.

### **FEE STRUCTURE FOR TENURES (CLAIMS)**

- I am aware of some of your concerns with our present system.
- There have been many discussions over the last few years about how to improve it.
- We want to improve the current system and will work with industry on this.
- And we welcome your input.

### **FREE ENTRY**

- Land owners may not be aware that a free miner has a right of access to minerals and that the entry onto their land does not constitute trespass.
- Similarly, free miners may not be aware of specific concerns with entry that a land holder may have; for example the time of entry or exploration work near water resources.
- For these reasons, we have amended two Acts to address any potential conflicts between free miners/mineral developers and property owners.
- At the First Nations Mining Summit meeting in Prince George the First Nations called for Aboriginal rights and title to be recognized in a provincial Act.

- We recognize that this is an important and sensitive issue.
- We have begun preliminary discussions on this issue and expect this to be brought back to the Minister's Council table at the next meeting.

## **PERMITTING PROCESS**

- Streamlining the permitting process is top of mind for the mining sector.
- We are continuing our work on streamlining the environmental assessment process with the MPMO (**MAJOR PROJECTS MANAGEMENT OFFICE**).
- B.C. raised this issue with the federal government as the single most important opportunity for collaboration.
- The number of permit applications has increased by 50 per cent since 2003.
- The complexity of project reviews (not only in B.C. but world wide) has also dramatically increased.
- These complexities have caused the average time to process Mineral Exploration permits to increase by about 50 per cent.
- The ministry has doubled the number of mines staff dealing with permits and inspections in B.C. in the last three years.
- The busiest regions (northwest and northeast) have the shortest turnaround time.
- Average permit issuance time for the mining industry is shorter than the majority of referral times for the forest industry.
- Government is designing new processes to ensure resources across government are working together to address shortages where they are needed.
- Examples include:
  - Front Counter B.C.
  - First Nations consultation co-ordination.
- I have asked for a specific, MOU-like agreement for harmonization of the environmental assessment process.
- I have asked my counterpart from Natural Resources Canada for a dedicated meeting with all federal departments in Ottawa in January to discuss further action... including the devolution of delegated authorities.
- The Premier has also brought this issue to the attention of the Prime Minister.

- And B.C. may be used as a model for federal/provincial regulatory streamlining.
- The above, and other topics, are examples of the action items identified in the Council's Work Plan.

## **WORKPLACE SAFETY AND CHIEF INSPECTORS OFFICE**

- The safety of our workers is a top priority.
- I'm proud to say that the B.C. mining industry is a leader in workplace health and safety.
- Mining in B.C. continues to be our safest heavy industry.
- Our goal is to not only keep it that way, but to continually improve it.
- Chief inspector of Mines, Doug Sweeney, and his staff continue to diligently work toward this goal.
- However, he has a word of caution as we navigate the challenging times ahead.
- During times of transition, when mines scale back operations or go into care-and-maintenance cycles we typically see an increase in the frequency of accidents in the workplace.
- We know that mine operators are optimizing their operations fiscally, but they must stay alert around issues of safety in the workplace.

## **HEALTH SAFETY CODE**

- The Health, Safety and Reclamation Code for Mines in British Columbia was revised based on recommendations to address the tragic accident at the Sullivan mine.
- The Health, Safety and Reclamation Committee reached consensus on all proposed amendments including:
  - Enhancing the reporting requirements for accidents and dangerous occurrences on mine sites.
  - Enhancing safe work procedures respecting confined spaces on mine sites.
  - Establishing best practices for confined space entry.
- All of the inquest recommendations have been addressed and most have been incorporated in the revised Health, Safety and Reclamation Code for Mines in British Columbia.
- The amendments include:

- Adopting new reporting requirements for mine managers in the event of an accident or dangerous occurrence.
- Creating consistency with WorkSafeBC standards.
- A 24/7 mine emergency line went live in September 2008 to provide B.C. paramedics a contact with an on-call inspector in order to provide advice in the event of a mine emergency.
- We'll continue to be diligent on safety for all of our workers.
- With approximately 10,000 permitted mine sites in the province, mine inspections are based on the assessment of risk and upon non-compliance with the health and safety provisions as outlined in the *Mines Act*.
  - This includes 700 operating mines, pits and quarries, sand and gravel operations, exploration sites, placer mines and abandoned mines.
- In 2007 there were over 700 inspections carried out at B.C. mines.

## **MOVING FORWARD**

- We are managing the things we can in order to ensure viability of a strong, secure mining industry in British Columbia
- The Economic Task Force for Mining will give valuable input in the development of a plan of action to keep B.C.'s mining industry economically viable.
- We will continue to develop relationships with investors in Asia to foster investor confidence and increase investment from our Asian partners.
- British Columbia's mineral resources are under-explored.
- Approximately .05 per cent of British Columbia's land is used for mining, a very small footprint, so we have considerable space for more mines.
- The Province has a growing inventory of more than 12,000 mineral and coal occurrences.
- There is potential for a wide variety of deposit types including:
  - copper-gold.
  - copper-molybdenum.
  - gold-silver.
  - iron oxide.
  - Gold, nickel.

- lead-zinc.
- Metallurgical and thermal coal.
- Our government's attractive policies are encouraging more exploration and investment each year.

## **CONCLUSION**

- We are encouraged by the collaboration of industry and First Nations representatives to work towards viable solutions in the mining industry.
- The energy and enthusiasm of members of AME BC show an impressive commitment to make sure that mining in B.C. remains strong and competitive.
- Partnerships and collaboration are what are needed to ensure that British Columbia remains resilient and ready for business.
- Thank you.