

HANSARD

NOVA SCOTIA HOUSE OF ASSEMBLY

COMMITTEE

ON

RESOURCES

Thursday, January 19, 2012

COMMITTEE ROOM 1

**Mining Association of Nova Scotia
Re: Provincial Fuel Tax Regulations**

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Resources Committee

Mr. Sidney Prest (Chairman)
Mr. Jim Boudreau (Vice-Chairman)
Mr. Howard Epstein
Mr. Gary Ramey
Ms. Lenore Zann
Mr. Leo Glavine
Mr. Andrew Younger
Mr. Alfie MacLeod
Mr. Chuck Porter

[Mr. Jim Boudreau was replaced by Mr. Leonard Preyra.]

In Attendance:

Ms. Jana Hodgson
Legislative Committee Clerk

WITNESSES

Mining Association of Nova Scotia

Mr. Pat Mills - President
Ms. Linda Deschenes - Executive Director
Mr. Kim Conrad - Owner, Conrad Brothers

HALIFAX, THURSDAY, JANUARY 19, 2012

STANDING COMMITTEE ON RESOURCES

9:00 A.M.

CHAIRMAN
Mr. Sidney Prest

MR. CHAIRMAN: Good morning everyone and Happy New Year. We're starting off with a nice, crisp morning out there and hopefully it will continue for several months, our fine weather.

We will get underway and we will start with introductions of the members of the committee.

[The committee members introduced themselves.]

MR. CHAIRMAN: We have the agenda and our witnesses are from the Mining Association of Nova Scotia. We will have the members of the association introduce themselves, we will start with a presentation, and there'll be a question-and-answer period after the presentation. So we will pass it on to you.

MR. PAT MILLS: Good morning. My name is Pat Mills; I'm president of the Mining Association of Nova Scotia. Accompanying me is Linda Deschenes, who is the executive director of the association, and also Kim Conrad. Kim owns and operates a large aggregate quarry in Dartmouth and is also a member of the association.

First of all, I'd like to thank you for the opportunity to speak to you. I realize that you people are very busy and you have a lot of call for people to make presentations, so we very much appreciate the fact that you agreed to hear our presentation.

Today I'd like to talk about the importance of the mining and quarrying industry in Nova Scotia, talk about its impact on the economy, a bit of the history and what exactly it does, and then a few of the issues.

The mining and quarrying industry contributes over \$500 million to the GDP of the province. There are 3,000 direct jobs and 3,300 indirect jobs. Probably all or very close to all of the direct jobs are located in rural areas and a good portion of the indirect jobs are located in rural areas.

The mining and quarrying industry is the highest paying industry among the resource industries. The average pay is in the order of \$1,000 a week, it's better than \$1,000 a week.

Mining has a long history in Nova Scotia. Products - coal has been produced, gypsum, limestone, aggregate has always been a product that is produced in the province, gold, lead, zinc, tin, barite. There have been a variety of products over time. At one time iron was mined in Nova Scotia, so there have been a lot of products over time that have been produced in Nova Scotia.

In 2008 we based our figures, when we started this process, we picked the latest official figures so we used 2008, and in 2008 there were 22.5 million tons of minerals produced in the province; of that, 15 million tons were aggregates. Aggregates really are an essential part of the Nova Scotia economy and Nova Scotia life. Aggregates work out to about 12.5 tons per person in Nova Scotia that's consumed every year. These are used in road maintenance, road construction, all concrete work, building construction, water and sewer construction, so they're an essential part of today's life.

There's an aggregate quarry, Martin Marietta's on the Strait of Canso, which ships - in busy times when the American economy is booming - five to six million tons a year of aggregates. Nova Scotia is blessed by having hard rock on water, and the American market and the Caribbean market have a high demand for aggregates, so there is job opportunity there. An aggregate operation that produced two million tons a year creates in the order of 90 jobs. It also generates in the order of about \$1 million a year in revenue, so aggregates play an important part in the province and also have the potential to play a bigger role in the province.

Gypsum in 2008, there were five million tons of gypsum shipped out of the province. Gypsum has been a part of the Nova Scotia mining scene from the very early times. Gypsum used to be loaded on schooners, what they used to call man-sized rock. They would load the schooners and it would go into the New England market. It was plaster, plaster of Paris, so gypsum has always been a part of the Nova Scotia mining scene. Right now gypsum in the American economy and the housing market is in severe depression. Where we were shipping five million tons a year, I think the total last year was less than two million tons, so it's a cyclical business. Now we're in a low cycle and I think we eventually will be back, if not all the way, close to much higher production levels.

Coal has always been a part of the Nova Scotia mining scene. In 2008, there was 800,000 tons of coal produced. Right now there is a proposal with the Donkin mine that's going through an environmental assessment. If that goes through, it's two to four million

tons a year that will produce. There's \$200 million of capital that will be invested; there are 200 jobs that will be created. The monies that we talk about creating, opening mines and quarries is all new money; it's money that has come in from investment; some local investment, but also investment from outside. It's not tax money and it's not government money.

Salt production: Nova Scotia has been producing, since the 1950s at least - and probably before that - a lot of salt. In Pugwash on the North Shore is Canada's salt that they produce in the order of 700,000 to 1.25 million tons of gypsum, depending on the market, depending on the snow. They're a big supplier of salt for highway use and also food-grade salt. They employ 100 to 150 men, again, depending on their production volumes.

Lead-zinc has been produced. There is a lead-zinc mine in HRM actually, in the Carroll's Corner/Gays River area. It started in 1980 and it operated on and off. In 2006-07 it started up full time, open pit. It operated quite well until the price of lead-zinc dropped with the slump in the world economy, but now it's back. The mine has been bought by another company and it's being activated, so there will be 100-plus jobs. It's going through the activation stage now.

Nova Scotia was a very large gold producer at the turn of the early 20th Century. On a regular basis, for about 30 or 40 years, it was shipping 500 to 700 kilograms of gold a year. It was a very active gold producer. It died out in the 1940s, mainly because of the price of gold. The price of gold now is very high and so there's a lot of exploration going on. A lot of areas in the province are gold-bearing areas. There is one mine that has gone through the environmental approval, Atlantic Gold - they call it the Touquoy project which is in Mooseland, again in the HRM area - and that should be in production next year. There is \$80 million in investment on their part; there are probably 200 jobs during the construction phase and about 170 jobs ongoing while they do the mining. The life of the mine is expected to be 15 years or so.

In the quarry-mining process there are three essential components. The first component is you have to have a favourable geology and Nova Scotia does have that; you can see from the range of minerals that have been produced over the years and are being produced. There is that and right now there is a lot of exploration going on for rare earth and Nova Scotia has positive areas for rare-earth metals, so Nova Scotia has a positive geology. Also, Nova Scotia has good infrastructure. You can pretty well drive to any area in the province and that compares to places like Labrador, Northern Quebec, Northern Ontario, Saskatchewan, and the Northwest Territories where there's exploration going on, but it's a very expensive exploration. So Nova Scotia has the advantage that it's a smaller province and it has that infrastructure.

Also, Nova Scotia has a highly-trained workforce, a highly-skilled workforce that is comparable to any in North America and also a highly-productive workforce. These are all positive when it comes to the geology, the infrastructure of what Nova Scotia has to offer.

The second component is the exploration. The end goal is to have producing mines and quarries - that's what generates jobs; that's what generates economic activity. In order to get there you have to have an active, vibrant exploration industry. Exploration is sort of like finding a needle in a haystack, and one disadvantage in Nova Scotia is that the rock is covered over through all the geological processes and glaciations and all that stuff. In a lot of areas the rocks are uncovered like in Northern Ontario, Quebec and Labrador. Here it's covered so you have to find the deposits, and it's all about information and collecting information.

In the exploration process, a lot of it is highly technical - geo-techniques of very sort of high-end computer, electronic imaging and all this stuff. A lot of it is collecting the information that was there before - what did other people explore for? - and that's a big database.

The third one is people with what they call the "boot and hammer" technique. Actually, you have to walk over the areas, you have to collect rock samples and that is, again, collecting all the information and data you need to make the assessment. The government plays an important role in this. The Department of Natural Resources registers the claims and sort of looks after that whole process of ownership and claims, and there is work that has to be done to maintain claims. So they look after that, they assist in land access.

One of their biggest roles is the geological database that the province has. The province has always done studies over the years to help define the geology of each area. It has always been done by certain standards and they'll go through all the areas and upgrade it to the latest standard and then, of course, by the time they get to the end they have to start at the other end because technology has changed, information has changed. They're doing a very good job with the resources they have. They just completed one area to one standard and it's important, because now everything is going on-line and data is on-line.

That information is public-domain information, so that's important in the exploration process: what the provincial government has and how it can help exploration companies. They also have all the cores that are drilled under the permits, after two years they are turned over to the government. DNR has a core library of all these cores in Stellarton. It really is a valuable resource, because somebody who wants to look in that area can go and access these cores and see what's there. So getting that information, providing that information is important to the exploration companies.

The exploration is done by lone prospectors, by junior exploration companies. They really do the bulk of the work - small exploration companies in the province and prospectors in the province. Then there are also Canada-wide exploration companies and then there are large, international ones but usually the initial phase of things is done by local juniors.

It's also very risky. When you are in exploration, you don't get paid until what you've found actually goes into a production phase or you've found something of value. It's high risk and generally the funds that companies have come from raising it on the stock market or finding sources in other parts of Canada or even world-wide. It's in the government's interest, it's in Nova Scotia's interest, to have as much exploration going on as possible because you are trying to define the environment; you're trying to get that needle in the haystack. The more people that are looking, the more defined everything becomes and the better your chances of getting that deposit.

There are things that governments can do to assist that and help reduce the risk. One of them that New Brunswick, Newfoundland and Labrador, Quebec and Ontario do is have mineral incentive grants. This is where the prospector needs a grubstake to help him start off and whatever he puts up, the government matches. A junior exploration company puts up money and the government matches. That encourages more exploration.

The program in New Brunswick and in Newfoundland and Labrador has been very successful. They've been running it for five years and they have monitored the return on that. They've monitored how much has actually - what they've put into it, have they seen that come back in economic activities and revenues? They've seen it multiply by a factor of two so they have a lot of data, a lot of experience.

What we've done is worked with DNR; we have a program and we made a proposal to them to set up a mineral incentive-type program. It goes into the big meat grinder of the budget process, so hopefully we'll see something there. It's not large amounts; it's encouragement and it's at that sort of field level type of thing.

Again, the third thing is getting a mine or quarry into production. I work for National Gypsum. We've been at our current location since 1954, so since 1954 we've had 50 to 100 people employed, currently, consistently. We're not unusual; we've worked in the province since 1928. We originally worked in Cheticamp and Dingwall and then we moved down to this area. It's not unusual to have gypsum companies or some aggregate companies and salt companies that have been long-term operations and long-term contributors. Really, that's your end goal: employment and the generation of revenue or getting the economy going.

As far as operating in the province as a producer there's really not a lot of problems. There are always new regulations, new environmental regulations and new labour safety regulations. There's a consultation process and generally what works out, works out to the betterment of both parties - the people, the employees, and the province.

One of the issues that we have is fuel taxes. The fuel tax legislation was put in place in 1926 and since then there have been additions and growth and exemptions. It's a pretty thick text now, with all of those. The bottom line is that there are exemptions and rebates of fuel tax for fuel burned off-highway. The original intent was to generate funds to build roads and maintain roads. There have been exemptions put in place for manufacturing, for

forestry, for fishing and for farming. The fuel that they consume off-highway, they either don't pay taxes on it or the taxes they do pay are rebated. The tax we're talking about is 15.5 cents a litre for gasoline; 15.4 cents a litre for diesel.

Nova Scotia is the only province that does not exempt mining and quarrying. All the other provinces exempt mining and quarrying. When we started the initiative to see if we could change that law, the first thing was, how much are we talking about? How big and how broad is this? There really weren't any figures because we were paying tax on all highway and off-highway fuels. We talked to quarry operators and gypsum mine operators and different operators and found out, on average, how much fuel are they burning per product ton? We got a figure and then we applied that to those rates and it comes up to about \$2.6 million. Now that's based on 2008 production figures. In 2008, National Gypsum was producing 3.6 million tons so the amount of tax we paid was much higher. Now we're down to 1.5 million tons, so it's going to vary with whatever the volumes are, but in 2008 figures it was 2.6 million tons.

We strongly feel that tax should be rebated or the mining and quarrying industry should be exempt for four reasons. The first reason is the fact that we are competing with mine and quarry operators, aggregate operators in New Brunswick and Newfoundland and Labrador; gypsum producers from Spain and Mexico; and limestone producers in Quebec and Ontario and other areas. Most of these products are commodities. Gypsum and aggregates are commodities. They're low value in the market and so cost is a really important factor and they're very competitive. In St. Andrews, New Brunswick, a place called Bayside, there's a quarry operation there that is putting one to two million tons a year of aggregates into the U.S. market. Martin Marietta is putting into the same market - Martin Marietta has to pay the fuel tax, Bayside doesn't, so we're at a competitive disadvantage, so that's one reason - to make the playing field level and remove that one impediment.

The second point is that the \$2.6 million, if the mining and quarrying industry does not pay that, then that will be reinvested. I guess that's the question - will the companies take the money and run? The bottom line is that to survive in mining and quarrying, you have to be competitive, which means you have to be productive. There is a study that I've gotten a lot of these statistics out of and it's a study that's on DNR's Web site and it talks about the economic value of the mineral industry in Nova Scotia. I advise you to go there because it paints an excellent picture of what mining is and the economic impact. It's in PDF so it's easy to read; it's a good snapshot of the mining industry. It was prepared by Gardner Pinfold; it was a study that was commissioned by DNR in 2006, I think.

In the period they were looking at, they found that the mining and quarrying industry, the productivity increased 28 per cent over a 12-year period. That was a surprise to them, but it really isn't a surprise to an operator, because if you are not always getting better equipment, getting more equipment, getting more productive, increasing the skill level of your people, then somebody else will be doing that and then you'll be less competitive in the long term; you won't be in the market. So reinvesting in these times

right now in the gypsum industry, it's very tight, but we still invested, last year, \$3 million in capital for equipment. You've got to do that in order to be there and productive.

The money will be reinvested and if you took that \$2.6 million - and we commissioned Gardner Pinfold to look at our case for support for removing it and they did an evaluation using the same system and criteria that the Department of Finance do and they came up with 61 jobs that would create in the long term. So what we're saying is it will be reinvested and it will have economic growth.

The third reason that we think the tax should be eliminated is the fact that the mining and quarrying industry perceives Nova Scotia as not a mine-friendly province. The significance of that is if you go back to exploration, where does the financing come from? It comes from other areas that evaluate where they're going to put their money. Do they put it in Newfoundland and Labrador, New Brunswick, Nova Scotia, Quebec, Ontario, Mongolia, or whatever? They have to make that assessment and they assess - whether it's true or not, it's all perception - that Nova Scotia is not a mine-friendly province.

Some of the issues - you know, there's an expression that if you stir up old crap it still stinks, and the uranium ban is one of those. That's a good example of people investing money - and that's a long time ago, it goes back to 1983 and 1984 when it was initially put in place - but it's an example where there's investment in it, people were drilling and exploring for uranium, and then it stopped. The basis of them getting their financing to do that changed. Now, whether it's uranium or not, that's where the concern is and that's where the reputation is.

It's the same with quarries and aggregate quarries. People will go and invest money to put in an aggregate operation - Whites Point - and then it doesn't happen. So for whatever reason, you invest money and all of a sudden it's not there, where you perceived it would be. Now maybe it's perception and that, but it's still an important part in the mining process because you are depending on outside financing. You're not depending on government assistance or anything; you're depending on outside financing. So removing the fuel rebate tax would be sending the signal to the industry - and to the financial industry as much as the mining and quarrying industry - that Nova Scotia does things to encourage mining and quarrying.

The final reason is just that it's patently unfair; forestry, fishing and farming all get it. It's for fuel; we're talking about fuel burned off-highway, not about highway-consumed fuel. If we're talking about resource industries, we should be talking about resource industries.

Another point, and this is laid out in the Gardner Pinfold report that I think we've circulated to everybody, is that removing the tax is consistent with the jobsHere strategy because we are talking about high-value jobs. Some people may think that in mining and quarrying there are people who couldn't do anything else, and really that's not the case. I know in the mining operations, you have to have Grade 12 because the world today is a

whole lot different. Everybody, whether you are a labourer or an operator or whatever, you've got to go through WHMIS, you've got to go through safety training, you have to have a certain basic skill set and that's there.

You're talking about heavy equipment that costs millions of dollars; it's satellite-driven and computer-controlled, electronic, mechanical, hydraulic - complicated to say the least. You need skill levels to operate that and operate it safely, and you need skill levels to maintain it. The skill levels of Nova Scotia tradesmen are at the top of the line, so these are high-value jobs. The wages paid are high value and the technical aspects of a lot of the jobs are high. So these are high-value jobs.

Invest more: we're talking about attracting or more exploration to develop more deposits and the resources, developing quarries - so it's invest more, which is consistent with jobsHere. We're talking about innovate more and you're always innovating. Again, because that's what drives your productivity, you've always got to look for better and more productive ways.

Trade more - the consumption of aggregates in the province, as economic activity continues and there's money for roads and new work, there will be more products there, but also a lot of this is export-driven. A lot of the minerals that we're talking about are minerals that go into other areas, so we are talking trade more.

In conclusion, we are in times where there are job losses in the forestry industry, there are budget deficits and there is growing debt. The mining and quarrying industry is a significant part of the Nova Scotia economy and it's underutilized. There's a potential to grow jobs, there's a potential to stimulate and have greater economic activity which then would generate more government revenue, but it needs the support and commitment of the government, it needs to be that we are mine-friendly. That doesn't mean that we don't protect the environment, it doesn't mean that we don't have good, safe labour laws, that's not what we're talking about.

We're talking about small things, like mineral incentive grants, we're not talking large dollars, but there is something that encourages exploration. We're talking about the fuel tax, taking off a tax, I guess you can always find an economist who says it's a good thing to reduce tax and one who will say it's a bad thing to reduce tax, but overall it would send a message that this government and this province supports mining.

It also means putting resources into DNR. Governments have had a hard time and we appreciate that, we're going through budget cuts ourselves, but it's just part of an organization and cuts have to be made. In DNR you have a very highly-skilled workforce and if you can enhance what they do, then that will generate more exploration and support.

Increasing the speed of decision making - the industry perceives Newfoundland and Labrador and New Brunswick as very open and friendly to the development of mines and quarries. A lot of it is the speed of decision making. Companies and people who are

backing companies, I don't think mind the fact that we're talking about environmental protection and procedures as long as they're well-defined, you know what you have to go through, and you know how long it's going to take. It's when that changes through the process that it raises problems. The speed of decision making is important, having it clear and actively working toward developing mineral resources.

That concludes our presentation. I again thank you for the opportunity and we're open for questions.

MR. CHAIRMAN: Thank you. Just before we start the questions, we'll try to keep it to 10 minutes per committee member as we go around the table. If we have to go a second round we will, so if we can just watch our clocks. Mr. Younger.

MR. ANDREW YOUNGER: Thank you, Mr. Chairman, and I thank you for the presentation. There are a couple of issues I want to talk about. I will actually ask you about the fuel tax first; as you know, we - Mr. Conrad and I - have met on it fairly extensively and I had asked about it during Question Period. It's interesting looking at the list - it's a little bit of an odd list of those who are exempt now. Looking at it: locomotives are exempt; forestry and fishing, as you mentioned; actually, any company that produces electricity on-site for the production of their operations, regardless of the industry they're in, is exempt; well-drilling equipment is exempt, which is almost like a mining operation but you're mining for water in a manner of speaking, if you wish, but then yours is not; shipping - actually, the list seems to go all over the place.

I know that you've had some conversations with the minister, at least that's what he said in response to my question. What is your sense from the minister of where the government may be willing to go on that issue?

MR. MILLS: We met with him and it actually was quite a good discussion, we were there for about an hour or so. The bottom line is it goes to what the priorities are. He has to try to balance a budget and fund other activities and they're primary activities, so it was "we'll see."

MR. YOUNGER: So non-committal?

MR. MILLS: Non-committal, yes.

MR. YOUNGER: Tied into that it strikes me that I've met with a lot of especially younger people who have tried to make it here and have chosen to leave the province who were often on the engineering side of the mining industry or the exploration side. You mentioned some things such as the delays or the length of time for approvals, but what would you suggest are the most significant barriers compared to other provinces in terms of moving ahead with mining projects?

MR. MILLS: I think that length of time for approvals and being decisive is an issue. There are things like where other provinces have their claims and you can do it all on-line, and DNR is working towards that. It's a funding issue, but they're working in that direction. Being able to go on-line and get data, and being able to go on-line and register your claim and stuff like that, that sort of support is there in other provinces but isn't to the full extent here.

I think some of it is perception. The perception is that it's risky business, you don't want to get involved in Nova Scotia because you don't know where it's going to go - it's getting rid of that perception and a statement that we are in favour of mining and mining is an important aspect of the industry. A lot of people have the perception that mining is a negative thing and that the guy next door to you who works in a mine, at night he goes and pours oil in the environment and stuff like that. It's just the wrong perception and it's us working at getting our image changed.

MR. YOUNGER: About a year and a half ago I met with the previous executive director of MANS and we had talked about that very issue, that there does seem to be a perception - at least among some people - about the mining industry generally and that comes from, perhaps, a small number of bad cases that have occurred, not only in Nova Scotia but around the world, in terms of mines. What is the industry doing to try to change that perception and try to at least provide a balanced or more accurate view of mining operations?

MR. MILLS: I think it's sort of two levels. One of them is that people talk a lot about what happened outside of Nova Scotia and a lot of them, in the 1970s and 1980s, there are cases with Canadian mining companies that there were spills and there were things that just shouldn't be. If you go to the Canadian mining companies now, you'll see CSR talk a lot about - that's corporate social responsibility - you'll see that companies themselves are endorsing ethics - and it's all on the Web site - so the whole mining industry and companies see that there is stewardship and you are responsible for where you work and you have to contribute to it. They have about seven things to sustainability - people, environment, and economy - so you can see that change and you see it in all companies.

At the provincial level, I think it's also that people look at what happened with Westray, what happened in Springhill, what happened in Devco, and things like that. It really should be, what are we doing now? What's happening now? What has happened in the last 10 years? What we want to do is get that image out more, get communities and schools involved, and just publicize what the mining industry standard is today. The standard today - Nova Scotia has a pretty good standard and all producers have to meet that standard; I would say that 95 to 99 per cent of them do.

MR. YOUNGER: I would suggest that it's an important issue because - notwithstanding the fact that not every player in Nova Scotia in the mining industry is a perfect corporate citizen or has been ideal, either historically or, I would suggest, even currently; I think there's probably a couple of bad apples around. What I will say, my wife

worked in a coal mine in Colombia - as a teacher, not on the mining side - and I can tell you that there are a lot of people in Nova Scotia I talk to about coal mining, for example, who will reference things that happen in mines in Colombia, for example, and compare them to what is happening here.

Since I know what happens in those mines directly - it isn't similar, but there are issues - I think the industry does need to try to separate itself from these issues. We hear about Colombia just because we bring a lot of coal here from there. I think that's something that needs to be addressed and I think it's the industry's responsibility. I mean, there's government responsibility, too, but I think it is industry's responsibility to take ownership of that issue and to be willing to address concerns in the community when they come up.

The other thing I wanted to ask about - and I don't know if you want to answer this or maybe Mr. Conrad wants to talk about this - is the aggregate side of mining. Obviously we all want roads repaved or new roads built or we want foundations put in, and all that takes gravel and other forms of aggregate, but any time a municipality tries to site a gravel quarry it becomes an issue. I'm wondering what needs to be done to address that issue. Obviously there are residents nearby somewhere who have legitimate concerns but, on the other hand, it's impossible to move ahead any construction or building of anything without having access to aggregate within a reasonable distance because you can't be trucking the gravel from Conrad's pit to Cape Breton for a highway project, it's just not going to make any sense.

MR. MILLS: Let me address that and then I'll let Kim put his two cents in. I think what has to be done is the realization of the value of mining, what's the value of those aggregates? Not having it in our area, I think, has to go by the wayside because if we're all consuming - we all have our cellphones and we all need the things that mining produces - then we've got to be prepared to pay the price. I think it's a realization and I think that's image and education, again the value of mining.

Also, I think the next step is let's have areas - there are areas now with 12 per cent that we're protecting against development but we should have areas, I think, that are good aggregate sources and they be protected against development, residential development, and it's well-known in advance.

You do have to balance those because what drives the cost of anything, what makes Nova Scotia gypsum attractive is transportation cost. What makes aggregate viable between here and somewhere else is the cost to put it in a truck and take it somewhere. So it's just not efficient. Your example is that we're only going to have one quarry and it's going to be here and it's going to be 100 miles from anything else, then automatically you're adding a significant increase in the cost of whatever you're doing.

I think that eventually we've got to get to the point where there are areas where there are aggregates and those areas - DNR has an excellent map that shows aggregates

where they are all over the province, so let's have those areas and protect them against development.

MR. KIM CONRAD: Education in our industry is key over the years. Our own operation, we're out in the gold-mining district of Montague and there was nothing around. Now we've got a highway through our quarry, we've got houses being permitted within 100 feet of our rock faces where we're blasting. Education in the schools and we have progressed to a point of doing some education.

I held a QuarryFest this October - Oktoberfest, QuarryFest - anyway, we just did it for the residents mostly. We had our equipment displayed and the equipment people at Caterpillar were there with some of their machines. People were able to become familiar with what we are and if they hear a rumble twice a week or something in the house, what actually is going on.

I think we didn't have a negative comment. We had bus tours all around our quarry and they went over exceptionally well. They went from 10:00 a.m. to about 2:30 p.m. and people were asking the right questions, how we explained the technology that was coming for drilling, blasting, even grading and how our industry in general promotes new technology. We had kids in there who could - we had a simulator; Caterpillar has a simulator for training purposes and the kids were doing better on the simulator grader than some of the older people.

I think the education in what we do is a big part of it, whether it is the media or special interest groups, they run on fear and that's a dangerous thing. They don't have to have facts, they can blurt out whatever they want, and it really is hard to recover from that. But it's a process that we're working on daily for education being more efficient and we are more environmentally sensitive, since the mining 50 years ago. Aggregates in metro, for instance, years ago we might have been at one million tons per year; now we're about 3.5 million tons of it. So with that, we've had to become more environmentally and socially conscious.

It's a difficult balance and that's all we're trying to do, and keep people employed. One fellow has been with us for 42 years. There was another fellow that was with us for 47 years. When people get in this industry, it gets in your blood and you want to continue and work along. It's like a big family, really.

It's a good business and the whole mineral industry, for what it puts into the province, we use less than a half of a per cent of the land mass. It's mobile and once you're finished with a mine, our quarry or any quarry, it can be multi-use, so mining and quarrying is just part of evolution of transforming the landscape into something different to use it for. It's not - poof! - gone.

MR. CHAIRMAN: Ms. Zann.

MS. LENORE ZANN: Thank you. Is that 10 minutes already? Thank you very much for coming in. I found your presentation very interesting. I'll start off by saying I'm really glad to hear you talking about the mining industry now, these days, feeling a sense of responsibility, stewardship and social conscience because I'm sure that is a large part of the fear that has been generated over the years. Now that I'm in government, I do see how easy it is for people to go to a fear factor and for that to go from zero to 60 in two seconds and then it's really more what people say happens, rather than what actually happens, and then that snowballs, so I can understand your perspective as well. It really is, I think, important to see that it is a balance in the stewardship of the land and in social responsibility, as well as using the resources to create wealth for people.

Obviously when it comes to uranium, I think that these days, people are looking to invest in companies that do have a green perspective and who do care about looking after our natural resources, our people and their health. I would suggest that actually Nova Scotia would probably be a place where people might want to invest because they know we're trying to find a very good, healthy balance here.

I'm also really interested in the gold-mining industry. I was reading the other day about our gold prospects and how, my goodness, gold has gone up 171 per cent from five years ago. It's now U.S. \$1,740 an ounce and a 16 per cent increase in Nova Scotia acreages staked for gold exploration during the first eight months of 2011, compared to a year earlier. That's pretty exciting and so I was wondering if you might want to talk a little bit more on that. It says here that Diane Webber, who is a geologist with our Department of Natural Resources, says there is a lot of important job potential for struggling rural areas and that Acadian Mining President Grant Ewing said, "We may be on the verge of creating a new industry in Nova Scotia." Could you talk a little bit more about that?

MR. MILLS: Yes, the gold mining, as I say, historically, I think it started in 1880 or 1870 when the rush started and it was all over - I mean outside Enfield, right where the quarry is, so it grew. Then the price of gold was fixed, of course, at \$32 an ounce. Then it was unpegged.

In the 1980s there was a rush on it because the price had spiked at \$700 an ounce or something like that. It just shows you where it all goes. What has happened in the meantime is the price, of course, is way up, and in gold the technology and innovation of refining and getting the gold out has changed a lot. Now it's all the cost per ounce to get the gold out, as against the price of gold, and it's quite favourable.

There's a lot of exploration but we've got to make the leap into production. There are some prominent gold people around: Terry Coughlan, Peter Ackerley and Will Felderhof. This is what they do, they go out and find gold deposits and sometimes they develop them. Their point of view is there's always a lot of exploration and as the price goes up, there's even more exploration, but we need producing gold mines. If you get a producing gold mine, then you'll get another producing gold mine and you'll get another producing gold mine. It's getting that critical mass.

Atlantic Gold and their Touquoy project, that's happening. They went through a seven-year process. Part of it was the environmental process but a lot of it was due to the land ownership and stuff like that, but next year it will be there and it will be producing. If we can get Acadian - they're right on the edge of producing - producing two or three gold mines, then that will get more. Then the confidence of the investors will go up and so we'll see more of it.

I don't have a production background or an exploration background, but just talking to these people and getting an understanding, they're confident that there are four or five gold mines that can be operating here, because of what they know of what the gold prospects are. They have credibility because that's Etruscan Resources and that's go, go and stuff like that.

MS. ZANN: Are there any particular hoops that they're trying to jump through to get to that point, or it's just taking awhile?

MR. MILLS: I think it's getting one in production. As I say, there had been a small one - I think Dufferin Mine was on and off in the 1970s and 1980s but there was no full-fledged gold production. Acadian did run for a while out of Gays River and they refined some of it. Now there's a dedicated one and if we get that one going - there's a lot of expertise coming into this province. The people who initially founded Atlantic Gold are Australian-backed money. It's all over, where they come from, but the expertise to find it and do it, there's so much of it that's Nova Scotian. I think we need critical mass, almost like biology - you need critical mass in order to get it going.

MS. ZANN: I'm from Australia originally, from Sydney. My great-great-uncle or grandfather, one of these people in my family, actually was one of the first gold miners in Australia, up in Eureka. He was a gold miner, he went up there with a stake and they helped create the Eureka Stockade, where they complained that the mining people weren't making enough money so they had a big strike, the gold strike. People died, there were people shot. My great-great-whoever he was, was at the front of it. He survived and in the end, actually, they put him in government, so I guess I come by this honestly. But I have a large interest in gold.

MR. MILLS: It was for a long time - from the 1880s to, I would say, the 1940s - viable and ongoing. The first CBC broadcast came out of a collapsed gold mine so it has been there. The resources, again, it's that needle in a haystack - finding it, defining it, getting financing to help you find it, and then it's a cycle from there.

MS. ZANN: One last question: for young people here who want to study or go to Nova Scotia Community College or wherever, to get this trade, to get the skills, which skill is it that we should be suggesting that they go into? Which part of the mining operations?

MR. MILLS: It's interesting: at Dalhousie University there is a mining engineering course. It has gone up and down; it goes feast to famine, just like the cycles of mining. In

the 1980s and 1990s they wouldn't have had a lot of people, to the point that they were concerned about whether to keep going. Now there are a lot of people in that program. That's a good program and that has resources.

The community college system produces excellent tradespeople in welding, electronics, and stuff like that, but we really have a hard time keeping heavy-duty mechanics. We just can't keep them because everybody is going out West, electricians are going out West. The skill sets are there, there are good moves happening. There's a bit of controversy in the mining industry and quarrying industry about moving blasting into community college, but overall it's probably a good thing. Getting certified training for operators is all good stuff. So that stuff is happening; it's just getting the jobs.

MS. ZANN: And keeping them here.

MR. MILLS: And keeping them here. I mean it's this support for mining - the province has got to become supportive of mining and vocal about it, then that will attract more and you get more jobs.

MS. ZANN: Thank you very much.

MR. CHAIRMAN: Thank you, Ms. Zann. Just for the record, I'd like to announce that gold was first discovered, just about a mile from my house, in the Village of Mooseland. And probably the first gold mine that's going to be operating is only nine miles from my house - the open-pit mine. So anyway, you can all come down and share with us. Mr. Ramey.

MR. GARY RAMEY: Thank you, Mr. Chairman, and thanks for coming in. I have a question related to the relationship, if there is one - and I don't think there is - between oil and gas exploration and mining. No connection at all; or a connection?

MR. MILLS: Not really, no. We are still resource-based and on land. It's dealing with rural areas and it's finding the stuff going on in Inverness and all that, so it's similar in that process, but between the mining and the oil, there's not a lot of connection, no.

MR. RAMEY: The reason I bring that up, Mr. Mills, is I think when we're talking about perception - Mr. Younger raised, and I guess to a certain extent Ms. Zann did, too, regarding perception. The word "drill" is used when you're talking about oil and the word "drill" is used in mining, and I think when people hear about drilling, you have to understand that the ordinary citizen probably doesn't go, just a minute now, that's mining, I guess they're drilling for stuff.

MR. MILLS: It is access to land. It is in rural areas, and when you drill in the exploration phase, if you get some indicators then you have to go in and drill and take out cores that are probably an inch and a half by the length of the whole - and then you split

those and look at them. At that phase it's land access, going out there, drilling, and talking to landowners and stuff.

MR. RAMEY: Understood. I guess my point is that some of the bad press that possibly comes to the mining industry is a direct result of the oil and gas industry, and some of the booboos that have happened in that get tagged onto you. I'm not saying that's true or false, I'm saying I think that could happen. I think when people think of the BP mess in the Gulf, I don't know if they think that's a mining accident or oil - I mean, they know it was BP and they know they were drilling for oil, but I'm not saying that they're making a distinction between your industry and theirs.

You cited, I think, Devco and what I always thought was a ridiculous term called "the Bump" in Springhill. The Bump was a huge explosion that I remember very well as a young child, watching that on the newly-acquired television that we had. I think for some of us - and I think it's probably another issue - Nova Scotians in my age bracket, that had a huge effect on me. It was a sad and unpleasant memory from my childhood, watching those people and what they went through. And you cited more recently, Westray and so on.

I think the other day we saw on TV or read in the paper about a fracking accident in Alberta in which a well blew out and the mess that created. And, of course, there's Keystone Pipeline, the tar sands and all the rest of it. I do think these international things - and that's got nothing to do specifically with you or Nova Scotia, but I do think those things have an impact. Mr. Younger mentioned Colombia, I believe, but daily you hear about mining accidents in China. Well, we're not in China, we have different standards, but there's almost a weekly or monthly mining accident in China because it gets blown off, you have lots of people, get some more, let's keep going. So those are negative things.

The second thing I'd like to just mention briefly is gold mining. Ms. Zann was talking about that a lot, but there were mines in my area, particular in the Hebbs Cross area near Bridgewater. To this day there's arsenic in all the wells down there; the drilled wells, not the dug wells. When you get into the deep core you get arsenic; you can pretty much guarantee it. That's another unpleasant memory that goes back to another era, I know, but it moves through the system.

MR. MILLS: It would be interesting and actually preparing for this, I think you circulated my predecessor's predecessor - Peter Oram is a lot more knowledgeable. He talked about arsenic and the natural levels of arsenic in Nova Scotia.

MR. RAMEY: And I concur with that, I know there are natural levels.

MR. MILLS: But it is perception, it's exactly that and I fully understand that. Westray is really one that sticks out in my mind. I can remember exactly where we were when I heard that.

MR. RAMEY: Me too.

MR. MILLS: But what has come out of Westray is probably the best safety program in Canada and maybe in North America. Everybody is responsible for safety and how it has been put in place - that was one of the big turning points to get everybody's involvement in safety. There are good things - I mean it's not a good thing, but it was really a driver to improve and have an effective safety program in this province and they put it in place.

MR. RAMEY: From bad things often come good things. I can still remember the spokesperson for that particular disaster, day in and day out, and I felt for him, too, because that must have been a horrible experience.

Just before I give up my time I want to talk about fuel tax rebates, ever so briefly, because you cited that as an important reason you came here today. I'm interested in an historical nature. You're raising it obviously now, have you raised it in the past or is this the first time you've raised this?

MR. MILLS: No, it has been raised in the past. It is very interesting reading to go through the history of the thing.

MR. RAMEY: How far back have you raised it?

MR. MILLS: Well, in 1982 or 1983. There was a court case where it was challenged as to whether or not quarrying and crushing rock was a manufacturing process. Initially the court case was awarded in favour of the operation and then it was challenged by the government and then after another five or 10 years, what came out in the wash is the company lost. So that was the interpretation of what the Act is. Our approach, we've been working on this - MANS had met with the previous government two or three times concerning the fuel tax rebate, so we've been working on it for awhile.

We're not talking about the interpretation of the Act, whether it's manufacturing or not manufacturing. The way it reads, I think, is you can't do it if anything that mines or quarries process is a natural resource. We're putting that aside and we're saying we would like a change so that mining and quarrying don't have to pay it. So change the regulations, do what you have to do, but we're looking at the exemption, so it has been in play a long time.

MR. RAMEY: When you were citing the Act, you were citing this original, voluminous 1926 thing that has grown into a tome, is that what you're talking about there?

MR. MILLS: Yes, the interesting thing about it is you'll find in the Act where they did allow a rebate to a company that was working on a section of Highway No. 101 - there's just one section: for the construction of this road, we'll allow this rebate.

MR. RAMEY: Oh, there was a special exemption?

MR. MILLS: A special exemption. That shows you how fluid - if I can use that word - the exemptions and the lack of exemptions are. We've been working on it awhile and it's an initiative that we started. Our motive is that we want to show value to the membership, we want to show value that we can get things changed and that's why we're doing it.

MR. RAMEY: Just for my own clarification, did you say that an exemption of the kind you're requesting would save or generate about \$2.6 million which you feel would be reinvested; is that what you're saying?

MR. MILLS: Yes, and if everybody got very busy and gypsum went back, then it's going to be more than \$2.6 million. It's sort of one goes up, one goes down.

MR. RAMEY: Okay, sir, thank you.

MR. CHAIRMAN: Mr. Porter.

MR. CHUCK PORTER: Thank you, Mr. Chairman, and I thank you folks for being here today. I had the opportunity to see you in our caucus in the past, recently as well, for presentations. I want to start by saying that I come from an area and represent an area obviously that is big in gypsum mining and has been for, I believe, more than 100 years as well, with Fundy Gypsum. Unfortunately, with the downturn, we've seen loss in that place in jobs but with some confidence we're hopeful, as well, that that will come back to some strength and I'm sure it will at some point and re-employ people again.

It's an interesting topic, Mr. Mills, as you talked about perception and perception versus reality. I can quote a couple of roads very near to where I grew up, one being Panuke Road and the other being Station Road, where there are quarries and have been for years off and on, regardless of sizes, permits, have been there growing those. You talk about the people and their perception. It's generally not a very good one, they're right in the middle of residential areas but it's not because they don't want the rock being quarried and taken out, it's because of all the other things that go around it - the truck traffic at 5:00 a.m., at 4:00 a.m., loud, roads not being maintained that are being beaten up by these heavy trucks and traffic. Those are the things that keep requests for permits at bay and stir people up. That's reality; that's not perception. It's clearly the reality when it comes to that aggregate piece at least.

You have an asphalt set-up there as well, again some quarries around when you're working close. By the way, everybody understands the importance of and wants, as you well know, the roads to be built. They want them to be repaved and paved and so on. They don't complain about that part of it, they're not even against the quarries. A big piece is a safety Act, which they don't feel is being looked into enough. It's the potholes and the road being beaten up, as I said, that aren't being looked after, and it is the speed of trucks.

I have been dealing with this issue since I've been elected and I know that Ron, before me, had been dealing with that issue, throughout his career probably. I like Kim's comments with regard to the education and I've said that in various meetings that I've had with those folks who own the quarries out my way. We've had great meetings with Fundy Gypsum representatives over the course of the years that I've been there, about reclamation and things like that, and that has been mentioned as well. Those are key things, when you think about the perception versus the reality. When they are down home and are close to where the people are living, that's what matters to them. Those are very important issues.

Now globally, I believe there are issues as well. There's a bad spinoff, shall we say, from other incidents that happen and you are all in the same bag, as far as some people are concerned, whether they are special interest groups or whatever they might be. I'm not really sure about the perception with regard to mining in Nova Scotia, whether the feeling is that we're open for business. I guess knowing how many people work in the industry, I'd like to think we are. There are some employers that are very big in this province, that employ a lot of people - a lot of people from where I come from travel to go to work in these places, which is a good thing. I don't think anybody would argue that point. So there is a bit of perception and there is a bit of reality that goes with that.

MR. MILLS: Yes, I think on that part, you're right on, that's what's happening to me directly. I think our long-term goal is - that's that CSR thing - to talk with those people and we lay out how it is going to operate and we just make sure that it is operated that way. There is clear communication as to what the expectations are, from both sides. Then you come to an agreement and say, now let's make sure it happens that way. It's easy to talk about that but it's the time it takes to get that in place.

MR. PORTER: It's difficult, it's very difficult. I think about Fundy Gypsum as an example, which applied for an expansion to go across the road and to mine a great deal of just what's there. That delay went on for years. Had that passed, they were willing to invest their money, which meant hiring more people. Instead, unfortunately, we saw a downturn and at some point that will help grow the employment levels over there.

I think everybody in this province understands - I know I understand clearly the impact that this industry has for the folks in my area and in other areas of the province, and it's huge. It creates a lot of jobs.

Just on that, can you re-quote for me or clarify the number of jobs and spinoff jobs that go along and monies?

MR. MILLS: There's about 6,300 in total - and again I'm talking about 2007-08 statistics - 3,000 direct and 3,300 indirect.

MR. PORTER: Yes, it's interesting. We see large investments being made - and I'll use Bowater as an example. A couple thousand jobs, I guess, in total, with a spinoff of \$50-plus million over a period of a few years, \$2.6 million doesn't sound like a lot of

money in the grand scheme of things when you look at our provincial budget. But I do understand the fiscal restraint that we are in as a province.

MR. MILLS: We're meeting with the minister. I mean, I understand that as well. If anything, private sector, we all understand budgets, whether it's personal or whether it's a company. We've gone from 90 employees down to 45 employees and you have to make your budgets and you have to be on budget.

The other side of it is you have to have a long term - you have to see what we can do to grow out of deficit funding. What can we do to get rid of debt? What can we do to get rid of equalization payments? It's to develop and grow the economy, so you invest money.

Like I said earlier, taking the capital budget up from 450 to 600, that's an investment in the economy. That creates jobs - \$2.5 million is an investment in the economy, is the way we're looking at it.

MR. PORTER: That just leads right into where I want to go. What does \$2.5 million, in all reality, equate to in Nova Scotia by way of jobs; how many, 50, 100, 25?

MR. MILLS: In the report it's 61 jobs. If we take that \$2.5 million and half of it goes into equipment and half of it goes into job creation, then that . . .

MR. PORTER: That's what I thought I heard you say earlier, that's why I wanted to clarify it. So annually, you're going to recreate and re-purchase capital investment or is that a one-time - I can't imagine it's a one-time because \$2.5-plus million would be savings annually, so it would be incremental or jobs would be created each year and every year; there would be an ability to make capital purchases each year and every year or soften the blow to that.

MR. MILLS: That's what productivity improvement is. Productivity improvement is - we increased our productivity from so many tons per man-hour over 10 or 20 years significantly. You increase your productivity, but you also create more jobs because you then have more volume and it's sort of that continuously.

MR. PORTER: You talk about the jobsHere strategy; interestingly, we've lost, as you're probably aware, thousands of jobs in this province in the last year - or more. Job creation in any fashion is a good thing, whether it's one job or 100 jobs, as far as I'm concerned. Anything we can do to increase that number is a good thing and from what I understand, fairly well-paying jobs now.

Operating engineers have a facility in Falmouth where they train the folks you were referring to - these tradespeople and operators and so on.

MR. MILLS: And they do an excellent job.

MR. PORTER: They do a great job. They have been there for a number of years, which creates some spinoff in and of itself - not only with those people over there training, but probably fuel purchases and restaurants, and all of those things that we generally don't speak of as a rule or don't think of - or most people don't often. Okay, I was just kind of curious on the clarity of the numbers and the jobs created.

When you met with the minister and the folks in his department, you said it was non-committal, but is your approach that you want the 15.5 cents or is the door open to say, maybe there's half of that or two-thirds of that, or something? I don't know.

MR. MILLS: Basically what we said was that we understand fiscal restraint, so it doesn't have to be right now, it doesn't have to be all right now, or portions or put it over five years. What we're looking for is a commitment over time to eliminate it all.

MR. PORTER: On a go-forward basis.

MR. MILLS: Yes. You've got a deficit and you've got to do something about that. We can see that. You can see we're asking for money and at the same time you've got a deficit, but a long-term commitment is what we - take three years to do it, or at the most four or five years.

MR. PORTER: When you're talking about that, to implement it starting somewhere and ending at the four- or five-year mark, wherever it may be at the 15.5 cents, or whatever it might be at the time for the rebate, that's an interesting way of looking at it as well. So it very much shows that the door is wide open to some sort of negotiation or whatever might work to get you there.

Then the other issue you mentioned with regard to a comparison with - or comparable industries, rather - fishing, farming, and those other off-highway-type industries, certainly it's a fairness issue.

MR. MILLS: The way they do it is marked gas. We have all heard about marked gas, getting hold of marked gas. If you go on the highway and they catch you with marked gas - I mean those other industries aren't exempt from highway taxes and we're not asking for that; no one's asking for that. It's just an off-highway-type thing.

MR. PORTER: I just wanted a couple of points of clarity and again, we appreciate you being here today and certainly the meeting with us in October in our caucus, and I'm sure we'll see you into the future. Thank you very much.

MR. CHAIRMAN: Mr. Ramey.

MR. RAMEY: Just a quick question. Did you say there were 45 operating quarries in the province or did I get that wrong?

MR. MILLS: No, I didn't really say.

MR. RAMEY: How many quarries are there in the province? (Laughter)

MR. MILLS: The number of quarry sites is well numerated, DNR has a good map and shows all the quarries, but some of those are construction-type quarries. I guess main aggregate quarries - Kim, do you have a figure? There are probably 10 that are 500,000 ton a year or more.

MR. CONRAD: Plus, yes, around here. In the province the biggest now are Martin Marietta, Rocky Lake Quarry, our Conrad Quarry, and Gateway Materials are the main volume quarries that are stationary. There are other quarries around the area; Gallant Aggregates have one out in Hants. We're one of the three main quarries in Nova Scotia for volume. There are numerous small ones, for instance Weeks Construction, they do a lot of highway work and temporary, the smaller quarries, but they do over one million ton a year too. You're probably in the right range of what the numbers are, 45 to 50 quarries - legal ones, anyway.

MR. MILLS: If you look at that plan there are 45 or 50 dots on the plan.

MR. RAMEY: I haven't been on the old highway through Wentworth since the Cobequid Pass, but what is the thing at Folly Lake, is that a quarry?

MR. CONRAD: That's Lafarge Quarry, yes.

MR. RAMEY: Is that specifically for cement purposes?

MR. MILLS: They are aggregate and they also produce a lot of ballast for the railroad. The railroad takes a special type of product of a certain size, but it's a quarry operation. Its main value is the fact it's on a railroad.

MR. CONRAD: Their big volume is railway, but they had a good volume bump when they were building the Confederation Bridge because a lot of the aggregate in Nova Scotia - up in that area you can't get good aggregate and that seemed to be about the closest, besides New Brunswick, so a lot of aggregate did come from there.

MR. RAMEY: I guess my other question is - and I know I'm in the second round here so I'll end it here - what is the difference between what I would define as a gravel pit and a quarry? When do you stop being a gravel pit and become a quarry? I know quarry, I always think of rock or crushed rock or something, and gravel, I know what gravel is, but is that one of the distinctions or is it based on size?

MR. MILLS: There is a lot of naturally occurring aggregates that were separated by glaciation and all that, so you can find pits with good sand, good rock. What you have to do is screen that and crush it to make an acceptable aggregate for making concrete or asphalt.

You need a certain size of each particle size and they have to go together in a certain way and they have to be crushed.

MR. CONRAD: Quarrying is blasting; pits are digging, really.

MR. MILLS: You'll see the pit in Folly Lake and they'll have a bunch of boulders here, this size, that size, and that size. They will crush those; they'll take them and screen and crush to end up with the same quality of product. In a quarry you have a rock face, you drill and blast it, and then you crush it to get the same specifications.

MR. RAMEY: I guess my final point on that would be another thing that could cause some difficulty in the perception of your industry. Let's say you have the quarries and you have them regulated well and they are to a standard and you're very careful about that. Then you have some guy - it could be a gal, but it's probably a guy - out in the country somewhere, maybe near where I live, going in and digging topsoil off with or without a permit and making a real mess and causing an environmental problem and all the rest of it. That person, again, could be perceived as somebody connected with you folks, which really isn't the case, so that's coming at it from the other side. Okay, thank you very much, Mr. Chairman.

MR. CHAIRMAN: Mr. Epstein.

MR. HOWARD EPSTEIN: Thank you, Mr. Chairman. Mr. Mills, I wonder actually if we could take advantage of your background in the gypsum industry to ask some questions about gypsum. First, can you just tell me exactly what you do? I'm not sure what the nature of your job is.

MR. MILLS: I'm general manager.

MR. EPSTEIN: Okay, so you obviously have a kind of expansive view of the business. What I was really wondering was what the current state of play is with respect to gypsum extraction in Nova Scotia. It seems to me that in the past we've had fairly extensive operations that have been somewhat contracted. The nature of the public debate used to be about whether we ought to be using the raw material to manufacture wallboard here, rather than export it unprocessed. I think the nature of the debate, so far as I - a casual observer - can tell, has now shifted to the point where we're concerned about the business itself. Is that accurate and can you tell us something about that?

MR. MILLS: Yes, and I talk to people until their eyes get glassy about this so cut me off if you - I started in 1983 and at that time the government was doing a report on how come we can't make the gypsum here.

MR. EPSTEIN: Make the wallboard, yes.

MR. MILLS: Make the wallboard here and ship it out. The bottom line is that Nova Scotia accounts for about 60 per cent of the gypsum that was imported into the U.S. The reason is that we are gypsum on water. Gypsum wallboard is a commodity. It's low-value so it's got to be low-cost, so all the board plants were developed on water so that you can bring gypsum in.

MR. EPSTEIN: Is that 60 per cent number dating from the 1980s, or is it still contemporary?

MR. MILLS: No, actually from the 1980s and 1990s it was 65 per cent, 70 per cent. The Spanish came in and they got part of the action and then eventually - it's about 60 or 65 per cent, so there's a lot of gypsum going out.

When we were busy at National Gypsum, we were doing 3.5 or 4 million tons, Fundy Gypsum was doing 1.5 million to 2 million, Little Narrows was doing 1.5 million, Georgia Pacific was doing 1.5 million to 2 million. That was at the peak of the housing and 95 per cent of it was in housing construction, so there was a lot of gypsum going out.

The reason there were never wallboard plants in the Maritimes is because it would only be 100,000 or 200,000 tons for local consumption then you have to ship the wallboard, and wallboard doesn't ship well, particularly in large volumes.

What has changed the whole picture is, in making wallboard it takes rock, it takes paper and it takes energy. Natural gas is the only economical way of doing it. Once the natural gas line went through here, it became more feasible. So there was a wallboard plant built on the border of New Brunswick-Maine and at McAdam. They used rock, we actually supplied that. That has been there from the mid-1990s onward, because they got natural gas from the United States. Once they got natural gas going through here, there's a wallboard plant built in Port Hawkesbury that has been there for awhile. It has had several owners and now it has a local owner, from New Brunswick. Irving built a wallboard plant in Saint John because they are on natural gas. So local consumption and local production has been taking place for the last 10 years.

What is going on in the U.S., the volume, the demand used to be at 32 billion square feet when everything was going full-out, now it's like 14 billion or 15 billion square feet. A lot of the capacity is shut down and shuttered and waiting for the recovery. In the last few years it hasn't recovered. The housing starts used to be in the order of 2 to 2.5 million new housing starts a year in the U.S. and now it's like 300,000 or 500,000. That's starting to recover.

The biggest driver, of course, is the economy and the measure is the unemployment rate. The unemployment rate is starting to improve and the wallboard business is starting to improve. There's a wild card in that synthetic gypsum is being produced in a large volume. It started about 10 years ago. Synthetic gypsum is produced by getting rid of acid rain. All of the big power plants - the Americans get 60 per cent, 70 per cent of their power from

coal-fired power plants. The cheapest coal is the highest sulphur coal. Acid rain affected all these areas, power plant flues that came up, and then it rained and all that stuff.

So the American and Canadian Governments put in place the control of acid rain, then they put scrubbers on these power plants that take the sulphur out. They took the sulphur out. Gypsum is calcium sulphate, CaSO_4 . They took the sulphur out and that is gypsum. So you've got big power plants in Pennsylvania that are producing 500,000 tons of gypsum to scrub out the acid rain. The board plants are being built right across from those power plants; as opposed to getting 500,000 tons from Nova Scotia by water and Florida, now it's power plants. That has taken a big part of Nova Scotia's market.

MR. EPSTEIN: So that is actually one of my follow-up questions, which was whether there are now other materials that can be used as a substitute for traditional gypsum wallboard and you're saying that, in fact, is the case.

MR. MILLS: It's the driving thing and all the board producers in the U.S. have built wallboard plants to get these synthetic sources and in Canada as well. The wallboard plant in New Brunswick gets synthetic gypsum from Belledune up outside of Bathurst.

MR. EPSTEIN: So the main factors impacting on our gypsum business here would be the availability of an alternative material, the downturn in the construction market in the United States, and the continuing fact that we have a relatively small domestic market in Canada. Is that a fair statement?

MR. MILLS: The market for Nova Scotia gypsum is a U.S. market, so it's all driven by that. When the U.S. market goes back, it will probably go back to that 33 billion square feet and the projected growth before this housing bubble where people were buying a lot more houses than they needed and all that. So once that's evened out, they still project the growth to be in the order of 3 per cent. That will continue and the amount of synthetic sources are drying up and as they put in place - this is my personal opinion - ways to clean out greenhouse gases, CO_2 and nitrous oxides and stuff like that, they'll have to come up with a different process. In Europe they take elemental sulphur out and they can sell the sulphur as a separate product, but you've got to change your whole process.

MR. EPSTEIN: So apart from the by-products of the combustion of coal for electricity, are there any other materials that could substitute for wallboard that have been developed or seem to be at a commercial level?

MR. MILLS: There was a chemical by-product that gypsum produced, but that was back in the 1980s and there aren't a lot of sources of that, so I think that one is ruled out. I think the main one is scrubbing.

MR. EPSTEIN: So getting back to Nova Scotia - where does that leave us here in terms of our industry? You listed more sites than I was actually aware of. Are they all still operating, and if so, what is the level of employment and has there been a change over

time? It certainly seems to me there have been significant layoffs and I thought one outright closure, but please correct me.

MR. MILLS: The one in Mr. Porter's area is shut down. I don't think it's really closed permanently, but it's shut down. The other, USG owns that one and also the one in Little Narrows. Little Narrows is still operating. They're doing 300,000 to 500,000 tons a year. They supply the U.S. market and part of the Canadian. Cement plants use gypsum, as well, a small amount. Georgia-Pacific have an operation in the mine and they just shut down recently, within the last three or four months.

MR. EPSTEIN: If we assume that the U.S. housing and construction market is going to recover, say, over the next five years or so, to levels that are either the same or approximate what we've seen in past decades, how long could the Nova Scotia reserves of gypsum continue to be available? I'm just not aware of what our potential is.

MR. MILLS: There are a lot of reserves - 20, 30, 40 years. I mean, it's like water in terms that there is a lot of it. We ship from our location in the order of 150 million tons and there is a lot more than that in the area, so there is no constraint on supply.

MR. EPSTEIN: So 30, 40 years. That's a reasonable expectation, is it? When you're giving that time estimate, are you talking about a time estimate based on the existing sites that are in production, or are you also talking about any sites that might exist that have not yet been put into production?

MR. MILLS: Any sites, actually is a good case in point as to what the government can do. In the 1980s the government used to go out and drill on speculation and build a database to be able to see if somebody comes in, can they develop? They found a gypsum deposit, probably in HRM just before Mooseland, about 10 miles, 200 million tons of gypsum, high-quality gypsum. They put it out for tender and it was picked up and bought by a German company. That's one deposit of 200 million. Nova Scotia is blessed with a lot of gypsum, a lot of deep, thick deposits.

MR. EPSTEIN: Okay, thanks for your overview. That was a big help. My eyes did not glaze over, I was really interested. Thank you, that's helpful.

MR. CHAIRMAN: Thank you, Mr. Epstein. Mr. Porter.

MR. PORTER: Just to add to it, I think when Fundy Gypsum's expansion was done out there, it was said that was 50 years of supply. I'm just trying to think of the number, what quantity going out but it was significant annually, so there were at least 50 years there, they felt, and that was part of the reason, of course, with expansion over there they confirmed there was a reasonable amount there.

MR. MILLS: We're very competitive but Fundy Gypsum - USG put a lot of money just in ongoing operations there, \$20 million, \$30 million. There's also a point - there's a

reason that Nova Scotia does not have a good reputation - there was an ongoing operation, they wanted to open up a deposit on the same land that was contiguous to them and do exactly the same thing and ongoing. They got into a big EA that cost over \$800,000 and a consultation process that didn't change things. The decision making wasn't really fact-based.

MR. PORTER: And years to complete - four or five years.

MR. MILLS: Yes. That's hard to swallow, that's hard. It was almost that you have all this infrastructure and everything I guess we have to keep going and eat that, but if it was a new deposit or if you were going to develop a gold mine and you ended up in this mired thing, then I'm not going to bother there, I'm going to go somewhere else.

MR. PORTER: Thank you, Mr. Chairman.

MR. CHAIRMAN: Are there any further questions? Maybe with the committee's approval, I've got a couple myself, just out of curiosity.

Your site at Milford now, has there ever been any plans for the long-range for reclaiming that site? What would be done in the end?

MR. MILLS: We're obligated to. In 1993 we had to get an industrial discharge permit. Part of the industrial discharge permit is you have to have a reclamation plan. We had to post a \$700,000 bond that's there all the time and we had to prepare a concept reclamation plan. Every ongoing operation needs that.

MR. CHAIRMAN: So do you have to reclaim so much for each ton taken out?

MR. MILLS: Well, what we do is we reclaim every year the same amount we disturb. We sort of go back and reclaim what we didn't do from 1954 on, get that in shape and then, on an ongoing basis as we disturb - I think 70 acres is our disturb portion, make sure that every year you are reclaiming it, so you do it as you go.

The ultimate pit plan, we're 300-feet deep so the ultimate pit plan is you have a drainage area that is out and then you have all the areas slope down and it floods into a lake, basically.

MR. CHAIRMAN: What royalty is paid on gypsum?

MR. MILLS: Well, gypsum is not a mineral. In Nova Scotia in May they changed it, I guess it's sort of like a gypsum tax, you change those things as circumstances allow. There's no royalty, on all other minerals there are royalties but gypsum in Nova Scotia was deemed a surface right. It's like if you own the sand and gravel, if you own the trees and you own the gypsum.

We pay a tax so they put in place a tax. The gypsum tax, I think, is 18 cents a ton. I'm not quite sure of that, to be honest.

MR. CHAIRMAN: It seems like there used to be a figure of 7 cents a ton, does that ring a bell with you?

MR. MILLS: We're lucky that it's not adjusted very often. I've been involved since 1983 and I think it has been adjusted twice, it's a tax.

MR. CHAIRMAN: One other question. Any exploration that's done in the province, do explorers have to be registered with the Mining Association?

MR. MILLS: No. Exploration is done by prospectors and they actually have their own association. They're a unique group; very independent people who like to explore and stuff like that. Then there's the Mining Association. We encourage people to join the association but some are and some aren't.

MR. CHAIRMAN: What I'm just kind of referring to, or getting at, is a lot of this exploration that they're coming in and drilling for gold, especially on Crown land. They're just going in and they're not making a very good appearance of the environment and the land when they leave. It seems like nobody is supervising them and there are no standards they have to follow.

MR. MILLS: There are cases we'd like to hear about actually because we work with them, and the bulk of the people doing exploration agree that it should be done to those standards. We work with them to make sure the standards and the land is left - like I say, we've done exploration and the people we used were very concerned. They would plug the holes afterwards to make sure that there were no issues with water going down or causing problems and stuff like that.

So you don't have to be members, to answer your point directly, you don't have to be members of the association. We encourage you to be a member because we like to have the revenue, but bigger than that, we'd like to get common interest going and common standards.

MR. CHAIRMAN: It doesn't send a good message about the mining activity in the province.

MR. MILLS: Our goal in the long term is to end up with standard practice. We're always held accountable, like many other things, to the worst case, and if a rock goes through the window over at Gateway then that's mining; that's what it is. We can't control other people, but we can work away at making standards and standardizing procedures.

MR. CHAIRMAN: Well, if there are no further questions from the committee members, if you want to make a closing statement.

MR. MILLS: We appreciate the time and the opportunity to meet with each of you and talk about what our industry is. I think we're very good at what we do, the industry as a whole. I think that we all have good, high performing standards. We endorse the environmental aspects and we endorse the labour in terms of safety and that. We think we make a significant contribution and we can make a bigger contribution. We do need support from the government. It's not big dollars, but it's dollars to show that we're open for business and reminding them, not at any cost, but we're open for business. I thank you for your time.

MR. CHAIRMAN: Thank you very much. We'll take a short break and then we've got some committee business to attend to.

[10:39 a.m. The committee recessed.]

[10:44 a.m. The committee reconvened.]

MR. CHAIRMAN: All right, on our committee business, I guess basically we have to pick the date for our next meeting. We'll see if it fits into everybody's schedule. Now, in February, it would either have to be the 16th . . .

MS. JANA HODGSON (Legislative Committee Clerk): I just wanted to mention to the members that in February our regular meeting day would be on the 16th; however, there is an out-of-town caucus meeting that day so we had to cancel that date. We are looking for a new date. We could do it the following week, which would be the 23rd, which would be a Thursday as well, if that's okay with the members.

MR. RAMEY: That's fine with me.

MR. PORTER: That's fine with me.

MS. HODGSON: Okay, February 23rd. Then in March, what we are dealing with is that the 15th, which would be our regular meeting date, is March break and we cannot have any meetings during that week.

The week following that is the 22nd but there is another out-of-town caucus meeting, so really March is not looking very good. We need to ask, what would the committee want - just go right into April, or what would you like to do there?

MR. YOUNGER: The problem might be that by April one might assume that the odds are that the House will be sitting, and we're already backed up with people to meet.

MR. EPSTEIN: Highly likely.

MR. YOUNGER: Well, I'd be surprised if it wasn't.

MR. PORTER: We could do March 29th.

MS. HODGSON: That's the only date we could do it, the 29th, if the House is not sitting by then.

MR. PORTER: You'd be lucky to get another one in this Spring, if you don't get that one in March. Then you get into summer break.

MR. YOUNGER: You can either do that or go earlier, and just have two closer together.

MR. CHAIRMAN: Two, right back to back.

MR. PORTER: I don't think it would make any difference.

MR. YOUNGER: That's okay with me too; it doesn't make any difference . . .

MR. RAMEY: That would be okay with me too. It doesn't matter to me when we meet, as long as everybody agrees.

MS. HODGSON: So we could do it either March 1st or March 29th.

MR. YOUNGER: Yes, it's two weeks back to back but I think Chuck is right, you might get one in - like you're not going to get April's, you might not get May's and then it's hard . . .

MR. RAMEY: So you're thinking March 1st and March 7th or something like that?

MR. YOUNGER: No, February and then March.

MR. RAMEY: That's right, okay.

MR. YOUNGER: There's lots of notice for getting the stakeholders.

MR. PORTER: Lots of notice, get it right out.

MR. RAMEY: That would also be fine with me.

MS. HODGSON: Okay, so it's February 23rd and March 1st, that's right. Thank you.

MR. CHAIRMAN: All right, I guess that's it. The meeting is adjourned.

[The committee adjourned at 10:48 a.m.]