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Provincial and territorial governments ignore economic trends

Mining Companies Strike Gold – In BC and Yukon Taxpayers' Wallets

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In a national report released today MiningWatch Canada and the Pembina Institute show that BC and Yukon governments continue to give big subsidies to the metal mining sector, even while the industry is delivering fewer jobs and reduced economic activity in return. The report was delivered to BC and Yukon politicians today.

"Looking Beneath the Surface" quantifies both the public costs to support the metal mining industry and the benefits generated by the industry in fiscal years 1994-95 and 2000-01.

"It's increasingly clear that the hope of a strong economy based on placer and hard rock mining is actually just an open pit into which taxpayers' money gets poured. This report shows that metal mining employment is subsidized by Yukon taxpayers at a rate of \$17,149 per job while the mining contribution to the Yukon economy has dropped by 37% since 1994. That's not a great reward for our efforts," said Sue Moodie of the Yukon Conservation Society.

In BC the statistics are similar. Taxpayers kick in 65 cents on every dollar invested in exploration and prospecting for an industry where royalties have declined by 30% since 1994.

"The adverse social and environmental impacts of mining development are well known. Our report found that the metal mining industry is in decline as a generator of jobs and economic development. The projected lifetime of new mines is getting shorter, so what economic development they deliver is becoming more transitory. The industry appears to be addicted to constantly larger transfusions of public cash and tax breaks for every job it provides," said Joan Kuyek, National Co-ordinator of MiningWatch Canada.

"While it's clear that public subsidies to the mining sector through tax breaks and public spending generate big returns in the form of contributions to mining-friendly political parties, they are wildly out of proportion to the declining economic importance of the sector," said David MacKinnon of the Transboundary Watershed Alliance.



The report comes on the heels of the federal Environmental Commissioner's report that highlighted how abandoned mines become long-term environmental and economic liabilities for Canadian taxpayers. The Pembina/MiningWatch report shows the same is true at the provincial and territorial level. It cites British Columbia Ministry of Energy and Mines estimates that unfunded liability at operating mines was approximately \$85 million in 2002. The report estimates clean-up costs at historic, non-operating mine sites in BC could exceed \$190 million. Abandoned Yukon mines are currently a federal responsibility, but the huge financial liability that has been left to Canadian taxpayers from depleted and abandoned metal mine sites is well documented. "*Looking Beneath the Surface*" conservatively estimates total taxpayer liability for remediation at such sites at just under \$270 million.

"As highlighted in the Environmental Commissioner's report last week, the taxpayer can be on the hook for cleanup costs whenever a mining company runs out of ore or goes bankrupt," said Ms. Kuyek.

While the governments of British Columbia and Yukon continue to paint a glowing picture of the role of metal mining in the future of both economies, its economic contribution is clearly in decline in both jurisdictions. In absolute and relative terms, mining employment, royalties and the contribution of metal mining to GDP are on the decrease. By contrast, public investment in mining has increased substantially in British Columbia over the period of the study and remained essentially static in Yukon.

"The province of BC demonstrates all the symptoms of addiction to this declining industry: sales tax exemptions for mining equipment, flow through share tax credits, and boosterism in favour of environmentally damaging and economically marginal mines like the Tulsequah Chief," said MacKinnon. "The BC Liberals paint themselves as fiscally astute, but they don't seem to understand the common sense concept of maximizing return on investment."

"With an election underway and devolution negotiations in full swing, this report has lots of lessons for aspiring Yukon politicians. Whatever new government comes to work in November should ensure that placer and hard rock mining companies and investors are mining the ground, not the government," said Moodie.

Among other things, the report recommends governments:

- Stop giving new subsidies to the industry. They are bad investments of public funds that earn poor returns.

