

DRAFT

YUKON DEVELOPMENT STRATEGY

MINING

Y U K O N · 2 0 0 0

Building the Future

Yukon
Government

Mining Strategy

A Progress Report ■ April, 1987

The Yukon's mining industry is an integral economic activity that can provide a significant contribution to the Yukon economy.

The purpose of this report is to provide information that will encourage discussion of the basic issues and options to develop the potential of the mining sector. This report builds from the previous mining workshop session held in the Yukon in October 1986. It also presents the global objectives discussed at the 1986 Fall Conference, highlights existing government programs and policies, identifies some of the constraints to growth and opportunities, and presents options that may be pursued to increase mining industry activity.

This report intends to stimulate economic and political discussion and debate and is not an analysis of the Yukon's mining industry.

Existing Programs & Policies

■ Federal (DIAND) Programs ■

a ■ Two pieces of legislation principally govern mining in the Yukon: the Yukon Quartz Mining Act (YQMA) and the Yukon Placer Mining Act (YPMA).

The YQMA specifies the disposition of Crown-owned minerals in the Yukon and describes procedures followed in marking and recording of claims and measuring work performance. It also describes the financial details for lease rentals, production royalties and other procedures.

The YPMA specifies the legislation governing the placer mining industry. However, instead

YUKON 2000 GOALS

The option to stay in the Yukon

Control of our future

YUKON DEVELOPMENT STRATEGY

YUKON 2000
Building the Future

Yukon

Equality of opportunity for all Yukoners

An acceptable quality of life

of one, there are three federal acts dealing with placer mining that appear to conflict with one another at times. The three acts, each designed to protect different elements, are the Fisheries Act, which says that fish habitat must be protected, the YPMA which grants mining rights, and the Northern Inland Waters Act, which protects quality.

Coal mining, dredging and mining of quarryable materials are governed by regulations under the Territorial Lands Act.

Environmental concerns are dealt with under the territorial land use regulations made pursuant to the Territorial Lands Act (which exempts work on claims and leases acquired under the YOMA and YPMA) and the Northern Inland Waters Act and its regulations. Major works are subject to the (federal) environmental assessment review process and its (Yukon based) regional environmental review committee. In addition, a formalized Land Use Planning regime is being developed for future implementation.

b ■ Assay Service

Administered by DIAND, this service pays 50% of the cost for up to 10 assays per person per year.

c ■ Exploration and Geological Services

Administered by DIAND, this service provides geological information and supports mining exploration through geological mapping and property examinations, and the publication and sale of maps, memoirs, papers and reports.

d ■ Drill Core Library

Administered by DIAND, this library provides for storage of representative core intersections of important mineral deposits, as well as assistance to interpret them.

e ■ Prospecting Courses

DIAND and the Yukon Chamber of Mines periodically offer introductory and advanced prospecting courses (elementary geology and prospecting techniques).

f ■ Placer Mining Services

DIAND provides consultative services to placer miners to assist them in improving their economic and environmental performance.

g ■ Occupational Health and Safety

On behalf of the Government of Yukon, DIAND administers the Occupational Health and Safety Act and its regulations on mining properties. This includes safety and occupational health inspections, mine rescue training and capabilities, certification of medical fitness of miners and issues permits to qualified blasters.

h ■ Taxation

Corporations are subject to both federal and territorial taxes. The Yukon has low corporate tax rates - a general rate of 10%, a small business rate of 5%; no corporate capital tax; no surtax; no retail sales tax; income tax at 45% of federal rate; and, a royalty (currently 37.5 cents per troy ounce) is payable on raw placer gold exported from the territory. Under the YOMA (Section 95) royalty rates are based on profits and range from 0% to 6% on profits less than \$10,000,000 and increase 1% for each additional \$5,000,000 in profits above this figure.

The preceding list does not include all federal government programs such as EMR's geological mapping and CANMET programs.

■ Yukon Programs ■

a ■ Exploration Incentives Program

This program provides a rebate of 25% of eligible expenditures for designated exploration projects carried out on valid mineral properties in the Yukon - up to \$50,000 per year to a maximum of \$100,000 per property. Individuals, partnerships and companies with no income from mineral production in Canada are eligible to apply.

b ■ Northern Exploration Facilities Program

This program provides financial assistance for the construction of tote trails, airstrips, helicopter landing pads, small boat docks and float-plane bases. Assistance may be provided up to:

- 50% of the actual cost of the construction, or
- 20% of the applicant's expenditure on exploration or project development.

The maximum grant is \$30,000.

c ■ Regional Resource Roads Program

This program is designed primarily for the construction of regional access roads by government and private parties into areas with high potential for resource development. Financial assistance may be provided for up to 100% of actual construction costs to a maximum of \$500,000 per year.

d ■ Prospectors' Assistance Program

This program provides a contribution up to \$5,500 toward travelling and operational expenses of qualified individuals while carrying out prospecting activities in the Yukon.

The preceding list does not include all Yukon government programs that may affect mining.

■ **Economic Development Agreement** ■

The Canada-Yukon mineral resources sub-agreement comprises the following programs:

a ■ Geological Mapping

\$1.1 million, 1985-89. Administered by DIAND, produces 1:50,000 scale geological mapping.

b ■ Geological Surveys.

\$2.2 million, 1985-89. Administered by Energy, Mines & Resources, produces 1:250,000 scale geochemical survey coverage.

c ■ Placer Mining

\$0.6 million, 1985-89. Administered by DIAND, produces research reports on economic and environmental aspects of placer mining.

■ **Northern Mineral Policy** ■

On December 5, 1986, the Government of Canada announced a new northern mineral policy to establish the environment necessary for this industry to maintain and expand its significant contribution to the well-being of the territorial economy and northern residents. The policy will be implemented cooperatively by DIAND and the Government of the Yukon.

□ **Devolution** □

The Minister of DIAND is committed to developing a framework for the transfer of programs including mineral management to the Government of the Yukon. The development of a mineral strategy and the Yukon Economic Development Strategy must be taken in that context.

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■ **Constraints** ■

1. Alienation of Land

About 16% of the land in the Yukon is withdrawn from mining for purposes of national parks, native land claims and so forth. It is the concern of the industry that tenure of mining lands, and access to existing mining properties, and potential mineral areas may be eliminated or reduced by withdrawals of land for other uses. Industry fears that substantial area of land are dedicated to uses which are incompatible with mining. The total resource base of mining will be proportionately reduced and long-term regional exploration programs could be curtailed before an economic discovery is made, but after substantial investment cost have been incurred.

2 Infrastructure

A major concern of industry is the lack of adequate infrastructure and its cost and the uncertainty associated with cost sharing between private parties and government.

3. Capital Availability

Placer miners have difficulty establishing reserve positions, and therefore generally do not meet the lending requirements of banks. The nature of their business makes it difficult to obtain capital at low cost.

4. Geological Data Base

All of the Yukon is mapped to a scale of 1:250,000. The government has identified 176 current geological priority targets for detailed 1:50,000 scale mapping. Of these some 60 have been completed or will be by 1989. This relatively slow pace may play a part in increasing the cost of exploration in the Yukon.

5. *Conflicting Legislation*

Placer miners face considerable uncertainty because of overlapping legislation. Sections 31 and 33 of the Fisheries Act contain provisions protecting fish habitat and prohibiting the deposit of waste in waters containing fish. Attempts by government to develop a regime to improve environmental management of the industry have created apprehension among placer miners for the future of the industry. Currently, DIAND and the Department of Fisheries and Oceans are negotiating relief regulations under the Fisheries Act.

6. *Regulatory and Approval Process*

Because of overlapping legislation and a multiplicity of government agencies overseeing the industry, long lead times are required to satisfy all of the departments involved in application review processes. Lengthy delays in processing increase the cost of doing business.

7. *Indian Land Claims*

The lack of settlement of claims creates uncertainty with respect to ownership of northern lands.

8. *Labour/Power/Transportation Cost*

High power cost, whether for purchasing grid power or self-generated power, raises the cost of production. Labour costs in the north are high. Transportation also contributes significantly to the cost of production.

9. *Taxation*

Taxes are generally lower in the Yukon for many categories, such as income, sales and royalties, compared to other parts of Canada. However, the placer mining industry has some specific problems. For example, to increase their ability to access flow-through funds, they would like to see a broadening of the Canadian Exploration Expenses category to fit their situation. They would also like to see changes in resource allowance provisions and investment tax credits.

10. *Government Attitude*

Some members of the industry perceive that government does not have a positive attitude towards mining development. This perception creates some uncertainty and may inhibit mineral development.

11. *Competing Interests*

There is a perception that mineral development will be inhibited if restricted from the use of the resource by competing interests. (See Natural Resources Strategy for suggested methods to deal with competing land use.)



Solutions



The following series of questions address some of the problems that constrain the growth of the industry. These questions are posed to encourage discussion about what various groups want, their priorities, how much money they would like to see spent and who would pay. All parties are encouraged to present their view so that a consensus of opinion can be included in the Yukon 2000 Strategy Paper.

1. *Government Programs*

Should existing federal and Yukon government programs be modified, expanded or scrapped? How should they be changed.

2. *Alienation of Land*

How can we ensure that the current resources base remains available for staking, exploration and development?

3. *Infrastructure*

Should expanding the access road network be part of any future development plan? Should there be priorities in the development of infrastructure? What, if any, cost sharing arrangements should be made between government and industry?

4. *Availability of Capital*

Should government consider providing financial guarantees for small operators who face difficulty raising money? Should government consider taking an equity position in such companies for providing such a service? Should advisory services be provided to small exploration companies to suggest ways to raise private funds?

5. Geological Data Base

Should the government pursue its current priority to produce 1:50,000 scale geological maps of the Yukon? It will cost about \$10 million to complete all 176 maps. At what rate should they be completed?

6. Conflicting Legislation

What should be done to resolve the conflicts between various legal acts that the industry currently faces regarding mining, the environment and fisheries? Where should the trades-offs between fish values and placer mining values be set?

7. Regulatory and Approval Process

Does the regulatory regime and approval process need streamlining? If yes, now? At what cost?

8. Indian Land Claims

Does the land claims issue inhibit mineral development? What positive actions should government take to mitigate problems? How

best can Indians and industry work together to maximize the value of the human, financial and land resources that would be created as a result of land claims settlements?

9. Labour/Power/Transportation Cost

What can be done to keep operating and capital costs minimized?

10. Taxation

Should government expand the CEE category to encompass many of the activities of the placer mining industry? What tax measures should be adopted to reduce mining costs?

11. Government Attitude

Should government actively promote mining as a desirable economic activity for the Yukon? If yes, how?

12. Competing Interests

Does sequential use of the land fit with mining land use requirements?