

# **The Building of British Columbia**

## ***Mining's Role in the Future***

An Address by

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## **MINING SPEECH TO BOARD OF TRADE**

Thank you for that kind introduction and warm welcome. It is truly a pleasure to be here with you today.

I have the privilege of talking with you today about the extraordinary resurgence of the mining and minerals industry in BC over this past year and what the future may hold.

For many years now the Vancouver Board of Trade has hosted our industry each spring, during Mining Week.

And each year we come to present an update on the state of our industry – it is an opportunity we greatly appreciate and we thank the Board of Trade for it.

I am new to the position of President and CEO of the Mining Association – an organization with a proud history as the voice of mining in BC for more than 100 years.

But I am not new to the mining industry, having worked in and around it for my entire professional career.

I am passionate about BC and I am passionate about the contribution of mining and mineral development to the well being of our province and our country. I would offer that we are only just getting started now and that contribution is only going to be even more profound in the years to come.

## ***PRICEWATERHOUSECOOPERS ANNUAL MINING IN BC REPORT***

At 10:00 o'clock this morning, PricewaterhouseCoopers released its annual report on BC's mining industry.

In the 36 years since Pricewaterhouse first started doing this report, today's report was one of the most encouraging, ever.

I am going to go over a few of the key findings. The entire report is available for you through Pricewaterhousecoopers or is posted on the Mining Association's web site.

### **Gross Mining Revenues**

- Gross mining revenues increased 25% to \$4.58 billion in 2004, up from \$3.65 billion in 2003.

### **Net Mining Revenues**

- Net mining revenues have increased to a record \$3.5 billion.

### **Net Income**

- Net income increased by \$586 million to \$871 million in 2004.
- This is equal to the net income of the previous 8 years combined.

### **Return on Shareholder's Investment**

- After-tax return on shareholders' investment increased significantly from 10.9% in 2003 to 29.4% in 2004.

## **Exploration**

- Exploration expenditures in British Columbia increased by 136%, from \$55 million in 2003 to \$130 million in 2004.

## **New Mines**

Finally, and what really demonstrates what is happening on the ground around the province, three new mines opened up in the latter part of 2004 - the first such openings since 1998.

So, all in all a great year and indications are that 2005 will be even better.

## ***A GOLDEN DECADE***

Premier Campbell talks about a golden decade for British Columbia.

He says, “its time to dream big dreams again and to set great goals”.

When it comes to dreaming big dreams, he’s talking to the right audience when he’s talking to the mining industry.

At times in mining, it seems that all we have are dreams ... the pot of gold at the end of the rainbow....searching for and dreaming of that next big discovery.

We are optimists by nature. But we’re no strangers to tough times.

We’ve been through tough times in this province. Most recently it was the 1990’s, which saw the industry close mines, shed jobs and take their investment to other more “perceived” promising areas of the world.

This was a time in BC's history when the government of the day failed to appreciate how important a stable policy environment is for attracting investment.

When governments fail to recognize the important role played by resources industries and their role in attracting or discouraging investment, people suffer.

Thankfully today, many rural communities around the province are recovering.

Over the past two months I have seen this recovery in action, having traveled to more than 20 rural communities throughout BC. From Smithers to Campbell River and Prince George to Fernie, in every part of the province people are feeling good about the future. Local businesses are doing better and optimism is high.

People are increasingly confident because we have a better sense of what our priorities are as a province.

We have a government that is well grounded. A government that is a better manager of our resources and is better equipped to apply fiscal discipline and responsibility.

Mining is experiencing a true renaissance.

- Total mineral exploration investment is at its **highest level since 1991**.

- Indications are that we will come close to the \$200 million mark in exploration spending this year. If we did, we would be back to the level of spending we were making in the 1980's, a strong decade for mining in BC.
- At that \$200 million level we are going to find new mines, significant mines, capable of making a big difference to the continuing strength of BC's economy.

***YOU HAVE TO BUILD MINES TO HAVE A MINING INDUSTRY***

Mineral exploration and the search for new deposits are critical to the future of mining.

Exploration is a big part of our research and development as an industry and without it we would be in trouble.

Building mines though, is where the real payback for British Columbia lies.

Mines are incredible economic engines. Once you get them up and running, they're very tough to knock over.

Some of those big engines, like the Sullivan Mine at Kimberley, operated for more than 100 years.

Getting mines engineered and constructed ... getting them up and running and producing minerals isn't easy – indeed in many cases it can take more than 5 years to go from advanced exploration, through permitting to development. But once that is done, the end result is the creation of an economic entity that few can match.

Highland Valley Copper generates in excess of \$100 million in annual spending within the City of Kamloops.

The mine generates over \$750 million in revenues annually for the province and employs 900 people.

The Kemess mine is another great example. Kemess produces copper and gold. It cost \$650 million to build. It is located virtually in the middle of northern BC, a great distance from any community of population.

Despite its very remote location, the economic influence of that one mine is felt in communities throughout the province.

To underline the influence, the five coal mines operating in the Elk Valley in southeast BC generates \$1 billion in annual revenue for the province, year after year.

Just these 5 mines alone outweigh the entire BC film industry. Not to knock the film industry but it puts it all in perspective.

### ***RESPONDING TO WORLD DEMAND***

Today's robust mineral cycle, which some say may be a super cycle lasting 20 or thirty years, is being driven in large measure by the rapid industrialization and urbanization of economies such as China and India.

We have a small, open economy in BC and Canada. We cannot set prices, nor can we influence prices by controlling the supply of our products. We

can only take what the world is prepared to pay and find ways to maximize our competitive advantage.

The question for BC is, “how can British Columbians benefit the most from the current high demand for mineral products?”

“And, how can we position ourselves for the future?”

### ***A VISION FOR THE FUTURE***

The Premier has talked about “dreaming big dreams.”

We are encouraged by his words.

MABC member companies like Alcan, Placer Dome and Teck Cominco operate on a broader horizon, a vision that looks 30-40 years down the road.

For BC to once again be able to “dream big dreams” is an enviable position for our province to be in.

We’ve been in this favored spot before, albeit not in a long time.

### ***A SECOND TERM PREMIER***

Ladies and gentlemen, Gordon Campbell will be the first second-term Premier we’ve had in BC in more than 20 years.

His first term was dedicated to getting BC back on track, rebuilding confidence; restoring optimism and set BC back on a solid footing.



BC's economy has responded ... our industry has responded.

As of the end of 2004, there were fourteen new potential mine projects in various stages of permitting review and development. There was only one mine in the review process in 2001.

This is good news for the province and especially good news for rural BC as many of these potential new mines are in regions in desperate need of economic opportunity and long-term stability.

### ***KEY FACTORS FOR FUTURE SUCCESS***

I would now like to outline what I believe to be the five key factors for success of the industry as we move into this new millennium.

- 1.) The first success factor is the need for a more efficient and effective regulatory review system and greater land use certainty:

The time it takes to permit any major mining project in BC is a significant issue for our industry. In particular, the role of certain agencies of the government of Canada, the prolonged decision making process, the bureaucratic overlap, a serious lack of accountability and the notable inefficiencies associated with the current environmental assessment process are major concerns.

The Kemess North Project is a good example of how the current system is not working. After more than two years of permitting efforts by Northgate Minerals, the Minister of Environment has finally announced the Panel that will have the task of evaluating this important project under the terms of the Canadian Environmental Assessment Act. Two years and we are only now

actually moving into the real assessment and review of the project. If all goes well, we will have recommendations from the panel within 10 to 11 months and a decision shortly thereafter.

It is our position that the current systems of assessment and permitting are not leading to better decision-making or better projects – something we would all like to see. Rather, it is leading to delays, discontent within all communities of interest and lost opportunities for investment.

I direct much of my criticism in this regard at the federal permitting process and the lack of support and attention paid by Ottawa to matters of importance in BC.

Land use certainty is also critical. The current government has committed to a two zone land use system, a commitment that has brought certainty to where mineral investment is permitted. Further, final land use plans are in place in almost the entire province. The mining industry has participated in good faith in many of these plans along with many other communities of interest.

Our hope is that will see these plans implemented and the commitments made by all stakeholders upheld.

**2.) The second key factors is the need for a stronger more productive relationship with BC's First Nations communities**

This issue is, without exception, a top priority for our industry.

There are a number of instances where mining companies and aboriginal communities have worked well together. Barrick's Eskay Creek Mine in

northwestern BC is a great example. Here, more than 40 percent of the work force is aboriginal and right from the beginning the company, initiated originally by Homestake Mining, and the local communities have worked together. The Galore Creek Project being developed by Nova Gold Resources is another example of where First Nations have been a significant part of the planning and development from the beginning.

I am willing to state categorically that every major new mining project in BC will have the involvement of one or more First Nations communities.

We cannot wait for the Treaty process to be settled. This will take time. These are hugely complex issues involving three or four levels of government.

What we need to do is find ways to work together now to stimulate desperately needed economic activity throughout the province. Mining represents an extraordinary opportunity for Aboriginal communities to achieve the economic self-sufficiency they desire. And, in particular, it represents an extraordinary opportunity for the large number of aboriginal youth in BC to work close to their communities in jobs that pay on average over \$90, 000 per year.

### **3.) The third factor is a clear commitment to research, training and education**

We need to attract bright young minds into the industry and we need to nurture the emerging cluster of scientific, technical and educational institutions in BC who are pioneering the future of mining.

As is the case with many industries, we are facing a significant labor shortage now and in the years to come as people retire. We have not attracted enough young people to the industry over the last ten years and we are feeling it today as every mine in the province has postings they are unable to fill.

We have an impressive technical and educational network in Vancouver and in other communities around the province that provide services to the mining industry around the world. From major engineering firms such as AMEC, educational institutions such as UBC, SFU and BCIT to R&D focused enterprises like Finning and Siemens, there exists an extraordinary cluster of experience here that is charting the future of mineral exploration, development and operations. This cluster needs to be supported and encouraged to thrive.

**4.) The fourth factor is making investments in infrastructure and ensuring competitive power rates**

In the 1950's W.A.C. Bennett began "the building of British Columbia."

He had the vision to invest in infrastructure, to lay in place the foundation necessary for prosperity – roads, bridges, dams, power lines and railways.

With that energy and transportation infrastructure came opportunity and prosperity for communities.

The investments had purpose; designed to spur private sector activity. Access to infrastructure and competitive energy rates made mineral deposits economic and mines were opened.

The same was true for pulp mills, sawmills, and manufacturing facilities.

Infrastructure investment, the product of inspired long term vision, pays dividends for British Columbians long into the future.

We have a competitive advantage in BC and that is readily accessible and affordable power. Mining is one of the largest consumers of power in BC and is a major contributor to BC Hydro's bottom line. We must ensure that rates remain competitive and that the foundation put in place more than 50 years ago continues to be used for its original intent.

Two other important future infrastructure investments are also worthy of mention.

The first is the Omineca-Stewart Resource Road, which the government committed last month to investing \$2.5 million for engineering and environmental studies. Long considered important to northwestern BC, this project will provide for much more efficient and economic routes to the port of Stewart and the Asian markets that are buying BC's mineral products.

The second is providing power along the Highway 37 corridor, which will very quickly allow for projects such as BC Metals Red Chris Project to be brought into production.

These projects, and others, will more than pay for the public investments made in a very short period of time and stimulate positive economic growth throughout northern BC.

## **5.) Leadership**

The fifth and final key factor for success is leadership.

Taking BC into the next decade and beyond will require vision and leadership.

Making real progress on the areas I just discussed will require political will and the courage to act.

There will be some from the very well funded and vocal environmental conservation community who will suggest that more development is bad. They will point to problems from the past and will suggest that further mineral development should be discouraged from being part of BC's future.

They will say that BC is cutting regulations at the expense of the environment.

Political, business and community leaders need to speak up and counter the misinformation campaigns. We need to get the accurate messages out and be willing to engage in important debates about the future of our province.

Further, we have to clearly demonstrate our performance on the ground as responsible stewards of the environment

Mining can be a major contributor to sustainability in this province and around the world. The wealth and prosperity generated by this industry is extraordinary given the relatively small area of disturbance, less than 0.03 percent of the land base, involved.

We must continue to strive to be better than people expect though. Mining is now the safest heavy industry in BC. A position we should be very proud

of. It wasn't always that way though and now, as we did with our commitment to safety, we need to forge new relationships with all communities of interest and give them the opportunity to understand what modern mining is all about.

We need to demonstrate that we recognize that our social licence to operate has to be earned and that we are committed to the principles of sustainability.

If we can do these things then people will once again view the mining industry as an industry of choice.

No company can be economically viable in the 21st century if it fails to be an environmental leader and practice corporate social responsibility.

We rely on a public resource and we must earn the right to put that resource into production.

And so our conduct and our activities are governed by the principles of sustainability.

As an industry we need to show people through the support of projects like the redevelopment of the old Britannia Mine into a world-class interpretive center, that the mining industry has changed. Following on the recent \$2 million dollar contribution by the federal and provincial governments, the \$750, 000 commitment by Teck Cominco and the support of other industry leaders such as Hunter Dickinson and the Hallbauer Foundation, this project is now moving forward in a major way.

However, if we are going to be successful in developing something that truly represents the world-class nature of our industry before the 2010 Winter Olympics, a world event that is less than 5 years away, we need the support of the entire mining community.

### ***THE CONCLUSION***

While mining has yet to fully recover from the decade of the 1990's, there is little doubt that we are well on our way.

Exploration spending is strong. Our coal industry is booming. Mines have reopened and new ones are under development consideration.

Yes, we are on the verge of a golden decade ... but for mining it may be a decade that stretches into a 20 or 30-year period of growth and prosperity for the communities and regions in which we operate.

We are confident that we have the technology and the science; the policies and the values; and the leadership and the vision needed to build those mines in a manner that will meet the highest expectations of British Columbians.

The test now will be for all of us to move boldly forward, to “step from solid rock onto new ground” as W.A.C. Bennet said.

If we invest in infrastructure and get those new mines permitted and built, if we focus on research and development, if we are successful in attracting new bright minds into the industry, if we carefully nurture our relationships with all of our communities of interest and if our political leaders demonstrate their will and vision to make the right decisions, then the future of the mining industry and all British Columbians will indeed be bright.



Thank you.