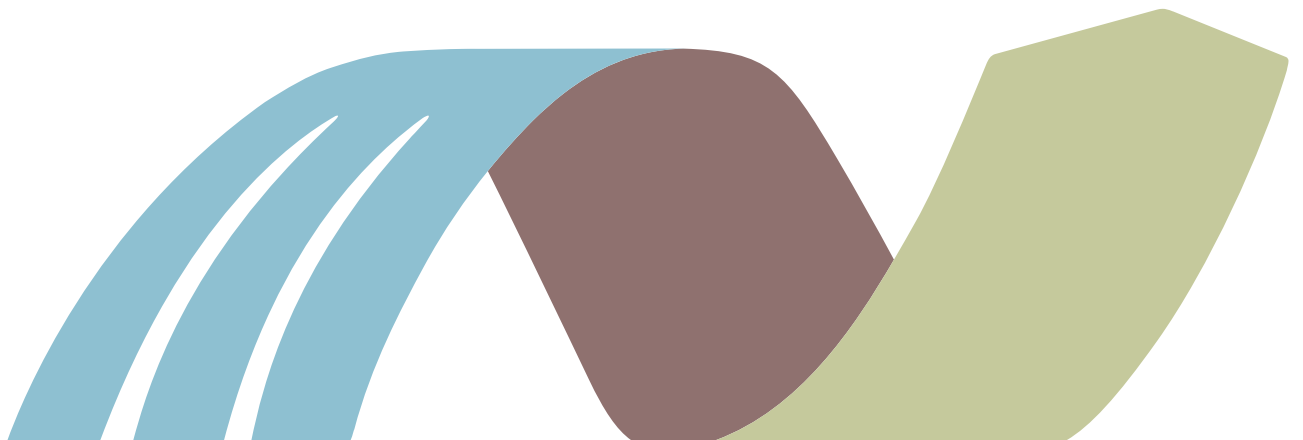




noma

Northwestern Ontario
Municipal Association

**Presentation to Ministers and Opposition Members
OGRA/ROMA Conference, February 2013**



The Northwestern Ontario Municipal Association represents the interests of 37 municipalities from Kenora and Rainy River in the west to Wawa and Hornepayne in the east. Our mission is “to provide leadership in advocating regional interests to all orders of government and other organizations.”

We appreciate the opportunity to meet with you today and have identified a number of issues that are of priority to our membership.

Mining Growth and Development

Northwestern Ontario is on the cusp of a mining explosion with 250 active projects in 2011 totalling \$500 million in expenditures – that represents nearly half of all mining expenditures in Ontario last year. These opportunities are located across the northwest region with the most significant being the Ring of Fire.



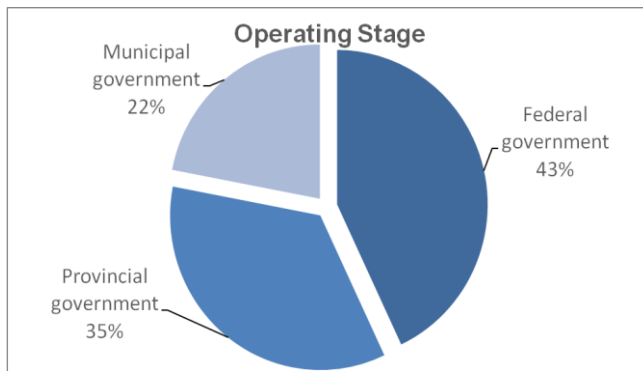
Figure 1: Mining Exploration in Northwestern Ontario

An economic engine for the entire Province

Recent Government documents, most notably the Drummond Report and the 2012 Ontario Budget, give little more than passing reference to the economic potential that these mining opportunities represent by referring to the developments as “part of a strong northern economy” and of benefit to “Northern Ontario”, period. While we appreciate the mention, we must stress that this is not *just* about Northern Ontario. **These mining developments have the potential to be the economic engine for the ENTIRE Province for decades to come and must be viewed through that lens by ALL MINISTERS and their Departments.**

A recent study by Lakehead University highlights the details of this incredible opportunity:

Total value of unmined metals & minerals	\$135.4 Billion
Direct, indirect and induced employment <ul style="list-style-type: none"> • 8,107 construction; 15,481 mining operations • Includes 13,149 positions in Northwestern Ontario <ul style="list-style-type: none"> ○ 5,719 construction; 7,430 mining operations 	23,588 jobs
Total salary compensation during the operation phase, wages and benefits paid are estimated <ul style="list-style-type: none"> • Includes \$531 million per year in Northwestern Ontario 	\$1.106 billion/yr
Potential total tax revenues for all three orders of government	\$16 Billion



What's in it for the Province of Ontario?

- \$173.8 million tax revenue per opening year
- \$298.8 million tax revenue per operating year
- Total tax revenue: \$5.75 Billion

It is imperative that any Provincial involvement and investment be viewed in the larger context as an investment that will benefit not just one region, but rather the citizens of Ontario as a whole.

Aboriginal Relations

Northwestern Ontario is ready to grow but there are many challenges facing us between today and that growth. One key challenge is the relationship between the Government of Ontario and our First Nation neighbours. As concerned bystanders who most certainly do not speak for any Aboriginal Community or their leadership, **we are concerned about how our move towards growth will be impeded by a lack of true consultation and accommodation.**

Our First Nation neighbours are an integral part of the economy of the Northwest. They need to have their fair share of the benefits of the resources that are found in and on their traditional lands. If they are to turn their communities into prosperous places to live, where their children can be educated and grow old, they need to have a share of the economic pie. That won't happen if they are not properly engaged by government through the development of natural resources. The First Nations must be a full partnership in the extraction and harvesting of Ontario's natural resources, just as our member municipalities must be.

Infrastructure Investments

The introduction to the Ontario government's draft Ontario Multimodal Goods Movement Strategy states:

*"Transportation has always been a significant part of Ontario's economic advantage. **Ontario's proximity to key markets, and well developed roads, railways, ports and airports helped spur the development of a strong and diverse economy.**"*

NOMA strongly supports that position and we believe that Northwestern Ontario needs to be supported in its bid for the 'development of a strong and diverse economy' through **the Province taking the leadership in planning, developing and owning the infrastructure necessary to support the Ring of Fire development and any other mining venture to be located in the Northwest.**

Because of the numerous discoveries and mining companies involved, the Ring of Fire is a unique development in Ontario. As such, it requires a more planned public approach than what has occurred in past and what we believe is currently underway.

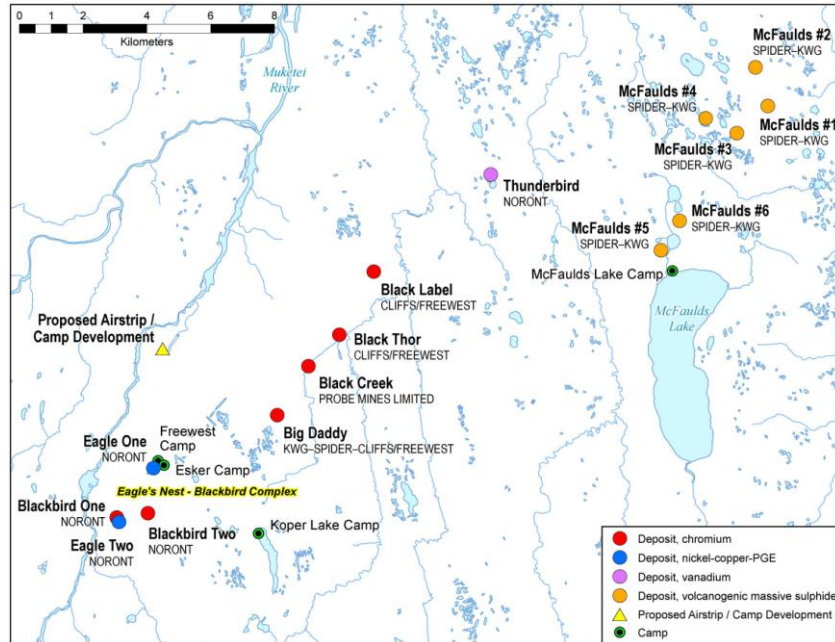


Figure 2 - Ring of Fire Known Opportunities

There are three key factors that should drive this development being managed for the public good rather than by the private interest:

1. Governments' not corporations have the legal duty to consult and accommodate according to the decision by the Supreme Court of Canada;
2. There are currently a multitude of owners of a multitude of individual mines that are likely to come on stream over the next 10 to 30 years, each with their own independent and unique need for transportation and energy; and,
3. There are a number of remote First Nation communities whose traditional territory encompasses the Ring of Fire development area – these communities require road and electrical infrastructure to meet their own economic and social needs.

It is NOMA's position that **the Government of Ontario should be the organization taking the lead in determining the infrastructure requirements of the Ring of Fire and the adjacent communities** (including the municipalities of Greenstone and Pickle Lake), securing the route for any proposed infrastructure corridor(s) and coordinating the construction of said infrastructure.

In addition, it is NOMA's position that **a North-South corridor connecting the Ring of Fire to the municipality of Greenstone is a requirement of any public plan, but that there is also a requirement for an East-West road and electrical transmission corridor connecting the Ring of Fire to Pickle Lake.**

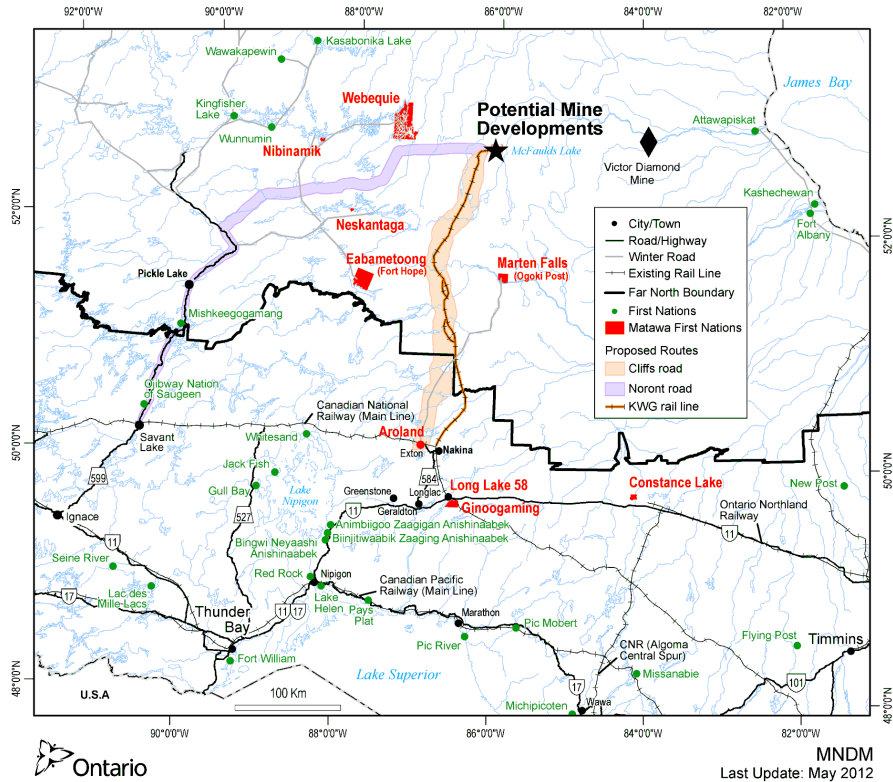


Figure 3 – Transportation Planning

It is also NOMA's position, that **individual First Nation communities that determine they want to be connected to the north-south route or the east-west route via an all weather road, those those road networks should be included in the infrastructure plan for the Ring of Fire.**

While the North-South link is a logical one for the ease of connection to CN's Northern Rail Line for the movement of heavy haul ore and for access to and from the mines by those who need to be there, the East-West link also provides for alternate access to and from the site. It also maintains and expands the opportunity for the remote First Nation communities and municipalities to the west to provide labour, goods and services to the Ring of Fire development.

NOMA recognizes that the **construction of the necessary transportation and energy infrastructure as outlined above will be an expensive proposition.** However, as we have already identified the **provincial tax revenue from the Ring of Fire development over its expected life of 100+ years will be beyond comprehension.** The return on Ontario's investment will be significant.

That being said, **modern technology would allow for the province to recover its initial capital outlay in building the road and/or rail infrastructure through the use of an electronic toll system that would charge back the cost per tonne/km for the ore and materials utilizing the road/rail system.**

We quote again from your government's draft Ontario Multimodal Goods Movement Strategy:

"The transportation network is the foundation on which the successful natural resources and manufacturing sector in Northern Ontario is built."

It is the Government of Ontario's job to make this happen, not the private sector. The auto industry has historically received billions in government investment to support its growth and economic development. The mining industry now needs similar support through infrastructure investments that will drive the economy for decades to come.

Ministry of Energy

Thunder Bay Generating Station Conversion

Ontario's Long-Term Energy Plan includes conversion of the Thunder Bay GS to natural gas. In August 2011 the Minister of Energy issued a directive to the Ontario Power Authority (OPA) to negotiate a power purchase agreement contract for the purchase of electricity from Thunder Bay GS. Those negotiations ceased on November 1, 2012 with the announcement by the OPA and the IESO that the conversion of the Thunder Bay Generating Station would be "suspended" pending further information regarding costs and projected energy supply needs. Since that time, the Common Voice Northwest Energy Task Force has met with the OPA and continues discussions to outline energy supply needs for the Northwest over the short and long term.

The decision to suspend the conversion has created a great deal of uncertainty across the Northwest and may put in jeopardy many if not all of the mining projects that we expect to open in the next 5 years. This decision was made without a comprehensive, transparent plan for the region's electricity supply and it was done without a fully engaged region at the planning table.

We have now identified that come January 1, 2015 the Government imposed deadline to cease coal generation, the Northwest, and in particular, the City of Thunder Bay will suffer industry, residential, industrial, commercial and some institutional shutdowns, brownouts or blackouts during weather related variables such as, droughts, extreme cold and electrical storms should an alternative source of energy not be made available. A major cause of these shortfalls will be the unavailability of the Thunder Bay Generating station.

The scheduled cessation of the use of coal, particularly without the increase to the supply as the Tie Line increase being planned is not to be in service until 2018 at the earliest, will create an interim power supply crisis in the Northwest Region, placing much of the needed mining development on hold. This clearly is not acceptable to the people of our region, in the same way that it would not be acceptable to citizens of Southern Ontario.

The next 10 to 20 years and beyond will be a remarkable time of growth for Northwestern Ontario IF, AND ONLY IF, proper needs based energy planning is done and the correct building blocks are in place.

We project that by 2016 the total electrical load will increase to 1298MW with an additional 360MW coming on stream by 2020 for a total load of 1564MW. Projected load calculations by the OPA are significantly lower, totaling 760MW by 2016 and 850MW by 2020. We believe that the OPA has grossly underestimated that new load. At the same time, the OPA has overestimated the availability of power to the region – resulting in a major shortfall of over 700 MW of power.

The further challenge is to transmit the power to where it is needed and to do so on a consistent basis. The Northwest has a number of areas served by a single set of wires – a radial line in technical terms.

There are three areas¹ in the region that have no redundancy, when those lines are broken there is no backup supply by which power supply can be continued without interruption. Supply of power will resume only when the problem has been located and repaired – and it is not unusual to have that take days. That means that everything shuts down – home heating in many cases, mines and their processing facilities, businesses, hospitals etc. And it could be a day or more before the lines can be restored. **Furthermore, most of the existing radial lines are maxed out – there is no additional capacity available for growth, whether it is industrial, residential or institutional.**

We understand that there is ongoing dialogue between the Ontario Government with the remote First Nations of Northwestern Ontario. We see it as essential that all of those communities have adequate and secure power supply for a range of reasons, from giving them the ability to grow their economy, creating needed jobs within their communities, to being able to build new homes for growing populations, to the environmental benefits to all of us to get them off of diesel. We leave it to them to work out how best to accomplish that connection.

We request that the Ministry of Energy create a Northwestern Ontario planning body that has the responsibility to identify the energy needs – both current and future - of the region and to develop specific plans to meet those needs.

Local Distribution Companies

There are five remaining municipal LDCs in Northwestern Ontario between which there currently exists a robust level of cooperative sharing of resources. This existing cooperation already results in significant savings while meeting the needs of local ratepayers. NOMA is an advocate of needs-based regional planning and voluntary participation by the parties involved where

¹ Red Lake, Pickle Lake and Greenstone

consolidation of LDC's is concerned. **We do not support mandatory amalgamation as history has repeatedly proven that "one size does NOT fit all".** Nor do we accept the assumption that Hydro One should be incorporated into a single LDC for the Northwest. The end result of such amalgamation will be to shift responsibility for the cost of the extensive transmission and distribution network from all of the rate payers of Ontario to a very small population base. The Northwest already experiences a cost of living higher than the more populated areas of the province and such a shift would only exacerbate the situation.

Ministry of Municipal Affairs & Housing

Regional Decision Making

We've seen over and over that decisions made in Queen's Park just don't work for Northwestern Ontario and often have a negative impact on the regional economy. From the Endangered Species Act that reduces the availability of our wood fibre and adds unnecessary challenges to our forest industry, to the lack of energy transmission lines and generation that result in mines running on diesel, to the frustrations and delays in planning and approvals that drive potential business to other parts of the world rather than investing in our communities – the current system does not work for us.

NOMA believes in the need for increased regional decision making for Northern Ontario on issues currently under Provincial jurisdiction including natural resources, energy, infrastructure and land use planning.

We recommend that your Government engage the Northern Policy Institute to develop a proposal that outlines options and processes that would enable increased regional decision making in Northern Ontario.

Ontario Municipal Partnership Fund - Social Housing Costs

In calculating the social services components of OMPF and its predecessor the Community Reinvestment Fund, the input used for social housing net costs was fixed in the 2002 year. Ten years later, in 2012, this net cost freeze is still in place and is causing significant angst by the municipalities who must now make up the shortfall for social housing costs.

For example, in 2011, social housing net municipal expenditures for the District of Thunder Bay exceeded the OMPF eligible amount by \$1.3 million. Since the cap was established, the total amount exceeded has reached \$3.1 million. This is a clear form of downloading to the municipal property taxpayer going against the principal of uploading that was agreed to by the Province in 2008. In the Rainy River District this has led directly to the elimination of a number of positions in the housing sector of the Rainy River District Social Services Administration Board thereby

reducing the services available to the social housing community. Across the Northwest, the upload of DSSAB/DSB costs has not been fully realized by local municipal budgets because these additional funds have been diverted by the DSSABs to offset the shortfall as social housing costs continue to climb post 2002. It should be noted that maintenance and remediation costs are traditionally higher in the northwest than in southern Ontario.

It is crucial that the input used for social housing net municipal costs in OMPF be adjusted to more accurately reflect increasing operating costs and declining subsidies for social housing and be allowed to increase as other components in the formula.

Heads and Beds Payments

The provincial payment in lieu of taxes for universities, hospitals and correctional institutions – also known as the “heads and beds” payment - has been unchanged at \$75 per student and bed since 1987. These payments do not meet the actual costs of municipalities to provide the necessary services for these various institutions, thus placing an unfair tax burden on their property tax payers, jeopardizing the ability of these municipalities to meet infrastructure demands, and weakening their ability to act as economic engines. Applying the Bank of Canada inflation calculator results in the \$75 value of 1987 needing to be \$130.60 in 2012 to have the same value to our communities.

NOMA calls on the province to increase the payment in lieu of taxes to more accurately represent the costs of providing service to these institutions.

Ministry of Natural Resources *Endangered Species Act regulations*

Our thanks to former MNR Minister Gravelle for his diligent work related to the Endangered Species Act. We strongly support the transition measure for the forestry sector in EBR posting #011-7696 because it recognizes the need to provide certainty to the forest industry and the jobs it creates for citizens in our communities.

The regulation recognizes that Ontario’s forest sector already provides for the needs of species at risk through the Crown Forest Sustainability Act (CFSA) and that the forest sector is required to continuously update their management practices to be consistent with provincial recovery strategies developed under the Endangered Species Act (ESA). NOMA and a number of our member communities have submitted letters of support to the EBR and we look forward to implementation of these changes as soon as possible.

Ministry of Infrastructure *Municipal Infrastructure Funding*

The final report of the Provincial-Municipal Roads and Bridges Review (released July 2012) recommends that there is a need for a new Provincial-Municipal framework to sustain municipal roads and bridges and that, when the fiscal situation permits, a new permanent and predictable provincial infrastructure funding program should be developed to help municipalities maintain, build and renew road and bridge infrastructure over the long term.

NOMA members understand that fiscal pressures on municipal and provincial governments make it challenging to create new infrastructure funding programs at this time. However, investments in roads and bridges as well as other critical municipal infrastructure such as water and wastewater, stormwater, transit, public housing and all the other services that municipalities deliver to our citizens are investments in our quality of life that support continued economic growth and development.

We greatly appreciate the announcement of the funding increase from \$60 million to \$90 million for the Municipal Infrastructure Strategy including the support for Asset Management Planning. We are grateful for your recognition of critical repair and replacement needs while we await the next phase of a joint Federal-Provincial infrastructure funding program.

Ministry of Northern Development & Mines *Growth Plan for Northern Ontario*

Northern Policy Institute

We are pleased that some progress has been made on the Northern Policy Institute since our last meeting in August. The recent announcement of the inaugural Board of Directors was an important step forward and we anticipate the announcement of the founding Executive Director for the Institute in the very near future.

Regional Economic Development Pilot Project

The Chair of the Northwest Joint Task Force personally presented the final report on the Northwest REDA pilot project to former Minister Bartolucci in June 2012. Since that meeting we have been eagerly awaiting an announcement by the Government relating to the implementation of the pilot projects that were announced in the March 2010 Ontario Budget. We are disappointed that no announcement has been made and are frustrated by the corresponding discontinuation of the Northern Advisory Council meetings to provide input to the Minister on Growth Plan related activities.

The recommendations that were provided at the request of the Ministry represent hundreds of hours of effort by committee members in both the Northwest and the Northeast. **We encourage the Minister to bring together the Northern Advisory Council as soon as possible to provide an update on the status of the REDA pilot projects. In addition we encourage the Minister to authorize the release of the reports and to announce the Government's response to each committee's request for funding and implementation of the Pilot Projects.**

Thank you for your time and consideration of our issues.