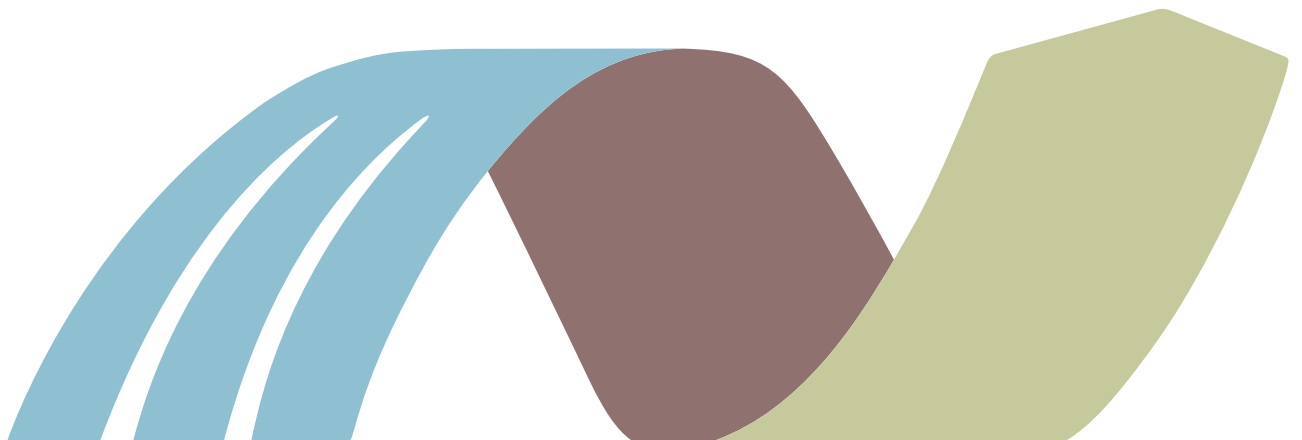




noma

Northwestern Ontario
Municipal Association

**Presentation to Ministers and Opposition Members
AMO Conference, August 2012**



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 region with the most significant, the Ring of Fire, situated in the James Bay lowlands approximately 300 kilometres North of Greenstone.

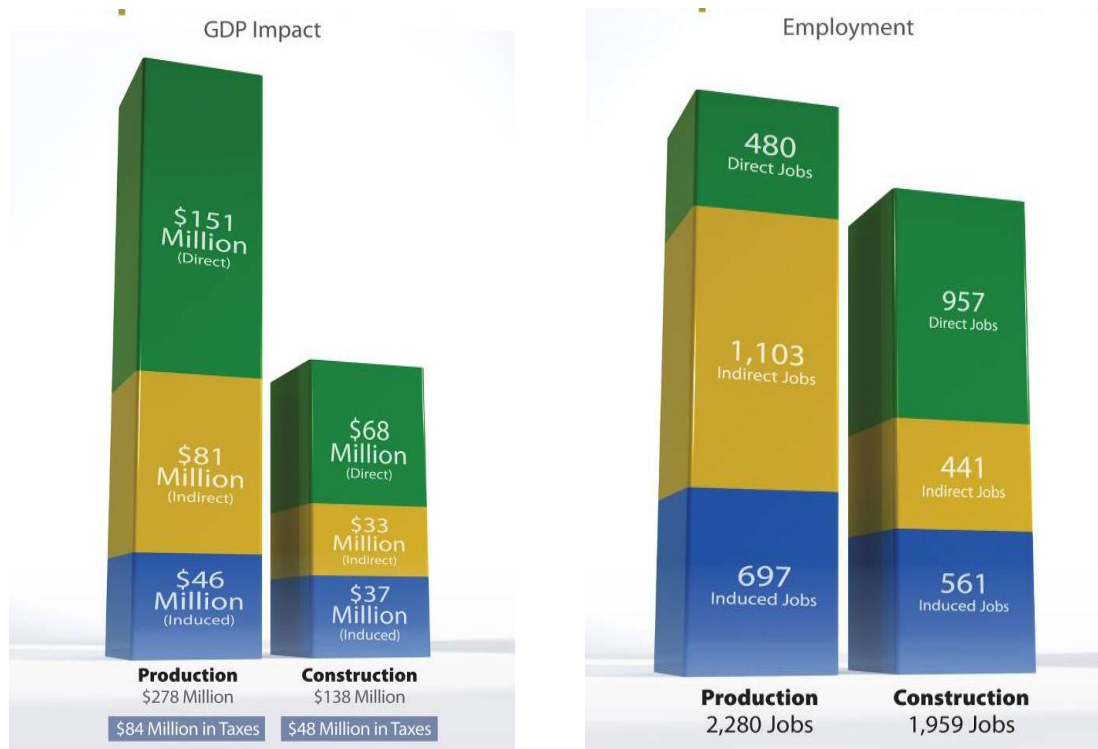
An economic engine for the entire Province

Recent Government documents, most notably the Drummond Report and the 2012 Ontario Budget, give little more than lip service 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 Departments.**

A study by the University of Toronto for the Ontario Mining Associationⁱ puts the economic impact of **ONE new mine in Ontario** at:

Phase	Annual GDP Impact	Annual Employment	Annual ON Taxes
Opening/Construction	\$140 million	2,000 jobs	\$19 million
Production	\$280 million	2,300 jobs	\$32 million

Figure 1 – Annual economic impact of one new mine in Ontario (OMA)



The OMA study indicates that approximately 65% of the jobs are created in the local area of a mine with the remaining 35% created elsewhere in Ontario (financial services, information technology, manufactured goods, etc).

Industry experts predict that at least **10 mines** will open in Northwestern Ontario over the next 5 years. Applying the information provided by the Ontario Mining Association, it becomes crystal clear that these Northwestern Ontario mining developments will be a major economic engine for not only our region, but also the whole Province.

Phase	Annual GDP Impact	Annual Employment	Annual ON Taxes
Opening/Construction	\$1.4 Billion	20,000 jobs	\$190 million
Production	\$2.88 Billion	23,000 jobs	\$320 million

Figure 2 – Calculated annual benefit of 10 new mines in Northwestern Ontario

To provide context on the true value of these proposed mining developments, shown at right are a few examples of the economic benefits of the Auto Industry by region –a major engine for Ontario’s economy over the past 50 years. Clearly, the Northwest’s expected mining growth are quite comparable to the annual benefits that have been accrued to the Province

Figure 3 - Comparison to benefits of the Auto Industry^{ji}

Location		Direct Jobs	Ontario Taxes (income, payroll & sales tax)
Windsor	auto workers	13,300	\$216 million
London Region	auto workers	11,000	\$187 million

through both jobs and taxes by the Auto industry in Windsor and London for so many years. That is why **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.**

A review of the history of the provision of transportation and energy infrastructure to mines in Northwestern Ontario will find little consistency over the past 100 years. In some cases, ore was discovered immediately adjacent to a provincial highway¹ and only local mine infrastructure was required to be constructed. In other cases, mines were developed in the 'middle of nowhere' and eventually a provincial highway was constructed to link the new community to the provinces road system². In other cases, the mine has been developed and utilizes a fly-in option of servicing the facility with goods and personnel and no provincial highway connects the site.³ In the vast majority of cases of mine development in the Northwest, each new discovery has been a one-off; that is, one owner of a particular discovery with minimal exploration or development immediately nearby by other companies. It was logical in those circumstances for the mining proponent to take the lead in determining the need for and location of transportation and energy infrastructure as they would be the sole beneficiary.

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 is currently underway.

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.

¹ Hemo discovery

² Red Lake discovery

³ Musselwhite Mine

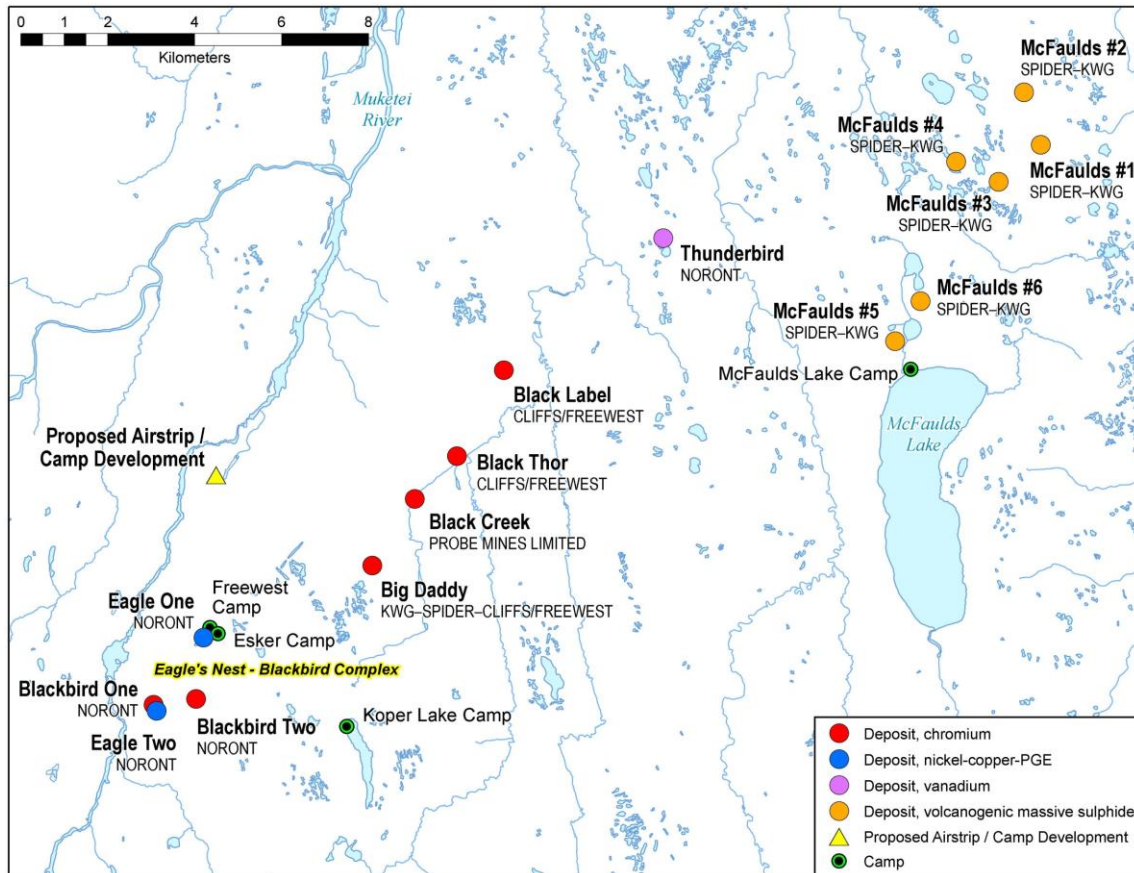


Figure 4 - Ring of Fire Known Opportunities

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.**

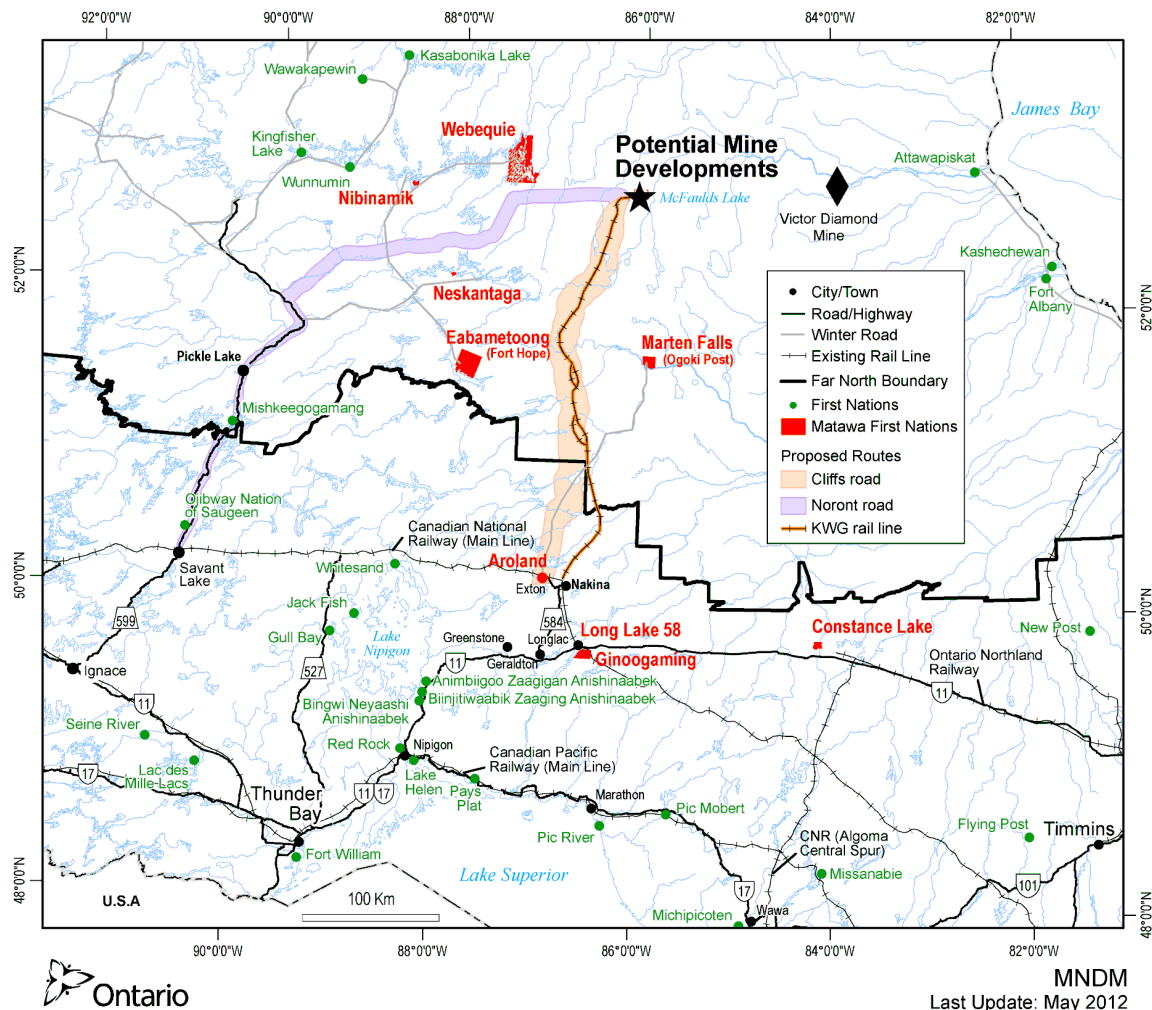


Figure 5 – Transportation Planning

It is also NOMA's position, that **should individual First Nation communities determine that they want to be connected to the north-south route or the east-west route via an all weather road, that road network 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 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!

Energy

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 electrical load will increase by between 455 and 480 MW with an additional 227 MW coming on stream after 2016. Total anticipated additional demand is in the range of 682 to 707 MW. As you can see from the stars on the map below, this growth is much more than the Ring of Fire which has garnered all of the attention.

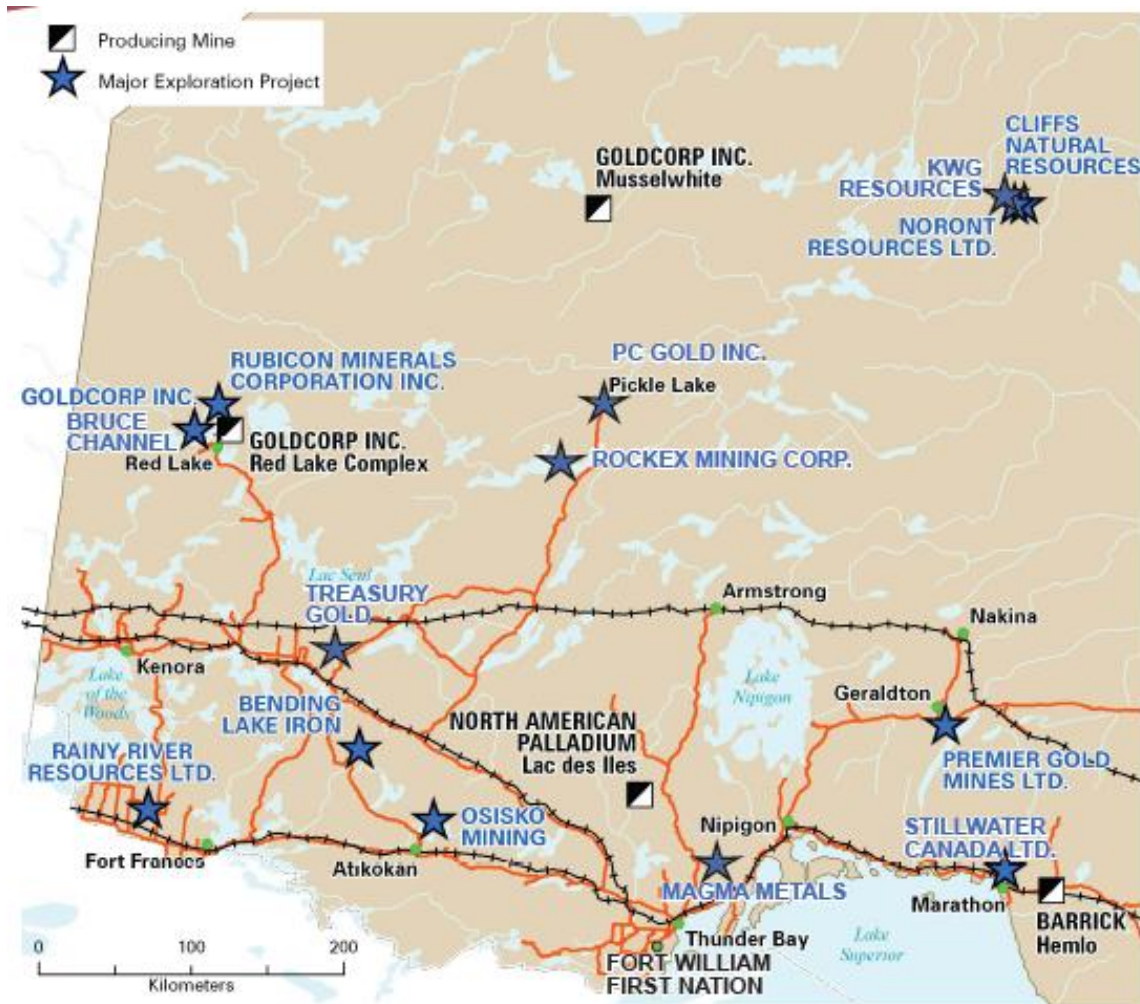


Figure 6 – Mining Exploration in Northwestern Ontario

In the short term we have the electricity available in the Northwest to power those facilities that come on line. We have just under 500 MW of surplus generating capacity available in the region. The closure of all but three of our pulp and paper mills and most of our sawmills has created this excess capacity that we want to be used for economic development purposes across the region.

However, **the challenge is to get the 500 MW 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 four areas in the region that have no redundancy, when those lines are broken there is no redundancy 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.

Red Lake has identified new loads in the range of 425 MW by 2031 (included in above MW total). In spite of advising the OPA of this, they continue to propose a solution that does not come close to meeting the need, instead relying on their Requirement Planning approach. OPA is proposing to construct a second 115 KV line which would provide 200 to 250 MW of capacity when **we have identified a new 230 KV line as a viable option ensuring that the Red Lake Area would have between 300 to 500 MW of new capacity in place to encourage the development of all of the mines and forestry operations that have been identified.**

With regard to the Ring of Fire, both Pickle Lake and Nakina are served by Radial Lines and have insufficient power to feed into the Ring of Fire Development. Recent provincial planning has identified a new line to connect to Pickle Lake. **In spite of all sorts of requests, proposals and interventions before the OEB, there continues to be no plan to upgrade the power to Nakina or the entire Municipality of Greenstone.**

We understand that there is ongoing dialogue between the Ontario Government with the remote First Nations of Northwestern Ontario. We see it 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.

Labour Needs & Training

The 2012 Labour Market Planⁱⁱⁱ by the North Superior Workforce Planning Board provides vital information on future labour needs expected to address mining developments in the Thunder Bay District. Information is also being developed by the Northwest Training and Adjustment that will outline labour needs for the Kenora and Rainy River Districts.

For the Thunder Bay District, the following table breaks down the cumulative hiring requirements within mining into the main occupational categories according to a baseline scenario.

<i>Cumulative Hiring Forecasts by Occupational Category</i>	2014	2017	2022
Trades and Labour Occupations	310	570	1280
Supervisors, Coordinators and Foremen	55	100	220
Professional and Physical Science Occupations	35	65	150
Support Workers	30	55	130
Technical Occupations	25	45	105
Human Resources and Financial Occupations	15	30	60
All other occupations	220	405	895
Total	690	1,270	2,840

Figure 7 – Hiring Forecasts in Thunder Bay district relating to Mining Growth

By far, most positions in mining will be required in trades and labour occupations. These positions will be a challenge to fill when considering the labour intensive nature of production and extraction and the fact that several new mines are coming online within the region over the next few years. Initiatives are underway to encourage apprenticeship development and training opportunities. On-the-job training will also be a major factor in the success of meeting the sector's employment demands. **We encourage the Government to work closely with these two local workforce planning boards and training providers such as Confederation College, to ensure that sufficient training and apprenticeship opportunities are in place to address the labour needs that these mining developments will create.**

Ministry of Energy *Issues in the Northwest*

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 consolidation of LDC's is concerned. **We do not support mandatory amalgamation as history has repeatedly proven that “one size does NOT fit all”.**

We highlight and applaud the recent Association of Municipalities of Ontario (AMO) submission to the Ontario Distribution Sector Review Panel which states:

“ ...An LDC by LDC examination reveals that many small LDCs outperform much larger ones. AMO suggests the real opportunity here is to develop a framework

where these smaller LDCs can expand by acquiring areas currently within Hydro One's distribution service territory. The data clearly shows that Hydro One remains an outlier in terms of poor performance."

"While a certain amount of Hydro One's poor performance is due to the vast distances it must service including many areas with very few customers, that is not the full story. Hydro One has some of the highest salaries in the Ontario public sector, even though they are running businesses that do not face normal competition or the pressure for results that comes from having to meet shareholders' expectations. There are also numerous instances of redundant infrastructure in the Province where Hydro One has assets in the same neighbourhood or even on the same street as a municipal LDC."

*"Hydro One faces substantial investment requirements in the near future related to several planned transmission projects. Transmission is Hydro One's core business. **AMO suggests that Hydro One's distribution assets should be independently valued and put up for sale to municipal LDCs with a right of first refusal. Proceeds from this sale could go to help Hydro One fund its transmission builds and refurbishments.**"*

We also took our message directly to the Ontario Distribution Sector Review Panel this past June.

Thunder Bay Generating Station Conversion

Ontario's Long-Term Energy Plan includes conversion of 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. On August 3, 2012 Ontario Power Generation issued the following statement:

"OPG has made substantial progress on design, contracting, fuel supply, community outreach and consultation and environmental approvals. However, without a power purchase contract in place, OPG has made the decision to suspend project activities as negotiations proceed. We will re-start the project when we have the power purchase contract in place which will ensure that we will be able to recover costs."

NOMA is extremely concerned that these delays by OPA will put in jeopardy the ability to complete the Thunder Bay GS conversion to natural gas prior to the 2014 deadline for coal fired plants to be closed down. We are pleased to learn that since the OPG announcement, talks have continued between the parties, however, precious time is slipping away and we encourage the Minister to take the necessary steps to ensure that the conversion plan can proceed on schedule.

Renewable Energy Capacity Issues

A final energy item, that we have apprised the Minister of repeatedly is the lack of action to unfreeze the Northwest when it comes to capacity to receive new renewable. On Friday, August 10, the Ontario Power Authority announced that the application window for small FIT projects is anticipated to open on October 1, 2012, and remain open until November 30, 2012. The accompanying documentation clearly indicates that nowhere in Northwestern Ontario is there any capacity available to add a small FIT project to the grid – even though the program is designed for 500 kW or smaller projects.

Northwestern Ontario is one of the sunnier parts of the province and its residents should have the same opportunities as those in southern Ontario. We ask that this problem be solved in a timely basis.

Ministry of Municipal Affairs & Housing ***Ontario Municipal Partnership Fund***

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, and since 2002 have increased by an accumulated total of \$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.

Ministry of Natural Resources *Wildlife Management*

Bears

Municipalities across the Northwest are concerned with the MNR's announcement that it will "no longer provide individual site visits to assist with site-specific conflicts with bears and the ministry will no longer trap and relocate problem bears..."

This change in practice is a clear downloading of bear management to our municipalities with no advance consultation and no financial assistance. The abandonment by MNR of these vital wildlife management services leaves our municipalities on the hook for the costs of increased service calls to OPP due to bear challenges.



The Township of Red Lake is reporting an increase of 131.25% in bear calls for service from 2011 numbers. In addition, the number of bears that had to be destroyed has increased by 500% and the number of bears that display no fear of humans has increased by 400%. Red Lake already has the highest policing costs per household in the entire Province – the addition of bear calls because of MNR's service changes is an unjust burden on the backs of property taxpayers.

The increase in bear calls for service is similar in other communities:

Total Bear Calls for Service	2011 (January – July)	2012 (January – July)
Marathon	24	64 increase of 260%
Red Lake	16	37 increase of 131.25%
Sioux Lookout	39*	109 increase of 279%

Figure 8 – Bear Calls for Service

*2011 numbers indicate total animal calls, procedures changed in 2012 to separate bear calls from other animal calls

It is simply not acceptable for the MNR to walk away from the on-going problem of nuisance bears in our communities. Bears don't care about public awareness campaigns or toll-free numbers - if they have overcome their fear of people there is little that can be done to deter their search for food within our municipalities without the intervention of trained officers.

Furthermore, we are very concerned about utilizing OPP officers to address wildlife concerns. As noted in the Drummond report, *“Policing is one of the fastest growing areas of public expenditures in Canada. After reviewing and defining the core responsibilities for policing, which would include an examination of alternative models of service delivery, **the government should eliminate the use of police officers for non-core policing duties, replacing them with special constables or private security services.**”^{iv}* NOMA does not consider wildlife management a “core responsibility” for police and we propose that a much more effective model of bear management would be a contract for service with retired Conservation Officers or other trained private contractors.

Deer

Communities in Northwestern Ontario are also facing an over-population of deer. The municipalities of Kenora and Thunder Bay have recently implemented a Fall bow-hunt in an attempt to reduce the deer population within city limits and thereby reduce wildlife related auto accidents and other damages caused by deer.

The MNR currently charges \$45 for a resident deer license and \$52 for a resident moose license. Moose licenses are in high demand and are good value (cost per pound) for a hunter looking to fill the freezer for the winter....a tradition here in Northwestern Ontario. The same cannot be said for deer licenses as deer contain significantly less meat. **We therefore suggest that the MNR consider reducing the cost of resident deer licenses to help address over-population issues.**

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 trust that you won't wait too long as that will only exacerbate the challenge further.

We again highlight the urgent situation faced by the City of Kenora, with a total of 18 downloaded bridges (downloaded against the wishes of every municipality) of which 11 require

immediate maintenance with their accumulated repair and replacement cost expected to reach nearly \$20 million within the next 5 years. That's a huge burden on a community of 15,000 residents and an annual operating budget of approximately \$25 million. As shown on the following page, the bridges continue to disintegrate and will soon become unsafe for use. We ask for your immediate assistance in addressing these priority cases.

Winnipeg River West Branch Bridge
SW Thrust Block



July 26
← 2010



July 1 →
2012

We must also restate our firm belief that **infrastructure investment programs must provide flexibility to allow each community some latitude in determining the priorities within their own municipality. Programs cannot be developed with a “one size fits all” approach.**

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

Northern Policy Institute

We are disappointed in the lack of progress in moving this project forward over the past 17 months. We understand that significant work has been done towards the development of the Northern Policy Institute that was announced in March 2011 and we were advised in during February's OGRA/ROMA 2012 discussions that an announcement on details would be forthcoming in the following weeks.

We again stress NOMA's support of the Mission Statement proposed by Common Voice Northwest, which states: “that the Northern Policy Institute conducts independent forward-looking research on business, economic and social issues and generates policy advice that will improve Northern Ontario's standard of living through sound economic and social policies.”

We would encourage the Minister to expedite the announcement of further details regarding the Northern Policy Institute, including structure and location, to ensure that this project can move forward.

As the original proponent of the concept, the Northwest believes that it would be appropriate to establish the headquarters of the Northern Policy Institute in the Northwest.

Thank you for your time and consideration of our issues.

ⁱ Ontario Mining: A Partner in Prosperity Building – the Economic Impacts of a Representative Mine in Ontario. Peter Dungan and Steve Murphy, Institute for Policy Analysis, University of Toronto, December 2007

ⁱⁱ Rethinking Canada's Auto Industry: A policy vision to escape the race to the bottom. Canadian Auto Workers, April 2012 www.rethinktheeconomy.ca

ⁱⁱⁱ North Superior Workforce Planning Board Labour Market Plan 2012
<http://nswpb.ca/assets/files/CustomLabourMarketReport-ThunderBayDistrictMiningIndustry.pdf>

^{iv} Commission on the reform of Ontario's public services report, 2012