

Proposed Changes to Ontario's Aggregate Levy

TAPMO/OSSGA AGGREGATE LEVY COMMITTEE
ASSOCIATION OF MUNICIPALITIES OF ONTARIO
JANUARY 31 2014

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TAPMO/OSSGA Levy Committee

TAPMO representatives

Mayor D. Lever (Puslinch)**CHAIR**

Mayor G. O'Connor (Uxbridge)

Mayor M. Morrison (Caledon)

Deputy Mayor A. Rivest (Sudbury)

OSSGA representatives

E. Schultz (Aecon Construction)

B. Marquardt (CBM Aggregates)

K. Lucyshyn (Walker Industries)

M. Miller (OSSGA)

M. Matheson (Steed & Evans)

Q. Moyer (Nelson Aggregates)

M. Croskery (Pioneer Construction)

Creation of TAPMO (Top Aggregate Producing Municipalities of Ontario)

Mayors of Top 10 aggregate producing municipalities connected & engaged during 2010 election

Concern re impact of aggregate shipping on local infrastructure & need for group voice with Province

First meeting at OGRA/ROMA (Feb 2011) with primary focus on aggregate Levy \$ to local municipalities

Meetings with Minister Jeffrey (MNR) and Moreen Miller (CEO/OSSGA) to outline concerns

More municipalities were interested in joining

TAPMO formed in Feb 2012, includes municipalities producing > 1,000,000 tonnes per year

~40 = 65% of shipments

Other areas of interest include rehabilitation, major site plan amendments, fill importation, etc.

Creation of TAPMO/OSSGA Aggregate Levy Committee

Formed shortly after TAPMO (August 2012)

Municipal, Producer and OSSGA representatives

Joint support for new universal levy and adequately funded inspection program

Bottom up calculations for possible changes to the aggregate levy

Consensus driven issues list

TAPMO/OSSGA Aggregate Levy Committee Mandate

During the review of the Aggregate Resources Act in early 2012, the aggregate levy was a consistent topic of discussion. TAPMO and OSSGA felt it was beneficial to both parties to engage in discussions around a potential change to levy, both in how it is apportioned to various governments and government agencies, and also to discuss if the current amount is still appropriate. The goal is to explore mutually agreeable principles in order to find common ground and recommend changes to the levy in the future.

History of the Levy

First discussed in;

“A Policy for Mineral Aggregate Resource Management in Ontario (1976)” by Mineral Aggregate Working Party

Agency	Mineral Aggregate Working Party Recommendation 1977	1990 Levy Amount (cents per tonne)	1990 Levy Percent	2007 Levy Amount (cents per tonne)	2007 Levy Percent
Lower Tier Municipality	50%	0.04	67%	0.06	52%
Upper Tier Municipality	20%	0.005	8%	0.015	13%
Legacy Sites (MAAP)	10%	0.005	8%	0.005	4%
Province	20%	0.005	8%	0.035	30%

History of the Aggregate Levy

Became law in 1990 with new Aggregate Resources Act

1990: 6 cents per tonne

- 4 cents to lower tier municipality;

- ½ cent to upper tier municipality;

- ½ cent to the Abandoned Pits & Quarries Rehabilitation Fund (now known as MAAP)

- 1 cent to the Province.

2007 fee increased to 11 ½ cents per tonne

- 6 cents to lower tier municipality;

- 1 ½ cents to upper tier municipality;

- ½ cent to MAAP Program (now managed by TOARC)

- 3 ½ cents to the Province

Only paid on private land in designated parts of Ontario

Crown lands covered by royalty fee but levy is not charged on crown aggregates

Canadian Overview

Some other provinces have similar levies

Quebec set at 53 cents for 2013

Alberta set at 25 cents for 2013

Ontario set at 11.5 cents for 2013

ARA Levy in 2013

- 2012/13 Aggregate Resources Act Review top three topics
 - Melancthon mega-quarry
 - Aggregate Resources Act levy
 - Aggregate recycling
- Strong agreement from industry & other stakeholders that levy should increase
- Agreement that the levy may not be at proper level
- Recognized as a flow through cost that is not a tax
- Early 2012 OSSGA approached TAPMO to form committee
- Committee established in August 2012

ARA Review Report & the Levy

6. *The Ministry of Natural Resources (in cooperation with the Ministry of Finance) **should increase the annual licence/permit fees, and royalty on Crown land related to the tonnages of aggregate material for all types of regulated aggregate extraction whether on private or Crown land.** Where private companies operate a pit or quarry on Crown land they should be subject to the same fee, with similar distribution practices, as other private aggregate operators on private land. The increased revenues should be suitably distributed to support Ministry of Natural Resources aggregate program administration and inspection; build or maintain local infrastructure; conduct innovative aggregate research or monitoring; or provide programs to promote recycling and/or rehabilitation of abandoned pits and quarries. A regular review of the fee/royalty structures should be conducted by the Ministry of Natural Resources. **The increased fees should be appropriately placed in special purpose or dedicated funds administered by the Ministry of Natural Resources.** Increased fee structures and associated programs should be subject to periodic independent financial audit and program effectiveness evaluations.*

29. *The Ministry of Natural Resources should, in acting to increase the annual licence fee, also consider **increasing the share of this fee (s. 14 of the Aggregate Resources Act and Ontario Regulation 244/97) assigned to the Ontario Aggregate Resources Corporation to support a more aggressive program of rehabilitation of abandoned pits** under the Management of Abandoned Aggregate Properties Program (MAAP).*

Mandatory Issues List

- Levy must be charged on all products produced in Ontario
- Money to regions and municipalities must be used for infrastructure only
- Exports out of province and imports into province must be addressed
- Discrepancies between Mining Act and ARA must be resolved
- More funding for the MAAP program in TOARC is required
- Increased levy MUST result in increased enforcement, staffing and results from the Ontario government
- Levy can no longer be directed to general revenues

The Level Playing Field

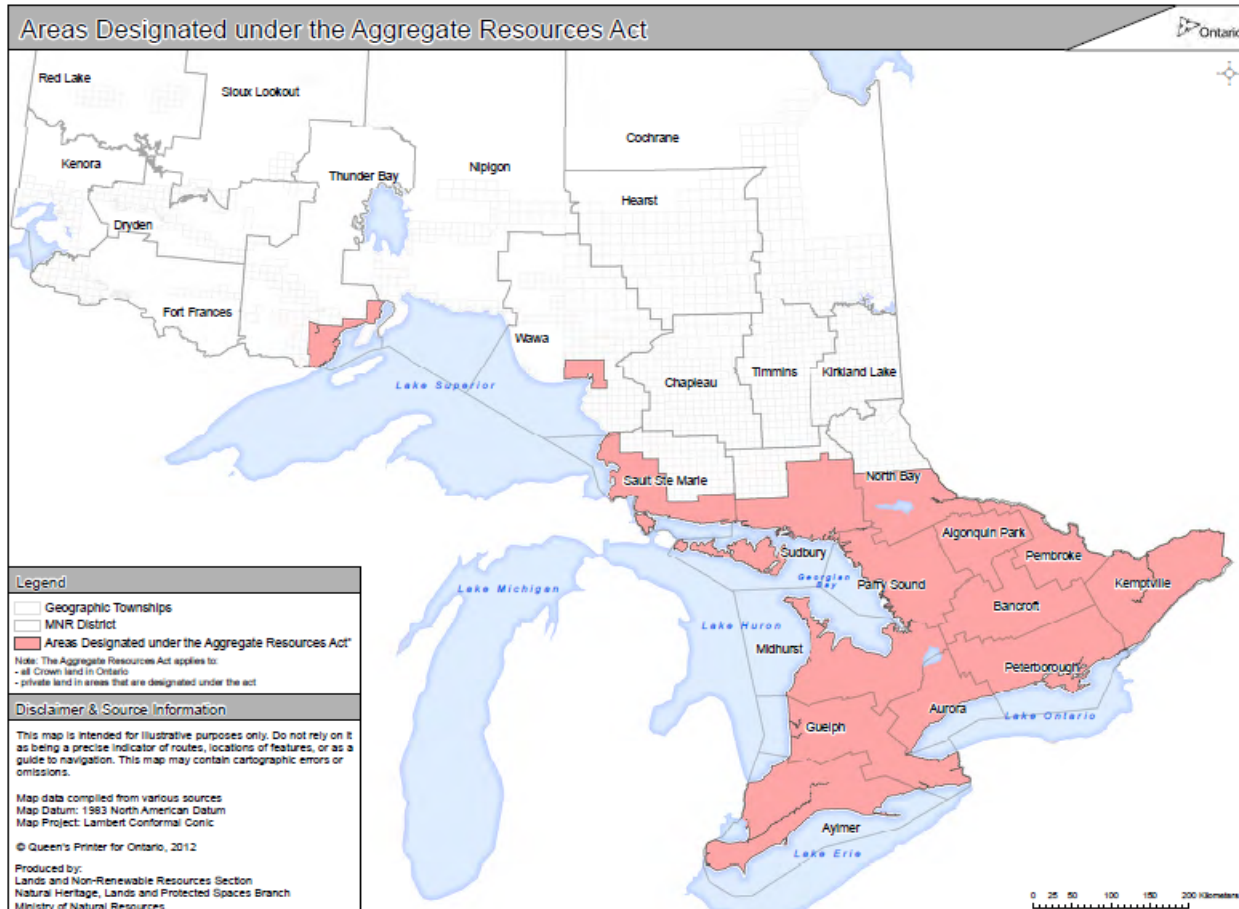
Recommendation #6 from ARA Review Report

- Levy must be charged on all products produced in Ontario

Proposed Change	Rationale	Province	Municipalities	Industry
Designation of entire province (levy must be charged on all products produced in Ontario)	If levy is increased substantially, the playing field must be level for all producers and all municipalities	Increased revenue increased admin and staffing costs Levy to be charged on crown resources (in addition to crown royalty charge)	All producing municipalities will receive levy \$\$ Increase in amount of levy will go towards infrastructure projects	Level playing field for all producers Uncertain impact on market but industry willing to accept increase

The Level Playing Field

Recommendation #6 from ARA Review Report



Directing the Levy to Infrastructure

Recommendation #6 ARA Review Report

- Money to regions and municipalities must be used for infrastructure only

Proposed Change	Rationale	Province	Municipalities	Industry
Levy \$ directed to municipalities to be used only for infrastructure	Levy was originally envisioned to be assistance for impacts on infrastructure	May require regulatory and legislative changes May require provincial oversight	More \$\$ for infrastructure Will have to implement auditable and traceable system (idea based on federal gas tax system now in place)	Direct realization of levy dollars to infrastructure in communities that are impacted

The Level Playing Field

- Exports out of province and imports into province must be addressed

Proposed Change	Rationale	Province	Municipalities	Industry
Exports out of province and imports to province must be recognized and treated equitably	Exports may not impact infrastructure at all, and imports will need to use infrastructure, no method to differentiate currently	May require regulatory and legislative changes	Financial impact in a gain or a loss of revenue, dependant on production in municipality and transportation method	Level playing field for all

- Discrepancies between Mining Act and ARA must be resolved

Proposed Change	Rationale	Province	Municipalities	Industry
Discrepancies between Mining Act & Aggregate Resources Act must be resolved	Some operations in Ontario are not required to pay a royalty or a levy and are competing in marketplace	Regulatory changes required, possibly under two Acts	Financial gain, depending on current operations.	Level playing field for all

MAAP Funding

Recommendation #29 from ARA Review Report

- More funding for the MAAP program in TOARC is required

Proposed Change	Rationale	Province	Municipalities	Industry
More funding for MAAP Program to complete rehabilitation of legacy sites	Current funding is not enough to complete clean up of legacy sites for 100 years	Regulatory change	Legacy sites will be fixed permanently within 20 years	Legacy sites will be fixed permanently within 20 years

Transparency & Delivery

Recommendation #6 from ARA Review

- Increased levy MUST result in increased enforcement, staffing and results from the Ontario government

Proposed Change	Rationale	Province	Municipalities	Industry
Increased levy MUST result in increased enforcement, staffing and results from the Ontario government	More money and staff required to run the aggregates program	Increased costs to run aggregates program Uncertainty over funding model continues Coverage of entire province will create challenges within OPS due to costs and locations of offices	Public and municipalities have reduced trust in current system Municipalities and Public want increased enforcement	Industry is negatively affected by reduced funding models within government Industry wants increased enforcement

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Transparency & Delivery

Recommendation #6 from ARA Review Report

- Levy can no longer be directed to general revenues

Proposed Change	Rationale	Province	Municipalities	Industry
Levy can no longer be directed to general revenues	Complete transparency of funding model required through DAA model	Not able to achieve 100% transparency within current provincial mandate Must be directed to DAA or SPA model	Provides transparency and independence from agency developing the policy Provides steady business model based on industry requirements	Provides transparency and independence from agency developing the policy Provides steady business model based on industry requirements

Next Steps

- Additional Editing and More Detailed Financial Analysis
- Meetings with AMO
- Detailed discussions with MNR staff