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- COLUMNISTS ■
- LETTERS
- SCIENCE & TECH ▾
- ARTS & LIFE ▾
- SPORTS ▾
- DIVERSIONS ▾
- FORUMS

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- SUBSCRIPTIONS ::
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June 5, 2001

NDP won the war on mining in B.C.

Election of Liberals renews hope for beaten-down sector

Diane Francis
Financial Post

VANCOUVER - Myra Falls, a medium-sized mine in a park on Vancouver Island, generates the same revenue as British Columbia's entire cruise ship industry.

Cominco's Sullivan Mine at Kimberley, scheduled to close this year after decades of operation, has generated \$21-billion in revenue thus far, disturbing an area of 750 hectares, the size of Stanley Park. \$21-billion is equivalent to the entire budget of the province of B.C.

Despite obvious benefits, mining became a dirty word in the lexicon of the inept New Democrats. For 10 years, they declared all-out war against this province's mining industry. Unfortunately, they won the war.

There are 16 operating mines in B.C. During the 10 years of NDP rule, 14 mines closed and seven opened, for a net loss of seven mines. The number of jobs in this sector was halved to 30,000. By contrast, during the 1980s, 27 mines opened and eight closed for a net gain of 19 operations.

"There is a need to exploit our huge mineral potential to pay for health care and other government services," said Gary Livingstone, president of the Mining Association of British Columbia. "Look at what Alberta's done, taken advantage of their resources. The potential in B.C. is bigger than in Alberta. We've been in a coma for 10 years."

Fortunately, Premier-elect Gordon Campbell has promised to reverse many of the NDP's policies, which strangled exploration and mining through the creation of excessive parkland and "special management" areas where drilling was restricted severely. Red tape was also a problem.

In 1990, \$260-million was spent on exploration. By 2000, \$27-million was.

Unfortunately, benefits won't happen overnight. Exploration is mining's equivalent to research and development and takes time even though B.C. is a cornucopia of resource wealth.

Most controversial was the expropriation of Windy Craggy without justification. Its ore body contained an estimated 1.6% of copper, as do several other ore bodies already discovered. By contrast, mines in Chile make profits with a mere 0.4% copper content.

The cost of the war against mining is staggering.

"It costs \$75-million [in claims and exploration expenses] to find one mine and we were finding more than that in the 1980s," said Mr. Livingstone. "This means at the very least, in the past 10 years, B.C. has lost \$750-million worth of exploration dollars, money which might have found eight or 10 new mines. Eight new

mines would have led to the spending of \$2-billion for development plus created 7,000 new jobs, spinoffs and taxes for decades to follow."

If two mines were built per year, some 20,000 jobs would have been created, direct and indirect, during the 1990s.

"This is nothing revolutionary. We developed 27 mines in the 1980s or an average of almost three per year," he added. "It can happen again."

And mining jobs are not McJobs. The average wage of the 30,000 British Columbians who work in the mining sector is \$77,800 a year, nearly twice the provincial average. Mining is no longer about picks and shovels. It's about science and technology.

It's also about taxes. Even flat, B.C.'s mining industry generated \$1-billion in revenue for all levels of government last year, he said.

The NDP picked on mining to appease environmentalists and aboriginals who routinely seem to want a piece of every action. But the aboriginal issue has also been mishandled by the government, not by mining companies. For instance, Cominco's Red Dog mine in Alaska is a partnership with the local Nana aboriginal group. The world's biggest zinc mine, the Red Dog's ore body is owned by the natives and 56% of its highly paid workforce are from that tribe. Everyone benefits.

As for denying access to land to appease environmentalists, the government was totally wrongheaded. Take access to an exploration area of 7,000 square kilometres, roughly the size of the greater Vancouver area. Old drill logs and technical calculations will narrow this area down to a "drilling interest" area of 1,800 square kilometres. On this parcel, only five or six holes will be drilled. If unpromising, they will be filled and no one will know that anyone was there. If an ore body is discovered and ends up being a mine, lands the size of a shopping mall will be required.

In other words, access does not equal degradation. Access is the necessary ingredient to pinpoint an ore body which, if viable, bestows incredible benefits to society as a whole.

"We are very excited by the election outcome," said Mr. Livingstone.

Let's hope his excitement is well placed. Mining was once King of British Columbia and let's hope it's restored to its rightful place by the new government in Victoria.

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