

Impact of ARA Amendments on Royalties and Permit Fees

Under the ARA, licences are issued for private land, and permits are issued for Crown Land. Permit fees are comprised of two components: Royalties and Permit fees.

1. Royalties

There are two ways an applicant can obtain permission to extract aggregate on Crown Land;

- a) Under the Mining Act, a person can stake a claim, and bring the claim to lease, then apply for a permit under the ARA. Mining leases can only apply to bedrock, not sand and gravel.

Prior to Bill 39, the Royalty payments were waived on these permits that had mining leases. With implementation of Bill 39, now all permittees will have to pay Royalties.

For existing permits issued prior to May 10, 2017 where there is a mining lease, there will be a phase-in period to increase the Royalty payments as follows:

2018 production year	-	\$0.167 per tonne minimum
2019 production year	-	\$0.333 plus indexing, per tonne minimum
2020 production year	-	\$0.50 plus indexing, per tonne minimum

There is no phase-in opportunity if there was not an existing lease and permit prior to May 10, 2017.

The only potential exemption from full Royalty payment applies to Crown projects (MTO or Forest Roads).

- b) Application for a permit under the ARA. These would be all pits, and any quarries that were not staked through the Mining Act process.

In these cases, permittees have always paid a Royalty and will continue to pay the \$0.50 per tonne minimum.

Implication: For permittees that have a mining lease on their bedrock, they will see Royalties increase up to \$0.50 per tonne (either in a 3-year phased approach or at once, depending on when the lease was obtained and the permit issued).

Permittees that have always been paying Royalty will see no change.

2. Permit Fees

Prior to Bill 39, permittees were paying an annual fee of \$200.00 per year. Bill 39 and the associated Regulations changed that so the fee structure for permits matches the fee structure for licences.

Specifically, the changes are as follows:

a) The minimum fees for permittees have changed to:

\$344.00 per year if the annual tonnage limit is less than 20,000; or
\$689.00 per year if the annual tonnage limit is greater than 20,000.

b) The variable permit fee has changed to \$0.198 per tonne

As with the licensee, the permittee must pay whichever is greater of the minimum or variable fee.

Implication: Permit fees could significantly increase for producers, depending on the amount of material extracted in a given year.

Overall Implications (Royalties and Fees):

1. The most significant change in fees would apply to a permittee that could increase from \$200.00 per year to \$0.698 per tonne, assuming they don't qualify for the phasing in of royalties. If they did not extract beyond the minimum for permit fees (\$344.00/\$689.00) the fee would be the minimum permit fee plus the royalty at \$0.50 per tonne.
2. If a permittee qualifies to be phased in for the Royalty fees, their increase would be from \$200.00 per year to:

2018	-	\$0.365 (\$0.167 + \$0.198) per tonne; or the minimum annual tonnage fee (\$334.00/\$689.00) plus \$0.167 royalty per tonne
2019	-	\$0.531 (\$0.333 + \$0.198) per tonne; or the minimum annual tonnage fee (\$334.00/\$689.00) plus \$0.333 royalty per tonne
3. If a permittee has been paying the \$0.50 per tonne royalty, the only increase they will see is \$0.198 per tonne, or the increase in the minimum fee.
4. Finally, it is important to note that in every case, reference to the Royalty is a minimum, and could be increased by the MNRF. Increases are usually dependant on commodities, markets, etc.