



OFFICE OF THE WARDEN  
1.800.663.0750  
T 519.837.2600 x 2550  
F 519.837.1909  
E warden@wellington.ca

74 WOOLWICH STREET  
GUELPH, ONTARIO  
N1H 3T9

April 26, 2019

Aggregate Reform  
Ministry of Natural Resources and Forestry  
2<sup>nd</sup> Floor South, 300 Water Street  
Peterborough, Ontario  
K9J 3C7

**Re: Reform of Ontario's Aggregate Industry**

This submission from the County of Wellington builds upon the submissions County officials made during the course of the Summit on Aggregate Reform on March 29, 2019. We welcome the opportunity to provide these further comments on how to ensure a sustainable aggregates industry.

The County of Wellington is one of the top aggregate producing municipalities in Ontario. Further, the County – through its leadership of TAPMO, a group of the top aggregate producing municipalities in Ontario that also includes the industry – has played a leading role among municipalities in seeking to work with the aggregate industry to find workable solutions to issues facing the industry and the municipalities that host aggregate sites. Based on the importance of the County of Wellington to the sustainability of the aggregates industry and our ongoing efforts to find solutions to industry issues, we believe we bring a valuable and unique perspective to this consultation.

That being said, aggregate sites are found in all parts of the province, with approximately 70% of Ontario municipalities having at least one aggregate site. As a result, a sustainable aggregates industry has a significant impact on Ontario's municipalities. Ontario's municipalities are also important partners in the success of the aggregates industry, offering services such as land use planning and infrastructure that are critical to the industry's success. It is important that reforms to promote the aggregates industry are policy-driven solutions that works for all stakeholders.

The County of Wellington supports the government's efforts to improve Ontario's business climate. We understand that Ontario is open for business, not just particular types of business. As a result, we do not believe it is fair or appropriate for business improvements for one industry to come at the expense of other industries or the municipalities, including their residents, in which these aggregate sites are located.

Making the Aggregate Industry Open for Business

The County of Wellington supports the Province's goal of making Ontario open for business. The County believes a friendly and healthy business climate should yield economic and employment benefits to local businesses and communities.

We agree there are measures that can be taken to reduce the industry's cost of doing business. As one example of red tape, the current property assessment regime is unnecessarily complex, with a requirement for self-reporting on site usage which relies entirely on operational decisions of the

operator. The decisions and operations are constantly evolving, are not regularly reported and are not verified by MPAC.

We believe the issue of property assessment for aggregate sites is an area ripe for reform. The current assessment policy regime is an ongoing issue that is adding unnecessary cost to aggregate operations, as a result of regular appeal processes. A policy-driven solution would enable aggregate producers to focus on their operations, rather than having to continually devote human and financial resources to appeal procedures.

Assessment of aggregate sites is an issue that dates back to when MPAC was created. Hundreds of legal cases arising from disputes over aggregate site assessments have been litigated over the years at significant expense to industry and Ontario municipalities. Without a policy-driven solution to this festering issue, the industry and Ontario municipalities will be sentenced to further expense and litigation over this issue. An 'open for business' approach would seek to resolve this issue; otherwise, you will be leaving in place costlier and more burdensome operations for this industry.

To be clear, this is not about raising property taxes; it is about advancing a policy-driven approach to resolve a long-standing issue in a way that can satisfy all relevant stakeholders. The County is sensitive to the issue of increasing taxes, or introducing new taxes, and is requesting neither. County Council alone would be accountable for applying the locally-set tax rate to the aggregate owner's property. County Council is requesting that: the MPAC-established assessment methodology be changed; the legislative barriers to full and appropriate assessment be removed; and County Council assume its proper role of balancing and allocating property taxes equitably.

It is the County's position that the entire licensed area be treated as one economic unit, with its own property class, with the tax rate set by the municipality in accordance with local circumstance. Adopting this approach would eliminate the red tape and hassle of aggregate producers having to self-report on site usage.

That being said, in terms of driving economic growth, while the aggregate industry is a prominent one in the County of Wellington, it unfortunately is neither a large employer nor an industry that provides much in the way of local economic benefit. The large-scale aggregate operators in Wellington County are subsidiaries of multi-billion, multi-national corporations, headquartered in Brazil, Ireland, Switzerland, etc. These companies treat the pits and quarries as profit centres, with little local community connection or concern for a "good neighbour" reputation.

The aggregate operators in Wellington County are neither significant property taxpayers, nor notable employers. The list of top 20 property taxpayers and top employers (in terms of numbers) includes car manufacturers, water takers and agricultural suppliers, but no aggregate producers.

### Aggregate Levy

The aggregate levy under the *Aggregate Resources Act* is a levy that is specific to the aggregate industry, with the levy meant to cover things like the remediation of old and abandoned aggregate sites, as well as to compensate municipalities for the additional wear and tear on their roads from heavy aggregate haulage. Property tax assessment, on the other hand, is something all property owners – residential, commercial and industrial – are subject to, with the revenue raised from property taxes being the primary funding source for municipal services that local residents and businesses rely upon. Further, property tax revenues within a municipality are zero-sum, meaning that lower property tax rates for one class of properties necessitates higher rates for other classes of properties.

While we understand the aggregate industry's tendency to link the aggregate levy with the property tax issue, it is our perspective that these are two separate issues, under different legislative regimes and serving different policy purposes.

The intent behind the aggregate levy was to compensate upper and lower tier municipalities for the unusually high rate of deterioration of our roads used for gravel truck haul routes. While the levy has been increased in recent years, it still falls well short of fully compensating municipalities for the added expense incurred and remains far below the levy assessed on the industry in other Canadian provinces. Indeed, the inadequate compensation arising from the aggregate levy is becoming among the greatest challenges to Ontario municipalities in managing aggregate resources and in providing a positive business environment for these operations.

We note that Ontario municipalities and the industry – through the auspices of the Top Aggregate Producing Municipalities of Ontario – have previously come to an agreement that the levy should be increased provided, among other things, these funds are put toward infrastructure. Setting the aggregate levy at a more appropriate level is a significant way that the Province can support aggregate resource development.

The aggregate levy is set by the Province, not by municipalities, and is intended to be dedicated to municipal infrastructure. In these ways the aggregate levy is different and separate from municipal property taxation. Linking the two is not helpful in sorting out the issue of proper assessment of aggregate operations and in ensuring assessment doesn't subsidize and/or penalize particular actors.

#### Property Tax Fairness

The amount of property tax paid by aggregate operations is currently out of balance with other property owners in other property tax classes. The current assessment regime for aggregate sites (for the 2017 taxation year and going forward) was negotiated between MPAC and the industry only. Municipalities were not a party to this agreement, which greatly impacts our businesses and our communities. This assessment regime affects our ability to properly support and manage this resource and industry.

We are urging the Province to help re-set the property assessment of aggregate operations to reflect a value more in keeping with reality and in keeping with basic Canadian taxation principles. It doesn't seem appropriate or justified that adjacent properties incur vastly different levels of property tax (a difference of up to 30 times) simply due to the type of industrial activity taking place on each property. We understand Ontario is also open for business for these industries (which often have a greater local economic impact than the aggregate producers).

Similarly, it doesn't seem fair that Wellington County residents can face property tax rates approximately 28% higher than in neighbouring municipalities as a result of this industrial rate discrepancy.

The current value used in Wellington County maxes out at \$9200/acre, which is the lowest valuation of any acre of business property anywhere in the County. This \$9200/acre rate is established by MPAC and is flawed, as it is based on land value of \$4200 per acre (an unrealistic figure) and \$5000 per acre for licensing and preparation costs.

The County understands and supports the Province's desire to promote an open for business climate. The County considers property tax fairness – and the vital services businesses and residents depend upon that property taxes help fund - to be a vital component of a healthy business climate. When one

industry is so obviously benefitting from property tax subsidization, that business climate is compromised.

Because of the current assessment regime, all taxpayers in Wellington are subsidizing the aggregate industry. The property tax system is not intended to subsidize or incentivize any one industry; to do so would return us to the early 1990's, an era that saw a number of Ontario municipalities face bankruptcy.

Thanks again for the opportunity to provide feedback. The County of Wellington shares the Ontario Government's desire to create an environment for growth and a sustainable resource sector. We would be pleased to provide additional information or data on any of the above. We look forward to working with the Ontario Government on these reforms.

Yours truly,

A handwritten signature in blue ink, appearing to read 'KL', with a large, sweeping flourish extending to the right.

Kelly Linton  
Warden, Wellington County

Cc: Hon. Steve Clark, Minister of Municipal Affairs and Housing  
Hon. Vic Fedeli, Minister of Finance