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Chair

Mr. James Maloney

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● (0850)

[*English*]

The Chair (Mr. James Maloney (Etobicoke—Lakeshore, Lib.)): I call the meeting to order.

Good morning. We're going to get started here.

Just before we get going—we're waiting for one of our witnesses to arrive—today is a transitional meeting. Our clerk, Michel Marcotte, who is kindly helping out at the back of the room, is leaving us, and I want to thank him and express my appreciation personally on behalf of the committee for all of his hard work.

You took me, as a rookie MP sitting in this chair knowing.... I won't admit how much I didn't know. You made the job a great deal easier, so I just want to let you know how much I appreciate that, and I think I speak on behalf of all of the committee when I say thank you for all your hard work. We're going to miss you.

Some hon. members: Hear, hear!

Mr. T.J. Harvey (Tobique—Mactaquac, Lib.): In all fairness, though, Chair, I think we all had a hand in making you look good.

The Chair: Well, it is a big job.

Mr. T.J. Harvey: I'm just pointing out the obvious.

The Chair: Making me look good is not a one-man job. You're right.

That takes me to William Stephenson here, who is going to be taking over now that the ship has been steadied, and he's going to take us from here. Welcome.

We have a full agenda today. We have five witnesses, two by videoconference and three in person. We have Mr. Adamson from the CMC Research Institutes here with us today. We also have Mr. Batise from the Wabun Tribal Council. By videoconference we have Mr. Neumann from United Steelworkers and Mr. Mell from PearTree Financial Services. We should be joined shortly by Mr. Lapointe from MiningWatch.

I understand, Mr. Mell, you have a PowerPoint presentation that you're going to be using to deliver your remarks.

Just so committee members know, Mr. Adamson has to leave before the conclusion of the meeting, around 10 o'clock, so if you have questions specifically for him, I would encourage you to do that sooner rather than later.

On that note, I will open the floor to Mr. Mell.

[*Translation*]

Mr. Trent Mell (President and Head of Mining, PearTree Financial Services): Thank you, Mr. Chair.

[*Technical difficulty*]

PearTree is a firm that specializes in funding mining and oil companies [*technical difficulty*]. We've been around for about eight years. Our expertise is really in the Canadian industry, and we focus on flow through [*technical difficulty*].

Let me introduce myself. I'm originally from Quebec, and I now work as a lawyer on Bay Street in the securities industry. I've been involved in the mining sector for about 16 years. I started my career at Barrick Gold, quite a large global company.

Over the course of my career, I've done less and less legal work and more and more work as a business executive in smaller firms. I was recently the president and CEO of Falco Resources, a small company that operates in Rouyn-Noranda, where the former Horne mine is located.

● (0855)

[*English*]

Moving to slide two, there's something I'd like to show you about the financial crisis. This will be familiar. You can throw up a lot of sectors and get something similar.

What you see, committee members, is the gold sector, and specifically local gold producers from 2007 to 2016.

There are a couple of things I would like to highlight. One is that I've called out the Lehman bankruptcy and what it did to our market. I speak now as a corporate finance person, but first and foremost as a miner, and as somebody who spent a big part of his career in the mining sector. We've been on our knees for about eight years now. This chart overstates how good it was for that three-year period, from 2009 to 2011, because you're looking at gold, which was, of course, a flight to safety. I'm showing this for a particular reason.

The second call-out that I have there shows the Lac des Îles mine. It's a platinum and palladium mine in Thunder Bay, in northwestern Ontario. I had the privilege of working there for about five years of my career as a lawyer and then as a business person. One of the worst days of my professional career happened shortly after the Lehman crisis, when the price of palladium collapsed from about $450 per ounce of palladium down to about $170 per ounce of palladium over a very short period.

It underlines the reality in commodity space that your most important variables are entirely out of your control. For us, that means foreign exchange, since commodities are priced in U.S. dollars, and in this case it's the price of palladium. You can have the best business plan and the best business team, but on execution, if you're hitting the wrong part of the cycle, then you're out of luck unless you happen to be in that bottom quartile of the market where you can withstand the downturns. Of course, by definition, we can't all be in the bottom quartile.

I was driving up to the Lac des Îles mine on the morning of our shutdown with our VP of operations. As we were heading up, there was a nickel mine in Sudbury that was shutting down that day, and we were about to deliver the news to the general manager and to the superintendent that we were going to close the mine. It resulted in the laying off of 350 people, or as I like to say, 350 families. As we were driving up there, we had CBC radio on, and they were talking already about the impact of the great recession on the local economy and the draw on the food banks in the Thunder Bay area. My colleague looked at me as we were driving up the road, and he said, “They have no idea what's coming.” Two hours later, we served notice that the mine was shutting down.

It was one of the biggest employers in the region. For 15 months that mine stayed idle. It costs several million dollars to shut down a mine, and it costs several million more to reopen a mine. When you're living in uncertain times, you have to be sure of the decision both to shut down and to reopen. It's not something I would want to repeat, but that's all to emphasize that we need all the help we can get in order to build viable, sustainable businesses. Once we are up and running and executing, then we can make a real difference in the communities in which we operate, and we take great pride in doing that.

To move forward past 2009, 2010, and 2011, the chart shows how well gold did perform. I found myself shortly afterwards at a company called AuRico Gold, and we had the pleasure of opening a new mine, the Young-Davidson mine in Kirkland Lake. It's fortuitous that we have Mr. Batise with us. He knows the mine very well. We have an IBA with one of the members of the Wabun Tribal Council.

We did well, but we saw the downturn in gold again in 2012. You can see the sharp decline on our chart. We found ourselves in another situation. We had a good mine. It is, I would say, one of the better underground mines, not just in Canada but in the world, in terms of technology and efficiency in the way things were done, but again we faced a situation where we had to cut back on expenditures, take some people off site, and, more particularly, lay off a third of our personnel at the head office.

Moving forward to today, you can see that in 2016 our chart shows that we've had a pretty good recovery for gold, with a bit of a pullback now as we await both the U.S. election and what the Federal Reserve is going to do in terms of interest rates.

I would like to highlight the fact that the recovery we've seen, while it's been strong, has been concentrated mostly with producers, and not evenly shared. It's been focused in gold. The state we're at, as shown on our index, takes us back to where we were in the recovery post-Lehman and, prior to that, to 2005. There is a road to recovery, but it's slow.

If you look to the next slide, slide 3, I want to zero in, if I may, on the state of the junior market.

The index shows you the small-cap diversified mining, so you have both base metals and gold, and you have the explorers. I spend a lot of time both with the producers and in working with the explorers. Having run a mining junior, I'll say that it's difficult when you don't have cash flow, frankly, to state the obvious, because every dollar you spend is money you're going to have to raise again from your shareholder base.

At PearTree this year, in terms of corporate finance and raising equity, we've had a very strong year, but as I said earlier, it's been focused on the bigger, stronger producers. The junior market has been a little more selective.

You can see on the slide the recovery that we saw early in the year. The base metals started to enjoy that. We've flatlined over the last little while because there's still a lot of uncertainty around the globe, and our fortunes are very much tied to the global economy, a lot of it in base metals in China. With gold, a lot of it right now has to do with the interest rate environment.

We do compete globally for capital. Bringing it back to the focus of the discussion for PearTree today on the issue of flow-through, for which we are the largest providers of capital in the country today, flow-through really is what makes us competitive on the global scale. When I am talking to investors in Switzerland or the U.S. or to strategic investors from around the globe, the ability for them to get involved in what are higher-risk, earlier-stage, and essentially venture capital opportunities is aided greatly by the fact that we have a flow-through regime that provides an opportunity for win-win formulas.

For PearTree, in our case we take the traditional flow-through regime, which passes on tax incentives to Canadian investors, and we turn that into a mechanism that allows those credits to enable better philanthropy for Canadian charities while also enabling foreign investors to come into our markets—again, at that early high-risk capital stage—and bring money from around the world into the north and into all of our remote regions.

I think the uncertainty we have had in the resource sector over the last eight years has been compounded of late. There is a high degree of uncertainty just with regard to the Canadian policy framework. I hear about that every day from my colleagues, whether it be the brokers and dealers or the issuers I deal with, and even from some on the buy side, in terms of where Canada stands. What is the future of the flow-through regime generally? What's the future of the METC or the super flow-through regime? Over the weekend we were getting calls on capital gains and whether those would change, because, of course, an increase in the inclusion rate of capital gains would effectively kill flow-through for the mining industry.

We have so much uncertainty inherent in what we do. On behalf of the industry, I would like to state that we're grateful for any kind of clarity we can get with respect to the vision and the way forward for mining in the years ahead.

Surely you've seen the statistics from the Mining Association of Canada. They have published statistics that show 375,000 people are employed across Canada in the mining and mineral resource processing sectors.

Moving along to slide 4, very briefly, this shows the breakdown of how Canadian issuers on the TMX—so that's the TSX and TSXV—are distributed. This is across the Lassonde curve, named after Pierre Lassonde. It's an oft-cited representation of the performance of a company's stock price through the natural evolution. In the early stages, pre-discovery, you're a penny stock. Once you find something that looks like it has potential, you move up that discovery curve. Then you peak, until such time as you make a decision to develop, and of course construction is a high-risk activity. You have to execute on time and on budget and be certain of the expected deliverables.

● (0900)

You go into a period of a bit of a no man's land before you hit production, and if you are successful, then you enjoy the appreciation of your stock and the re-rate that a producer gets.

The TMX today has about 1,300 issuers. It's an impressive number of companies listed here in Canada because of our expertise and because of the knowledge base we have. It's unsurpassed by any stock exchange in the world.

If you look at the breakdown on this chart, the TMX is reporting that about 200 of the listed issuers would fall in the category of producers. There are 100 in the developer stage, and more than a thousand, obviously the vast majority, would be in the exploration stage.

In the exploration stage, to state the obvious, those are the people that do not have cash flow. That's the highest-risk activity we can undertake in our industry, and that's the part of the curve that is the most reliant on the flow-through share regime.

Statistics vary in terms of how many properties ultimately will become a mine. One of the steeper estimates that I've seen is the Kennecott and Rio Tinto report in 2006 that said for every target that you undertake an evaluation on, one in over 3,300 will actually become a world-class operation. You might say one in 1,000 might become a mine or a viable prospect.

It's a high risk. There are some criticisms of the industry and the flow-through that say we're funding uneconomic objectives, but it's these odds that create the million-dollar capex—capital expenditure—projects and future mines that employ hundreds of people and transform regions of our country.

To highlight, the Éléonore gold mine in the James Bay region, which recently opened up, was a beneficiary of flow-through, as was the Meadowbank mine. Committee members may have recently received an invitation to visit that facility. There is the Agnico Eagle mine in Nunavut, and that invitation is still standing. That was a product of a flow-through as well. The list also includes Voisey's Bay in Newfoundland, the Ekati and Diavik diamond mines in the Northwest Territories, Young-Davidson, of which I spoke earlier, and so on.

We have to wonder how many of these would not have been discovered but for the availability of flow-through to the juniors, because the juniors really are the feeder systems for the producers of the Barricks and Agnicos of the world.

If we turn to slide number five—

● (0905)

The Chair: Mr. Mell, I'm going to have to interrupt you. I'm going to ask you to wrap it up, if you can.

Mr. Trent Mell: I'll move forward, and I apologize for talking so much.

I want to draw attention, if I may, to the cost of flow-through in Canada, as shown in slide number eight. We had commissioned for the late Honourable Jim Flaherty in 2015, when he was minister of finance, a report by Deloitte to try to quantify a flow-through regime in terms of its cost to the treasury. We went through a couple of exercises, but we engaged Deloitte because they were auditors to many of the drill contractors.

If we turn over to slide nine, I'll give you the breakdown on the table itself. On the one hand, we looked at the reduction in taxes from the flow-through regime and came up with $280 per thousand dollars invested in flow-through. Add to that another $140 under a super flow-through program, the METC, but then the credits against that were the inclusions from the following year, the capital gains payable on disposition, and then the opportunity costs for those issuers, who will then go on to be profitable and no longer have access to those deductions.

That was an easy formula, $203, and it's easily replicable.

The other side of the ledger, though, was a little more challenging. We went to first principles and basically looked at what the inclusions were, what revenue was generated from the flow-through program. We limited our scope—Deloitte did—to the drill campaigns and the drill contractors, and they said, “Look, 31% of the money going to a drill contractor is paid in salaries, major salaries in the North.”

The companies themselves have, of course, their own income tax rate, and then you've got the look-back rule, so they recapture about $88. The basic take-away is that every thousand dollars that flowed through is costing the federal treasury about $115 net. That's a fairly conservative assumption. That report is certainly available for review.

In conclusion, on the last slide, I think we had a little wind in our sails over the last year. We are grateful for the support from Ottawa for the flow-through regime and would like to see it continue. The costs are modest, but the impact of a discovery is quite significant in terms of jobs, infrastructure, tax revenue, and prosperity in the north. It's one of the features of our system that makes us competitive on a global scale.

Thank you very much for your time.

The Chair: Thank you.

Mr. Adamson is next.

Mr. Richard Adamson (President, CMC Research Institutes): Thank you very much. Good morning, everyone, and thank you for giving me the opportunity to speak with you today.

My name is Richard Adamson, and I'm president of CMC Research Institutes. We're a federally incorporated not-for-profit organization with one key mandate, and that is innovation for the elimination of greenhouse gas emissions from the industrial sector.

My key reason for being here today is to talk about how Canada can turn some of its critical climate challenges into opportunities for economic development, ensure market access, develop new export opportunities, and create jobs.

I'll start with a snapshot of CMC and how we operate. I'll focus on the implicit opportunities for Canada's innovative natural resource sectors in the context of global decarbonization, and then I'll discuss a specific example, one of many prospective solutions in which CMC is engaged.

CMC is a unique organization in Canada. The company is developing a series of institutes with each one focused on a different industry challenge relating to elimination of carbon emissions and forming the core of a clean-tech innovation cluster. Currently we operate two, and we have plans to develop more in other areas of the country. The Containment and Monitoring Institute is headquartered in Calgary, and the Carbon Capture and Conversion Institute is located in Vancouver.

The Containment and Monitoring Institute is focused on developing measurement and monitoring technologies for detection of movement of fluids underground and detection of near-surface leakage. Our primary focus is the storage of CO2, but the insights gained through research and field demonstrations conducted at this institute can be applied to other situations in the oil and gas sectors.

The Containment and Monitoring Institute operates a field research station in southern Alberta near Brooks, for those of you who know southern Alberta. When completed later this year, the site will contain one injection well with a small plume of CO2 stored at a depth of 300 metres, and two observation wells for monitoring the use of different types of downhole equipment. This is the first of two horizons we'll be injecting at.

This site is unique because of its size—three-quarters of a section of land—and because it operates at an intermediate depth, simulating what could be expected if there was a small loss-of-containment event at depth with CO2 percolating up to shallower horizons. It's already attracting technology developers and researchers from across Canada, the U.S., Norway, the U.K., and Germany, who are testing technologies and conducting baseline studies in preparation for injection of CO2. In fact, those various countries have now committed almost $29 million to projects that we'll be involved with at CaMI.

The Containment and Monitoring Institute also operates a mobile geochemistry lab for rapid detection and analysis of soil gas and atmospheric gas, groundwater and surface water, and produced fluids. A key feature of the unit is a truck-based mobile methane detection system that offers real-time drive-around detection and characterization of methane and other gases. The intent is to develop and prove cost-effective means to maintain a rigorous response to methane leaks and to enable resources to focus where the impacts are the greatest.

The Carbon Capture and Conversion Institute is at an earlier stage of development. It is a unique partnership between CMC, BC Research, and researchers at the University of British Columbia. Its purpose is to accelerate the development and scale-up of the industrial processes that capture CO2 and convert it to other products. The institute provides leadership to help clients characterize, de-risk, and accelerate the development of innovative industrial CO2 capturing and conversion technologies from bench to large-scale implementation.

The institute will be headquartered in a new technology commercialization and innovation centre under construction in Richmond. When completed in early 2017, the 40,000-square-foot facility will provide technology developers with access to the specialized equipment required to test and pilot capture-and-conversion technologies. The institute provides clients with the unusual opportunity of being able to access the expertise of early-stage researchers at the university and throughout CMC's worldwide network, through to experts on process engineering, scale-up, and fabrication of equipment.

These two institutes concentrate on driving technology innovation to find solutions to one of Canada's critical challenges—greenhouse gas emissions associated with the industrial sector.

What I really want to address today is turning the country's critical challenges into opportunities.

● (0910)

The best place for Canada to focus its innovation efforts is to identify our most critical challenges and focus efforts on solving those problems. In general, Canada's traditional industries have mostly been resource extraction and processing, and all of them have emission issues. Whether it's oil and gas, mining, forestry, cement, or metallurgical processing, these industries with the biggest emissions are the areas where we have opportunities to develop leadership.

We solve our domestic problems by helping to ensure access to markets increasingly sensitive to climate impacts, but we also develop expertise and solutions to export internationally. We can use our challenge areas as laboratories to develop the technologies and innovate the solutions that we can take to the world. By taking a lead role in reducing emissions associated with our products, we help guarantee market access and differentiate from commodity products from lagging competitors. This approach is similar to how Sweden and Finland came to dominate the forestry industry's harvesting equipment markets.

CMC grew out of an earlier network of centres of excellence named Carbon Management Canada. One of the technologies we funded at that time focused on developing a broad tool kit for capturing and storing carbon in solid form in mine wastes. This process focuses on waste streams from mines hosted in magnesium silicate-rich bedrock, such as the deposits in the Ring of Fire. Natural weathering of these mine wastes consumes CO2, capturing it directly from the air, which makes carbonate rock in the process called carbon mineralization.

The mine wastes have the capacity to store 10 times more carbon than is emitted by mining and mineral processing. If even a small fraction of this capacity is tapped, it provides an opportunity to generate significant carbon offsets. Dr. Greg Dipple, a geochemistry professor at the University of British Columbia, leads a team, including three Canadian and three Australian researchers, that has developed approaches to accelerate the absorption of atmospheric CO2 that could allow individual mines to offset carbon emissions from mine operations, possibly even becoming net carbon sinks.

Working with international mining companies and with experience from a half dozen mine sites around the world, Greg and his colleagues have developed a tool box approach. The tool box takes into account the geology, climate, mine design, local infrastructure, industrial carbon sources, operational costs, and carbon pricing to provide carbon solutions tailored to individual site characteristics. The approaches also have to look at the processes and work with engineers on site in order to work out the most cost-effective ways to integrate carbon mineralization with mine operations. The challenge they face now is to scale up the work that's been happening in labs over the past several years and demonstrate it at a pilot scale under real-world operating conditions.

If the objective is to develop, for example, the Ring of Fire with the lowest carbon footprint per unit of delivered product, it may require identification of operational mines with similar conditions where these methods can be piloted. If they show promise, the results of that work could guide the development of a mining operation that could serve as an example to the world that decarbonization is not incompatible with natural resource development.

The critical role that these types of programs and field-testing facilities play in moving industrially relevant solutions to market is exactly why CMC was formed as an independent, mission-driven organization. This is an important role that stands outside of academia, is often too early for industry, and may involve international and cross-disciplinary collaboration, including private and government labs.

This type of large-scale platform for accelerating scale-up and de-risking of industrial technologies requires significant investment. The time frame and level of uncertainty for development and commercialization of full-scale tools, technologies, and solutions do not meet the investment criteria for strictly private sector funding. It represents a public good that enables Canadian natural resource developments to demonstrate global leadership in a decarbonizing world.

CMC is itself an innovation. As such, it does not fit easily into the traditional funding models available to universities, for-profit technology developers, or government labs. It is an engine and vehicle for identifying and overcoming barriers to moving critical climate-related technologies from the lab bench into the field. We are working actively with federal and provincial governments to overcome this critical gap in Canada's innovation funding system.

Thank you.

● (0915)

The Chair: Thank you, Mr. Adamson.

We'll go back to the video conference.

Mr. Neumann, perhaps you can provide us with your remarks now.

Mr. Ken Neumann (National Director for Canada, United Steelworkers): Thank you very much, and good morning.

Thank you for the opportunity to speak to the committee on the future of mining in Canada. My name is Ken Neumann, and I am the Canadian national director for the United Steelworkers union.

The steelworkers represent 225,000 members in every region of this country. We are Canada's most diverse union, representing workers in every sector of the economy. Steelworkers work in Canada’s manufacturing, service, mining, energy, nuclear, telecommunications, health care, and education sectors. In particular, we represent 24,000 workers in resource extraction. The steelworkers make up the largest union in Canadian mining.

The value of the minerals extracted from Canada remains relatively strong, but the industry is cyclical and market sensitive. In 2015, Canada's exports were valued at $525 billion, $231 billion of which were natural resource exports. In 2014, the total value of publicly traded Canadian mining companies was $578 billion. Of these assets, $236 billion was located overseas in 124 countries.

As Canada’s mining union, our goals for the future centre on how mining can benefit workers and communities with safe, sustainable employment for Canadian citizens.

In recent years, foreign takeovers have increased the share of Canadian mine profits going to foreign-controlled corporations. However, these foreign owners have also closed mines when profits do not meet their expectations, leaving communities devastated. A recent example of corporate abandonment is Wabush Mines in Labrador, owned by U.S.-based Cliffs Natural Resources. Before it closed, Wabush Mines was Canada's third-largest iron ore operation, with an annual capacity of six million tonnes. Today, with the loss of hundreds of jobs, the town is full of empty homes and businesses.

Public policy could make mining activity and profits more beneficial to working people. Measures to encourage domestic processing of minerals could help create jobs. Fairer royalties could provide revenue for needed public services and infrastructure. A stronger Investment Canada Act could ensure that only takeovers providing a genuine net benefit to Canadian workers are approved.

We believe that responsible mining is possible. We know that mining can be undertaken in a way that respects people, including indigenous people, and minimizes the impact on the environment. However, this cannot happen by giving mining companies a carte blanche green light to exploit resources at breakneck speed and at any cost. It cannot happen when the federal government allows companies to bring in temporary foreign workers to work in mines, as happened in 2012 at HD Mining in northern British Columbia.

This practice has to stop. There must be a commitment, through government-led sectoral councils, to train Canadian workers, including those who have long been shut out of mining jobs—women and aboriginal people. Such an approach has worked well in the past, with equal representation of both unions and employers in partnership with government to create a perpetual training and jobs regime in our own country.

The future of mining in Canada demands a comprehensive industrial framework that promotes beneficial integration with other sectors of the economy. We believe that such integration must be part of a broader industrial and trade policy that is aimed at building value-adding and productivity-enhancing manufacturing production in Canada.

A modern economy must be more than just shipping resources offshore, only to buy them back at a premium as manufactured goods. Responsible mining in the 21st century means respecting the rights of indigenous people, and their right to free, prior, and informed consent before a mining project is undertaken.

Furthermore, we do not believe that every mine envisioned by geologists and engineers meets the test for economic, social, safety, and environmental acceptability. Not every mine promoted by wealth-seeking financiers should be built.

● (0920)

The worst example of irresponsible mining in Canada happened in the last century, but not so long ago that any of us has forgotten it. At the time, the Conservative federal government in the 1990s assisted a notorious mining promoter, Clifford Frame, to open the Westray Coal Mine in Pictou County, Nova Scotia. Within months of the first shift entering the mine, an explosion caused by deliberately dangerous management practices killed all 26 miners who were working underground on May 9, 1992. The mine is long gone, but the legacy is a law that our members have fought to enact that holds companies criminally accountable for killing and maiming workers.

Our campaign to better enforce these amendments to the Criminal Code is ongoing. Workers in mines as well as other workplaces are still being killed at a rate of approximately 1,000 per year.

Responsible mining by Canadian companies operating outside Canada can also be improved by direct government policy decisions. Canadian mining companies have been implicated in numerous cases of human rights abuse, labour abuse, and disregard for the environment in their overseas operations. Our union believes that the Canadian government can do more than it has to close the international accountability gap.

Along with like-minded unions and NGOs, we strongly urge the government to create a human rights ombudsperson for the international extractive sector. That ombudsperson—not a counsellor—would be independent and impartial and empowered to investigate, report publicly, and make recommendations to companies and to the government.

As well, the government can and must facilitate the access to Canadian courts for people who have been harmed by international operations of Canadian companies. These measures would go a long way toward repairing Canada's reputation in many countries and ensuring true corporate accountability.

The future of mining in Canada and beyond our borders is bright. The value of extractive minerals may be cyclical, but they will always be necessary to our economy and the world we have now built and must maintain. However, modern mining absolutely must be socially and environmentally responsible, accountable, sustainable, and guided by good public policy.

I'm happy to answer any questions you may have.

Thank you.

● (0925)

The Chair: Thank you very much.

Mr. Batise, we move over to you.

Mr. Jason Batise (Executive Director, Wabun Tribal Council): Thank you, Mr. Chair.

Good morning. I wanted to talk to you this morning about the process that the Wabun Tribal Council uses in Timmins to engage with the mineral and mining sectors in our territory.

Just to tell you a bit about myself, I'm the executive director of the Wabun Tribal Council and I've been working there for 25 years. Our group is a group of five first nations located in Timmins, Ontario. We've been around since 1989. Our chiefs make up our board of directors, and they send their greetings to everyone this morning.

What we do on a daily basis is regional planning on health, economic development, and a number of sectors with respect to delivering services to our communities.

I apologize; I had a PowerPoint presentation prepared for the group, but I had a bit of misstep and I was unable to get them to you in French, so they will be provided to you at a later date.

What's in front of you is a bit of a map of our traditional territorial geography. The map of Ontario in red gives you a snapshot in the white of where our traditional territories are, the five collective territories of the communities. On the back of that map, the green blob is the collective territory of the five first nations.

One of the things we like to talk about in our communities is that we are the most explored group of first nation communities in the country. We have currently 10 mines operating within our traditional territories, with three mines now in development. We also deal with over 80 mineral exploration permits on a daily basis, and we also have 10 mine closure plans that we are currently dealing with. As you look at that green area, all of those activities are happening within that section of the province of Ontario. It keeps my colleagues and me at the tribal council extremely busy.

In terms of our agreements, what we do at the tribal council is look to engage directly with proponents. We look to have legally binding arrangements created between proponents and our first nations. You could call them impact benefit agreements, resource development agreements, memoranda of understanding—all apply. In our territory we have over 55 of these with junior mining companies, exploration entities. We have seven impact benefit agreements with operating mines and we are currently negotiating six impact benefit agreements with either existing producing mines or mines that are being proposed.

I think this gives you a pretty good sense of the scope and scale of how our communities are so busy dealing with the mineral sector.

I think it's important to note that we also deal with brownfield sites, so we've managed to work with operating mines, mines that have been around for 100 years. In the Timmins camp, for example, Goldcorp has been working there for 100 years. We just finished our impact benefit agreement with them last year. Whether it's a new mine or an older mine, our community's expectation is we would have some sort of arrangement with those facilities.

I want to talk a bit about capacity of the first nations. I've talked about how busy we are. We have exactly seven people within our communities to deal with all of this work. One of the things we really like to stress to government—both the Ontario government and the federal government, in this case—is the necessity to ensure that the communities have the capacity to deal with the mining industry.

What we tell mining proponents in our traditional areas is that the agreements are mandatory. They're not requested or they're not optional. Our communities expect them. There was free, prior, and informed consent, which was mentioned earlier in the hearings. We like to think those are principles that we operate on, and again we are expecting the mining companies to come forward, participate, and sign these agreements with our communities.

What's in our agreements? The exploration agreements contain things like a standardized and consistent template. When we deal with junior mining companies, it's always the same way. We have a template. It's one template, and we don't change it. We want to make sure that we're dealing with one company the same way that their sister company on maybe adjacent claims may be operating. We want to make sure we're dealing with those two entities exactly the same in an exploration agreement.

● (0930)

We talk about financial compensation and accommodation for impact in our agreements. We talk about business opportunities, employment and training, elders' knowledge, and environmental committees for support of the project. We talk about IBA negotiations should a mine be developed. The continuation of our exploration agreement is that the exploration entity commits to negotiating an impact benefit agreement for an operating mine.

For impact benefit agreements, essentially the same schedule of benefits is laid out. We have elements of revenue-sharing and profit participation by the communities. All the impact benefit agreements are different. They're not the same as the exploration agreements. Each impact benefit agreement is unique.

They often take years to negotiate. We just signed with Tahoe Resources on Thursday. We had a celebration in Timmins with the chiefs in the communities. The president of Tahoe Resources came in from Nevada. We signed our agreement. It was six years in the making. They're quite complex, and each is different.

Again, we talk about employment and training, business opportunities, cultural participation, environmental protection, and dispute resolution mechanisms, all as part of a detailed impact benefit agreement between proponents and our first nations.

I should also mention that five of our communities, the five first nations of the tribal council, are called tier one-impacted communities on the Energy East right-of-way. We would suggest that a type of impact benefit agreement negotiation or settlement with the pipeline would be an option for us to participate with them. I want to emphasize that we don't think it's just for the mineral sector. We're also involved with renewable energy, and we think that for Energy East, an impact benefit agreement may be the approach to the Energy East pipeline.

What are the benefits to the proponents we've talked about? The benefits to our communities are clear. The benefits to our communities are real and significant. We also believe that they're real and significant for the proponents as well. Our process provides certainty of project. Our agreements speak specifically to the process of how proponents are expected to engage in consultation and accommodation. We agree on the terms, and those provide the certainty.

It's the same thing for regulatory approvals. We work together on permits and processes, whether they be federal or provincial. We agree to work together to ensure that the regulatory environment is serviced.

We also believe that it gives the companies a social licence to operate. Again, in our case, we think that agreements are mandatory, and we think that the agreements provide that social licence for companies to operate in our territories.

We have some challenges. The current regulatory environment does provide disagreeable proponents the opportunity to navigate the system without having any sort of agreements with communities. They're not mandatory. There are ways that projects can go forward without, in my opinion, meaningful engagement with our first nations. We fight tooth and nail against those disagreeable proponents, but I have to say it's less than 5%. You saw the number of agreements that we're dealing with, and I would say that for the most part, we have very happy explorers and resource users in our territory. It's a very minimal amount that are disagreeable.

We have issues with the inconsistency of the delegation of the duty to consult. We're finding now that government is inserting itself between us and the discussion with the proponents. In particular, the Ontario government has taken a position to deal directly with the proponent, pushing the first nations to the side, so we're not able to have that direct engagement with mining companies and proponents that are actually on the ground. I think it's an impediment to having a good relationship between ourselves and the developers.

● (0935)

Territorial overlap is a challenge. In our case, we've managed to convince our five communities to work together. If we see a territorial overlap, we have one agreement, one proponent, and have the three or four or five communities deal directly with the proponent under the one agreement. We've actually done that with communities outside of the tribal council as well. It's not necessarily the five members of our communities that would be involved in those agreements.

As far as recommendations for the group are concerned, we would love to see arrangements legislated as a requirement, both provincially and federally. It would take out the uncertainty of whether or not proponents have to come and negotiate. We would like to suggest a framework for consultation and accommodation that creates a joint declaration for regulatory approval. We would offer that the Wabun model could be used as a best practices example to whoever might like to use it.

We would like to suggest that there is an extreme shortfall in capacity funding in our communities, and there should be some method to ensure that capacity is funded.

With that, *meegwetch*. Thank you for inviting me. It's been a pleasure to be here.

The Chair: Thank you very much.

We're still waiting on Mr. Lapointe. I understand he's on his way.

Maybe we could start with questions, and then he can present when he arrives.

Mr. Lemieux, you are first up.

[*Translation*]

Mr. Denis Lemieux (Chicoutimi—Le Fjord, Lib.): Thank you, Mr. Chair.

I'm a bit disappointed. I had prepared a few good questions for Mr. Lapointe. If I run out of questions, I'll share my time with my colleague, Mr. Massé.

My first question is for Mr. Neumann. Before asking the question, I want to make sure that you understand what I'm saying in French and that the simultaneous interpretation is adequate.

[*English*]

Mr. Ken Neumann: Yes, I can.

[*Translation*]

Mr. Denis Lemieux: I am one of the MPs for the Canadian kingdom of aluminum. Last April, the American United Steelworkers called for a tariff on Canadian aluminum imports to the United States. I know the Canadian United Steelworkers intervened and the American steelworkers reconsidered their position. I would like to thank you on behalf of all Canadians for taking on a leadership role in this area.

As you know, Mr. Neumann, the aluminum we produce in Saguenay has the smallest carbon footprint in the world. We produce about two tonnes of CO2 per tonne of aluminum, compared with some of our foreign competitors, who produce up to 17 tonnes of C02 per tonne of aluminum.

With our government's announcement that there will be a price on CO2 emissions, do you believe the Canadian aluminum industry will play a bigger role in the Canadian and American automotive industry? Will you continue your efforts to help export our environmentally responsible Canadian aluminum to American markets?

● (0940)

[*English*]

Mr. Ken Neumann: Thank you very much for the question, sir.

I can assure you that on behalf of our members in Canada, we will work very diligently to promote the aluminum that's produced by many of our brothers and sisters in Quebec.

Getting to your initial comment with respect to a tariff that was imposed, somehow that gets a bit misconstrued. When we talk about the aluminum industry around the world, the difficulty that we're trying to challenge now by meeting with the U.S. government, the Canadian government, and the ambassador to the United States from Canada is the dumping that's taking place from China. The fact is that China has excess capacity, and dumping it onto the world markets saturates the aluminum market and drives down the prices.

In response to what you said, we're proud of the work our members do and of their carbon footprint. We will continue to work towards making sure that the exports continue and we will continue do the fine work.

However, if you look at the global situation, you see that we also need to challenge that no differently than we do with the steel industry. We see continued dumping from offshore. That's another issue that I testified about recently before a panel such as this. We just can't be sitting on the sidelines watching this game take place while countries such as China are manipulating the system. I fully agree with you. We're going to continue to push to make sure that aluminum continues to prosper. As you said, it has the lowest carbon footprint.

I appreciate your comments.

[*Translation*]

Mr. Denis Lemieux: I find your answer very reassuring.

Mr. Neumann, I want to address another point that I consider important.

According to the Mining Association of Canada, new mining investments in Canada could amount to almost $145 billion in the next 10 years.

What economic leadership role do you plan to play to help carry out the mining projects in Canada?

[*English*]

Mr. Ken Neumann: Our union is supportive of mining. As I said in my testimony, we represent over 24,000 workers across the country. As I also said, because of exploration not every mine meets the test, and I laid out some of those things that are required with respect to aboriginal involvement, so many elements need to be done.

There need to be strong regulations with respect to making sure that the environment is protected. We also come across many cases of foreign company takeovers in which sometimes the experience has not been that good for the communities or for the workers or, needless to say, for Canada in terms of the net benefit to Canada. When we have companies coming in, I think there has to be a very strong standard.

We've been pushing the federal government to make sure that there has to be a net benefit for Canada. We don't want foreign corporations to come here and then try to bring us down to the lowest common denominator. I could share some examples with you. We want a vibrant mining community that is going to look after the interests of its workers in the communities and also be a net benefit to this great country of ours.

[*Translation*]

Mr. Denis Lemieux: I'll give the rest of my time to my colleague, Mr. Massé.

Mr. Rémi Massé (Avignon—La Mitis—Matane—Matapédia, Lib.): I want to thank my colleague, Mr. Lemieux.

[*English*]

Mr. Batise, the Wabun First Nation is actively engaged in major development in partnership with the mining industry, as you said, and you mentioned two or three. What are the three key lessons learned, or the three key best practices, that you put in place that helped you succeed in development of the mining industry in your area?

Mr. Jason Batise: First is early engagement, early and often. We encourage proponents to meet with our communities and talk well in advance of their project activity, whether it's an early exploration project or a developing mine.

Second, I think gearing up our communities with respect to reasonable expectation on things like resource revenue-sharing and understanding of the mining cycle, and the investment required to build the mine. The Young-Davidson mine that was mentioned earlier was a $1.2-billion exercise. At the tribal council we understand what it takes for the investors to take on that risk, so our agreements have to match the expectations and the realities of the economics of the mine.

Third, for the tribal council it's good people on our side making sure we have the ability to interact with the mining companies, whether it's bringing in legal advice for environmental pieces or the staffing and the human resources necessary for us to give good responses to good projects.

● (0945)

Mr. Rémi Massé: Thank you.

Mr. Chair, do we have some more time?

The Chair: You have 30 seconds.

Mr. Rémi Massé: I've a really long question for Mr. Neumann. I'm quite impressed with the panel of witnesses. I'll send my questions so he can answer them later.

The Chair: Thank you.

Mr. Barlow, you're next.

Mr. John Barlow (Foothills, CPC): Thank you very much, Mr. Chair, and thank you to our witnesses for being with us today and providing some outstanding information.

I'm going to direct my questions to Mr. Adamson. I know you have a tight time schedule, so I will try to get you in before you have to leave.

Earlier this year I had the opportunity to tour the North West upgrader in Alberta, which is the first refinery built in Canada since 1984, focused on carbon capture. I want to talk to you a bit about carbon capture.

You mentioned the Containment and Monitoring Institute and the Carbon Capture and Conversion Institute. However, I thought it was interesting that after the Liberals announced the carbon tax, the Province of Saskatchewan released its white paper on climate change, which included some information on carbon capture technology being the direction in which we should go. Carbon taxes aren't going to allow us to reach our goals. They'll be punitive, if anything.

Then a federal report came out indicating that British Columbia will see a 32% increase in greenhouse gas emissions between 2013 and 2030, despite the fact that B.C. has a carbon tax. Therefore, I think carbon capture is a direction in which we need to go. Once the North West refinery is up and running in the next couple of years, it will redirect 1.2 million tonnes of carbon dioxide through the Alberta Carbon Trunk Line and redistribute it to orphan wells and enhance the life expectancy of some of those wells.

In your presentation today, you talked a bit about the need for additional funding. This is not something the private sector can do on its own. In your expert opinion, how close are we to having carbon capture in the mining industry? We've heard a lot of testimony from our witnesses that the future of Canada's mining industry is becoming more and more directed toward remote areas. Is this something that is within reach? Can we have carbon capture as part of the mining industry? What do we need to facilitate that technology and that innovation?

Mr. Richard Adamson: Thank you for the question. It's excellent and covers a lot of different things that I'd love to respond to. In fact, Chris Bataille and I responded in *The Globe and Mail* to Mr. Wall's proposals.

Absolutely, carbon capture technologies, whether that's storage or utilization, are going to be critical, especially to decarbonizing the industrial side of our economy. Decarbonizing the electricity sector can be done by a number of different pathways, but the industrial side is much more challenging.

The types of technologies we're looking at on the mining side are not conventional carbon capture and storage, but making use of the mine tailings themselves as the destination for the carbon dioxide in mineral form. Essentially, the tool kit that I referred to that Greg Dipple and his team have developed ranges from improvements of practice without a significant change to the capital investment—simply operating procedures—to much more intensive types of activity.

Some of the processes can be implemented relatively quickly. One needs to sit down and look at the overall operations of the mine to find the minimum impact approach and the lowest cost—the low-hanging fruit, if you will—and where the other opportunities are for perhaps larger impact but with some capital investment. There's a spectrum of types of approaches.

To give you a quick example, the mine tailings will naturally react with carbon dioxide out of the atmosphere to create carbonate, but if you deposit the tailings rapidly, then the tailings coming in next will smother the reactions on the earlier tailings, meaning that if you build up your tailings rapidly, you wind up with much less than the total potential uptake. If you instead change your practice to deposit your mine tailings in different areas and switch locations more frequently, you actually open up the opportunity to increase the amount of carbon dioxide uptake without substantially changing your operating costs.

There are a number of those types of practices that can improve performance, and the level of impacts and things such as that will really require some field testing.

When I talk about the cost, it's really the cost of getting reasonable scale pilot testing done. I look at cost from an R and D perspective, not from an operating mine scale, so when I say “substantial”, I'm talking in single-digit millions, not billions.

● (0950)

Mr. John Barlow: This is the first time in our study, I think, that we've talked about carbon capture in mining. Certainly we hear it in the oil and gas sector. Are we too early in this process, Richard, or have there been some studies on a larger scale? If we can use this technology for GHG emission reductions in a typical mine, what is the potential there, or are we not that far along yet?

Mr. Richard Adamson: Greg and his team have done those types of studies for specific example mines, because the mineralogy is different and the mining operations are different at different mines. It wouldn't be easy to come up with a one-size-fits-all answer, but Greg and his team have answers for a number of mines, both in Canada and in Australia, that can be used as examples.

Mr. John Barlow: Is the biggest GHG issue with mines the diesel being used in the mines, or is the actual operation of the mine the focus of some of these projects?

Mr. Richard Adamson: It depends on the mine operation. If you're isolated and dependent on on-site power generation and that type of thing, then that can be a major contributor. If you're grid-connected, that changes your emissions profile substantially. It varies from mine to mine.

Mr. John Barlow: Thank you.

The Chair: Thank you.

I see Mr. Lapointe is here.

Mr. Cannings, why don't you ask your questions, and then we'll go to Mr. Lapointe, just in case you have some questions for Mr. Adamson.

Mr. Richard Cannings (South Okanagan—West Kootenay, NDP): Can I do it the other way around? I have questions for Mr. Lapointe.

The Chair: Sure, that's fine.

Mr. Lapointe, are you ready?

Mr. Ugo Lapointe (Canadian Program Coordinator, MiningWatch Canada): Certainly.

The Chair: Welcome, and thank you for joining us. You have the floor.

Mr. Ugo Lapointe: Good morning, everyone. My name is Ugo Lapointe. I work for MiningWatch Canada, as the Canadian program coordinator.

MiningWatch is a non-profit organization based in Ottawa. We have a mission to promote better environmental, social, and economic practices in mining in Canada and abroad.

We can discuss for a long time the different mining issues that concern Canada currently, but we wanted to highlight two key issues, and mostly one this morning. This morning the main point we want to discuss is that the global mining industry, as we can see now, is growing at an unprecedented rate. It's really significant, the trends we're seeing, not only over the last decade but really during the last 50 years. We need to keep those global trends in mind for future public policy-making in Canada.

I will explain why it's important to keep those global trends in mind when it comes to environmental issues, particularly as it pertains to Canadian mines in Canada.

It is useful to adopt a historical perspective when considering gold mining and gold consumption globally for the last 160 or 170 years. Looking back, you can see an exponential increase in metal consumption, particularly since the 1980s. Iron, copper, and nickel have all seen exponential growth globally.

The main mining jurisdictions in Canada are Saskatchewan, Ontario, Quebec, British Columbia, Newfoundland, and Nunavut. We see over the last 10 years significant growth. Over the last two years, there has been a slowdown in the mining industry. Even with that slowdown, however, we're still about twice as high as we were 10 years ago, to judge by investments in projects in these provinces and territories over the last 20 years or so.

There are many drivers for this growth, but I will highlight only the main ones.

Population growth is a major driver, and consumption growth comes with it. This is taking place largely in the urban centres of the world. City-building and urbanization, particularly in developing countries, whether it's China, Brazil, or India, account for the use of massive amounts of metals such as iron, nickel, and copper. Over the last 50 years, the urbanization trend has been major. People are moving to cities in China, and we see cities of a million people springing up every year, almost every month. This activity requires massive amounts of metals.

Transportation is the other major sector. With transportation, we're talking about road infrastructure, including the transport modules such as cars, boats, and airplanes. You name it.

● (0955)

When you look at the statistics, you see these are the main drivers.

Of course, when you start looking at other specific metals like gold or a commodity like diamonds, these are very peculiar niches that are more in the aesthetic consumption and financial sectors. The point is that there are major trends of global growth that are linked to a whole bunch of what we call base metals, which are linked to city and population growth, and then there are other subsectors that we need to consider when we think of public policy for the future.

Another major trend that I want to highlight with you this morning is the fact that we're seeing lower and lower grades; in other words, all across the planet and on different continents, the mines that we're mining today are not as rich as the mines that we used to mine.

This graph represents trends in countries on four continents—the U.S.A., North America, Australia, South Africa, and Brazil—for gold mining over the last 170 years or so. All across the planet we are seeing that in the gold mines that we mine today, grades of gold are a few times lower per tonne of rock extracted.

There are two main reasons that explain those trends. One is that, yes, we mined the richest ore body that we could find first, and actually those trends are also observable in Canada in many instances. The other trend has to do with technology. Today we're able to mine lower-grade mines that we were not able to mine before.

Why is this trend important for us today? This means that when we mine today, for the same amount of metal that we produce, we generate far more mining waste than we used to. The mines are becoming bigger and bigger and the mine waste that we need to deal with—the tailings and even the energy or the water that is needed—has significantly increased in relation to the same amount of metal that we produce. There are significant environmental and social issues related to that.

In particular this morning I just want to highlight three main issues. I'll focus only on one, because I won't have time to explore all of those. The three main issues that are linked to the global trends I just mentioned—the mine waste and tailings that are generated by those mines today—are massively challenging technically, financially, and environmentally. Socially what we see as well is a trend towards more and more projects getting into sensitive areas where we did not formerly go. Those sensitive areas trigger community responses that are often in opposition to projects.

We need to consider this trend, because it has an impact on the mining industry in Canada and it will continue to have an impact. In our opinion, Canada should develop a solid public policy in response to this specific trend. Indigenous people's rights in particular are a key issue. Economically the costs of cleaning up those sites is increasing because of the size of the sites, but there is also the matter of liability when some of those sites are abandoned by mining companies and the cleanup costs end up in the lap of the government or the taxpayer.

One example that you see illustrated is that of the 2014 mine spill in Mount Polley. This was the biggest mine spill in Canadian history, with 25 billion litres of mine waste spilled into the surrounding waters. Today we are still dealing with the aftermath of that spill. That is linked to what I was saying earlier: we need to deal with bigger and bigger mines and more and more mine waste and mine tailings sites. Doing that is a technical challenge and a financial challenge.

● (1000)

The dams that we build today, which can be 40 metres or up to 100 metres high, represent a huge risk, in our opinion, for the government, for taxpayers, if those constructions are not well done and if they end up under government responsibility for the next century. They need to be well designed, well operated, and well maintained, and they need oversight and financial securities to make sure that taxpayers don't have to pick up the tab if something fails.

Mine spills are not unique to the Mount Polley spill of 2014. We've seen other mine spills. We've counted at least 10 to 15 mine spills in Canada over the last 10 years. These are just examples of a few of them.

The point is that tailings management, mine waste management, and the associated risk of spills is of major concern. It's a concern that will continue to grow as the mines become bigger and bigger and we have more and more mines. There is a cost associated with them.

The Chair: I will have to ask you to wrap up, if you can.

Mr. Ugo Lapointe: Yes.

We saw spills in the U.S.A. last year, and Brazil as well.

What are the solutions? What could be the government role? In our opinion, there are probably at least three main areas where government could help to reduce those risks or prevent those risks.

The first one is possibly to support a research program for what we would call responsible consumption. Raise public awareness about other options that Canadians have to try to have positive impacts on reducing at the source those risks by promoting responsible consumption options. Similar to what we've done in the climate change debate over the last decade or so, we think we also need to think about the responsible consumption of metals and promote that Canada-wide.

Second, financial securities are very important. Governments, including the federal government, have a major role in ensuring that site cleanup remediation financial securities are in place before mines open to make sure we have the money in place in case the company goes bankrupt or in case the company is not any longer able to clean up those sites.

Linked with financial securities is what we would call a national security pool for spills. That's a major gap right now in current regulations and policies. We see it in the gas and oil industry. There are examples we could look at. In the mining industry, there is a need for a national security pool for spills.

● (1005)

The Chair: Mr. Lapointe, you'll have to wrap up.

Mr. Ugo Lapointe: Finally, there are regulations and incentives that could be put in place. The first point is that we could promote certain types of minerals. To give you a clear example, just so you understand it, we should stop asbestos mining in Canada and promote best available technologies with different programs, different incentives, fiscal incentives, to help reduce those risks or prevent those risks.

On that note, I thank you.

The Chair: Thank you.

Go ahead, Mr. Cannings.

Mr. Richard Cannings: I'd like to thank you all for being here today.

Mr. Lapointe, one of your themes was responsible mining in terms of environmental regulatory processes. The government is undergoing a review right now of various aspects of that. I just wondered if you could expand on CEAA, the Canadian Environmental Assessment Act, and the lost protections of the Fisheries Act and Navigation Protection Act. I'm wondering what your views are on those and what you would like to see the government do.

Mr. Ugo Lapointe: I'll do my best to answer this question, but to be honest, it's my colleague, Jamie Kneen, who covers that file. He's actually in another hearing on this specific topic today. I'll just mention quickly that in our opinion, of course the CEAA was damaged in 2012 by the omnibus bill. At the least, we need to come back to what it was before.

I think there's also a growing understanding, even in industry, that some of those 2012 changes may not have been for the best in the end, in terms of processes of consultation, information, and social licence.

One of the major issues we have seen is that before, we had a clear understanding of which projects were subject to a review process. There were also options for more regular panel reviews, which are more rigorous reviews. Right now, that clarity is being taken away with more discretionary powers on the part of the minister. The criteria are more problematic and blurry. It is at the discretion of the minister which projects will eventually be subject to those more rigorous reviews.

With regard to the Fisheries Act, it's the same thing. Different groups all across Canada have called for a return to what the Fisheries Act was before the 2012 omnibus bill.

I think there may also be room to improve the Fisheries Act. I'll just point to one example in connection with the Mount Polley spill in 2014. The maximum fine that this spill could trigger is $12 million, and the maximum fine ever given under the Fisheries Act in Canada is $7 million. That is not a proper incentive, in our opinion, for the proper enforcement of our laws and protection of our waters. Those fines need to be reviewed to create a more proper incentive for companies to follow.

● (1010)

Mr. Richard Cannings: I'll turn to Mr. Neumann.

You were talking about the importance of education within the mining sector. I know the steel workers and other unions have always been involved with training their members to take part in these industries. I'm just wondering if you could comment on the role of government and your union in that education process, especially with regard to the sectoral councils that you briefly mentioned.

Mr. Ken Neumann: Thanks for that question. As I said in my testimony, at one time we used to have MITAC, which was a training advisory committee in which government unions, workers, and communities were part and parcel, no different than at CSTEC. It was very successful.

Unfortunately, the previous government discontinued that, and I think that was ill-advised because it did a tremendous amount of work for the mining industry. We saw the significant downsizing of the steel industry back in the 1980s and what we were able to do with that. We were able to clean up that industry and make sure that the companies have the necessary skills. For that reason we think there's a role for the government to play with respect to training.

We wouldn't have those things that happened at HD Mining in northern British Columbia with the temporary foreign workers. There are very many able people who can take these jobs. These are good decent jobs. It's an opportunity for Canadians to be trained.

I think we need to go back to a sectoral council, as we had in the past. If it's not broke, they take it away. It had a tremendous amount of benefit to us in the mining industry and to the companies we represent. Unfortunately, the government had a different view of it, and it has gone by the wayside. I think it's to the detriment of Canada and the industries that we represent.

Mr. Richard Cannings: Okay. I'll just turn to Mr. Batise.

You mentioned that capacity funding was an important issue, as was the capacity within your communities. Could you comment on the education needed within your communities to have people who can work in this industry and work in the whole process? What role can the federal government play in providing funding, both for the capacity and for the education?

Mr. Jason Batise: Thank you for the question.

First, in terms of the formal education piece, we know that through AANDC the programs have been capped at 2% for the longest time. Our young people continue to struggle to enter formal post-secondary streams. Communities are sorely lacking in resources just for that piece. We would encourage the government to have a look at increasing those budgets for communities.

Specifically to mining, we do access some special program funding through NRCan and some other resources available to us from the federal government, but again it's never enough, at least in our case. We've looked into places like the Borden gold project in Chapleau, where communities are at about 90% unemployment. We have young people between the ages of 20 and 35 who are stranded, who have no hope. There is not a lot of industry in that particular town. We really do need a significant investment from the federal government to bring those folks up to speed, just in terms of job readiness programs, never mind learning how to handle a jackleg drill or how to do the actual job at the site. It's just preparing people to enter the workforce. That's our first step in training the folks.

Again, we would look to the federal government to increase those budgets that we have available. We have had some success in accessing funding, but it's lacking. I understand the SPF program that we're currently applying for is oversubscribed this year across the country and there's been a delay until January with respect to our applications. The mine is looking to open and go underground in February, and we're sitting and waiting for a decision on applications.

The Chair: Thank you.

Mr. Tan is next .

Mr. Geng Tan (Don Valley North, Lib.): Thanks, Chair.

I prepared some questions for CMC, but Mr. Adamson has left, so probably I will have to share my time with my colleagues.

My question is for Mr. Batise.

I'm very glad to find out from your presentation that the first nations communities are enjoying a positive impact from the benefit agreement in terms of increased employment, business, education, and infrastructure.

I want to focus my question on education. I know my colleague and other committee members have already asked questions regarding education for indigenous people, but I want to focus my question from a different angle on undergraduate studies and even higher education.

I know the mining industry is a very significant employer for indigenous people. However, as some witnesses have indicated, most of these indigenous workers are hired to do the field work, so we should find a better way to help the indigenous people to gain greater access to more value-added jobs as scientists or engineers or even as professionals to participate in the decision-making process. Education is the key.

One witness from a university that has a mining research program that addresses mining in indigenous areas, and they have large federal funding, stated that fewer than 5% of their students are from the local indigenous communities or even from all indigenous communities. That's not enough.

Some witnesses suggested that we need to improve our early childhood education, which is good, but it takes years or even one or two generations to see the difference, to see the impact. I know there are come colleges that have been created to mostly recruit indigenous students to have education and they provide training programs, but again most of their graduates are technicians or technologists or trained skilled workers.

Can you recommend any policy ideas that the government or the mining sector developers can apply to encourage more talented indigenous people to enrol in post-secondary or even higher education in the areas that are being looked for by the mining industry?

● (1015)

Mr. Jason Batise: You mentioned that right from pre-school we all know the deplorable conditions our communities are under with respect to the entire education systems that have long produced troubles for our community members.

I'll come back to the thrust of my discussion this morning. Part of our agreements create wealth for our communities. This wealth is being driven back by our leadership into scholarship programs, into post-secondary funding, into access to the programs and jobs at the higher level, the value-added jobs. That's where we want to be too. The blue-collar work is fine. We certainly take every advantage of all the job opportunities available. However, it's our goal to have our folks sitting in the boardrooms and at the executive positions within the mining companies.

The other thing that our agreements do is open those opportunities to our communities. We have direct conversations with those mining companies about how our folks can participate at the executive level. For the most part, those companies are encouraging us to do that. I think it looks extremely good for the industry if they can promote indigenous participation at the highest levels of their management.

We work closely with the training institutions, both universities and colleges. Through federal grants and programs, we could perhaps amend the systems to include special access programs for first nations citizens looking to access mining programs. We have the Haileybury mining school located close to our communities. There may be a way to connect us to training institutions.

I think there are a number of opportunities, again driven through a direct conversation between our communities and the industry.

● (1020)

The Chair: Mr. McLeod is next.

Mr. Michael McLeod (Northwest Territories, Lib.): Thank you, Mr. Chair.

I have really enjoyed all the presentations. I think some very good information was presented here today.

I'll continue along the same line of questioning.

Mr. Neumann, you talked about the need to focus on aboriginal people and you talked a lot about impact benefit agreements. I'm from the Northwest Territories, and we just had a mine open up. Gahcho Kué Mine opened up with the support of four aboriginal governments, all of which signed impact benefit agreements. They go such a long way in giving comfort to the communities that they'll have oversight, they'll have training. All of these agreements spell it out. There's too much history of agreements that were not documented, and they go kind of sideways when the mine takes off.

They did a good job. Gahcho Kué has an interesting name. It means place of big rabbits in the aboriginal language. The mines have been an economic driver for us in the Northwest Territories. They do a pretty good job.

Mr. Batise, you said that we need to get indigenous people working. We have huge populations, in Manitoba, Saskatchewan, Alberta, and Northwest Territories, Nunavut. We have over 150,000 unemployed aboriginal people sitting in the communities. Most aboriginal peoples don't migrate to where the work is. They'll stay in the communities.

We have a huge challenge. Sometimes the answers lie in small things. A lot of people in the communities can't go to work because they have a criminal record or they are not able to get a pardon. Mobility is also an issue because they can't get from one community to the mine. Perhaps it's literacy, low levels of reading and writing skills, or even basic necessities such as housing. It's all these things.

How do we solve that? How do we work towards resolving that issue?

Mr. Jason Batise: That's a difficult question to answer in 30 seconds, but I'm going to have to try.

For our communities, we've tried to produce some pre-employment training programs that lead into the jobs. One of the things we're dealing with is substance abuse. Goldcorp has one of the highest standards of safety policies and procedures that they use on their sites. There's a zero tolerance for substance abuse. They're subjecting our community members to random testing, and there is a high failure rate. Through our agreements, we're asking for some leniency in that regard.

The same thing goes for education levels in certain jobs. Maybe there could be a relaxation of corporate policy, from a grade 12 standard to a grade 10 standard. That's provided the individuals or the applicants can prove they can actually do the job, whether it's literacy or those other requirements. We're not trying to dumb things down, but we're certainly trying to create avenues where, for good reasons, our community members haven't been able to reach thresholds that perhaps corporate policy is looking for.

The Chair: Thank you.

Go ahead, Ms. Stubbs.

Mrs. Shannon Stubbs (Lakeland, CPC): Thank you, Mr. Chair.

Thanks to all the witnesses for your testimony today.

I'll come back to you, Mr. Batise, so that you can expand on more of what Mr. McLeod was asking in a couple of specific questions.

I hope that we have time with Mr. Mell, because the ability for 375,000 people to remain employed in the mining sector in Canada and to increase those numbers depends on the ability for these projects to be financed and developed in the first place. I hope that you'll have some time to expand more on the issues that you were discussing in your presentation.

Thank you for confirming the importance of the mineral exploration tax credit in your discussion about the flow through shares. Given the starkness of what you've presented to us today, about the more than 1,000 mineral explorers with the highest risk and the least financing available—which is really the foundation of the mining sector and the 100 developers and the 200 producers beyond that—I think it's very important for us to get a sense from you if you have any reflections on any other specific financial measures or tax incentives that could be considered, either federally or provincially, to enhance investment in mining exploration in the first place and also long term mineral development, and if you have any views on global competitiveness or reflections from other jurisdictions that legislators in Canada may want to consider.

● (1025)

Mr. Trent Mell: For me, in reference to our industry, we have a new generation of enlightened mining executives who share a lot of those views. At the Young-Davidson mine, for instance, 81 out of 600 workers are from one of our IBA partner agencies or other first nations. That's 14% of the workforce, and we can always do better. I think his comments around workplace entry programs, free education, and whatever we can do to get more geologists, engineers, and executives from aboriginal communities can only be helpful for our industry.

With respect to your question around what more we can do, I'm hopping on a plane in about five hours, and I'm heading to Zurich for an investor conference. About half of the issuers giving presentations are going to be Canadian miners and Canadian juniors, who are there talking to Swiss funds and Swiss family offices about their projects and their investment theses. My role there is to try to broker those relationships to bring investors into Canada and into these stories.

Investors want to invest in Canada. It's no secret that it's a desirable location, geopolitically. Yes, as was outlined earlier by Mr. Lapointe, the good stuff isn't found in the western developed world. The higher grade stuff is in Colombia and elsewhere, but Canada has a great reputation for excellence, not just with raising capital but also with execution.

I think where we are lacking—I don't say lacking; it's a collected effort—in policy and effort is around innovation. We've spent the downturn spending a lot of time talking amongst ourselves around things like putting more tailings underground, as part of paybacks, which helps build recoveries to solve an environmental footprint issue, as well as providing ventilation on demand so that we're not consuming energy to provide oxygen where there are no employees in an underground stope.

Innovation is huge. There's a great deal of effort being undertaken in the Sudbury area by a number of lead agencies. I would say, in addition to just providing the incentives to encourage investment into Canada, because we are a high cost jurisdiction relative to most of the world, I think anything around innovation and education could only be helpful, because I think we have a long way to go in the mining sector to improve upon mining methods and techniques that have been in place for decades.

Mrs. Shannon Stubbs: Thank you.

Mr. Batise, I'd welcome you, if you could, to let us know any specifics about any particular projects or impact benefit agreements that you'd like to expand on and also about the socioeconomic benefits to your communities.

Mr. Jason Batise: I noted that previous testimony was done on the Borden gold project, where they're planning an electric mine, Canada's first electric mine. That mine is actually about five kilometres from one of the communities of the Wabun Tribal Council. As a matter of fact, the mine footprint goes underneath the lake where we draw our drinking water for our first nations' water treatment facility.

Socio-economic conditions at Brunswick House are horrid. With the downturn in the forestry industry in Ontario for the last 20 years, it's been an awful market. They experience from 90% to 95% unemployment, high incidences of drug abuse, social issues, low education achievements.

However, the good news is the Borden mine and our conversations with Goldcorp at that mine are providing a whole lot of hope for that particular community. The community members are completely engaged, from the youth to the elders, in working alongside Goldcorp in developing the agreement, and not only just developing the agreement but working immediately to start education programs, to start understanding some of the social impacts of substance abuse. How do we work through those issues, with Goldcorp, to get the people to work there?

Our expectation is to have at least 50% employment from the communities in that area from our first nations. Again, we worked early, often, hard. Goldcorp is a great partner of ours. We have two existing impact benefit agreements at other sites in the Timmins area with them. We're continuing that success at Borden.

The Chair: Thank you.

Mr. McLeod, you're up next for five minutes. I think this is going to be the last—

● (1030)

Mr. Michael McLeod: Mr. Chairman, I'm going to share my time with T.J.

I just have one issue I want to raise with Trent Mell from PearTree. It's around the mineral tax credits and the flow-through shares.

I've had opportunities to talk with different mining companies in my riding, and also with the PDAC people. In the north the cost of developing is very high. We need incentives. I'm being told that we need either investment in transportation infrastructure, or else the mineral tax credit or the flow-through shares to continue.

Could you maybe tell us a bit about what the effect would be if we allowed the mineral exploration tax credit to expire on March 31?

Mr. Trent Mell: Thank you for your question, Mr. McLeod. It's a good one, because I think if the METC were to expire, there would be the two parts.

Of course, you have the super flow-through credit, as you talked about. That's the early stage. That's the discovery stage. Pick your name—Goldcorp, Agnico, Barrick, Hudbay—these companies are not doing the early-stage greenfield exploration activity. They're spending their money enhancing their operations, building out the next generation of mines. They are not discoverers.

It is a real feeder system. That 1,000-plus bucket I showed at the beginning of the Lassonde curve are the ones that are going to find the next generation of mines. Without the super flow-through, our capital—and it is a global capital pool—will go elsewhere. It will go to South America, it will go to Asia, it will go to Africa, and we'll be disadvantaged. There is a reason that a half of the world's mining companies list in Canada, and the flow-through is an important part of that. That contributed to the creation of a centre of excellence, not just at those mine sites, actually, but also on Bay Street, and Howe Street, and in Calgary.

If you look at the executives, the bankers, the lawyers, the engineering firms, all of that, you see a lot of the money that flows across this country, urban and rural, starts with mining. We need that incubator, that risk capital to come in to help keep us going for generations to come.

Mr. T.J. Harvey: First of all, I'd like to thank everybody for being here today. It's certainly been an interesting session and a broad cross-section of witnesses.

I just have a quick question for Mr. Batise. I was wondering if you could follow up on your comments at the end of Mr. McLeod's question earlier around the education and substance testing guidelines for first nations in regard to mines. I'm just interested if you could elaborate on that a bit.

I'm 100% behind inclusion of more first nations peoples in all these projects, but I'm not sure I'm getting where you're going in regard to the lowering of minimum required testing for anybody who works at a mine site, as it's a safety hazard. I'm just wondering if you could elaborate on that a little more.

Mr. Jason Batise: First of all, perhaps it's not just a complete exclusion. Goldcorp's policy now is one strike and you're out.

Maybe you could build in some leniency around treatment programs or around some sort of re-entry program whereby the employee could demonstrate that they've taken the incentive to go and get treatment, and reintroduce themselves to Goldcorp as kind of a changed employee. Maybe there could be additional monitoring programs whereby health and safety reps keep an eye on those employees, and perhaps there could be further mandatory drug testing of that employee.

Again, we're not looking to create unsafe workplaces. That's certainly not the point here. We know that there is rampant substance abuse in the communities. If that's the threshold we're trying to get over, if it's just a simple Goldcorp.... By today's standards, I'm afraid too many of our folks will fail at the outset, and there won't be any additional avenues for them to re-enter.

Mr. T.J. Harvey: Right. I understand that part of your reasoning, but personally, as somebody who has come from business and has managed a large number of employees, I'd be very cautious about the type of culture you'll create within a working environment if you set two different standards for aboriginal versus non-aboriginal people, especially as it pertains to something that can be as inflammatory as drug testing in a work environment.

Mr. Jason Batise: To be honest with you, through our agreements, we are setting two different standards. Our agreements set out specific principles around which our communities participate with the projects. Our communities are top of mind. They're on our traditional territories. We have the right to engage with the proponent in the best way possible for our communities, and in some cases it does create a bit of a double standard that's necessary, in our view, to align us with the rest of Canada. If those things have to happen, our chiefs will support those ideas.

● (1035)

Mr. T.J. Harvey: I totally agree with you on the co-operation agreements and the specific measures set out in those agreements that set a different standard. In terms of safety, that's something completely different than the traditional allowances made in order to allow the two levels to work together.

That was all I wanted to follow up on. I do get where you're coming from, though. Thank you.

The Chair: Go ahead, Mr. Massé.

[*Translation*]

Mr. Rémi Massé: Thank you, Mr. Chair.

My question is for Mr. Lapointe.

You've made headlines in recent years because of legal issues with Pétrolia. You settled them out of court, and so much the better. We're very familiar with you because you've done a great deal of work in the industry as a whole.

In general, what are the three winning conditions for Canada to have a good mining industry?

Mr. Ugo Lapointe: Thank you for the question.

Canada has issues that are specific to it and that are not the same abroad. If we must look at the Canadian situation and identify three key issues, as I did somewhat in my presentation, we need to be aware that we have bigger and bigger mining sites with more and more mine waste. The dikes and dams retaining the waste are now up to 200 metres high. We'll pass this legacy on to future generations of Canadians for hundreds of years.

The government must create all the necessary incentives to ensure the infrastructure will be stable for centuries to come. The industry will be the first to tell you that it's a huge technical and financial challenge and that assistance is required to address the challenge. It's a major issue. We're talking about hundreds and hundreds of mines across Canada.

The second issue is a social matter and it concerns the rights of the first nations. A regulatory framework or policy must be created that makes things clear with regard to information, consultations and maybe even consent in a nation-to-nation relationship with the first nations.

As we see today, in general, most Aboriginal people want mining development. However, they want it done properly for their communities on a social, environmental and economic level. The United Nations Declaration on the Rights of Indigenous People, or the UNDRIP, provides good guidelines from which the government could draw inspiration.

[*English*]

The Chair: Mr. Lapointe, I'm going to have to interrupt and stop you there. We're beyond our time. My apologies.

[*Translation*]

Mr. Ugo Lapointe: I'm sorry that my time is up.

[*English*]

The Chair: Yes, we could go on for a long time. As Mr. Harvey pointed out, we've had a very interesting and diverse set of witnesses today.

Thank you all very much for taking the time to be here.

Unfortunately, we are out of time, so we're going to have to end here.

We'll suspend for one minute, and then we're going to committee business.

[*Proceedings continue in camera*]