



Mining and Indigenous Peoples. Our Future.

Pierre Gratton's Speech to the Canadian Aboriginal Minerals Association November 23, 2015

First, I'd like to thank Elder Barb Charlie for her welcome and to the Coast Salish First Nation on whose traditional territory we are meeting today.

It's a pleasure to be here at CAMA. I've been asked to provide an overview of the mining sector's current economic prospects, which I will do. I would also like to reflect on what this means for mining industry/Aboriginal relationships going forward, and how we see our part on the road to reconciliation.

As probably many of you know, times are tough right now. Commodity prices are slumping across the board, affected by an overall slowing global economy that is being felt throughout Canada.

But before I get into just how bad it is, I want to remind everyone that even during a stubborn downturn in global demand for many minerals and metals, it's no time to get down on mining. Because mining never goes away. Minerals and metals are the very foundation of virtually all

of the goods we depend on in our daily lives. The world will continue to need mining, and Canada can and should continue to be an important place where mining happens.

So today, I will leave you with three main points.

- 1) Yes, the industry is in the midst of a significant downturn.
- 2) Despite it, Canada's mining sector continues to make enormous contributions to our social and economic well-being.
- 3) It is during a downturn that we need to focus on future opportunities, to take steps now to position the sector for success when the cycle turns again, as we know it will.

In the dot.com era, mining was abandoned, dismissed as a "sunset" industry whose time was over, as governments across Canada chased high-tech, looking to establish silicon valleys across the country. The dot.com bubble burst just when the full force of China's expanding economy was starting to be felt in the commodities world. Because we weren't paying attention at the time, policy makers spent a good part of the past decade playing catch-up, looking at ways to capitalize on the resource boom that had arrived.

We don't want to make that mistake again. We should be thinking ahead to the next upswing and taking steps now

to make sure we are in a strong position to take advantage of it when it comes. And this includes investing in mining/Aboriginal relationships.

A Look at Market Conditions

So, first, how bad is the market?

Global economic growth has been volatile in recent years. Every time the Bank of Canada, the IMF, World Bank or others make growth projections, it seems they amend them a few months later and always downwards. With few exceptions, the global economy is not doing well at all.

The key economy for our sector is China, which today consumes almost 50 percent of the world's minerals and metals. And China's growth rate has been slowing. Growth rates in other emerging markets, like Brazil, Mexico and several Asian and African countries, are also falling. The one major exception is India, whose growth is around 7.5% and, with its 1.3 billion people, is seen as the next China in terms of minerals and metals consumption as the country begins to rapidly industrialize.

Declining or weaker than expected economic growth rates combined with increased supply of commodities due to investments over the past decade, have pushed prices downward. While, for some time, the story was mixed across commodities, trends have recently emerged to paint a gloomy picture pretty much across the board.

Declining commodity prices and falling interest in high risk capital among investors has made it especially tough for mineral exploration financing, with global exploration budgets falling by 26 percent in 2014. Across the country, exploration has fallen, although Canada remains today the largest recipient of exploration spending in the world.

Sounds pretty grim, but even so, some perspective is needed.

A Bedrock of the Canadian Economy

Even in a slump, mining's contribution to Canada is enormous.

Despite some job losses at some operations, mining and mineral processing are directly employing over 375,000 Canadians, including well over 10,000 Aboriginal Canadians, paying the highest average industrial wage in the country. Mining remains proportionally the largest employer of indigenous Canadians.

Mining accounts for roughly 20% of the overall value of Canadian exports, valued at nearly \$90 billion.

Nationally, we pay an average of \$3.8 billion annually in corporate taxes and royalties to federal, provincial and territorial governments. Mining companies are also paying significant royalties to Aboriginal communities across the country, indirectly through government resource revenue sharing and, in some cases, directly. In Yukon, for

example, because the Capstone project is situated on land owned by the Selkirk First Nation, 100% of the royalties accrue to the First Nation development corporation and the Selkirk First Nation citizens.

We're sitting as a top five global producer of 14 minerals and metals.

We're supporting the second largest mining-supply sector in the world. More than 3,700 companies provide a wide spectrum of services to the Canadian mining industry, with an increasing number of these being indigenous-owned businesses.

And so the point I'm making is that while it's tough out there, the industry remains strong; a bedrock of the Canadian economy. Long experienced in the ups and downs of this sector, the sector is focused on controlling costs and preparing for the next upturn.

The prevailing view remains that the Canadian mining industry's economic prospects will be strong over the medium and long term. We continue to identify a substantial amount of potential new project investment in Canada. While this potential for mining growth is now more dependent on market realities, some projects continue to move forward and others will proceed with development when demand returns.

The fundamentals that drove the super cycle are still largely in place. China's growth, while slower, is still

significant and over a much larger base. Consumption of minerals and metals remains significant and is expected to accelerate over the long term as other emerging economies, particularly India, take their place behind China. And the weaker Canadian dollar that has accompanied declining commodity prices, particularly oil, is providing a bit of a buffer for Canadian mining operations. This is helping companies weather the downturn a bit better than the decline in commodity prices might suggest.

It is in light of mining's overall strength and importance to Canada that we need to stay focused and ensure that Canada is recognized as the best place to find and develop mines, whose products the world needs.

Learning Lessons

To prepare for the next upswing, we should look at the fundamentals that drive mineral investment.

A global study by McKinsey a year or so ago ranked Canada very near the top across a wide range of indicators measuring investor attractiveness. We know what many of these are: political stability, skilled workforce, respect for the rule of law, low corruption, etc.

But the same study also showed that Canada is one of the most expensive places to build mines. There are a few reasons for this.

Cheap power used to be a Canadian advantage, but it is becoming less so.

The availability of skilled labour - or the lack thereof - has driven up labour costs in recent years. Innovation and investments in skills training to enhance productivity to counteract rising labour costs are crucial. We are encouraged by the new federal government's commitment to invest in mining innovation.

A major challenge facing mining in Canada's north today is its lack of infrastructure. The north is our industry's future, but the territories and the northern parts of our provinces lack critical infrastructure—roads, electricity, ports, railways—to service mines and get products to market. This lack of infrastructure is felt by communities, many of them indigenous, located in the north.

According to our research, it costs about 2 to 2.5 times as much to build and operate a gold and base metal mine in northern Canada off grid than in the south.

We should be looking at ways to level the playing field in the North where infrastructure is lacking. Canada needs a strategic collaboration involving industry and governments, federal, provincial, territorial and indigenous, to get this nation-building infrastructure in place. This can be done by increasing government investment in new infrastructure, or by using the tax system to offset some of the costs incurred by companies for infrastructure components that also provide a broader public good.

Additionally, there is the issue of Aboriginal rights and title and how this affects the project certainty. Much is made of how the constitutionally protected rights of Aboriginal peoples to be consulted and, if necessary, accommodated for activities on traditional Aboriginal territories affects project timelines and certainty. Connected to this is the concept of social license, which in general terms defines the support earned by proponents to proceed with and operate their project.

The big question that gets raised these days is whether Indigenous communities have a right to veto developments projects. That is - as you all know - a very complex issue for all of us involved.

The Supreme Court of Canada, in its recent decision on the Tsilhqot'in First Nation's claim, recognized Aboriginal title, a first in Canadian law. It also provided clear guidance on the criteria needed to demonstrate title and on the rights and obligations that flow from that, in the process also identifying where title was found not to exist. It is a significant decision that provides us all with much more clarity going forward.

But back to the question of the veto. The Court clearly recognizes that, in some circumstances, the right to title can be limited by the Crown. So, there is no absolute veto under Canadian law, even in the case where title has been proven. But for the Crown to place limits on Aboriginal

title, it has to demonstrate both a compelling public interest for the project as well as ensure that future Aboriginal generations will not be deprived from the benefit of the land where the project to go ahead – a very significant test. At its core, the decision continues a balancing act between empowering and limiting the authority of both Aboriginal peoples and governments. The Court was very wise.

So what does this mean for proponents? There is the law, and then there is reality. No proponent wants or should want to build a project that is unwelcome or opposed by local communities. This is, quite frankly, an unsustainable option and one best avoided. And, most communities are open to the opportunities mining brings, and increasingly so.

Let's look at reality in a different way. Today, there are well over 250 agreements between mining companies and indigenous communities across the country. It is decidedly rare that projects proceed without impact benefit or other such agreements concluded. These agreements, which have matured with time and experience, provide significant local benefits and assurances, including:

1. Employment targets or guarantees
2. Commitments on business procurement and, often, assistance in setting up or enabling aboriginal-owned companies to take advantage of the business opportunities mines provide.

3. Agreements with respect to the incorporation of traditional knowledge in mine planning and environmental monitoring and oversight.
4. Support for skills training and mentoring.
5. Direct economic or financial benefits.

Some of these agreements are transforming communities in very significant ways. New Afton, here in BC, is one such example. The diamond mines in the NWT are others, as is Voisey's Bay. We are seeing high levels of Aboriginal participation, as high as 60 percent in the case of Voisey's Bay, increasing levels of post-secondary education and significantly improved economic and social outcomes.

Nonetheless, it is undeniable that the negotiation of these agreements takes time. Trust must be built between the parties, and indigenous communities rightly want to understand the nature of the physical and environmental impacts of the proposed mine prior to it proceeding. And time is money, and both time and the uncertainty whether the negotiations will succeed is real for project proponents and can affect project economics or even the viability of the project itself. The status of negotiations also influences the behaviour of regulators, who become more risk averse when proponent/community relationships are visibly strained. While it may be true that some projects, for environmental or other reasons, should not proceed, in general a failure is a lost opportunity for communities, lost jobs, lost tax revenues for governments to pay for social

services, lost export revenue, etc. A failed project is a failure for Canada.

Failed mining projects are infrequent. But prolonged negotiations and uncertainty are not. So, what do we do? I think the answers are multi-fold, and that we all have a role to play.

First, companies have to invest in relationship-building. It's not enough to turn up. Cultural awareness training for employees is critical, as is ensuring employees responsible for community engagement have the right skills. Suncor, one of MAC's member companies, has been offering such training to its employees for four years now. This training covers the history of Aboriginal peoples, including residential schools, treaty and Aboriginal rights and a discussion of Aboriginal-Crown relationships. Their training also addresses issues such as bias, misperceptions, assumptions, and how being aware of the history and experiences of Aboriginal people in Canada will help build reconciliation and better relationships between Indigenous and non-Indigenous Canadians. They've even now launched an online (web-based) training course called *Aboriginal Awareness at Suncor*. Suncor is filling in the gaps of our public education system.

Building and maintaining trust is ongoing; engagement has to be systematic and continuous, embedded in corporate practices and culture. We have to be open about what we do and involve indigenous peoples in parts of our business

that matter to them, and offer training that supports such involvement.

At MAC, through our Towards Sustainable Mining initiative, we have put in place a mandatory system that requires our members to measure and report on their Aboriginal engagement practices. It's all available on our website, where you can see how advanced mine sites are in implementing robust community engagement.

Aboriginal communities should also invest in acquiring knowledge of the mining business. Many now have; those that don't can reach out and learn from others. The Kamloops Indian Band is one great example. The Wabun Tribal Council and its member bands in Ontario have successfully negotiated several agreements with mining companies. Numerous resources are now available to assist communities in this area.

Second, communities should set out their expectations clearly, so that proponents may understand them. Such expectations can be with respect to how consultation is to be conducted, the social and environmental values that must be respected and expectations for participation in benefits. Grand Chief Matthew Coon Come just mentioned the Cree Nation's mining policy, which is an example of what I am referring to.

To optimize long term benefits from mining, successful communities also think long term. Some establish investments that support their students' long term

educational goals. Investing in new business endeavours to service and supply the mine and other activities in the region, is also wise. Denendeh Development Corporation in the NWT is a leading example.

There is an important third party I have yet to mention, however, and that is government. After all, the duty to consult and accommodate is the Crown's, even though they frequently delegate certain aspects to proponents. I don't know how many times I have heard of both proponents and communities frustrated by government delays or by inconsistent and uncoordinated approaches to consultation by the Crown on environmental assessments and permitting. As well, proponents can bear the consequences of poor Crown-community relationships that go back decades or longer, stemming from unresolved land claims, unsettled or un-respected treaties or simply years of poor treatment.

Last month, a new federal government was elected promising reconciliation with indigenous peoples. I would just like to say some words about reconciliation from the mining industry's perspective.

I say "about time."

It's about time the federal government stopped dragging its feet and settled the many unresolved land claims across this country. Land claims, when they have been settled, create healthier conditions that make doing business easier, make partnerships easier to form and

make them more enduring. We just have to look at what has happened in the settled areas in the Yukon and NWT for proof.

In my final address in 2011 to the Vancouver Board of Trade as CEO of the Mining Association of BC, I called upon both the BC and federal governments to stop ragging the puck and recommit to the BC Treaty process. We have seen what modern treaties enable. Now that the Nisga'a have self-government, our industry is not only welcome but encouraged to explore. Their expectations are clear and we know what to do. We, in industry, want clear rules -- it matters less whose rules they may be.

Because it is our experience that when Aboriginal Canadians are granted self-government, are given the rights to which they are entitled, that they become very actively interested in the opportunities mining can bring.

The new government has promised to accelerate the modern treaty process, to which I say again, about time.

It's about time all governments recognized that royalty revenues should be shared with Aboriginal communities. Sharing resource revenues will help unleash economic development and will send a profound recognition of who has inhabited the land for millennia and who will be there when the mines and the mining companies are gone.

It's about time governments took a consistent, coordinated approach to its consultation and accommodation

obligations. Government employees should also receive training in consultation.

It's about time governments invested as they should in education and training for Aboriginal peoples so that they may fully participate in the economy and bring hope and opportunity for their children. The new government has promised significant increases in education funding and said they will increase funding for Aboriginal skills training by \$50 million per year. This is good news and something we at MAC have been calling for.

And, putting mining aside, let me also say something about the issue of murdered and missing Aboriginal women.

When Aboriginal Canadians cry out, in unity, for an enquiry into a horrific tragedy such as this, how can we ignore it?

It is no stretch to say that as long as these issues fester, it is harder for everyone to advance.

So, in solidarity with indigenous Canadians, I want to say, "about time."

All of these actions are needed. While the mining sector and indigenous peoples in Canada have made great progress together over the past few decades, it is neither right nor prudent for governments to sit back and only engage when environmental assessments or permitting

obligations compel them to. Douglas Eyford, in his important report on energy that could just as easily been about mining, *Forging Partnerships, Building Relationship*, says as much.

Conclusion

So, to conclude, Canada's mining sector, while going through difficult times at present, remains strong and has a bright future. But it is not a future to be taken for granted. I have touched on a couple of critical areas that, in my view, can help prepare us for when the bull markets return. As the new Liberal regime in Ottawa prepares its policy agenda, it is my hope that it is one that recognizes the crucial role that resource development plays in the Canadian economy writ large and in the day-to-day lives of northerners and Aboriginals, and takes critical steps to support it. Investing in northern infrastructure and committing to reconciliation with indigenous peoples are two areas that can help make a big difference in securing a prosperous future for Aboriginal peoples and for our country.

Thank you.