



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Natural Resources

RNNR • NUMBER 021 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Thursday, September 22, 2016

Chair

Mr. James Maloney

Standing Committee on Natural Resources

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•(0845)

[English]

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

Good morning, everybody. Thank you for joining us today.

We have three groups of witnesses today. In the first hour we have the Prospectors and Developers Association of Canada, with Mr. Andrew Cheatle and Deanna Pagnan; from Fertilizer Canada we have Garth Whyte; and joining us by pre-dawn video conference is Christopher Zahovskis from Northcliff Resources.

Thank you all very much for coming. I'm going to get right into things.

I was going to suggest, Mr. Cheatle, that you start us off, if that's okay with you.

Mr. Andrew Cheatle (Executive Director, Prospectors and Developers Association of Canada): Good morning, Mr. Chair, and committee members. Thank you for this opportunity to speak with you today.

My name is Andrew Cheatle and I am the executive director of the Prospectors and Developers Association of Canada, often known as the PDAC. I speak to you on behalf of the 8,000 members of the PDAC, the national voice of Canada's mineral exploration and development industry. Our membership includes individuals and companies from all stages of the minerals cycle, from junior explorers and prospectors to major mining companies, as well as members who service the industry, including finance and legal professionals, suppliers, consultants, and students.

Most of our policy efforts and initiatives are focused on ensuring that Canada remains the best place in the world to explore, and I'd like to make a few comments today on Canada's junior mining sector.

Despite being one of the few sectors in which Canada leads the world, our industry, which employs 375,000 Canadians, is not very well known and is somewhat misunderstood. It is also a sector that is in crisis, despite the integral role it plays in sustaining the global minerals and metals industry.

Mineral exploration is akin to looking for a needle in a haystack. Mineral exploration starts with a team of people selecting a particular parcel of land that they think might have a mineral deposit somewhere underneath the surface. To select this parcel of land, the team has to examine all the information that is known in that area, including public geoscience data, exploration records,

community, and geographic information. Based on that information, they will register a claim, raise funds, and initiate a mineral exploration program.

Junior explorers—thousands of small, entrepreneurial companies across Canada—often take on this riskiest type of mineral development. It's likely that less than one in a thousand will make a discovery leading to mine development. Just as large technology companies have outsourced much of their innovation to startups, so too have major mining companies outsourced a significant quantity of greenfields mineral exploration to juniors. This is not a coincidence. Juniors are more successful at making discoveries that can be developed into economically viable mines. Data shows that juniors made approximately 70% of all discoveries in Canada between 2005 and 2014 and found almost 30% more value per dollar expended than did major mining companies.

Turning to the focus of your study, the future of Canada's mining sector, my remarks will cover several areas.

I'll begin with Canada's status as global destination for mineral exploration-related investment and the steps the Government of Canada can take to help Canada retake the top spot. This will include sustaining the super flow-through system that helps juniors raise capital for exploration activity in Canada, making investments in resource-related infrastructure in Canada's northern and remote regions that will create a foundation for growth for the industry and opportunities for Canada's northerners, and continuing to support federal geoscience.

I'll then describe the industry's efforts to innovate in response to unique challenges faced by companies exploring in Canada.

After that, I'll address our current research efforts in partnership with the Canadian Mining Innovation Council, or CMIC, and Natural Resources Canada to find ways to reduce environmental impacts of exploration projects.

Finally, I'll suggest how industry and government can work together to enhance the participation of aboriginal people in the minerals industry.

The Canadian minerals industry continues to face a downturn in exploration investment that threatens the sector's continued ability to generate benefits, including the aforementioned 375,000 jobs across Canada and nearly 3.5% of national GDP. Overall financing for the industry has dropped globally by almost 40% between 2007 and 2015, while financing for exploration fell over 90%. In addition, after years on top, Canada no longer attracts the largest share of total global mineral exploration budgets, having conceded first place to Australia in 2015.

As Natural Resources Canada recently noted:

Overall investment for the more vulnerable off-mine-site exploration work phase [in Canada]...declined from a high of \$2.8B in 2011 to \$823M in 2015, and is expected to decline further in 2016 to \$683M. This total is the lowest for such spending in more than a decade, and...[reinforces] concerns about Canada's capacity to generate new mineral discoveries and projects.

• (0850)

As existing mines close, exploration financing is crucial to replace mineral reserves and to sustain Canada's economy and the benefits the sector brings. This can be achieved through the discovery of traditional metals, and also through innovation and exploration success in the discovery of minerals and metals that lead to a cleaner, greener future. In turn, this could lead Canada to be a global leader in this field.

PDAC is calling on the government to take two important steps to sustain and revitalize capital flows into the mineral exploration and development sector. The first is to maintain flow-through share financing, which is currently under review as part of Finance Canada's tax expenditure review. Flow-through shares play a critical role by creating an incentive for investors to allocate the risk portions of their portfolios into mineral exploration. In fact, flow-through shares accounted for more than two-thirds of all exploration-focused financing in Canadian exchanges over the last decade.

It is imperative that flow-through financing be maintained to support the continued ability of junior explorers to make mineral discoveries that will become the producing mines of tomorrow.

PDAC is also calling on the government to renew the mineral exploration tax credit, the METC, for one year. The METC is a 15% non-refundable tax credit on eligible expenses. All funds raised using flow-through and METC must be spent on mineral exploration in Canada. Indeed, a recent intergovernmental working group report noted that the METC contributed to maintaining investors' interest in exploration, particularly in troubled times.

In a survey of our membership, almost 90% of respondents reported that if the METC were not renewed, it would have a negative to severely negative impact on their ability to attract investors.

Canada continues to be attractive due to its rich geologic endowment and its stable political climate. However, it faces two structural challenges that are raising the cost profile of exploration. These are the increasing depth at which exploration must take place in established mining camps and the increasing costs of remote exploration.

To give you a sense of the costs, projects that are more than 50 kilometres from a supply route have costs that are 227% of the costs

of non-remote projects, while projects that are 500 kilometres or more from a supply route have costs that are almost 300% of the cost of non-remote projects.

To attract exploration investment in remote Canada and reduce this cost premium, a key action the government can take is to invest in community and resource-related infrastructure in northern and remote regions of our country. These areas are geologically rich, and the mineral sector is the major driver of private sector economic activity. In the territories alone, the minerals industry accounts for 20% to 25% of GDP.

The PDAC applauds the government's commitment to infrastructure investment and urges it to dedicate funds to resource development-related infrastructure projects in remote and northern Canada.

Turning to the importance of geoscience in the exploration industry, PDAC strongly supports the federal geo-mapping for energy and minerals program—GEM—and the targeted geoscience initiative, TGI. GEM stimulates exploration in data-poor northern regions, while TGI improves exploration efficiency at depth, through innovations in methodologies, technologies, and data processing. PDAC applauds these programs and urges continued investment.

Our industry is one that is continually innovating to respond to the unique challenges faced in Canada. One example is the Footprints project, co-funded by the Government of Canada and industry to improve exploration effectiveness at depth, under the rubric of CMIC.

Another is our research partnership with Natural Resources Canada and CMIC to reduce the environmental impacts of exploration projects. Both PDAC and Natural Resources Canada are reviewing the key concerns raised by stakeholders about exploration projects in order to develop an innovation strategy in response. Our hope is that we can drive change through a clean tech strategy, leading to the development of new technologies that reduce our already small environmental footprint.

PDAC is also very supportive of the government's commitment to renew its relationship with indigenous peoples and promote economic development and job creation. The minerals industry supports the full participation of aboriginal people in the economic opportunities generated by the sector. In addition to providing training, employment, and support for business development, the industry often makes social investments that both improve the quality of life in aboriginal communities and support aboriginal participation in the resource economy. As a result of these efforts, the minerals industry is the largest private sector employer of aboriginal people in Canada.

●(0855)

However, many aboriginal communities face a number of barriers, such as poverty, poor housing conditions, poor education, and gaps in essential skills, that limit their ability to meaningfully participate in the minerals industry.

PDAC recommends that the government support efforts to enhance the participation of aboriginal people in the minerals industry through foundational social investments in housing, water, and education infrastructure, which contribute to improved health and educational outcomes for aboriginal communities, and target funds for skills, training, and entrepreneurship to assist aboriginal people in securing employment and seizing business development opportunities generated by the industry.

I thank you for the opportunity to appear here today and I am happy to take any questions, Mr. Chair.

The Chair: Thank you very much, Mr. Cheatele.

Mr. Whyte, I'll turn over the mike to you.

Mr. Garth Whyte (President and Chief Executive Officer, Fertilizer Canada): Thank you very much, Mr. Chair. Good morning, committee members. Thank you for inviting us.

My name is Garth Whyte, and I'm president and CEO for Fertilizer Canada. Fertilizer Canada is an industry association whose members not only sell fertilizer to farmers and homeowners but also manufacture and mine nitrogen, phosphate, potash, and sulphur. You have a handout, our annual report. It is translated and it explains who we are and what we do.

Fertilizer is one of the world's most precious natural resources. It helps soils become more productive, accounting for 50% of food production. To feed a projected world population of over nine billion by 2050, food production must increase by 70%. Canada's fertilizer industry stands ready to meet this challenge.

Andrew talked about finding a needle in a haystack. In our area, we're the haystack, and we have to mine it and pull it out. Saskatchewan is the world's largest supplier of potash, a mined product accounting for 46% of global trade. Alberta holds the largest concentration of nitrogen fertilizer production facilities in Canada, which add value to the province's natural gas resource. Additionally, Canada is home to the world's largest fertilizer company and the world's largest agri-retailer. These and all our members' contributions are vital to increasing crop production sustainably.

As the committee considers measures to enable economic opportunities in Canada's natural resources sector, I want to highlight three recommendations to aid growth, protect the environment, and help farmers feed the world: first, help industries to promote and implement innovative programs that protect Canada's air and water, such as our program, the 4R nutrient stewardship, which is the right source of fertilizer at the right rate, right time, and right place; second, ensure greenhouse gas reduction policies are science-based and recognize industry competitiveness; and third, enable trade through the development of transportation infrastructure.

As mentioned, more crops need to be produced on less land to feed the world's growing population. Climate change makes this challenge all the more significant, as it requires adaptation in farming

systems and innovative ways to protect the environment. Our 4R nutrient stewardship is a science-based approach to fertilizer application.

At last year's United Nations conference on climate change, COP21, we shared how the fertilizer industry can help achieve greenhouse gas reductions from agricultural sources by using 4R nutrient stewardship. Research demonstrates that 4R practices can reduce nitrous oxide emissions released during fertilizer application by up to 25%. Annually, that's a one-to-two megatonne reduction of nitrous oxide emissions in western Canada alone.

One of Fertilizer Canada's strategic goals is to have 20 million acres under 4R nutrient stewardship in Canada by 2020. Fertilizer Canada has worked with governments to promote this innovative process to farmers and homeowners through memorandums of understanding with farm groups, environmental stakeholders, and provincial governments. While the federal government has endorsed 4R nutrient stewardship through the agricultural greenhouse gases program and Growing Forward 2, there are additional opportunities for partnerships resulting in tangible reductions in greenhouse gas emissions.

To that end, our industry has also developed the nitrous oxide emissions reduction protocol. We're using our mined product to develop these programs, which are then used, of course, in agribusiness. The nitrous oxide emission reduction protocol, or NERP, develops saleable carbon credits for farmers who reduce on-farm greenhouse gas emissions using 4R nutrient stewardship practices. Currently used in Alberta's system, the NERP could be used to offset large final emitters in any greenhouse gas reduction regime developed by governments.

We recognize and encourage the government to support sustainable phosphorus management, in a similar way to nitrogen management, to preserve another of our country's precious natural resources: water. Fertilizer Canada is committing to work with stakeholders in Canada and the United States to reduce losses to Lake Erie and other vulnerable water bodies. Protection of these water systems is a subject of our 4R nutrient stewardship agreements with the Government of Ontario and the Government of Manitoba, an approach endorsed by the International Joint Commission.

At production, sustainability is a pillar. Nitrogen fertilizer manufacturing processes are highly efficient, nearing the theoretical minimum for combustion emissions, and use natural gas as a primary input. Extensive government and third-party benchmarking shows that Canadian facilities perform in the top quartile for energy efficiency and greenhouse gas emissions. Likewise, potash producers employ the best available technology in their mining practices.

Environmentally or scientifically, unattainable greenhouse gas reduction targets negatively impact our industry's competitiveness. A recent report by the Ecofiscal Commission shows that the nitrogen fertilizer manufacturing sector in Alberta, where the vast majority of this product is manufactured in Canada, is one of the most energy-intensive, trade-exposed industries, and thereby is most vulnerable to costly policies. Any target set by the federal government should be achievable and sector-specific, balancing environmental goals with the economic realities of our industry.

Further, the government should recognize those efforts taken by our sector to produce real emission reductions through 4R nutrient stewardship, which if implemented on farms across Canada would offset the emissions of nitrogen manufacturing facilities.

• (0900)

Finally, the government can aid miners and manufacturers of fertilizer products by enabling trade through the development of transportation infrastructure.

Most fertilizer products in Canada are produced in landlocked provinces, necessitating long hauls. The large volume of shipments and special handling requirements of some fertilizer products make fertilizers the third-largest commodity shipped by Canada's class 1 railways, CN and CP.

Fertilizer produced in Canada is exported to 80 countries around the world. As the government seeks to enable trade, they must ensure that investments are made in transportation infrastructure to ensure that the capacity exists to meet the needs of all shippers. There are opportunities for the federal government and the private sector to facilitate these investments, exemplified by the recent Pacific gateway initiative.

Several recommendations were made by the Canada Transportation Act review panel to incent private and public sector investment in transportation corridors. We encourage the Government of Canada to consider and implement these recommendations quickly to aid trade-focused industries such as fertilizer.

To conclude, Mr. Chairman, I want to thank the members of the committee for this opportunity to present our views.

In summary, our recommendations are to help industries promote and implement innovative programs that protect Canada's air and water, such as 4R nutrient stewardship—the right fertilizer source at the right rate, right time, and right place; to ensure that greenhouse gas reduction policies are science-based and recognize industry competitiveness; and to enable trade through the development of transportation infrastructure.

We welcome the opportunity to continue this dialogue. I am pleased to answer any questions after the presentations.

Thanks very much.

• (0905)

The Chair: Thank you very much, Mr. Whyte.

Mr. Zahovskis, we'll turn the floor over to you.

Mr. Christopher Zahovskis (President and Chief Executive Officer, Northcliff Resources Ltd.): Thank you, Mr. Chairman.

Good morning to all. I thank you for the opportunity to speak to the committee today.

My name is Christopher Zahovskis. I'm the president and CEO of Northcliff Resources. Northcliff is a mineral development company that's listed on the Toronto Stock Exchange.

About six years ago, Northcliff acquired the Sisson deposit, which is situated approximately 100 kilometres northwest of Fredericton in the province of New Brunswick. The Sisson deposit is one of the largest undeveloped tungsten-molybdenum deposits in the world, and as Andrew mentioned earlier on, it's one of the junior mining companies or junior exploration companies that helped define that resource. Northcliff is one of those companies that comes along and takes it to the next step, and that's the stage we're in right now. We're trying to advance this project.

As I mentioned, it's a large, untapped deposit, and probably one of the largest in the western world. At the contemplated rate of production, it would be the largest or second-largest tungsten mine in the world.

The total projected capital cost for this project is in the area of \$500 million to \$600 million, and it would take approximately two years to build. During construction we would employ approximately 500 people, and during the life of the operation, which is projected to be about 27 years, we would employ approximately 300 full-time direct employees.

The tax revenue that's projected to come from this project over the life of the mine is just under \$1 billion in combined provincial and federal taxes, so it's obviously not insignificant.

At present, the company has spent approximately \$65 million in advancing this project, and approximately 40% of that has been spent in the province of New Brunswick.

The project right now is currently in the EIA review stage. The EIA report was submitted to both provincial and federal governments in July 2013, with advance copies provided to all 15 first nations two weeks prior to our submission to the governments. During that time, we responded to some 1,300 information requests, which were points of clarification or further questions that various parties had. These information requests came from the public, ENGOs, and provincial and federal governments with their various government department agencies, as well as first nations.

In December of 2015, New Brunswick provided a positive EA determination and gave us approval to proceed with this project, along with 40 conditions that we had to meet.

CEAA posted its CSR, its comprehensive study report, for public review in April 2016, thus concluding the 365-day review period. It took about three years to conclude that process.

The important discovery from the CSR is that it concluded there would be no significant adverse environmental effects as a result of executing this project. In other words, we received a clean CSR, but a federal decision is still pending.

I'd like to move over to the area of stakeholder and first nation engagement. I've always said that in developing any project, you can get all the technical pieces right, but if you don't get the social aspect right, it becomes difficult. This is where this company has spent a majority of its time in advancing this project. We've engaged with stakeholders early. We have formed working groups to ensure there is good participation from a variety of stakeholders. We have held open houses in communities, especially during the public comment periods of the various government processes during the EIA, so the public would have access to the company and its consultants and be better informed in providing any comments or questions they might have regarding the project.

We worked closely with community mayors, councils, chambers of commerce, and various business associations. I would say that over the five years we've been in the province, we received positive support from the communities at large.

● (0910)

Northcliff respects first nations and understands that there are cultural sensitivities regarding engagement with first nations. For these reasons, engagement began in late 2010, before we did anything, before we even arrived in the province. An introduction was sent to all the 15 chiefs, and that resulted in an initial meeting with the Assembly of First Nations. Since then, our relationship with the first nations has grown; obviously we have a deeper relationship with some first nations and with certain groups than we have with others.

Northcliff initiated the founding of the first nations environmental assessment working group. The intent behind this is to ensure that all first nations have a clear understanding of what is involved in an environmental impact assessment, what elements are studied within that, and, obviously, that any questions are asked and input provided during that whole process.

Membership of this committee is composed of representatives from all 15 first nations in New Brunswick, both provincial and federal governments, the consultant that was hired by the first nations to assist them with understanding the EIA and, of course, the proponent. Over two and a half years, we held approximately 14 to 15 meetings, an average of about one every two months. In considering the group and how difficult it might be to get all these people together, I think that's quite an achievement.

To date Northcliff has provided capacity funding to first nations. This is in addition to the provincial and federal government funding towards the EIA process. I won't go into the long list of things that we provided funding for, but just to give you an idea, we've provided funding for them to hire consultants to assist them with the EIA, for traditional knowledge studies, for sponsorships and scholarships, for community events, and so on and so forth.

As well, we extended an invitation to speak with the company towards the co-operation agreement, what is commonly known as an impact benefits agreement. We prefer to call it a co-operation agreement because it has a more positive connotation to it. One first nation has taken up our offer, and we have been in deep discussions and negotiations with this first nation now for about three and a half years. We're optimistic that we will be able to conclude an agreement with them very shortly.

Northcliff's record of consultation with first nations since 2011 is extensive and comprises over 300 pages and thousands of entries of events, meetings, and so on and so forth, which has been submitted to both the province and the CEAA through the EIA process.

In summary, Mr. Chairman, I would just like to say that developing a mining project is fraught with risks that are technical, market related, and geopolitical, but thankfully, despite these, the mining industry continues to take on projects in response to the ongoing demand for raw materials.

One of the most significant risks that is difficult to manage is the permitting and EIA approval risk. Sisson, which has already received provincial approval, continues to linger in the EIA approval process that has now been going on for three and a half years. In the meantime, the tungsten market has deteriorated, and when combined with the project uncertainty created by the approval process, it is increasingly challenging to secure project financing. Unfortunately, Sisson is not unique in this matter, and it's this kind of uncertainty that will continue to challenge investment in the mineral sector in Canada.

Thank you, Mr. Chairman.

I would be pleased to answer any questions.

● (0915)

The Chair: Thank you very much, sir.

Okay. I'll try this again.

Go ahead, Mr. Harvey.

Mr. T.J. Harvey (Tobique—Mactaquac, Lib.): Thank you, Chris.

I guess my first question is going to be directed towards Chris. I appreciate your time and your ability to join us here today.

I have a couple of questions. First, could you elaborate a little bit for us on the EIA process as you've seen it? What has worked and what hasn't worked, and what do you think could be done, while not taking away from the intent of the process, to streamline it and make it more user-friendly for the industry?

Mr. Christopher Zahovskis: That's a very broad question, obviously.

The EIA process, as far as we are concerned, has been quite well defined provincially and federally. There are no timelines, speaking provincially. Because this project has to undergo both, I'll speak to the province's process first.

There are no timelines, but because this was a harmonized process in the sense that both governments were going to receive the same EIA documents, it was a little bit easier for the proponents in not having to prepare two slightly different EIAs. That was a good thing.

The approval process on the provincial side was a little bit unclear in the sense that there were no timelines, and we had to respond as questions came in. Even though on the federal side there is a 365-day timeline, as I illustrated, those 365 days have taken some three and a half years to conclude, so obviously there are things that can be done, I believe, to ensure that the timeline is not stretched out as long as it has been, and I understand there are some projects that have extended beyond that.

I think the turnaround time for getting feedback after we submit our response is important, and that would certainly help, but I think the most important thing, the critical aspect that has pulled things along—stretched the timeline, if I can use that term—is the consultation that's required with first nations. There's no getting around that, and I'm not suggesting that we do. The proponent can only do what it can with respect to consultation and engagement with first nations; it's the crown's duty to consult, and I think that aspect needs a little refinement.

The Chair: I'm going to interrupt for a second. Apparently there's a technical problem. We'll stop for a minute to reset the system, so we'll sit tight for a minute.

● (0915) _____ (Pause) _____

● (0920)

The Chair: We're going to continue. We're back. It's like magic.

Mr. T.J. Harvey: How much time did I have left? Can I start over again?

The Clerk of the Committee (Mr. Michel Marcotte): You talked for about two minutes. I remember well. Sorry.

The Chair: You have five minutes.

Mr. T.J. Harvey: Perfect.

Chris, basically you led into the second question I had for you with the answer to the first question.

Can you elaborate more on the first nations accommodation aspect? As the proponent, what has your company done to engage with first nations on this project since 2010? I think you said you've spent \$65 million on total exploration at this point. Can you elaborate on the aboriginal accommodation piece and the co-operation agreement that you've been working on with the one first nation that has engaged you on that, and how your working relationship with those first nations has evolved?

Mr. Christopher Zahovskis: To start off with, we have a very constructive relationship with the first nations. As I said earlier, we recognize the need to engage with them and to try to engage with them in a meaningful way.

The EIA working group, we believe, provided a tremendous forum. It was more than talking about what the EIA requirements are. Once you start explaining to everyone that the EIA is about studying the impacts on the environment, then obviously it becomes very easy to then talk with the first nations about what's important to them, what's sensitive to them, and what they know about the area

that we should know about earlier on in the piece so that we take those aspects into consideration.

I think that provided a forum for those discussions, and as a result of that, where we could come up with accommodation or mitigation, we did. In the case of our project, we moved the tailings footprint a little bit to avoid one area that potentially had a higher potential for fish habitat. We shifted the footprint of it. This was earlier in the project design.

As well, we were able to understand what the needs are from the various first nations. For example, we know that they have very little capacity, and so we were able to provide jobs where we could. You have to understand that at this stage of the project development, the exploration had already been done, so there was not a tremendous amount of activity on site, and as a project that's going through an EIA process, we are not building anything, so again, there's not a lot of activity on site.

However, to the extent that we had employment, we gave obviously all the first nations a heads up on what our needs were, and the timing, and worked with their folks to try to fill those needs. We responded to requests for a variety of levels of funding, and needless to say, the company understands that we have to pick up all the expenses associated with the EIA working groups—the travel, the per diems—and we do, without any problems.

We offered to fund traditional knowledge studies. Although this is not a requirement in the EIA, we understood this to be a very important aspect for first nations, so we extended the invitation to fund the traditional knowledge studies. That invitation was taken up by three Maliseet first nations. We provided the funding. They hired the consultants and they managed the process.

As well, as the EIA went along, it became clear that they needed technical capacity to help them with understanding all the science that was in the EIA, and again a request was made, in addition to the provincial and federal funding that was provided. We provided funding, and that was signed off by all 15 first nations chiefs.

As to our discussions with Woodstock First Nation—this was earlier on in our development—the one first nation that has agreed to engage with us on a co-operation agreement, we continue to do that. I have had numerous conversations with the chief from time to time, and as I said in my brief, I believe we are very close to concluding a co-operation agreement with them. Woodstock is the community closest to the project site some 60 kilometres away, and over the last five years we've developed some very strong relationships with the previous chief and with the current chief and council. I'm very optimistic that through that engagement and relationship, they will be able to understand better what a mining operation is and what it will involve, and I think that will arm them better for development.

● (0925)

The Chair: Thank you very much, sir. We're going to have to move on; that's all the time we have.

Mr. Barlow, I believe you're next.

Mr. John Barlow (Foothills, CPC): Thank you very much, Mr. Chair.

Thanks to the witnesses for being here today, and especially in the early morning.

Garth, I'm going to start with you. It's great to see you again. Thanks very much for coming.

I'd like to talk to you about PotashCorp and Agrium, but we'll move on with what the deal is today.

Mr. Garth Whyte: Move on.

Mr. John Barlow: Yes, I appreciate that. Okay, that's sensitive. I may ask you about that then, for sure.

You talked in your presentation on your website about the importance of maintaining favourable economic conditions. I found it interesting that you said in your presentation today the "economically and scientifically unattainable" greenhouse gas reduction targets will negatively impact the industry. You're encouraging the government that any targets that we set should be "achievable and sector specific, balancing environmental goals with economic realities of our industry".

I'm curious. From your perspective, what impact would a federal carbon tax have on the fertilizer industry and maybe the mining industry overall?

Mr. Garth Whyte: Carbon pricing is different from a carbon tax. A carbon tax is a tax. For our industry, science....

In nitrogen, for example, you have to heat the air to pull the nitrogen out of the air. You use primarily natural gas; then out goes the carbon that comes with that. We're the best in class already.

I'll use an analogy. I visited a farm about a month ago, and this farmer is doing everything right. He has zero tillage and he reuses and refurbishes his equipment. He has a really low footprint. He's best in class in environmental use, but he will have to pay more money because he started his best-in-class environmental application in the 1990s, but the benchmark is at 2013. If the benchmark's there and he's already really low, he can't get lower.

Well, our industry is that way. We're the best in class. We've driven it down. It wasn't through just the goodness of our heart; it was because natural gas prices were really high, and they had to get down to the best possible application. That's one of the concerns. That's why we want to see an industry....

By and large some provinces are doing that, but look at our industry. Don't just do a blanket. We're not the oil and gas industry. We're a value-added product that the world needs. All plants need fertilizer. That's one of the other things.

There's another point I want to say. The Government of Saskatchewan says the industry is currently planning to invest approximately \$12 billion by 2020.

I was at the International Fertilizer Association Conference in Moscow, and all the CEOs were there. This is a major industry that is going to invest about \$190 billion over 10 years. They're looking at where they're going to invest for expansion or growth and they're trying to find places where there's certainty, so whatever we do, we have to have some sort of policy and regulatory certainty. I think that's what the previous speaker was talking about as well.

Uncertainty causes problems. We may look at a policy this year and move forward on it, and then four years later there's another review. These people are looking for 10 to 20 years. There's new a mine being developed by K+S, and they're very public about it in Saskatchewan. They've got a 20-, 30-, 40-year horizon when they're putting in a major mine, and I'd say it's a \$6-billion investment.

Therefore, part of the themes coming out of your report would be how to put things in place so that there's certainty when people go around the country asking where to invest. How do we put it in place?

● (0930)

Mr. John Barlow: A part of that, too, is global competitiveness. I know you mentioned that, Garth, as well.

I feel that we as Canadians, as a federal government, are putting extraordinary pressures on our industries that are over and above what any other jurisdiction is doing. In Alberta, for example, we have a provincial carbon tax already. A perfect example is what happened yesterday. Western Feedlots, in my riding, is one of Alberta's largest feedlot operators, with 100,000 head of cattle. They have decided to close their doors because of the uncertainty of the economic future with a provincial carbon tax and now the potential of a federal carbon tax.

The president, Dave Plett, said he just couldn't operate not knowing where he was going to be down the road. Is that also a concern with Fertilizer Canada, the fact that Alberta has a carbon tax? Now there's a discussion about a federal carbon tax on top of that, which would make us essentially uncompetitive globally.

Mr. Garth Whyte: We have an excellent working relationship with the Government of Alberta because we're so important. They have conflicting goals. They have the environmental goal and they also have a value-added industry goal. We're the value-added industry.

Yes, uncertainty is a big deal. One of the things we talk about is—we may get it in Alberta only—a greenhouse target. We may have a Canada-only greenhouse target, and we'll meet that, but we'll fail the world greenhouse gas target because, if our industry is displaced, it will move on to China, which is a coal-fed, very bottom-quartile industry, and they'll pick up the market. We have to look at world targets, not just provincial and federal targets. That's one of our messages, but we are working very closely....

The other side—and why I spend so much time on it is I'm hoping that it's becoming embedded in your mind—is the 4R sustainable stewardship program.

It's a killer application. Everyone's talking about the cap side of things; this is the trade part of it. It's recognized worldwide, but we're having a hard time getting recognition sometimes with the federal government. We are working with them. It's recognized, as I said, in some pockets, but we need to work with the Department of the Environment for them to recognize what the agriculture sector does in terms of giving credits to greenhouse gases.

● (0935)

Mr. John Barlow: Thanks, Garth.

Andrew, I was just looking through the latest issue of *Core* magazine. There was an announcement there from our minister, Mr. Carr, about \$120 billion over 10 years for Canada's north, but it's for public transit, green infrastructure, and social infrastructure. It doesn't say anything in there about infrastructure in terms of roads to mines and those kinds of things.

Would that be a better opportunity for us? You talk about 500 kilometres away, 10 kilometres away. Would that be a better investment of some of those dollars?

Mr. Andrew Cheatle: Thank you very much for the question, Mr. Barlow.

That's my money. I certainly think phase two of the infrastructure projects that are coming on has to be done in conjunction with communities. We talk about infrastructure corridors. PDAC has very recently completed a major study of infrastructure and distance of projects from mines, and we look forward to engaging the Government of Canada over the next few months with the results of that study.

Access to those deposits will help build the communities, but I think we have to do it in conjunction with them.

The Chair: Thank you. I'm going to have to stop you there.

Mr. John Barlow: Thanks.

The Chair: Mr. Cannings is next.

Mr. Richard Cannings (South Okanagan—West Kootenay, NDP): Thank you.

I'll start with you, Mr. Cheatle. Thanks for your presentation.

I want to ask about innovation, clean technology, and renewable energy. I think Canadians realize this is the key to our future competitiveness in the world. I just wonder how those sectors might play a significant role in the mining world.

Mr. Andrew Cheatle: Mr. Canning, thank you very much for the question, and it's a subject very dear to my heart.

The metals and minerals that are going to be required to work towards a carbon-neutral and very reduced carbon future are going to have to be mined, whether it's by the graphite and graphene companies in Ontario that are moving forward with major projects or whether it's by another of our members, such as Avalon Resources, with their rare earth metals at Thor Lake in the Northwest Territories. The metals and minerals that store electricity and the copper that transmits the electricity are all very important. We're very acutely aware of that. We're already seeing a major spurt in exploration growth in, say, lithium, for example.

Mr. Richard Cannings: I was just reading about lithium yesterday. I know there's a lot of exploration going on in places like Chile, but I understand that Canada might have some very good lithium deposits in terms of purity. Is that something that's really being investigated?

Mr. Andrew Cheatle: It is. It's very early days. There is one company, Canadian Lithium in Quebec, that currently produces. Also, the lithium that comes out of veins, if you like, is of a purer quality and easier to extract than the content of the brines you're referring to that come out of Chile.

Mr. Richard Cannings: Yes.

I'll turn to another subject that has been talked about here this morning, and that is first nations and consultation. I want to find out what the PDAC's take is on free, prior, and informed consent. For instance, the IFC, the lending arm of the World Bank, has incorporated free, prior, and informed consent into its sustainability framework. What is the position of PDAC on this issue?

Mr. Andrew Cheatle: Again, that's a very good question, Mr. Cannings. Having worked with the IFC, I'm very familiar with many of the points.

We stand behind the Government of Canada and the recent commentary by our justice minister and Minister Bennett that free, prior, and informed consent is very important. It is not, however, a right to veto. It's a right for us all to work together and to come to a solution.

Mr. Richard Cannings: Okay. With that, I'm going to turn to Mr. Zahovskis.

Thank you for your presentation. You spent a great deal of time explaining the great amount of effort you've put into engaging local first nations. I think you mentioned there were 14 first nations involved in—

Mr. Christopher Zahovskis: Fifteen.

Mr. Richard Cannings: Oh, it was 15. Okay.

You said one, the Woodstock First Nation, was close to signing a co-operation agreement. What are the feelings of the other 14? I see news reports that six or seven of them were disappointed with the New Brunswick EIA decision. I get the feeling that they feel their views haven't been met.

I guess I have two questions. One, what are the concerns that they feel aren't being met? Two, how do you feel that their decisions might play into something around free, prior, and informed consent?

● (0940)

Mr. Christopher Zahovskis: Thank you for your question, Mr. Cannings.

First of all, of those 15 first nations in New Brunswick, there are two groups, the Maliseet and the Mi'kmaq. The project is situated over what is believed and felt to be traditional Maliseet territory, so the Maliseet first nations require a deeper level of consultation than do the Mi'kmaq. That's the guidance that was given to the proponent when we first came into the province, so that's where we focused our attention.

That said, as I mentioned earlier on, our EIA working group comprises all 15 first nations, so we didn't make any distinction between Maliseet and Micmac. We said that we understand it's first nations, so all 15 are welcome to join.

In terms of the co-operation agreement, we extended that not only to the Assembly of First Nations but to the other Maliseet nations. As I said, Woodstock took us up on it. There is another one that is starting to engage with us and saying that they might be interested in sitting down and talking with us. We're prepared to do that.

As to the concerns the first nations have, if I could just generalize it, I don't know specifically what all the concerns are. I don't know, for example, what the Mi'kmaq concerns are with the CSR report, but I do know that when it comes to developing a mine, there is sensitivity. They're sensitive, for example, to losing traditional hunting grounds that they're used for hunting and gathering. Some of those are their typical concerns, and of course there's also what the impact to the environment would be.

Mr. Richard Cannings: You mentioned the fact that the crown has the duty to consult, and not necessarily your company. I wonder how that is playing out in your project.

Mr. Christopher Zahovskis: Even though we understand it's the crown's duty to consult, we have spent the last five and a half years, the whole time, consulting with the first nations. That's an area where we spend 80% of our efforts.

Both the governments realize they have a role to play in consultations. Unfortunately, these things do take time. These consultations are not very prescriptive. Consultation is necessary, but it's that aspect that's creating the delays, if you will.

The Chair: Thank you. I'm going to have to cut you off there.

Mr. Serré, we'll go over to you, but first I have a quick question for everybody. Do we want to extend by five minutes because of the technical problem? Is there a consensus?

Some hon. members: Agreed.

The Chair: Go ahead, Marc.

Mr. Marc Serré (Nickel Belt, Lib.): Thank you, Mr. Chair.

Thank you to the witnesses for coming today with insightful presentations.

There is, as Mr. Whyte alluded to, no carbon tax proposed. We're looking at carbon pricing on pollution. One of the things both Mr. Cheadle and Mr. Whyte talked about is the uncertainty. Over the last number of years the provinces had to do something, so 80% of the population has carbon pricing.

From your perspective, will what we are doing now to consult with the provinces in putting a plan in place help to reduce uncertainty?

• (0945)

Mr. Andrew Cheadle: I think anything that helps to reduce uncertainty in an already risky business helps. I think if people know what the standards are, then it always does help.

Mr. Garth Whyte: I would say the same. The proof is in the pudding and how it's done.

Mr. Marc Serré: Mr. Cheadle, you mentioned earlier the flow-through shares, the 15% mineral tax credit, the infrastructure investment, the environment, indigenous issues, and skilled training. Those are five or six recommendations you had that we're all trying to work toward.

My question is more related to how we can support mining clusters. Right now we have maybe 37 areas across Canada that have mining sites, but there are few clusters. When you look at ecosystems and clusters, they're trying to look at that value-added aspect for jobs in the mining and supply industry. What can we do to

help build better and stronger clusters to be a world leader in that area?

Mr. Andrew Cheadle: I think in many respects, Mr. Serré, Canada is very much a world leader in that area. I don't think we necessarily promote it as much as we should. In Sudbury, from where you are, of course the Nickel Belt is one. Toronto is often overlooked. The cluster in terms of mining finance, lawyers, consultants, and so on is sometimes not even recognized by Toronto itself. Vancouver is similar.

A Voice: Saskatchewan.

Mr. Andrew Cheadle: So is Saskatchewan, I was going to say, in terms of its expertise in uranium and potash.

Promoting the skills we have—and we do export these, both within our own nation and abroad—is an area where Canada can very much continue to excel and be very proud of.

Mr. Marc Serré: In the last two weeks there's been mention of a project called Metal Earth. It involves \$110 million, seven universities, and the private sector. Are you aware of that project? How will that help us? It was funded by NSERC and CFREF. How will that...?

I have my opinion on it, obviously, but as a world leader to try and look at mineral exploration across the world....

Mr. Andrew Cheadle: Mr. Serré, I'm afraid I'm going to have to say I'm not up to speed on that particular subject, but in general Sydney, Australia, for example, has that kind of programming in place, and it has helped them greatly to become a world leader in mineral exploration.

The Chair: Are you finished? All right.

That takes us to the conclusion of the hour.

Lady and gentlemen, thank you very much, all of you, for coming out today and spending your time with us. Your presentations were very helpful and will go a long way toward helping us get our report done. Thank you again—particularly you, sir, who got up so early to be here today.

Mr. Christopher Zahovskis: Thank you.

The Chair: We'll suspend for two minutes and then start the second hour.

• (0945)

(Pause)

• (0950)

The Chair: Thank you, everybody.

We'll resume our discussion. We now are joined by Susanna Cluff-Clyburne from the Canadian Chamber of Commerce. From the Northwest Territories and Nunavut Chamber of Mines, we have Mr. Joe Campbell, and from the Mining Association of Canada, we have Mr. Pierre Gratton.

Thank you all very much for joining us this morning. We'll leap right into things. If one of you wants to volunteer to start us off, that's fine.

Ms. Susanna Cluff-Clyburne (Director, Parliamentary Affairs, Canadian Chamber of Commerce): I can start.

The Chair: Okay, we have a volunteer. Thank you.

Ms. Susanna Cluff-Clyburne: Good morning,

[*Translation*]

I am pleased to be able to be here with you this morning.

I am going to switch to English, in the interest of time.

[*English*]

It will be a lot more pleasant if I proceed in English.

My presentation is going to focus on the aspect of your committee's study that examines how to ensure indigenous peoples and communities are meaningfully engaged in all stages of development, be it in minerals or in other sectors of the economy.

Canadian businesses and indigenous communities often work in positive and mutually beneficial partnerships on development projects. These development projects not only benefit the businesses, but they also benefit the indigenous communities through jobs, infrastructure, and the creation of new businesses, just to mention a few.

This collaboration is usually the result of early engagement, consultation, and, if appropriate, accommodation.

However, these partnerships can run aground when they are subject to the constitutional duty of the crown to consult with and accommodate indigenous peoples whose rights could be negatively affected by a development project.

As was mentioned by one of the witnesses in the previous panel, Canada's legal and regulatory stability is a competitive advantage to our businesses and attractive to prospective foreign investors. However, a glaring exception is the opaque approach of the crown to the execution of its duty to consult and accommodate. This is unacceptable, unfair, and potentially harmful to businesses, indigenous peoples, and the crown.

Governments can delegate the procedural aspects of their duty directly to businesses, usually by mandating consultation with indigenous peoples as part of the regulatory process.

The lack of a clear framework for if, when, and how this delegation can occur and for the roles of the crown, business, and indigenous peoples often causes confusion, and this can lead to projects being delayed and even being cancelled. When this happens, businesses and often indigenous communities lose, and so does Canada.

Last week the Canadian Chamber of Commerce released their report, "Seizing Six Opportunities for More Clarity in the Duty to Consult and Accommodate Process". I believe the committee clerk has distributed the report to you. The report was the result of nearly a year of consultations with more than 90 business and indigenous representatives, legal experts, and government officials. It encourages the federal government, as the primary interlocutor between indigenous peoples and other stakeholders, to take the lead in adding more clarity to the process in six ways.

The first is by working with indigenous peoples and businesses as well as other levels of government to develop a consistent duty to

consult and accommodate framework. We're not saying one size fits all; we're just asking for a consistent framework.

The second is by bringing indigenous and business representatives together to develop a framework for engagement that emphasizes building relationships prior to the discussion of specific projects.

The third is by demonstrating it has skin in the game by establishing an arm's-length mechanism to measure and report on the crown's performance of its constitutional duties to indigenous peoples.

The fourth is by showing its progress in its commitment to a new, respectful relationship with indigenous peoples. This includes addressing fundamental quality-of-life issues for indigenous peoples, such as clean drinking water, adequate housing, education, and health care.

The fifth is by assisting indigenous communities in building their capacity to review and assess development proposals, to accumulate access to capital so they can become partners in development projects, and to develop inventories of their skilled workers.

The final opportunity we identified is aimed at Canada's businesses. They know that their projects stand better odds of success if they regard engagement of and consultation with indigenous peoples as an investment rather than an expense. Indigenous peoples' traditional knowledge, relative youth, and proximity to project sites can be a definite competitive advantage. Project proponents also need to manage their relationships with the crown effectively and keep it updated on their engagement and consultation activities. It was the view of the people we spoke with that this would help reduce the number of last-minute surprises, surprises that can often be unpleasant.

● (0955)

As Canada fights to improve its economic foothold in the global economy, we can no longer afford internal disputes that delay and even terminate projects that improve not only our international competitiveness but also the quality of life of indigenous peoples and all Canadians.

[*Translation*]

Thank you once again for having given me this opportunity to be with you today.

[*English*]

The Chair: Thank you very much.

Please go ahead, Mr. Gratton.

Mr. Pierre Gratton (President and Chief Executive Officer, Mining Association of Canada): Thank you very much, Mr. Chair, members of the committee, Clerk, and fellow witnesses.

[*Translation*]

Thank you for this opportunity to speak to you today and contribute to this important study.

[English]

I'm Pierre Gratton. I'm the president and CEO of the Mining Association of Canada, representing Canada's mining producers. You heard earlier from Andrew Cheatle, who represents the exploration side of the business.

Before I get into my comments on the state of the industry, I would like to speak quickly about MAC and one of our members' key obligations. We have a program called Towards Sustainable Mining that is mandatory for our members. It involves annual reporting against a suite of rigorous performance standards that touch areas such as aboriginal and community engagement and energy and greenhouse gas management. Third party verification is conducted to ensure this performance.

Third parties have evaluated it as best in class across industry sectors in Canada. Last year we were very proud to see that Finland, in its search for a program of this kind for its mining industry, adopted our Towards Sustainable Mining program. We have conversations going on presently with Botswana, Argentina, Peru, Ecuador, and elsewhere.

Rather than reading through the brief that was sent to you, I'll just emphasize a few key points.

The first is that we have been going through a protracted downturn, as you know. Some have commented that this is a structural downturn. That comment has often been made about the energy sector. People point to Iran's oil coming onto the international market. They look at self-sufficiency in the United States and so on. In the mining sector, however, it's our view that this is a cycle like any other cycle. There isn't a structural change under way.

I'm pleased to tell you that there's a general emerging consensus now that the cycle is turning and that commodity prices are starting to rebound. We're seeing strength in some key commodities, such as gold and other precious metals. Metallurgical coal is on a bit of a tear at the moment; zinc is doing very well. Some base metals are still struggling, but overall the sentiment is that we're about to enter a new positive cycle for minerals and metals, all of which means there's a great opportunity ahead of us for the next few years to continue to build Canada's mining industry.

Second, we've identified the potential of about \$145 billion in new investment that could come to Canada, but there are a number of factors that will influence whether or not that money comes here. There is a general sense that Canada's competitiveness vis-à-vis that of some of our key competitors, such as like Australia, is declining. In the last few years Canada's ranking in the Fraser Institute's survey of mining jurisdictions has slipped to Australia, with Australia occupying three of the top 10 spots and Canada occupying only two. That used to be very much the opposite.

We're also seeing Australia overtake Canada as the top jurisdiction for mineral exploration investment, so this is not just perceptions but hard data. Canada had occupied the number one spot since 2005, but lost it last year, and this is continuing. There's certainly evidence that we're slipping, and we need to figure out why and try to turn things around.

In terms of why that might be, I'll touch on a few areas.

The first is Canada's regulatory system. If there's one thing the mining industry values most, it's certainty. If there's one thing we haven't had from the federal government in the last number of years, it's certainty. A constant review of environmental legislation is challenging for our sector.

Having said that, we welcome the review that's planned for the Canadian Environment Assessment Act and the Fisheries Act, because our experience as a sector with the new amended CEAA and the Fisheries Act has not been the same as that of other sectors. We have found that federal oversight of mining is greater than ever, intrusion into provincial jurisdiction is growing, duplication with provinces remains, and coordination with provinces in environmental assessment has deteriorated.

• (1000)

Our most significant concern is how cumulative effects are addressed for CEAA projects, and the interplay with the Species at Risk Act. Some of the issues you heard from the Sisson project—they're not a member of ours, but I'm familiar with their project—relate entirely to the new CEAA 2012 and how it's being implemented. We're strongly engaged in the review of CEAA and are hopeful that as a result of this review, we will have a better environmental assessment act going forward—one that is timely, yet includes meaningful participation with indigenous groups and also looks at broader impacts when appropriate.

With respect to our industry's engagement with aboriginal communities and how it relates to the regulatory system, there are a couple of key points.

Unlike the National Energy Board, there has not been a single example in which indigenous communities, or any interest group, have been denied standing in a federal environmental assessment of a mining project. That issue, which has been very front and centre in the pipeline debate, does not exist in mining. As you probably know, mining is the largest private sector employer of indigenous peoples in Canada on a proportionate basis, and it's growing all the time. There are now over 350 agreements between mining companies and indigenous communities across the country.

What we're seeing is not just agreements concluded with new mining projects—and I think you'd be hard-pressed to find a new mine that doesn't come with agreements—but we're also seeing the industry conclude agreements in areas that have been mined for years, before this was common practice. You'll now have agreements in Sudbury, in Highland Valley in the Kootenays. It's emerging across the country. Our industry recognizes that these types of partnerships are critical to our future.

On infrastructure issues, there's no question that as our industry moves north, a key challenge is the cost of infrastructure. We published a report, along with the PDAC and other partners, that shows it's two times, and sometimes two and a half times, more expensive to develop a mine in the north compared to the south, and 70% of that is related to infrastructure. We're certainly looking, through the new government's infrastructure investments, to include some investments targeting the north to enable new mining development to take place.

Lastly, on the question of innovation, we're working very closely with the Canada Mining Innovation Council, CMIC. Our members are very active. This is an umbrella organization that's bringing together multiple partners to focus on key challenges in the areas of energy efficiency, tailings management, and other environmental challenges the industry faces. We're looking to the federal government to support CMIC's request for funding of \$50 million over the next five years.

I'll give you an example of one of their projects, which is focused on underground mine equipment that's electric—and this is real. Goldcorp in northern Ontario aims to have its next mine fully electric, with no use of diesel at all. The health and safety benefits are considerable. The greenhouse gas reduction benefits are considerable. This is not pie in the sky. What CMIC is helping to enable is taking the electric vehicle technology that we have elsewhere and applying it to the mining sector, to the kinds of mining equipment fleets we need. This can be turned around in the next few years. We're working closely with the suppliers to make this happen. If Goldcorp does it, you can bet your boots that other companies will follow suit. Then I think we'll start to see a global transformation in terms of how the mining industry operates with respect to mining equipment and GHG abatement going forward.

It's a very exciting time, but we could certainly use the federal government's help. We often look at the forestry sector and the \$2.3 billion in federal funding it has had over the last 10 years. Mining has not had a fraction of that, so we're asking for \$50 million over the next five years in the upcoming federal budget.

With that, I will stop, and I look forward to your questions. Thank you.

• (1005)

The Chair: Mr. Campbell, we'll go over to you.

Mr. Joe Campbell (Director, Northwest Territories and Nunavut Chamber of Mines): Good morning, honourable members.

My name is Joe Campbell and I am president of TerraX Minerals, a publicly traded junior company. We're exploring in the Yellowknife area of the Northwest Territories. I am also a board member of the Northwest Territories and Nunavut Chamber of Mines and I represent them.

I'd be remiss to say that these are my words; they are not. It's a collection of words from notes of various members within the two chambers.

I want to open by saying that the mineral industry is good for the north. It helps provide thousands of jobs, fuels the economy with

billions in business expenditures and taxes, and even helps contribute to the regional infrastructure.

Over the past 25 years, with the discovery of diamonds in the Northwest Territories, the mining industry has made even greater strides in aboriginal communities, creating thousands of person-years of employment, supporting a wave of new aboriginal businesses, and producing a flow of millions in taxes and royalties, not only to public governments but now to aboriginal governments too. Mining has significantly catalyzed the creation of a middle class in the aboriginal communities in the north.

Mining is the north's economic advantage, and as a result, today it is the largest private sector contributor to the GDP in both the Northwest Territories and Nunavut. In doing all of this, the industry has essentially been your contractor, doing what governments cannot do, converting seemingly worthless rock into valuable jobs, business, and tax revenue. We do that at great risk, for finding a mine is not easy, nor, as I can tell you from personal experience, is finding the money, for we do much of that with other people's money. We do all of that following the ever-changing regulatory blueprints that you have asked us to follow, but there are limits to what we can deliver by ourselves. Our mines won't last forever, and we must continue to work to sustain what we have and to explore to find new mines so that our efforts to date don't slide backwards.

How do we sustain such a good thing? It is primarily by keeping investment interest strong. We live in a competitive world, and investors have a host of countries to invest in. To keep investment strong requires an attractive climate that provides reasonable security for investors, since finding mines is already risky enough. We very much need you to help us if we are to create a strong foundation for future growth.

With that, let me speak to three broad areas for improvement.

First, improve access to land. Access is the lifeblood of exploration and mining. Without it, we cannot find and develop mines. Land access is problematic today, and we need Canada to help remove the challenges that I will now describe.

The first is settling aboriginal land claims. The southern half of the Northwest Territories is still subject to unsettled land claims, and negotiations have been under way for over 30 years. Besides removing lands from development during negotiations, not clarifying who the land owner is creates tension between public and aboriginal governments. Investors can get innocently caught in the middle when, for example, the government says the land is open to exploration and a company begins its work, and then an aboriginal government says the land is not open and threatens legal action. As a result, much land is officially off-limits to development, and much more is effectively put off-limits.

Second, we need to reduce the amount of land being proposed for pure conservation with no allowance for mining forever. The footprint of our current Northwest Territories mines is about 0.005% of the Northwest Territories; the area of all of the mines from all of our history is less than 0.03%. This is a very small footprint. Our exploration is short-lived and it has low environmental impact, yet we are the recipients of the largest national parks in the country. The most recent federal proposal for Thaidene Nëné national park is for 15,000 square kilometres, three times the size of Prince Edward Island. Mining is not a threat in this highly regulated world, and our mines operate to very high standards. We can coexist with the environment. We can have both.

•(1010)

Third, we need help with the proposed land use plan for Nunavut that is moving dangerously and strangely towards the most protective in the country. I say strangely for, if it is allowed to proceed as it is, it will compromise even the Inuit, the largest landowners in the world, from developing many of their land's hard-negotiated mineral rights. Since INAC will need to sign off on the final plan, it is time for Canada to scrutinize the work that is being done before taxpayer money is wasted and Inuit economic future stymied.

An efficient regulatory system provides certainty of cost and process for investors. Unclear, uncertain, and untimely regulatory processes frighten investors away. The previous government opened the door to regulatory cost recovery in both the Northwest Territories and Nunavut. These two territories have the most progressive and transparent regulatory systems in the country. While they are models of aboriginal and public governments sharing responsibility for the regulatory regime through board processes, they are also expensive processes. Please don't hinder investment by imposing cost recovery on already high-cost processes and jurisdictions.

We also need your help with regulatory capacity. Regulatory boards are not fully staffed, which causes process delays and adds pressure and cost to the system. The office overseeing Nunavut mineral tenure continues to be woefully understaffed. Simple things like phone calls are not returned. More importantly, tenure maps are not updated, and what we call assessment reporting is delayed.

We need Canada to modernize Nunavut's tenure system. INAC has promised for years a modern tenure system in Nunavut, called map staking. The transition from ground staking to an online system would represent transformative change and would increase business and investor certainty, reduce costs, and support the participation of local prospectors in the industry. This could lead to a resurgence of

the mineral industry in Nunavut. Our industry strongly supports the map-staking initiative developed by INAC, but we are weary of the long implementation dates that have come and gone numerous times. We would like to see an end product implemented, particularly at a time when the industry could use a boost.

Finally, we need to reduce the infrastructure deficit. The Northwest Territories and Nunavut cover the size of western Europe, but with a tiny fraction of its infrastructure. There is no highway system in Nunavut and only a small one in the Northwest Territories. Similarly, there are no power grids in Nunavut and only three stranded, isolated grids in the Northwest Territories. There is no ability to bring cheap power from the south or vice versa.

As a result, remote mines must supply their own roads, ports, and airstrips as well as their own diesel power, adding cost that most competitors don't face. Diesel is used because it's the only reliable source we have. This further un-levels the playing field in an already high-cost Northwest Territories and Nunavut, making them less competitive.

There are a number of infrastructure proposals on the table that all need federal financing. We are in desperate need of some visionary federal investment. The nation-building Grays Bay road would fit that bill nicely and give Nunavut its first road link to southern Canada.

In closing, our industry has made great strides in the past 25 years, particularly in aboriginal communities. Building a strong mining future matters. It will help sustain and grow benefits for those northern and aboriginal communities, and as a side benefit, it will make a strong statement for Canadian sovereignty in the north.

Thank you for listening.

•(1015)

The Chair: Thank you, Mr. Campbell.

I now turn the floor over to Mr. Erskine-Smith for some questions.

Mr. Nathaniel Erskine-Smith (Beaches—East York, Lib.): Thank you, everyone, for joining us today. I am here on behalf of MP McLeod, so I particularly want to thank Mr. Campbell for joining us.

Mr. McLeod has prepared three questions for you, Mr. Campbell. If you don't mind, I will put them to you.

First, you spoke about transportation infrastructure in particular. You mentioned that one of the three areas of improvement for mines in the territories is reducing the infrastructure deficit. Could you expand on the need for improved transportation development in the north and its particular importance to your industry? You mentioned one in particular, the Grays Bay road. Perhaps you could expand on that and other projects.

Mr. Joe Campbell: Yes. Depending on where projects are, their need for infrastructure differs. In the case of my project near Yellowknife, roads are not a major factor; it's power. Certainly for almost any other project in the Northwest Territories and Nunavut, it's road access.

There are projects north of us, some of them 200 to 500 kilometres away, with no access, so you're looking at aircraft access or ice roads. It adds to the cost, and I think Pierre said it's about two and a half times the cost. That's not just a number that's made up. As an example, I can drill a drill hole in Yellowknife for about \$200 a metre. If I'm a hundred kilometres north of Yellowknife, it's \$500 to \$600 a metre. That's the difference in cost. Infrastructure, road access in particular, is critical for most projects.

Mr. Nathaniel Erskine-Smith: You also spoke of settling land claims. You mentioned that there are a number of land claims that remain unsettled in the territories. Can you speak a little bit more about the uncertainty that this adds to the exploration companies' activities and your expectation that with land agreements finalized, there would be an uptake in exploration?

• (1020)

Mr. Joe Campbell: The area where I'm working in particular is part of the Akaitcho land area. Most of that land is withdrawn and has been for a long time, so nobody can actually explore in those areas. Claims are grandfathered in those areas, so if a claim lapses, that land is taken out of circulation for any further exploration.

These are huge areas. They're not small spots of ground. If you look at a map of the Akaitcho land withdrawals, you'll see it's much larger than the area of some of the provinces in Canada.

If we don't settle these land claims, when I go out into the market to go look for money—and I'm heading to Europe in a few days—the first question people ask is, “Well, we've heard that there are no settled land claims. You'll never be able to get a permit to do a mine.” This directly impacts people's ability to raise money in a tough investment environment.

Mr. Nathaniel Erskine-Smith: My last question for you from Mr. McLeod is this: could you speak on the efforts of the mining companies in the territories to recruit, train, and employ indigenous workers?

Mr. Joe Campbell: I can't speak very clearly for all the other members, so I'll give my own personal experience.

Again, we're a small company, and it's all exploration. Every dollar that I spend is taken out of other people's pockets, yet for the last three years we have participated in prospecting and geotechnical courses within the Yellowknife area, in particular with an emphasis towards the aboriginal communities.

I'd like to say that those efforts have been highly successful, but they have not. We carried out three courses within aboriginal communities and we were hard pressed to get people to complete those courses. It's not a matter of just the company's efforts; there has to be a reach back from the other direction towards us.

That doesn't mean we stop. As a matter of fact, as we speak right now, we're carrying out two more of those courses, again trying to bring people in. When those people go through those courses, we hire them.

Mr. Nathaniel Erskine-Smith: Thank you very much.

With the three remaining minutes, I'd like Mr. Serré to pick up where I left off.

Mr. Marc Serré: I want to thank the three presenters. It was very insightful.

I have a comment for Mr. Gratton. Thank you for bringing up the Goldcorp all-electric mine idea. I've had the opportunity to speak with them, and it's pretty exciting that we can lead this innovation worldwide.

I'd also like to mention that there have been companies in northern Ontario that have developed battery operation for heavy equipment underground, which reduces the dependency on diesel, as Mr. Campbell indicated. We have to continue doing that R and D research, as indicated earlier.

My question goes back to Mr. Gratton and the chamber. I know you've done some reports in the past related to clusters, but before I get to the question of clusters, let's look at infrastructure. Mr. Campbell indicated the need for infrastructure when we look at Nunavut, and when we look at the Ring of Fire in northern Ontario, we see that the infrastructure piece is also missing there.

I know there have been some studies in the past. Are you looking toward any future studies? Now we're waiting for that road study for northern Ontario from the provincial government. Have there been any further studies to see what the next steps are in developing the Ring of Fire?

Mr. Pierre Gratton: I am personally not aware of new studies specifically with respect to the Ring of Fire. I wanted to flag to this committee, though, that there is a model from Alaska that we have brought to the government's attention to address the infrastructure deficit.

For the last several decades, Alaska has had an infrastructure bank, which has been a tremendously successful economic engine for the State of Alaska. It provides long-term, low-interest financing for major infrastructure projects that allow economic development that might otherwise not take place. They are not in the business of competing with banks; they help finance projects that banks won't touch.

We had Michael Catsi, vice-president with the Alaska infrastructure bank, come to Ottawa. I know he would come again. If this committee wanted to invite him, I am sure he would come, and he could tell you about the work they have done.

I will just give you one quick illustration. The Red Dog mine in Alaska is a world-class lead and zinc operation, half-owned by the NANA peoples and half-owned by Teck Resources, a Canadian company. It was developed some 20 years ago because the Alaska infrastructure bank helped finance the road and port on a 50-year payback period. It has generated billions of dollars in economic benefits to the State of Alaska and to the first nations in the state.

In Nunavut, we have a world-class lead and zinc deposit at Izok Lake. We have known about it as long, but it remains idle because we don't have the infrastructure.

• (1025)

The Chair: Thank you very much. That is all the time.

Mr. Strahl, go ahead.

Mr. Mark Strahl (Chilliwack—Hope, CPC): Thank you very much, Mr. Chair.

Thank you to everyone who presented today.

Mr. Campbell, I would like to speak with you. A couple of years ago, when I used to sit on the other side of the table, I had the honour of being the parliamentary secretary for Aboriginal Affairs and Northern Development and spent a lot of time in the north meeting with not only indigenous Canadians, but industry up there. I was obviously pleased to see the way they were often working together on common goals for common projects.

I want to talk about a couple of issues.

One of my trips there was travelling in February to Inuvik with the prime minister at the time to announce the completion of the Inuvik-Tuktoyaktuk highway, the completion of the road to resources. It was a great community celebration and a big investment in northern infrastructure. I know there is more to be done there, certainly.

You spoke about the threat of treating the northern territories as a national park, essentially. Often, south-of-60 NGOs, groups, and even politicians look at the north as a great white tundra that is pristine and that we should protect at all costs, because it is easy to do. There are no people living there, so you can meet your goals to protect land without displacing people and—from the perspective of a southerner—without having much impact. Certainly Leona Aglukkaq and others used to fight against that notion, the notion that we should allow the north to be turned into one big national park. We see it now with the marine-protected areas that this government has set targets for. The north, again, is seen as an easy

target where we can set aside vast tracts of land that will never be developed.

Can you talk about what impact that has had, and expand a little more on your fear of what it might impact—not only resource companies and the thousands of workers who rely on that employment, but indigenous communities that are supported in large part by resource development and resource revenues in the north?

Mr. Joe Campbell: Well, it's probably best to talk about the scale of the work we do.

I said earlier that all the historical mines in the Northwest Territories occupied 0.03% of the area of the Northwest Territories. That's a real number. Unfortunately, I can't tell you what 0.03% of the Northwest Territories is going to have the next mine on it. We deal with large differences in scale in the work we do. With my scale of exploration, we need vast territories to look at. If you exclude those areas right from the very beginning, then there's no possibility for us to determine whether those are areas that are going to later impact economically on people in the north. They're excluded from us completely.

As we go through our exploration and it becomes more impactful... At the beginning, with the early exploration, we're walking over the ground. We don't disturb anything. It's basically looking. If we find something of interest, obviously we're going to do things that have more impact. We'll be drilling holes, but again it's ephemeral. It's short-term work. Ninety-nine per cent of the time it doesn't work. We walk away from it. We do our cleanup, and a few years later you'd never know we were there.

If we get into the mining activity, yes, we have huge impacts on the land there, and those impacts will change that land forever. We can't fool you by pretending that we can completely bring the land back, but it's that small area I talked about.

That little area of land that we need for high impact is a small price to pay for the great economic benefits that mining brings to the north. If we have good co-operation and we have good education to the peoples in these communities... We must remember that these people are living in small, isolated communities. They're not aware straight off the bat of how mining works. If I say I'm going to explore, they don't have any concept of whether that means I'm walking across the ground or I'm digging a great big hole into it, so education is important for us in bringing that forward so that we have co-operation with the first nations and we can bring the benefits to these communities.

• (1030)

Mr. Mark Strahl: Another issue that you mentioned was infrastructure. It's been mentioned a number of times this morning. Can you give some examples of shovel-ready infrastructure projects that perhaps, if they are not funded, if they do not proceed, if governments don't invest in them, would have a direct and immediate or medium-term impact on mining operations, be they diamond or otherwise, in Nunavut or the Northwest Territories?

Mr. Joe Campbell: I think Pierre gave the best example, and that was Izok Lake. This is a deposit that's been known for years. If it were in an area of better infrastructure, it's unquestionable that project would have been developed decades ago.

There's a project north of us called Courageous Lake that has a very large gold deposit. Right at this point, that project is on the cusp of being economic. The main deterrent against developing that project is the fact that it's 230 kilometres away from Yellowknife. It's remote.

In respect to Pierre's comment about mines going electric, yes, if you have grid power you can go electric, but if I have electric equipment underground and I need to power my mine with a diesel generator, it doesn't really make much difference: I'm still burning that diesel fuel. All of the other green solutions that are currently available to us, in terms of wind and solar, are not ones that can effectively run a mine in the north. When you have a mine 300 kilometres away from anything else, your first concern is to make sure you don't kill anybody. We need a power source that we can rely on 24/7. Right now the only thing the industry has is diesel. Yes, we'd love to have electric power, but we need a grid to get to those mines to do that.

The Chair: Thank you, Mr. Campbell.

Mr. Cannings, we'll go over to you.

Mr. Richard Cannings: Thank you all for coming here today.

I'm going to start with Mr. Gratton.

Just to pick up on the idea of grid—and you mentioned Goldcorp's plans—I've just heard concerns in northern Ontario that even if you brought power to some of these areas, the Ontario grid couldn't handle the power that's necessary to deal with these projects. Can you comment on that?

Mr. Pierre Gratton: Actually, Ontario is heading towards having surplus power, so I don't think there's going to be a lack of power to support electric vehicles.

I'll add one other point as an example for the north, similar to the previous topic. Agnico Eagle, which operates the Meadowbank mine in Nunavut and has a new project under way called Meliadine, has indicated that if there were an infrastructure bank, there's a run-of-river project that they would likely finance. This would provide power not only to the mine but also to the northern communities in the region that also rely on diesel, such as Baker Lake. There are some options that could be enabled through a mechanism like an infrastructure bank.

There's one other thing I would like to suggest. I did it two days ago when I went up to Gahcho Kué for the official mine opening in the Northwest Territories. I wanted to see where it was on Google Maps, so I went to a Google map. I encourage all of you, when you leave this meeting, to go back to your office, go to Google Maps, click Gahcho Kué, and then scan in. You'll see this little dot and how small it is—to your point—how tiny. It's one of three mines operating in the Northwest Territories, and it is just a tiny speck on the map of the Northwest Territories, in a country as vast as Canada. That's what we're talking about.

• (1035)

Mr. Richard Cannings: I have another question for you. You were talking about the concerns over certainty, but you said you welcome the changes to CEAA and the Fisheries Act, or look forward to what they bring. You said there were concerns around cumulative impacts and species at risk. Are those concerns that they will be taken into account, or just concerns over how cumulative impacts would be taken into account?

Mr. Pierre Gratton: What's happened with the regulatory reforms is that we went from having 6,000 or so projects subject to environmental assessments to fewer than 100, and they're almost all mining projects. Mining is pretty well the only sector left that's reviewed by the Canadian Environmental Assessment Agency.

When they look at cumulative effects, they only look at them from the perspective of what effect that mine might have on the cumulative effects in the region. They don't look at the other contributions to significant effects taking place. We now have three examples—and the Sisson mine is one—of the federal government concluding that this project can have a significant adverse effect on the region, even though, to our point, it's a tiny dot in a broader landscape. There's a lot of other activity going on around it. Whether it's natural gas exploration, forestry, or logging, these have impacts that are much greater with respect to the land base.

The federal government doesn't look at any of that. It only looks at mining. Because we're the only ones left under CEAA, we're the ones who potentially face a “no” decision, even though what we should really be looking at is what's good for the region overall and what the necessary trade-offs are.

It may be that a mine should not proceed, but you can't just look at the mine; you have to look at the broader issues. That's the problem we're now facing under the Canadian Environmental Assessment Act, 2012, which is a pretty significant one.

There are other issues too. It's a more rigid act. Coordination with the provinces is much more difficult now, leading to new delays. It has not turned out to be a happy experience for us at all.

Mr. Richard Cannings: I'll turn to Ms. Cluff-Clyburne.

You spent much of your presentation talking about first nations consultation and collaboration. I've heard comparisons of northern Ontario and northern Quebec with regard to this, and I've heard praise for what's being done in northern Quebec. Agreements like the James Bay and Northern Quebec Agreement and the Paix des Braves have created rules and regulations hand in hand with the Cree and Inuit.

Do you feel that model is something we should follow elsewhere in the country?

Ms. Susanna Cluff-Clyburne: Just to be clear, when we talk about indigenous peoples, we're talking about all three constitutionally recognized indigenous peoples. I think that type of agreement—the James Bay agreement—is certainly something that can be looked to. I don't think we would ever advocate that it be replicated throughout the rest of the country, because the relationships between indigenous peoples and the crown are so different. Their histories are different and their current circumstances are different. While to our minds it has been a success, I don't think we would ever advocate that it be replicated elsewhere.

Mr. Richard Cannings: I'll comment to Mr. Campbell.

I was at a presentation last night or the night before on the new national park proposal for the east end of Great Slave Lake, which is being brought forward now largely by the first nations there. It seemed they were trying to accommodate resource industries around that and excluding areas that might be of interest. With that sort of process, when you have first nations proposing to set areas aside, how do you work with that? Do you support that kind of process?

● (1040)

Mr. Joe Campbell: What we support is being included in the process. There's not anybody here who suggests we shouldn't have any parks or that there aren't areas that we want to keep pristine and protect. We just want to be part of the process. In the case of the project I have, just to give you a simple example—

The Chair: It will have to be a short example.

Mr. Joe Campbell: —we're exploring what is the most promising gold belt in Canada, north of Yellowknife, yet over the last 20 years, the territorial government has given leases for cottages on the lakes in that area. That creates another layer of difficulty for the development of the area.

Had there been a process in place, we could have told them that this was not a good place to put a cottage, particularly because it has very high arsenic levels. We could have been part of the process. We can help to make parks better by making sure we exclude areas of very high value to the mining industry—

The Chair: Thank you, Mr. Campbell. I apologize again. I'm going to have to cut you off there.

Mr. Harvey, I understand you are going to split your segment with Mr. Tan.

Mr. T.J. Harvey: Yes. I just have all of my questions directed at Mr. Gratton.

When you spoke earlier, you spoke about the lack of certainty that has emerged within the Canadian mining sector over the last number of years, and how that has led to us effectively sliding down the scale in terms of development and our standing on a global scale.

Can you touch a bit more on how you believe we got to where we are, and what the mining sector in general thinks the path forward is? How we can get to where we need to go, and what is government's involvement in that process?

Mr. Pierre Gratton: Sure. I should put it in some perspective.

We're used to being the number one jurisdiction, so maybe our standard is high. Our chief competitor for a lot of the mining commodities is Australia, and that's who we're losing ground to.

We're still competitive with the United States or Mexico or Chile. We expect to be, as a matter of course, but with Australia, we have to work hard at it. They're a federal state like us, so they have state level and federal level, but their federal environmental assessment system is more selective. It's not all mining projects. They intervene more selectively than we do, and it is better coordinated. They have provided much more support for infrastructure building, particularly during the last super cycle, than we did. They've done a number of things. They've even, most recently, appropriated our flow-through share system, which gave us a competitive advantage; now they have it, so we've lost that advantage.

They've been doing a number of things over the last 10 to 15 years that have outstripped us, and I think that's the cause for concern.

With our regulatory system, I touched on the issue of cumulative effects, but what the CEAA has done is impose timelines. We like timelines. We're not arguing against timelines, but it has become so rigid that coordinating with provincial environmental assessments—and we're always subject to both—has become more difficult.

We need somehow for the act to still have the rigour of timelines but to include some flexibility to work with the provincial governments. What I think was overlooked when these changes were made is that for the mining industry, it's not just the federal EA that matters: it's the whole thing. It's the provincial EA, the federal EA, the provincial and federal permit process, and how long that takes. We're in a situation now in which federal permits can take longer than the environmental assessment. It's after the environmental assessment. You're looking at maybe a two-year EA, but then a three-year permitting process. Our timelines are getting really long and much more uncertain, and there has to be a better way to do this.

● (1045)

Mr. T.J. Harvey: Thank you.

Mr. Geng Tan (Don Valley North, Lib.): Mr. Gratton, you just mentioned innovation. So far, most of our arguments or regulations or the report have been focusing on innovation in mining practices, on mining operations or mining technologies. In your opinion, how can the government help the mining supply chain to be more innovative?

Mr. Pierre Gratton: That's exactly what the Canada Mining Innovation Council is doing. It's working with suppliers and with other service providers to help generate the kinds of solutions we need, whether those be electric vehicles or new water treatment systems. It's things that can help transform. There's a project under way to look at better techniques for grinding rock that would save huge amounts of energy and reduce costs and emissions.

We need to separate in our minds the difference between R and D and innovation, because the two are often conflated. R and D is long-term. It's the new idea that could take 20 years to materialize. Innovation is about looking at what already exists and adapting it to a new sector or a new application. That's what CMIC is focusing on, that last piece that can truly be transformative.

We have learned that we need to collaborate more as a sector, and in doing so we could really benefit from the federal government's support for this transformation exercise that we're on now with the Canada Mining Innovation Council.

Mr. Geng Tan: Thanks.

The Chair: Thank you very much.

That's all the time we have, unfortunately. We're very grateful to the three of you for joining us today and sharing your information.

Committee members, our next meeting is Tuesday. We've had some adjustments to the schedule. We have two witnesses scheduled for Tuesday, so I propose to do them together, rather than in two one-hour segments. We can go an hour and a half and then use the last half-hour to address the witness list. If everybody could show up on Tuesday, raring to go, with the focus on the witnesses they really want, that would be fantastic.

Thank you.

The meeting is adjourned.

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