



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

# **Standing Committee on Foreign Affairs and International Development**

---

FAAE • NUMBER 011 • 1st SESSION • 41st PARLIAMENT

---

**EVIDENCE**

**Thursday, November 17, 2011**

—  
**Chair**

**Mr. Dean Allison**



# Standing Committee on Foreign Affairs and International Development

Thursday, November 17, 2011

• (0850)

[English]

**The Chair (Mr. Dean Allison (Niagara West—Glanbrook, CPC)):** Good morning, everyone.

It's been a little while since we've met. It kind of feels like it as well. I hope everyone remembers how to behave and how to work here.

We're here pursuant to Standing Order 108(2) in our study of the role of the private sector in international development.

I want to welcome today Ross Gallinger, the executive director of the Prospectors and Developers Association of Canada. Thank you for taking the time to be here.

**Ms. Hélène Laverdière (Laurier—Sainte-Marie, NDP):** I don't know if this is a point of order or a clarification.

I think we had agreed to do a study on Africa in the 21st century and the first chapter would be the role of the private sector. We would appreciate it if this could be reflected in the title.

**The Chair:** I don't know if that's the case, but let's save some time to talk about that very thing.

**Ms. Hélène Laverdière:** Okay. Thank you.

**The Chair:** Mr. Gallinger, we want to thank you very much for being here today.

I believe you have an opening statement. We'll let you start and then we'll go around the room and ask questions.

Welcome, sir. The floor is yours.

**Mr. Ross Gallinger (Executive Director, Prospectors and Developers Association of Canada):** Thank you, Mr. Chair and committee members. I appreciate the opportunity to speak to you today on the important topic of the role of the private sector in international development.

As noted, I am the executive director with the Prospectors and Developers Association of Canada, and I'm very proud to represent the more than 8,700 companies and individuals we serve.

The PDAC exists to promote the interests of the Canadian mineral exploration sector and to ensure a robust mining and exploration industry in Canada. The PDAC encourages the highest standards of technical, environmental, safety, and social practices in Canada and abroad. For 80 years our association and our members have worked hard to develop strong, mutually beneficial relationships with the communities we operate in, whether domestic or international.

My experience in the mining industry spans over 25 years in improving environmental, social, and health and safety performance in North America, South America, Africa, and Australia. My career in the mining business has afforded me the opportunity to travel the world, meet incredible people in communities, and become immersed in numerous cultures.

My first trip to a Latin American developing country in 1995 was an introduction to the harsh realities of poverty that occur today. Some 1.3 billion people in developing countries live on \$1.25 or less per day. The Food and Agriculture Organization of the United Nations estimates that over one billion people are undernourished, 70 million children cannot go to school, access to clean water is a challenge for approximately 900 million people, and over eight million children will die before their fifth birthday.

Anyone witnessing poverty and understanding the current scope and magnitude of the condition is moved to think about what can be done to improve the situation. Despite efforts to meet the millennium development goals of halving the number of people in poverty by 2015, poor countries have not been able to sustain the broad-based growth that generates the jobs and incomes to get people out of poverty.

In 2008 the U.K.'s Department for International Development issued its report "Private Sector Development Strategy Prosperity For All: Making Markets Work", which positions an exit strategy from dependency on aid to evolving inclusive economic growth driven by private investments and improved productivity.

In a speech to the London School of Economics in 2010, Andrew Mitchell, the U.K.'s Secretary of State for International Development, provided solid evidence linking economic growth with poverty reduction, using a comparison of South Korea and Zambia. In 1960 Korea had a GDP per capita of only twice that of Zambia, but by 2009, as a result of different economic growth pathways, South Korea's per capita income was nearly 40 times higher than Zambia's. South Korea's child mortality rate moved to five per thousand, compared with that of Zambia at 141. China's 10% annual growth rate per annum between 1990 and 2005 has been credited with lifting 475 million people out of poverty.

In conversations, conferences, and dialogues on international development, this question will usually be asked: what is the role of the private sector in poverty reduction? I was once asked, in a discussion on corporate social responsibility, why are companies involving themselves in community education and health care projects, which are the responsibility of the state? I replied: why are development NGOs doing education and health care projects, which are the responsibility of the state? These questions only indicate that we have a long way to go to embed an understanding of the private sector's role in development, beyond philanthropic contributions.

Private sector companies are the energy source for growth. They power long-term employment and income to yield individual well-being. Successful companies are making local investments, improving productivity, employing people, paying wages, purchasing materials, producing goods and services, generating profits, and paying taxes. In the World Bank's report, *Voices of the People*, 60,000 poor people were asked what they saw as their best route to escape poverty. The top options they saw were having their own businesses or earning wages.

In my travels and work in the mining sector, whether it is first nations in Ontario or campesinos of Peru, the reoccurring request is a share in the economic activity through direct or indirect employment. In the mining industry's race to articulate corporate social responsibility, we have marginalized the importance and contribution of business.

● (0855)

I was involved in an operation in a developing country where the country had a 5% equity interest in the operation, and employees were constantly projecting the 5% versus 95% view of country-versus-company benefit. When the company provided the figures for taxes and royalties, wages paid, and local goods and services purchased, all benefits that stayed in the country, the country-versus-company benefit became a 50-50 split.

The accounts balance shifts in favour of the country when you add the company's contribution to local and regional community development, such as community education initiatives, health programs, provision of clean water, and livelihood improvement projects.

In 2007, at the John F. Kennedy School of Government, more than 100 leaders from business, government, civil society, and international development agencies participated in a dialogue on the role of the private sector in expanding economic opportunity. The discussion centred on the concepts of building inclusive business models and implementing complementary strategies. These concepts are important and relevant today, as the current "Occupy" protests tend to criticize business models for not being sufficiently inclusive and for placing too much emphasis on Milton Friedman's premise that the main social responsibility of business is to increase its profits.

Inclusion in the business, which can mean involving poor communities in your development, is a key to success. When you acknowledge the poor and their assets of human, social, economic, and natural capital, they become a valued partner in the development of a mining operation. Mining projects are trailblazers in the involvement of communities, with some of the first community

agreements occurring in Canada in the form of impact-benefit agreements with first nations over 20 years ago.

With a projected gap of over 100,000 job vacancies in the mining sector in Canada by 2020, the mining sector is looking to partner with a variety of actors to build the skills to fill the opportunities. PDAC's "Mining Matters" program partners with education and first nations to raise awareness of the importance of geoscience and the minerals industry and allow students to consider a future career in the industry. This education model is being examined for export to developing countries where the competition for skilled workers will be equally challenging.

I have seen the positive role of multinational corporations in improving the lives of people in developing countries. On my first trip to Peru in 1997, at the start of the privatization and promotion of foreign investment, I was witness to risky safety practices in construction projects around the city of Lima. Observations included workers at heights without fall protection, inadequate barriers to prevent the public from access to hazardous sites, and very few hard hats or safety boots. In constructing a new mine in the country at the time, better safety performance was mandatory, and the Canadian owners had to build the capacity of Peruvian contractors to follow the company's safety programs.

At first, there was some resistance to the change, but they soon realized the benefits of reduced injuries to their workforce, as well as the potential business advantage. Future foreign investment in construction would expect good safety performance. They recognized that expertise and a sound safety record would give the Peruvian contractors an advantage over their competitors. Last year I returned to Lima and observed construction safety practices that rival our own here in Canada. It was a stark contrast to what was observed in the past.

The importance of the private sector has been acknowledged such that 11 donor agencies have endorsed the bilateral donor's statement in support of private sector partnerships for development. The statement seeks to engage the private sector in working to implement inclusive business models, promote responsible business practices, address operational and humanitarian challenges through corporate social responsibility programs, and to engage in public-private dialogue and advocacy on important global issues.

The mining industry has seen that company and social benefits can be maximized through partnership. The intersection of development interest between extractives and development NGO's has allowed for an organization like the Devonshire Initiative to exist and seek partnerships. We are beginning to see the expanded potential of partnerships with recently announced projects that combine the resources of the extractive sector, development NGOs, and the Government of Canada.

The concept of creating shared value, championed by Michael E. Porter and Mark R. Kramer of the Harvard Business School, describes the intersection of development interest and the move to use business markets to address social problems.

• (0900)

All of what I have said today points to the need to partner with the private sector to improve development outcomes. The path to breakthrough in achieving the millennium development goals will encounter a number of breakdowns. Only through a group effort by the private sector, civil society, and government can we learn from our challenges and strengthen our combined quest for poverty reduction.

Thank you very much.

**The Chair:** Thank you very much.

We're now going to start with our first round of questioning.

Madame Groguhé, the floor is yours for seven minutes, please.

[*Translation*]

**Mrs. Sadia Groguhé (Saint-Lambert, NDP):** Good morning, Mr. Gallinger, and thank you for your presentation. I found it very interesting. Your remarks allow us to see the company's entire evolution, and it is very positive.

In your view, what are the strengths and weaknesses of the Devonshire Initiative? How does it contribute to strengthening Canadian and international efforts in terms of corporate social responsibility?

[*English*]

**Mr. Ross Gallinger:** The strength of the Devonshire Initiative is that it's bringing the development NGOs and the extractive sector together to talk about development. Those conversations, to think about this poverty reduction aspect on a much higher level, were not occurring five years ago.

The industry had been involved with development NGOs, but more on a consulting basis to help work on either engagement or specific development projects.

What we're seeing borne from those conversations are the projects the minister announced most recently—the tripartite-type projects involving the Government of Canada, development NGOs, and the private sector to work on issues in those countries beyond the gates of the mine and to look at greater outcomes in terms of development. That's a really interesting outcome from the conversations between those two parties that weren't occurring five years ago.

• (0905)

[*Translation*]

**Mrs. Sadia Groguhé:** In your view, what progress has been made since the creation of the extractive sector CSR counsellor position in 2009?

[*English*]

**Mr. Ross Gallinger:** Certainly it's raised awareness in terms of the issues associated with, and the complications in terms of, development in developing countries. Both the CSR counsellor and private members' bills have raised awareness around that area.

The industry's response in terms of the Devonshire Initiative was a definite result of those kinds of conversations that happened. There has been great progress by the industry in addressing the aspects in the round table's report of many years ago. And there is a lot more discussion going on with a number of actors in terms of how to improve engagement, and how to improve community development as well.

[*Translation*]

**Mrs. Sadia Groguhé:** In terms of corporate social responsibility, you talked about the inclusive approach that yields good results.

Could you give us one or two examples of projects in developing countries that contribute to reducing poverty and to promoting pro-poor growth?

[*English*]

**Mr. Ross Gallinger:** Let me give you an example that kind of pulls this all together, and it's to do with clean water. I was involved with a project with a company in exploration in Tanzania. Part of that process was looking at what we could do for community development. Water was an issue, and the exploration manager immediately budgeted to drill some wells and wanted to rush out to start drilling wells immediately.

We pulled that back and started to have conversations with the communities about this concept and to work with them to basically build the capacity for them to actually own these projects moving forward.

In the end we were just a partner in that process. They decided where the well was going to go, what it was going to be like, and what the construction materials were going to be. They were actually the project manager of that process. At the end of the day, they mustered the resources to contribute to that. They brought in stones, etc. They were definitely a part of it. So at the end of the day it was their project, not the company's project, and those wells still stand the test of time because it was their project.

From that experience, they started to look at other business opportunities. They now understood how to deal with government. They now knew how to deal with other companies. It was their opportunity to leverage that experience for other opportunities.

[*Translation*]

**Ms. Hélène Laverdière:** Thank you for raising this very interesting point, which speaks volumes about the fact that we cannot just go somewhere and tell people that they need this or that, that we are going to build wells for them in places that we think are suitable, and so on. That usually does not work. However, when we engage in real dialogue with communities, chances are that we will get better results.

I am very interested in the Devonshire Initiative. Could you tell me which NGOs are involved?

[*English*]

**Mr. Ross Gallinger:** There's a lengthy list. You can get it on the website, but let me try to go through the ones I can recall.

CARE, Plan, World Vision, UNICEF just joined... I'm going to be abused by the Devonshire Initiative for not knowing all of them. There are over 13 NGOs involved in the Devonshire Initiative. I can get you that list if you like. I can send it to the clerk.

● (0910)

**Ms. Hélène Laverdière:** If we could pull it from the Internet, that would be useful.

**The Chair:** You have 30 seconds.

[Translation]

**Ms. Hélène Laverdière:** I have 30 seconds left. I am going to share them with Sadia.

**Mrs. Sadia Groguhé:** In your view, what are the main factors—for example, local capacity, infrastructure, the rule of law—that might hinder private sector investment in the poorest countries and that would prevent your involvement from having a positive and beneficial impact on development? What solutions do you suggest?

[English]

**Mr. Ross Gallinger:** The biggest obstacle to development is capacity building. Whether that is enforcement from a regulatory side...generally what we see is that laws in the world can have a lot of equivalency to Canadian law. The gap is in terms of capacity and enforcement, and the resources that government has.

The areas where the mining companies go have very little government oversight. Government programs are few and far between because of the remoteness aspect. Part of the process is also having to build that component so that government is involved in whatever developments follow. Because growth will come, communities will grow, and there will be a need for the typical government services required there. How the private sector can be involved in helping that and make it sustainable for the long term when business, especially the mining business, has completed their aspect is kind of the challenge, really building capacity both of communities and in terms of governments themselves.

**The Chair:** Thank you very much.

We're going to now move to Mr. Goldring. You have seven minutes.

**Mr. Peter Goldring (Edmonton East, CPC):** Thank you very much, Mr. Chairman.

Thank you for appearing here today.

My questions are along the line of social and corporate responsibility, and what benefits there are to the local people you employ.

You had mentioned in your comments that 1.3 billion people in developing countries live on \$1.25 a day or less. I'm kind of construing that to be a minimum wage. For example, I was in Haiti and they talked of \$2 a day as a minimum wage there. How would you characterize the salaries paid to the local people hired in the mining industry, and how would that be relative to the minimum wage? For their family well-being, would it be double the minimum wage, or possibly more? We know the mining sector in Canada, for example in Sudbury—I've been in the Inco mines there—I think the wages are in the neighbourhood of two and a half to three times the minimum wage.

**Mr. Ross Gallinger:** As in any industrial operation, there are various levels of expertise required. There is huge competition in developing countries for skilled labour, so companies have to pay higher rates than the minimum wage, especially for skilled labour, because there is such a competition between mines, much like here.

**Mr. Peter Goldring:** Are we talking bare minimum wage, or are we looking at improving the lot of the people in the country? For example, I'm sure hiring at Inco would be double the minimum wage, in the range of \$18 to \$20 per hour.

**Mr. Ross Gallinger:** Generally the salaries, especially for the technical skilled people, are way higher than any minimum rate in the country itself. In terms of specifics, I'm sorry, I don't have the specifics.

**Mr. Peter Goldring:** From the aspect of the mines themselves, I'm very familiar with all the safety standards we have in Canada, with mine safety equipment, gas sensors, breathing apparatus, etc. Are all of these Canadian, I guess you could call it, safety levels or safety standards maintained in foreign countries for the employees' benefit?

● (0915)

**Mr. Ross Gallinger:** Absolutely, and it gave you a bit of an insight in terms of the evolution in the proving experiences.

It's very interesting. I've had this question on whether the safety standards in whatever developing country are the same as in Canada, and my response is "Look at the safety statistics of the operations in foreign countries." In fact in the companies I work in, the injury rates were far lower in the developing countries than in some of our Canadian operations.

**Mr. Peter Goldring:** I knew there would be a statistic, but we hear of the odd third world country where they have mining disasters and it comes back to lengthy employee working hours that might tire the employees, and lesser levels of standards.

You characterized that you would maintain the superlative level of safety standards of Canada in your mining operations in other countries.

**Mr. Ross Gallinger:** Yes. The ultimate goal is to not injure people, so whatever you need to do in order to do that—

**Mr. Peter Goldring:** It's your responsibility.

**Mr. Ross Gallinger:** —whether it's European technology or Canadian technology, that's what needs to happen.

**Mr. Peter Goldring:** I have a final question. On the turnover, for example, of open pit mining, do the Canadian corporations actively get involved—we know not all corporations do—in redoing the environment after the mining and extraction process, in other words, as little environmental impact as when you started?

**Mr. Ross Gallinger:** There is a closure plan. All of the operations I've been involved with in developing countries have a closure plan. It's part of the accounting process to account for the costs to reclaim those sites. On the projects I've been involved in, we've looked at the post-closure land use aspects of what the place is going to be at closure so it can be integrated as part of the development. Whether it is going to be new grazing areas for agriculture or new wildlife areas or tree plantations, those are the kinds of things that are included. Those are costed and the companies follow through on that.

**Mr. Peter Goldring:** Very good.

I understand that Canadian mining operations are the most substantial in the world, but you do have competition from certain other countries. Would you characterize that your major competitors also follow this type of environmental integrity and guidelines and safety standards, or do you have a problem competing on that basis and maybe get the nod to do the mining development because of your high standards?

**Mr. Ross Gallinger:** Everybody is following a set of rules in terms of best practice, I guess you would say, such as following the International Finance Corporation's rules and guidelines that dictate a number of these aspects. My experience in terms of working on the community development aspect is trying to promote that component within the country and differentiating yourself from your competitors in that regard.

**The Chair:** You have 45 seconds.

**Mr. Peter Goldring:** Absolutely. All of this is relative when we're talking about poverty worldwide and increasing the well-being of employees. I think 50 years ago, when we lowered the working hours from over 48 hours to 40 hours, it was said it had a beneficial effect because employees were more productive. It resulted in a win-win all the way around.

Would you characterize the work you are doing on improving people's living conditions to be good for business as well as helping the people in these communities?

**Mr. Ross Gallinger:** Absolutely. As we know, when your employees are content and happy and want to come to work, you're going to have a much more productive aspect. Whether it's working conditions, hours of work, your contribution to the community, all those things are positive aspects for people who want to come to work and contribute to the company as well as to what they're doing.

Thank you very much.

• (0920)

**The Chair:** We'll move back to Mr. Eyking, sir.

**Hon. Mark Eyking (Sydney—Victoria, Lib.):** A few years ago I was in Yemen. One of the major companies in Yemen was a Calgary oil company. I think they are called Nexen. Anyway, I was very surprised and proud of the job they were doing with the government. They were doing everything. They were not only going there and getting oil. They were the number one producer of oil in Yemen, but they were helping schools, schools for girls, they were helping everything, promoting seat belts. It was amazing at how good a job they were doing at being a corporate citizen and helping that country move along, and even helping the government, because you know what Yemen's like. It's a pretty rough and tumble country for them to be in there doing that job and also having a corporate responsibility.

I left with the impression that it's pretty cool that we have a Canadian company going in there, not simply taking resources out but also leaving quite a bit in the treasury there, as well as having a major corporate responsibility and taking the lead, more so than I think they had to do. I think it was very good they were doing that.

It concerns me when I see these reports. There's a report here that came out in 2009; I think it's from the Canadian Centre for the Study of Resource Conflict. I guess it was a leaked draft report. In this draft it stated that of most violations by Canadian mining and exploration companies, 60% had to do with poor community relations.

I don't know if you are familiar with this report. That's not good. Why can't these mining companies be more...? You know, they are sometimes carrying the first Canadian flag into these countries. You would hope they would be doing a better job than the Australians, the Europeans. You would hope it would be said "The Canadians are here, they have the best record, they do the job right. They work with the governments on making lives better for the people." We don't want to be compared to maybe the way the Chinese are dealing in Africa and we're doing a little better. I think we should be the best, and we should all be proud when we go into these countries as a foreign affairs committee knowing that Canadian companies are doing their best.

You're putting on a good defence here, but what more can we do to get that standard up and be the best corporate citizens, best corporate mining citizens in the world, to beat the Australians, to beat the Europeans in that corporate responsibility? Should we have more protocols? Should CIDA be involved with you people going in and helping you understand what's happening in these countries? I mean, should we have a different Canadian approach?

I would prefer that we don't have rules and regulations that are going to force companies to do something all the time. You would sooner have this understanding that this is the way we act when we're in these countries. This is how we treat the people, we treat the land, we are going to be better than anybody at the end of the day. So what can we do to improve that image and have a country that would say "Great! Canadians will be coming here to do the job, not the Aussies or somebody else. Canadians are coming." You know, similar to World War II, when the Canadians were coming everybody liked to see that flag. We would hope that these countries would think the same when Canadian mining companies are coming.

**Mr. Ross Gallinger:** First of all, let me address that report and give you some context as well, because it aggregates a number of incidents.

There are 1,600 Canadian companies listed on the TMX; there are probably 700 listed on the Australian Stock Exchange and somewhere around 200 on the New York Stock Exchange. Because you have 1,600 companies, just because of the sheer volume, if there are going to be incidents, there are going to be more from that subset. If you actually equate those into percentages, it equates to three incidents per 100 companies for Canada, for Australian companies about four out of 100, and for those listed on the New York Stock Exchange, it's 14 out of 100. So look at not the gross numbers but the breakdown.

Nonetheless, engagement is a constant challenge with communities. When expectations are mismatched, in terms of community expectations and the reality of the situation, that's where you can have conflict at any point in time. Companies are constantly trying to work through that. Sometimes within those engagement processes some people are missed—some groups are missed—and they will identify themselves through various means.

I can remember working in Argentina some 10 or 12 years ago and a community saying its water had been poisoned; there was a pollution problem, etc. As the environmental expert, I sat down with members of the company and they said no, they knew there was no environmental problem. So they sent the environment guy to deal with this, to tell them it was impossible for a problem to be there. They said yes, they understood that, but they wanted to talk about economic development, they wanted jobs, they wanted other things.

So there will be things that will come up in controversy because you've missed that conversation. It's a matter of trying to bring those groups in again. That's a constant aspect that we have to go through. Ones that work really well have great engagement programs, but there's still always going to be something that might come up, an incident that occurs. It's how companies deal with that, moving forward. It's always going to be a challenge. Communities will change as well. Generational aspects will change. The youth will come in and their expectations will be completely different.

We constantly have to have this conversation. We constantly have to figure out how we can work together with those communities so they can truly feel they're also benefiting from the development that's going on. That's what I talked about, this inclusive kind of development component, when we get to that aspect: rather than our saying "I'm going to build you a school" or "I'm going to build you a hospital", we should say "How can we work together so that you can build your livelihood, your capacity, and you can use this operation and what we're doing as a springboard to going forward?"

It's not an easy process, I can tell you from my experience, but it's one we're constantly working on, going forward. There will always be learning opportunities and there will always be these bumps in the road as we go through this process.

● (0925)

**Hon. Mark Eyking:** I understand sometimes it's difficult. In these countries you're sometimes dealing with corrupt governments and with security for your employees. I know it's a big challenge. There should be a bit of a template or some course for CEOs or the people who are going into these countries, on how you deal with stuff—how you deal with these governments and how you deal with a lot of the issues you're dealing with.

Even your group would have more self-discipline among members, right? I don't know if you can or can't do that within your association: say "Okay, buddy, you're doing a bad job over here in Tanzania. Look, it's kind of giving us a black mark here if we're going to go in with other projects." Is there a way you can kind of do that?

I don't believe governments should always do the job and police and enforce rules. It doesn't really work at the end of the day. It's better if an industry does its own thing, right? We see this with the

agriculture industry. If it does its own thing, sometimes it has a better impact than governments coming down hard on it.

I'm wondering if your association can do more or can work more with the CIDs of the world and the development groups to have a better understanding going into these countries.

**Mr. Ross Gallinger:** One of the things the PDAC has done was to develop e3 Plus, the guiding principles for corporate social responsibility. What had been missing for the junior sector is some guidance on how to do engagement, how to do community development, and how to do best practice in terms of environmental aspects for the exploration sector.

There are a number of programs available for the operating sector, such as the Mining Association of Canada's "Towards Sustainable Mining" program. Some Canadian companies are members of the International Council on Mining and Metals, and they have a program as well. But for—

● (0930)

**Hon. Mark Eyking:** That's a mentorship, so no junior companies can get—

**Mr. Ross Gallinger:** Correct, so what we've developed are the principles and the tool kits, and we're now looking at how we can embed these much more into our company members as we go forward. So it's always an evolving aspect, but the first step is to have the guidance and have that available. And it's available to anyone; you don't have to be a PDAC member to access that. It's on our website, so we encourage anybody, anywhere in the world, to access that and use it.

We've seen schools actually picking this up now as well. Northwest Community College in northern B.C. has now picked up the e3 Plus to use in its curriculum, in terms of teaching people who are going into the industry what the proper principles are to use in this sphere.

We're seeing universities in Chile actually picking up e3 Plus as well. It's translated into English and French currently, and the principles are in Spanish. We're looking at getting the frameworks in other languages as well, so they can be used by anyone, anywhere in the world.

We've got a lot more work to do in terms of embedding that kind of aspect in the education component, but it's little by little.

Thank you.

**Hon. Mark Eyking:** Thank you.

**The Chair:** Thanks, Mr. Eyking. I let you go on a little bit longer because I think it's sort of the essence—

**Hon. Mark Eyking:** I wasn't talking.

**The Chair:** I know. It's always a short question followed up by a very long answer, so it's always.... No, it's good.

I think the train of thought we're trying to find out is how do we partner, because when you start looking at a lot of what forced you to do this.... But we do believe it's a role that the private sector can play, and that's why we're having these conversations, so there are some very good thoughts there on that.



We're going to turn it back over here for the second round, starting with Ms. Brown. Five minutes, please.

**Ms. Lois Brown (Newmarket—Aurora, CPC):** Thank you very much, Mr. Chair. Hopefully I'll have some time to give to my colleague, Dave Van Kesteren.

Mr. Gallinger, thank you very much for being here—most interesting.

I had the opportunity to be at your association conference last February or March in Toronto at the Convention Centre. I must say—if there's any indication to me of the value of Canadian investment by the mining companies in other countries, it was the incredible number of countries that had booths there, trying to woo or entice Canadian mining companies to come and look at their countries as opportunities.

I think the reverse is actually the truth: Canada is doing such a good job that we are making some really good impressions on these countries, and governments are looking to have us there.

I want to make one quick comment about an observation. When I was in Bangladesh, I happened to see some of the constructors who were there, and I know that there's a long way to go in health and safety. I'm watching these construction companies put up bamboo scaffolding and the guys are up there, three and four stories, and they're wearing flip-flops. There are some real challenges in the world we are going to have to overcome.

I had the opportunity, a year and a half ago, to be in Burkina Faso and visit the Essakane mine, which is in the very northeast corner of Burkina Faso, for those of you who are not familiar with the geography. There are tremendous amounts of conflict going on in that area—political conflict that's happening. The Iamgold mine that has gone into Essakane is of particularly good repute in Burkina Faso. In my observation, what they have done for the community is to build foundations for their homes, so that the people actually have more time for other productive causes. In Essakane, Iamgold has built a school. They've built a hospital. Most importantly, they've put in a job skills training centre.

I wonder if you can speak to what's happening in communities around there. First of all, when the time is freed up for more productive pursuits than taking care of their houses all the time, but also with these job skills that are being given to the indigenous people, what's happening with that as far as private sector enhancement?

**Mr. Ross Gallinger:** There's opportunity in terms of the skills aspect, both for training on the site as well as for training in businesses to support the mine site. There are two aspects in there. It's not only just the training for jobs within the mine site and the ability to transfer that knowledge to go to other places, but it is also to develop their own businesses within the community, which supplements the traditional aspect in that area of agriculture. There are actually two main drivers there: artisanal small-scale mining, which is highly destructive of the environment, and agriculture. Those two processes are totally incompatible there, so increasing livelihood aspects is probably the fundamental driver. Whether to develop skills for the mine site or trying to develop services for the

mine in terms of constructing certain things, a number of small projects were done.

A number of women's groups, as well, have been involved in everything from trying to develop mosquito nets, handicrafts, etc., for the community, for the mine site, and for others.

But looking at those projects in terms of livelihood components when they have idle time associated with it—in the dry season, when there's nothing to do in between the crop aspects—all these things are to engage people, to get them out of the current cycle and looking for other opportunities, so that they're not at risk if there are issues with extreme droughts, etc., in their agricultural aspect and to try to stop them from going into artisanal small-scale mining as well, which is very hazardous and very destructive.

● (0935)

**The Chair:** That's all the time we have. We'll come back. I think we'll have time, Mr. Van Kesteren, in the next round.

We're going to move over to Madam Laverdière.

Madam Sims? Okay. Thanks.

**Ms. Jinny Jogindera Sims (Newton—North Delta, NDP):** Thank you very much.

Thanks for your informative presentation.

I have a couple of questions.

I've had the privilege of visiting South America at different times and I've also heard speakers at different gatherings who come and talk to us about some of the harm Canadian mining companies are doing in South America. Bolivia is a country that often comes to mind.

At the mine I saw in Peru, certainly there was a lot of conflict between the community at the time and the company itself. And as you said, that could be due to the fact that a lot wasn't done ahead. But a lot of the concerns I kept hearing were environmental concerns. What kind of an environmental assessment do we do before we go into an area and actually start mining?

**Mr. Ross Gallinger:** I'm fairly familiar with Peru because I've been in the country many times and have been involved with projects there. There are two aspects that a company has to go through in entering into a developing country. We'll use Peru as a good case.

If you're looking at financing your operation—because an operation can be anywhere from \$500 million to billions of dollars in investment—you will probably have to get money from the banks. Most banks are connected to the Equator Principles, which require you to follow International Finance Commission guidelines on development. One of the processes is the requirement for an environmental impact assessment. It gives you the scope of what needs to be looked at in terms of water, air, and land aspects. It determines what your activities will be and how you will ensure that there's no significant environmental impact. Even Peru has that kind of process for the development of an environmental impact assessment.

What's also included is a social impact assessment of the potential social effects and how they are going to be mitigated. What follows is a requirement for an environmental management plan. That involves monitoring and dealing with incidents, correcting those incidents should they come up, and monitoring programs. Those things are required under Peruvian law and as part of the monitoring process for loan agreements. So on the upfront part of any kind of design there is that kind of environmental analysis to determine that there will be no significant environmental impact.

There may be incidents that need to be corrected and resolved. We have incidents in Canada with mines, and we correct and resolve them and help the environment repair itself. A great case study, if you ever want to look at an operation in Peru, is on the Oxfam Australia website. It's on the Tintaya operation, and going from a national operation to private development issues around environment and community development. There's a great video on there that categorizes the whole thing. There are interviews with community members, company members, the government, and NGOs.

It's a great case study that talks about issues around environment and how they were resolved. It's a good example of how dialogue really works to resolve those issues. What's very interesting is that in ten years of that dialogue process, they say they've only fixed 90% of the issues they started out with. So it can take very long in that dialogue process to get to where everybody is finally satisfied with what's been going on.

• (0940)

[Translation]

**Mr. Jean-François Larose (Repentigny, NDP):** I still have a quick question to ask you; I will try to be very brief.

Thank you very much for your presentation. It was excellent. I really appreciate seeing such enthusiasm, but I have a few concerns.

My first concern is that, often, when there are good intentions, nothing comes of them. When times get rough, projects like that are put on the back burner.

You were saying that progress has been made over the past five years. We have gone from consultations to encouraging regions to be much more proactive. Has the company calculated and quantified that? Are there real benefits? Is there a potential will to add it to your constitution, so that it is even stronger?

In a difficult economic situation, as I said, things get scrapped. You said that involvement is important. There has to be some continuity and stability. Doing things like that has to do with a very demanding complexity. Those things cannot simply be swept aside at the first opportunity.

[English]

**Mr. Ross Gallinger:** In community development aspects, when you raise expectations and you make commitments, you need to live up to those commitments. If you don't live up to those commitments, then you're going to be faced with controversy with those communities. As anyone who has an agreement with a partner knows, if the partner decides to back away from the table, that's not going to make you very happy. It's been my experience that controversy can happen when you've changed those...or the

expectations are a mismatch, and we see controversy in terms of reaction in that regard.

In terms of the kind of global benefit of this sector as well, ICMM has some great case studies of countries—Ghana, Chile, etc.—and how the whole private-sector aspect of mining has contributed to the well-being of the country itself. Botswana is a great example of how the country has really benefited and invested their mineral wealth, to the point where they are now sort of a have-not in terms of looking at aid aspects. So there are some really good case examples out there, and available in literature, to describe that.

In terms of specific aspects of gathering the benefits per se, unfortunately, our industry is really trying to talk a lot more about that. We've been very silent about the aspects that the industry has done in terms of community development and the contributions to that, because the industry has said that this is just part of business and we don't really want to advertise that all that much. People want to know more about it, so there's been much more information in terms of reports and much more thorough reporting on corporate social responsibility aspects, to really get that information out and to try to get the economic components more in terms of quantifiable numbers instead of quality.

• (0945)

**The Chair:** Thank you.

Mr. Van Kesteren, and this may be the last question, because we're running out of time.

**Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC):** Thank you.

We spend a lot of time talking about social responsibility in corporations, and I think that's good. I think there are checks and balances, and you mentioned some. There are plenty here. We keep your feet to the fire, and the IMF.... There are plenty of checks and balances.

To quote Adam Smith, and I'll paraphrase, it's not for the benefit of the butcher that the baker gets up at five o'clock in the morning. Let's face it, you're out there to make a profit, and that's all right, that's okay. I think you have a lot of competition. When you visit Africa, you'll see these beautiful stadiums that the Chinese built. They obviously have a way of winning the hearts and the minds of people too.

This study is not to find out whether you're being a good boy out there or not. I think there are a lot of people who always want to do that. I think we're doing the right thing. We can always do better.

What we need to know is why in so many parts of the world, and we're directing our study on Africa, they're stuck in perpetual poverty. Why is it that after 40 years of aid we can't seem to help these people? That's our heart's desire. Everybody wants the same thing. We want these people to experience the benefits of society where people can make a living and families can grow and develop.

What's going on? What are we doing wrong? You've got a chance to say "you've been battering me; now I'm going to tell you what you guys are doing wrong." Why is it that South Korea is in the state it is today? Are we doing something wrong in our aid? Can we do something better to work alongside building economies, through generating wealth through what you talked about? That's my question.

**Mr. Ross Gallinger:** Let's go back to the Tanzanian example that I gave you earlier. We've seen tons of water projects where development NGOs have come in saying "I'll drill you a well", etc., and you go back to those two years later and they're non-functional, because the community was not involved.

This is the biggest issue with anyone. I can talk to my children about trying to be entrepreneurs, but they need to have that kind of capacity experience to be able to really leverage them out. If I'm going to do everything for my kids, then they're going to expect that any time they need something they will come to me. When I start to say "Let's work together on this, but here is really what you need to do on this and you need to latch onto it"....

Capacity building is the biggest thing we wrestle with. In an industry full of engineers who love to build things, they'd rather build schools and medical facilities, because they can point to those. When we talk about building capacity, they can't see that, but you will see it in terms of the activities that go on. When we empower people, we see wonderful things. When I see entrepreneurs in micro-finance aspects with their access to capital to build businesses, the lack of default on those loans and the return that they get is amazing.

This is all part of being an entrepreneur and of the business aspect. In Iamgold, we went through this process of teaching our employees to be entrepreneurs, not just to come to work for a job, but also how they could contribute as part of the business and start to get that kind of thinking so they could take that home for themselves and think of other aspects. That's where the gap is. That's where business can come in if we can work together as partners, and if we don't say we'll do it for them, but we actually say, "You're going to take on this project, you're going to learn from it, and it will be your project at the end of the day".

Again, the Tanzanian experience was incredible, because you would talk to the group that was put together, and it was their

project. They were very proud of it. The project was theirs. They talked about everything they did. They were very thankful to the company, because they helped to finance a bit of that and were very encouraging for others.

The government actually tried to take credit for the project. The community said no, that the government couldn't take credit for it. They said "We're the ones who did that aspect". Through that aspect, through the development of that water project itself, I saw them starting to think about what other projects they could do and what other income sources they could build as a consequence.

That's all part of what we need to look at here: to stop doing things that way and literally partner in this process, going together. It's that concept of creating shared value, of working together on that part so that people actually own it. They have that experience on the business side of things that can leverage forward, and I think that's what we see in terms of countries that do it well. We see governments in there working on that component of it, not doing it for them.

● (0950)

**The Chair:** Thank you very much.

Mr. Gallinger, thank you very much for taking the time to be here today. It was very informative. We appreciate your perspective over a couple of different industries as well. It has added to the insight.

**Mr. Ross Gallinger:** Thank you very much.

I do have a binder of the backup material that is the basis for this. If the committee would like it, I'm happy to provide that.

**The Chair:** Sure. If you can leave it with the clerk, that would be fantastic.

Just before we adjourn, I want to mention that we're having an informal meeting next with the OECD, and they've requested the subcommittee, so that's vice-chairs. Other people are welcome to stick around, but it is an informal meeting, so if you have other obligations.... Please feel free to stay or to leave, whatever you'd like to do.

Thank you very much.

The meeting is adjourned.





**MAIL  POSTE**

Canada Post Corporation / Société canadienne des postes

Postage paid

Port payé

**Lettermail**

**Poste-lettre**

**1782711  
Ottawa**

*If undelivered, return COVER ONLY to:*  
Publishing and Depository Services  
Public Works and Government Services Canada  
Ottawa, Ontario K1A 0S5

*En cas de non-livraison,  
retourner cette COUVERTURE SEULEMENT à :*  
Les Éditions et Services de dépôt  
Travaux publics et Services gouvernementaux Canada  
Ottawa (Ontario) K1A 0S5

Published under the authority of the Speaker of  
the House of Commons

### **SPEAKER'S PERMISSION**

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Additional copies may be obtained from: Publishing and  
Depository Services  
Public Works and Government Services Canada  
Ottawa, Ontario K1A 0S5  
Telephone: 613-941-5995 or 1-800-635-7943  
Fax: 613-954-5779 or 1-800-565-7757  
publications@tpsgc-pwgsc.gc.ca  
http://publications.gc.ca

Also available on the Parliament of Canada Web Site at the  
following address: <http://www.parl.gc.ca>

Publié en conformité de l'autorité  
du Président de la Chambre des communes

### **PERMISSION DU PRÉSIDENT**

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

On peut obtenir des copies supplémentaires en écrivant à : Les  
Éditions et Services de dépôt  
Travaux publics et Services gouvernementaux Canada  
Ottawa (Ontario) K1A 0S5  
Téléphone : 613-941-5995 ou 1-800-635-7943  
Télécopieur : 613-954-5779 ou 1-800-565-7757  
publications@tpsgc-pwgsc.gc.ca  
http://publications.gc.ca

Aussi disponible sur le site Web du Parlement du Canada à  
l'adresse suivante : <http://www.parl.gc.ca>