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## **Standing Committee on Natural Resources**

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**EVIDENCE**

**Thursday, October 20, 2016**

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**Chair**

**Mr. James Maloney**



## Standing Committee on Natural Resources

Thursday, October 20, 2016

• (0845)

[English]

**The Chair (Mr. James Maloney (Etobicoke—Lakeshore, Lib.)):** Good morning everybody.

Before I do introductions, I understand Mr. Strahl would like to say something.

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

I don't want to take time away from our witnesses or interrupt the meeting, but just to let you know, I do have a motion on notice that I do not intend to move if we go in camera. For your planning purposes and for the purposes of the committee's, I'd like my motion to be dealt with in a public session. I won't take time from the witnesses or from the committee, but I want to let you know that I intend to move the motion at a time when we're in public.

I'll let you proceed with the meeting.

**The Chair:** Thank you.

Good morning to our witnesses.

We have Mr. Dirom, from the Association for Mineral Exploration, British Columbia. We also have two witnesses from Thunder Bay, Mr. Angus and Mr. Mason.

I should acknowledge that there's a particular Thunder Bay bent to this meeting today, because it's not just the two of you, we also have Mr. Rusnak, who is the member of Parliament for Thunder Bay—Rainy River, and I was born and partially raised in Thunder Bay, before I moved to Toronto. Of course, we have Mr. Serré, from northern Ontario, so there's a definite northern Ontario bent to this meeting today. I welcome all of you, and thank you for attending.

In terms of process, I'm going to open the floor to the three of you to speak for up to 10 minutes each, and then it'll be turned over to the committee members for questions. You're welcome to deliver your remarks or answer questions in either official language.

Again, thank you for attending, and I will now open the floor to the three of you. I'm not sure that we have a speaking order, but Mr. Dirom, perhaps you can start us off.

**Mr. Gavin Dirom (President and Chief Executive Officer, Association for Mineral Exploration British Columbia):** Thank you very much.

I must say that Thunder Bay was one of our favourite spots to stop in our trip across Canada last year. We started in St. John's,

Newfoundland, and drove all the way across and, 7,700 kilometres later, back into Victoria. Thunder Bay was a highlight.

Good morning, Mr. Chair and committee members. My name is Gavin Dirom. I'm the president and CEO of the Association for Mineral Exploration, or AME for short. On behalf of AME's 400 corporate members and 4,000 individual members, I'm pleased to present to the House of Commons Standing Committee on Natural Resources concerning the future of Canada's mining sector.

AME represents mineral explorers and developers operating or based in British Columbia. We are the hosts of the well-known Mineral Exploration Roundup conference held in Vancouver at Canada Place every January.

Mineral exploration is the lifeblood of the mining sector. Clearly, without exploration there would be no mineral deposits discovered and thus no mining. Through high-tech and low-impact geoscience and modern exploration techniques, members of AME discover the rare mineral, metal, and steel-making coal deposits that may be mined for the basic materials we all use on a daily basis. The greener economy of the future will absolutely be dependent on these materials.

But British Columbia, just like the rest of Canada, competes in a highly competitive open trade environment. Mineral explorers and developers are price-takers, not price-makers, and are therefore subject to the basic fundamentals of global supply and demand.

Even with the application of very prudent fiscal restraint and cost-cutting measures, the industry is still weathering one of the most extreme and sustained downturns in history, resulting in bankruptcies, layoffs, and cancelled or delayed projects. Many members of AME are struggling to stay afloat through these difficult times, regardless of the recent market price increases for gold, zinc, nickel, and steel-making coal. While some confidence is returning to the industry, it is limited, and there remains a high degree of uncertainty going forward with respect to the depth and the substance of the current price increases.

Globally, overall financing for the industry dropped by almost 40% between 2007 and 2015, while financing for exploration has fallen by more than 90%. After years on top, Canada no longer attracts the largest share of global mineral exploration investment, having conceded first place to Australia in 2015. In fact, Canada's share has fallen from 21% in 2007 to just 13.5% in 2015, and NRCan has predicted further investment declines for Canada in 2016. In British Columbia, mineral exploration expenditures have declined from a high of \$680 million in 2012 to \$272 million in 2015.

In the B.C. context, the province has hundreds of exploration projects that could be spurring more regional economic development. B.C.'s fundamentals are very strong, and it is well positioned to take advantage of its geographic position on Canada's Pacific coast and its access to Asian markets. The province has world-class metal, mineral, and steel-making coal deposits, and further discoveries are likely, but only with continued exploration.

It's the junior exploration companies that often take on the highest risk in the mineral development cycle, with less than one in 1,000 making a discovery leading to a mine development. Junior exploration companies, unlike major companies that have an operating mine and a source of revenue, need access to capital to fund and sustain mineral exploration projects, especially the early-stage greenfield projects that are required to replenish the nation's base metal reserves that are being depleted.

B.C. continues to host 58% of the mineral exploration and mining companies listed on the exchanges, but the ranks are thinning. Over the past three and a half years, the number of companies headquartered in B.C. has declined by 26%, from 962 to 708 companies. While the drop in commodity prices and company mergers are important factors, these are not the only reasons behind this decline. Other contributing factors include costly and excessive securities regulations to keep a public company listed, increasing costs to explore and develop mineral resources, and uncertainties about mine development even after the discovery of a minable deposit.

Unlike many other industries in Canada, mineral exploration and mining strongly align with a broad range of Government of Canada policy objectives. The government made helping the middle class a centrepiece of its 2015 platform, and the mining and oil and gas industries offer the highest average weekly wage of any industry in Canada.

Another key government priority is to promote economic development for aboriginal peoples and communities. The industry is already the largest private sector employer of aboriginal people in Canada and has generated significant economic opportunities that are often codified in agreements, such as impact-benefit agreements with companies, as well as mineral resource sharing and economic and community development agreements with the provincial government of B.C. Such agreements, taken together with active government consultation and industry engagement, have been important to the success of mineral exploration and development in B.C. and across Canada.

• (0850)

Given the rise in some commodity prices, AME believes that now is a very important time for governments to take policy steps that support the exploration industry to attract more investment and encourage future mineral development in Canada, while strengthening partnerships that advance socio-economic opportunities and support environmentally responsible use of our shared lands.

Therefore, I offer AME's perspectives and recommendations on the following three fundamental policy issues important to building and maintaining a successful mineral exploration and development industry in Canada.

Number one is to work together to attract investment. AME welcomed the extension of the federal mineral exploration tax credit through to March 2017, as announced in the budget. The METC is a 15% non-refundable tax credit on eligible expenses. In a B.C. context, the METC for investors is harmonized with the provincial mining flow-through share tax credit to further encourage private investment, resulting in a combined tax credit for an individual resident in B.C. of approximately 32%.

AME is supporting the Prospectors and Developers Association of Canada and calling on government to renew the federal METC for one year. Along with the PDAC, AME is calling on the government to maintain flow-through share financing, which is currently part of Finance Canada's tax expenditures 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 on Canadian exchanges over the last decade.

In the past, Finance Canada has estimated that the flow-through share system stimulated \$3 in exploration for every \$1 in forgone tax revenue. Supporting flow-through shares and the METC will keep investment dollars in Canada. Removing these important tax incentives at a time when the industry is still recovering from arguably the worst down-cycle in decades, could have a crippling effect on the recovery of the industry.

These incentives support the discoveries of new deposits, and advance the development of mining projects and the creation of socio-economic opportunities across the country. They support and benefit remote and aboriginal communities where natural resource development is the only source of jobs and economic opportunity, infrastructure and skills development, and community capacity building.

Take note that "without flow-through, we would never have discovered Ekati—and there would be no diamond industry in Canada today." That is from Chuck Fipke, discoverer of Ekati.

AME also welcomed the federal government's intent to proceed with changes to the definition of Canadian exploration expenses, CEE, in the Income Tax Act to include expenses incurred for environmental studies or community consultations.

AME joins PDAC in supporting the establishment of clear, bright-line tests to determine which expenses qualify as CEE, and in updating the 2007 guidelines to provide such clarification, with the ultimate objective of making these guidelines part of regulations under the Income Tax Act.

Number two is having fair access to land to explore and security of tenure. B.C. is underexplored and vast, covering over 944,000 square kilometres, but mineral exploration and mining have affected less than 0.05% of the provincial land base. As is the case throughout Canada, sub-surface resources in B.C. are managed by government in the public's socio-economic and strategic interest, for the greater good of all citizens, aboriginal and non-aboriginal.

Exploration activities are low-impact to the environment and temporary in nature. Unlike most other natural resources, minerals are hidden and require scientific research and the testing of large tracts of land in order to find a hidden deposit. Throughout large areas of B.C., access to mineral and coal resources is eroding, contrary to earlier policy pronouncements by government and public land use plan commitments.

Today, nearly 18% of B.C. is off limits to exploration, and a further 33% is open only under limited conditions. AME understands that over time, lands may be closed for reasons of environmental protection or for other societal reasons deemed to be in the greater public interest. As well as important environmental values, the socio-economic values of developing hidden sub-surface resources must also be considered when deciding on land closures or restrictions that impede responsible mineral exploration and regional economic development.

Therefore, AME strongly encourages the federal government, when in any such land access and use discussions with provincial governments and first nations, to meaningfully consider the overall socio-economic benefits of mineral exploration to B.C. and Canada; the costs of policies, regulations, and legislation to explorers and developers; the ability to acquire and hold secure tenure; the building of investor confidence; and the maintenance certainty for explorers to have fair and timely access to land to responsibly explore for hidden deposits.

● (0855)

Number three is an efficient and effective environmental assessment process. Protecting the environment and health and safety are very important to AME and our members. An efficient and effective environmental assessment process is critical to the success of the industry.

AME supports the 2013 memorandum of understanding between Canada and British Columbia on the substitution of environmental assessments that arose out of the Canadian Environmental Assessment Act of 2012. The MOU describes how the two parties will work together, and recognizes that each government has a robust environmental assessment process, including meaningful consultation with aboriginal groups and timelines for government review and decisions.

Substitution means that an environmental assessment could be led by either the B.C. Environmental Assessment Office or the Canadian Environmental Assessment Agency, assuming the project triggers both provincial and federal laws or responsibilities. In theory, this reduces wasteful and unnecessary duplication. Importantly, as stated in the MOU, the governments of B.C. and Canada wished to "provide clarity and predictability for all participants in substituted environmental assessments and facilitate efficient use of resources in the timely delivery of those assessments."

Currently there are 13 mine projects in either pre-application or review stage in B.C. Six of the 13 are in the pre-application stage and seven are in the review stage, including two in the coordinated or substituted process. On December 12 AME will be presenting in Vancouver to the expert panel review of environmental assessment processes. We will appreciate the opportunity to provide at that time more perspectives and recommendations about the environmental assessment process.

On behalf of the members of AME, thank you very much for your time this morning.

● (0900)

**The Chair:** Thank you very much, Mr. Dirom.

I'll turn the floor over to Thunder Bay.

Mr. Angus, you have the floor.

**Mr. Iain Angus (Vice-President, Northwestern Ontario Municipal Association):** Good morning, Mr. Chairman and members of the standing committee.

Thank you for this opportunity to participate in your deliberations. We want to give you a sense of northwestern Ontario and what the mining industry currently means to us and will mean to us in the future. We want to highlight some of the key issues in which governments at the provincial and federal level have a role to play in facilitation of this potential growth.

While northwestern Ontario has a long history of mining, it really has been the forestry industry that has dominated the region's economy for over a century—until, that is, the crash of a few years ago, which saw this region lose 10,000 well-paying jobs in a dozen or so small and large communities across the northwest. We now have only three functioning pulp and paper mills instead of nine in seven different towns. Our sawmills are down to six from a high of 13 or so. Any recovery in this industry has happened...and with the uncertainty around the softwood lumber agreement, we are quite nervous these days.

I also want to add that a recent study initiated by the Northern Policy Institute for the North Superior Workforce Planning Board has predicted that over the next 25 years we will lose a population of 50,000 people. That includes 25,000 people to fill jobs just to keep the economy going the way it is. We have a real challenge in front of us.

I want to turn now to John Mason. He will give you Northwestern Ontario Mining 101 to set the stage as to why this industry needs your support and the support of the Government of Canada.

John.

**Mr. John Mason (Project Manager, Mining Services, Thunder Bay Community Economic Development Commission):** Thanks, Iain.

Thanks, Mr. Chair and standing committee.

We did circulate information on the producers and the advanced projects in northwest Ontario—that's really our focal point today—with Thunder Bay as a hub, as a key driver and locale for working with the exploration and mining industry in northwest Ontario.

This is a great opportunity to speak on the heels of Mr. Dirom, who presented things with a B.C. focus. There are some commonalities as we move forward.

With respect to northwestern Ontario, we are certainly an economic driver from the standpoint of the gold production site, producing roughly 19% of Canada's gold. We anticipate that number to rise. We have currently four producers. That number will rise with five new companies in production in the next four years to get us into the 23% or 24% range, as new producers come on in Quebec, the Northwest Territories, and British Columbia.

We also have 12 to 20 advanced exploration projects.

I must paraphrase and really clarify where we are right now. A lot of these discoveries, including the five new mines coming on to supplement the four existing—and again these are huge economic drivers for the economy of northwestern Ontario—were discovered, in most cases, during the run-up of 2004 to 2011, in terms of metal prices, particularly led by the gold market.

We also have hundreds of grassroots projects, not unlike the situation in British Columbia, that are stalled, that have been caught in the five-year downturn of 2011 to 2016. We're seeing some hints of moving out of that with lithium and gold prices moving. Right now we're also a palladium producer, so gold, copper, nickel, and palladium will be in our future, in our headlights. Discovery to production is roughly a 15-year to 25-year journey.

I will give you an idea of two of the major economic impacts before us now. New Gold, with a producer just outside of Kamloops, but also bringing in one of Canada's newest gold mines, four hours west of Thunder Bay in the Fort Frances area, is a billion-dollar investment. Greenstone Gold, northeast of Thunder Bay, is a \$900-million investment. Its feasibility study will be out very shortly. And certainly there's the Ring of Fire.

I'll turn it back to Iain on that issue at this particular point.

**Mr. Iain Angus:** A few years ago, the City of Thunder Bay commissioned a mining readiness strategy. It looked at what the impacts of mining development would be not just for the City of Thunder Bay but also for northwestern Ontario. This report examined the impact of 10 mines coming into production in the northwest. It concluded that the impact on GDP, on an annual basis, would be between \$1.5 billion and \$2 billion; it would create between 8,800 and 12,400 ongoing jobs; and government revenue would be anywhere from \$451 million to \$831 million per year—a significant economic impact on our community.

John mentioned New Gold in the Fort Frances-Emo area. There are \$70 million's worth of contracts that have come to businesses in the city of Thunder Bay to help support the development of that mine. That's just one example of the economic impact. It's really essential for this region, to enable it to recover and grow.

John, it's back to you.

• (0905)

**Mr. John Mason:** Thanks, Iain.

With respect to issues and recommendations, we'd like to drill down now on some specifics, and there will be some commonality and some complementary language we've heard from Mr. Dirom that will be reflected in our words as well.

I'll start with the federal-provincial environmental assessment process. September was the start of that review. I would encourage the standing committee to really look at the opportunity for balance. Regarding the rigour that New Gold went through in the Fort Frances area—again to focus on that project—it was the first project in Canada to go through the 2012 new and improved environmental assessment process. It went through a full provincial and a full federal review.

Regarding the language with respect to the set-up for the review that's under way now, which started in September, I would caution that, going forward with these projects, economic development and industry's requirements should be balanced with those of the environment and environmental groups, and with what's required by aboriginal communities and the regions of Canada as well. That balance is really imperative so that these projects will mature and be economic drivers to benefit all Canadians.

**Mr. Iain Angus:** Let me move on to a couple of infrastructure areas.

One of the challenges we have in the northwest—and although it's regulated by the province, there is a federal role to play in this—is the provision of electricity to these emerging mine sites. While some of these are relatively close to the grid and can be accessed at a reasonable price, others are hundreds of kilometres away from the existing hydroelectric infrastructure. Under Ontario's rules, the proponent must pay the cost of building the transmission lines. This is a change since the mid-1990s. Before that, the ratepayers as a whole would pay for the expansion of the infrastructure, and then obviously the user would pay through their rates.

We've been pressuring the Ontario government to make a change in this, but from the point of view of financing for the development of mines, if this kind of infrastructure can be included as one of the eligible components for any of the federal programs, that certainly would make it easier. As John mentioned earlier, one mine is costing \$1 billion to develop and a second one, \$900 million. If in addition to that they have to raise another \$400 million or \$500 million to build the transmission lines, that can be a deal breaker in terms of whether the mine will go ahead, and so we need some support there.

For areas such as the Ring of Fire, where we know that, while one or two companies are in play right now, there are 14, 15, or 20 different known deposits in likely mine sites, it's really essential that the federal government work directly with the provincial government, the first nations in the area, and the mining companies to develop a utility corridor, if you like, that includes ground transportation, telecommunications, hydroelectric, and in some cases even natural gas, to ensure that these areas can be fully accessed not just by the big companies and those with deep pockets, but by the small companies that can take a smaller development and bring it to the fore.

I'll get John to talk about the road transportation to the Ring of Fire.

• (0910)

**Mr. John Mason:** Thanks, Iain.

Certainly, succinctly put, the deposits in the Ring of Fire, whether they be KWG or Noront's chromite deposits or the lead project, which was the Eagle's Nest copper-nickel deposit that Noront wishes to develop by an east-west road, without access, are not deposits. They are not economic mineralized zones that can be mined at a profit, the true definition of a mineral deposit, and that is the concern. That is a stall point. The lack of common ground between indigenous communities, both levels of government and the people of northwestern Ontario and industry to go forward is the stall point at this point.

I'd now like to delve into the finance side. I appreciate Mr. Dirom's remarks on the flow-through share, the Canadian exploration expense piece as well as the mineral exploration tax credit. Just by way of background, our recommendation would be that these two sister programs under flow-through shares be extended nationally for a three-year period, if not put in place permanently. They're certainly a boon to exploration. Mr. Dirom touched on a few of the basic observations from this program, and I'd like to touch on them as well, and some other quick points that embed the notion.

Over the last 10 years, junior exploration companies that have spent the high-risk money have made 70% of the discoveries in Canada. That 70% figure stands out again. The junior exploration company sector has accounted for 70% of all financing raised by exploration companies in recent years as well. Certainly the junior exploration sector relies on those discoveries.

If the ultimate form of flattery is theft of an idea, Australia, in 2016, adopted the METC program and rolled it into their flow-through system, and it really is one of the reasons they have become the top jurisdiction for exploration in the world.

Those flow-through funds must be spent in Canada. They are really a boon to economic development in northern and remote communities, including those with indigenous people.

Speaking of indigenous people, I believe there's a real opportunity for the Prospectors and Developers Association of Canada, the Ontario Mining Association, AME BC, and the Mining Association of Canada to work with government and work with industry to promote the sector more fully, in a more fulsome manner, and to have that tied to economic development, strategic planning, and land-use planning within communities including aboriginal commu-

nities, and to really illustrate the opportunity for a career and a business development opportunity. We're seeing 87% of business contracts pre-qualified and then awarded on the back of the New Gold project or the Greenstone Gold project, two of Canada's newest gold mines, flowing to indigenous companies and businesses. It's a huge number. We're seeing employment levels at 23% of the Musselwhite mine, one of the earliest collaboration impact benefit agreements in Canada, which has been renewed four times. Those employment numbers again are at about 23%. There's 32% direct workforce employment at the New Gold site, at that particular location, even though their production does not start until mid-2017. So these are great models that should be shouted from the rooftops and used as case examples to illustrate the value proposition and the opportunity.

My last piece is on the Geological Survey of Canada and geoscience to stimulate exploration. One thing we've seen in the last few years is an erosion of the overall budget for targeted geoscience initiatives, even though we're in TGI-5 now with respect to the Geological Survey of Canada program. There's a requirement, simply put, to have sufficient funding for mineral deposit studies, regional geophysical programs, working on third-dimension structural and crustal studies, and advanced geochronology—that is, the age-dating of rocks—which really contribute to discovery rates and really elevate that proposition in Canada.

**Mr. Iain Angus:** Mr. Chairman and members of the standing committee, in conclusion, it's essential for northwestern Ontario that we get this right. At a time when we have been hit hard by the loss of much of the forest industry, at a time when we are seeing the populations of our smaller communities shrink, and at a time when the indigenous population of northwest is growing quickly and looking for real opportunities to thrive, we need government support to ensure that those mines that John Mason spoke about become a reality.

We'll be happy to respond to any questions you may have, particularly in areas that will assist you in further understanding the situation in our region.

Thank you for your time and attention.

**The Chair:** Thank you, gentlemen. I appreciate the testimony of all of you.

I'm now going to open the floor to questions.

Mr. Rusnak, you're on deck.

• (0915)

**Mr. Don Rusnak (Thunder Bay—Rainy River, Lib.):** Thank you for your presentations, which were enlightening in part.

I'm glad that you brought up the New Gold project, which is in the far west of my riding. You mentioned that they're doing 87% of their contracts with indigenous-controlled or indigenous companies. I've been there twice now, and the relationship with the communities out there is just amazing.

I guess my first question is this. In terms of the Northwestern Ontario Municipal Association and the Thunder Bay Community Economic Development Commission, what have you been doing to engage indigenous people and indigenous organizations from your level?

**Mr. Iain Angus:** John, I'm going to let you start, and then I'll fill in.

**Mr. John Mason:** Thank you, Mr. Rusnak, for the question.

Certainly in my role as project manager of mining services with the economic development commission, I'm on the footprint of that project on a regular basis and deal with its mine general manager as well as the key indigenous groups that have impact benefit agreements. We're at the point now where we have five agreements in place, and up to nine first nations communities as well as the Métis Nation of Ontario have agreements, and that's still a work in progress.

I meet on a regular basis with these various groups, and have tours onsite to deal with pre-qualification and requests for proposals. The aboriginal business groups typically are forming new entities, direct partnerships, or they're directly assigned to development opportunities as this mine and mill are being built.

There are three ways they engage, and on a regular basis I'm dealing with, for example, Rainy River first nation and Naicatchewenin—the two enhanced impact benefit agreement recipients—as well as Rainy Lake Tribal Contracting as they, on a regular basis, have a committee that reviews documents in a committee setting with AMEC and New Gold, who are the folks who let these contracts. I also visit the site on a regular basis to monitor this progress to make sure things are on time and on budget.

Interestingly enough, 60 days prior to any other industries receiving RFP information or RFQ information following pre-qualification, that information flows to the communities. We're working hand in hand to try to up those numbers with respect to having businesses to sustain after the project ends, which is one of the goals.

Bob Gallagher, the former president of New Gold, was brought to Thunder Bay by our office to speak to a room of 150 people last summer. This led to further business relations with aboriginal communities and companies going forward on the project. It's quite clear that, in line with the values and ethics packages that Mr. Gallagher speaks to on his Kamloops operation, the New Afton deposit, as well as this and three other mines in other continents, he wants to have those businesses sustained well after that deposit is mined out in 20 years. That's his goal, and I feel the entire company is living through that, and we're working with that as well.

Iain mentioned a figure of \$70 million. As of last week, over \$80 million of business money has flowed to Thunder Bay companies. We have great firms. To give you an example, a firm that Mr. Rusnak would be familiar with is TBT Engineering, with Rob Frenette. Three years ago it formed a brand new aboriginal company in conjunction with TBT Engineering to work on the initial survey work for tailings ponds, for road realignment, and for secondary highway realignments, just as one example.

**Mr. Iain Angus:** Mr. Chairman, through you to Mr. Rusnak, John really does speak for the role that the City of Thunder Bay plays in this. The CDC is, for lack of a better word, an agency of the City of Thunder Bay.

So with regard to NOMA, as, in effect, an advocacy group on behalf of the northwest, our role has been to continue to pressure the Ontario government primarily in terms of making sure that it understands that we know that the only way the northwest is going to thrive is if the aboriginal community is a full participant in it. We continue to put pressure on the Ontario government with regard to access to the Ring of Fire and moving forward with that file.

**Mr. Don Rusnak:** I bring up New Gold again, because I myself am trying to get representatives from the company and two or three of the first nations it is involved with to present to either this committee or our Liberal caucus on how companies and first nation groups can work together in a positive way that benefits everyone.

I keep touting this relationship. Oftentimes we see roadblocks with resource development projects, and the public and others think that first nation groups don't want any development, but that is not the case. They want smart development that doesn't adversely affect their communities or their way of life. This project, which I have witnessed for the last four years, has been extremely positive and perhaps could be used as a model for the Ring of Fire.

Just last week, we were in Thunder Bay with the Minister of Innovation, and we met with Matawa chiefs. This is the group of indigenous communities who would be most affected by any development in the Ring of Fire area. They brought up many concerns, including roads and infrastructure. They made it clear that they want infrastructure for their communities first—that any spending of money in that area has to focus on them and their needs, which are absolutely astronomical, before or instead of just building a road for a mining company.

The economic development agency works with mining companies and other proponents in the region. Have you been assisting or working with any first nations on their particular wants and needs in the Ring of Fire area?

● (0920)

**The Chair:** We are running short on time. I'll give you half a minute to answer that question, if you can.

**Mr. John Mason:** Certainly, from executive director David Paul through to specific communities, yes, that has been the case.

Further to your recommendation on using case examples to illustrate the opportunity, rather than a theoretical piece, I fully support that notion. In fact, the technical committee from the Matawa communities, just in the last 10 days, had a tour of the New Gold open pit and the mill. I think Christine Kaszycki, from the Ring of Fire secretariat, and the key folks in the nine Matawa communities have been engaged already on that piece as a demonstrator.

Thank you.

**The Chair:** Mr. Strahl, go ahead.

**Mr. Mark Strahl:** Thank you, Mr. Chair.

Thank you to our witnesses for their presentations.



Mr. Dirom, I understand you are actually Gavin Dirom the Third, and both your grandfather and your father also served to promote the mineral industry in British Columbia. I've met your father at previous AME BC events, and I want to thank you for your multi-generational service to our province and our country.

We had Pierre Gratton in, the president and CEO of the Mining Association of Canada. The Mining Association has indicated that it supports a carbon tax—or a price on carbon, however you want to message that—but it also says that it wants “a level playing field for emissions-intensive trade-exposed industries.”

Do you share that perspective? Do you think mining counts as an emissions-intensive trade-exposed industry that should perhaps be considered differently as we have this national conversation?

**Mr. Gavin Dirom:** Thank you for the question, Mr. Strahl.

The short answer is yes, although I must declare that AME does not have an official position with respect to climate action, climate policy, carbon pricing, and so forth. I say yes because, given the experience with the carbon tax in British Columbia, and the fact that the cap-and-trade system didn't come into play, that does support, I think, Mr. Gratton's position and the Mining Association of Canada's position that, without that side of the equation, it's not a fair and balanced system in place right now for trade-exposed industries like mining. The short answer is yes, but we don't have an official position on that.

● (0925)

**Mr. Mark Strahl:** Okay.

You mentioned, and it's been mentioned by most presenters, actually, support for the METC the CEE, and the flow-through shares. As someone who has been on the government side and is now on the opposition side, while I appreciate the recommendation that they go to a three-year or permanent nature, I'm not sure what the natural resources minister would have to announce at the PDAC conference or put in his budget every year to make the Mining Association of Canada give them a positive stakeholder quote.

Maybe you can talk to me about how it would benefit mining in British Columbia and across the country to have that certainty on a more permanent basis. Certainly governments, the Conservative government and the Liberal government, have—again, at budget time—come forward with this, right before the previous year expires, and it makes for a great announcement. We did it; they've done it.

What does that uncertainty do? Is it a kind of wink-wink, nudge-nudge thing whereby the mining companies and the mining association just assume it's going to be there?

**Mr. Gavin Dirom:** It's always a danger to make an assumption like that. In AME we're very supportive of having the review of the current incentives. It's always a healthy thing to do.

I believe the finding that Finance Canada will arrive at is that these are very good incentives that have been developed and will continue to be potentially modified in the future. In terms of alternatives, there really hasn't been one that's been shown to do any greater good. To the point made earlier, Australia is now adopting a

lot of these measures and is in fact gaining the investment that used to come to Canada. We have a competitive issue there to address.

These incentives, frankly, inspire confidence in the investor, and that's one thing we have been obviously lacking over the last few years. To make a change now would be just that much more detrimental.

It doesn't mean, of course, that industry isn't open to improving these incentives or modifying them over time. That should be and always ought to be something to be taken into consideration, but the timing is terrible, to be blunt and frank. We're open to ideas and other approaches.

**Mr. Mark Strahl:** I appreciate that.

To pick up a bit on Mr. Rusnak's theme, we've seen British Columbia mining companies that have done very well in building relationships with indigenous communities; we've seen companies that have had catastrophic failure to engage in a meaningful way with indigenous communities, which has, quite frankly, led to a lack of approval for some very big projects in the province.

I want to get your unique perspective. I've heard speakers at your conferences, and you have a parallel track at the AME BC conference dealing exclusively with indigenous issues. In our non-treaty environment, can you perhaps give some perspective on things that the industry can do in British Columbia and maybe, more importantly, what you believe government can do to ensure that we can achieve a level of certainty? Capital is very fluid; these companies operate in multiple jurisdictions. If we don't achieve some certainty, including with managing the indigenous industry relationship, that capital will continue to look for more secure markets to invest in.

Perhaps I could get your comments on that.

**Mr. Gavin Dirom:** Thank you. That is an important issue. As with many things in life, we tend to dwell on the dramatic or things that are negative, but there are actually many positive agreements between industry, government, and first nations in B.C. in particular. I think the one thing the Government of Canada could do, working with the province and working with associations and first nations, is to showcase and highlight all those great examples that rarely get any attention.

As you pointed out, that's what we try to do at our conference. At Roundup we have something called the “gathering place” at which we have first nations come together with industry and government officials to very openly and honestly explain the good, the bad, and the ugly about what's happening. That's a healthy discourse to continue.

Out of all of that, New Gold is a really good example. It has the New Afton mine in Kamloops, at which a large percentage of the workers are indigenous community members. Sharing those success stories and trumpeting them across Canada and around the world would attract even more confidence and investment in our projects and in our industry. They are real; they exist. We're just not doing a very good job of sharing those stories.

● (0930)

**The Chair:** Thank you.

Mr. Cannings.

**Mr. Richard Cannings (South Okanagan—West Kootenay, NDP):** Thank you, Mr. Dirom and our guests in the Thunder Bay area.

I want to pick up on the Thunder Bay theme and ask Mr. Mason and Mr. Angus about Thunder Bay itself and the port. We've been talking about infrastructure. I just wondered if there's anything regarding the Port of Thunder Bay that might be of interest and importance to the mining sector and what we could do to help there.

**Mr. Iain Angus:** Thank you very much for your question, Mr. Cannings.

Certainly, in recent years, the Port of Thunder Bay has positioned itself extremely well in terms of being a way in which major equipment and major materials that come from outside of north-western Ontario can be brought here and then transported, primarily by road, to the mine sites.

John, I don't know if you have any further information that you can pass on.

**Mr. John Mason:** Building on that theme, it's been a strategic advantage in terms of the location of the port. At MINExpo in Las Vegas, one of the largest mining conferences on the planet—some 50,000 people attended that event—when I articulated the positioning, that one can actually use seaway-driven goods, incoming goods that can be brought to the centre of a continent, that blew a lot of people away. Not to belabour the fact with New Gold, but we see other operations bringing in mine and mill equipment from Europe. Five to six different locations within Europe bring in that equipment. Four hours later, that can be on site.

One of our impediments—and this may be a broader transportation issue—is that we don't have a full port for handling containers. That particular piece is a bit of an impediment. Winnipeg and Toronto have to come into play on that in moving containers back to Thunder Bay and backhauling. That's not a very efficient way of moving goods. That's something we want to see improved with respect to providing those opportunities in terms of brainstorming a piece around that particular attribute. In general, I guess, regarding our northern transportation network, as one of the least-developed provinces in Canada, we do have challenges around general transportation in the north.

On logistics, we see grain. We've been fantastic the last four years on grain shipments east. With respect to incoming goods, the mining equipment may be an exception, or turbine parts, or the opportunity for engaging the potash, uranium, and oil and gas sectors. That's been very good, but a lot of goods also end up going to Chicago and to other locales in the Lake Michigan area. They come empty to Thunder Bay and backhaul with grain. If efficiencies around that can be created on the seaway, I think that would also be a great attribute if we could really explore that a bit more.

**Mr. Iain Angus:** Just to make a final point, there is no capacity whatsoever on the Great Lakes for transporting containers.

**Mr. Richard Cannings:** That's interesting.

I'm going to turn to you, Mr. Dirom. You brought up the subject of environmental assessments, and of course there's now an ongoing consultation process for another new system, a new process. You

also mentioned the substitution agreement between Canada and British Columbia. I know that there was a legal issue around a similar substitution-type agreement with the Northern Gateway pipeline and the NEB, in which the courts found that British Columbia shouldn't have given that power to the federal government. I'm wondering if you could comment on whether that might come into play here.

**Mr. Gavin Dirom:** I really couldn't comment, but I imagine it's part of the motivation or the rationale for having the discussion now. We're a completely different sector and I don't think we're directly implicated in that, but I understand the question.

• (0935)

**Mr. Richard Cannings:** I'll stay with environmental assessment. I know that some of the big projects.... Prosperity mine was involved with the Chilcotin decision in part, but the Red Chris project also was delayed in the courts because of, I would say, confusion over the environmental assessment process. I think that specific issue has been settled now.

I wanted to know if you could comment on the EA process as it involves first nations. Now the State of Alaska is very concerned about a lot of B.C. projects in terms of environmental assessment. How could we develop a process that would give everyone confidence and make the whole process smoother for the industry and the public at large?

**Mr. Gavin Dirom:** That's a very good question. Thank you.

There seems to be some confusion among all the parties as to the level of detail required for environmental assessments with respect to some of the projects you mentioned and some of the changes that have been made. It's an evolving process. I think it's very important that we do continue to work hard to get it right, to be both effective and efficient, and as always, to garner public trust in the system.

At the Red Chris mine, for example, ultimately it went in a very positive way, having received a vast majority of support from the Tahltan First Nation.

I think there are opportunities to poison-proof things for sure, but there's a level of detail, a level of science required in any review in order to arrive at a basically well-educated outcome or decision. I think that's what's important to keep in mind with respect to an EA, and not to allow it necessarily to move into very highly detailed, very site-specific—what I would call—permit-level valuations. For the most part, those are the responsibility of the provinces or territories where these projects may exist.

I think I'll stop there. Thank you.

**Mr. Richard Cannings:** Quickly, we've been talking about New Gold—

**The Chair:** Sorry, we're out of time.

Mr. Serré.

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

Thank you, witnesses, for all the work you're doing in the mining industry across Canada. As we know, and as we have heard from many industry experts and executives at mining companies, it's cyclical. The positive news is that mineral prices are rebounding, so we have to get ready for the next cycle of growth.

I want to focus on clusters and ecosystems, and creating more jobs around one mining job. Many studies have shown that three to five jobs are created around one mining job. Today it's great, because northern Ontario and B.C., two of the largest centres, have clusters already in place.

We heard in the last session from Canada's Oil Sands Innovation Alliance. They look at exploration, financing, R and D, operations, and commercialization, which are very important and also lead to innovation.

In the mining sector, we do not have a coordinated effort across Canada. I wanted to get from each of the three of you some specific recommendations, for the industry and the federal government, to expand and strengthen clusters and ecosystems in the mining industry, as Australia has done.

**Mr. Gavin Dirom:** One quick observation is that even if you take one or two differences in British Columbia, it does have a cluster built on experience in the backyard, as it were, with respect to exploration and mining development. For technical, legal, and accounting matters, there is a cluster that has formed there. It has taken decades, and so forth, but I would suggest and argue that you can never take that for granted. There is a disconnect, as you say, and we can strengthen not just that cluster but also others across Canada.

One very positive initiative is the Canadian Mining Innovation Council, the CMIC. I think that body and others like it are working across Canada in a much more coordinated way these days. If we all get behind it, support it, and focus, indeed, not only do we support its initiatives and efforts but that also strengthens all the sub-clusters, as it were, right across this nation.

You're quite right. Australia is regularly observing and borrowing the great ideas that Canada has worked hard to implement, and the Australians are succeeding at it. They tend to be out-coordinating and out-organizing us and our efforts thus far. We have some room to improve.

I think part of it means acknowledging and recognizing that you can never take a business cluster or any kind of industry cluster for granted. It needs constant support and nourishment in so many different ways over time. That includes through academic schools and training facilities, which over generations can improve technologies, be innovative, and pass on great learning to the next generation.

• (0940)

**Mr. Iain Angus:** I'm going to let John from Thunder Bay start, and then I'll follow up.

**Mr. John Mason:** Thank you for the question. I appreciate the opportunity to talk about clusters and opportunity.

Certainly on the service and supply side, out of Thunder Bay and northwestern Ontario, the Thunder Bay Chamber of Commerce, the northwestern Ontario chamber, or NOACC, and the Thunder Bay

Community Economic Development Commission have worked hard on the supply and service side for not just mineral exploration but the full mining cycle, I would say, or mining sequence—exploration, development, production, and closure—and have companies aligned under that particular set of opportunities, driven by specific projects, either the existing mines or the new mines that are breaking through.

There is also a strong cluster through Lakehead University and their Centre of Excellence in Sustainable Mining and Exploration. That centre has just been formed in the last three years. It is designed to look at opportunities. To give you one example in which I see innovation going and research through their engineering department—and this is one of dozens of examples, but let me just highlight the one—they're adapting forestry-based chemicals now to replace petroleum-based chemicals in a number of the mill flotation operations within certain aspects of circuits for North American Palladium and the Goldcorp Musselwhite mine as well.

That engineering department is pushing on that piece. They've also signed a strategic alliance with Queen's University to grow that particular hundred-year-old-plus school and roll it into opportunities in northwestern Ontario, to work in a collaborative sense around that piece of clustering.

I might also mention that one of the pieces we see—and this fits into the opportunities for indigenous communities in the business world in general—is having communities, including first nation communities, take advantage of the mining readiness strategy that Thunder Bay and Fort William First Nation are partners on, this particular piece that rolled out in 2013.

We live and breathe through that in a variety of themes, including cluster development, on a regular basis. That's our template, our model for moving forward. We're now seeing other jurisdictions, including Colombia, Ecuador, and other parts of northern Ontario modelling the same type of strategy. We're hearing this through consulting groups, etc. To me, it's the ultimate form of flattery. It's an opportunity to position oneself for a path forward.

I would also mention that we were very successful just in the last two months under the First Nations-Community Economic Development Initiative, CEDI, put out by the Federation of Canadian Municipalities. We, the Fort William First Nation and Thunder Bay, were successful in a bid with a regional footprint into the northwest, as one of four of 82 paired applications for that program. We're now starting another three-year journey on that particular piece, which will fit nicely into our mining readiness strategy and give us a plan forward specific to industrial lands.

The focal point is 1,100 acres of industrial land called the railway lands, part of the first nations settlement that straddles the community of Thunder Bay and Fort William First Nation as an urban first nation community. That's the target area to develop industrial land. We already have six tenants on that particular site, on those 1,100 acres. That number is going to grow over the next three years as we become more strategic. We're very excited to work with FCM; we see this as a huge opportunity.

There are other specifics as well wherein we're seeing innovation. North American Palladium is using an example from northern Quebec—again this case example piece is powerful—to look at replacing propane, a significant cost. I'll remind the panel that about 35% to 38% of costs for an operating mine in Canada can be energy costs, and those can be for heating underground, typically with propane; they can be for electricity to run your mill, your crushing components, and your mine trucks, etc. It's a big price tag. If you can reduce some of that and use biomass to replace propane—and it has been done at the Hecla mine, Casa Berardi, in northern Quebec, and in northwestern Ontario. We're looking at it as well.

As well we're looking at opportunities around battery usage, another cluster piece that has come out of Sudbury, a very mature sector of various research groups. From that cluster we're learning in northwestern Ontario as well about the opportunity to use battery power to replace diesel underground, to deal with emissions, to deal with costs, and to push through that piece.

● (0945)

**The Chair:** Thank you, gentlemen.

**Mr. John Mason:** Thank you.

**The Chair:** Ms. Stubbs, we go over to you for five minutes.

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

Thank you to all of the witnesses for being here and for your comprehensive and eloquent presentations.

I have a pre-political background in policy development around the full value chain of oil sands and heavy oil development, and skilled trades education. I've really valued learning more about mining, specifically.

This might be a little weird to say, but I find the mining industry to be inspirational. I'm astounded at the pioneering spirit, the risk-taking, and the benefits that are developed in the sector. I speak, I think, for all of my colleagues here. I want you to know, at least on my part, I'm committed to doing anything I can as a legislator to help further the sustainability and all the benefits the mining sector provides in Canada.

I appreciate the comments on the extension of the METC. I had the opportunity to rise in the House of Commons prior to the budget and ask them. I urged the government to extend the METC and the flow-through share provisions, so I was happy to see that. Thank you for your comments. That is an important fiscal measure.

I would welcome all of the witnesses to make any brief comments about any additional tax incentives or fiscal measures that might be helpful for investment and mining development.

I wonder, Mr. Dirom, if you might expand, for the benefit of all of our colleagues here, on one issue we haven't touched on yet.

When I met with your organization in March, in B.C., I learned about the concerns around some boundary issues with Alaska. My understanding is that the Alaskan government participates sometimes in regulatory reviews of B.C. mines and that they can put pressure on top of the already rigorous regulatory process. Of course, we know that the major industry players in the United States frequently put pressure on Canadian industries, and that the American government occasionally uses those conflicts to negotiate with the federal government.

I wonder if, for the benefit of all of us and for our information, you can provide us some context for that, and maybe just inform us about any of the issues your industry faces from American interventions in the regulatory review process.

**Mr. Gavin Dirom:** Thank you, Ms. Stubbs, for that question.

I would offer that the industry I represent is full of incredibly dynamic, hard-working, inspiring, and proud folks, but realistic. They are dreamers, but it's realistic optimism, I think, and that's the difference.

With respect to the transboundary relations between Alaska and B.C., obviously they're based on the transboundary waters. There are five major rivers that flow from B.C. into Alaska—so the Alaskans are downstream, as it were.

I think it's a very important and serious matter to be discussed. The reality is that there are potentially many mining projects in the northwest area of British Columbia; however, as I think was mentioned earlier by one of the other witnesses, projects move slowly. It's often a 10- to 15- to 20-year process, and it's not as if all those projects are actually going to come to fruition any time soon—certainly not all at once.

I think it's one of these things that we do engage in as a province, and of course, then, as a country, respectfully with our neighbours, and we work to understand what their concerns are. I think that has been happening. The Government of B.C. signed an MOU with Alaska over a year ago. Now it's a statement of co-operation, which I think speaks to that neighbourliness and working to involve neighbours in projects of concern. I think the concerns are reasonable, and they need to be addressed in an appropriate manner.

I know the companies involved in the area—for instance, Seabridge's KSM. They've had a very rigorous environmental assessment process that involved, of course, both B.C. and the Canadian government, and they had significant input from Alaskan regulators at both state and national levels.

There has been input in the past, and I think the statement of co-operation now formalizes, essentially, processes and efforts that had been under way. If there are improvements to be made, I think that's all the better. It's making sure we have a good dialogue with respect to first nations as well, tribes on the Alaskan side and first nations on the Canadian side. It's borderless for them in many respects, and it's important that we can take that into consideration.

I think it's heading in the right direction. I think the implementation of the statement of co-operation will be one to watch and one to be supportive of over the coming year or two.

● (0950)

**The Chair:** Thank you.

Mr. Tan.

**Mr. Geng Tan (Don Valley North, Lib.):** Sure.

The downturn of commodity prices has significant impact on the exploration companies and the mineral producers, and has even probably forced them to cut costs and stop investment. Places like B. C. have lots of mines and hundreds of exploration operations, as you just mentioned.

How is your association working with the innovative technology developers at universities to apply the innovation to your industry to improve the efficiency and the cost, especially for those junior exploration companies to make use of the innovation technology?

**Mr. Gavin Dirom:** That's a great question, Mr. Tan.

I think this ties back to the earlier question about the business or industry clusters that we've formed here in Canada. Vancouver in B. C. is a good example of that on the academic side, especially with universities and schools, whether we're talking about BCIT, the University of British Columbia, or SFU, and so forth.

If I can raise one example, at UBC, there is a body called the MDRU, or mineral deposit research unit. This unit was created decades ago by Dr. Peter Bradshaw, who was just inducted into the Canadian Mining Hall of Fame. The MDRU works with industry and government in the field to troubleshoot and perfect technologies that will give us an edge here in Canada and be applied elsewhere as well.

There are a number of interesting studies. I'll mention one quickly. I am a bit of a science nerd, so forgive me. Muons, which are charged particles hitting the Earth regularly, penetrate everything on a regular basis. There's a mine on Vancouver Island where they're studying the penetrations of muons through the rock in order to correlate that signature with a typical drill, and the assay results that would correspond with copper, zinc, and so forth. If you can do it with charged particles in a muon, it sounds very sci-fi, but it's real and it's happening. The Government of Canada is supporting that research between MDRU and the mining companies.

There are lots of examples like that. That's just one of many that we don't really hear about, that we're not showcasing, and we're not promoting. It's very good work. Our scientists and our industry are working together on a regular basis to improve things.

**Mr. Geng Tan:** What are the main barriers to making use of innovative technology in the industry? Are there any difficulties or other considerations?

**Mr. Gavin Dirom:** That's a good question. I'll probably have to think about that one a bit more. I would imagine resources just in a general sense are necessary, especially at the R and D stage. MDRU is fortunate to attract a lot of support from major exploration and mining companies. You want a program to at least look into whether the Government of Canada would be willing to provide more resources to make sure we can really move these efforts forward.

● (0955)

**Mr. Geng Tan:** Thunder Bay, maybe you have some comments to add. I know you have Lakehead University. You mentioned the chemicals and the collaboration with Queen's.

**Mr. John Mason:** Yes. Thank you very much, Mr. Tan, for the question.

There are other examples that I would specifically like to speak to, and we're seeing a collaboration of industry, industry associations, and the Geological Survey, as well as the Ministry of the Environment.

With respect to looking at the largest footprint on most mining sites, whether it's a legacy site or an active mine, there is often a tailings and polishing pond area. There's opportunity to recycle water, but it is an opportunity that is often embedded within the environmental assessment anyway with their permit to mine. That's an ongoing challenge in being able to reuse that water. The bulk of mines are reusing the vast majority of the water over and over, and that's really an ongoing piece.

There's also an opportunity, I think, at Lakehead University with their Centre of Excellence for Sustainable Mining. They're doing a lot of work with Barrick. The Williams Mine at Hemlo is Barrick's only producer in Canada, as the world's largest gold company.

There's a lot of work regarding remediation with indigenous people around wild rice and the impact of these existing tailings. The mine has been in production, as many of you know, since about 1984, and the life of Williams Mine will likely continue for another five years. That's an ongoing piece. That's very much imbedded within the impact benefit agreement. We work with communities like Heron Bay and Pik Mobert, in particular, as they work arm in arm to look at opportunities around those particular tailings ponds and repurposing them, eventually.

**The Chair:** Thank you, Mr. Tan.

Mr. Barlow.

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

Thank you to our witnesses for being with us today. It's great information. It's certainly much appreciated.

Mr. Angus, I wanted to ask you, as vice-president of the Northwestern Ontario Municipal Association, the following question. The Province of Ontario introduced the northern industrial electricity rate program to help reduce electricity rates for the mining sector and other northern Ontario industries. With the addition of a federal carbon tax on the provincial carbon tax, do you have any idea how much further subsidy you'd need on that electricity rate to remain competitive?

**Mr. Iain Angus:** Thank you very much for the question.

We're just starting to get our heads around the whole issue of cap and trade and carbon tax and what have you. I'll be honest with you. I don't fully comprehend the implications yet. I can tell you that the existing Ontario program, although it certainly was welcomed when it was initiated and we pressed hard for it to become permanent, is still inadequate in terms of major industries in northern Ontario. By this I mean that there is only so much money in the kitty, and it's all being taken up by existing operators.

Secondly, because it relates to a company's ability to initiate environmentally friendly processes to change what they're doing now, it really makes it more difficult for any new player, a new mine or a new forest operation, to actually access the dollars, assuming that the program was expanded, because anybody building something now is going to use the most efficient motors, the most efficient control systems, the most energy-efficient way of doing things, so they won't be eligible.

The other thing is that there is a restriction on who can participate. Any small producer, if they have a mine that doesn't require a lot of electrical power, may in fact not even meet the threshold. Irrespective of carbon taxes or cap and trade, there is still a lot of work to be done to make it more affordable to operate. As John mentioned before, a large percentage of the costs of operating a mine is for energy.

● (1000)

**Mr. John Barlow:** That being said, one of the biggest frustrations I've heard about is the lack of consultations around this announcement of a federal carbon tax. This is being imposed on provinces, but that's going to trickle down to municipalities as well. From what you're saying, already the electricity rate program for northern Ontario is not sufficient when you have the highest electricity rates in North America in Ontario. We talk about the importance of these small to medium-sized operations. Those are the risk-takers, the ones that do a lot of the exploration in the mining industry.

What would be the impact on those businesses, many of which already don't qualify for the electricity rate program, when you put on an additional cost with a carbon tax? What would be the impact on some of those small to medium-sized operations? Will they be able to survive this if they can't access additional funding?

**Mr. Iain Angus:** John may be able to give a better response.

Just off the top I would say in a lot of ways it depends on what the commodity price is. If they already have a healthy margin or a healthy profit given where their particular commodity is selling on the market versus their costs, they'll be okay. If they're borderline.... I know that for some of the mines that we hope to see come to fruition, they're really challenged, given today's price of gold, for example, is they need the gold price to go up another \$100, \$200, or \$300 in

order for the mine to be profitable. The ongoing expense of operating costs will actually contribute to the decision of whether or not they will put a shovel in the ground.

John, do you have anything to add?

**Mr. John Mason:** Thank you very much for the question.

Just to frame an example here, I would suggest—and I track this on a regular basis, and picking up on Iain's point—the all-in sustaining cost that day for production at that particular mine, in U.S. dollars, ranged from roughly \$700 to about \$1,180 an ounce cost on the footprint of any given operation. That's for some of the largest to the very smallest operations in northwestern Ontario. In some cases there's very little margin, so if that additional cost is there, you may be generating red ink, and a mine general manager or a mine president each day monitors that exchange rate, that cost all-in sustaining, and the price of gold today as they plan forward. So that could be putting some projects on very tenuous ground.

I appreciate your comment about electricity prices in Ontario. The NIER program does help offset some of that. Some of the companies have had to go to other incentive programs like the IEI, which has helped a little bit as well. Any break helps. But, again, there's concern about carbon tax and cap and trade as this moves forward. Is it likely going to add to that additional cost and the bottom line, that all-in sustaining cost that morning when that mine continues on its path? It is a concern.

**The Chair:** Thank you, Mr. Barlow.

Mr. Serré, I believe you're going to take the next five-minute spot.

**Mr. Marc Serré:** Thank you, Mr. Chair. I didn't get a chance earlier, but I wanted to talk about the Ring of Fire with our Thunder Bay witnesses, and we all know the provincial lead for the Ring of Fire, Minister Gravelle, from Thunder Bay, with whom you've had, I'm sure, opportunities to discuss things.

Obviously the entire country and the mining industry want to move the Ring of Fire forward, and nationally now recently we have our Minister Bennett also getting involved to provide support regarding the first nations community. I wanted to know if you had any specific recommendations to the standing committee here and the federal government on how can we support, enhance, the provincial government to move this project forward.

**Mr. Iain Angus:** Thank you very much for the question. It's an extremely important one and it's one that has occupied a lot of us for a lot of years now.

How we move this project forward is a very complicated. On one hand, you have all of our desires to see economic activity, but on the other hand you have all of our desires to make sure the first nations are fully engaged in deciding about the future of their territory. At some point, someone has to decide that we need to put infrastructure in place. Once our consultations, by which I mean the formal sense of the obligation to consult and accommodate, have been completed, somebody needs to move forward. It's our understanding that of the four first nation communities in the Ring of Fire, only two at this point in time are interested in having a year-round road connection to their communities. And that's fine. The last thing we need to do is to impose any kind of new infrastructure on a community that doesn't want it.

However, there needs to be a way and the federal government with the fiduciary responsibility needs to take the leadership to say, okay, we've done all the consultation. We understand where it shouldn't go. Let's start doing the detailed plans to put the east-west road in place. I say east-west road for two reasons. One is that the winter road particularly follows that route, and the other is that the one mine that is ready to go needs a road as opposed to a rail line. As well, Pickle Lake and Sioux Lookout are already service centres for those areas, and it's logical to make the connection there.

The federal government needs to say, okay, we've done all of our consultation, but it's time to move forward and let's go hand in hand with the province. They've put on the table a billion dollars that needs to be matched, and as I mentioned in my opening comments, that's not just a road but it's a transmission line corridor, it's a fibre-optic corridor, it's a full service corridor, and that will open up the Ring of Fire to a lot more detailed drilling, detailed environmental assessments, and moving forward, actual development, which will be a boon to those four communities whether they're connected by the road or not.

The other thing, and I go back to an earlier comment from a member of the standing committee, is that the road must be built to service those communities as the prime purpose. The transportation of the materials in and the transportation of the ore out need to be accommodated, but the safety and the provision of services to those communities is uppermost.

● (1005)

**Mr. Marc Serré:** Thank you.

Mr. Dirom, we talked earlier about the clusters, the ecosystems. Obviously in B.C. they're strong, but there are comments about the commercialization aspect. When we look at the private sector, you do all the R and D, the universities and you do the research. When you look at the innovation component linked to the commercialization to support the private sector, that linkage is a bit broken. Do you have any specific recommendations for the federal government to play a more active role on the innovation side, with the commercialization, to get the clusters stronger and get more jobs in those areas?

**Mr. Gavin Dirom:** All I would offer and suggest at this point is to convene a meeting with CMIC, the Canada Mining Innovation Council, and the schools that are active in this area, whether the ones from British Columbia or the ones mentioned from Ontario, and

have them offer up some of the recommendations and suggestions to make sure that part is considered and supported.

In the B.C. context, some of the great innovation has occurred in geochemistry, for instance, not to mention geophysics. Some efforts like that have in fact moved our industry forward, and we have then taken those technologies and methods around the world.

There are good examples. We could be doing more, absolutely, and perhaps I would suggest CMIC should work with the federal government and other stakeholders to come up with those recommendations for you.

**Mr. Marc Serré:** Thank you.

How much time do I have, Mr. Chair?

**The Chair:** You're out of time.

**Mr. Marc Serré:** Do I have five seconds?

**The Chair:** If we could do something in five seconds that would be impressive.

Mr. Cannings, it's over to you for three minutes, and that's our last segment.

**Mr. Richard Cannings:** I have a question for the Thunder Bay contingent. We've heard a lot about indigenous communities and how important that relationship is with the mining industry and how close a relationship it is. I'm wondering if you could provide some comments on what the federal government could do to perhaps further education needs in indigenous communities at all levels, from elementary school up to post-secondary that would give these communities a better capacity to take part fully in the mining industry.

● (1010)

**Mr. Iain Angus:** I'm nervous about providing a formal answer, because NOMA's position has always been that we do not speak for the first nations. They speak for themselves. They're very competent in doing so.

That being said, we need to recognize that the greater the ability of any of the indigenous communities to make decisions for themselves, the stronger those communities are.

We certainly see them as partners on an ongoing basis. In fact, we joke that they have more clout than we do when it comes to the federal and provincial governments. We want to work with them because it's in all of our interests to see them do well.

The more knowledge they have and the more resources they have access to, the better we all will be.

**Mr. Richard Cannings:** I have a quick question to Mr. Dirom.

We talked about New Gold and the New Afton project in Kamloops. That has been talked about glowingly here. There is also the Ajax project closer to Kamloops, which has attracted a lot of controversy. I wonder if you could comment on whether that controversy is simply due to the fact that the project is closer to Kamloops and perhaps a different sort of mine, or whether there's something in the process that the two companies have followed that has made that different.

**Mr. Gavin Dirom:** That's a good question and probably a tough one. I think you're quite right with your opening observation. Proximity is probably the biggest consideration with respect to that project and the level of community support.

I wouldn't suggest that it's a process factor or a company factor or anything else. I think proximity is the issue.

**The Chair:** That takes us to the end of our time for questioning. I would like to say thank you to all three of our witnesses for joining us today whether in Ottawa or from Thunder Bay. The evidence will be very helpful and useful when we get to our report stage. We appreciate your taking the time.

**Mr. Iain Angus:** Thank you, Mr. Chairman and members of the committee.

**The Chair:** We're going to suspend for a few minutes, then come back and go in camera briefly and then go back into public session.

• (1010) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1020)

**The Chair:** Welcome back, everybody.

We are now going to discuss some committee items. I understand there are two motions on the floor that are to be discussed and voted on. I will turn it over to Mr. Strahl first because he has the first motion.

**Mr. Mark Strahl:** Thank you, Mr. Chair.

Thank you for taking us back in public to discuss this motion. I think members should have it. It was submitted on October 2. I'll just read it into the record here quickly:

That pursuant to Standing Order 108(2), the Standing Committee on Natural Resources conduct a pre-budget study on the effects that the "price on carbon" announced by the Prime Minister on October 3, 2016, would have on the natural resource sector; that this study be comprised of no less than four meetings to be held at the Committee's earliest convenience; that departmental officials from Natural Resources Canada be in attendance for at least one meeting; that the Committee report its findings and recommendations to the House of Commons no later than February 15, 2017.

That is the text of the motion. Obviously we have some concerns on the Conservative side about what effect the price on carbon or the carbon tax will have on the natural resource sector. Specifically, we know in Alberta and Saskatchewan that we have 100,000 energy workers who are already out of work, and we've heard even today compelling information that a price on carbon, a carbon tax, may indeed be the difference between projects proceeding and not proceeding. We're talking about thousands of jobs—perhaps tens of thousands—being affected by this. We think that should be part of our study here. We're concerned about natural resource workers, and we want to study what impacts this may have.

We would like the natural resources department to share with us any information that they have, any studies that they have done, any consultations they've carried out, any information that can show what the impact of this new price, new carbon tax, will be because we want to make sure that as we present an alternative vision... I think it's up to the government as well to share with Canadians what the impacts will be. Saying that there will be none is simply impossible.

We want to hear from industry, and we want to hear from the department. I'm sure we'll hear from both sides, but not having this discussion and not sharing that information, I think, does a disservice to natural resource workers who are concerned about paying their mortgages and putting food on the table. As we've heard from some in industry, some individual companies are very concerned about what this will mean for them and their workers.

I hope we can get all-party support for this. I think we've presented it in a way that is simply a stating of the facts. We haven't used any pejorative language in the motion. We want to be able to study this. I think, if the government is confident in its policy, it should have no problem discussing this in this committee for Canadians.

Thank you.

**The Chair:** Thank you, Mr. Strahl.

Hands up whoever wants to speak to it.

Mr. Barlow and then Mr. Cannings.

**Mr. John Barlow:** Thank you, Mr. Chair. I think we just heard today from the witnesses from the Northwestern Ontario Municipal Association that there has been no consultation done on the carbon tax or the price on carbon. We have witnesses here today who said this would determine whether this industry will be able to continue to grow or even be in existence. We had the potash association a couple of weeks ago say something similar. The mining association is speaking for their group, but they don't agree with that stance. They feel this is a real, legitimate concern with regard to what the impact is going to be on their industry. Certainly today we heard that oil is over \$50 a barrel, but in the same day Enbridge has announced that it's going to lay off another 370 workers, many of those in Calgary. Calgary has a vacancy rate of 30% downtown. It's incredible to go to a city like Calgary where you see complete floors deserted in office buildings. I've lived there most of my life and I've never seen anything like this before.

In one of my small communities, High River, minor hockey registration is down 50% because families aren't able to afford it right now. I would really like to see some data or some background from the department showing what the ramifications of the carbon tax or the price on carbon are going to be, and showing that it has done its due diligence, has consulted with industry, and has consulted with stakeholders. Was there really a financial and economic impact study done before this was announced earlier this month? I haven't seen that, and I think it behooves us a committee to be a voice for the natural resources sector.



As my colleague stated, we're going to hear from both sides, and if the ministers are confident in this policy, then there shouldn't be anything to be concerned about from the government side. For us as opposition, and for me as an Albertan, I'm hearing every single day from residents who just can't believe that with a very fragile economy not only in Alberta but also with the impact this will have across the country from Alberta to Atlantic Canada, that this would be the time to introduce something like this. The timing is just really what shocks me the most when I have a province that now has unemployment at double digits, which certainly I've never seen in my lifetime in Alberta either. As a committee, we are really responsible for taking a look at this and at the possible ramifications for our natural resources sector.

•(1025)

**The Chair:** Thank you, Mr. Barlow.

Mr. Cannings.

**Mr. Richard Cannings:** I just wanted to say that we've signed on to the Paris accord. We've heard from multiple witnesses, both in this study and in the oil and gas study, that the industry feels the carbon tax is the best way to provide a market solution to drive down our carbon footprint. It's especially the provinces we're talking about here today—British Columbia, Alberta, and Ontario—that are going to determine what sort of carbon pricing happens. In British Columbia we've had a carbon tax for eight years. We've had very good economic growth in that time. Alberta has a very strong climate action plan, which I think will determine, more than anything we can do here, what will happen there. I just don't see what value we can add to that discussion.

**The Chair:** Thank you.

Mr. Harvey.

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

First of all, I have a response that I think represents the views of my colleagues on this side. They're all welcome to speak to this as well.

While I recognize the importance that a federally imposed price on carbon pollution could have on the natural resources sector in jurisdictions that do not have a provincial framework in place to meet our collective emissions targets, I do not believe that we as a committee should undertake the proposed study brought forth by Mr. Strahl at this time, for the following reasons.

First, only two weeks ago, we unanimously voted to adopt the timeline from now to the end of June that will guide our committee on the rest of the sitting year. Seeing as any federally mandated price on carbon pollution will not take effect until 2018, it is my opinion that, if we were to undertake such a study, it would be more relevant in the lead-up to the 2018 budget.

As well, I feel we would also require the following before proceeding with the study: a detailed outline of the government's plans to put a federal backstop in place for provinces and territories that do not have a framework in place to ensure we collectively price carbon pollution; the working group reports that have been prepared for the first ministers on clean technology, innovation, jobs, and specific carbon pricing mechanisms; specific mitigation opportu-

nities on adaptation and climate resilience, which are not yet available to the public; and some clarity on the preferred provincial and territorial approaches that are currently in place, as well as the intended courses of action to be undertaken by each of the individual provinces and territories that do not currently have a mechanism in place to price carbon pollution.

I would also like to note, Mr. Chair, that if the committee were to undertake the studies proposed by both Mr. Strahl and Mr. Canning at this time, doing so would represent a collective time of no less than 12 meetings, which would significantly impede the committee's ability to conclude the studies it has already undertaken within the timeline already agreed on.

Thank you, Mr. Chair.

•(1030)

**The Chair:** Thank you, Mr. Harvey.

Would anybody else like to speak?

Ms. Stubbs.

**Mrs. Shannon Stubbs:** Thank you, Mr. Chair.

I first want to say that I take it at face value, and in good faith, when we sit around this table and we all say that we share the same values and want to see the sustainability of natural resources development in Canada.

I have to speak on behalf of the more than 100,000 Albertans I represent in Lakeland. I represent a riding that spans the province from Bruderheim to the Saskatchewan border. The communities there are completely and totally dependent on oil and gas development, on heavy oil development. I represent a riding that is just south of the oil sands. The result of the tireless efforts and world-renowned technological achievement in unlocking the development of those resources has underpinned the economy of the entire country for decades. Those efforts have resulted in revenue that has been distributed to every government in Canada and has increased the standard of living for every Canadian in every community.

The people in my riding are facing almost unprecedented economic devastation, and this is already a year in, in terms of the destruction of people's entire livelihoods. There is concern about their futures, about their own sustainability and that of their families, their communities, and our province, like I have never seen in my lifetime. I have heard from many people who have gone through the transitions that Alberta's economy has gone through historically, and they tell me that they have never seen such a prolonged downturn, with no light at the end of the tunnel.

I meet with people in my riding nearly every day, with grown men sitting across the table from me and breaking down in tears because they're losing everything. It absolutely behooves us here to make sure that we understand the impacts of this carbon tax on natural resources development.

It is unconscionable to me that we would even be prepared to say, well, this isn't the right time. This is an issue for us as federal representatives precisely because it hasn't been left to the leadership of provinces and territories. It is an issue for us precisely because before there was a debate in the House of Commons, and before there were negotiations with federal, provincial, and territorial leaders, the Prime Minister stood up in the House of Commons, pre-empted all of that, and said exactly what would be happening to every Canadian and in every community from coast to coast to coast, with no debate among any of us representing our various regions, our people, and our communities, flying in the face of false promises about consultation and understanding unique challenges in different jurisdictions, and flying in the face of all this rhetoric about understanding the human consequences of the job losses and the economic downturn in Alberta.

This carbon tax will disproportionately harm and potentially destroy remote northern rural communities. It will be devastating to Canadians who depend on this sector to feed their families and who do so much for all of Canada. It will have disproportionate impacts right across the country, not just in Alberta, although obviously I represent an area which I and the people I represent view as being under attack. The people I represent believe that this federal government does not understand the scale of the devastation going on here, and that not only is this federal government barely doing anything about it but this federal government is actually making things worse.

I'm sure that all of us sitting around this table, as human beings, really are devastated and concerned about what is going on. I'm sure that all of us, as human beings, are going to say that we had better know what the impact is of this cash grab, which in B.C. hasn't had an impact on emissions reductions. In fact, emissions have increased every year since 2010 in B.C. Economic growth in rural B.C. is almost completely stalled, and there has been no significant reduction in gasoline purchases there.

• (1035)

If this government is going to say that there's a linkage between the carbon tax and emissions reductions, then you need to prove it. If you're going to undermine the competitiveness of Canada as the only country that is imposing a carbon tax on itself in the context of the U. S. and the top six major oil and gas countries in the world, and if you're prepared to put us at such a significant international disadvantage while adding costs to people who are literally losing their livelihoods every day, then we'd better well have a debate about it.

The federal government has been clear enough on what the potential costs are for us to estimate. We know the floor you're at, which the Prime Minister has dictated. We know the scale-up amount he's also dictated. It will happen after the next federal election, so Canadians won't actually see the full cost and scale of this decision until after the next time the Prime Minister goes to get re-elected. That's cynical at best, and maybe underhanded at worst.

So we'd better have this debate. I believe every person sitting around this table thinks that's important. I urge you to support this motion.

**The Chair:** Thank you, Ms. Stubbs.

Would anybody else like to speak to the motion before we vote?

We have no further speakers.

**Mr. Mark Strahl:** Can we have a recorded vote, please?

**The Chair:** All right.

All those in favour of Mr. Strahl's motion as it's been presented?

(Motion negated: nays 6; yeas 3)

**The Chair:** There's another motion to be presented.

Mr. Cannings, I'll turn it over to you.

**Mr. Richard Cannings:** I won't go over the exact words of my motion. It's regarding a study on renewable energy to develop a renewable energy strategy and other aspects. The wording of this was taken largely right out of the first substantive bulletin in the minister's mandate letter.

My constituents are asking why we aren't moving more quickly in this new Parliament on a renewable energy strategy. I think it's very important that we undertake this study. I am flexible on the timing of it. If people aren't sure if we can get this done in the time I've set out, then I'm flexible there. I have included Minister Carr's name there simply because he has personal expertise in this. He's worked on energy strategy in Canada before, and it is part of his mandate.

I think I'll just leave it there. I think this is what Canadians really want this committee to be working on, at least from what I hear from my constituents and people in other parts of the country. I think this is one of my highest priorities in this committee.

• (1040)

**The Chair:** Thank you.

Mr. Strahl.

**Mr. Mark Strahl:** Thank you, Mr. Chair.

While this might be a good motion, given what we just voted on, I certainly think that Canadians who are losing their jobs and their homes and the ability to put food on their table are not super concerned about renewable energy programs and national strategies and that sort of thing. Certainly we will not support any move to move off of studies that will actually help natural resource workers; that will be our focus going forward. We certainly won't support any motion to go away from that.

We're pretty disappointed that we will not be studying impacts on real people and real workers. We will be opposing this motion.

**The Chair:** Mr. Cannings, perhaps we should actually read the motion into the record.

**Mr. Richard Cannings:** Do you want me to read it out, then?

**The Chair:** It's your motion, so I think it would be appropriate.

**Mr. Richard Cannings:** Okay.

The motion is:

That pursuant to Standing Order 108(2), the Standing Committee on Natural Resources conduct [a] study on the development of a Canadian Renewable Energy Strategy, Canada's energy security and bringing cleaner, renewable energy onto a smarter electricity grid; that this study be comprised of no less than six meetings to be held at the Committee's earliest convenience; that departmental officials from Natural Resources Canada be in attendance for at least one meeting; that the Minister of Natural Resources be in attendance for at least one meeting; [and] that the Committee report on its findings and recommendations to the House of Commons no later than June 23, 2017.

**The Chair:** Thank you.

Mr. Harvey, I believe you want to speak to the motion.

**Mr. T.J. Harvey:** Thank you, Mr. Chair.

Thank you, Mr. Cannings, for bringing this motion forward. I respect the passion you have for that part of the natural resource sector and your dedication to seeing those types of projects and the studies around them move forward. However, for the same reasons that I identified around time constraints to deal with the proposed motion brought forth by Mr. Strahl, I do not feel that it's the right time to bring this motion forward. We just voted on a timeline two weeks ago regarding what we are going to do for the rest of this year, so you've thrown this motion out knowing that we don't realistically have time to do it unless we offset all the stuff that we're already doing.

I respect where you're coming from, and I agree that it's an important topic. Personally, I don't believe it's the most important topic we should be talking about at this exact time. I believe there will be an appropriate time to talk about it. For that reason, I'm going to vote against this motion.

**The Chair:** Mr. Cannings.

**Mr. Richard Cannings:** As I mentioned, I'm flexible about the dates. If I may make an amendment as to the timing, we're proposing to do this after the current schedule. I think there's some time to at least get this going.

Just in response to the question about jobs, I think this shift to a renewable energy future is something that will create jobs for people in Alberta and elsewhere who are facing unemployment because of factors that we really can't control here.

**The Chair:** Mr. Harvey.

**Mr. T.J. Harvey:** My recommendation to you, Mr. Cannings, would be to withdraw the motion and table it again at another time in the future that better reflects what the constraints of the committee are and our ability to move on that motion.

**Mr. Richard Cannings:** I'll just let this go to a vote, and if it fails, I'll reintroduce it later, but I think it's important.

Can we have a recorded vote, please?

**The Chair:** Okay.

Would anybody else like to speak to the motion before we vote?

Mr. Lemieux.

[*Translation*]

**Mr. Denis Lemieux (Chicoutimi—Le Fjord, Lib.):** Mr. Cannings, based on my understanding of your proposal, we could even do this as late as the end of next year. Is that correct?

● (1045)

[*English*]

**Mr. Richard Cannings:** Again, I think the wording is “at the Committee's earliest convenience”, and it set the end of June 2017 as the report date. If that's not possible, I'd entertain motions to change it, but I would like to get started on this at our earliest convenience, and, looking at the schedule, I think there are meetings and opportunities for us to get going on it.

**The Chair:** Thank you.

All right, let's put it to a vote.

(Motion negated: nays 7; yeas 2)

**The Chair:** Thank you, Mr. Cannings, and thank you, everybody. That takes care of all the business for today.

We will see you on Tuesday.

The meeting is adjourned.





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