

Governance, Innovation and Skills in Canada's Mining Sector

Paper submitted to 2006 Mines Ministers Conference

Whitehorse, Yukon

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The United Steelworkers union welcomes the opportunity to participate in the annual Mines Ministers Conference and to submit this paper for consideration by ministers and other participants in the conference. Stakeholders have been asked this year to focus on governance, innovation and capacity and skills as aspects of the theme *Security Competitiveness in Canada's Minerals and Mines Sector*.

These topics are of enormous importance to the future of mining in Canada, and are directly at stake in the tumultuous corporate takeover battles that have been raging in recent months, with some of Canada's most storied mining companies up for grabs. We believe that the possible impact of these takeover bids on governance, innovation and capacity and skills in our mining sector has not received enough attention, and urge this conference to take up the challenge.

The United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (USW) represents over 850,000 workers in North America, including about 280,000 in Canada. Our members work in banks and credit unions, nursing homes, hotels, warehouses, security companies, call centres,

universities, fish plants, airports and resorts. They make freight cars, electronics, tires, fireplaces, shelving, floor tiles, paints, blinds, watches, potato chips and baked goods.

Mining, of course, has always been at the core of our union. We currently represent about 25,000 members in the mining industry and we have bargaining relationships with nearly every major mining company operating in Canada. We were co-founders of the Whitehorse Mining Initiative, a multi-stakeholder consensus building exercise that reported in 1994. We participate in a number of international organizations of mine workers, including the International Chemical, Energy and Mine Workers Federation and the International Metalworkers Federation.

We have no problem bargaining with transnational corporations, in mining and in other sectors. Foreign investment brings many benefits to workers, to our communities and the national economy. The recent flurry of takeover activity, however, raises serious concerns about the potential impact of transferring effective control of valuable Canadian mineral resources to foreign-based corporations

Our union's view is that Canada has encouraged companies to develop our natural resources for clear reasons: to provide a basis for prosperous communities with good jobs. Some of the necessary elements for achieving that goal are summed up in the topics presented to this conference: governance, innovation, capacity and training. To put the matter starkly, if the resources are being governed by corporations based elsewhere, our leverage as a union and Canada's leverage as a nation to ensure advanced training of our workforce, capacity building at all levels and deployment of innovation to benefit workers and communities can be severely restricted. The process for determining ownership of a publicly traded company, in a high-stakes stock market showdown, places little or no value on achieving the goals that Canadians have for exploitation of their resources.

Fortunately, Canadian law provides that foreign investments can be held to a test of "net benefit to Canada" and disallowed if they fall short of that test. Unfortunately, there has been little indication that the current federal government – or previous ones, for that matter – are truly willing to take on this responsibility. In the eyes of some observers, any foreign takeover that meets the test of the free market is more or less by definition a benefit to Canada – end of discussion.

The current drama surrounding Inco and Falconbridge began more than a year ago when rumours surfaced about a possible foreign purchaser of the company then known as Noranda. When Noranda announced that it was in discussion with China Minmetals, our union developed and announced a set of principles for judging this or any other proposed takeover:

1. Workers and communities should not be collateral damage in the purchasing process.
2. The voice of the workers must be heard and respected during the purchasing process.
3. The potential owner must commit to keep operating/owning all of its facilities and to a substantial reinvestment into the business.
4. The Federal Government should ensure the purchase is used to protect and create processing and transforming facilities.

Since that time, this story has had more plot twists than a soap opera. Noranda eventually ended the talks with China Minmetals and merged with its subsidiary Falconbridge, but dropped the historic Noranda name. Our concerns escalated when the Swiss-based company Xstrata Plc took a 20 per cent interest in Falconbridge with a clear intention of seeking control of the company. When Inco and Falconbridge announced plans to merge, the Steelworkers union took a clear position in favour of the deal, based on the principles we had established. In negotiating a new collective agreement with Inco this spring, we were able to achieve a guarantee that none of our members in Sudbury would be laid off as a result of the expected combination of Inco and Falconbridge operations.

Our analysis convinces us that an Inco-Falconbridge merger would provide benefits to our members, to the communities where the two companies operate and to Canada as a whole. Those benefits would be at risk if these Canadian companies instead are swallowed up by Xstrata, by Arizona-based Phelps Dodge Corp. or possibly other foreign companies. We believe this issues should be at the heart of an Investment Canada review determining whether a proposed takeover is a net benefit to Canada.

Of course, the mere fact that a company is headquartered in Canada provides no guarantee that their actions will benefit their workers and their host communities. In fact, the USW is actively engaged in the series of national roundtables on corporate social responsibility and the extractive sector that kicked off in Vancouver in June. Along with Canadian civil society organizations, we are calling on the government to go beyond voluntary measures to ensure that Canadian mining, oil and gas companies uphold international human rights and environmental standards when operating abroad.

The roundtables follow up on a groundbreaking report in June 2005 by the Parliamentary Standing Committee on Foreign Affairs and International Trade recommending that Canada adopt policy and legal changes to hold Canadian companies accountable for their activities abroad.

Along with other groups, we are urging the government to:

- Require Canadian companies operating internationally to meet defined corporate accountability, human rights and environmental standards, as a precondition for both financial and political assistance.
- Develop legislation to hold Canadian companies and their directors accountable in Canada when found complicit in human rights abuses and environmental destruction abroad.
- Develop robust Canadian-based monitoring, verification and compliance mechanisms to ensure that Canadian companies operating internationally meet these standards.
- Promote the inclusion of human rights standards in World Bank policies and condition private sector lending on compliance with international human rights standards.

We would urge all Mines Ministers and other participants in this conference to take active part in the national roundtables and to join us in pushing the federal government to take action on the recommendations that emerge from the process later this year.

We look forward to the discussion at the conference.