



SNC • LAVALIN

Successful Partnerships – Finding a Balance Between People, Projects and Profits

**Centre for Excellence for Sustainable Mining and
Exploration**

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Who is SNC-Lavalin?

- SLI is Canada's largest wholly Canadian-owned engineering/construction Company
- Approx. 30,000 employees; gross revenues (2012) of over \$7 billion
- Offices/projects in over 100 countries (including southern Africa)
- Main products: oil & gas; mining; power generation and transmission; infrastructure; transit; environment and water
- Had issues with ethical practices; limited to a few employees; now on a Journey to Compliance; guilty parties will be prosecuted



Who is SNC-Lavalin?

- **Early exposure to First Nations communities in the 1970's through involvement in the James Bay Hydro Development**
- **First formal Joint Venture with First Nations in mid-1990s with formation of Nishi Khon/SNC-Lavalin Inc.**
- **Formation of corporate Aboriginal and Northern Affairs program in 2000; development and maintenance of First Nations relationships/partnerships**
- **Currently more than a dozen aboriginal partnerships in many forms; all across Canada**



How is SNC-Lavalin Involved in Projects/Communities?

- Project engineering, procurement, financing (inc, equity) and construction
- Permitting, environmental impact assessment, community engagement
- Resettlement/Relocation Planning
- Operations and Maintenance
- Development and maintenance of aboriginal relationships/partnerships
- Partnerships include MOUs, Teaming Agreements, Joint Ventures and incorporated companies
- Local Resource Development Initiative (LRDI) – a global initiative



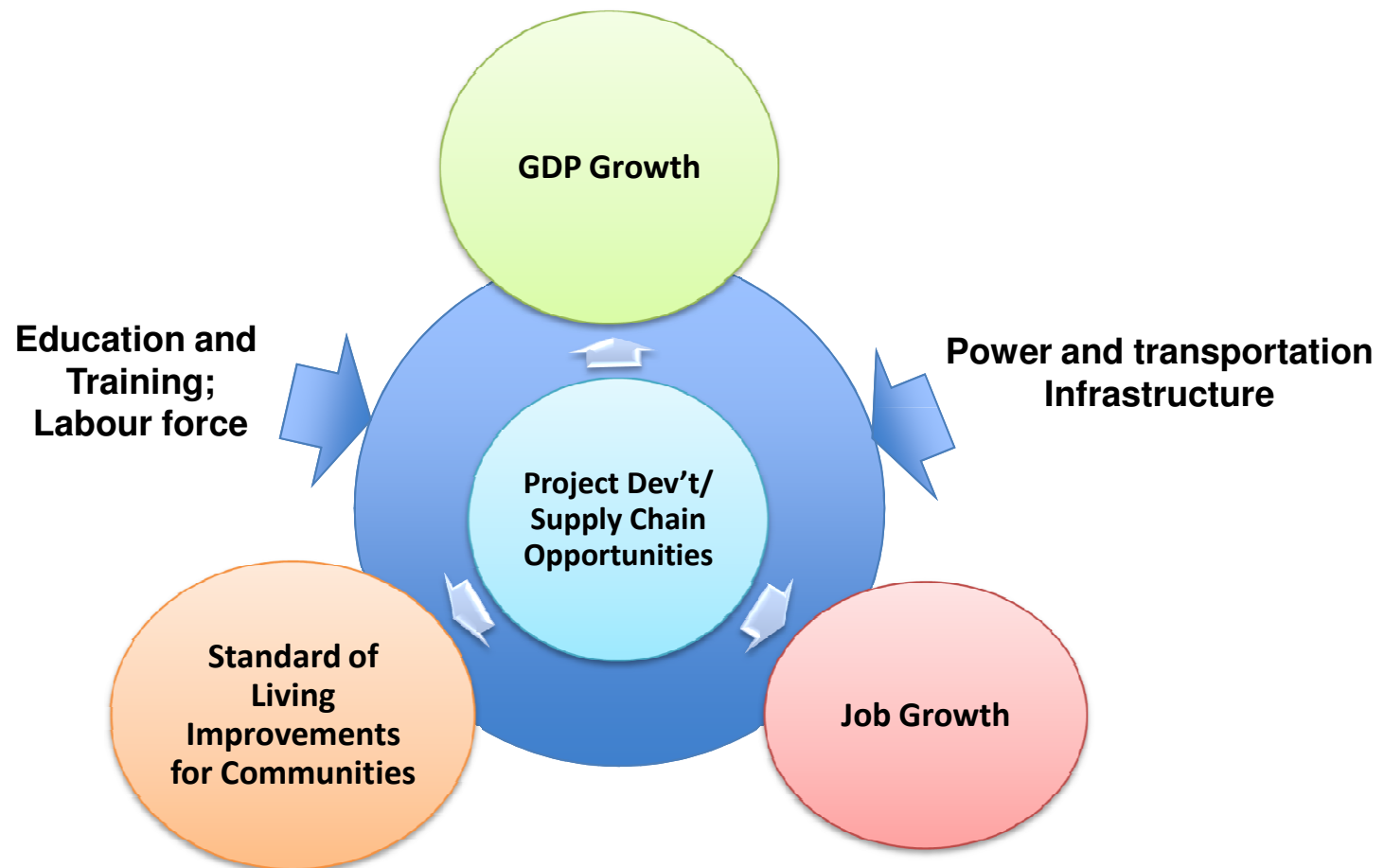
The Global Opportunity?



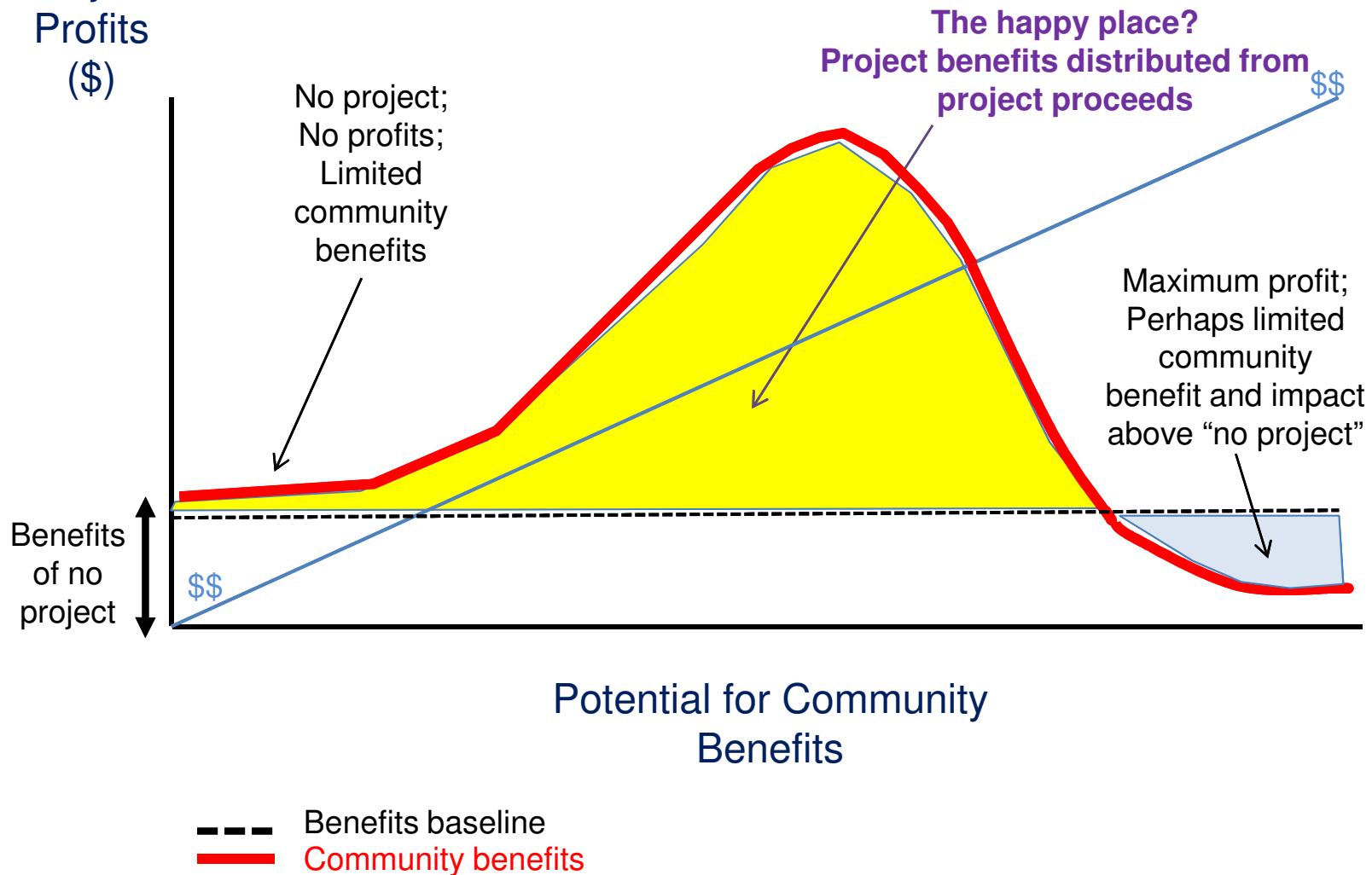
The Global Indigenous Challenge

Canada	International
370m indigenous people worldwide (5%); represent 30% of the world's 900m poorest people (UN 2010)	
Up to 70% of aboriginal Canadians will not graduate secondary school	Poor secondary school completion rates; in Guatemala over 50% of teens have not completed primary school
Aboriginal unemployment rates are close to double Cdn average and up to 80% in remote communities	Australian aboriginal unemployment rate in 2006 was 3 times higher than the national average
Canadian UN Human development Index (HDI) ranks 8 th worldwide; aboriginal population ranks 32 nd	Australian HDI ranked 3 rd worldwide; Australian indigenous population ranked 123 rd
Unemployment and low income leads to crime; 19% of Canada's prison pop is aboriginal (compared to 4% of total population); aboriginal incarceration rate rose 22% between 1996 and 2002 (declined 12% for total population)	40% of convictions in New Zealand are Maoris; 50% of prison population
Suicide rates among Inuit Canadian youth are among the highest in the world (11 times national average)	50% of indigenous people worldwide suffer from Type 2 diabetes
Aboriginal houses are 90 times more likely to not have piped water supply	Housing is most often not a "right"
Life expectancy up to 10 years less than average Canadian	Worldwide, life expectancy up to 20 years less than non-indigenous
Lack of treaties/violation of treaty rights; inability to sell land or resources on treaty/traditional land	Denial of indigenous rights; expropriation of lands; marginalization due to impacts of major resource projects; resettlement/relocation
Lack of recognition of traditional economies	Expropriation of forest lands, agricultural lands, etc. reduces the opportunity for traditional economy

What we Hope to Achieve with Responsible Development



Finding a Balance Between Profits and Community Benefits



Aboriginal Participation/Inclusion



Why is Aboriginal Inclusion Good Business Practice for Corporate Canada?

- Fastest growing population in Canada; compared to a dwindling workforce (over 20% increase between 2001 and 2006)
 - In the next 10 years approximately 400,000 aboriginal people will enter the Canadian workforce
 - It is estimated there is approximately \$315 billion in major resource development potential in or near aboriginal communities
 - Increased settlement of land claims will increase aboriginal land holdings, aboriginal control over resources, and increased funds available to aboriginal communities to participate in projects
 - Social License – access to resources; financing certainty
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Obtaining “Social License” – What Can Be Done?

➤ Education/training

- ☐ Higher secondary school completion rates
(how do we accomplish this?)
- ☐ Relevant training – for jobs that are
available (who pays?)

➤ Employment

- ☐ Increase inclusion
 - ☐ Increase retention
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Obtaining “Social License” – What Can Be Done?

➤ Procurement

- ☐ Increase retention
- ☐ Scale purchasing back to community scale

➤ Environmental Impact Management

- consultation/accommodation
- accurate, complete, comprehensive EIAs
- IBAs
- proper project closure

➤ Aboriginal ownership & control

- ☐ Improve access to capital
- ☐ Effective partnering



Obtaining “Social License” – Aboriginal Inclusion

Education/training and Employment

- Unemployment rates in the communities are far higher than non-aboriginal Canada
- Grade 12 attainment rates are far below provincial/national average
- There is a skilled labour shortage in Canada that is growing
- There is enormous opportunity to train a local/regional labour force
- Partnerships between private and public sector and existing education sector are growing (eg. KKETS/Noront/Confederation College, March 2013)



**We need more creative
approaches to education
and training**

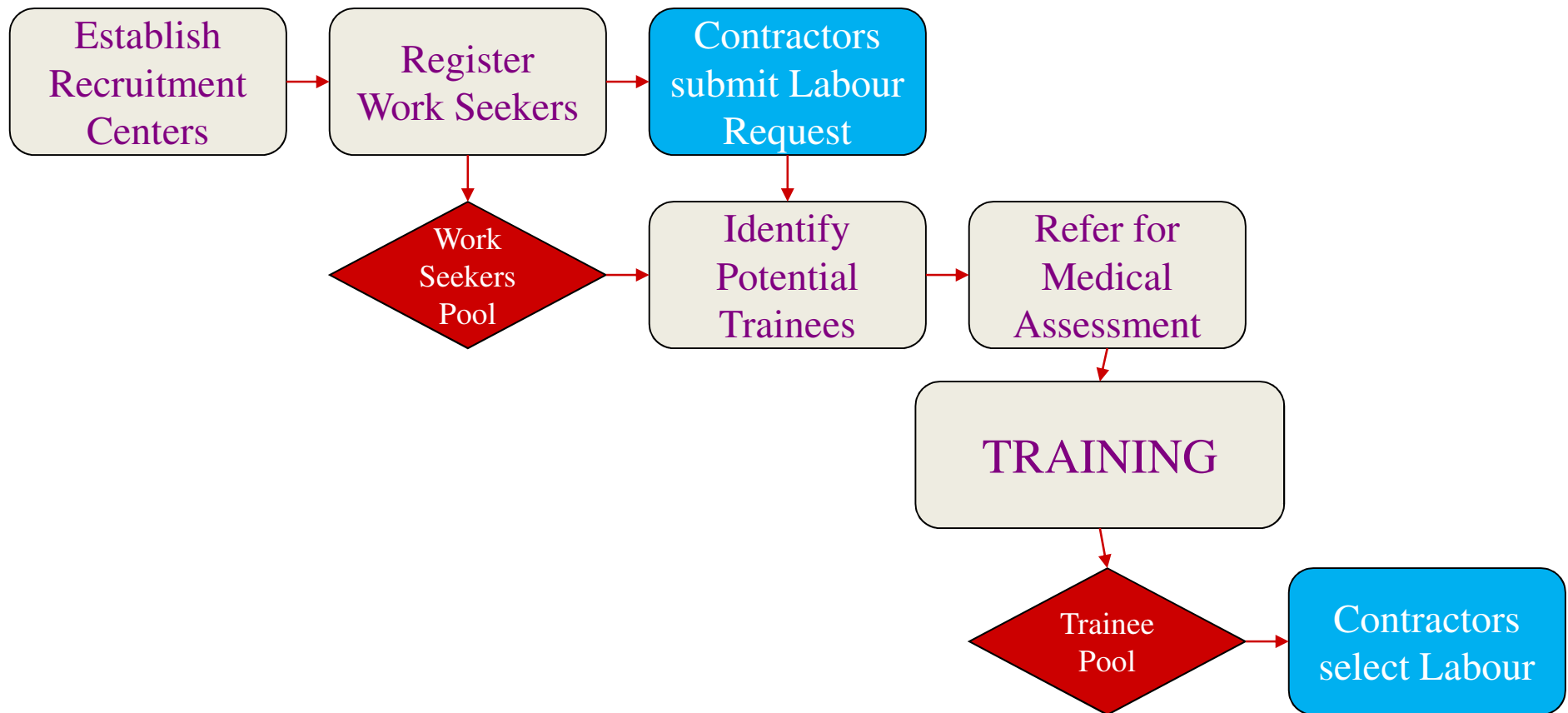
What has Worked Internationally?

Local Resource Development Initiative (LRDI) – *A Community-based project Sustainability strategy integrated into the Construction phase of major projects:*

- Targets Community expectations of positive socio-economic impacts of a mega-project
- Local/regional economic benefits
- Reduced project costs during construction (hire local)
- Optimizes long-term synergies between the project, local labor, local contractors and local communities
- It has been successfully applied (South Africa, Mozambique, Afghanistan, Madagascar, Panama, Peru and Canada)
- Being adapted for implementation in the context of aboriginal communities in Canada



LRDI



LRDI – Local Labour



On previous LRDI projects, we have:

- **Managed the registration of 25,000 workseekers**
- **Trained more than 6000 trainees**
- **Achieved a placement rate of trainees above 90%**
- **Developed projects with more than 80% of local labour**
- **Implemented the LRDI expertise in extreme conditions and various environments**
- **Significantly contributed to the acceptance of mega-projects in difficult environments**

LRDI – SME Development Program

On previous LRDI projects, we have:

- **Facilitated more than \$900 million of local procurement**
- **Issued hundreds of contracts to local SMEs**
- **More than 50,000 manhours of SME Training & Mentorship**
- **Contributed to the development of healthy business practices**



LRDI Executive Leadership Program

LRDI – Benefits

Project Owner	Local Community
<ul style="list-style-type: none"> • Generates significant cost reductions in terms of labor and procurement • Reinforces the social license to operate in a critical period (construction phase) • Increases the productivity of local workers on the project • Helps create a pool of local suppliers and mining clusters • Ensures sustainability of the project through competency transfer and capacity building • Provides a sustainability framework for the Operations 	<ul style="list-style-type: none"> • Provides tangible social and economic benefits to the community • Contributes to induced local/regional development • Enhances equitable distribution of benefits within the community • Strengthen the local private sector • Develops competencies and skills that can be applied elsewhere • Increases employability of local labour • Sustainability indicators and measurement

What's Missing?

- **Aboriginal ownership and control**

What's Needed?

- **Equity; the ability to invest in ownership**
 - **Capacity to own and operate**
 - **Willingness to partner in ownership**
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Aboriginal Ownership and Control

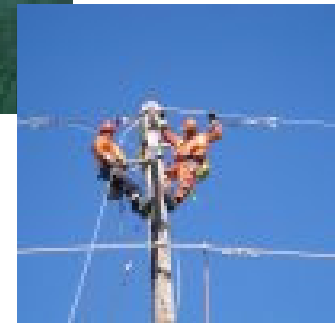
How Can Aboriginal Entities Finance Project Ownership?

- Public financing/funding (FIT, Aboriginal Loan Guarantee Program)
 - Private-Public Participation (P3)
 - “Avoided cost” financing;
 - Ownership models in some circumstances have involved modest initial equity position for FN (potentially derived from impact-benefit and compensation payments), with “graduated share purchase” provisions to increase FN equity over time
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What Worked in Canada?

Omushkego Ishkotayo (Five Nations Energy Inc., Ontario, Canada)

- 270 km of 2X115 kV high voltage transmission
- Moosonee to Attawapiskat First Nation on James Bay coast
- 100% owned by the five First Nations of Mushkegowuk Tribal Council
- Commissioned between 2001 and 2003
- Fibre optic cable was added later



Five Nations Energy Inc.

Conclusions

- Aboriginal inclusion is good business
- Partnering and fair dealings with aboriginal entities strengthens community support and project success through “social license”
- Finding a balance between project financial success and sharing benefits with communities will strengthen community involvement and support



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Conclusions (cont'd)

- Training/education is an imperative for long-term sustainable community economic development; private sector has a role to play
- Inclusion of local SMEs on major projects is challenging but will help to increase capacity and community involvement
- Aboriginal ownership and control is achievable
- Meaningful community involvement on projects can lead to sustainable community economic development and well-being



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