



The art and science of community relations: Procedural fairness at Newmont's Waihi Gold operations, New Zealand



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ABSTRACT

Community relations are an integral part of successful and socially acceptable mining operations. Effective interactions between a mining company and a host community tend to foster mutual understanding and trust, leading to higher levels of acceptance of those operations. The Waihi gold mining operations in New Zealand, which consist of an open pit, several underground operations, a processing facility and waste storage facilities, are well known for their close proximity to their host community. In 2011, the company Newmont Waihi Gold announced a potentially controversial extension to their existing underground operations, which for the first time proposed to extend directly beneath homes in residential Waihi. At the time of this announcement, the company had made no consent application nor held permission to extend their operations. The announcement was the first stage in an extensive three year consultation period with the community to negotiate whether and how the extension might proceed. This paper provides a case study of community relations practice that draws on both quantitative and qualitative research methods to examine the drivers of community acceptance of this extension. This includes results of a survey of community members undertaken prior to the announcement of the proposed extension, which identifies why community members regarded the company as a positive member of their community, and how this contributed to their acceptance of the company. These findings are supported by a series of interviews with key stakeholders from both company and community that interrogate the community relations process and how the mine's extension was negotiated after the initial proposal was announced. Based on these findings, a number of initiatives that were jointly developed by the company, community and other stakeholders through a voluntary, facilitated negotiation process within the legal consenting regime are identified. It is also observed that these negotiations ultimately allowed this complex operation to proceed. Our findings highlight how community relations function in practice, how trust in the relationship between company and community is underpinned by procedural fairness in those interactions, and provide examples of how fair processes are negotiated in context.

1. Introduction

It is well understood that the social licence of a mining operation is a reflection of the quality of the relationship a company has with its host community (Thomson and Boutilier, 2011; Lacey and Lamont, 2014; Parsons et al., 2014; Ford and Williams, 2015; Moffat et al., 2015a; Cooney, 2017). Community relations are an integral part of successful mining operations and where these interactions are effective, they tend to foster mutual understanding, trust and support between a company and the host community (Kemp et al., 2006; Holley and Mitcham, 2016). Research demonstrates that where such interactions are perceived to be procedurally fair, the increased trust created in these company-community interactions tends to lead to higher levels of acceptance of mining operations (Moffat and Zhang, 2014). The Waihi

gold mining operations in the North Island of New Zealand encapsulate the central nature of this relationship between a company and a community.

The Waihi gold mining operations are well known for their close proximity to their host community and consist of an open pit, several underground operations, a processing facility and waste storage facilities; some of which are located within the township of Waihi itself (Evans and Kemp, 2011). In 2011, under the ownership of Newmont Waihi Gold (NWG), the company announced a proposed extension to their existing underground operations. This announcement referred to the proposed Correnso mine which, if approved, would see mining take place directly underneath homes in residential Waihi for the first time. The community relations and engagement program along with the negotiations that took place between the company and the community

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following this announcement ultimately led to the successful application for and approval of the Correnso mine. This approval was achieved through community participation in negotiating the consent through a voluntary, facilitated negotiating process within the consenting regime. The Correnso mine was successfully brought into production in 2015 (Maton, 2015), and the mining operations were subsequently purchased by Oceana Gold in October 2015.

This paper documents a case study of the community relations processes that supported the successful approval of the Correnso mine, with a particular focus on the quality of the relationship between the company and community, and the combination of aspects underpinning the relationship quality. Much of the literature pertaining to community relations has been critical, suggesting that such functions are designed primarily to serve corporate and organizational interests (Kapelus, 2002; Szablowski, 2002; Kemp, 2010; Bitektine, 2011; Prno and Slocombe, 2012; Kemp and Owen, 2013). Given this criticism and recognising that mining is often a contested practice, this case study research draws on multiple sources of evidence, both quantitative and qualitative, to closely examine and generate analytical generalisations about the drivers of strong company-community relations in a local context (Denzin and Lincoln, 2005). While the Waihi gold operations are characterised by a number of unique features, such as the history of mining in the town and its location within the township, we argue a number of findings emerge from this case study of community relations that are both generalisable and applicable to other contexts.

The paper is structured as follows. We briefly describe the case study context. This is followed by a review of key literature highlighting the structural elements of company-community relations. We then present a quantitative survey study of community acceptance of NWG and its existing operations prior to the announcement of the extension. These results identify the key elements of the company-community relationship and the drivers of acceptance at that time. We then present a qualitative interview study interrogating the experience of how company and community worked together to negotiate acceptable outcomes. This covers the period immediately following the announcement and the years leading up to the consent application, approval and commencement of the Correnso mine. These results detail the nuance of company-community interactions, and how fairness critically underpinned those interactions during an often challenging period. Finally, the implications of these findings are discussed, highlighting how the art and science of community relations function in practice, and how trust in the relationship between company and community is underpinned by procedural fairness in those interactions.

2. A brief history of gold mining in Waihi

Waihi is located in the Hauraki District on the east coast of the North Island of New Zealand at the base of the Coromandel Peninsula. The town of Waihi has a population of 4527 people (NZ Statistics, 2013) and is located between the neighbouring residential communities of Paeroa, Waihi Beach, Waikino, Karangahake and Katikati (QandA Communications Group, 2006). Waihi is located 63 km north of Tauranga, the major regional port, and approximately 125 km southeast of Auckland, the largest city in New Zealand. The area is characterised by significant environmental assets such as the Karangahake Gorge, which lies between Paeroa to Waihi, and a range of waterways, surfing and recreational beaches, and wetlands (QandA Communications Group, 2006), which make it an important tourist destination (Thames Coromandel District Council, 2010).

The town of Waihi and mining have been closely interlinked since gold was first discovered there in 1878, with Waihi developing as a prosperous mining town around the development of the original underground workings (QandA Communications Group, 2006). While gold mining has been a persistent part of the economic and industrial underpinnings of Waihi, the cyclical nature of gold prices and economics have seen a number of other industries emerge,

including horticulture, dairy farming, manufacturing and tourism. When the mine closed in 1952, these industries sustained the town.

In 1987, the original underground workings were reopened as an open cut mine with the pit located in the centre of Waihi. This brought mining back to Waihi and in 2002, NWG, a subsidiary of the Newmont Mining Corporation, acquired the operations. Since NWG's announcement of the Correnso mine in 2011, the physical proximity between the mine and the community was further heightened, and in October 2013, NWG gained consent to proceed with the Correnso mine, which stretches directly underneath the residential community of Waihi East (Banarra, 2014). Such consent was, at least in part, facilitated by NWG's community relations process with affected parties about the nature of this extension and the co-development of a series of initiatives to manage the impacts of the Correnso mine. It is these processes which are the subject of our analysis but first we outline the theoretical constructs which guide our analysis.

3. The structural elements of company-community relations

The practice of community relations in the mining sector can be broadly understood as a company's interactions with the people constituting the environment it is operating within and extracting resources from. Such interactions are generally aimed at fostering mutual understanding, trust and support between the company and the community (Kemp, 2010; Holley and Mitcham, 2016). A host community refers to those living within the immediate vicinity of an operation, who are directly or indirectly impacted by a company's activities (Evans and Kemp, 2011). Community relations tend to begin with how best to manage and mitigate the impacts of mining activities (Humphreys, 2000; Hilson, 2012). For example, mining developments can create adverse environmental and amenity impacts associated with increased noise, dust, pollution or other disturbances. While these negative impacts are often managed through formal instruments such as Environmental and Social Impact Assessments and other regulatory instruments, it has been demonstrated that a community's experience of those localised social, environmental and economic impacts of mining and a company's ability to reduce those impacts voluntarily in response to community feedback plays a role in determining their acceptance of mining operations (Moffat and Zhang, 2014).

There is little doubt that mines and communities vary widely across contexts. This means that the nature of those company-community interactions can also look very different based on differences in local priorities (for a company, a community or both), the nature of the mining activity and its history in a place, or even the demographic profile of a community and the mix of other industries comprising the local economy. Despite differences in localised experiences and conditions, there is a common set of structural elements that underpin effective community relations which have been demonstrated to be relevant across diverse mining contexts. These are the contact quality between company personnel and community members, distributional fairness (particularly in relation to unequal sharing of costs and benefits), procedural fairness, and trust. Each of these structural elements is briefly described below and together they provide the conceptual framework for structuring the subsequent analysis of community relations in this case study. Fig. 1 summarises the main elements of successful community relations and the relationships among them.¹

¹ The model and the relationships illustrated in Fig. 1 have been developed based on a range of theoretical and applied research (e.g. Kemp et al., 2006, 2011; Thomson and Boutlier, 2011; Kemp and Owen, 2013; Lacey and Lamont, 2014; Moffat et al., 2014, 2015b; Moffat and Zhang, 2014; Zhang et al., 2015). The arrows represent predicted associations between the elements that can be measured and modelled using structural equation modelling. A positive symbol indicates that more of one element is expected to lead to more of another (e.g. increased procedural fairness predicts increased trust).

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