



Township impact

In copper-nickel debate, we all should consider economic costs as well as gains

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Anyone in business knows that a company's revenues account for only half of their financial equation. A business whose costs exceed its revenues is a business in trouble. The same calculus applies to local economies and must be considered as a community contemplates the implications of a major economic development project. Almost every development comes with direct costs, indirect costs, and potential risks. And every community should seek to understand those downsides as residents contemplate the wisdom of any project. Considering the benefits without weighing potential costs would be economic and political malpractice.

As the Ely area debates the merits of a copper-nickel mine, it is critical for residents and local political leaders to recognize that there are benefits, costs, and potential risks associated with any such proposal. We hope our story (see page 1), provides a starting point for discussion on that subject.

We used census data, election results, and academic studies, to better understand the differences in income levels, housing growth, and attitudes towards copper-nickel mining between residents of the city of Ely and residents of the outlying townships that factor heavily into Ely's economy. And we used those results to make estimates of the potential costs, in lost income, to the local economy.

A new mine would undoubtedly generate significant new income to the Ely area economy, mostly through the wages paid to mine workers. But if those gains are offset by income losses due to decisions to leave the area by some of the many residents of the townships who strongly oppose the opening of a sulfide mine in their watershed, the Ely area has assumed substantial environmental risk for little, if any, economic gain. Our analysis assumes that a dollar of income is worth the same to the local economy, whether it's spent by a copper-nickel miner or by a retiree who spends their pension and Social Security proceeds to live in the North Country.

Using this assumption, we looked at the data, made assumptions which we describe in our report, and offered reasonable conclusions. We recognize that the data could support other conclusions as well. Our report is hardly definitive, but is illustrative of the kind of calculations that should be undertaken, preferably by actual economists hired by the Forest Service, before the area

considers whether to support a potential copper-nickel mine. That said, we believe our report's conclusions are well-supported by the available data, and are likely conservative.

Our look at the data revealed some interesting trends. Most disturbing was the fact that Stony River Township has experienced relatively little new housing, either permanent or seasonal, since intensive mineral exploration by Twin Metals got underway in the township. That's in sharp contrast to other townships in the area. Whether that's a coincidence or evidence that mineral exploration and the potential for mining is limiting local investment isn't clear, but it's a question worth exploring. Would other townships, such as Fall Lake, located downstream of a possible mine, be avoided as well were a mine eventually built? A University of Minnesota survey of residents in the townships suggests the answer may well be yes.

The data makes one critical point perfectly clear—the economic activity generated by the incomes of township residents and long-term investments in housing and other infrastructure, is undoubtedly a major factor in Ely's economy. And keep in mind, our analysis looks primarily at the economic impact of income generated by local residents, whether year-round or seasonal. Economic activity generated by outside visitors, i.e. tourists, is an entirely separate issue.

This is why the two-year federal study on the costs and benefits of a potential mine is so valuable, and why current efforts to short-circuit the study are ultimately risky, potentially even destructive, to Ely's economy. Residents of the area would benefit tremendously from the kind of thoughtful and informed exploration that the federal study could provide. We need to recognize that mining jobs represent only one side of the economic equation in Ely. Without understanding the potential costs, we're considering only one side of the ledger. Anyone in business knows you need both sides to make an informed decision.