

Study shows impact of mining on economy, level could triple by 2013 with new projects

Minnesota's iron ore mining industry is the single largest contributor to the economy of Northeastern Minnesota's Arrowhead region and has grown in relative importance in recent years, according to a study by economists at the University of Minnesota-Duluth.

Expansions and new projects currently being planned both for iron and non-ferrous mining could triple mining's statewide economic impacts, the study said.

In 2007, mining helped contribute more than \$3.1 billion to the state's economy and helped support more than 10,000 jobs.

If all iron mining expansions and new iron and non-ferrous mining projects go forward as planned, the report estimated the total statewide economic impact could more than triple to \$8.7 billion by 2013, supporting more than 20,000 jobs.

Mining contributed \$2.3 billion to the Gross Regional Product (GRP) in 2001, or 23% of the \$10.1 billion total GRP; in 2007, mining's contributions were \$4.7 billion, or 34%, according to the Bureau of Business and Economic Research at UMD's Labovitz School of Business and Economics.

During the same time frame, forestry dropped from 18% of the total GRP to 12% and tourism tripped from 12% to 11% of the

total GRP, the report said.

"Iron mining clearly is the key contributor to the health of the regional economy and also makes significant contributions to the economy of the entire state," said Craig Pagel, president of the Iron Mining Association of Minnesota.

"While demand may fluctuate based on economic conditions, mining continues to offer the greatest potential for economic growth in the area," he said. "The industry continues to develop new technologies to extract the minerals we use every day, doing so more efficiently and with more environmentally sound practices."

Frank Ongaro Jr., president of the non-ferrous industry trade group Mining Minnesota, said that mining for copper, nickel, cobalt, platinum, palladium and gold offers the opportunity to diversify the regional mining economy and significantly bolster the overall contribution mining makes to the state and regional economy.

"Applying the mining expertise developed in Northeastern Minnesota to new, non-ferrous projects has the potential to add more than \$2.7 billion to the state's economy by 2013 and to create 7,000 new jobs," Ongaro said.

In addition to the good paying mining industry jobs that have

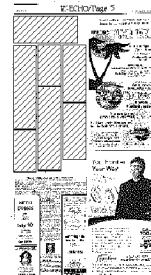
health and retirement benefits, mining also creates jobs outside the mining industry itself, the report said. For every one mining job, an additional 1.8 jobs is created in the economy.

Major suppliers to industry include electric power generation, transportation, natural gas distribution, management, wholesale trade and construction machinery.

The potential economic impacts of construction of expansions or new projects also are significant, according to the report. Using economic modeling, the report indicated that the construction alone has the potential to contribute \$10 billion to the state's economy and provide an average of 9,250 jobs a year for six years. The report modeled a six-year construction timeframe from 2008 through 2013; modeled employment ranged from 1,229 in 2013 to a peak of 14,946 in 2012.

Current mining operations paid more than \$148 million in state and local taxes in 2008, based on 2007 production. Of that, nearly \$46 million supported local schools and more than \$11 million supported the University of Minnesota. Much of the remainder is funneled to local communities where mining takes place.

The report used baseline data from six existing iron ore min-



ing and processing operations in Minnesota's Mesabi Iron Range.

For new or expanded production, the report reflected the potential for increased production from an expansion planned by Keewatin Taconite; potential new production from Mesabi Nugget, which will produce a higher iron content product and is being built near Hoyt Lakes; production from Essar Steel Minnesota, which has broken ground and begun site preparation for an iron ore mining and processing and steelmaking facility near Nashwauk, and production from Magnetation, which is exploring recovering iron ore from tailings.

Potential non-ferrous projects studied in the report include projects proposed by Duluth Metals, PolyMet Mining Co, Kennecott, Franconia, Teck-Cominco, Encampment Minerals, all of which are in various stages of development.

The study was commissioned by the Minnesota Department of Employment and Economic Development, Minnesota Power, the Natural Resources Research Institute, Iron Range Resources, the Iron Mining Association of Minnesota and Minnesota Mining.

The Arrowhead Region discussed in the report includes Aitkin, Carlton, Cook, Itasca, Koochiching, Lake and St. Louis counties. The report also included impacts to Douglas County in Wisconsin.

Economic impact includes the combined effect of direct impacts, defined as the initial spending resulting from the operations or projects; the indirect impacts, defined as the additional inter-industry spending generated by the direct impacts, and the induced impacts, defined as the additional household spending result from the direct and indirect impacts.