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New Rosemont Mine study calculates \$30B in economic benefits

By Tony Davis

ARIZONA DAILY STAR

Tucson, Arizona | Published: 11.29.2009

A new study financed by the company proposing the Rosemont Mine southeast of Tucson predicts the mine will be even a bigger economic boon — about \$30 billion over 25 years — than an earlier study foreseeing \$15 billion in economic benefits.

The new figure is about \$5 billion in benefits for every billion dollars the company is expected to spend during that period, according to the study.

The new, larger figure is due in part to the fact that the latest forecast cast a broader net. The first study, released in July, looked only at local economic activity in Pima and Santa Cruz counties stemming from the mine; the new one added Cochise County as well as statewide and national benefits.

Both studies were written by Arizona State University's Seidman Research Institute, and the Arizona Department of Mines and Mineral Resources. The studies cost Rosemont Copper Co. a total of \$87,000.

But the new study is drawing criticism from environmentalists and from a prominent Los Angeles economist for what it does and doesn't say.

Economist Christopher Thornberg says the study greatly overestimates indirect benefits generated by the mine's direct expenses for wages, purchases of supplies, and other goods and services. A ratio of 5 to 1 of indirect to direct benefits compares to a typical ratio of 2 or 3 to 1, said Thornberg, a founding principal of Beacon Economics.

Also, environmentalists say the study neglected economic costs of what they see as the mine's negative effects, such as destruction of wildlife habitat and additional truck traffic. The Star interviewed ASU Economics Professor Lee McPheters and Mines Department Director Madan Singh about the study. The Star also posed questions to Thornberg and environmentalists Roger Featherstone of the Arizona Mining Reform Coalition and [Randy Serraglio of the Center for Biological Diversity.](#)

Q. Why was this study expanded?

A. While the initial study was under review, the authors learned that the Forest Service had defined the mine's study area to include Santa Cruz, Pima and Cochise counties, McPheters said. Second, because of Rosemont's size and technical complexity, the authors recognized that equipment and supplies for construction and operations would be produced not only locally but elsewhere in Arizona and nationally.

Q. What economic activity will this mine generate?

A. Direct effects, totaling about \$6 billion over 25 years, come straight from the mine's construction and operations, the study said. They include purchases of goods and services by Rosemont from heavy equipment companies and other suppliers, wages and salaries paid to the mine's 406 employees, and taxes and other payments to local governments. The study calculated those effects from Rosemont Copper's mine feasibility study.

Q. Where does the rest of the \$30 billion come from?

A. It represents changes in the overall economy — be it local, state or national — due to indirect effects, also known as the multiplier effect, the study says. In the three-county local forecast area, the overall mining industry as well as the utility, manufacturing, trade, real estate, rental, leasing and business service stand to benefit indirectly. That's because Rosemont employees and companies that sell equipment or services to Rosemont will spend money on these companies' goods and services, the new study says. The indirect effects come from a computer model developed by the private Regional Economic Models Inc.

Q. Why is this forecast drawing criticism?

A. The idea of a multiplier makes sense during a recession, when a company that creates jobs is plucking many employees from the unemployment rolls, economist Thornberg said. But during normal economic times — and this mine is supposed to start operations in 2012 when the economy should be better — its new hires are more likely to be working elsewhere, he said.

So while the mine may pay higher wages than companies it takes employees from, that means the main benefits are extra wages paid to Rosemont employees, Thornberg said. Instead, the study implies that with no mine, these 400 people wouldn't be doing anything, he said. "They are highly overstating the long-term benefits," Thornberg said. "The very concept of multiplier is so shockingly abused in our economy for just these reasons. You think you can create something out of nothing."

Q. How do the study's authors respond?

A. The model they used is updated regularly, and should include forecasts that take into account economic recoveries, McPheters said. Since Rosemont's feasibility study provided predictions of annual expenses of hundreds of millions of dollars, it's not clear why Thornberg believes something is created from nothing, he said.

Also, in a market economy, when workers move from lower-wage jobs at sites such as motels, to higher-wage Rosemont jobs, that actually creates more opportunities for new employees to replace lower-wage workers, McPheters said: "That is basically how economic development works."

Q. Should the study have looked at costs, too?

A. Yes, said environmentalist Featherstone. He predicted tourism would take a hit from what he called an unsightly and noisy mine. Effects on property values, firefighting and other public safety costs, costs for temporary housing and schools, and negative values from destruction of open space should have been studied, he said.

"The real reason for the update of this study is to get another bite at the media apple for the company in advance of the publication of the mine's draft environmental impact statement," said Featherstone.

Q. Why didn't the study look at negative effects?

A. The impact on tourism is greatly overrated, said Singh, the Mines Department director. Three copper mines have operated in the Tucson area for decades with no tourism losses, he said. Look also at money spent by out-of-state geologists and drillers who explore for minerals, he said.

"If the mining industry was not such a significant industry historically there would be no gem and mineral show every February in Tucson, which contributes about \$80 million," Singh said.

Second, not only isn't there evidence that local mining lowers property values, the large number of mining consulting firms in Tucson has helped the economy and land values, Singh said. Third, the mine won't cause permanent ecosystem damage, said Singh, since the company will reclaim the land.

Q. What happens to the rosy forecasts if Rosemont hits a bump — like the one that hit Freeport McMoRan's new Safford mine last year?

A. That's the concern of environmentalist Serraglio, due to a job cut there from 675 workers in 2008 to 540 workers today.

"How many hundreds of small contractors lost their contracts ... because those billion-dollar promises turned out too good to be true? And how about the negative multiplier effect, the hotel owners and developers and other local businesses that went bankrupt?" Serraglio said.

Q: The authors' response?

A: The study is not based on an attempt to predict cycles, McPheters said. It is based on the 20-year time span in the mine feasibility study as prepared by Rosemont for the Forest Service.

Also, the need for copper in China, India and other countries for the next decade or more will be large enough to make the probability of a severe cutback at Rosemont remote, Singh said.

Contact reporter Tony Davis at 806-7746 or tdavis@azstarnet.com