

Does the Comox Valley Need the Raven Underground Coal Mine?

**A socio-economic review of the costs and benefits
to communities in the Comox Valley
of the proposed Raven Underground Coal Project**

Prepared for

CoalWatch Comox Valley Society

by

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April 2012

www.coalwatch.ca

Table of Contents

Executive Summary	iii
Introduction.....	1
Jobs	1
Local government revenues and costs	2
“Multipliers”	2
The Comox Valley does not need the Raven Project; the alternative is already in place.....	3
What are the likely impacts of the Raven Project on specific components of the economic plan?	4
The Raven Technical Report Economic Analysis raises questions for the public	5
Endnotes.....	6

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Executive Summary:

Compliance Coal promises that the mine will provide 200 construction jobs for 1-2 years and 325 mining, port, and transportation jobs for 16 years with an average salary (with benefits) of \$100,000, and that this will contribute substantially to the local economy. The actual contribution of the coal mine to the local economy is questionable for the following reasons:

- Any local folks hired to work at Raven will probably already be working at other jobs in the region.
- Most of the unemployed persons in the Comox Valley will not be eligible for any of the jobs at the mine.
- The local folks who leave their current jobs to work at Raven will put pressure on their current employers to raise wages and find replacements (which may not be easy).
- If local people cannot be found to work at Raven, then people will be brought from other parts of Canada and other countries.
- The company will not pay local government taxes, and any rural property tax it pays will go to the province.
- An increase in local government revenues from Raven workers will only happen if the workers come from outside the area and buy new homes. If, however, the workers already live in the region, or if the workers are migrants who live in a camp, there will be no increased property tax revenues, and little increased retail and other spending.
- On the other hand, the increased costs to the communities are likely to be high for roads, housing, services like fire and emergencies, and health and social needs.
- The degree to which wages and purchases get multiplied to Comox Valley's benefit will depend on who is hired, where they live, and where the company and its employees buy what they need. The real economic multipliers in the CVRD are volunteer effort, dedicated workers, and a commitment to grow the local economy.
- Since 1998, the Comox Valley has undergone extensive public processes to develop a vision, strategy, and specific business plan for its socio-economic future. This carefully researched economic development plan for the CVRD provides the basis for a sustainable, diversified, and vibrant economy for now and future generations.
- The Raven Project will add nothing to the plan, and – because of the projected 16-year life of the mine, and associated cultural and environmental impacts – has the potential to detract from its success.
- The June 2011 Technical Report economic analysis on the Raven Project raises a number of questions about the mine's long-term viability: hydro rates and diesel rates are very low; no taxes, interest, or financing charges are included in costs. No compensation is foreseen for First Nations or communities. No road upgrades or maintenance to public highways or roads are included. The ore body may prove difficult to mine economically, for a variety of reasons.

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Introduction

In April 2012, CoalWatch Comox Valley Society asked the author to prepare a brief report on the potential effects of the proposed Raven Underground Coal Mine on communities in the Comox Valley. There is as yet little detail on the subject available from Compliance. This document is grounded in an extensive review of literature on the socio-economic impacts of the mining industry in other settings, economic planning documents for the Central Island, and the company's own documents. The report is organized as follows: jobs, local government revenues and costs, multipliers, economic alternatives to the mine, and questions about the mine's feasibility analysis.

Jobs

Compliance Coal promises that the mine will provide 200 construction jobs for 1-2 years, and 325 mining, port, and transportation jobs for 16 years at an average salary (with benefits) of \$100,000. There are a number of problems with the Compliance claim:

- *Any local folks hired to work at Raven will probably already be working at other jobs in the region.* Currently, the mining industry across Canada is facing an unprecedented labour shortage due to an aging workforce and expansion in the industry itself. In April 2011, it was forecast that there would be over 610 mining job vacancies across the country in 2012, and over 1800 by 2020.¹ As a result, anyone with the requisite skills is probably already employed in other mines. Any experienced underground miners in the CVRD are already fully employed at Quinsam. The construction industry in the Comox Valley is also facing labour shortages as a result of continuing demand for housing.²
- *Most of the unemployed persons in the Comox Valley will not be eligible for any of the jobs at the mine.* All advertised positions for underground miners, including labourers and miner helpers, require 2-5 years experience. Even labourer positions require a high school diploma. Census results in 2006 showed that 12.8% of adults 25-64 in the CVRD had not completed high school. A recent North Island College program to train "miners" requires that participants be unemployed but cannot be on EI, or have been on EI in the past three years and cannot have any post-secondary education. The four-month program does not provide upgrading to a high school diploma level.
- *The local folks who leave their current jobs to work at Raven will put pressure on their current employers to raise wages and find replacements (which may not be easy).* Most local workers will come not from the unemployed but from existing jobs in the construction and transportation sector. The people who then fill the vacated jobs will come from other parts of the economy, creating new shortages there. This is called the "skimming effect." In a survey conducted with Fanny Bay, Denman, and Hornby residents in 2011, concerns about labour supply were significant³. Since any local workers are already housed, their municipal taxes will not change.
- *If local people cannot be found to work at Raven, then people will be brought in from other parts of Canada and other countries.* The mining industry is faced with a serious shortage of skilled miners. In April 2011, Kailuan Dehua (a Chinese company) received permits from the federal government to hire 92 foreign workers for their underground mine in BC. The permit lapsed and now a related company, Huiyong Dehua, has submitted applications for 201

foreign workers.⁴ There are other foreign migrant workers contracted to work on the tar sands. It is likely that the Raven Project will also have to contract foreign workers. During the construction phase, if Raven does not supply housing for these workers, they will put pressure on current tourist accommodation (motels, B&Bs), displacing regular customers. They will also add to the current rental housing crisis⁵, pushing rents up and displacing other tenants. During the mine's operation, workers from outside the region/country will add to the already over-heated housing market, and increase demand on existing health, social services, education, recreation, and other services. Their contribution to municipal taxes and levies will not be enough to offset the costs. Workers sourced from outside the region are unlikely to spend much money in the region, as they will be sending remittances to their families at home.

Local Government Revenues and Costs

- *Local taxes and levies.* The mine is within the boundary of the Comox Valley Regional District (CVRD) and will likely be assessed under the Rural Property tax provisions, so the taxes will go to the province, not to Fanny Bay – the nearest community – or to the regional district. The company gives no indication that it has considered issues of local taxes and levies that may be payable to the CVRD.
- *Resource Rents.* Compliance will have to pay a negligible Mineral Land Tax. The Technical Report states: “In British Columbia, fee simple undersurface rights are subject to an annual mineral land tax of \$1.25/ha. The annual mineral land tax for the 3,100 hectares of fee simple coal lands contained within the Raven project area is approximately \$3,700. No annual work requirements or annual payments other than the mineral land tax are due to the provincial or local governments (Cullingham, 2007).⁶”
- *Will there be increased local taxes and levies from company employees?* An increase in local revenues from Raven workers will only happen if the workers come from outside the area and buy new homes. If, however, the workers already live in the region, or if the workers are migrants who live in a camp, there will be little increased property tax revenues. Certainly local tax revenues will not increase during the construction phase, as most outside workers will live in temporary housing on a rental basis.
- *On the other hand, the increased costs to the communities are likely to be high:*
 - road maintenance and repair due to the use of heavy trucks;
 - increased use of emergency and fire services by the mine and its employees;
 - increased demand for education, health, hospital, and social services;
 - demands for emergency housing services because of displacement of low income tenants;
 - lost revenues from existing small businesses as the skimming effect sets in and small businesses cannot find workers.

“Multipliers”

Compliance argues that the economic benefits from the mine will be 1.5 times greater than their investment. Multipliers are calculated based on the size of the amount re-invested in the community. As we see above, the degree to which wages and purchases get multiplied to the benefit of Comox Valley communities will depend on who is hired, where they live, and where the company and its employees buy what they need. Many other industries also have “multiplier” effects. In 2007, Millier, Dickinson, Blais Inc. estimated the multipliers for the arts and culture industry to be as high as 3.3⁷. The real economic multipliers are volunteer effort, dedicated workers, and a commitment to grow the local economy. The CVRD already has these in abundance.

The Comox Valley does not need the Raven Project; the alternative is already in place.

Since 1998, Comox Valley has undergone extensive public processes to develop a vision, strategy, and specific business plan for its socio-economic future. In 2005, Synergy Management Group Limited reviewed 74 studies and reports addressing economic opportunities and development.⁸ These studies then became the basis of further planning by the Comox Valley Economic Development Society, and later the Comox Valley Regional Development Strategy. There have been many other studies and reports since then, including the VannStruth Economic Analysis of 2009, and their Comox Valley Investor Profile and Economic Benchmarking Analysis of 2011.

There have also been initiatives from other groups: K'ómoks First Nation, the arts community, food-producers, shellfish growers, forestry workers, and the community tourism foundation. All these processes have striven to be inclusive, so their work has involved community meetings, focus groups, and workshops. They have taken enormous time from individuals and organizations, and they have, in most cases, been at least partially funded by governments at the municipal, First Nation, provincial, and federal levels. These processes have cost millions of (mostly public) dollars.⁹

This carefully researched economic development plan for the CVRD provides the basis for a sustainable, diversified, and vibrant economy for current and future generations. The Raven Project will add nothing to this plan, and – because of its 16-year life and resultant negative cultural and environmental impacts – has the potential to detract from its success.

The following passionate statement made during last fall's hearings on the Terms of Reference for the mine captures the risks to the local economy.

I have lived in Fanny Bay for all of my life. I own a home with my wife and two children, and I grow shellfish for a living. My mentors have been Fanny Bay Oysters and Keith Reid who are leaders in this field. My wife has worked for Fanny Bay Oysters for 13 years doing all of their shipping, while I have ventured off into starting our own farm. In 2010 we both decided to do farming full time and started selling our product to restaurants direct in Whistler for the Olympics. Over the past year we have established our brand as a local west coast product that chefs are proud to serve their customers. Our focus is on sustainable farming practices and selling as locally as possible. Today, 100% of our customers are within a 100-mile radius of our farm, and our delivery vehicle runs on propane in an attempt to do what we can to reverse the effects of global warming.

Baynes Sound has great potential for employment in the region as long as the water remains pristine. There are scallops, geoducks, oysters, clams, large schools of herring, all generating excellent economic benefits and creating long term employment in the region. As a by-product of this economy, the residents receive clean water and an abundance of wildlife and marine life due to the sustainable nature of the industry. The government is aware of the economic benefits of the shellfish sector, which is why they have invested millions into a new wharf at Fanny Bay and a new field station in Deep Bay for scientists, chefs, and students to come together to help increase technological advancements. Population growth, pollution, waste, and heavy industry are problematic for the shellfish industry, which is why the field station was built to such rigorous LEED standards in hopes that the public will realize the importance of reducing their fertiliser use, or preventing leaching septic which can cause difficulty for Baynes Sound's overall water quality.¹⁰

What are the likely impacts of the Raven Project on specific components of the region's economic development plan?

- *Home-based and small businesses, as well as volunteer energy, are crucial to the economic plan's success.* A survey conducted in Fanny Bay in Fall 2011¹¹ found that ten local businesses and three community organizations together employed 90 full-time and 22 part-time people, and engaged over 46 volunteers. The town water and fire protection has four part-time staff, seven volunteers, and 19 other fire-fighter first-responders. An independent school had four full-time, two part-time, and two occasional staff, but depended on more than 20 volunteers to deliver its programs. A similar picture emerged on Denman and Hornby islands. This kind of dedicated paid and volunteer work is unlikely to be possible for Raven shift workers or migrants. Importantly, the people who currently deliver these programs have indicated that they would consider moving if the mine goes ahead.
- *People who choose to live in the Comox Valley, Fanny Bay, Denman Island, and Hornby Island do so because of the region's natural beauty and pristine environment; they bring their investment dollars, pensions, and other income with them.* This has stimulated the construction, retail, arts and culture, and tourism-recreation industries. VannStruth reported that "35% of transactions through the Vancouver Real Estate Board in 2007 were for retirement purposes." As the comments during the public hearings on Raven indicated, development of the Raven Coal Mine (and the possible development of Compliance's nearby Bear and Anderson open pit coal mines) may drive these residents away and discourage others from coming.
- *Agriculture, aquaculture, and processing in "The New Provence."* The Community Tourism Study states: "Several wineries are located in the Comox Valley, including Beaufort Vineyard & Estate Winery, Blue Mountain Estate Winery, and an artisan honey winery – Middle Mountain Mead. Shelter Point Distillery is a single malt boutique distillery, and Surgenor Brewing Company produces hand-crafted brews from local ingredients. The Valley is also home to specialty food processors, artisan cheese producers, specialty meats and game producers, organic fresh produce growers, an abundance of fresh seafood producers, and farm markets."¹² Another study¹³ found that the value of agri-food production and processing (including shellfish aquaculture) in the Comox Valley is \$60,909,000 annually. The Raven project may put the clean air and water on which these industries depend at risk through its toxic effluents, generation of dust and other air pollutants, subsidence under creeks and rivers, increased traffic on the roads, and accidents.
- *K'ómoks First Nation.* The CVRD recognizes the significance of its relationship with the K'ómoks First Nation. This First Nation has stated significant concerns about the Raven Project, asserting their Aboriginal title as well as the probability of damage to country foods, the fishery, and their aquaculture leases.
- *Arts and Culture.* A report on Economic Development and Cultural Industries in the Comox Valley¹⁴ concluded that 917 persons or 3.52% of Comox Valley's workforce were employed in the sector in 2007. Of these, 540 were employed in technical occupations and 265 were professionals. Millier Dickinson Blais Inc. estimated the total annual economic impact of the cultural sector in the Comox Valley as \$76,175,041, contributing about \$1,222 per person to the local economy. This thriving sector is dependent on residents who live in the Comox Valley because of its "Quality of Life" factors and on tourism, all of which are likely to suffer if the Raven Coal Mine goes ahead.

- *Tourism.* Tourism is a major service employer in the region. The Comox Valley Economic Development Society estimates that the hospitality/tourism industry provides employment for approximately 1,800 people, or about 6% of the labour force. Based on BC Tourism data, the society estimates that visitors to the region generate \$85 million in expenditures annually. The Raven Project is likely to affect the tourism industry in the following ways: increased heavy truck traffic on the roads, especially on Highway 4 through “Cathedral Grove” and to Tofino-Ucluelet and Pacific Rim National Park Reserve; put pressure on accommodations for tourists as construction workers and others seek places to stay; disturbances to the “pristine, natural experience,” people expect to have throughout the region; and inability of the sector to attract employees because of the “skimming effect.”
- *People in the Comox Valley pay their way.* In 2005, Western Diversification and other bodies provided funding to undertake a “Net Worth” analysis of the Comox-Strathcona economy. The Net Worth calculation purports to determine whether a region is a “wealth generator” or a “wealth consumer” by weighing the inflow of funds from government (i.e., transfer payments to individuals, such as government pensions, EI, and social assistance, etc., and transfer payments to deliver education, justice, health care, etc.) against the outflow of funds to government (sales taxes, corporate and income taxes, etc.). The study found that the region generated approximately 40% more revenues for government than it receives from government.” The Comox Valley alone generated net wealth of \$233,562,528 in 2001.¹⁵

The Raven Technical Report Economic Analysis raises questions for the public

The economic analysis in Compliance’s June 2011 Technical Report raises a number of questions about the mine’s long-term viability:

- Diesel prices are calculated at \$0.66/litre.¹⁶ Current prices for even bulk users are double that.
- Hydro prices are low (\$0.05/Kwh)¹⁷ and – like other mines in BC – receive a subsidy from the public of about \$50 per megawatt hour (Mwh). Energy economist Marvin Shaffer writes: “In the industrial sector, the average rate is less than \$40/Mwh. The cost of new supply in BC Hydro’s last round of purchases was close to \$90/Mwh. Every additional megawatt hour of new industrial load is effectively subsidized by \$50. For a new mine with a load of up to one million megawatt hours per year, the effective subsidy is some \$50 million per year.”¹⁸
- No extra costs are included for upgrades or maintenance to Highway 19, Highway 4, or for municipal roads in Port Alberni.
- No cost is included for water taking for the mine or mill.
- No costs for First Nations or community compensation are anticipated.
- The analysis does not include any amounts for taxes, interest, and other financing costs, which are likely to be substantial.
- The ore body may prove difficult to mine economically for a variety of reasons.

Endnotes

¹ Mining Industry Human Resources Council, April 2011.

² VannStruth, Regional Economic Analysis, 2009, page 145 “labour supply is an on-going issue that has been exacerbated in recent years by the very high demand for skilled construction tradespeople.” As well as:
<http://www.investcomoxvalley.com/investmentservices/constructionstatistics.htm>

³ Survey of Fanny Bay, Denman Island and Hornby Island home-based and small businesses by CoalWatch Comox Valley Society.

⁴ www.tinyurl.com/8aa3yag

⁵ Vacancy rates between 0% for bachelor to 2.6% for a 2-3 bedroom.
<http://www.investcomoxvalley.com/businessresources/documents/2011StatProfile.pdf>

⁶ <http://www.coalwatch.ca/sites/default/files/TechnicalReportRavenProject-PincockAllenHolt-08Jun2011.pdf>, page 4.4

⁷ MillierdickinsonblaisInc. Comox Valley: Economic Impact of Cultural Industries. January 2008

⁸ Synergy Management Group Ltd. Proprietary Economic Modeling and Impact Analysis for the Comox Strathcona Regional District. Inventory and Assessment of Regional Economic Development Reports and Studies : Annotated Review Report # 2 of 5, March, 2005

⁹ The Synergy research for example was funded by Western Economic Diversification Canada, (BC) Ministry of Sustainable Resource Management, Coast Sustainability Trust, Comox Valley Economic Development Society (CVEDS), and Rivercorp Economic Development Corporation.

¹⁰ From comments on the Draft Assessment Information Requirements [Comment 138 from Anonymous](#) 2011-05-21

¹¹ Survey of Fanny Bay, Denman Island and Hornby Island home-based and small businesses by CoalWatch Comox Valley Society.

¹² Community Tourism Foundations. Comox Valley Situation Analysis.

¹³ Gap Analysis of Agri-food in the Comox Valley, 2008

¹⁴ MillierdickinsonblaisInc. Comox Valley: Economic Impact of Cultural Industries. January 2008

¹⁵ Synergy Management Group Inc. page 9

¹⁶ Technical Report page 22.41

¹⁷ Technical Report page 22.41

¹⁸ Shaffer, Marvin. Lost in Transmission. <http://www.cope378.ca/lost-transmission-critique-bc-energy-plan>