

MITIGATING BOOM AND BUST: CREATING A SUSTAINABLE ECONOMY

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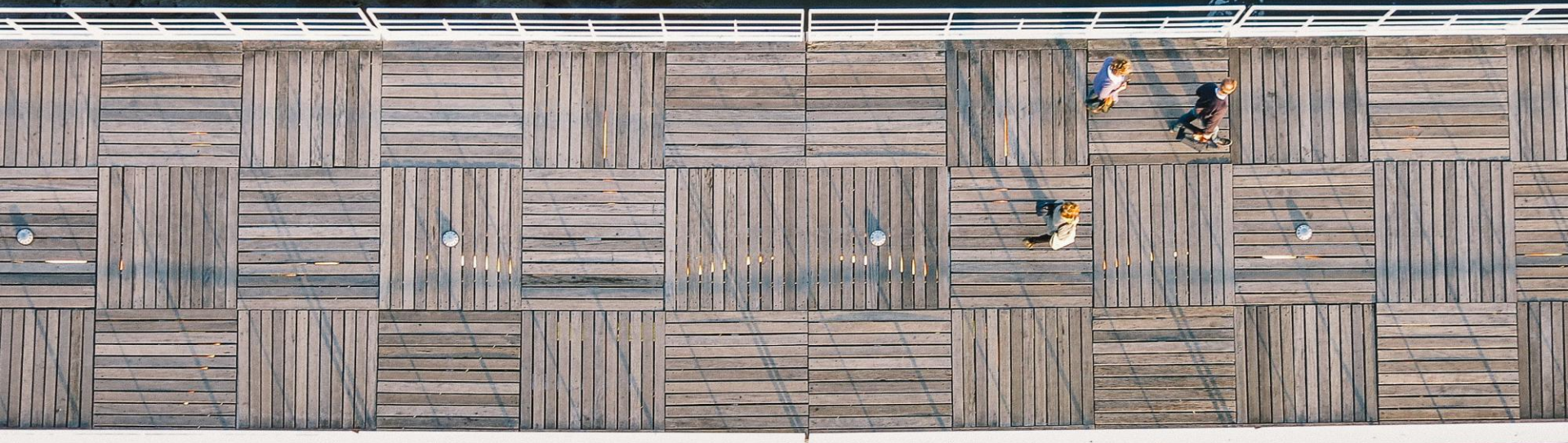
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In an attempt to break the boom and bust cycle historically associated with the mining industry, Eagle Mine, a subsidiary of Lundin Mining located in the Upper Peninsula of Michigan, is working with the community to bolster the local economy outside of extractive industries through programs like Accelerate UP.

This case study analyzes the progress, successes, and challenges that Accelerate UP has encountered in its first two dynamic years of existence.

Mining companies have been fighting a reputation of creating a booming economy which proves unsustainable once mining ends in that area.





BACKGROUND

Eagle Mine is located in the Upper Peninsula of Michigan.

Surface construction began at the mine site in 2010, followed by underground construction and development in 2011. Lundin Mining purchased Eagle Mine from Rio Tinto in Q2 of 2013. The mine began producing ore in Q3 of 2014 and is expected to continue until 2022.

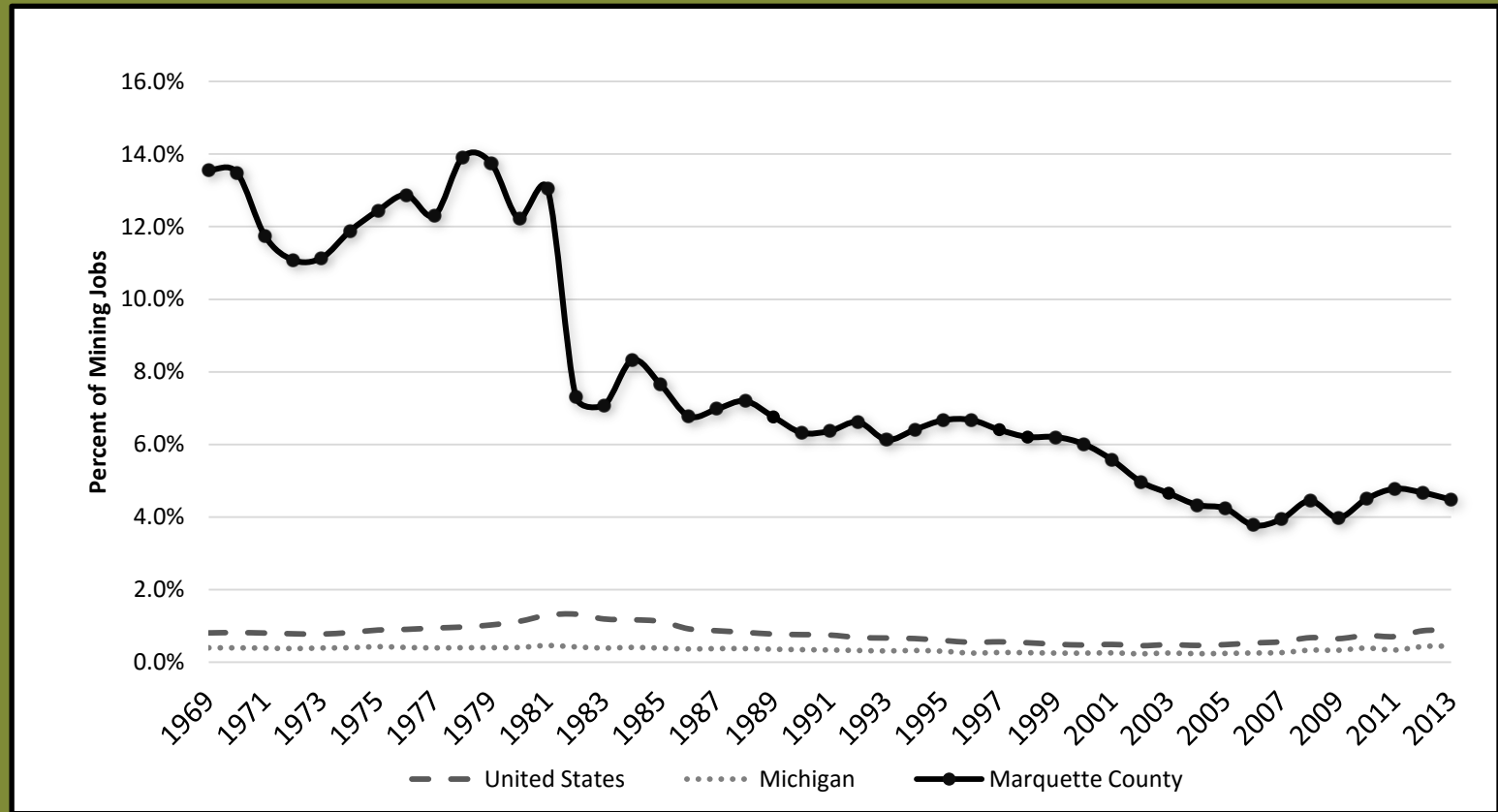


Figure 2. Mining Industry Jobs by Year (Source: Bureau of Economic Analysis)

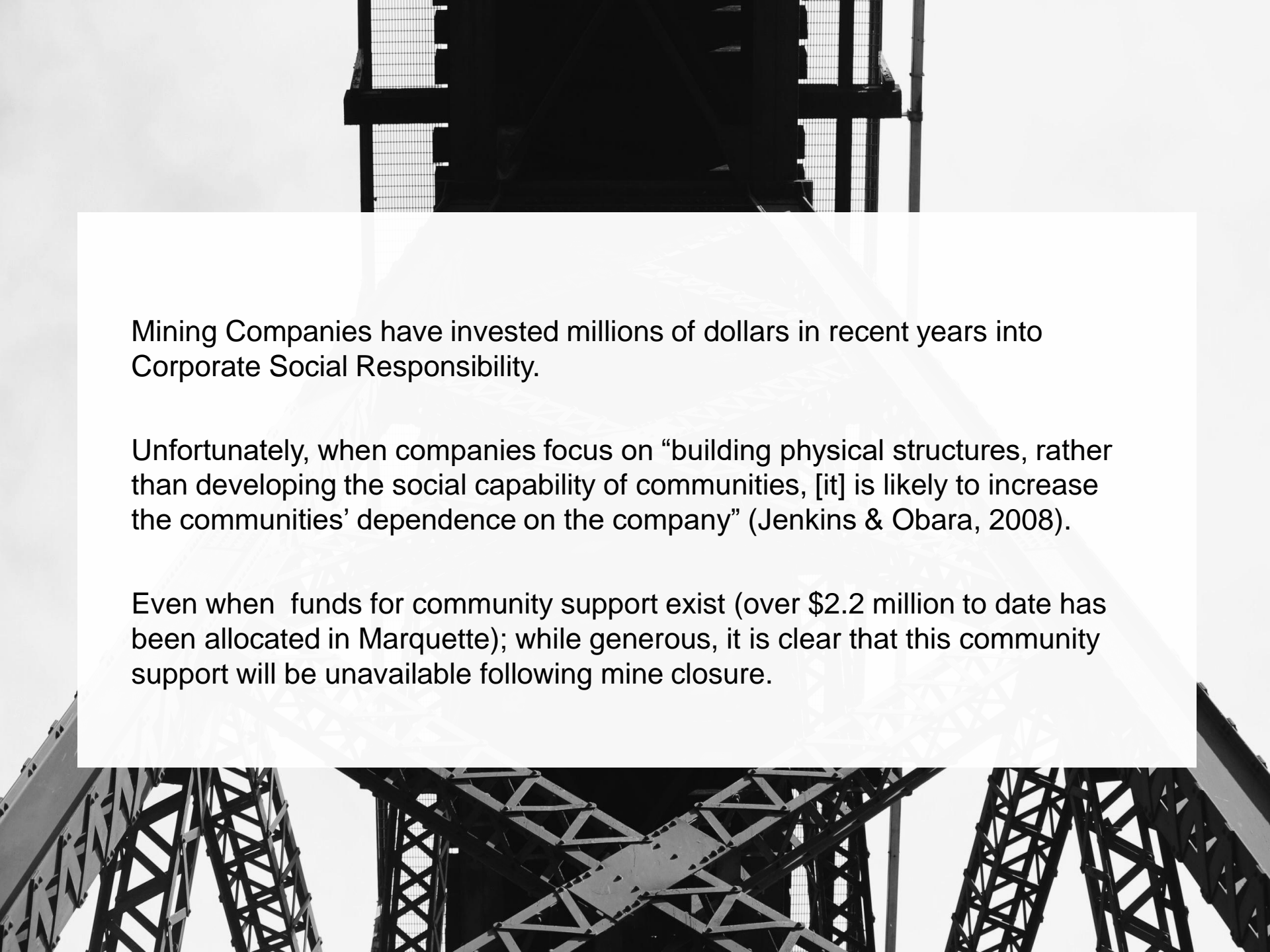
While not a stereotypical “rural” community, Marquette County is relatively isolated with an economy that has depended heavily on logging and mining activity in the past.

Eagle Mine

a subsidiary of **lundin mining**



The Economic Impact Analysis estimated the direct and indirect economic effects of Eagle Mine



Mining Companies have invested millions of dollars in recent years into Corporate Social Responsibility.

Unfortunately, when companies focus on “building physical structures, rather than developing the social capability of communities, [it] is likely to increase the communities’ dependence on the company” (Jenkins & Obara, 2008).

Even when funds for community support exist (over \$2.2 million to date has been allocated in Marquette); while generous, it is clear that this community support will be unavailable following mine closure.



To break the boom and bust cycle historically associated with the mining industry, Eagle Mine is also providing resources for the community to bolster the local economy outside of extractive industries through innovative programs, such as Accelerate UP.

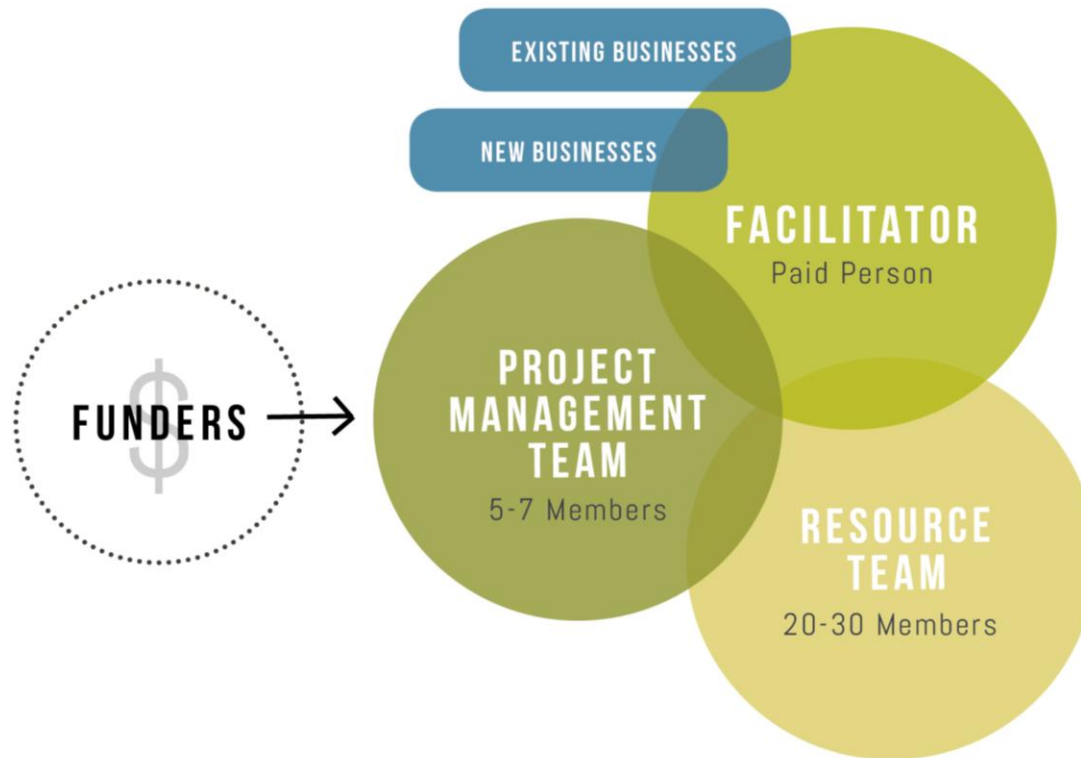


Accelerate UP is a nonprofit organization offering business coaching within Marquette County.

The goal of Accelerate UP is to create “as many jobs as Eagle Mine directly produced so that when Eagle Mine closes, a similar number of jobs will have been created elsewhere in the community” (Malhotra et. al, 2013).



The Entrepreneurial Development (ED) model that is the foundation for Accelerate UP is based on the belief that “an empowered and engaged community will create a sustainable economy” .



The Facilitator, Management Team, and Community Resource Team are integral to ensuring the success of an ED program.



PROGRESS AND SUCCESSES

In its **first two years**, Accelerate UP has made steady headway in the community. **Six new businesses** and **23 new jobs** have been created since its inception. More than **\$639,000** of capital have been spent in Marquette County. Today, there are **29 clients** actively participating in the program.



Small businesses are products of innovation and passion, but the statistics surrounding business failure rates are staggering—nearly 85% of US firms less than 5 years old closed their doors in 2012 (US Census Bureau). This rate is slightly lower for Michigan firms at approximately 80%.

Conversely, more than 80% of businesses in over 300 communities that have participated in ED programs are successful

There is value in having a person who ‘knows a little bit about everything’ when it comes to economic development and is good at connecting people.”

–Lance Wolfe, Business Consultant, Michigan Small Business Development Center, Michigan Works!

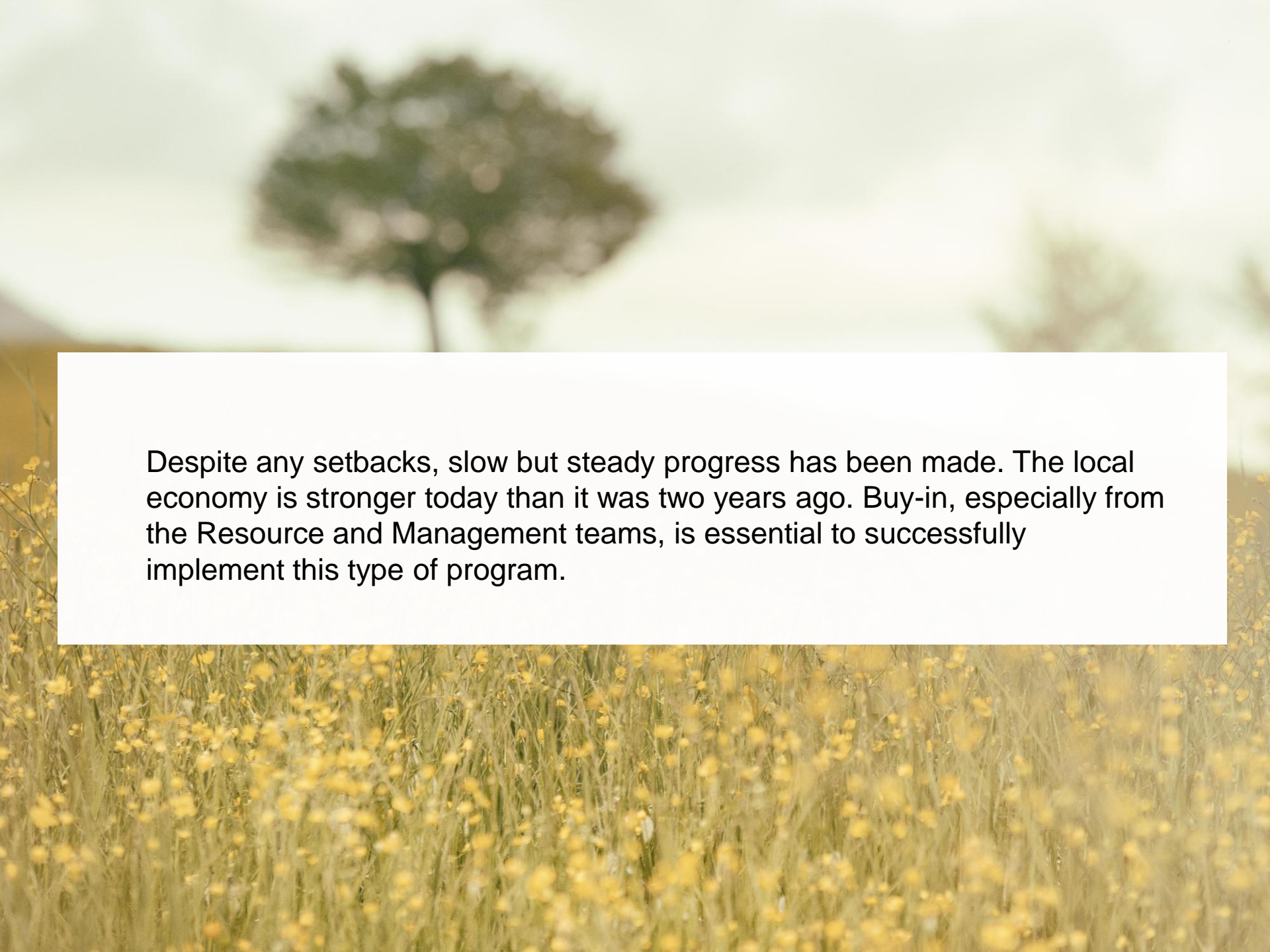


Because Eagle Mine believes in this program and in its responsibility to help build the capacity of the community, they intend to fund Accelerate UP for an additional three years, through 2018.

CHANGES AND CHALLENGES

The initial challenges encountered in the first two years of Accelerate UP are not unique to this program, and tend to be common occurrences in extractive industry-heavy communities:

- Change in ownership of the local mining project and principle funding source
- Rural communities with low population density and a large geographic footprint
- Turnover in management (volunteer and remunerated)
- Requirement of funding source to see a return on community investment as soon as possible.

The background of the slide is a soft-focus photograph of a field. In the foreground, there are numerous small, bright yellow flowers, likely wildflowers or daisies, growing on thin green stems. In the middle ground, a single, larger tree with a rounded, dark green canopy stands out against the light sky. The overall lighting is bright and natural, suggesting a sunny day. The text is overlaid on a white rectangular box in the center of the image.

Despite any setbacks, slow but steady progress has been made. The local economy is stronger today than it was two years ago. Buy-in, especially from the Resource and Management teams, is essential to successfully implement this type of program.



CONCLUSION

Mining companies can no longer afford to exclusively pursue philanthropic relationships with the communities in which they operate.

Mining companies cannot guarantee that they will operate in a region forever; however, proactively preparing a community for life post-mine closure should be the new standard in Corporate Social Responsibility.

This type of program, when run correctly, empowers the community and eliminates the donor-recipient relationship. Entrepreneurial Development programs are becoming essential additions to modern-day Corporate Social Responsibility in regions that rely heavily on extractive industries.



Thank you



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