

Five Thriving Minnesota Communities:

Hibbing

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Management
Analysis
& Development



Hibbing



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Management Analysis & Development
Minnesota Management & Budget

We're Ore...

- Minnesota produces 90-95% of US iron ore and 3-5% of global production.¹ Hibbing borders the largest open pit mine in the world.
- **Current MN taconite industry²:**
 - 4,200 employees and 13,000 additional vendor employees
 - Regional economic impact \$3.4 billion (direct \$1.8 billion; \$1.6 billion induced)



¹ IRRRB

² Iron Mining Association of Minnesota

Expansions & new mine-related ventures

- US Steel – Keewatin and Mt. Iron (MN) taconite plants
 - HQ in Pittsburgh; operations in US, Canada and Central Europe
 - Supplies automotive, appliance, container, industrial machinery, construction, oil and gas industries
- PolyMet
 - Canadian-based; operational HQ in Hoyt Lakes(MN)
 - A copper-nickel-precious metals mine
 - Adding 360 jobs
- Essar Steel Minnesota
 - Global producer serving India, Canada, US, Middle East, and Asia



Expansions & new mine-related ventures

■ ArcelorMittal

- Steel and mining company with presence in 60 countries
- 20 mines in operation; 330 employees in Minnesota; 260,000 worldwide
- World's 4th largest iron ore producer



ArcelorMittal Orbit
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ArcelorMittal

■ Mesabi Nugget

- New plant that uses rotary hearth furnace to turn iron and pulverized coal into iron nuggets



Expansions & new mine-related ventures

■ Magnetation

- Building plants in Chisholm and Taconite (MN)
- Currently 100 employees; expanding to 300
- Will ship products to Mexico starting 2012

■ Iracore International

- Unique lined pipe system for oil sand slurry transport and tailings disposal and related industries
- Product increases safety and reduces customer downtime
- Products and support to numerous Canadian companies, internationally
- Approx. \$18 million, and approx. 150 employees in Minnesota, Utah, and Ontario



....and More

- Architecture and engineering grew almost 7% (2005-10), and is projected to grow more than 20% this decade
 - Green design
 - Environmental clean-up
- Computer system design: 24% (2005-10) and projected to grow 23% (2009-19)
- Fairview Range/University Medical Center – Mesabi
 - \$167 million gross (2010)
 - 1100 employees



A Region at Work

- Ferrous and non-ferrous current production and expansions projected to yield an employment total of 20,600 jobs in the Arrowhead and WI¹
- Other employment projections

	Est. 2009 Employment	Increase	Percent Change	Projected Employment 2019
Professional, Business and Technical Services	12,274	2,686	22%	14,960
Education and Health Services	42,728	7,661	18%	50,389

DEED analysis

- 20,402 self-employed professionals, whose firms had total receipts of \$630 million (2009)

1 Univ. of Minnesota, Duluth, Labovitz School of Business and Economics, "The Economic Impact of Ferrous and Non-Ferrous Mining on the State of Minnesota and on the Arrowhead Region and Douglas County, WI," March 2009

Economic Development

- The Iron Range Resources & Rehabilitation Board (IRRRB) is a state agency focused on economic development and support on the Iron Range. The agency and its partners provide:
 - Low-cost debt with favorable repayment terms for capital expenditures
 - “Built-to-suit” production space with favorable lease terms
 - Equity capital and grants
 - Marketing assistance
- Technical assistance: preparing business plans to process engineering issues
- Grant- and loan-making agency with **\$50 million/year** budget



Serving the
Iron Range and
northeastern
Minnesota

Leisure & Recreation

Year-round recreational opportunities: hunting, fishing, canoeing, camping, snowshoeing, X-country skiing, & hiking

■ **Giants Ridge**

- A four-season resort destination for state, national and international visitors
- A public-private investment with significant support from the IRRRB
- 34 alpine runs, two golf courses and attracting 130,000 guests each year from Minnesota, across the United States and Canada

■ **Dylan Days** (annually in May)

- Regional event that draws worldwide fans
- Professional & amateur musicians
- Poets, writers, artists



On the Mesabi Trail

- 115-mile premier bike trail, expanding to 132 miles, one of the longest in the United States
- Links 25 communities, including Hibbing and surrounding towns
- Access to swimming, canoeing, camping, fishing; cross-country skiing, snowshoeing and winter hiking



Boundary Waters Canoe Area & Lake Vermilion State Park

BWCA

- Most-visited wilderness in the United States (250,000+)
- 1 million+ acres; 1,000 lakes; 2,200 campsites
- National and international visitors to canoe, fish & camp
- HIB is the closest airport to the BWCA



Lake Vermilion – **NEW!!**

- 10 shoreline miles on Lake Vermilion, access to 40,557 acres of water; 365 islands
- Projected \$.5 million in direct revenue and \$8.5 million in local visitor spending



Air Service:

Business Demands

- Engineers, consultants, and technicians need frequent flights to plants to fix equipment and troubleshoot
- Management and sales executives and reps fly globally to meet with customers and develop markets for mining, energy and related Iron Range products
- Fairview physicians/specialists, equipment technicians, consultants, other related – frequent travel; physicians who relocated to Range want convenient national/international air service
- Major trading partners in Canada, Germany (auto manufacturing) and India



2009 Air Enhancement Survey

Which airport do you use?

- 28% Chisholm-Hibbing
 - 32% Duluth (76 mls.)
 - 40% Minneapolis (226 mls.)
- } 72% Leakage

Why?

- Lower fares
- Better schedule
- More flights

Catchment-area Population

Educational attainment

	Count	Percent
Associate degree	21,826	12%
Bachelor degree	30,630	17%
Graduate/Professional degree	14,490	8%
TOTAL	66,946	37%

Household income

	2015	2010	2000
\$50K - \$74,999	24%	22%	20%
\$75K - \$99,999	17%	16%	9%
\$100K+	15%	9%	6%
Total	56%	47%	35%

US Census (2000), ESRI forecasts
60-mile catchment area

Brain Gain

	60 miles		120 miles	
White collar	70,566	57%	168,290	55%
Blue collar	27,927	23%	72,517	24%
Services	26,182	21%	65,173	21%
TOTAL	124,675	100%	305,980	100%

US Census (ESRI projections 2010) Percentages reflect rounding

- From 2005-2009, 44% of the 25-44 year-old population had household incomes of \$60,000-\$200,00+
- The Arrowhead will have a 14% “Brain Gain” in ages 30-44 by 2020¹ – professionals bringing skills and wealth to live in more rural areas for higher QoL

US Census American Community Survey (ESRI)

¹<http://www.lmic.state.mn.us/datanetweb/php/DemProjection/PoprrjReport.php>
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Marketing Opportunities

- Mining and related industries expanding on the Range despite limited air service.
 - Increased air service → industries' development in the area (vs. Canada or Michigan)
 - Subsequent higher, stable air service demand
- Fairview Range
 - Currently charters to Chicago and KS
 - Staff drive from Twin Cities
 - Would commit to scheduled service with right cost and schedule

Opportunities, cont'd.

- Leisure packages for winter travel to Mexico, Arizona, other warm spots
- Partnerships with IRRRB, other Range economic development organizations and Chambers of Commerce
- \$99 specials to MSP

