

PEND OREILLE COUNTY ECONOMIC DEVELOPMENT STUDY



June-July 2018

Executive Summary Report

Robinson Research conducted 400 surveys with voters to study perceptions of economic development in Pend Oreille County.

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METHODOLOGY

Robinson Research was commissioned by Pend Oreille Economic Development Council to conduct a telephone survey with voters in the County. The overall purpose of this study was to measure voters' opinions regarding the economic future of the County. This survey is intended to be one of the tools EDC can use in its strategic planning process. In the Spring of 2018 Robinson Research also conducted an economic impact study projecting the likely impacts of the possible closures of the Ponderay Newsprint Mill and the Pend Oreille Teck Lead/Zinc Mine. The economic impact study did not include a survey of residents of Pend Oreille County. It was based entirely on existing public and private financial data. While this study includes questions pertaining to the proposed HiTest Silicon Smelter the economic impact study did not cover that topic at all.

For this study, 400 interviews were conducted with voters in Pend Oreille County from Robinson Research's facility in Spokane, WA from May 29th to June 20th, 2018. Please note that this survey was a snapshot in time and does not purport to be indicative of voter opinions before or after the dates in which it was conducted.

No fewer than fifteen percent (15%) of the interviews were monitored in their entirety, and an additional ten percent (10%) were called back by a supervisor for verification of key points of the data. Interim trial runs of the data were cross-tabulated by interviewer as a quality assurance procedure.

A 400-sample survey has a margin of error of +/- 4.80 percent, which means that, in theory, results have a ninety-five percent (95%) chance of coming within +/- 4.80 percentage points of results that would have been obtained if all voters in Pend Oreille County had been interviewed.

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KEY FINDINGS

A minority of surveys elicit results that appear to be all flying in formation strongly leading to one or more undeniable conclusions. Most surveys elicit results that strongly suggest a single direction with a few anomalies that run counter to the overall findings. This survey is among yet another minority in that most topics elicit responses that run counter to the responses to other questions and leave many topics open to interpretation. For example, in Q4-5, unaided, open-ended questions tested perceptions of the important things on the horizon for Pend Oreille County. Jobs (40%) was the biggest plurality outnumbering protecting the environment (2%) by a margin of twenty-to-one. In the Q6-8 series, strongly prioritizing the environment (30%) was the biggest plurality being chosen by a margin of three-to-two over strongly prioritizing jobs (19%). The most consistent observations in the study pertained to low strength of feelings and high percentages of “don’t know” responses. Overall, voters were less engaged in these arguable important topics than we expected.

FUTURE OF PEND OREILLE COUNTY

Those who believed that Pend Oreille County is on the wrong track slightly outnumber those who believe that it was on the right track. More than one-fourth did not feel qualified to answer the question. When asked to state the single most important thing on the horizon, jobs outnumbered smelter by a margin of three-to-two, however, when the single most important and “other” item on the horizon are combined (no weighting scheme used to value single most important higher than secondary/tertiary mentions), smelter was close behind jobs. Prioritizing the environment was more popular than prioritizing jobs, but one-fourth hedged their response with “Depends” and another 4% declined to respond. The final question (Q29) in the survey (before demographics) was a request for one piece of advice that EDC could use to help the County’s economy. The most commonly given advice fell into the broad category of promote clean industries/keep opinions open (35%) followed by no smelter (7%), increased tourism (6%) and bring smelter in (6%).

IDEAL INDUSTRIES

Respondents were asked to cite one specific type of industry that would help the local economy over the next 20 years (Q9). One-third could not think of anything. Suggestions that fell under our predetermined category of Heavy Industrial (Smelter was its own category) topped the charts at 15%. Tourism (includes casinos) was mentioned by one-in-eight.

The Q10-14 series asked respondents how much focus the EDC should place on recruiting and encouraging each of five categories of industry. Tourism came out on top by a narrow margin over Light Manufacturing and other types of Small Businesses. The next two categories Light Manufacturing and Small Businesses included so many categories as to be inconclusive. Data Centers, such as Bitcoin or Google, were met fourth out of the five responses

POSSIBLE CLOSURE OF EXISTING MAJOR EMPLOYERS

Ponderay Newsprint

Respondents were presented with a scenario of Ponderay Newsprint closing but no timeframe was specified. More than four-in-five believed it would be bad with nearly three-in-five believing that would be very bad for the quality of life in Pend Oreille County. As part of our due diligence, we looked back at newspaper articles showing support and opposition when the Ponderay Newsprint Mill was being proposed. From what we could determine, there was strong and organized opposition to allowing the Ponderay Newsprint Mill. The apparent

level of controversy when the newsprint mill was being considered is in stark contrast to the results we see in the Q15-17 series.

Whereas the Ponderay Newsprint Mill currently consumes approximately 70% of Pend Oreille PUD's power, the topic of future directions for the PUD fit neatly into this chapter about Ponderay Newsprint Mill. In a forced-choice question, not increasing power rates and preference for attracting new businesses to the region with low-cost power were evenly split. One-in-eight respondents declined to choose between those two choices. All other factors being equal, citizens served by a PUD would benefit from steering the growth of future industries toward continuing to consume comparable levels of PUD power as were being consumed by the businesses that will close operations. Whether this is achieved by one large industrial consumer or by numerous smaller ones is not terribly important. Hydroelectric power generation and distribution includes a mix of fixed and variable costs involved in the production of electricity. Without industrial customers providing significant revenues, more of the fixed costs end up being borne by residential customers.

Pend Oreille Teck Mine

We did not go back through archival records about public opinion regarding the inception of the Pend Oreille Teck Mine because the definition of a hard rock mine is not always clear. We do know the mine was mothballed in 2009 then restarted in 2014. An anecdotal account of public opinion about opening the mine depends on which point in its history one chooses to examine. As with the Ponderay Newsprint Mill, in this study, the vast majority perceived that closure of the Pend Oreille Teck Mine would be bad for the quality of life in the County. The testing of the hypothetical closures of both the newsprint mill and the mine were so heavily clustered in the camp of bad for quality of life that the other subsets were too small to support subset analysis.

HITEST SMELTER

The overwhelming majority (93%) reported having heard of the proposed HiTest Smelter. Everyone (including the slight majority who mentioned the smelter somewhere upstream) was asked whether they had heard of it. Only 7% claimed no awareness of the proposed smelter. Those who knew of the smelter were asked to describe it in their own words. The descriptions were coded for tabulation and are presented in their entirety in the addendum of this report. The most noteworthy category of responses was Don't know/On the Fence given by more than one-in-three respondents. The most prevalent description included potential for good jobs/boost economy (24%) followed by EPA will protect the environment (12%), a description of the process of smelting (7%), and bad idea (7%). Nothing else fell into a coded category accounting for more than 5% of respondents. When asked directly whether they supported or opposed the smelter 39% indicated that they opposed it compared to 38% who indicated that they supported it. Sixteen percent refused to give an opinion and 7% did not know. One-in-fourteen who had never heard of it. Given that the margin of error in this 400 sample survey is plus or minus 4.8%, the support/opposed ratio is a statistical dead heat.

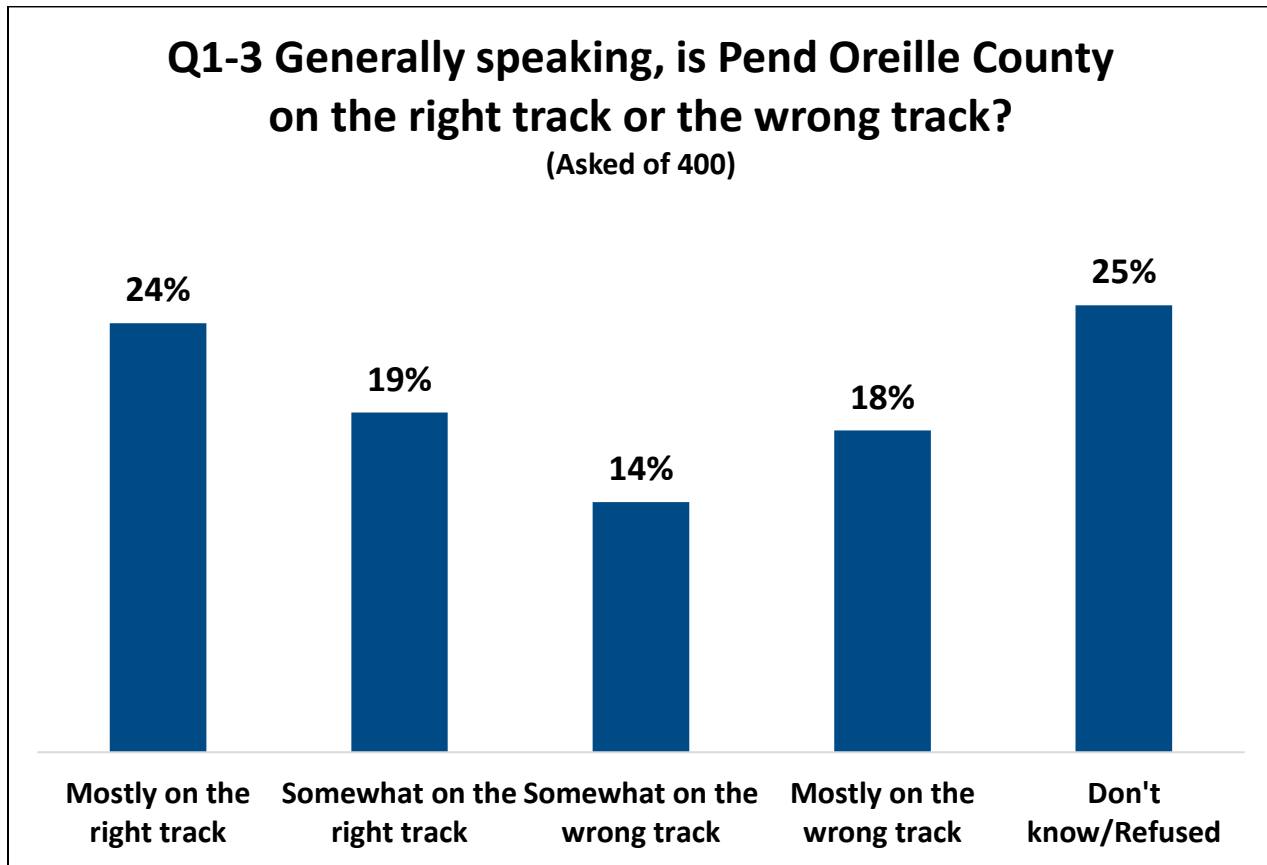
The predominant single most important source of information about the smelter, was the Newport Miner (37%) followed by friends/family (13%) and personal research online (12%). Thinking specifically of Facebook, nearly one-in-five (19%) specifically mentioned it but overwhelmingly as a secondary source of information. Both support meetings and opposition meetings were insignificant sources of information to most voters. Six percent declined to name a primary information source and 29% were unable to cite any specific secondary source.

CONCLUSION

On occasion, surveys of this nature reveal a strong mandate or “silver bullet,” a clear-cut set of marching orders for the economic direction of the county. This survey did not reveal either of the above. There were numerous places in this survey where it would appear that some industry or focus of direction would be supported by at least a significant plurality of voters only to be negated by the responses to other questions.

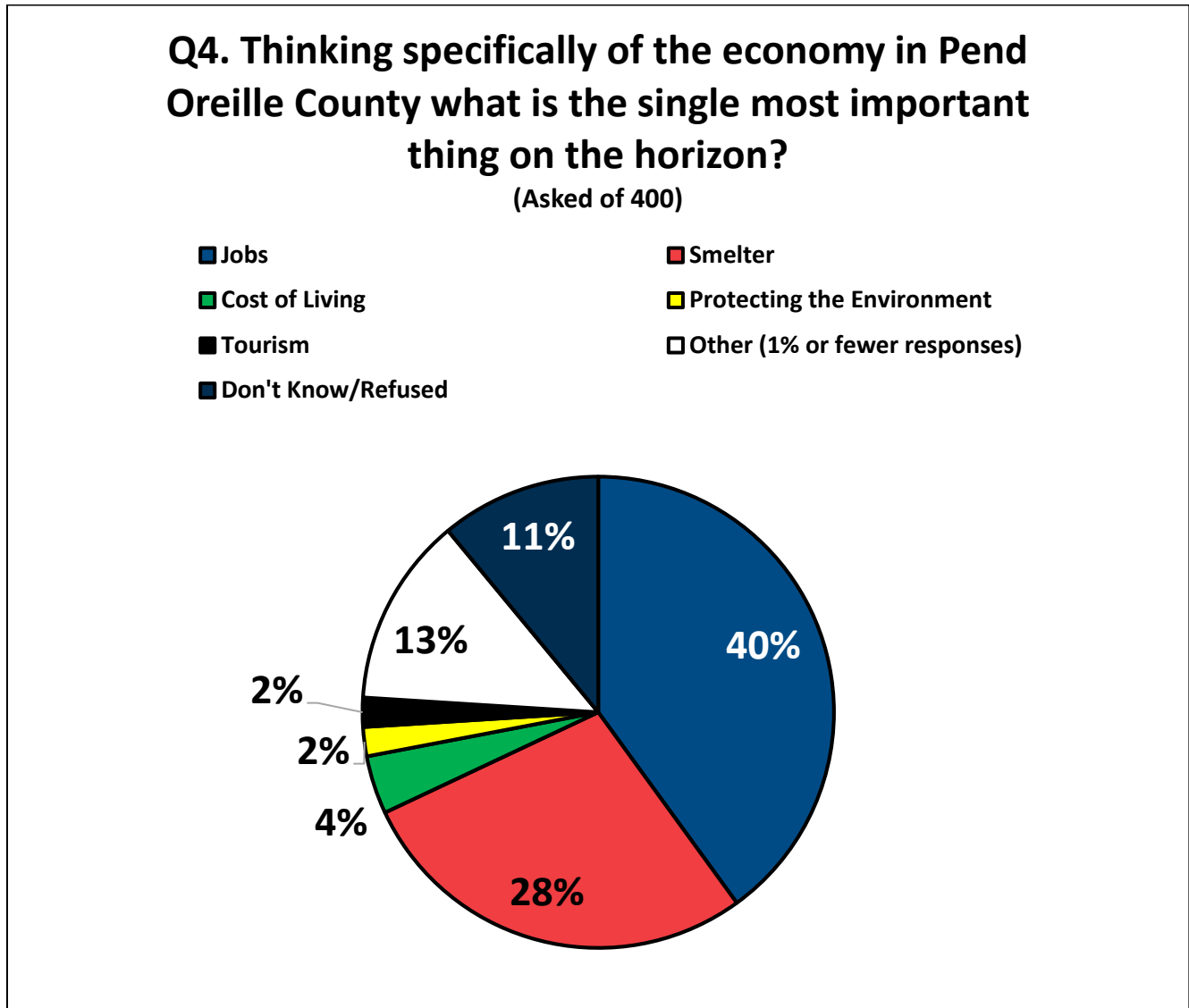
DETAILED OBSERVATIONS

Q1-3. Generally speaking, is Pend Oreille County on the right track or the wrong track?



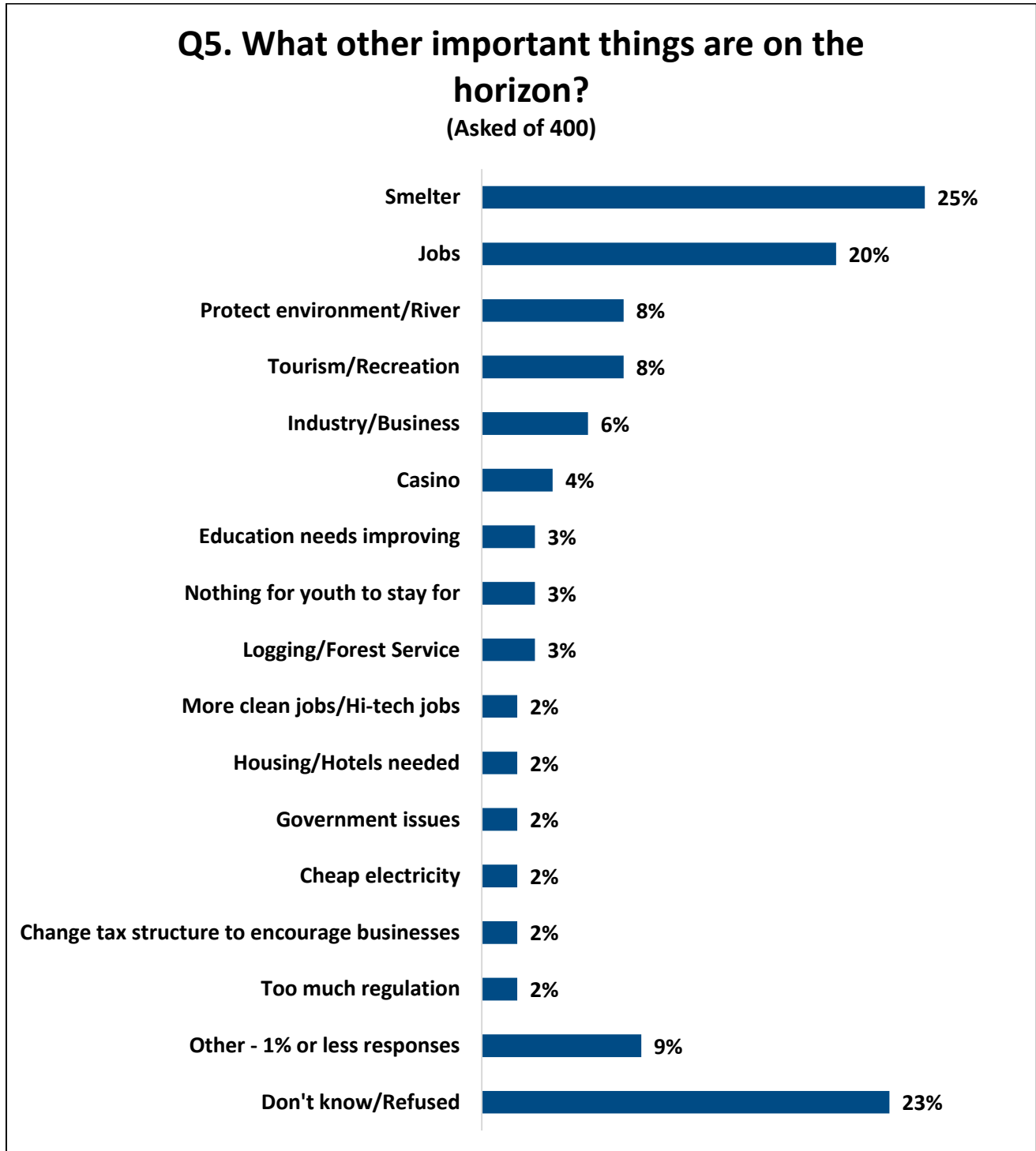
- Subsets more likely than average to perceive the County to be on the right track included those in the 25-34 age subset, those who preferred attracting new business over keeping electric rates low, those who somewhat preferred environment over jobs, those who strongly supported the smelter, and those who strongly opposed the smelter.

Q4. Thinking specifically of the economy in Pend Oreille County what is the single most important thing on the horizon?



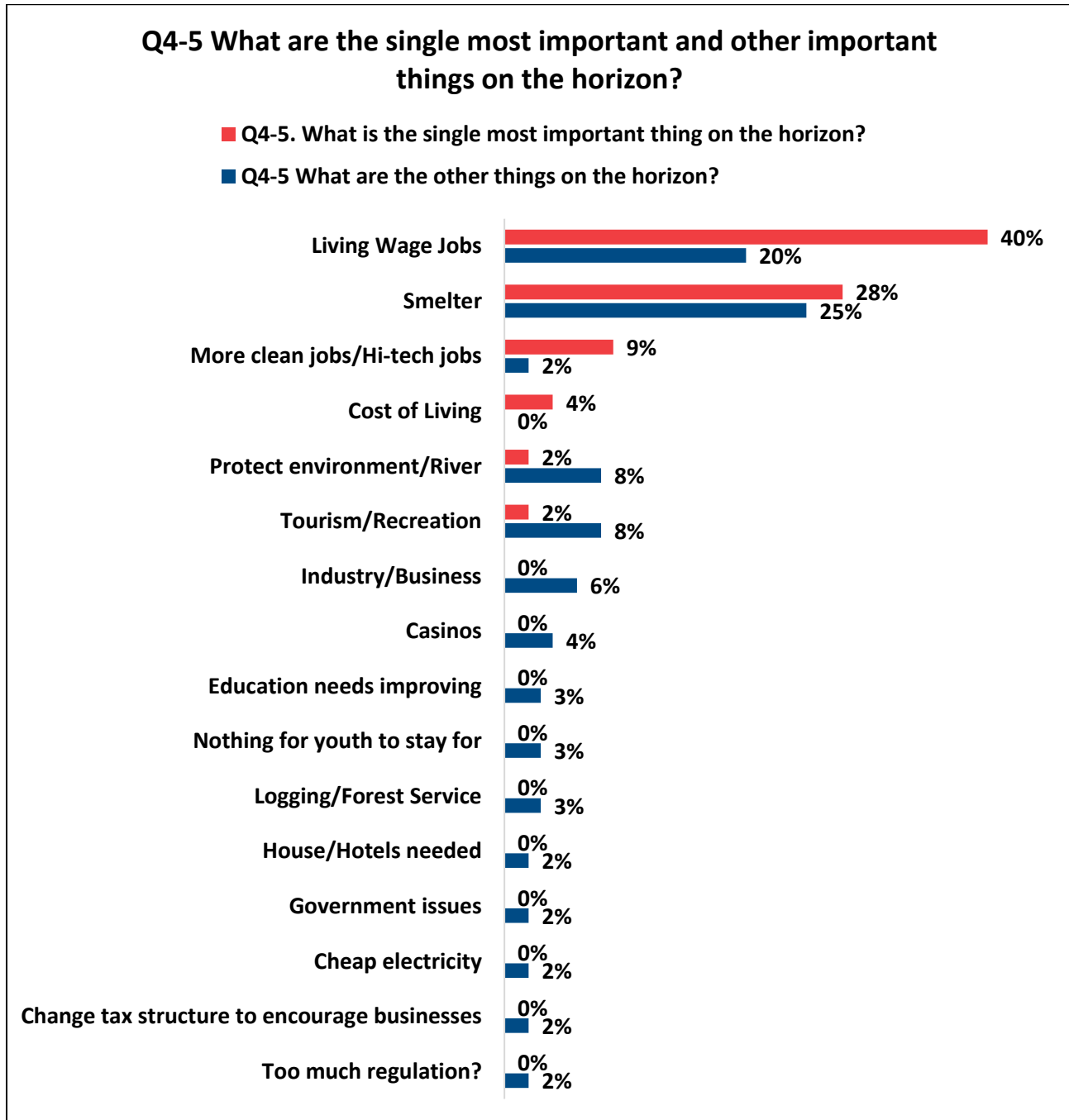
- Residents of Metaline were more likely than average to mention jobs.

Q5. What other important things area on the horizon?



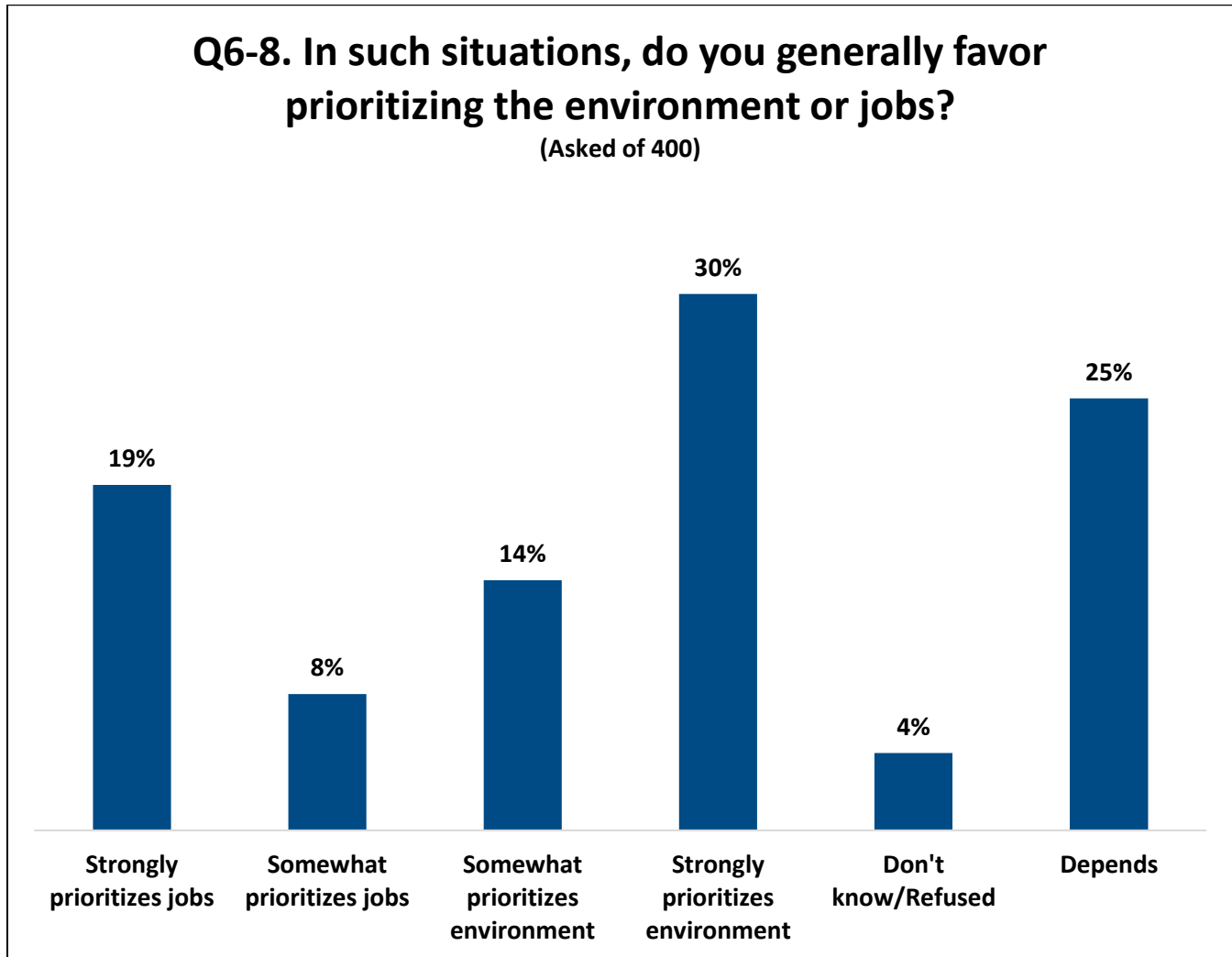
Q4-5. What are the single most and other important things on the horizon?

This was an open-ended question.



- Responses spanned the tested subsets quite evenly.

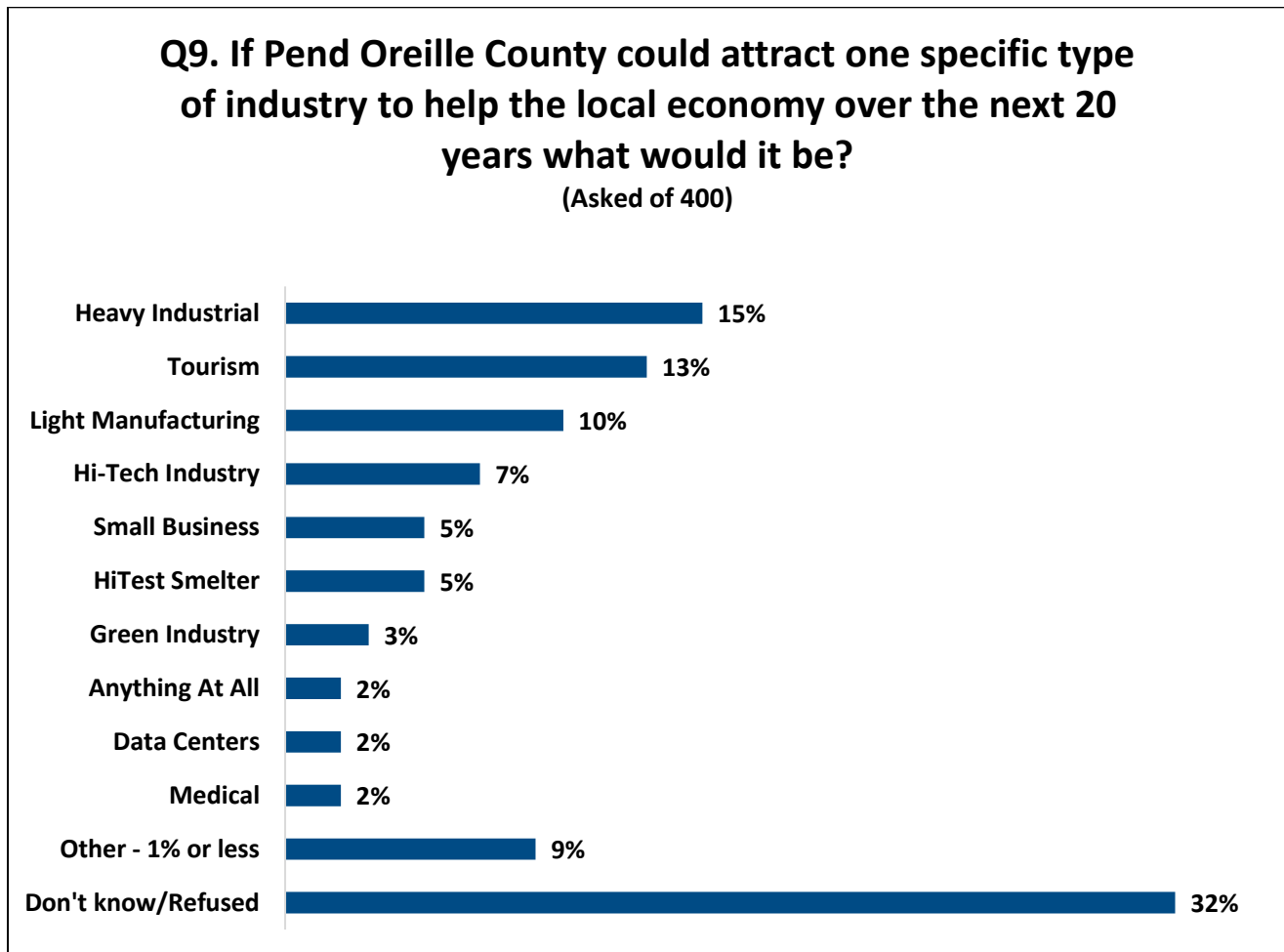
Q6-8. Sometimes communities are forced to trade off jobs for environmental issues or environmental issues for jobs. In such situations, do you generally favor prioritizing the environment or jobs?



- Those over the age of 70 were more likely than average to favor jobs and less likely than average to favor environment.
- Those who strongly or somewhat supported the smelter were less likely than average to favor environment while those somewhat opposed to the smelter were more likely than average to favor environment. Those who strongly opposed the smelter were fairly comparable to the responses from the overall sampling.
- While there was definitely a correlation between support or opposition to the smelter, and favoring environment/jobs the correlation was far from absolute.
- Among Democrats 70% favored environment compared to 36% Republicans and 48% among those who self-identified as neither.

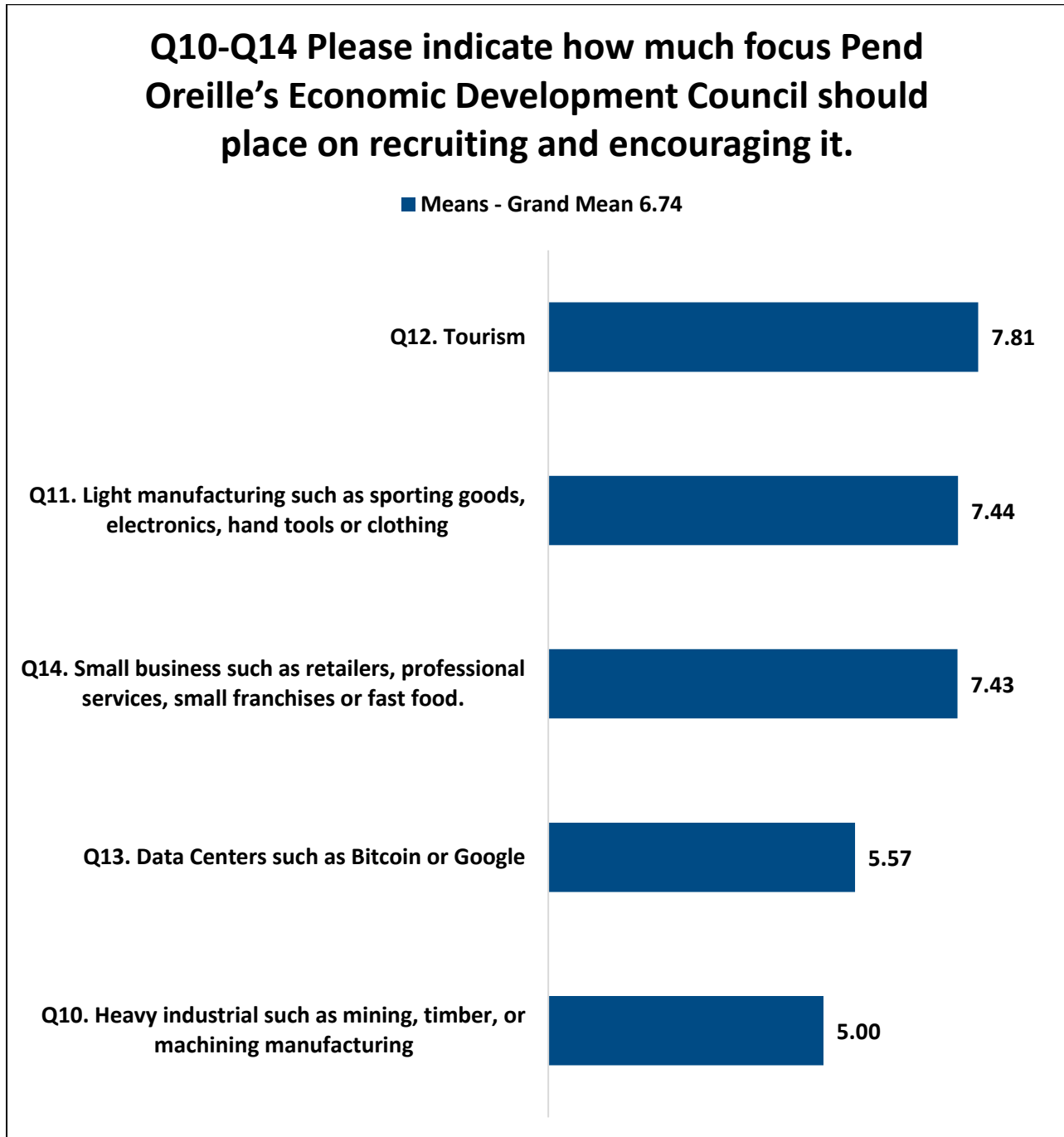
Q9. If Pend Oreille County could attract one specific type of industry to help the local economy over the next 20 years what would it be?

This was an open-ended question.



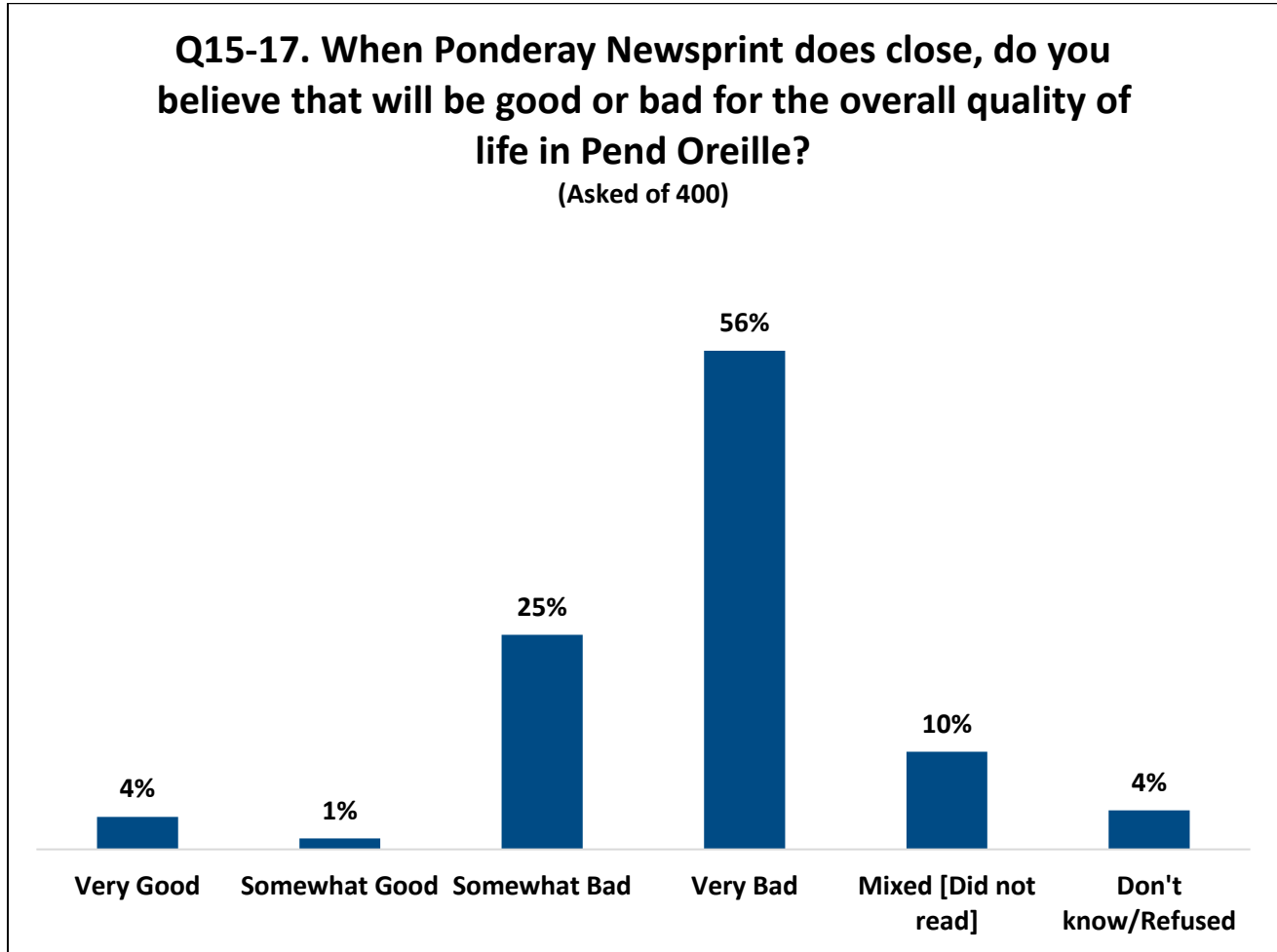
- Those who took the survey on a cell phone were more likely than average to mention HiTest Smelter while those who took the survey on a landline were less likely to mention the HiTest Smelter.
- Those who favor jobs over the environment were more likely than average to mention some type of heavy industry (HiTest Smelter was its own category and not included in this general heavy industrial category. Residents of Lone were much more likely than average to mention heavy industry.
- Those who strongly favored jobs over environment were much less likely than average to mention tourism while those who strongly favored the environment over jobs were nearly twice as likely to mention tourism than was the average respondent.
- Those who strongly favor jobs over environment were three times as likely to mention the HiTest Smelter as was the average respondent, however, only one-in-seven of those who strongly preferred jobs over environment mentioned the HiTest Smelter.

Q10-Q14. Now I will read a list of types of industries and after I read each one, please indicate how much focus Pend Oreille’s Economic Development Council should place on recruiting and encouraging it. Using a 1-10 scale where 1 means “No Focus At all” and 10 means “Maximum Focus”.



- Q10 – Heavy Industry - Males and those over the age of 70 gave higher than average ratings to heavy industries.
- Q11-14 – Responses spanned the tested subsets quite evenly.

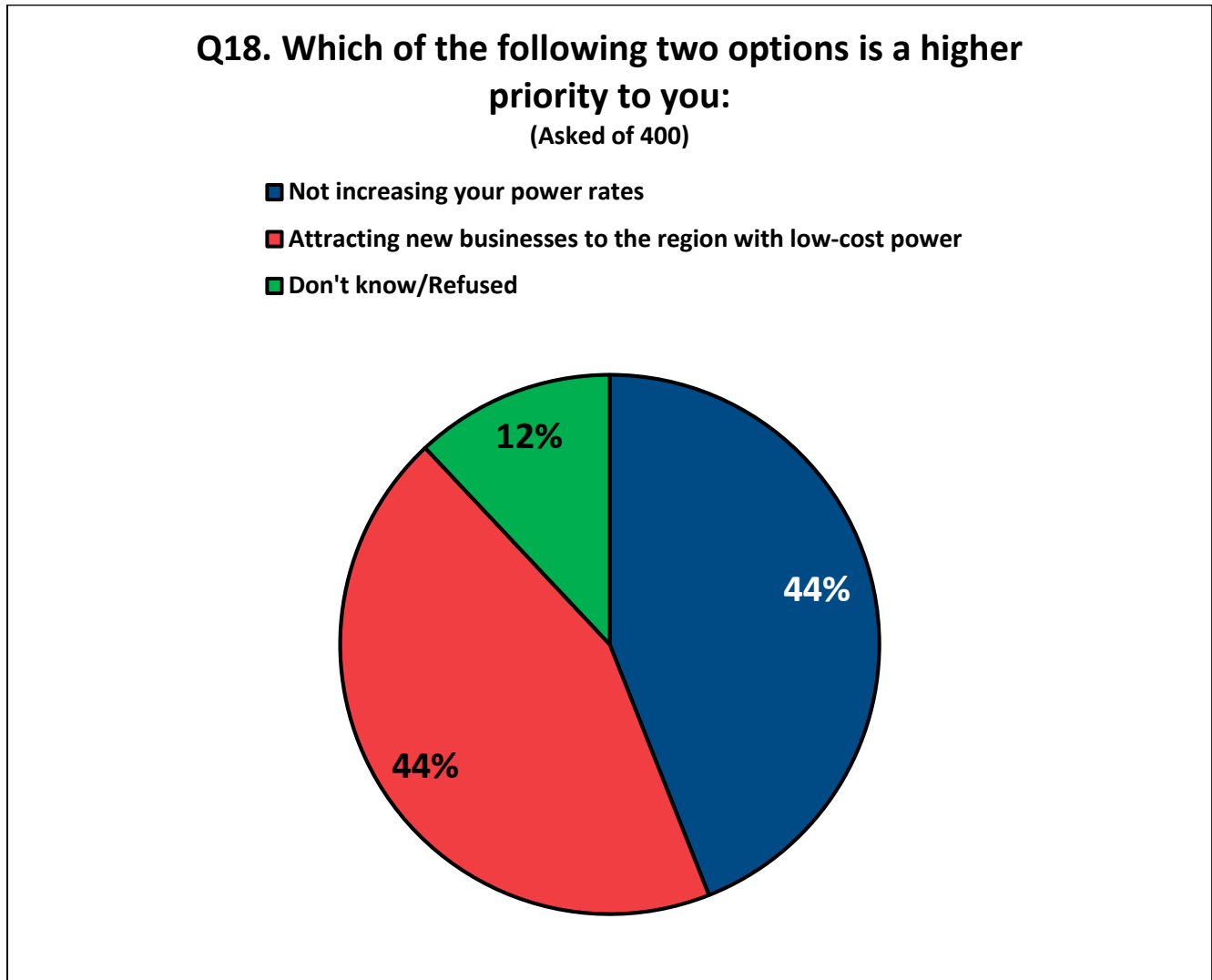
Q15-17. When Ponderay Newsprint does close, do you believe that will be good or bad for the overall quality of life in Pend Oreille?



- With 82% perceiving closure of Pend Oreille Newsprint as “Bad” subset analysis on the remainder of the 400 respondents was not possible due to small cell size.

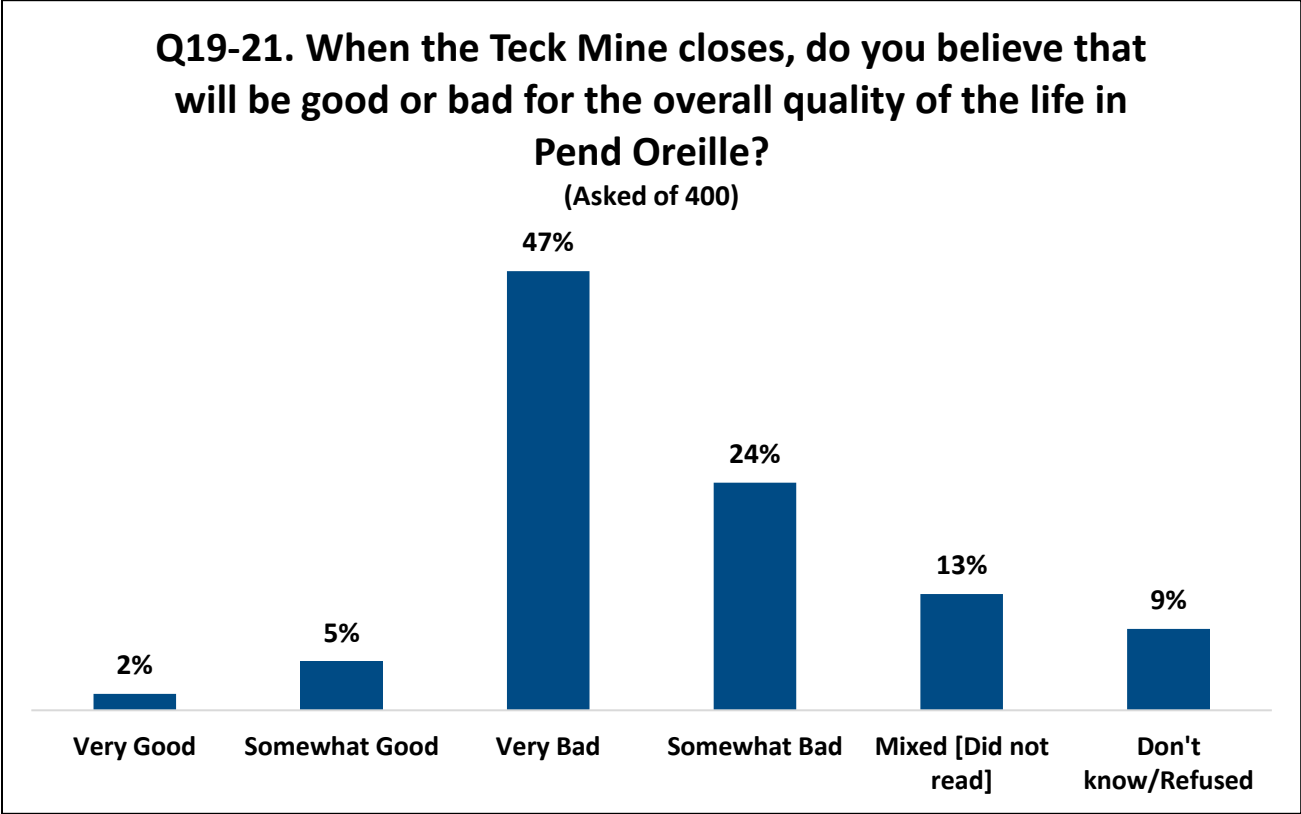
Q18. At some point in the future, Pend Oreille PUD may have more distinct hydro-power than its customers need. The PUD may be able to sell this excess power on the open market at a loss, but this may result in rate increases to the PUD’s general customers.

Which of the following two options is a higher priority to you:



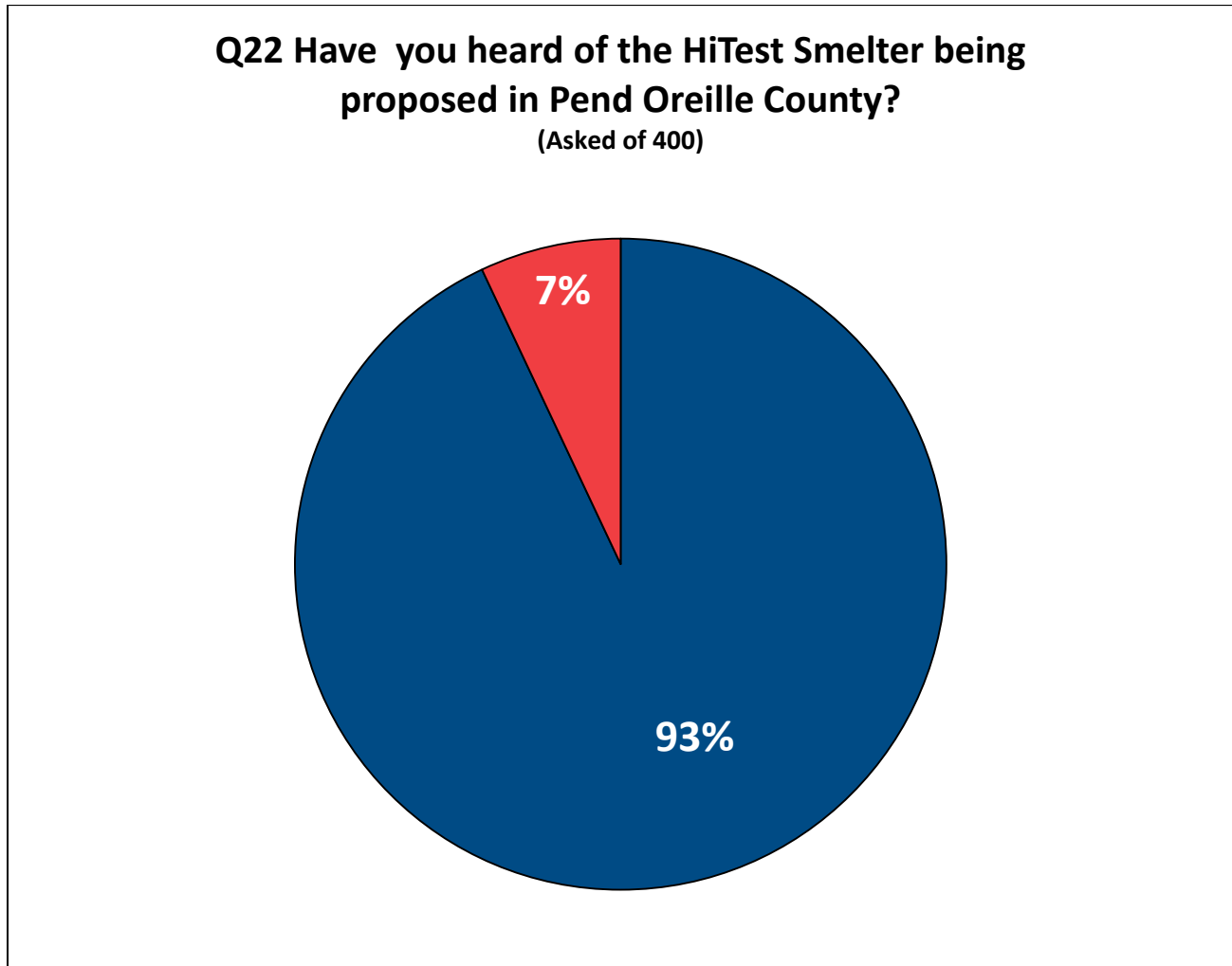
- There were three more respondents who preferred attracting new businesses than there were who preferred not increasing residential power rates. The difference was well within the margins of sampling error making this a statistical dead heat.
- Those who strongly support the HiTest Smelter were less likely than average to prefer not increasing power rates and considerably more likely than average to prefer attracting new businesses with low cost power. Those who somewhat favored environment over jobs were significantly more likely than average to prefer attracting new businesses to the region with low-cost power.
- None of the eight respondents from Metaline preferred not increasing residential power rates.

Q19-21. When the Teck Mine closes, do you believe that will be good or bad for the overall quality of the life in Pend Oreille?



- As with perceptions regarding the possible closing of Ponderay Newsprint, responses were clustered so heavily in the “Bad” category that analysis of those characterizing the possible closing of the Teck Mine were also so heavily clustered around the perception that it would be bad that subset analysis of the other three possible categories was not practical.

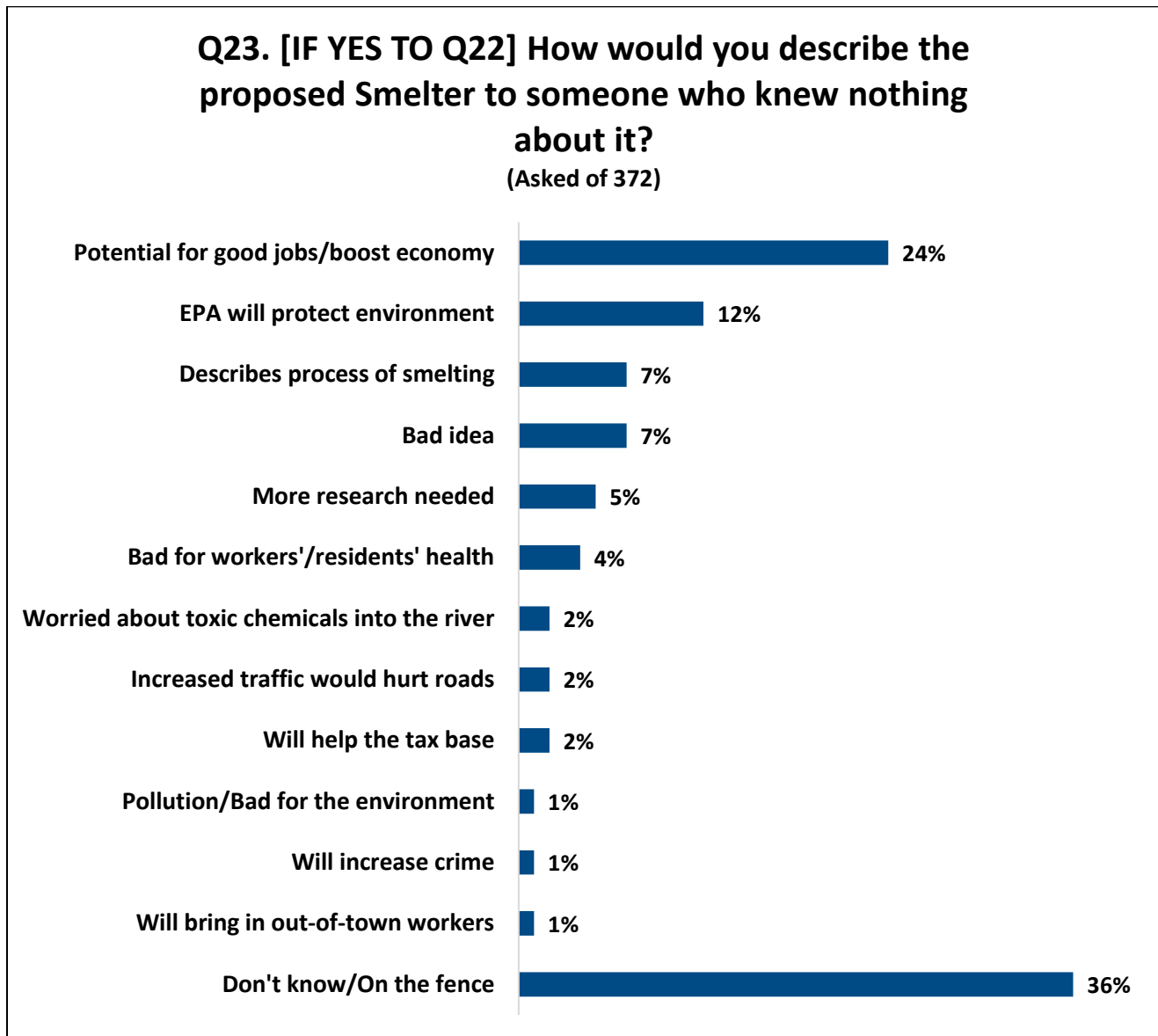
Q22. Have you heard of the HiTest Smelter being proposed in Pend Oreille County?



- With only 28 respondents stating that they had not heard of the HiTest Smelter, subset analysis was not practical.

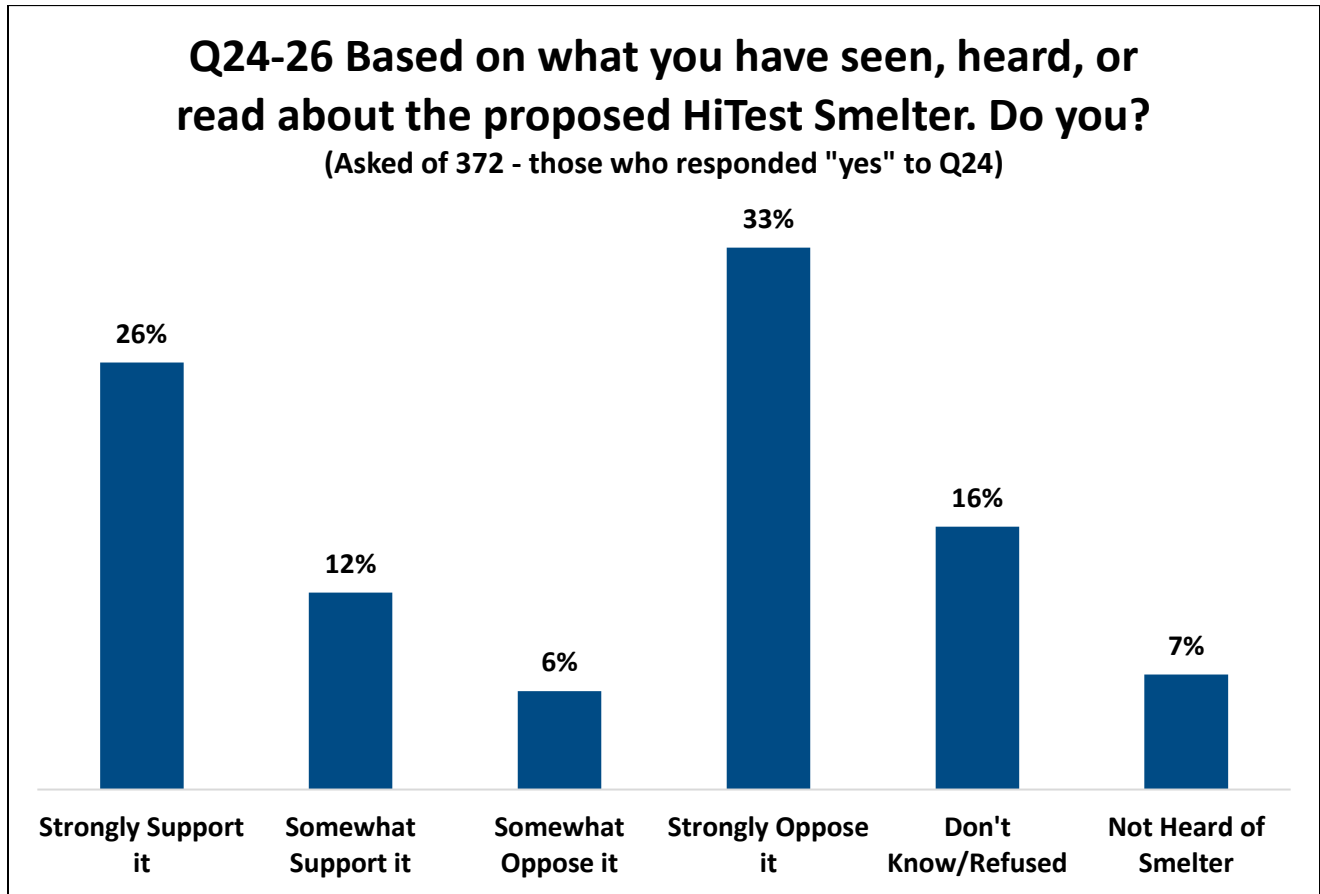
Q23. [IF YES TO Q22] How would you describe the proposed Smelter to someone who knew nothing about it?

This was an open-ended question.



- The top two responses categories were both favorable to the smelter.
- The third most prevalent coded description was simply an attempt to explain the industrial process of silica smelting.
- The fourth highest ranking, coded mention was that allowing the smelter was simply a bad idea.
- No other coded response was given by more than 1-in-twenty responses.
- 36% of respondents gave a description that included something indicating that they were undecided about whether the smelter would benefit Pend Oreille County.

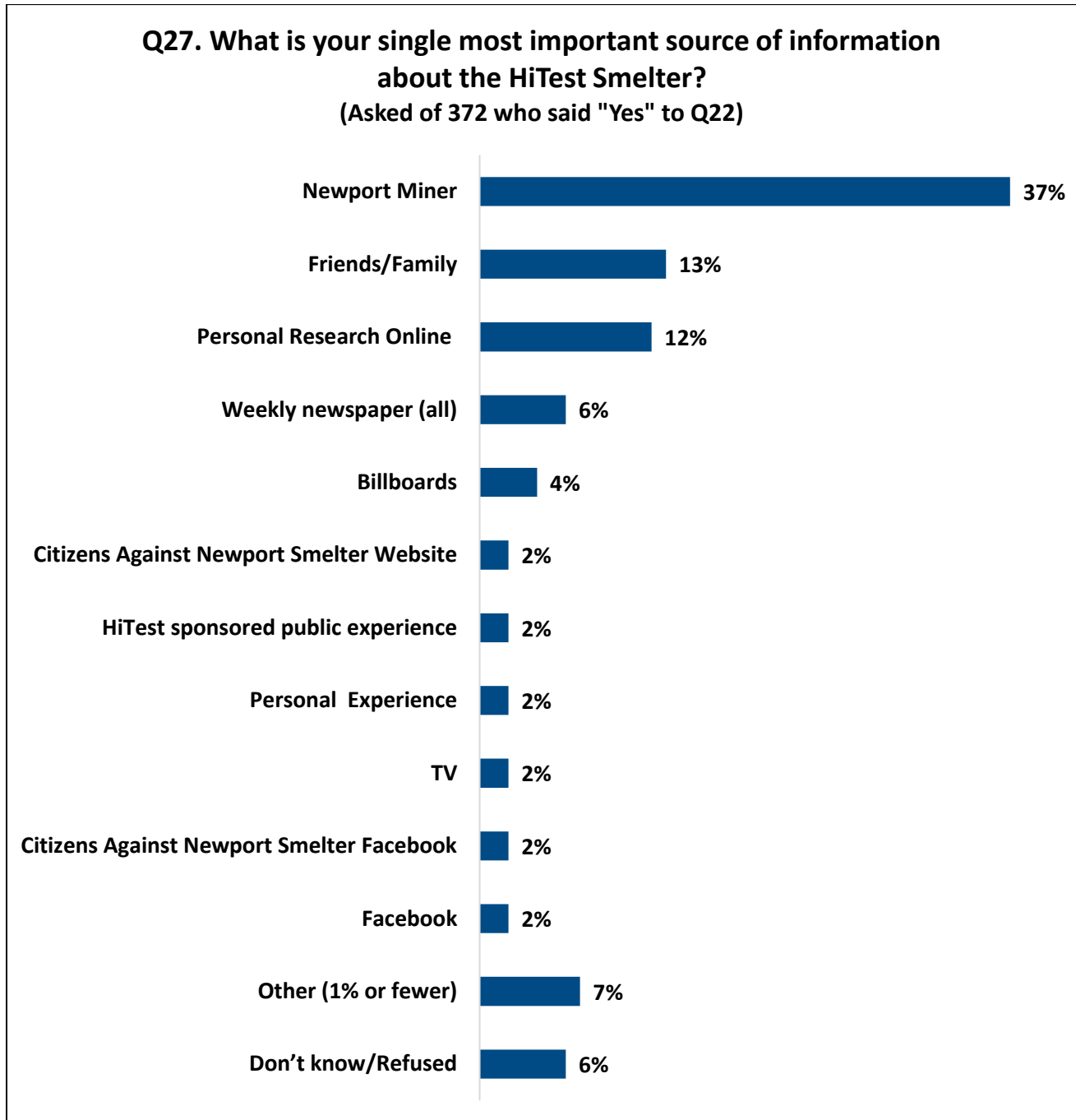
Q24-26 Based on what you have seen, heard, or read about the proposed HiTest Smelter. Do you?



Q24

- The following subsets were more likely than average to support the smelter:
 - Those who favored attracting new business with lower electric rates,
 - Those who believed the County is mostly on the right, and
 - Those who live in Lone.
- Republicans were more than twice as likely to support the smelter than were their Democratic counterparts. Those who described themselves as Independent (with no partisan leanings) were split nearly evenly.

Q27. What is your single most important source of information about the HiTest Smelter?



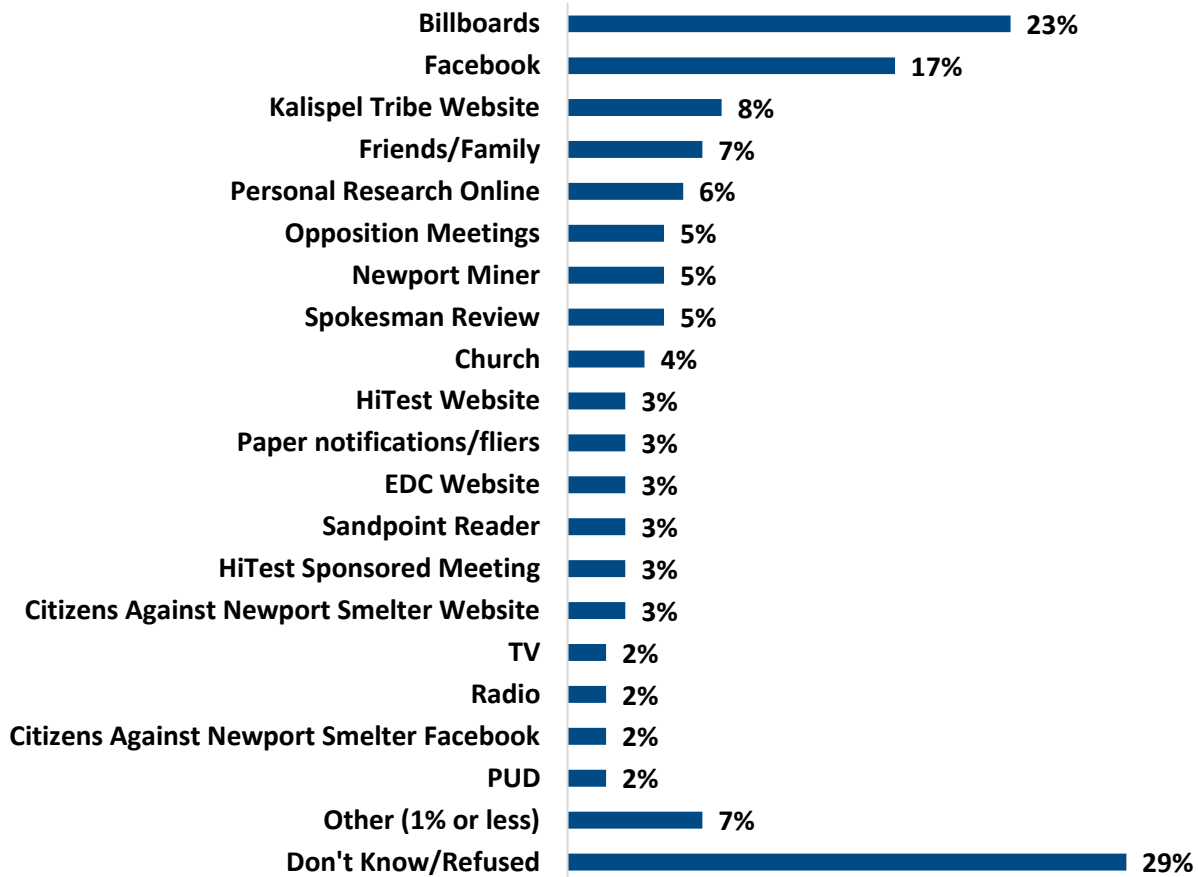
- The Newport Miner was mentioned as often as the next six sources combined.

Q28. What are your other sources of information about the HiTest Smelter?

Multiple answers were accepted for this question.

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(Asked of 372 who responded "Yes" to Q22)

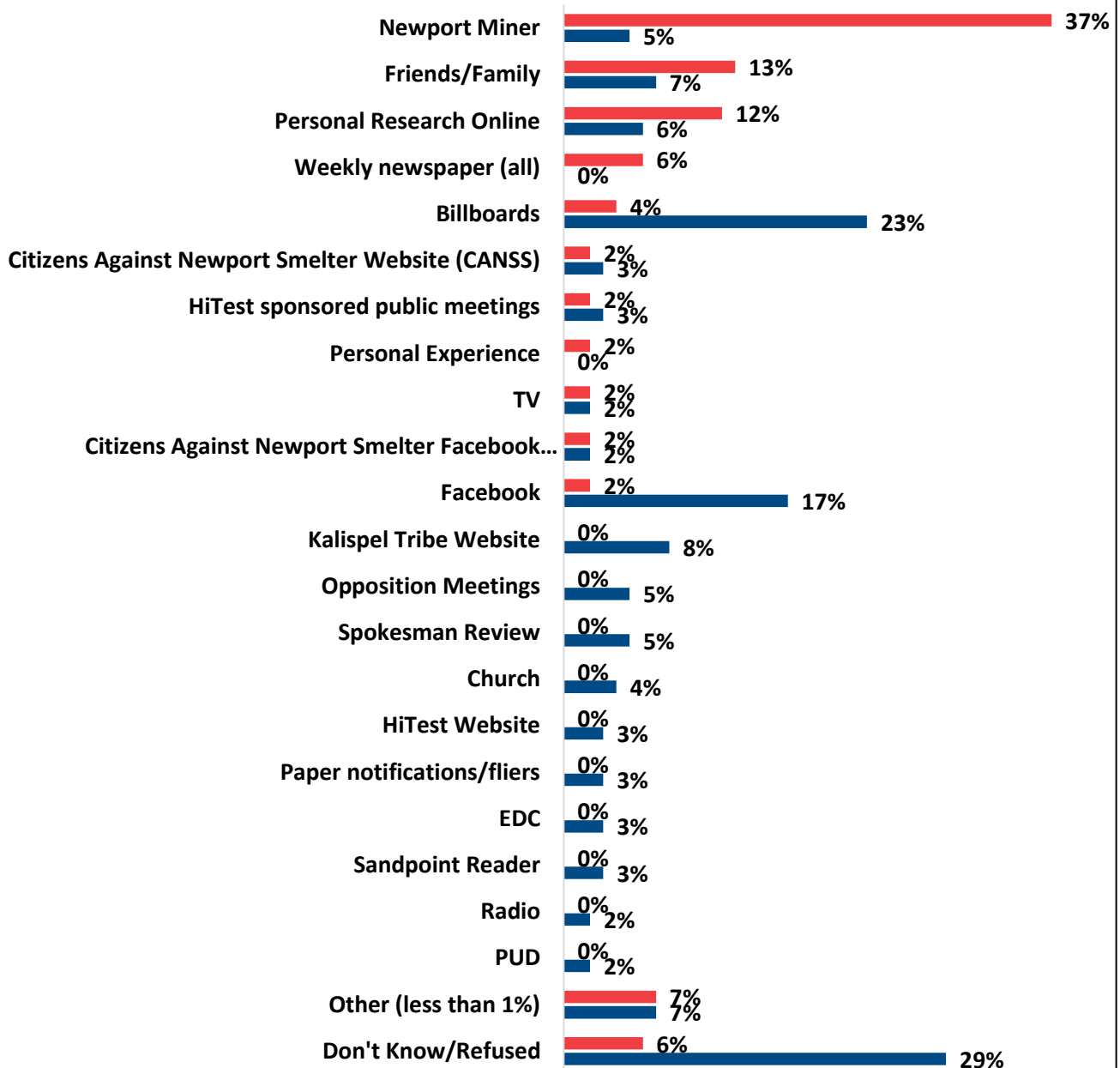


Q27-28 What are your sources of information about the HiTest Smelter?

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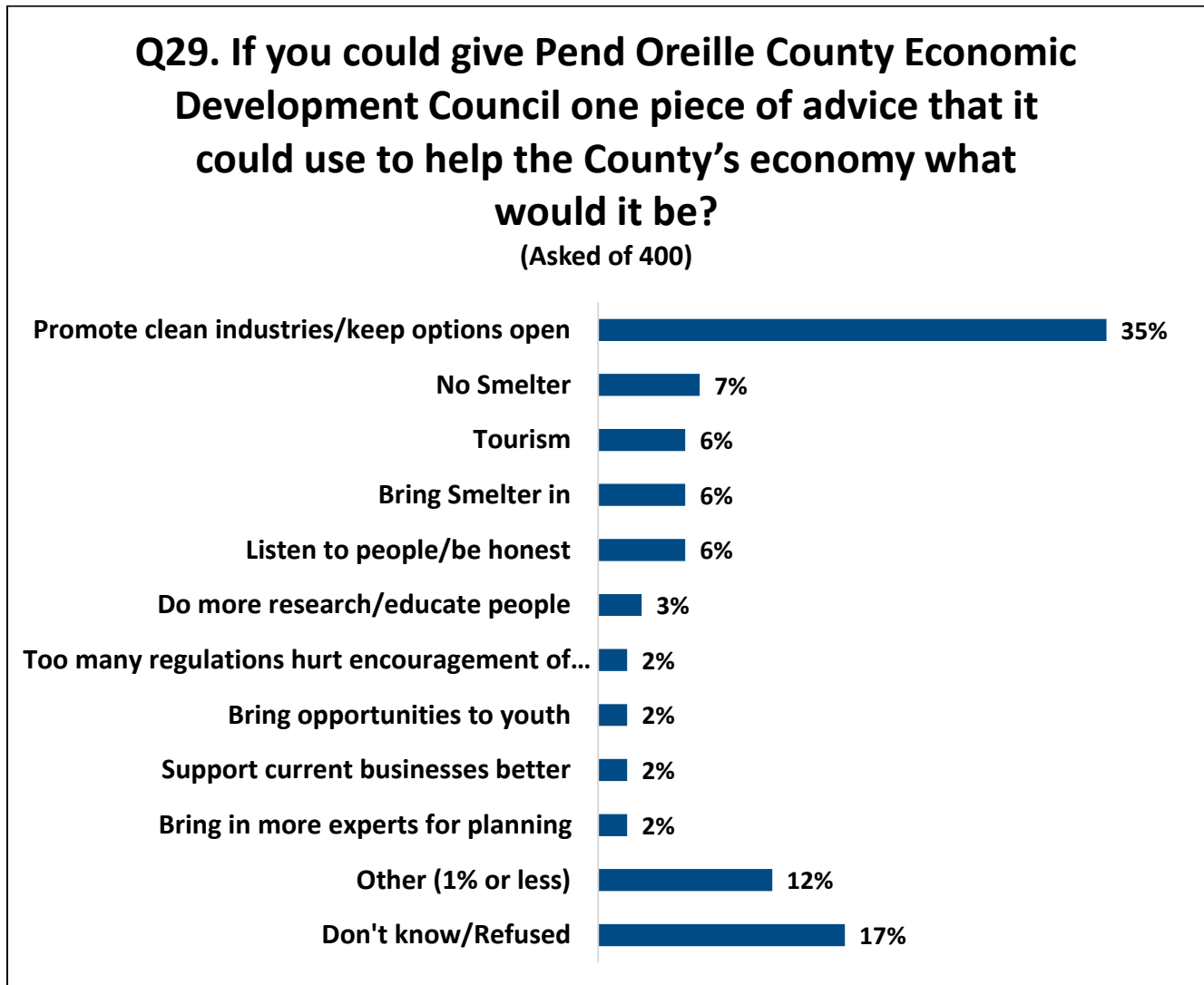
(Asked of 372 who responded "Yes" to Q22)

- Q27. What is your single most important source of information about the HiTest Smelter?
- Q28. What are your other sources of information about the HiTest Smelter?



Q29 If you could give Pend Oreille County Economic Development Council one piece of advice that it could use to help the County’s economy what would it be?

This is an open-ended question. To support tabulation, these verbatim comments were coded into categories. Robinson Research codes up to seven categories deep. This means that a single verbose conversation spanning multiple topics could be registered in as many as seven of these categories. Given the fact that these were not limited to one coded response per citizen, it would not be appropriate to add the responses in similar categories together and use that number as an estimate of the percentage of citizens whose comments support or oppose a topic.



- Suggestions which include the coded category, “promote clean industries/keep options open” were more prevalent than the next five coded categories combined.
- Twenty-nine respondents (7%) specifically suggested that there be no smelter.
- Twenty-two respondents (6%) specifically stated, “bring the smelter in”.

DEMOGRAPHICS

Political Affiliation

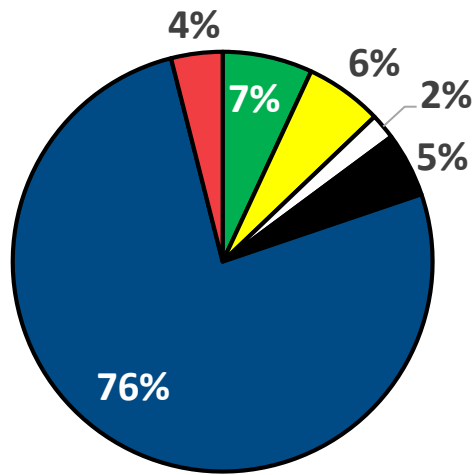
(Asked of 400)



- Average years resident of the county – 29.64
- Average age – 64.68 NOTE: Samplings of voters always skew older than samplings of the adult general population.

Areas

■ Cusick ■ Ione □ Metaline ■ Metaline Falls ■ Newport ■ Usk



Gender

■ Male ■ Female

