

**ARE YOU POSITIVE?:
STRIKING A BALANCE IN ADDRESSING
SOCIO-ECONOMIC IMPACTS**

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Paper presented at the
Annual Conference of the International
Association for Impact Assessment
Cambridge, Massachusetts, USA

May 31, 2005



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1.0 INTRODUCTION

Various factors militate against a balanced evaluation of the socio-economic impacts of large-scale industrial activity and projects, especially in rural and remote settings. These often include negative attitudes of some local residents, who see such activity as threatening community well being. Such attitudes are often reinforced, not countered, by the attitudes and actions of consultants, regulators, business groups, and even local economic development personnel and project proponents, and by legislation, regulations and guidelines. For various reasons, all are likely to give a greater consideration to negative than positive impacts, distorting the assessment process and its outcomes. This may have negative consequences for both the project proponents and local residents.

This paper discusses the reasons for, and consequences of, this emphasis on negative impacts. It goes on to describe some ways in which it can be countered, reviewing the tools and approaches that are increasingly being used for industrial benefits planning. The paper concludes with descriptions of a small number of example industrial benefits planning initiatives.

2.0 THE CREATION OF NEGATIVE EXPECTATIONS OF LARGE-SCALE INDUSTRIAL PROJECTS

Assessments of large-scale industrial activity and projects seek to weigh the likely positive and negative consequences. Unfortunately, a number of factors stand in the way of a balanced assessment, by devaluing or ignoring the potential positive socio-economic impacts on local communities and regions. These factors can be summarized as the:

- Popular images of large-scale industrial activity;
- The environmental industry and assessment processes;
- Industry concerns and priorities; and
- Economic development theory and practice.

2.1 Popular Images of Large-Scale Industrial Activity

A number of stereotypical expectations are found in rural and remote regions facing the prospect of such activity. Some people will hope or expect to benefit, anticipating new employment and business opportunities. However, local expectations commonly include a belief that:

- Most benefits will accrue to non-local corporations and their shareholders, with the local benefits being concentrated in the hands of few highly specialized and already prosperous companies and individuals.
- There will be 'boom-bust' effects during construction, likely including housing shortages, traffic congestion, wage and cost of living inflation, and crime and other social problems.
- There will be negative social, economic, cultural and biophysical effects once the new industry is operating, as its activities and culture undermine traditional industries and local lifestyles, as the scale of activity fluctuates in response to price cycles, and through chronic and occasional accidental releases of pollution.
- The eventual cessation of activity, as a result of economic factors (or, in the case of resource extraction activities, resource depletion), will leave a negative social, economic, cultural and biophysical legacy.

These expectations are largely based on media coverage of past industrial projects that have had well-publicized negative effects, such as social and economic disruption, plant closures, accidents and environmental disasters. The dishonor roll includes such extreme examples as Uranium City, the Sydney Tar Ponds, the Exxon Valdez and Bhopal. As a result of such examples and the critiques of social justice and environmental groups, the large corporations associated with major industrial activity are commonly seen as powerful, threatening and untrustworthy. These attitudes are especially common in areas with little experience in dealing with such activities, projects and corporations.

This history also inclines various local groups, including police, and social and health services agencies, to focus their thoughts and arguments on the potential negative impacts of proposed activity. The 'threat' they pose provides an opportunity to publicize what may be longstanding concerns about crime, income differentials, housing and other problems, while the perceived

affluence of large companies leads to a hope that raising these concerns can directly or indirectly result in a funding of resources or programs related to them.

This emphasis on negative expectations is beneficial, to the degree that it prompts a thorough assessment of such effects and their mitigation or prevention. However, the other factors noted above reinforce this negative focus, by encouraging a limited consideration of potential positive effects and how they might be created or enhanced, leading to unbalanced assessments.

2.2 The Environmental Industry and Assessment Processes

The environmental industry developed out of the US National Environmental Policy Act in the late 1960s, which was largely a response to an offshore oil spill in Southern California.¹ The initial concern of the legislation, and the industry it created, was the effects on the biophysical environment. These are, by definition, primarily negative, with the industry seeking to mitigate or prevent such effects on the flora, fauna, and other elements of the natural environment. This concern shaped both the regulatory framework and the culture of the environmental industry. The latter includes the values, approaches, priorities and methodologies of consultants, regulators, and industry personnel involved in environmental work.

It was only when the environment industry and its culture were well established that various factors resulted in a growing concern about socio-economic effects. These are often positive; for example, they can normally include the creation of employment, business, income, new public infrastructure and a better standard of living. However, environmental legislation, environmental assessment processes and methods, and the environmental industry in general, given their focus on negative effects and their mitigation, do a poor job of describing, creating, enhancing or providing credit for positive impacts. For example, the *Canadian Environmental Assessment Act* specifies that environmental assessments should normally only include socio-economic effects that result from a biophysical effect (for example, the socio-economic consequences of an activity-related decline in fish stocks or air quality).²

¹ United States of America, *National Environmental Policy Act*, Washington, 1969.

² Canada, *Canadian Environmental Assessment Act*, revised, Ottawa, 2003.

While there have been attempts to address this problem, social scientists have also been hampered by the history of Social Impact Assessment. This developed out of the United States' boomtowns literature of the 1970s and early 1980s, which was concerned with the socio-economic effects of the rapid growth of resource sector and especially energy communities. The basic theme of this literature 'is that rapid population growth associated with energy development creates social disruptions, cultural conflict, and pathological behaviours among residents of boomtowns.'³ This has again shaped the design and content of environmental assessments and management, focusing them on negative impacts and away from positive ones.

This emphasis on negative expectations can be self-sustaining, by distorting the process of learning about possible effects. In British Columbia, for example, a federal panel mandated a review of information on offshore petroleum activity and its impacts, to provide input to public consultations on the merits of raising a moratorium on such activity. However, the review only examined science issues, such as the effects of seismic activity and oil spills. There was no parallel review of socio-economic impacts, despite the large body of scholarship on this topic. The process, therefore, facilitated informed discussion of the (negative) biophysical impacts, but not the (positive and negative) socio-economic impacts, including employment and business issues of great concern to First Nations and coastal communities.

2.3 Industry Concerns and Priorities

As was noted above, the culture of the environmental industry includes the values, approaches and priorities of industry personnel involved in environmental work. As companies have sought to concentrate on 'core business', this role has been increasingly taken by individuals with a wide range of responsibilities in the areas of health, safety, environment and quality (HSEQ). Given this, they seldom have a background in dealing with socio-economic effects. Furthermore, as a result of litigation and public reputation concerns, companies are increasingly 'risk averse'. The resultant concern with risk management further supports and builds a culture focused on the possible negative effects of corporate activities.

³ Summers, G.F. and Branch, K., "Human Responses to Energy Development," *Energy Resource Communities*, MJM Publishing Company for the Institute of Industrial Economics, Bergen, 1982.

2.4 Economic Development Theory and Practice

Based in part on past negative examples of the effects of resource development projects, economic development and theory have increasingly emphasized the merits of economic development based on community capacities, 'bottom-up' approaches, and community based and small-scale initiatives. They reject industrial 'mega-projects' given an assumption that they will cause boom and bust effects, damage traditional industries, and leave a negative legacy, with the benefits largely accruing to distant workers, companies, corporations and shareholders.

3.0 THE CONSEQUENCES OF NEGATIVE EXPECTATIONS

The predominance of negative expectations can ultimately be harmful to the interests of both the proponents of industrial activity and the residents of local communities and regions. In the former case, it can slow or stall activity, with associated cost implications. Governments may put in place moratoria, and permitting and approvals processes may be long-winded and expensive. In the extreme case, activists may seek to block industrial activity through the use of legal or direct action. Negative expectations may also increase companies' costs by denying them the use of locally available goods and services, because local firms either fail to explore industry-related opportunities or choose not to work on a project.

From the perspective of the local region and communities, generally negative expectations may result in potential benefits being delayed or foregone, with companies and individuals declining to invest in the training and infrastructure necessary to work in the new industry. Furthermore, even when local residents do seek industrial benefits, these are commonly conceptualized in the proponent's terms; the starting point is usually the industry's requirements, rather than what the community has and wishes to achieve. Indeed, it is often the case that these communities have little prior experience in establishing and documenting their capabilities and aspirations.

4.0 CREATING POSITIVE IMPACTS

It is important to confront the factors stand in the way of a balanced assessment by devaluing or ignoring the positive socio-economic impacts of industrial activity on local communities and regions. This requires changes in both attitudes and assessment processes. Industry, in particular, must recognize that internal and external factors undermine its interests in promoting

and seeking the approval of large-scale activity. Companies and industry groups, working with governments and local communities, must take the lead in seeking an appropriate assessment of both their negative and positive impacts.

There is, furthermore, a need to encourage proactive approaches to the identification and creation of economic and social benefits from industrial activity. Just as considerable efforts now go into establishing means of preventing or mitigating negative bio-physical and socio-economic project impacts, so increasing attention must be paid to how positive socio-economic impacts can be created and enhanced. This section of the paper first examines some of the tools that are available for addressing positive impacts, through 'industrial benefits planning'. It goes on to discuss the types of approaches that are required if the potential for creating such benefits is to be fully explored. Lastly, it provides a few examples of innovative examples of industrial benefits planning.

4.1 Tools

Existing environmental assessment tools provide opportunities to undertake a thorough consideration of prospective positive effects. For example, Social Impact Assessments (SIAs) and Socio-Economic Impact Assessments (SEIAs) commonly seek to address both the potential positive and negative effects, including on employment and business. They also provide an important feedback loop, with the program or project design, and the plans for implementation, being modified so as to optimize the community effects.

Such assessments may lead to the design and use of socio-economic Environmental Protection Plans (EPPs), which provide project managers and other personnel with specific guidance related to ensuring that problems are minimized and, in some cases, positive effects enhanced. For example, in Newfoundland and Labrador, the Hibernia oilfield construction project EPP spelled out the construction contractor's policies and practices related to the employment of local area and provincial residents and the provision of local business opportunities. However, because of the limitations of environmental assessment discussed above, SIAs, SEIAs and EPPs may be clumsy and ineffective industrial planning tools.

Another type of tool, Benefit Plans, is designed to explicitly examine possible positive socio-economic impacts. They are comprehensive documents that focus solely on, and set out in detail the proponent's approach, policies and procedures with respect to, local industrial benefits. They commonly describe plans in respect of some or all of the following:

- Supplier development, including identifying potential suppliers, providing them with information about technical, commercial and other requirements, and debriefing unsuccessful bidders.
- Procurement policies, and especially bid packaging, which facilitate the opportunities for local companies.
- Education, training, hiring and succession planning, such that the employment of local people is encouraged, including through mentoring and the timely replacement of non-locals.
- Technology transfer and research and development, so as to ensure local suppliers of goods and services, and local employees, develop new capabilities related to project requirements.

Other related but more specialized tools designed to deliver local industrial benefits include Impact and Benefit Agreements⁴ and Diversity Plans. The former are commonly used when addressing the concerns of aboriginal and indigenous peoples, and may include direct payments to assist in addressing community concerns. Diversity Plans relate to the provision of employment and business benefits to women and minorities, sometimes including aboriginal peoples. They commonly address such topics as hiring policies, mentoring, workplace harassment and the culture of the workplace. However, these and other issues may alternatively or additionally be addressed within a Benefits Plan.

⁴ Kennet, S.A., 'A Guide to Impact and Benefits Agreements', Canadian Institute of Resources Law, University of Calgary, Calgary, 1999.

4.2 Approaches

However, these tools only provide the opportunity to incorporate the full range of potential positive socio-economic effects into the assessment process. They will only be effective if there is a proactive multi-stakeholder process for identifying industrial benefits opportunities. The process should be:

- interactive, with proponent and local area representatives working together to identify ways of delivering benefits;
- comprehensive, imaginative and strategic, thoroughly investigating the potential of management initiatives to create or enhance positive impacts; and
- facilitated by a neutral individual or organization familiar with benefits planning and able to develop a trusting relationship with the different stakeholders.

The first requirement in such a process is an effective program of education and engagement. This is necessary so that the local stakeholders understand the activity or project, its prospective effects and their management. This will help in the management of expectations, with respect to both the benefits and costs experienced by local residents. A clear and realistic understanding of the planned activity or project and its prospective impacts both limits inappropriate speculative responses and informs thinking about the ways in which local communities can benefit.⁵

Reciprocally, it is important that the education and engagement program helps industry personnel understand the local political, cultural, social and economic context, including the local values, priorities and aspirations. This may require a formal issues scoping process as input to the design of benefits initiatives. Such an understanding will help proponents in anticipating and responding appropriately to the expectations and requirements of, and requests by, the local government and other stakeholders.

⁵ It should be noted that comparative research, which is commonly used to learn about the impacts of a new industry or project, can easily generate, rather than counter, misunderstandings; see Mark Shrimpton, 'The Issue of Access: Confronting Community Expectations', Paper SPE 86791 presented to the SPE International Conference on Health, Safety and Environment , Calgary, 2004.

Given this understanding, benefits opportunities should be identified based on both the proponent's requirements (that is, they should be consistent with the project requirements and the proponent's corporate reputation goals) and the local context (for example, the population base, economic base, state of the economy, and level of industrialization), aspirations and priorities, which will vary greatly from region to region and even from community to community. This will likely require a process to articulate community aspirations and priorities, in the context of the opportunities the new activity could present. An important consideration, in all settings, will be to deliver sustainable economic and social development, and not simply short-term employment and business.

It is critical that all parties are open-minded in seeking to identify opportunities. For example, it is common to assume a negative relationship between large-scale industrial activity and, for example, tourism, and this can easily preclude a consideration of how a project might benefit the local tourism sector. However, as is indicated by some of the examples discussed below, this could be a mistake.

4.3 Examples

This section of the paper describes a few examples of the ways in which proactive thinking was able to identify local industrial benefits opportunities that might otherwise have been missed. Further, context-specific, examples can be found in different Benefits Plans, Impact and Benefits Agreements and Diversity Plans.

Hibernia Construction Project Bid Packaging: This offshore petroleum construction project in Newfoundland and Labrador, Canada, required the use of a 3500-person work camp for a period of about five years. The original plan was to solicit bids for a single camp services contract, which would include all catering, cleaning, personal services, entertainment and security requirements. However, only large specialty companies, none based in Atlantic Canada, were in a position to provide such a package of services.

On the basis of discussions with community groups, Mobil Oil instead decided to break the work into a number of components. This included separate calls for proposals for the catering, cleaning and security contracts, and for the operation of the bar and commissariat. These

contracts were of such a size that local companies were able to successfully bid much of the work, delivering substantial benefits to local companies and individuals.⁶

Workcamp Accommodations: The requirement for construction accommodations can also be used to deliver long-term benefits. For example, it may be that some housing requirements, especially for managers or visiting specialists, can be met through the use of existing hotels. This may justify upgrading (including the provision of business services) or expanding existing facilities. Alternatively, it may be feasible to build the core of a workcamp, including some accommodations and recreation and food services facilities, as a permanent structure. This can then serve, after the completion of project construction, as a hotel, a hostel, or the main component of an educational or prison facility.

Falkland Islands Marine Supply and Support: A six-well offshore petroleum exploration program offered few direct benefits for the Falkland Islands, given its limited industrial base and full employment. However, it was recognized that the program's requirement for marine supply and support might be used to develop such services locally. They could meet both the short-term needs of the offshore drilling program and the long-term requirements of large squid fishing fleet that is regularly found in Falkland Islands waters, making it unnecessary for both to go to the South American mainland to satisfy many emergency or regular requirements. Thus a short-term requirement could be used to leverage the establishment of a long-term benefit.

Industrial Tourism: Large-scale industrial activity may itself be of interest to some visitors. The Confederation Bridge project in Prince Edward Island, Canada, provides a good example of what can be done to exploit the tourist potential of major construction projects. This saw the use of widely publicized site tours, a major visitor centre and a café, and the sale of a wide range of souvenirs. However, it is notable that a lack of foresight and planning meant that the Hibernia construction project delivered a much smaller amount and range of tourism benefits.⁷

There are also tourism opportunities associated with operations, as are exemplified by Landsvirkjun, the Icelandic power corporation. It organizes and extensively promotes tours of,

⁶ See Community Resource Services Ltd, 'Socio-Economic Impacts of the Hibernia Construction Project' Reports prepared for the Hibernia Management and Development Company, St. John's, NL, 1996.

⁷ On interactions between the offshore petroleum and tourism industries see Mark Shrimpton, 'Benefiting Communities: Lessons from Around the Atlantic', Paper SPE 74057 presented to the SPE International Conference on Health, Safety and Environment, Kuala Lumpur, 2002.

and art exhibitions and performances at, its hydroelectric power generation facilities. It is also the case that one of Iceland's largest tourism attractions, the Blue Lagoon, developed as an adjunct to a geo-thermal heating plant. Originally just an informally used thermal pool, it has developed into a spa, restaurant and hotel complex, and has spun off a range of cosmetics and related products.

5.0 CONCLUSION

There is a growing interest in, and adoption of, industrial benefits planning. This focuses on the ways in which the local communities and region can benefit from new industrial activity. It can result in a more balanced assessment of impacts, deliver benefits to different social groups and the population as a whole, and facilitate the approval and implementation of new projects. As such, it can be of value to both local residents and the proponents of industrial activity and projects.

Effective industrial benefits planning requires a proactive and imaginative multi-stakeholder process of education and negotiation. It can deliver not only substantial short-term benefits, but also sustainable long-term economic and social development.