

BriMar Consultants Ltd.,
Suite 416, 21 Dallas Road,
Victoria, BC, V8V 4Z9,
Tel: 250-360-0300

December 19, 2003

Dr. Rod Dobell,
School of Public Administration,
University of Victoria,
Victoria, BC.

Dear Rod,

This letter, sent to you by e-mail attachment, provides an overview of how we believe that the peer review comments of Tom Power and Tony Hodge et. al. on the two economic gain spatial analysis (EGSA) studies prepared by Finisterre Holdings and BriMar Consultants on the minerals, oil and gas sectors for the Coast Information Team should be handled.

The reviewers have pointed out that our two papers (one for minerals, and the other for oil and gas) do not correspond very closely to the charge that you set to them. The fact that the papers do not meet objectives which they were never intended to meet should not be held against them. The fact is that Bob McKnight and I presented our methodologies, and what we meant by scenarios, to CIT management in the fall of 2002. We received no serious criticisms of these methodologies, nor were we provided with any clear-cut understanding of what CIT management may or may not have meant by the term, EGSA. We proceeded on the basis of our outlined methodologies to complete the two reports, doing significant data analysis in an area where great uncertainties abound.

The two sets of peer review comments, from Tom Power and from Tony Hodge et. al., are not consistent with each other. If (as per Hodge et al.) data analysis and empirical content were unnecessary, and all we needed to do was outline a process for including consideration of mineral, oil and gas prospects within the land and resource management planning (LRMP) process, then we could have saved ourselves a great deal of time and trouble. As it is, we have eaten a substantial cost over-run, and have not yet been fully paid for the work we have completed. If (as per Power) our data analysis does not provide an analysis of the economic viability of an actual mine if developed in each of 226 distinct sub-tracts, you should understand that we can hardly be held responsible for not doing the impossible. Most of the remainder of the Power critique consists of quoting the caveats we ourselves wrote about our work.

We have analysed all of the sub-tract data using a set of representative mine models. This is exactly what is done in the Ministry of Sustainable Resource Management (MSRM) "building blocks" exercise (which runs across many different sectors). Essentially, one specifies representative cost and revenues functions for mine types. This allows one to estimate potential net economic values, along with employment

impacts, etc., should it turn out to be possible to develop a viable mine within a sub-tract area. From this, one develops a tentative ranking of sub-tracts by mineral potential (or more precisely a classification of sub-tracts into mineral potential categories). Our numerical results should not be interpreted as a forecast of mining developments that are likely to occur. Rather they should be interpreted as potential gains that would be precluded if mineral development activity is shut out of any particular sub-tract area. Results of this type are directly relevant to the LRMP process.

The spatial data necessary to follow the same approach on the oil and gas side were simply unavailable. In consequence, we had no choice but to follow a speculative macro-approach which relied upon the method of analogy. We hedged our analysis around with many caveats. However, the resulting analysis is revealing and should be of interest to relevant LRMP tables, as well as to those who need to consider the lifting of the existing moratorium.

Taken together, the two reports vindicate our decision not to respond to the earlier critique of our minerals sector report prepared by Tom Green. What he would have had us do would not have been consistent with the Power analysis, let alone with the Hodge et. al. analysis. (A three page rebuttal of the Green critique, as later paraphrased by Robert Prescott-Allen, was sent to Ken Baker at MSRM on August 12, 2003. If need be, I will share a copy of this rebuttal with you.)

Neither the Power critique nor the Hodge et. al. critique provides explicit direction that would lead to a consistent plan for revising our reports. Indeed, Bob McKnight and I do not believe that any useful purpose would now be served for us to revise our reports. They should be accepted at face value, and placed on the CIT website with an adjacent placing of the Power and Hodge et. al. critiques. In their own different ways, the two critiques provide a context for the proper reading of our reports, and for the manner in which the results should be interpreted.

Please let me know whether you find this approach acceptable.

Best regards,

Brian L. Scarfe

cc. Bob McKnight, Melissa Hadley