ALASKA STATE LEGISLATURE
JOINT MEETING
SENATE RESOURCES STANDING COMMITTEE
HOUSE RESOURCES STANDING COMMITTEE
February 8, 2006
2:10 p.m.

MEMBERS PRESENT

SENATE RESOURCES

Senator Thomas Wagoner, Chair
Senator Ralph Seekins, Vice Chair

HOUSE RESOURCES

Representative Jay Ramras, Co-Chair
Representative Kurt Olson
Representative Harry Crawford

MEMBERS ABSENT

SENATE RESOURCES

Senator Ben Stevens
Senator Fred Dyson
Senator Bert Stedman
Senator Kim Elton
Senator Albert Kookesh

HOUSE RESOURCES

Representative Ralph Samuels, Co-Chair
Representative Jim Elkins
Representative Carl Gatto
Representative Gabrielle LeDoux
Representative Paul Seaton
Representative Mary Kapsner

COMMITTEE CALENDAR

PRESENTATION: The Alaska Mining Association

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

STEVE BORELL, Executive Director
Alaska Miners Association
Anchorage, Alaska
POSITION STATEMENT: Testified on behalf of mining companies in Alaska.

JIM CALVIN, Economic Analyst
McDowell Group
Juneau, Alaska
POSITION STATEMENT: Presented economic study funded by the Alaska Miners Association.

ACTION NARRATIVE

CHAIR THOMAS WAGONER called the joint meeting of the Senate and House Resources Standing Committees to order at 2:10:37 PM. Senator Wagoner and Representatives Olson, Ramras and Crawford were present at the call to order. Senator Seekins arrived while the meeting was in progress.

PRESENTATION: The Alaska Mining Association

CHAIR WAGONER announced that the committee would now hear a presentation from the Alaska Mining Association.

2:11:20 PM

STEVE BORELL, Executive Director, Alaska Miners Association, said the mining industry is at a unique time in history with precious and base metal prices being at their highest in recent history. He said that in 2006 exploration will be extensive. He said the Alaska State Legislature has created a positive climate for resource development in Alaska, and "we are very appreciative of that." He said he will speak about current and future mines in Alaska. He said the Alaska Miners Association has contracted with the McDowell Group to do an economic analysis. Several mine representatives introduced themselves in the audience.

2:15:00 PM

MR. BORELL referred to the Usibelli Coal Mine and said Alaska's coal has a low sulfur content, and that emissions from coal plants nationwide are declining in spite of increased activity.

He said the demographics of the people who work at the mine site are extremely interesting. He noted that 27 percent of the employees of the Usibelli coal mine are either second or third generation coal miners. Mr. Borell said the company produces 95 jobs and contributes to other industry jobs, like railroad and power plant jobs. He added that safety is Usibelli's number one priority.

2:17:00 PM

MR. BORELL said that the Kennecott Greens Creek Mining Company is a joint venture, and it is the largest private employer in Southeast Alaska. He said the mine has several years of reserve, but it is spending about $4.2 million in exploration. He said the mine was certified in the Environmental Management System, which is difficult to attain.

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MR. BORELL pointed out that NANA Regional Corporation owns the Red Dog Mine and Teck Cominco is the operator. The Red Dog Mine is the largest zinc concentrate producer in the world. He noted that 30 years of reserve remain at the project site, and 50 to 60 percent of employees are NANA shareholders. He showed a picture of a lightering vessel. NANA also receives royalties, he added.

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MR. BORELL said the Fort Knox Mine in Fairbanks employs over 440 people. He noted that the safety record is good; the mine has worked over 1 million worker hours without a lost-time accident. He said the mine's reservoir has a healthy population of grayling and burbot, and when the mine is done, the state will own the lake and fishing will be allowed.

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MR. BORELL informed the committees that the construction of the Pogo Mine is almost complete, with the first gold pour expected within a few days. He showed a picture of the first production stope. He said the mill is state-of-the-art and the permanent workforce is expected to be 238 at full production. He said all of the people being hired from Alaska have already been found. There is a worldwide shortage of experienced underground miners, he noted.

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MR. BORELL said that the Kensington Gold Mine is expected to begin in 2007, producing 100,000 ounces of gold per year for at least 10 years. The annual payroll, including benefits will be $16 million. He said there is a mine training course occurring now, with 25 attendees. He said 15 of the trainees are shareholders of Goldbelt, Kake, or Klukwan. The mine is not visible from Berner's Bay, he stated. The company has received many environmental awards, and its motto is "producing and protection," he noted.

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MR. BORELL related that the Nixon Forks Mining Project near McGrath shut down because of low metal prices. He said trucks will go underground to get the ore, and operations will begin in the summer of 2006 with 58 full-time jobs. He stated that the company has a reclamation bond in place of $3.5 million. The mine life is two to three years and it does not lend itself to developing a large reserve. There is a significant amount of gold that is still in the tailings that will be reprocessed, he noted.

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MR. BORELL informed the committees the Rock Creek Project in Nome is a conventional open pit mine that has been extensively mined. There will be production at two sites, he said, and one of those is eight miles from Nome. He said it has the first road in the roads-to-resources program, which made possible the ability to bring ore from Big Hurrah. There will be 7,000 tons milled per day with a mine life of four to five years. He said the power will be provided by Nome Utilities. He said the mine has already purchased equipment, and there will be 135 new jobs, which is an unheard of opportunity in that area. He said there will not be a camp, so workers will have to drive to work.

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MR. BORELL explained that the Chulitna Coal Project is located on the Kenai Peninsula, west of Anchorage, Alaska. He said two individuals have been investing in it since 1978, and he showed a map of its location. He explained that there will be a conveyer belt to carry the coal down, and there will be a road along side it, but it is unknown which one will be used. He said it is over a mile into Cook Inlet to get to deep water.

There is a 300 million ton mine-able deposit in logical mining unit one and there is a possible additional area. He said the total investment is projected to be $350 to $400 million, the earliest start date is 2007 and it will employ 350 people. Vessels will have a 60-foot draft to make it economical to haul coal, he added.

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MR. BORELL turned to the Donlin Creek Project, which is located on Calista Native Corporation land and run by Placer Dome that was recently taken over by Barrick Gold. The combined company will have 26 mines worldwide. He said the 2006 field season is moving forward rapidly, but in 2005 111 Kuskokwim area residents worked at the mine site. He noted that the mine has ongoing wind power studies. He related that the company is doing a feasibility study, and there will be twice the amount of drilling in 2006 as in 2005.

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MR. BORELL showed "an extremely important slide" showing local shareholders as supervisors who work at the Donlin Creek Project, including a geologist, equipment operator, and a warehouseman.

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MR. BORELL then informed the committees that Northern Dynasty Minerals Ltd. (NDM)has placed its permitting on hold for a year in order to bring in larger drills to the Pebble Mine because it has discovered significant findings to the east of the deposit. New drills can go down 6,000 feet, he noted. He said they need to understand the eastern zone, and there will be additional training for bear guards and drill helpers. He said there are scholarship programs that were donated by Northern Dynasty. "We need mining engineers like never before," he stated.

MR. BORELL said the Alaska Native Science Engineering Program, a program with which NDM worked, just received a national award. The company will hire many Alaskans, he opined. In 2005 there were 609 employees of which 75 percent were Alaskans.

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MR. BORELL distributed a report by the McDowell Group hired by the Alaska Miners Association to review the economic impacts of Alaska's mining industry.

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JIM CALVIN, Economic Analyst, McDowell Group, explained that the McDowell Group is a research and consulting business that is well known in the visitor and commercial fishing industries. He said the company has a broad perspective on Alaska's economy, but this is the company's first effort at looking at statewide economic impacts.

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MR. CALVIN said the report considered the mining industry to be composed of many activities, including big mines; dozens and dozens of small-scale and medium-scale placer mining operations;" and small sand, rock and gravel quarrying activities in nearly every community in the state. He said the research focused on 2004 when mining companies spent over $70 million on exploration projects in Alaska and $200 million on mine development. The economic impact was 2,900 annual jobs with a payroll of $194 million.

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MR. CALVIN highlighted that there are over 5,100 jobs associated with the industry. However, it's not on the same scale of oil and gas, fishing, tourism, or state government in terms of its overall economic impact to the state, he added. He said it is more interesting to look at the local impacts. For instance, the average annual salary is $70,000 for Alaska workers in metal mines, and they are year round jobs. Over 80 percent of people employed in mining are Alaska residents. He added that during the construction phase of the Pogo Mine the employees were mostly Alaska residents. Many mining industry jobs occur in rural Alaska where there are very few private sector opportunities.

2:50:43 PM

MR. CALVIN said mining jobs have become an important part in the economy in certain boroughs, especially the Red Dog and Fort Knox Mines. In fact, the Greens Creek Mine is the largest private sector employer in Juneau and it's a critical source of private sector jobs. The mining industry is a key source of income for governments around Alaska, he noted. He said three quarters the borough's total general fund came from the Red Dog Mine last year. Fort Knox is the second largest property taxpayer in the Fairbanks North Star Borough. He listed other mines that were important sources of revenue to local governments.

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MR. CALVIN informed the committees that the mining industry generated $16 million in state government receipts in 2004 from mining license taxes and various rents and royalties. He noted that these figures are from 2004 when metal prices were just beginning to recover, so he said he expects the figures to be higher in following years. He spoke of infrastructure benefits of the mining industry, including the Alaska Railroad. He noted that electric power rates are lower for Fairbanks residents because of the use of power by mining.

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MR. CALVIN related that a power line extension was just completed to Greens Creek and that line can be used to provide power to Hoonah. He added that mining provides opportunities to Alaska Natives, including the NANA Regional Corporation. He said the Red Dog Mine has paid about $100 million since the 1980s and it has employed 1,000 different NANA shareholders.

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MR. CALVIN pointed out that there are important linkages between the mining industry and Native interest in terms of business relationships and opportunities. In fact, 120 of the 480 or so Red Dog Mine employees are actually employees of subsidiaries of NANA Regional Corporation. Similarly, Placer Dome, the developer of the Donlin Creek project, has entered into exploration and mining lease agreements with Calista and Kuskokwin Corporations. Therefore, he opined that the mining industry is doing very good things for the Native interests in Alaska. In closing, Mr. Calvin reminded the committee that the mining industry provides high paying jobs, year round jobs, jobs for rural residents, and training opportunities that are transferrable throughout the state and other industries. Furthermore, the mining industry is a capital intensive business, which means that local governments can enjoy significant benefits from property tax revenues. In fact, the property tax and sales tax revenues generated from the mining industry and its employees far exceed any local government expenditure on services to the mine or the mine-related population. Furthermore, the mining industry helps build and support infrastructure that benefits present and future Alaskans. Mr. Calvin opined that the mining industry provides a nearly ideal package of economic benefits and it's an industry that the state can nurture because it has room to grow.

3:03:21 PM

CHAIR WAGONER relayed that he is very happy to see the condensed version of the McDowell Group research. He said people are interested in this issue.

SENATOR SEEKINS expressed interest in the political process of the opposition to the Pebble Mine, and he asked about the environmental challenges and how they are being addressed.

MR. BORELL said he looks critically at companies that come into Alaska because he does not want them to make a mess. He said NDM picked the best individuals to do environmental analyses. He said the area was selected by the State of Alaska for its mineral values long before minerals were ever found. He said NDM raised significant amounts of money to drill in the area. If the project becomes a mine, the following would occur: an additional year of drilling, reevaluation of the mine plan, and a three-year environmental impact statement process with all the state and federal agencies. If, after the aforementioned, the mine is permittable, the mine will have 1,000 jobs for 50-100 years in a place where there are few jobs. The aforementioned is a huge potential benefit to the local communities, he opined.

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SENATOR SEEKINS opined that the permitting process is very cautious in evaluating risks, and he asked if there is value in having the legislature perform a review to ensure that these agencies are adequately protecting the interests of the people of Alaska. He further asked if the [state agencies] are staffed well enough to do the aforementioned without additional legislative oversight.

MR. BORELL replied yes, adding that the state agencies have extremely competent people. In fact, many of them have just gone through the permitting process for the Pogo Mine. He suggested that the legislature has appropriately defined land planning for the state. He explained that the land plans aren't based on a project; the environmental impact statement (EIS) is the project permit approach. The overall intent of the land plan is to establish the ground rules upon which a company can make long-term decisions. Mr. Borell opined that extreme is uncertainty created when the state comes back in to do additional land planning once a company has a project that it wants to move forward for permitting. Furthermore, there has been much discussion [and effort] to streamline permitting. Adding an additional planning process in the middle of a project isn't appropriate [in streamlining]. Mr. Borell opined that the current system works well.

SENATOR SEEKINS suggested that sometimes simple opposition to and desire to kill a project is expressed as the need to study it and obtain more information on it. Therefore, Senator Seekins expressed concern that if there aren't adequate mechanisms and staff in place, then that should be addressed rather than studying a project to death.

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CHAIR WAGONER pointed out that the federal government is working on new mine safety regulations, and inquired as to the impact that will have on future Alaska mining.

MR. BORELL said that he has had a glimpse of a few of the things being done by the federal government. Although there are some things that can be improved upon, he related his understanding that the global positioning satellite technology that could provide knowledge as to the location of people doesn't exist. Mr. Borell acknowledged that any fatalities are too many, but he also pointed out that the mining industry is far safer than most other industries, including the construction industry. He opined that the current laws now are extremely stringent and the inspectors who review the mine sights already have much authority.

3:17:07 PM

ADJOURNMENT

There being no further business before the committees, the joint meeting of the House and Senate Resources Standing Committees was adjourned at 3:17:19 PM.