

**ALASKA STATE LEGISLATURE
JOINT MEETING
HOUSE RESOURCES STANDING COMMITTEE
SENATE RESOURCES STANDING COMMITTEE**

February 22, 2012

12:03 p.m.

MEMBERS PRESENT

HOUSE RESOURCES

Representative Eric Feige, Co-Chair
Representative Paul Seaton, Co-Chair
Representative Peggy Wilson, Vice Chair
Representative Neal Foster
Representative Bob Herron
Representative Scott Kawasaki

SENATE RESOURCES

Senator Joe Paskvan, Co-Chair
Senator Thomas Wagoner, Co-Chair
Senator Lesil McGuire
Senator Hollis French

MEMBERS ABSENT

HOUSE RESOURCES

Representative Alan Dick
Representative Cathy Engstrom Munoz
Representative Berta Gardner

SENATE RESOURCES

Senator Bill Wielechowski, Vice Chair
Senator Bert Stedman
Senator Gary Stevens

OTHER LEGISLATORS PRESENT

Representative Kerttula
Senator Cathy Giessel

COMMITTEE CALENDAR

ALASKA MINERS ASSOCIATION PRESENTATION: UPDATE ON MINING IN ALASKA

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

MIKE SATRE, Executive Director
Council of Trade Producers
Juneau, Alaska

POSITION STATEMENT: Presented a PowerPoint presentation on the Alaska Miners Association, Inc. Presentation: Update on Mining in Alaska.

FRED PARADY, CSP; Executive Director
Alaska Miners Association, Inc.
Anchorage, Alaska

POSITION STATEMENT: Testified during the Alaska Miners Association, Inc. presentation and update on mining in Alaska.

JIM CALVIN, Principal
McDowell Group
Juneau, Alaska

POSITION STATEMENT: Testified during the Alaska Miners Association Inc. presentation and update on mining in Alaska.

ACTION NARRATIVE

[12:03:31 PM](#)

CO-CHAIR PAUL SEATON called the joint meeting of the House and Senate Resources Standing Committees to order at 12:03 p.m. Present at the call to order from the House Resources Standing Committee were Representatives P. Wilson, Feige and Seaton. Representatives Kawasaki, Herron, and Foster arrived as the meeting was in progress. Present from the Senate Resources Standing Committee were Senator Wagoner. Senators French, McGuire, and Paskvan arrived as the meeting was in progress. Representative Kerttula and Senator Giessel were also in attendance.

ALASKA MINERS ASSOCIATION PRESENTATION: UPDATE ON MINING IN ALASKA

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CO-CHAIR SEATON announced that the only order of business would be the Alaska Miners Association Presentation: Update on Mining in Alaska.

12:05:00 PM

MIKE SATRE, Executive Director, Council of Trade Producers, introduced himself. He explained the Council of Trade Producers is a nonprofit organization that represents the large metal mines and mine developmental projects in Alaska. He introduced Fred Parady as the new director of the Alaska Miners Association, Inc.

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MR. SATRE provided a brief explanation of today's PowerPoint presentation, including that he will cover the milestones for 2011 within the mining industry in Alaska, followed by more detailed presentations by the Alaska Miners Association, Inc. and the McDowell Group.

MR. SATRE began his PowerPoint Presentation by explaining that one of the models of the Alaska producers is the Mining Works for Alaska 2011 [slide 1], which will be discussed in more detail by Jim Calvin, McDowell Group. He reported that Alaska has seven producing large mines and 30 exploration projects, which alone spend more than \$1 million a year within Alaska. Mining leads to over 4,500 direct mining jobs with an average salary of \$100,000. He remarked that mining absolutely works for Alaska.

MR. SATRE referred to a map of mining activity in Alaska [slide 2]. He briefly identified the location of major mines, including the Red Dog Mine in Northwest Alaska, which is a partnership between the Northwest Arctic Borough and NANA Corporation; the Fort Knox gold Mine - an open pit operation - located outside Fairbanks; the Pogo Project - an underground gold mine - located outside of Delta Junction.; the Usibelli Coal Mine located near Healy; and the Nixon Fork Mine that just re-started its operations in 2011 west of Denali Park. He directed members to Southeast Alaska, which he indicated is rapidly becoming the center of underground hard-rock mining in Alaska. The Kensington Gold Mine lies just north of Juneau and Greens Creek silver, zinc, gold, and lead mine is located on Admiralty Island, just south of town.

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MR. SATRE identified mines in terms of major exploration and development, including the Livengood operation north of Fairbanks, the Donlin Creek Gold operation on the Kuskokwim River, the Pebble Project in Southwest Alaska, the Chuitna Coal Project in Cook Inlet, and the Wishbone Hill project in the Matanuska-Susitna area. Finally, he noted the Niblack Project, which is an underground copper and zinc developmental project outside Ketchikan.

MR. SATRE turned to the 2011 operational milestones, noting that Red Dog Mine invested a significant amount of money to improve energy efficient mills that allow for higher recovery of zinc and more efficient production [slide 3]. Additionally, the Fort Knox mine reached a major milestone of producing over 5 million ounces of gold during the mine life and expanding the mine's life by permitting a heap leach facility. The Pogo gold mine continues to invest in its future by enhancing the capital infrastructure and in significant efforts to explore and define potential new ore resources and reserves.

MR. SATRE reported that the Usibelli Coal Mine, Inc. announced record exports of coal in 2011 of over one million metric tons out of the Seward coal terminal, which he characterized as an important milestone for the project.

MR. SATRE stated that Fire River Gold Corporation restarted Nixon Fork Mine in 2011 [slide 4].

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CO-CHAIR SEATON referred to [slide 4] to the photograph and asked if it was of Nixon Fork mine.

MR. SATRE answered no, and identified the photo on the right side of the slide as the Kensington mine and the one on the left as the Greens Creek tail facility. He offered to provide additional photographs to the committee. He said he is proud of the Kensington mine's first full year of operation. He reported that Kensington mine continues to invest in the infrastructure and developmental opportunities to ensure a sustainable path forward for the future. Mr. Satre pointed out that he spent the majority of his mining career at the Greens Creek Mine. This mine is now involved in the National Environmental Protection Act (NEPA) process to expand its tail site at Hawk Inlet which, if productive, could allow another 30-50 years of operation.

That would be the outcome if full permitting by NEPA occurs. He characterized this as a great example of a mine continuing to operate responsibly on the Admiralty Island National Monument.

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MR. SATRE remarked that there is significant mine development occurring in the state [slide 5]. He elaborated that Donlin Gold, in partnership with Nova Gold announced an update to the feasibility studies and capital investments required at Donlin Gold. He estimated approximately \$6.7 billion must be invested to construct the mine before it will be operational, including a significant amount of money for the gasline in the Cook Inlet region to power their mining and milling facilities. He reported that the Livengood project had made incredible progress towards getting to a point in which permitting can begin. He stated the preliminary assessment was completed on a very large low-grade gold project outside of Fairbanks. He commended the Alaska management team and described the project as exciting.

MR. SATRE stated the Pebble Mine Project in Southwest Alaska recently published over 26,000 pages of baseline studies of ongoing work performed since 2004. He reported that the Pebble mine staff recently sat through week-long meetings with various agencies involved in permitting the project. He pointed out that some of the information is available on their website. The House Resources Committee hosted a "lunch and learn" to discuss the Pebble mine baseline environmental studies.

MR. SATRE turned to the Kobuk region to the Ambler mining district [slide 6]. He stated that new partnerships were announced this year between NANA Regional Corporation and NovaCopper in this region, which he described as an exciting opportunity to potentially develop resources in the Kobuk Region north of Ambler.

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MR. SATRE commented that the Niblack Mine in Southeast Alaska announced a 30 percent increase in the overall resource and they are well on their way towards completion, undergoing feasibility studies and permitting. The Chuitna Coal Mine in Cook Inlet continues its work on its supplementary environmental impact statement (EIS), including working to address concerns various stakeholders in the project while working to responsibly develop coal resources. He offered his belief that the Wishbone mine

just finished its feasibility studies and continues to work on ongoing permitting issues.

MR. SATRE turned to exploration, noting exploration investment is up over 13 percent for 2011 [slide 7]. He commented that over 60 exploration projects have spent over \$100,000 with 30 projects spending over \$1 million each. He pointed out the key to recognize is that the mining industry has multiple facets. He related that junior companies tend to lead the way in new exploration, including Millrock Resources, Inc., and Kiska Metals Corporation, and Full Metal Minerals. He described the companies as the ones raising capital and having "boots on the ground" to inventory Alaska's resources and define the resources to the point where a larger company can come in and ultimately permit and develop a mine.

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MR. SATRE touched on latest developments on Critical Mineral and Rare earth elements (REE) [slide 8]. He related that the state funded the REE inventory. He reported that the Ucore Company is investing a significant amount of money at Bokan Mountain on Prince of Wales Island at the site of an old uranium mine. Ucore hopes to increase its resources and get the mine into production in the very near future. He emphasized that Alaska is uniquely and strategically poised to be a world leader for rare earth elements (REE). He predicted that headlines will indicate Alaska potentially developing the REE resources.

MR. SATRE recognized Alaska's long and rich history of placer mining, which originally brought people to Alaska [slide 9]. He reported that Alaska has over 200 placer mines ranging from recreational miner to large operations and over 70,000 ounces of gold were produced in 2011.

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MR. SATRE briefly discussed the challenges and opportunities [slides 10-11]. He said the mining industry faces many challenges since it is a high risk business. Over \$3 billion has been spent on exploration since the early 1980s, yet only seven mines are in production today. He characterized the industry as infrastructure challenged. The mining opportunities like the ones at Green Creek must develop their infrastructure in order to come into production. He offered that the Pebble and Livengood mining projects must look carefully at the capital

investments required to bring people, power, supplies, and materials to the sites.

MR. SATRE offered his belief that the actual mining is the easiest part of the mining operations. He suggested that people's perceptions are sometimes not focused on modern mining, but past mining methods. Some people do not think mining can operate and their perceptions of the mining industry are based on things that have happened in the past. Perceptions exist such that mining cannot operate in conjunction with other resource development in the state; however, that simply is not true. Alaskans have to find ways to develop all of Alaska's resources in conjunction with each other in order to have a viable economy moving forward. The choice is not mining or another resource, but how to develop all of Alaska's resources responsibly.

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MR. SATRE stated, in terms of opportunities, that Alaska still has incredible mineral potential. He pointed out that Alaska is considered one of the best places in the world to invest capital dollars and exploration in search of the next world class mine. Alaska has a rigorous permitting system that protects the concerns of stakeholders in various regions, but allows for responsible development of Alaska's resources. Alaska has pretty good support for mining within the state, with over 80 percent of the people realizing that mining is an important facet of the economy. In terms of workforce development, he offered that numerous programs throughout the state exist to train Alaskans for jobs in existing mines and for jobs that may soon come on-line.

MR. SATRE explained that workforce development begins with Alaska resource education working in elementary schools to teach children about the importance of natural resources [slide 12]. He related that mines have made significant investments by companies using the educational tax credit to leverage funding of positions within the University of Alaska Anchorage and the University of Alaska Fairbanks geology and engineering departments. These efforts help ensure the next generation of geologists and engineers will be ready to work in the industry. The council has been working with the Alaska Process Industry Careers Consortium (APICC) to develop training courses for mines, Teacher Industry Externships (TIE), and Career Academies (CA) to prepare people for jobs. Locally, Greens Creek Mine has made a large contribution to the University of Alaska Southeast

(UAS) to develop a curriculum for high school students that shows them a pathway for careers. Additionally, the Mining and Petroleum Training Service (MAPTS) and Delta Mine Training Center (DMTC) are among the facilities and programs in Alaska to prepare the workforce.

MR. SATRE closed with a final slide titled, "Looking at the Future [slide 13]". He stated that Alaska has a tremendous amount of mineral potential and the means to develop that in a responsible manner, as well as the opportunity to deliver the minerals people need for their daily lives throughout the world. He remarked that mining will continue to work for Alaska.

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FRED PARADY, CSP; Executive Director, Alaska Miners Association, Inc., stated that he has been in Alaska since 2008. His mining career began with Anaconda Copper Company in Butte, Montana, in 1978. He spent 30 years in the mining industry in Wyoming. He worked a dozen years in a 7 million ton per year surface coal mine and 15 years at a 4.5 million ton per year underground coal mine, including 5 years as mine manager. He served as a legislator in Wyoming, including as the Speaker of the House. Thus, he understands the role and leadership legislators have in Alaska.

MR. PARADY outlined the issues of concern to the Alaska Miners Association, Inc. (AMA) [slide 14]. First, the integrity of the permitting process is important. The AMA strongly supports the integrity of a rigorous, science-based, state permitting process to ensure it is funded at level that assures its integrity. He said the key to unlocking the economic and mineral potential for the future of Alaska is for people to have confidence in the permitting process.

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MR. PARADY reviewed the AMA's second concern. The AMA opposes the use of 404 (c) and Aquatic Resources of National Importance (ARNI) by the Environmental Protection Agency (EPA) to stop projects. The AMA supports an increased oil flow in Trans-Alaska Pipeline System (TAPS) since without oil the state's economy is at risk and this will affect every industry, including mining.

MR. PARADY detailed the AMA's third area of concern as litigation reform. The AMA supports efforts to bring more

accountability to the appeals and litigation processes for community and resource development projects. The timelines involved in the permitting process are lengthy and are further lengthened by subsequent appeals processes. He identified the AMA's fourth issue of concern as the lack of infrastructure. He related that the AMA advocates for funding infrastructure to provide access to remote areas of Alaska so natural resource projects can be better developed. Concomitantly, with the governor's emphasis on "roads to resources," the AMA would like to add the idea of "lines to mines," to provide infrastructure, whether it is for roads, pipelines, or electrical interties.

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MR. PARADY highlighted the AMA's fifth area of concern as energy. The AMA advocates for development of a state energy plan and funding for interties, pipelines, hydroelectric, which provide the energy resources it takes to make our economy and mining projects work.

MR. PARADY elaborated on the permitting of wetlands [slides 15-16]. He explained that the U.S. Army Corps of Engineers regulates wetlands under the permitting process outlined in Section 104 [of the Federal Mine Safety and Health Act of 1977], which governs mining activities on all lands. Over half of Alaska has been classified as wetlands, and the "no net loss" policy governs this issue. Thus any impact in a wetlands area must be offset by other lands. He reported that the regulatory policies are complex and compensatory mitigation credits are required. He suggested the state should consider establishing a state mitigation program to evaluate state primacy over Section 404 [of the federal Clean Water Act], wetlands mitigation, permitting, and management. He highlighted that many other states that have similar issues to Alaska have established state run programs. It provides mitigation credits where there are limited options, which best describes the condition in most of Alaska. He pointed out that frequently there is only a single provider, the conservation fund, and the costs have escalated to \$10,000 per acre. He further reported that states which have adopted a state-run program have done so to develop their own Department of Transportation needs and have stepped out from that to address the needs of other permittees. He acknowledged that this concept has been discussed with the Department of Natural Resources and the commissioner.

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MR. PARADY provided his perspectives as a relative newcomer [slide 17]. He stated he has been in the state for less than five years, but has been in the mining industry for over thirty years. He said that Alaska's scale is unique. He emphasized that the AMA is very proud of the Usibelli Coal Mine and the continuity of 70 years of operation and jobs in Healy. He pointed out that this mine is roughly a 2.2 million ton per year operation that represents the current total of Alaska coal productions. He reported that Alaska's coal resources exceed those of Wyoming, yet Wyoming produces 450 million tons per year. The differences between the two states is obvious, given that Wyoming is tied to the Union Pacific railroad and can feed the power system of the entire grid from coast to coast in the Lower 48. However, the scale of opportunity is represented in Alaska, including the gap between 2.2 million tons of production, and 450 million tons of production represents enormous opportunity.

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MR. PARADY reported that the industry in Alaska is a century old but still in its infancy in terms of mining. He characterized the resource potential as limitless; however, infrastructure is a key limitation. He stated that along with the "roads to resources" comes the idea of "lines to mines." He identified uncertainly, from his 30 years of mining experience, as the enemy of economic investment, in particular, when reaching investment decisions considering internal rate of return, hurdle rates, and worst-case, best-case, and most probable case. The timeline is one of the key things to consider for the initial dollars invested and when the company begins to earn a rate of return. The uncertainty of permitting timelines and litigation represent disruptions in the process and delay the return of capital investment dollars. He remarked that the size and scale of the investment dollars is enormous. He observed that [Shell Western E&P Inc.] has invested over \$3 billion prior to drilling, Pebble Mine has invested nearly \$1 billion, and Donlin Gold with a development cost projection of \$6 billion. Thus the greater degree of certainty that the state can provide in state processes supports the unlocking of our economic potential and the development of the projects.

MR. PARADY concluded that the investment returns to the state in terms of job creation. He noted the permitting process needs to be strengthened. He described himself as a fierce advocate for the mining industry and mining jobs. He referred to the McDowell report in members' packets that lists an average mining

job in Alaska earns \$100,000 per year. He characterized mining jobs as solid jobs that allow parents to send children to college, pay their health insurance, mortgages, and build retirement plans. This opportunity bridges rural Alaska since mining projects are located where the minerals are located. He closed with the comment that Alaska's opportunity is tremendous and he is happy to be part of the industry.

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JIM CALVIN, Principal, McDowell Group, introduced himself. The McDowell Group is an Alaska-based research and consulting firm. Members may be familiar with a wide variety of social and economic studies the McDowell Group has performed. He provided a brief background, including that he earned a Master of Science in mineral economics from the University of Alaska, Fairbanks. He has had an opportunity to review every significant mining development project in Alaska. The McDowell Group has provided economic impact assessment work on Donlin Creek and the Pebble Project and has also performed work on projects such as the Livengood Project and Fort Knox Mine in Fairbanks.

MR. CALVIN emphasized that the McDowell Group has the tools to provide a thorough and objective assessment of the mining industry in Alaska. He commented that today's report is an expanded version of a 2005 report on the statewide impacts of the mining industry. Since 2005, the McDowell Group has found substantial mining activity and mining steadily growing in importance in terms of employment, payroll, and spending. He related he would expand on what Mr. Satre presented earlier and give a PowerPoint presentation on the economic impacts of Alaska's mining industry, including employment and payroll, Alaska resident employment, Alaska spending, payments to local and state governments, and benefits to Alaska Native communities [slide 1].

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MR. CALVIN reviewed the 2011 economic benefits from mining. He stated the Alaska mining industry spent an estimated \$300 million on exploration activities in 2011, which represents the previously mentioned 13 percent increase from 2010. He outlined 30 projects spent \$1 million dollars or more and 60 spent more than \$100,000, which represents significant activity. He identified the largest projects as the Pebble Project, Donlin Creek, the Niblack Project, Livengood, but also includes small grassroots projects.

MR. CALVIN reported that development dropped about 40 percent since 2010, with about \$175 million spent on mine development spending. The percentage tends to go up and down depending on whether a new mine is coming on line [slide 2]. He pointed out that with the Kensington Mine coming on line the total expenditures related to development for 2011 dropped a small amount. He reported that over the past 30 years the mining industry has invested upwards of \$5 billion in Alaska in development of its infrastructure and assets. Additionally, mining companies have invested \$3 billion in exploration-related activity, which hasn't always resulted in "bricks and mortar" or infrastructure, but has dramatically enhanced our understanding of mineral resources in Alaska.

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MR. CALVIN turned to production, noting in 2011 Alaska's mining industry produced \$3.8 billion in gross mineral production value. He clarified that this is not revenue generated value, but the value of the measure contained in concentrates typically shipped overseas for further processing [slide 3]. He reported that approximately 40 percent of minerals produced are from zinc, 40 percent from gold, 10 percent from lead, and 10 percent from silver. He reported a total of \$1.3 billion export activity for Alaska mineral products in 2010, which is about a third of Alaska's total export, with fish being the number one export.

MR. CALVIN identified about 4,500 jobs directly tied to mining activity, including operating mines, development and exploration jobs, sand and gravel extraction jobs; however, when considering the multiplier effect that equates to 9,000 total direct and indirect jobs [slide 4]. He explained the multiplier effect covers mining employees spending payroll dollars in Alaska, which also creates jobs. He tallied over \$600 million in total direct and indirect payroll of the mining industry. He reiterated that the average annual mining wage of \$100,000 for metal mine operations, which is second only to the oil and gas industry average wages, over twice the average wage for all sectors of about \$47,000.

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MR. CALVIN reported that the McDowell Group reviewed detailed spending data from large operators and exploration projects, including the types of purchases for goods and services. He

summarized that the exploration side of mining spent about \$620 million on goods and services of which 70 percent was spent in 600 in-state businesses [slide 5]. He related that about 500 businesses provided goods and services which have supported mining exploration activities. He emphasized mining spending enhances the economy with operating mines spending money on materials, supplies, fuel, and utilities, and exploration projects spending directed towards professional services and transportation. He summarized the McDowell Group identified well over 600 Alaska businesses provided good and services to Alaska's large mines. He estimated more than 1,000 total businesses are affected by the mining industry.

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MR. CALVIN turned to tax payments to local governments [slide 6]. He stated that mines are a substantial source of revenue for local jurisdictions. He pointed out the Northwest Arctic Borough (NSB) took in almost \$9 million in payment in lieu of taxes from the Red Dog Mine. The Fort Knox Mine generated \$5.6 million in property tax payments to the Fairbanks North Star Borough (FNSB). The Greens Creek and Kensington mines are the top two property tax payers in the community of Juneau. Additionally, the City of Nome and Denali Borough receive mining revenue. He emphasized that these mining operations generate substantial amounts of revenue for local government, far in excess of the costs of the services that local governments provide to the mines or their employees. He characterized the revenues as very positive on the net side of the ledger. He pointed out that the \$5.6 million does not include the property or sales taxes paid by the employees. He reiterated that the mines provide critical element to support local government operations. Outline state government benefits from mining related operations [slide 7], he said \$148 million was paid through royalties, rents, fees, and taxes, up 170 percent from 2010.

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SENATOR FRENCH asked whether the royalties and rents are tied to the production value of \$3.8 billion dollars.

MR. CALVIN answered yes, to a degree, noting mining license taxes are a function of profitability, and corporate income taxes, which are also a function of profitability.

SENATOR FRENCH asked whether the gross mineral production value is up significantly from last year.

MR. CALVIN responded that in 2010 the gross mineral production value was \$3.1 billion so there has been a substantial increase from in 2011. In further response to Senator French, he agreed that it did not increase by 170 percent. He noted that mining has been a key source of revenue for government [slide 7]. The Alaska Railroad generates \$28 million in revenue by hauling coal, sand, and gravel. The DeLong Mountain Regional Transportation System and Skagway Ore Terminal usage also generates \$41 million for the Alaska Industrial Development and Export Authority (AIDEA). Additionally, the Alaska Mental Health Trust earned a million dollars in mining related activities.

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MR. CALVIN stated that nearly all Alaska Native Corporations (ANC) benefit from mining [slide 8]. One of the most compelling measures of the impact of mining in Alaska concerns the Alaska Native Claims Settlement Act (ANCSA) royalty sharing provisions of 7(i) and (j) distributed throughout Alaska. These are ANCSA provisions for resource development revenues to be distributed to all regional corporations and ultimately to nearly all Alaska Native Regional and Village Corporations in Alaska.

MR. CALVIN provided ways that ANC and their shareholders benefit through jobs for shareholders and descendants. He explained that more and more corporations are developing business partnerships and joint ventures with the mining industry. This activity provides a pool of vendors that provide goods and services in support of mining operations. He reported that ANC benefits include \$170 million in net proceeds from Red Dog Mine operations to NANA Regional Corporation, of which \$82 million has been distributed to other ANCSA regional and village corporations [slide 9]. He offered that 56 percent of the 550 year-round jobs at Red Dog Mine are filled by NANA shareholders and every ANCSA Regional Corporation, with 40 million acres of subsurface rights in Alaska. He noted that while not all of this land contains minerals, the land holds some form of mining potential.

MR. CALVIN summarized that mining provides a critical source of jobs in Alaska in approximately 100 communities in the state, regardless of the location of the mine [slide 10]. Mining provides high-paying, year-round jobs and is a key source of tax

revenue, especially to local governments. Mining also provides critical ANC benefits and the economic benefits are spread throughout Alaska, even though the mines are remote.

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REPRESENTATIVE KAWASAKI asked what percentage of the 4,500 jobs are Alaska resident hire.

MR. CALVIN answered that the Department of Labor figures for 2010 indicate about 70 percent is Alaska resident.

REPRESENTATIVE KAWASAKI noted that the state tracks Alaska resident hire in the oil and gas industry by law. He did not believe the data is as closely tracked for mining. He recalled the state also tracks resident hire on the seafood industry, noting about 75 percent of the seafood industry employees are non-resident. He offered his belief that Alaska hire is an appropriate discussion to have with respect to the mining industry. He further asked how well some of the programs such as APICC have affected Alaska hire.

MR. CALVIN answered that the oil and gas industry and mining industry are roughly equivalent in terms of the percentage of resident workers, often due to the remote location of the camps. He said the same mechanics that allow non-Alaskans to participate in the labor force are the same ones that allow village residents to participate. He offered his belief that the mining industry prefers to hire 100 percent locally, noting Fort Knox is nearly 100 percent local hire due to its close proximity to Fairbanks. He added that the mining industry has grown rapidly in Alaska and the industry is working with the University of Alaska and vocational training to ensure training and educational opportunities so Alaskans can be hired. He reiterated that he left Alaska to pursue educational opportunities, but mining brought him back to the state. He emphasized that the mining industry shares the goal to have as many Alaskans in its workforce as possible.

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REPRESENTATIVE KAWASAKI referred to the lack of infrastructure for resource development. He estimated several billion dollars' worth of infrastructure is needed. He asked how legislators could justify state funding should be spent for infrastructure. He further asked whether ways exist to partner with mining, such

as the partnering that happened in the Delta area for the Pogo project.

MR. SATRE answered that Donlin Gold Mine is a great example of private spending for infrastructure. The project has been considering costs to build a gasline into the region to power their power plants and to bring materials onsite to construct the mine. He offered his belief that the value of Alaska's minerals is such that the mines are not going to wait for the state to develop the infrastructure; however, the state should recognize that mines are a great way to leverage private investment to continue to bring infrastructure to those areas. He pointed out that Greens Creek Mine was originally constructed on diesel power and the mine operated for many years on diesel power. At some point it became advantageous for everyone to develop an electric intertie and accelerate the construction of the Dorothy Lake expansion in Juneau, and allowed cheaper hydropower to the region. He recapped his belief the mines will spend the money to develop the infrastructure, but hope the state and regions will view mining development as a way to leverage resources to continue to develop Alaska.

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REPRESENTATIVE HERRON emphasized the importance of developing the state's workforce. He mentioned a project on the Kuskokwim River that he is interested in seeing developed. He asked him to elaborate on mining partners who have done a good job in training Alaskans.

MR. SATRE answered that the Donlin Gold Project and NANA Regional Corporation have done a wonderful job in training people in their regions to work in the mines. Their models for vocational training and Alaska hire are ones the mining industry strives to achieve. He hoped the industry could work towards the Fort Knox model in which most workers are Alaska residents.

MR. PARADY added that he has spent the last four years on the North Slope Borough School District (NSBSD). He identified that a gap exists between students who are on a college track and those who are not. He offered his belief that one of the opportunities that mining represents, besides geology and engineering, is an opportunity to provide training for electricians, instrument and controls staff, and underground miners. He characterized those jobs as well paid jobs because they are highly skilled jobs. He explained those workers need to have an understanding of rock mechanics and high pressure

hydraulics, high-voltage electronics. Those are the types of skills intrigue a lot of students since they are hands-on, craft skilled jobs. He concluded that element of workforce development is very pronounced in the mining industry.

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MR. PARADY, in response to Representative P. Wilson, explained that timelines in permits, extending five-year renewals to match terminal leases, to avoid regulatory hurdles are areas the legislature can help. He offered to continue to develop ideas and ways the legislature can assist.

REPRESENTATIVE P. WILSON offered that several legislators would be happy to work collectively on the issues.

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SENATOR PASKVAN asked Mr. Parady to expand on the effective design standards for pioneer roads.

MR. PARADY explained the pioneer road concept, such that when a road is first built it does not need to be a four-lane interstate highway, but would consist of a road with different guardrail and culvert standards, and would typically consist of one lane. He characterized a pioneer road standard as one that will allow access, but is a road not designed using the full DOT&PF design. He offered that a pioneer road is one that has a more simple design intended to open the artery of commerce and improve it over time.

SENATOR PASKVAN asked if that is the issue with the R.S. 2477.

MR. PARADY explained that the R.S. 2477 is a different issue. The R.S. 2477 refers to an established road that can be retained even if it goes through federal lands. He highlighted that the state has already catalogued the R.S. 2477 roads. He suggested the state also develop a program similar to the "No Net Loss" of wetlands, which would be a "No Net Loss" of access policy to sustain access to lands available for development since as lands are closed off so is economic opportunity.

12:59:50 PM

ADJOURNMENT

There being no further business before the committee, the joint meeting of the House Resources Standing Committee and the Senate Resources Standing Committee was adjourned at 12:59 p.m.