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Related Stories
- Mining Law & the economy — page 3
- Mining Law answers & facts — pages 6-7

Bumpers and Rahall legislation, if enacted, would detail plans for new mines and encourage a mass exodus of exploration dollars overseas.
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The Mining Law: Facts and Answers

What is the Mining Law?

The Mining Law is a mineral acquisition statute designed to promote exploration and development of minerals on public lands. The Mining Law permits an individual or corporation to enter the public domain lands, except those that have been closed to mineral entry, to explore for minerals.

What minerals are affected by the Mining Law?

The Mining Law is generally considered to cover locatable minerals that are found on public lands such as gold, silver, cinnabar, lead, zinc, tin and copper. As a general rule, all valuable metallic mineral deposits are locatable, along with a large group of nonmetallic minerals. The law does not include leasable and saleable minerals such as oil, gas, coal, oil shale, sodium, potassium, phosphates and common varieties of sand, stone and gravel.

How does a miner stake a claim under the Mining Law?

Under the law, an explorer may stake a claim, which is a valid property interest. Although title remains in the federal government, an unpatented claim gives an exclusive right of possession for mining purposes only. To maintain an unpatented claim, the Mining Law requires an annual $100 per claim rental payment. A mineral discovery with a reasonable prospect of success is the prime requisite for the establishment of a valid claim.

How does a miner obtain title to claimed land?

Before a miner can patent the claim, he must first prove a mineral discovery on the claim. Such action demands a very specific, time-consuming, exacting and expensive process. To obtain title to land covered by a mining claim, the claim holder must apply to BLM for the patent. If the claim holder has met all legal requirements and BLM validates the discovery, the patent is issued.

How much public land has been patented by miners?

Since 1872, only 3 million acres of public land have gone into private ownership under patent. By comparison, 288 million acres of public lands have been converted to private ownership as agricultural homesteads and 94 million acres of public lands were given as land grants to the railroads.

Why is access to public land so important to mining?

In order for the United States to remain a viable world leader and to ensure that American citizens continue to enjoy a high standard of living, the public domain must remain available for mineral exploration. Access to public lands is of critical importance to maintaining an assured domestic supply of strategic and critical minerals in the future.

Where are minerals found?

Mineral resources are developed only where they exist as small, isolated geologic quirks of nature. The minerals industry must constantly seek out increasingly scarce new supplies to replenish those that are consumed. Only a very small percentage of prospects investments in time and money.

World-wide mining royalty and tax comparison

<table>
<thead>
<tr>
<th>Country</th>
<th>Metal-mining royalties</th>
<th>Corp. income tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>Royalties abolished in 1991</td>
<td>35%</td>
</tr>
<tr>
<td>Canada</td>
<td>No royalties</td>
<td>45%</td>
</tr>
<tr>
<td>Argentina</td>
<td>Royalties being cut to 3%</td>
<td>30%</td>
</tr>
<tr>
<td>Bolivia</td>
<td>No royalties for new mines</td>
<td>30%</td>
</tr>
<tr>
<td>Brazil</td>
<td>0.2% to 3% paid to states</td>
<td>30-35%</td>
</tr>
<tr>
<td>Chile</td>
<td>No royalties</td>
<td>35%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Negotiable, 1 to 2%</td>
<td>35%</td>
</tr>
<tr>
<td>Philippines</td>
<td>5% to be cut to 2% by pending bill</td>
<td>35%</td>
</tr>
<tr>
<td>New Guinea</td>
<td>1.25%</td>
<td>35% +</td>
</tr>
<tr>
<td>Zambia</td>
<td>No royalties</td>
<td>42.5%</td>
</tr>
<tr>
<td>Ghana</td>
<td>9% to 12%</td>
<td>45% +</td>
</tr>
<tr>
<td>USA</td>
<td>Public lands, under proposed death-of-mining bills</td>
<td>34% + state</td>
</tr>
<tr>
<td>Democratic</td>
<td></td>
<td></td>
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<tr>
<td>Republican</td>
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Describes major mining countries on each continent mining industry. Such public policy is in stark contrast to that of other countries with a mineral endowment that are actively seeking mining investment and have either abolished any royalty to the government or substantially reduced such payments.

Dr. Fred Barnard recently compared the royalty and tax structure of twelve countries that have a major mining industry. He concludes from his review that the United States, under Rahall or Bumpers, would be tied with Ghana as the nation with the highest royalty and tax structure imposed on mining. Barnard's comparison addresses only royalty, he does not compare the onerous land and environmental tenets of the proposed federal legislation that will immediately provide a strong disincentive to the exploration industry.

In one of my earlier columns, "It's not the royalty, it's the whole package," I made the statement, "If Congress passes a new mining act along the line of the Bumpers and Rahall bills, the effect of such legislation will not affect the general public for at least ten years or until the ore from America's current producing mines is exhausted. At that time, however, there will be no new deposits in the mineral pipeline and the U.S. may look to the general public for at least ten years until the ore from America's current producing mines is exhausted. At that time, however, there will be no new deposits in the mineral pipeline and the U.S. may look forward to being a hostage to foreign sources for its metals, not unlike the situation that we face today with petroleum products." I would love to be wrong.

New mining bill offered in Washington, D.C.

(Continued from page 1)

"Even at 2 percent, Craig's bill will cost the mining industry millions of dollars," said Bob Webster, Special Assistant to the President of the American Mining Congress.

"Definitely there is a sting and bite to this bill, but it represents a preferred approach in terms of patenting and reclamation issues," Webster said. "It doesn't have everything we want, but its concepts offer better solutions than Bumpers bill."

The Craig legislation provides for payment of fair market value for the surface of lands patented under the Mining Law. It also assures mined lands are reclaimed in concert with state and local reclamation authorities. In addition, it establishes a hardrock reclamation program for abandoned mines. The legislation also requires a plan of operation for all but minimal disturbances. The plan must follow state and federal environmental laws, and there are penalty provisions included in the legislation.

The new legislation establishes a royalty of 2 percent on net value of minerals measured at the mouth of the mine minus costs of mining, exploration, development and processing expenses. S. 775 also sets up a $25 location fee for each claim and a $100 annual claim maintenance fee with a small miner exemption.
Staggering consequences

Mining Law reform could deliver lethal blow to American mines

(Continued from cover)

the Minerals Exploration and Development Act of 1993. Yearly is Vice Chairman of the American Mining Congress. "Any revenue raising measures or changes to our costs or our ability to mine on public lands must be carefully weighed against the potential negative impacts on the economy of this country," Yearly said. "Increasing costs in the United States or eliminating access to federal lands will lead to less U.S. production, more imports, fewer jobs and an increased trade deficit."

H.R. 322 is sponsored by U.S. Representative Nick Rahall (D-WVa). Senator Dale Bumpers (D-Ark) is sponsoring nearly identical legislation, S. 257, in the Senate.

Among other things, the bills would:

* Continue the $100 claim rental fee, increasing it over time.
* Establish an 8% gross royalty on all production.
* Eliminate patenting
* Institute a new claim filing and administrative transfer fee which represents a minuscule part of the total expenditures required.
* Duplicate existing environmental laws.

It is a gross misrepresentation of fact to say that all the miner has to do is stake the claim and pay $2.50 per acre. The patent fee is really more of an administrative transfer fee which represents a minuscule part of the total expenditures required. Before a miner can patent the claim, he must first prove the claim to federal standards an action which demands a very specific, time consuming, exacting, arduous and expensive procedure.

Paul Glavinovich

At front and center of the new legislation is the imposition of a gross royalty on all mineral production, even though Congress has already imposed a claim rental fee for two years that is estimated to raise as much as $55 million annually. However, economic analysis of proposed royalties on hardrock minerals mined from public lands show a large net revenue loss to the federal treasury.

In testimony before a Senate panel on March 16, representatives from the Congressional Budget Office said estimates of royalty revenue are inflated because the Clinton administration and Congress failed to take into account declines in the industry that tax would bring. And a Washington-based economist said that the royalty, by causing mining companies to fold and jobs to be lost, actually would cost the federal government more than it would raise, when lost corporate and individual income tax revenues are considered.

Washington economist Michael Evans said the 8 percent royalty sought in legislation would cost 17,800 jobs and reduce net revenue to the Treasury by $505 million a year by 2004. An earlier independent study by the accounting firm of Coopers & Lybrand and the law firm of Davis, Graham & Stubbs showed that a 5 percent royalty proposal in previous legislation would have cost between 10,000 and 30,000 jobs and millions of dollars of lost revenue to the Treasury.

The legislation holds staggering consequences for a fragile Alaska mining industry which is struggling to cope with heavy regulations and other cost controls. Mining officials in the 49th state fear the legislation, if enacted, would bring the industry to its knees and derail plans for new mines. They warn it would also kill future exploration and development of new mines.

"If the Mining Law is replaced by the new legislation now being considered by Congress, mining exploration would be driven abroad, and existing operations would be forced to mine only the highest-grade ores or shut down because they simply would not be able to compete."

Paul Glavinovich

"The bills being considered by Congress would forever destroy the principles of the Mining Law and replace it with a system in which only large corporations could assume the risks and participate," said Steve Borel, Executive Director of the Alaska Miners Association. "The independent prospector and geologist would be history."

"We have heard from Bruce Babbitt who predicts the overhaul of the Mining Law will be completed later this year. In congressional hearings on the legislation a few months, Babbitt expressed desire to have comprehensive reform in 1993. He supported the broad thrust of H.R. 322 and urged Congress to enact legislation as soon as possible to require new patents to pay a royalty interest for any production that occurs. Another option, he said, could include a severance tax on production from any mineral deposit that was "patented out of federal ownership in recent years."

Borel disagrees with Babbitt's view of mining not providing a fair return to the government.