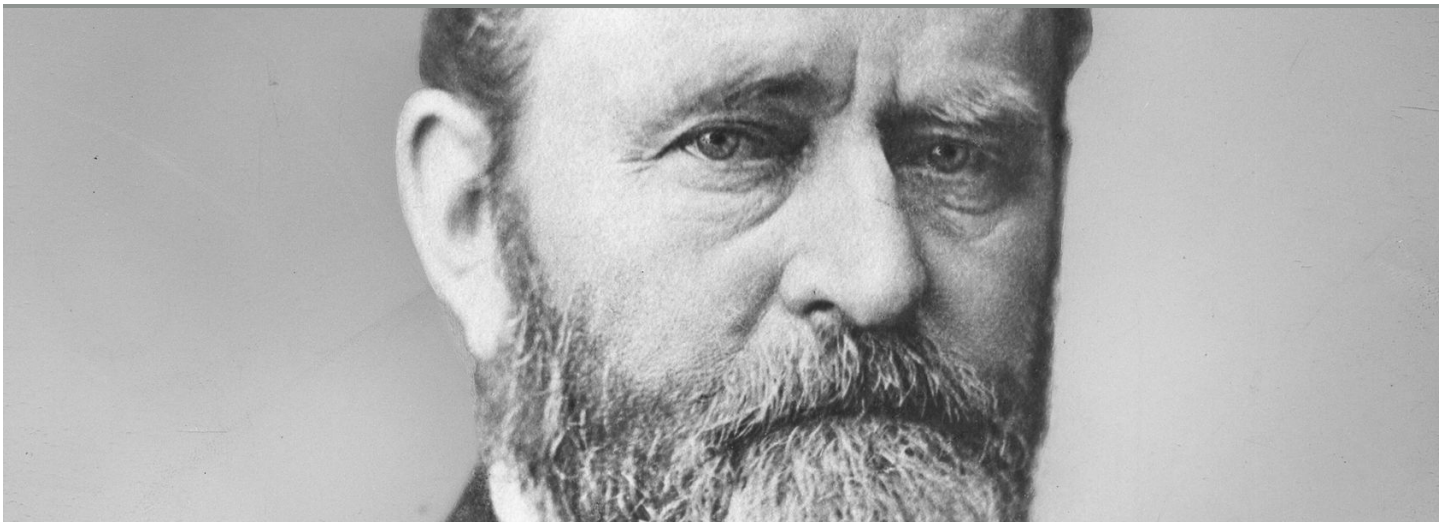


Edition ▼

# Ill-thought-out proposal to amend US Mining Law should fall on deaf ears

In a small effort to fund a US\$3.5-trillion spending bill, the US House of Representatives' Natural Resources Committee is proposing an 8% gross royalty on existing mines and 4% on new ones, plus a 7c per ton fee on rock moved at the mine.



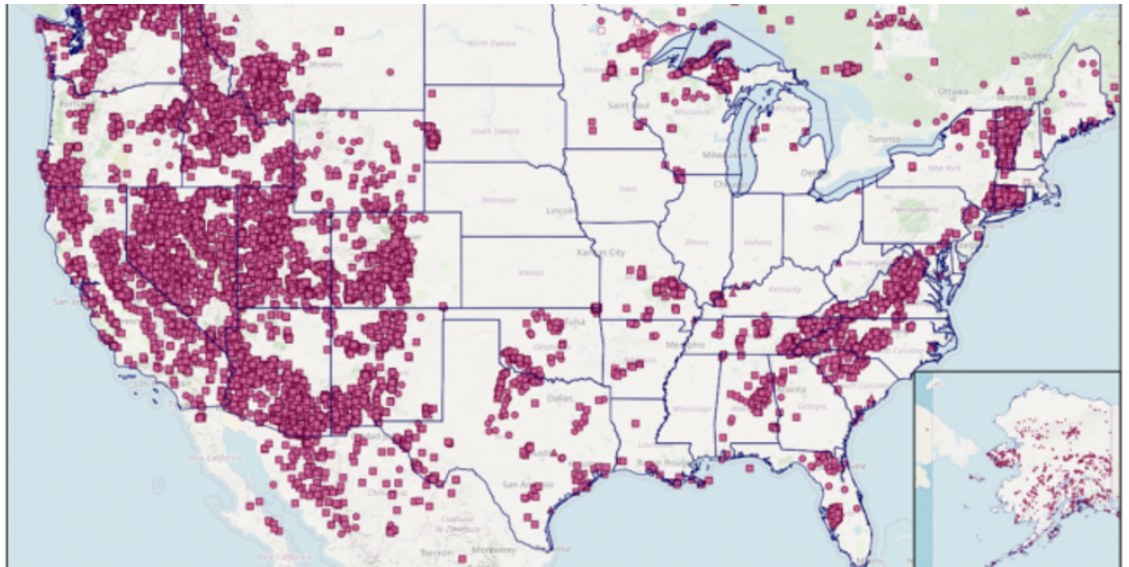
## Mine Risk Management > Politics

Comments

The proposal would impact all of the country's mining projects that reside on public land, which are primarily focused on the Western US and Alaska, and would mark a significant change to the General Mining Bill signed into law by Republican President Ulysses S. Grant in 1872. If passed, which I doubt, the Committee forecasts \$2 billion in revenue over the next decade.

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*Location of US prospects, mines, and processing plants illustrating a higher concentration in the western states and Alaska*

The highest proportion of government-held land is in the mining-focused states of Alaska and Nevada [but], again, I think the probability of the proposal passing is low given that the Republicans currently control the Senate. The other reason I think the proposal is destined for defeat is that it seeks small incremental gains (\$200 million a year) over the next decade while potentially deterring capital investments in an industry that currently employs 673,000 people.

Mineral sector workers tend to earn two-and-a-half-to-five-times higher salaries than the average income (\$78,358 average per year, or \$38 per hour), depending on the state. Therefore, assuming an average tax rate of 25%, their tax contribution is about \$13 billion, which easily eclipses the \$200 million/y of forecast proceeds from the proposal.

Barrick Gold, which operates the Nevada Gold Mines joint venture with Newmont and employs ~7,000 people, estimates its annual contribution to the US economy at \$3.5 billion, which is by far the most of any of its operating assets.

I expect the proposal to amend the General Mining Law of 1872 should fail to pass given its flimsy arguments and the potential to deter investment in the mining sector, which makes a significant economic contribution to the regions where it operates.



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