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Statement of

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OIM
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on

Proposed Federal Mining Policy Changes
and their
Effect on the Mining Industry
and on
State and Local Revenues

Before the

UNITED STATES HOUSE OF REPRESENTATIVES
Committee on Resources

Oversight Hearing

Before the

Subcommittee on Energy and Mineral Resources
Honorable Barbara Cubin
Chairman, Subcommittee on Energy & Mineral Resources

September 11, 1999
Spokane, Washington

**STATEMENT OF TERRY DREVER GEE
GAIA RESOURCE & ASSOCIATES**

**BEFORE THE HOUSE COMMITTEE ON NATURAL RESOURCES
SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES**

**Oversight Hearing on
"Proposed Federal Mining Policy Changes and their Effect on the
Mining Industry and on State and Local Revenues"
September 11, 1999**

My name is Terry Drever Gee, I am a small business owner, Gaia Resource & Associates, a consulting, environmental permit acquisition, and legislative agency and liaison to the public. I was environmental, safety coordinator for Bonnanza Mining, Inc.

Bonnanza from 1987 to 1993 was the largest gold producing mining company in Oregon. By industry standards, Bonnanza was a small business, employing 35 at peak production. During the life of the mine, Bonnanza received State and National awards the National Sentinels of Safety, Oregon State Department of Geology Operator of the year, State Reclamation of the year, and National Reclamation of the year.

I would like to thank the members of the committee for the opportunity to testify today, as Director of Government Affairs, on the behalf of the Oregon Independent Miners and Eastern Oregon Mining Association.

INDEPENDENT MINERS, SMALL BUSINESS ENTREPRENEURS

The independent small miner/pro prospector is the bird dog of the industry. One view is that independent miners are the progenitor, and hence, responsible for about 90% of all the mineral production in the United States. This view recognizes the role of prospectors who have made the original discoveries of virtually all the major mining districts and most of the associated deposits. After doing the early development work on the claims involved, both the patented and unpatented, these properties were then sold or leased to more senior companies who had the means of realizing the deposit's full potential. Based on production statistics from the U.S. Bureau of mines and other industry reports, the independent miners appear to be directly responsible for approximately 15% of the mineral value reaching the marketplace. It would take many independent miners too match the production achievements of the major companies. The independent miner brings into production projects too small for the large corporations (under \$1,000,000.). This fact demonstrates how critically important both sectors of the mining industry are to one another and the overall economy.

Independent small miners are part of the community. In addition to mining some have other jobs and hold community service positions. For example, job titles for the officers of OIM are Small business owners (import gift, retail outlet), associate minister, computer engineer, retired navy personnel. EOMA officers, school district maintenance supervisor, city wastewater manager, retired navy officer, small business owner (environment consulting firm). Small miners are an important part of the local custom, culture, heritage, and economy.

ECONOMIC EFFECTS

Oregon's rural economy has suffered extensively in the past ten years due to the Endangered Species Act and the shut down of many lumber mills throughout the state. Baker County, the

county where the EOMA is headquartered lost their mill due to changes in federal policy and regulation. The mill employed 150 people. The logging industry was the number one industry in the state of Oregon. Many jobs were eliminated with the restrictions put on timber harvest. The West Side of the state along the I-5 corridor has seen economic growth in the electronics sector, but the rural communities are in decline. While serving as chair of the Baker/Malheur Regional Strategies, State Board for economic development, it became evident the importance of family wage jobs for economic stability in rural Oregon, which in many instances depend upon access to public lands.

Many of the proposed changes in the General Mining Law would virtually eliminate the independent miner. With the decline of jobs in the timber industry, our rural communities cannot sustain more economic loss due to excessive federal regulation and misguided policy. In 1994, while in Washington D.C. with the Women's Mining Coalition, on the behalf of the Independent miners, as we met with legislators, staffers, agency directors and staff, a pattern of statements and questions they asked emerged, and are as follows:

1. It was refreshing to see real people, something different from the company CEO's and paid lobbyists.
2. Industry has not been willing to come to the table and discuss how to solve the issues.
3. Industry has not been united in what they want or what they can support.
4. If industry can't live with what is proposed, what can they support?
5. We want to work with you.
6. Give hard factual data we can live with.
7. We do not want to put industry out of business.

For the past decade, miners in Oregon have been very actively involved in the regulatory and legislative processes associated with the mining industry. The Oregon Independent Miners have addressed the above questions and statements.

1. We are the real people in our communities. Many of the claims have been in the miners' families for generations. The miners are the small business entrepreneurs of the community, a healthy addition to the regional economy. The majority are the stewards of the land and proud of their environmental accomplishments.
2. In Oregon, we are at the table, both legislatively and with the agencies. The miners serve on state boards, committees, planning groups that set policy, develop statutory and administrative rules pertaining to mining and economic development.
 - Legislatively, the miners drafted, in conjunction with legislators and state agencies, a bill (HB1152) which recognizes small scale mining and recreational mining as a part of Oregon's proud heritage and its economic benefit to the communities and the state. The bill also identifies mineral trespass as a class C misdemeanor. Passing both the House and Senate, the Governor signed it into law during the 1999 legislative session.
 - Miners successfully worked with the Department of Environmental Quality (DEQ) contributing input that generated a workable general suction dredge water permit (700J) that protects the environment and is easy for the miner to understand and fill out.
 - Miners worked with the Division of State Lands (DSL), DEQ, and Army Corps of Engineers to develop a simple, consolidated general permit process for in stream work.
 - Miners continue to work with DSL as committee members of the Critical Salmon Habitat Technical Advisory Committee. Not only do they offer technical input, but provide, from local association members, physical on-the-ground assistance.

- The independent miners throughout the Pacific Northwest in partnership with the Forest Service, Washington D.C. office completed an informational, training, environmental booklet for both miners and agency personnel and the public. The booklet highlights better management practices and fisheries.
- Local mining associations are active in the communities providing environmental, mining and mineral education experiences for miners, schools, civic organizations and the general public.

The miners **are** at the table not only discussing how to solve issues, but **are a viable part of the solutions.**

3,4,5 The legislative body in Washington D.C., the agencies, and administration are proposing to amend the present mining laws. Miners, small business entrepreneurs, are vulnerable to any change. The independent miners, in Oregon, are willing to collectively work with the US legislative bodies, agencies and administration to craft balanced and workable changes. Following is our position and what the Oregon Independent Miners will support.

- **Federal mining policy changes.** We support the General Mining Law, as amended, but are willing to work with Congress to improve mining law, which will benefit the industry, our country and the environment. We do resent and will resist efforts to simply run miners and other natural resource users off Public Lands.
- **Distinction between small and large scale miners.** It must be recognized the distinction between the small mining, business entrepreneur and large scale mining operations. The Oregon Independent Miners fully support the larger companies and industry as a whole, but the small miners are more vulnerable to decisions which require large amounts of money, up front, or excessive time delays.
- **Small miner's exemption.** Maintain the small miner's exemption of no fee for the approved number of claims; increase the threshold holdings to 25 claims, but not less than the present status of 10 claims. Maintain the **\$100 filing fee**/in lieu of assessment for the small miner who exceed the 10-claim exemption, or wish to pay the \$100 in lieu of filing for the small miner's exemption.
- **Occupancy, access.** Change must not prohibit occupancy or access incidental to mining and must not require removal of equipment or facilities until mineral activities are complete.
- **Royalties.** Up to \$50,000 small miners exclusion from royalties. Thereafter, a sliding scale up to 2% on the net, or a sliding scale based on the net earnings within a fiscal year.
- **Discovery.** Minerals are only where the geology is conducive to the commodity. There must be security of discovery, exploration, development, and operation on public lands open to mineral discovery.
- **Bonding.** Acceptance of bond pools and reclamation Guarantees for small miners. A Miner's Bond Pool or Mining Association Memorandum of Understanding with managing agency for guarantee of reclamation, in lieu of excessive bonds.
- **Patenting.** All valid, existing claims in existence before the patent moratorium, which meets the patenting criteria, could be patented under the laws in force before the moratorium went into effect.
- **Working together.** As we move forward in the process, it is important all the stakeholders work together to draft, and implement sound, balanced policies and regulations that protect the industry, large and small operation alike, and the environment. It can and is presently being done.

FEDERAL MINING AND RESOURCE POLICY

Policy is not law. As federal policy shifts from multiple use to ecosystem management, our managing agencies are bombarded with new directives and regulations that have diminished their ability to manage the land. This has resulted in a gradual loss of the public land and economic stability of the rural communities surrounded by public land that are dependent upon sustainable resource utilization. As the mining and resource issues are analyzed there appears to be a pattern emerging. The resource managing federal agencies are shifting from multiple use to ecosystem management. There are acts of congress that state the multiple use doctrine which have not been officially changed, but still there is a shift in policy generated from Washington D.C. to the managing agencies. Policy is not law, but is being enforced as such. Our public lands have to be responsibly managed in a sustainable manner.

As more emphasis is put on, ecosystem management the studies and analysis that now are required are stifling the whole system, and process for approval of activities managed on public lands by the federal agencies. The current process used by managing agencies is a financial burden on the taxpayers, both in the form of tax dollars allocated for agency evaluation of projects, and also the time delays associated with agencies being under staffed which predicates not being able to get the required evaluations accomplished in a timely manner. The citizens and congress want better financial accountability of the agencies, which in many instances means a cut in budgets and staffing.

A segment of federal government is well aware of the dilemma, and uses the opportunity to confuse the process, which brings activities on public lands to a halt. There is a mindset that is working towards making most of our public land national parks. The thought is, If this task cannot be done by Congressional determination, it will be done through regulation and policy changes.

What this trend has done to the small miner is to virtually put them out of the mining business. Under mining law and regulation, the agencies must adhere to time limits. Now with the ESA and other policy changes a simple plan of operation may take up to two years to be signed and implemented. There are so many studies and evaluations that need to be done; it ends up studying the studies. This takes the on-the-ground agency technicians out of the field where they need to be, and puts them behind a desk doing more paperwork. The public perception is resource users are being subsidized by the taxpayers, when in fact the taxpayers are subsidizing the agency for all the duplication of paperwork and studies they are required to do. The good agency employees are taking early retirement thus leaving many employees who are not qualified for the positions they are put into. In many instances, the miners are dealing with unqualified, inexperience agency personnel who have limited mining knowledge, and are trying to carry out policies they do not understand. This causes major problems.

Low market prices compounded with the loss of the United States Bureau of Mines, as an analytical component, and other programs has caused many small miners to cease mining operations. Repetition of paperwork for various environmental permits and plans of operation has become a full time employee position that cannot be sustained by a small mining operation.

MINER'S CONCERNS. Below are concerns and statements the miners, who could not attend, requested to have entered in the official testimony.

- **NATIONAL SECURITY:** The National Security is being jeopardized. The reserves for strategic metals and rare earths are depleted to almost zero. We cannot mine them in the US. economically because of policy and regulatory shifts. Above all else, this dilemma puts

our nation at risk. We now are dependent upon countries like China for imports of strategic metals and rare earths that we have in this country, but cannot mine.

- **LABOR:** With the down turn of the precious metals market coupled with onerous policies and regulations creates a climate where mineral professionals are forced overseas and new people coming into the industry look to other professions. We need trained mining personnel.
- **BALANCE OF TRADE:** There is a disproportionate balance of trade. The U.S. is currently importing many of the metals we have in this country. In the U.S., we have laws to protect the environment and workers. In third world countries the resources, both land and workers, are more likely to be exploited.
- **ENDANGERED SPECIES ACT:** Why does it take so long to get a mining plan processed? The Forest Service has the paperwork completed, but once it is turned over to Fish & Wildlife or National Marine Fisheries, it is like going into a black hole. No actions are possible.
- **GOVERNMENT STOCKPILE:** Why did Congress pass the Defense Authorization Act for Fiscal year 1999? The act granted authority to dispose of all the tungsten materials in the National Defense Stockpile. Tungsten is a material used to make carbide parts and known for its wear-resistant properties. It is also used in components for the electrical industry (important to National Security). The US is 95% reliant on the import of this material, 33% from China, 24% Russia, 6% Germany, 5% Bolivia, 32% other sources. The total estimated value of primary tungsten material consumed in 1998 was \$300 million. Why is the government selling the reserves?
<minerals.usgs.gov/minerals/pub/commodity/tungsten/680399.pdt>
- **APPROPRIATIONS FY2000:** Why does the President want \$1 billion Lands Legacy Initiative in FY 2000 used for land acquisition? The federal government needs to maintain the land it is in charge of now, and adopt a no net loss of private property policy. Don't take any more private property off the tax rolls, it hurts the economy of rural communities. The President's budget supports decreasing the Mineral Management Service by -\$7.8 million, why?
- **GOLD:** How much of the US gold has been leased? To Whom?

SUMMARY

The effects of present and proposed federal mining policy are driving larger companies to other countries, thus eliminating many high paying jobs in this country. As this takes place the state and local communities suffer the loss of tax and income revenue generated by jobs into the regions.

Example, Bonanza Mining, Inc., the largest gold mine in Oregon from 1988 - 1993, employed 35 at peak production. In comparison to industry standards of size, Bonanza was a small business. For the region, Bonanza contributed several hundreds of thousands of dollars, per year, during peak production, in payment of taxes and permitting fees paid to the state. This does not take into account the benefit to the region of the revenue stream generated by the employees. The goods and services used by Bonanza added another large sum of money spent in the local area and state. The county of Baker has only 15,000 residents; the contribution made by Bonanza was significant. Bonanza also received several state and federal safety and environmental awards and is recognized world wide for setting industry and environmental standards. Bonanza moved over 3,000 feet of major creek. It was a partnership venture with the state and federal agencies and operator drawing upon the technical assistance of the US Bureau of Mines research and development division. The project was a collaborative effort of federal and state agencies that economically benefited the local and state economy. Yet, if Bonanza were to attempt this operation today, with the policy and regulatory

changes, it would be questionable if the project could be done. The opportunity to mine the adjacent property was decided against, by the owners, because much of the property was on public land, and the owners did not want to take the risk associated with time delays, and arbitrary federal mining policy and regulatory changes. This decision directly and indirectly affected the local, regional and state economy.

Oregon independent miners are, have, and will continue to work with local, state and federal agencies, in a collaborative effort, to ensure sound mining and environmental practices and to help assist in developing industry standards, state policies, statutes and administrative rules, and federal policy and regulation. The miners are committed to the betterment of the mining industry, communities, state and nation. The question is: Is the federal government as committed?

The industry does not need more layers of regulation nor abusive policy changes. Change what is not working and enforce what is already in existence. Deal with facts not perception. Look at the whole picture, do not judge or regulate a whole industry by a small percentage of wrong doers.

The mining industry is the most important industry in the nation. From the ground, comes the material needed to carry on the life style we have become accustom to. "Differentiate between the large mining companies and the independent miners. Small business entrepreneurs have different needs and considerations." The challenge is working together, to find and implement responsible, fair and balanced solutions.

Thank you again for your time and consideration of this most important matter.