

Mining industry needs to pay its share

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COMMENT

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There is no wealth without production. If humans are to prosper, someone somewhere has to catch a fish, cut a tree, dig a hole. In spite of mankind's amazing accomplishments in the electronic age, including high-speed communication and transportation, this basic reality remains the same.

Certainly the Alaskans who wrote our constitution understood it. This prompted them to write Article IX, the natural resources title that is one of the keys to modern Alaska's success. Currently, my colleagues at The Institute of the North are looking for ways to urge the framers of the new Iraqi constitution to take a look at this title. It could help lift oil-rich Iraq from its recent past of exploitation by a few to a future that benefits all.

When the Alaska Constitution was written, hard-rock minerals, fish and timber were the mainstays of Alaska's private economy. That changed soon after statehood when oil was discovered on the North Slope. As noted by a PBS film crew touring the state recently, the trans-Alaska pipeline will soon mark 30 years of successful delivery of the largest source of domestic oil in the nation.

For these many years, Alaskans have relied on revenues from that oil to provide for public services. But Alaskans know we must diversify. Specifically, a natural gas pipeline is on the horizon, and we are moving toward a new era of large-scale mining.

While some Alaskans fear mining, I do not. It's an opportunity to show the rest of the world, as we did at Prudhoe Bay, how to produce needed minerals while protecting the environment.

Besides, today's mining industry has changed dramatically from the stereotypes of the past. In the early days, prospectors honeycombed Alaska, but their tools were limited mainly to mineral hammers, sluice boxes, gold pans and guts. Modern explorers are using the latest technology to examine Alaska more closely.

As a result, they have discovered some previously unknown bonanza-size prospects, including Donlin Creek east of Bethel and the Pebble property across Cook Inlet from Anchorage, two of the largest precious ore bodies in the history of North America.

These operations promise hundreds of well-paying jobs for Alaskans, both rural and urban, and revenue for land owners. But there is something missing. Unlike our oil producers, hard-rock miners in Alaska pay no severance taxes.

Donna Williams, a student in the class I taught at University of Alaska Anchorage, "Managing the Alaska Commons" last semester, wrote her research paper on this subject. Donna grew up on the Kenai Peninsula and appreciates the benefits of natural resource development.

An example is the Nikiski-based Agrium plant that has been in the news lately. That plant plays a major role in promoting high yields of nutritious food crops in the United States and abroad. By processing our natural gas in state, the company provides 180 year-round jobs that average \$84,000 a year.

But Donna raised the severance tax issue.

"These are non-renewable resources the state is allowing to be extracted (at Pebble) without requiring the producer to leave behind any kind of long-term benefit," she wrote. "(And) the managers of the resource, the Legislature, are not fulfilling their obligation to the owner state by not having a severance tax in place."

She makes a good point.

Tax policy on mining activities in Alaska needs prompt legislative action before mining companies make decisions to go ahead. Once they know the rules, they can determine whether these projects make economic sense, and many are not opposed to a reasonable tax structure.

Bruce Jenkins of Northern Dynasty, the company that holds the patents at Pebble, said in an interview on Channel 2 in February, "I understand that the level of taxation for the mining industry in no way compares to what it is for the oil and gas industry ... if that changes and we have to pay higher taxes, we will."

Walter J. Hickel served as governor of Alaska from 1966 to 1968 and 1990 to 1994. He was U.S. secretary of the interior from 1969 to 1970. Founder of the Institute of the North, he was the UAA distinguished professor of public policy last semester. The research paper on Hardrock Minerals and Taxes by Donna Williams can be found on www.institutenorth.org.

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