Alaska’s Mining Industry

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Developing Important Infrastructure

The mining industry has historically played a key role in the development of important infrastructure in Alaska. Development of the Alaska Railroad, the Richardson Highway, and the settlement of Anchorage, Fairbanks, Juneau, Skagway, and Nome are all linked with early mining industry activity. The mining industry is also responsible for the development of smaller communities throughout Alaska, such as Eagle, Circle, and McGrath, among others.

Mining industry development of Alaska infrastructure continues today. Examples include the DeLong Mountain Regional Transportation System port and road (developed in support of the Red Dog Mine), the Seward coal-loading facility, and the Pogo Mine road. Mining-related infrastructure can also reduce the cost of basic services to Alaskans. For example, because Ft. Knox is a large purchaser of electric power, other local customers enjoy lower power rates.

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An Economic Impact Profile

Alaska’s Mining Industry

February 2006

The Benefits of Mining

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- Offers some of the highest paying occupations in Alaska
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The future promises even greater economic benefits. However, the mining industry requires a stable and equitable tax environment for Alaskans to realize the greatest potential economic benefits from mineral resource development.

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Employing Alaskans in Good Jobs

Supporting Alaska workers and Alaska businesses

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Mining projects offer employment and business opportunities to Alaskans. For example:

- Approximately 300 workers have been hired for the Pogo Mine construction project near Delta Junction. Pogo’s labor force is 85 percent Alaska resident.
- For construction of the Kensington Gold Project near Juneau, $42 million in contracts have been awarded so far, 85 percent to Alaskan companies.
- In 2005, Calista shareholders made up 94 percent (111 employees) of Donlin Creek’s direct and contract employees. Seven of eight supervisors on the project are shareholders.
- In 2005, for the Pebble project, 45 consulting firms have been hired to conduct environmental baseline studies, planning, and research. These firms reported 441 Alaskan employees worked on some aspect of the project. Of the Alaska workforce, 21 percent were hired locally from the Bristol Bay region and 26 percent were Alaska Native.

More mining jobs in the future

With the Pogo and Kensington projects coming online in 2007, metal mining will introduce 500 more high-paying jobs for Alaskans, increasing mining’s payroll by $35 million.

Projects currently in exploration, such as Pebble, Donlin Creek, Rock Creek, and Chuitna Coal, have the potential to employ 1,500 Alaskans.

Training Alaskans

Many jobs in the mining industry offer transferrable skills in an industry rapidly growing in Alaska and worldwide. There are a number of Alaska education institutions and organizations that provide training for and with the mining industry throughout Alaska.

Strengthening Government

Mining companies are a significant source of revenue for local governments. In 2004:

- Red Dog paid $6.2 million in payment in lieu of taxes (PILT) to the Northwest Arctic Borough, representing three-fifths of its General Fund receipts.
- Fort Knox/True North was the second largest property tax payer to the Fairbanks North Star Borough, paying $3.5 million in property taxes.
- Greens Creek Mine is the largest private property tax payer, paying more than $15,000 in property taxes to the City and Borough of Juneau.
- Usibelli Coal Mine paid property taxes of $125,000 to the Fairbanks North Star Borough and $153,000 to the Matanuska-Susitna Borough, and $75,000 in other taxes to the Denali Borough.
- Alaska Gold Company, a subsidiary of NovaGold, was the fourth largest property tax payer to the City of Nome, paying $53,300 in real property taxes.

More local government support expected

In a PILT agreement between the Pogo Mine and the City of Delta Junction, mine developers paid the city $500,000 in 2005, will pay another $500,000 in 2006, and another $1,000,000 in 2007 (if a Borough has not yet been incorporated).

Generating state government revenues

The mining industry paid $15.8 million to the State of Alaska in 2004 through a variety of taxes, rent, royalties, and fees. Mining license taxes were the largest source of revenue, totaling $10.3 million in FY 2005, a year when metal prices were just beginning to improve.

Mining is an important source of revenue for the Alaska Railroad Corporation. In FY 2004, the railroad earned approximately $17 million from movement of coal and gravel destined for Alaska or export markets (representing 15 percent of its total operating revenue).

Red Dog Mine paid the Alaska Industrial Development & Export Authority close to $18 million in annual user fees for use of the state-owned DeLong Mountain Regional Transportation System road and port that serves Red Dog Mine.

Supporting the Alaska Mental Health Trust

The Alaska Mental Health Trust earned $167,000 in rents and royalty payments from the mining industry in 2004. The Trust also earned $60,000 from construction material sales.

In 2004, the mining industry directly employed 2,900 Alaskans, paying them $194 million in wages. If indirect and induced jobs are added in, a total of 5,100 Alaskans with $280 million in payroll can be attributed to the mining industry.

Providing year-round jobs with good wages

The average annual wage for employees working in Alaska’s metallic mineral mines is $70,750, 83 percent above the statewide average annual wage. Fort Knox Mine employees’ average salary was 70 percent higher than the Fairbanks North Star Borough average. Greens Creek Mine’s 260 employees are among the highest-paid workers in Juneau with average annual wages of nearly $79,000, almost triple the average $29,000 wage for Juneau private sector workers.

Prior to Red Dog Mine’s opening, average income in the Northwest Arctic Borough was well below the statewide average. Following development of Red Dog Mine, the median household income in the Borough increased by about 87 percent. Annual wages at the mine range from $45,000 to $85,000 per year, plus benefits.

Providing jobs in rural Alaska

Many jobs offered by the mining industry are rural-based, including those at Red Dog, Donlin Creek, Pogo, and Pebble. These jobs are offered where few or any other employment opportunities are available.

Red Dog Mine is the second largest employer in the Northwest Arctic Borough. Including contract employment, it accounts for 17 percent of all employment in the Borough.

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Further, the Pogo and Kensington projects are just beginning to improve. In FY 2005, the railroad earned $10.3 million in FY 2005, a year when metal prices were just beginning to improve.

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