Statement of

James Chavis

Vice-President of Government Relations

Placer Dome America

Denver, Colorado

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Responsible Domestic Resource Development and Economic Stability - The Role of the Hard Rock Mining Industry

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Good Morning, Chairman Pombo, Congressman Gibbons and other members of the Subcommittee. I am Jim Chavis, Vice-President of Government Relations for Placer Dome America. I thank you for holding these hearings here in Nevada, and for allowing the views of the citizens of Nevada to be heard on this important topic. I moved to Denver a couple of months ago, but up until then, I had spent most of my professional life – over twenty years – as a resident of Nevada and an employee of the mining industry. My children were raised and educated in Elko. My two oldest children and their families still reside in the state and as a family, we will always consider Nevada home.

Elko and all of Northern Nevada would be a very different place if it were not for the excellent high paying and high-tech jobs available here because of the hardrock mining industry. Placer has been a major employer in Nevada since the 1960's, when the Company acquired an interest in the Cortez Mining District. Since then, we have developed the Cortez Mine in 1968, and the Pipeline and South Pipeline deposits. Exploration and development in the Cortez District is being done as a joint venture with Kennecott Minerals. Placer is the operating partner in the venture where we currently employ about 415 workers at the operation. In addition to the large payroll at Pipeline, we will spend about $7 million this year developing the resource and $21 million exploring for additional reserves around the existing operations and in grassroots exploration programs. This is one example of the large amounts of money – in payroll and capital investment – that others and we invest in Nevada. A little later I will explain how we spent over four years and $5.5 million getting our most recent expansion of Pipeline permitted. These kinds of costs and permitting delays are very much a part of our decision-making process about where to invest our money in the future.

Placer also owns and has operated the Bald Mountain Mine in White Pine County, Nevada since 1983, and currently employs 115 workers at that operation. Finally, Placer acquired the long-operating Getchell Mine in Humboldt County in 1998, but was forced to suspend operations in 2001 because of low gold prices and the need to conduct an aggressive exploration program to define reserves. In April 2003, with significantly improved gold prices, the Company announced plans to restart the Getchell operation and is now doing so. We currently have 250 persons employed at Getchell, up from 57 people just over one year ago. To offer some indication of the economic impact of these three operations, our gross payroll in 2002 for the Nevada operations was almost $40 million.

Placer also operates the Golden Sunlight Mine in Montana, which just announced an extension on minelife and production of four additional years. The Company is advancing the Donlin Creek property in Alaska, evaluating the potential for a mine there with a measured and indicated resource of 11.1 million ounces and inferred resources of 14.3 million ounces.

Placer's recent increase in Nevada employment – we now have almost 800 employees at our operations and exploration offices in Nevada – can be attributed to past exploration successes and to the recent increased demand for gold in the world marketplace. However, the employment increase at Placer Dome's mines is not necessarily an indication of the long-term health of the mining industry in Nevada. The fact that our existing Nevada mines are flourishing obscures the reality that we and other companies have been operating for the last decade in a prolonged period of regulatory uncertainty and regulatory burdens in the United States. The failure of the United States to provide a stable regulatory environment and straightforward permitting process inevitably influences our investment decisions and those of other major companies. However, the significant effects of these decisions are not readily visible in our current operations or those of other companies, because the major investments in these existing operations were already made. The consequences of recent federal mining policy will only become evident in the future, when the expansions of existing mines and the opening of new mines do not occur because the necessary underlying investments in exploration were not made.

Responsible Domestic Resource Development

Today's hearing is focused on the role of the hardrock mining industry in responsible domestic resource development and economic stability. In Northern Nevada, at least for the foreseeable future, the hardrock mining industry is the prime source of that economic stability. I am sure Dr. Dobra will provide more information on the economics of the industry in Nevada, but for starters, the Nevada Division of Minerals estimates that almost 9,000 people were directly employed in the mining industry in Nevada in 2002, and 44,000 people were in jobs providing goods and services to the mining industry. (Nevada Minerals Industry Fact Sheet – 2002.) These are high-paying jobs with extensive health, retirement and other benefits. As a personal note, I have seen local families grow up in Nevada's mining industry with two, and sometimes three generations working in the mines and making strong communities.

The hardrock mining industry depends on worldwide markets and demands for metals. It is also a fact of life in the mining business that the industry and jobs must go where the resource is, not the other way around. When a mineral deposit plays out and no more minerals are to be found, there is little to do but close down the operation and move on. The early map of the western United States is blanketed with mining towns that lived with these hard realities. Nevada has many old mining camps that once flourished and then died when metals prices collapsed or when deposits failed to live up to their promise.

These two realities have not changed, but the mining industry is somewhat better equipped to deal with them than it was in the past. It is a different industry operating in a different time in history.

§ Environmental Protection: In the 19th and early 20th Centuries, little was known about the potential effects of mining wastes on the environment and it was legal and accepted industry practice to discharge process wastewater and tailings untreated onto land and into streams. Modern mining, in contrast, is heavily regulated by federal and state governments, and responsible industry practice now results in protection of water, air and other environmental media throughout the life of the mine, reclamation and closure – including extensive treatment and containment of any waste that is generated. Responsible mining companies maintain a corporate policy that essentially imposes such standards wherever in the world they operate, whether required by law or not.

§ Sustainable Development: Generally, sustainable development means development that is sensitive to the environment, to local residents and indigenous peoples, that share the benefits of the enterprise with these people, and that looks beyond the economic life of the project to longer-term economic development that benefits the community. Placer is working to incorporate sustainable development practices and principles into all of our operations. At Placer's operations, we are focusing on the following:

o Sound environmental practices that leave a chemically, physically and ecologically stable site when the operation is closed o Emphasis on a safe and healthy workplace

o Involvement of our employees and other stakeholders in all major decisions that affect the community

o Investments in education, public health and other important community causes

In some respects, the goals of sustainable development are more crucial and the needs for them more acute at our operations in developing countries, but we are incorporating these principles into our operations at every one of our facilities, including those in Nevada. Those efforts include:

o 2001 Agreement with Duckwater Shoshone Tribe: Our Bald Mountain facility agreed with the Tribe to facilitate a business growing locally hardened and adapted plants from local seeds in the Tribe's greenhouse. The plants were to be used in reclamation efforts at Bald Mountain. The relationship has been successful, and has ripened into a larger business in which the Tribe supplies seedlings not only to Bald Mountain but also to Pipeline and to other mining companies for their operations. In doing business with our neighbors, we aim to make a positive impact in the community that extends beyond the direct economic impacts of employment and capital investment. We see this as investing in the future of people who were in Nevada long before we started mining, and who will remain after our mining operation is successfully closed.

o Donation of Land to the Carlin School District: We donated about thirty-two acres of land to the School District in 2002 for its various needs. The land is valued in excess of $100,000

o Contribution to Great Basin College: We contributed $100,000 to Great Basin College in 2002.

I am including for the record a copy of Placer's most recent Sustainability Update, which includes a copy of the Company's Sustainability Policy.

The economics of the hardrock mining industry over the last several decades has resulted in larger, worldwide companies. This trend has not resulted in the elimination of small companies, but does mean that most small companies focus on exploration and leave the riskier, capital-intensive operations to large companies. These large companies are able to weather adverse financial conditions and low metals prices better than smaller companies could in the past, in part because of their own internal resources and in part because of their access to capital markets and risk management tools (such as hedging contracts, and other derivatives instruments and risk management strategies). Today's industry is therefore more stable, and less characterized by the old West boom-and-bust image, than ever before.

Every person in Northern Nevada knows that the past five years have been very challenging for this industry. Hundreds of people were laid off, marginal mines closed, and companies merged, were acquired, or in some cases became insolvent. Throughout this period our Pipeline Mine, the Bald Mountain Mine and other larger projects kept operating, providing much-needed jobs and other benefits to the economy. Imagine a future in Northern Nevada after these and other projects have reached the end of their project lives. Unless today's mines are to be replaced by future mineral development, Northern Nevadans face a very different and difficult future. Unless the federal government stabilizes its policies regarding hardrock mining on federal lands, this will be Northern Nevada's future.

Future Mineral Development In Nevada

A decline in Nevada's hard rock mining industry is not inevitable. Everyone agrees that Nevada is and will remain one of the most promising areas in the world geologically to explore for gold and silver, not to mention other valuable minerals. The Nevada Division of Minerals' Ninth Annual Nevada Exploration Survey 2002 shows that exploration budgets are up across the board, and there is increased optimism in the industry about future exploration prospects. This optimism clearly results in part from the improved gold prices of the last 18 months. However, it is also the case that the total amount expended last year on exploration – about $60 million – is half what it was in 1996. Mining companies are spending much less than they used to in Nevada to find new resources.

Nevada's experience is not unique. In general for public lands in the United States, since 1997, both exploration for new minerals and mine development on discovered minerals have all declined substantially:

§ Notices filed with the BLM for exploration on public lands have declined by 70%;

§ Exploration spending in the U.S. has dropped by 66%;

§ New mining claims have declined by 74%;

§ Plans of operations for new mines and expansion of existing mines have declined by almost 60%;

§ Investment in exploration and mine development has in many cases shifted overseas.

It is difficult to quantify all the reasons for this decreased investment, but some of it is clearly the result of the policies of the prior Administration, which was openly hostile to the General Mining Law of 1872, the law that governs mining on public lands. These policies included:

§ Open Hostility to the Mining Law:

o The Clinton Administration attacked the longstanding General Mining Law and lobbied Congress aggressively for its repeal or reform.

o The Department of Interior refused to carry out its legal duties under the law, most dramatically illustrated by its refusal to issue mineral patents to a Nevada gold producer that by all accounts had earned the patents under federal law. The Department finally had to be ordered by a federal court to issue the patents.

o In an attempt to restore stability, the mining industry united behind a reasonable reform proposal that included royalties and restrictions on privatization of federal land, and which was enacted by Congress. President Clinton vetoed the measure.

o The struggle in Congress lasted for years and continues, rendering uncertain the stability of investments in the U.S. under current rules.

§ 3809 Rules: In 1997, Interior proposed sweeping changes to the rules that govern access to public lands for exploration and mining operations. By Interior's own admission, the rules were intended to accomplish "administratively" what Congress refused to do legislatively. Interior's rules were adopted at the end of 2000; fortunately, Secretary Norton made targeted revisions to the rules that removed the most onerous and most legally questionable of their provisions, notably the so-called "mine veto."

§ Millsite Opinion:

o In 1997, the Interior Solicitor issued a legal opinion purporting to overturn an important longstanding interpretation of the Mining Law. Simply stated, Interior has long read the Mining Law to permit the location on federal lands of "millsites" next to mining claims so that minerals can be milled and processed. Traditionally, Interior has allowed the location of as many millsites as necessary to conduct the operation. As ore grades have decreased and improved mining techniques have allowed greater recovery from lower grades of ore, the amount of material to be processed and disposed of in accordance with today's environmental regulations has increased dramatically, and the number of millsites located by companies has increased correspondingly. In the Millsite Opinion, the Interior Solicitor claimed this practice was illegal, reading the Mining Law to limit the number of millsites to 1 per each valid mining claim.

o The effect of this ruling on Placer was dramatic because it threw the claims required for the Pipeline Project into question and provided project opponents one of their main issues for the pending appeal.

o More importantly, the opinion endangers the practicability of any future project on public lands, because there is no way such a project could be situated on the number of millsites that would be allowed if the Leshy Millsite Opinion remains in place. This is a very important issue for Nevada.

§ Slowdown in Permitting: The regulatory process during the Clinton Administration drastically slowed down mine and exploration permit approvals, delaying and in some cases endangering the viability of new projects. In the case of our Pipeline Project, the original federal approvals took four years, even though the operation was to be constructed and operated adjacent to a process facility that had existed for twenty years and in a district that has been mined since the end of the 19th Century. A subsequent expansion proposal, first submitted in 1996, cost over $5 million and again took four years to approve, and is still under appeal at the Interior Board of Land Appeals.

§ Duplication of Federal and State Permitting: Operations on federal lands are subject to both federal land management and state laws. In the past, federal and state governments have made some effort to work together and reduce duplication and burdens, but this cooperation lagged significantly during the Clinton Administration. A hallmark of this failure to work together was the proposed 3809 rule I just described. In that rule, Interior proposed to repeal the existing regulatory relationship that stressed compliance with existing state laws, replacing it with one in which the federal government dominated to the exclusion of the views and wishes of state regulators. This aspect of the 3809 rules was strongly opposed by industry and by state regulators, and fortunately, was withdrawn by Interior. Still, the dual levels of regulation exist, and it remains a challenge for federal and state regulators to work together to minimize regulatory burdens.

To summarize, if the mining industry is to have a significant future as an employer and economic engine in the State of Nevada and the western United States, these regulatory uncertainties left over mainly from the prior Administration will have to be addressed and resolved. The most important of these issues left to resolve is the Millsite Opinion. If the Millsite Opinion is not reversed and the law on this subject remains unclear, major companies, including Placer, will be reluctant to make future investments in new projects in Nevada or elsewhere in the United States.

Placer Dome’s Future in Nevada

Like every other major mining company in the world, Placer Dome is an international company, with mines and projects in South and Central America, Canada, Africa, Asia and Australia, in addition to its mines in the United States. Placer is committed to its operations in the United States and to its employees here, and continues to budget significant resources for Nevada exploration. An important part of our annual exploration budget is expended on our “Minex” program, in which we explore for minerals at or near our existing operations. It is Minex expenditures that have expanded the reserves and prolonged the life of the Pipeline Operation, and that have enabled us to reopen the Getchell mine. Placer’s worldwide budget for exploration in 2003 is $60 million, with $36 million of that going to the Minex program. Of our total exploration budget, $21 Million will be expended in the United States. Over the last 10 years, Placer has spent over $180 Million in the U.S. in exploration leading to the discovery of Pipeline, plus expansions at Bald Mountain Mine and the Golden Sunlight Mine in Montana.

Like other companies, Placer’s Nevada growth is happening primarily at existing properties. As explained above, it makes sense to focus exploration efforts where you can use existing processing facilities rather than build new ones, so to us this strategy is just good business. However, it also reflects in part the reality that new projects are enormously expensive and difficult to develop and build with uncertain permitting. We must choose to direct scarce exploration capital to places where it promises to yield the most financial benefit for the Company at the least risk. When we decide where to explore, we must reckon with the fact that there is now significantly more political risk in the United States than existed when we made our investments in Bald Mountain, Pipeline and Getchell. Whether we explore and develop new projects in Nevada will depend on a complex calculus of factors that include metals prices, the status of the Mining Law, the Millsite Opinion and related legal precedents, and the difficulty and length of federal and state permitting processes.

We are, above all, committed to being good corporate citizens in Nevada and wherever we operate. Placer looks forward to a clearer, more positive and more settled legal environment in which to operate in the United States in the future. I very much appreciate this opportunity to make our views known.