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Opinions

With higher royalties, mineral production will decrease

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Dear Editor,

The laws of economics are as true as Newton's and Einstein's universal laws. As sure as the sun sets in the west, when you increase the cost of something, you'll get less of it.

Congress is currently playing a dangerous game by attempting to impose the world's highest royalties on minerals extracted from federal lands in the western U.S. The implications are wide-ranging, but the main thrust is that domestic production of minerals essential for our military and high-tech industries will be drastically reduced. Developing nations are increasing the worldwide demand for these commodities already. Having a ready domestic source of minerals is essential to our security and economy.

The House has already passed its own version of the law by proposing an eight percent net smelter royalty on all new mines . . . basically a high tax on net revenues. This is in addition to standard local, state, and federal income taxes, property taxes and all of the other taxes and fees already imposed on the mining industry. The Senate will be taking up this issue in their upcoming legislative session. If the Senate passes a bill similar to the House, it will amount to a huge tax increase on domestically produced minerals and the U.S. will simply produce less of them. Now, that doesn't mean they won't be produced elsewhere. It just means that high-paying jobs in America will be shipped overseas. It also means that commodity production will go overseas, and with it many of the advantages the U.S. enjoys both economically and militarily from the production of minerals from federal lands. Furthermore, we should keep in mind that the U.S. has some of the strictest environmental laws in the world. Do you think the production shipped overseas will be done with the same degree of care for the land, water and air?

So, for the sake of argument, let's forget the various small businesses that will go bankrupt. Let's also forget about the damage to competitiveness that our high-tech industry will take. Let's even forget about all the lost jobs. One of the most important side-effects will be that more and more of our mineral production will be shipped overseas. These are minerals crucial to our national security. A major component of the

safety of our country will be shipped to the whims of overseas governments and regimes, many of which are not friendly to our own. America will become even more vulnerable to international instability than it already is.

The American taxpayer must receive a fair return on minerals extracted from federal lands. Congress should support a royalty based on net income versus a tax based on revenues without regard for the high costs of doing business in the United States. The costs incurred by domestic producers are already among the highest in the world due to higher salaries, higher benefits, and extremely high costs of compliance with environmental laws. Adding a new tax increase to this structure will cause these costs to skyrocket further.

High royalties = less domestic production. It's a very simple equation. We need to urge Congress to forget this dangerous experiment.

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