



# Action Alert!

Northern Plains Resource Council

July 25, 1997

## Pegasus Gold Wants **YOU** to Help Pay for Clean-Up of Their Mine Sites!

### THE AUDACITY!

The Pegasus Gold Corporation is one of the worst neighbors you could have in Montana. Their Zortman/Landusky Mines have had a pattern of environmental violations that would make even the old Anaconda Company blink. Last summer they agreed to pay up to \$36.7 million to settle a lawsuit brought against them by the neighboring Ft. Belknap tribes, the Environmental Protection Agency, and the MT Department of Environmental Quality for water pollution which endangered the health of neighboring residents. They have led the mining industry's charge to gut water quality protections in the Montana Legislature. They have consistently opposed laws requiring more thorough bonding to ensure that mining companies—not taxpayers—pay for clean-up at mining sites. And they contributed over \$500,000 to defeat I-122, the Clean Water Initiative—more than all the money contributed by all individuals to all initiative campaigns in Montana last year! That's bad. But that's not all.

Now Pegasus wants you and the rest of the nation's taxpayers to subsidize their clean-up of the Zortman Mine and their closure of two other Montana mines, the Beal Mountain Mine near Anaconda and the Montana Tunnels Mine near Jefferson City! So get out your checkbooks!

### The Subsidy

Through their parent company, Pegasus Gold (a Canadian corporation), Montana Tunnels, Beal Mountain Mining, and Zortman Mining are applying to the Montana Board of Investments for tax exempt, "economic development" bonds to pay for closure activities and *legally required* reclamation at those three mines—for a total of up to \$15 million! In fact, much of their work at Zortman (where they would spend \$10 million) would be achieving compliance with the Consent Decree they signed with DEQ, EPA and the tribes last year. That means that we, as taxpayers, are subsidizing their compliance with an enforcement action brought because they were polluting the public's water!!

If the MT Board of Investments endorses this, Pegasus will find a private investor to put up the \$15 million, but then the investor doesn't pay tax (federal or state) on the interest they earn from Pegasus, so Pegasus gets a cheaper loan rate. This could save Pegasus as much as \$300,000 a year (a 2% interest break on \$15 million) and could cost taxpayers hundreds of thousands of dollars in lost taxes.

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## But Wait! There's More!

"For just one low price..." you not only get to subsidize Pegasus' compliance with the law and clean-up of their pollution, you also get to buy "economic development" by helping Pegasus while they lay-off workers! Pegasus claims they will create 33 new jobs and retain 44, but put that in context: according to their own application, at the same time they'll be eliminating 325 more jobs than they create! Compare for yourself the Legislature's intent in establishing these subsidized bonds with Pegasus' intentions. Does this look like economic development to you?

### The Purpose of Economic Development Bonds

Montana law (§17-5-1502, MCA) describes the intent of the Legislature in creating economic development bonds. The law states that, "It is the policy of the state of Montana...to increase job opportunities and to retain existing jobs..." and goes on to state that, "...(a) a vigorous, diversified, and growing economy is the basic source of job opportunities; (b) protection against unemployment and its economic burdens and the spread of economic stagnation can best be provided by promoting, attracting, stimulating, and revitalizing a diversified economy...; and (c) the state of Montana has a responsibility to help create...a stable, growing, and healthy economy for its citizens by encouraging development of business."

### Pegasus' Intended Uses for up to \$15 Million in Economic Development Bonds

The use that Pegasus proposes does not meet the legislative purpose of these economic development bonds. For example, Pegasus will spend about \$2 million on solid waste disposal, final reclamation, and closure of the Montana Tunnels Mine, *which will be laying off its current workforce of 250* over the next couple of years and will close in 2000, leaving 15 people to finish reclamation. (Net loss of 235 jobs.) They will also spend almost half a million dollars on reclamation and closure of the Beal Mountain Mine, which is closing this year, *laying off all but 20 of its 102 employees*. (Net loss of 82 jobs.) In fact, the reclamation work that Pegasus proposes is legally necessary, so the jobs retained at these mines will be kept whether Pegasus gets public assistance or not.

Furthermore, the money that Pegasus plans to spend at the Zortman Mine—about \$10 million—comes only after Pegasus was forced by an enforcement lawsuit to perform water treatment. After years of pollution and foot-dragging, after forcing taxpayers to spend money to take them to court to end that pollution, Pegasus now wants the taxpayers to provide them with a subsidized loan rate and a tax break for their investors.

We all want reclamation and water treatment at hard rock mines. Pegasus should have installed these facilities years ago. Subsidizing their raising of capital is not an appropriate use of this state program—not for a company that has repeatedly polluted our water and ignored our laws. Pegasus has been a bad neighbor and should not be rewarded for it.

## There's Something You Can Do!

Let the Montana Board of Investments know you think this is an inappropriate use of taxpayer resources! **Sign and send in the enclosed postcard, with any additional comments you have, or write your own letter *before August 12*.** Give them your opinion, not your money!!

**The Pegasus proposal does NOT meet the purpose of tax-free bonds!**