



Testimony of
Hal Quinn
President and CEO
National Mining Association
before the
United States House of Representatives
Committee on Natural Resources
Subcommittee on Energy and Mineral Resources

*“America’s Mineral Resources: Creating Mining and Manufacturing
Jobs and Securing America”
and
H.R. 761, Strategic and Critical Minerals Production Act of 2013*

March 21, 2013

Good morning. I am Hal Quinn, president and chief executive officer of the National Mining Association (NMA). NMA is the national trade association representing the producers of most of the nation's coal, metals, industrial and agricultural minerals; manufacturers of mining and mineral processing machinery, equipment and supplies; and engineering and consulting firms, financial institutions and other firms serving U.S. mining.

Today I am testifying in support of H.R. 761, the Strategic and Critical Minerals Production Act of 2013. I want to thank Representative Amodei for reintroducing this very important legislation, which enjoys bi-partisan support and addresses a key issue for the country's future economic growth and manufacturing revival; the painfully slow permitting process for the mines that produce critical minerals essential for our basic industries, our national defense and the consumer products we use. I also want to thank the Subcommittee, especially Congressman Lamborn, for its leadership and persistence in raising the visibility of a serious problem – the availability of critical minerals.

U.S. Mining's Contribution to Society

Mining's contributions to society are significant. U.S. mining's total direct and indirect economic contribution to GDP was valued at more than \$225 billion in 2010, the latest year available for this data, while mining's direct and indirect economic contribution to employment was nearly 2 million jobs. In addition, domestic mining generated \$50 billion in tax payments to federal, state and local governments. The value added to GDP by major industries that consume processed mineral materials was an estimated \$2.4 trillion in 2012. Also of note in 2012, mining exports added \$23.8 billion in positive contributions to America's balance of trade.

In addition to these economic contributions, U.S. metals mining's commitment to employee safety and health has led to continuing improvements in our performance and the introduction of our CORESafety® initiative last year, which relies on a systems approach to eliminating fatalities and reducing the injury rate at U.S. mines by 50 percent within five years. We also developed last year a systems approach to environmental management at hardrock mines, which is particularly geared to assist smaller operations with improvements in environmental outcomes.

U.S. Mining's Potential

The United States has an immense and enviable mineral endowment waiting to be tapped. Yet, when viewed through the lens of resource potential, the U.S. is underperforming. Our underperformance will have increasing consequences as global demand for minerals becomes more competitive due to the demands of developing economies in which millions are being propelled into a rising global middle class. Last week, the United Nations Development Program released a report that examines the profound shift in global dynamics driven by the fast-rising new powers of the developing world.

The report, *The Rise of the South: Human Progress in a Diverse World* includes in its classification of "the South" nations in the Southern Hemisphere as well as , China and India. The report emphasizes the shift is seen not just in large middle-income developing nations such as Brazil, Argentina, India and China, but also in more than 40 other up-and-coming countries have made greater gains than expected in recent decades in what's called human development. As one of the report's authors noted, "The Industrial Revolution was a story of perhaps a hundred million people, but this is a story about billions of people."

Clearly demand for minerals will continue to grow fueled by these fast growing economies. Growing demand presents opportunities and challenges for both U.S. mining and the nation. These trends point to enormous growth and job-creation opportunities if U.S. mining is allowed to perform to its potential. If we do not and become increasingly marginalized, the consequences are severe for our nation's global competitiveness as we become more reliant upon extended and unstable supply chains for what we can produce here.

Permitting Poses a Major Obstacle

So while the United States has one of the world's greatest mineral repositories, our ability to get these minerals into the supply chain to help meet more of America's needs is threatened. A major obstacle to the U.S.' reaching its potential is the length of time consumed in obtaining permits to mine in the U.S. Authorities ranging from the National Academy of Sciences to the Departments of Energy and Defense to international mining consulting firms, have acknowledged permitting delays are among the most significant risks to mining projects in the United States.¹

The U.S. has one of the longest permitting processes in the world for mining projects. In fact, the length, complexity and uncertainty of the permitting process are the primary reasons investors give for not investing in U.S. minerals mining. In the U.S., necessary government authorizations now take approximately seven to 10 years to secure, placing the U.S. at a competitive disadvantage and forcing our economy to become increasingly reliant on foreign producers for minerals we can produce domestically. Our dependence on foreign minerals has doubled in the past 20 years.

Further, our permitting system significantly impedes the ability to attract investment to our shores. In 1993, the U.S. attracted 20 percent of worldwide exploration investment dollars. Today, our share has eroded to just 8 percent.. The percentage of global exploration spending the U.S. attracts is critically important, since exploration spending is a leading indicator of where future development capital will be deployed.

A snapshot of today's mining industry shows significant economic contributions but a shadowy future unless we do more to address critical minerals availability. Today, less than half of the mineral needs of U.S. manufacturing are met from domestically mined

¹ List studies here – NAS; DOD; DOE; USGS, Behre Dolbear etc.

minerals, a trend that has been building for nearly 30 years and will only worsen unless we reform the permitting process responsible for it. Our broken permitting process also slows creation of high-wage jobs supported by mineral mining. We need solutions, such as H.R. 761, to comprehensively address the looming supply challenges faced by U.S. manufacturers in an increasingly competitive global economy.

The Permitting Scheme Harms U.S. Manufacturing

More than the future of domestic mining is at risk from our permitting scheme. As the recent Rand Corporation study, *Critical Materials: Present Danger to U.S. Manufacturing* warns:

While the United States has extensive mineral resources and is a leading materials producer, a high percentage of many materials critical to U.S. manufacturing are imported, sometimes from a country that has the dominant share of a material's global production and export. In this situation, U.S. manufacturers are vulnerable to export restrictions that limit their access to these materials and that can result in two-tier pricing, under which domestic manufacturers in the producing country have access to materials at lower prices than those charged for exports, thereby hindering the international competitiveness of U.S. manufacturers and creating pressure to move manufacturing away from the U.S. and into the producing country. (p. ix)

The Rand Study also notes a potential ripple effect on U.S. innovation:

The U.S. science and technology base that support manufactured products was built on and depends upon the presence of U.S. manufacturers producing these products from raw and semi-finished materials. Prolonged disruption in the supply of raw and semi-finished materials required by these manufacturers could put the science and technology base in jeopardy, which would further reduce U.S. innovation capability and competitiveness in the development of new, higher-performance products. (p.1)

To combat the impact of mineral supply constraints on U.S. manufacturers, the study indicates the most effective action that can be taken to increase resiliency would be to encourage diversified production, i.e., the operation of mines in several different countries. The U.S. can best encourage domestic production of the resources needed for the manufacturing supply chain by modernizing our burdensome permitting structure.

The Solution Is Obvious

Similar to the bill introduced in the 112th Congress and passed overwhelmingly by the U.S. House of Representatives, H.R. 761 carefully addresses the deficiencies of our

outdated and underperforming permitting system. Without changing environmental and other protections provided by current laws and regulations, it provides for efficient, timely and thorough permit reviews and incorporates best practices for coordination between state and federal agencies.

As an example, Canada is a global mining leader that continues to take advantage of its efficient permitting system, large pool of junior explorers and exploration-focused tax incentives to attract 16 percent of the global total exploration dollars in 2012. Canada maintains an expedient, approximately two-year, permitting timeline by implementing a flexible system of oversight that seeks to minimize duplication, uncertainty and delays. Canada recognizes mining is a key economic driver. A recent Conference Board of Canada report, *The Future of Mining in Canada's North*, anticipates the overall metal and non-metallic mineral production is expected to grow by 91 percent from 2011 to 2020. Canada recognizes the long term global demand for commodities is increasing and is positioning itself to take advantage of this opportunity and provide minerals for both domestic and global use.

Further, many of the approaches contained in H.R. 761 are comparable to those recently touted by the Government Accountability Office as significantly improving the permitting process for wind and solar renewable energy projects on federal lands. The GAO report, *Renewable Energy: Agencies Have Taken Steps Aimed at Improving the Permitting Process for Development on Federal Lands*, found that wind and solar permitting times at the Bureau of Land Management were reduced from four years for applications filed in 2006 to 1.5 years for applications filed in 2009. The GAO report is evidence that we know how to make a cumbersome permitting process more efficient if sufficient focus is devoted to the problem. It is ironic that the same agency that permits these renewable projects cannot use similar means to streamline the permitting process for the mines that provide the necessary mineral components to produce such energy.

Conclusion

Using our country's minerals responsibly and efficiently is a bi-partisan priority for strengthening our manufacturing base and the jobs it provides. NMA urges Congress to pass H.R. 761 to provide a more predictable regulatory environment to attract additional investments and allow U.S. mining to build on our positive contribution to the U.S. economy and host communities. The legislation will bring the U.S. in line with our competitors for minerals exploration investments—countries such as Australia and Canada that have already modernized their permitting regime.

We need the permitting improvements outlined in H.R. 761 to allow the U.S. to unlock its full potential.

Thank you for the opportunity to testify today.