



Economy casts shadow on Rosemont plans

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In assessing the prospects for copper-mining proposals in Southern Arizona, beware of taking company promises at face value. In order to analyze the economic context of the proposed Rosemont copper mine in the Santa Rita Mountains more critically, we offer these points for consideration.

The stock price of Augusta Resource Corp., the parent company of Rosemont Copper, has plummeted more than 80 percent in three months. Of course, this parallels the general fall of the market over that time, but it more than doubles the average decline.

Augusta claims to be “well financed,” but in fact “heavily leveraged” would be more accurate. The biggest contracts the company has signed are conditioned upon receiving a permit from the Coronado National Forest and beginning production. Most of the actual cash it has raised to date was gained through dumping tens of millions of new shares on the stock market.

The price of copper has also

plummeted to about a third of what it was just six months ago, which is about half the price that Rosemont’s mining plan projects in the first year of production. Can this really be a profitable proposal?

The current crash of copper prices is the latest manifestation of a historical cycle that has temporarily boosted and then devastated communities in the West for over a century. It is guaranteed to occur again in the not-so-distant future, even if copper prices rebound. This boom-and-bust cycle is the antithesis of sustainable economic development. One need only examine what is occurring in Safford, Clifton, Morenci and other mining towns to see its devastating effects.

Mining giant Freeport McMoRan is laying off hundreds of workers while scaling back and shutting down operations, yet Augusta wants to start a new mine.

The numbers are even worse than Freeport has admitted. Ever since Phelps Dodge broke the union in 1983, many mining jobs have been outsourced to contractors, hundreds of whom have also lost jobs in the current crash.

The result is mass unemployment

and economic chaos in Safford, where the largest developer recently declared bankruptcy and once-full hotel rooms sit empty. The town was promised 30 years of economic prosperity from a new mine, but got only about a year or two of boom before the inevitable bust.

Augusta has stated in Securities and Exchange Commission filings that it has been unable to secure bonding for the proposed Rosemont project. The company has even suggested that it may have to self-insure against the sort of disasters that occurred a few weeks ago in Morenci, where thousands of gallons of sulfuric acid solution spilled into local waterways.

There may be many reasons for such lack of faith in Augusta on the part of insurers, including a mining plan that relies on unproven technologies from a company that has never operated a producing mine.

Whatever the reasons, if professional risk-takers refuse to gamble on Augusta’s ability to run a safe, clean and profitable mine, why should the people of Southern Arizona?

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