POINTS TO HELP ANSWER YOUR QUESTIONS.

Does Red Dog Mine make a profit?

These numbers are taken directly from Teck's annual and quarterly reports.

Red Dog mine has made $5.2 billion in gross profit for Teck since 2005. In the first 3 quarters of 2015 alone, the Mine's gross profit was just under $500 million in Canadian dollars after depreciation and amortization. Red Dog mine contributed **$638 million gross profit** (before depreciation and amortization) to Teck in 2014. Teck's profit increased over previous years when they made $418 million in 2013 and $440 million in 2012. (These amounts are CAD dollars.)

How much does TECK pay to the Northwest Arctic Borough?

25 years ago the Borough entered into a PILT (Payment in Lieu of Taxes) agreement with Teck's predecessor, Cominco. This PILT agreement provided Cominco (and later Teck) with set tax payments helping the uncertain mine to grow and become profitable. This arrangement has been very beneficial for Teck. But that agreement was never meant to be permanent. The Borough agreed to keep tax payments very low in the beginning to help the mine become profitable. The Red Dog Mine is now one of the largest zinc mines in the world, and Teck enjoys the benefit of low, set tax payments to maximize profitability for its shareholders.

In 2014, Red Dog Mine contributed $638 million (more than 80%) of Teck's $770 million zinc gross profit (before depreciation and amortization). This was more than one-third of Teck's gross profit. The last PILT agreement resulted in payments averaging $9.1 million a year to the Borough and $2.4 million per year to the School District. This does not meet the region's needs.

Why has a lawsuit been filed?

Teck sued the Borough. The Borough is simply responding to Teck's lawsuit, which we are legally required to do. The Borough Mayor and Assembly are elected to represent all the communities within the Borough. Today, many communities within the Borough face daily challenges including inadequate water and sewer systems, high fuel prices, poor roads, crowded schools, expensive costs for daily necessities, no VPSO staffing, and lack of basic services. In contrast, Teck executives receive lucrative compensation packages worth between $2-8 million every year that are made possible in part by the Red Dog Mine.

The Borough leadership does not believe keeping the previous PILT agreement payment level meets the needs of our region. In fact, in the last round of negotiations (2011) Teck attained an 80 percent discount from the Borough Severance Tax it would have otherwise been required to pay. This lopsided arrangement left the Borough without the ability to provide basic services like adequate public safety, fire, or water/sewer assistance. It also left the Borough unable to plan for the future.

Why can't an agreement be reached?

The Borough negotiated with Teck for the past six months with no success. The Borough's proposal was a fair starting point for negotiations but Teck adamantly refused to consider it. Instead, Teck refused to negotiate in good faith, continuing to insist that the Borough accept the previous PILT agreement with the same rate structure. Teck's profits have grown substantially; it is time to enter into a new agreement or simply administer the tax Teck would otherwise be required to pay. The previous PILT agreement expired December 31, 2015. Teck's refusal to negotiate in good faith resulted in the Borough implementing its Severance Tax to ensure the Borough can meet the public service needs for our residents. This action is not unusual and is the method preferred by most local governments. The Borough has a legal mandate to generate revenue through taxation, and as a home rule borough, it is within our legal rights to tax a multi-national mining company permanently removing a natural resource from within our boundaries.

What is a Severance Tax?

Severance taxes are incurred for the privilege of removing non-renewable natural resources (copper, zinc, oil, coal, timber, etc.) within a taxing jurisdiction.

Why did the Northwest Arctic Borough decide to impose a Severance Tax?

As part of the negotiating process the Borough, like Teck, hired experts and analysts in mining taxation to help negotiate an agreement. After six months of unsuccessful negotiations, the PILT agreement expired without a new agreement. Analysts and experts agreed a severance tax would provide a fair method to raise revenue for local government services.

What should I expect to happen next?

On January 15, 2016, Teck sued the Borough in Superior Court seeking an order to prevent the Borough from exercising its taxing authority. The lawsuit also asks the Court to require the Borough to meet with Teck and renegotiate a contract under the terms of the expired 2011 PILT Agreement. The Borough leadership believes this is a one-sided agreement benefitting Teck while leaving the Borough without the ability to provide basic public services. The Borough leadership strongly opposes this action and will aggressively pursue a satisfactory legal resolution to this attack.