

ROLE INFORMATION FOR CITY OF TAMARACK

Your negotiation team, consisting of members of the Tamarack City Council, has the authority to enter into any agreement that it deems to be in the best interest of the city of Tamarack. The problems that were described in the "Background Information" have existed for a long time. City officials have met periodically with officials of the Twin Lakes Mining Company to discuss these problems. While some small cleanup measures have been taken by the company, the meetings have always ended with the major issues unresolved. The Twin Lakes representatives have always maintained that they did not have the economic resources to spend that much money on cleanup activities. Now the federal and state agencies have mandated a cleanup. While you are pleased that the company people are under pressure to make some changes, you would rather not see the company close its operations. This outcome would have a negative economic impact on the city of Tamarack.

Of course, you would prefer to pay for as little of the cleanup projects as possible, while still having Twin Lakes stay in business. You hope to continue to develop tourism in your city, and that industry is in a growth phase that requires a considerable amount of money. By getting Twin Lakes to finance as much of the cleanup as it possibly can, you can channel your resources into the tourism industry and the city can develop with the support of both the mining and tourist industries. If Twin Lakes does go out of business in the Tamarack area, tourism will take over as the primary industry, and will receive most of the resources Tamarack has at its disposal. Several options for each of the issues have been discussed in the last few meetings between the city of Tamarack and the Twin Lakes Mining Company. Both parties have agreed on which options for each issue are the most feasible. A detailed explanation of each issue and the available options is provided in this confidential memorandum. In addition, a point system has been devised so that all of the issues can be rated on a common metric, to assist you in negotiating. The point system allows you to combine several interests - minimizing expenses and maximizing current and future revenues, while incorporating opportunity costs and legal considerations - into a single "currency". Each option has been assigned a point value to indicate the quality of that option to you. Within each issue, an option with a high point value is a better outcome for you than options with lower point values. Across the five issues, more important issues are assigned a higher maximum level of points than less important issues. The more total points you gain, the better the outcome is for you. Your task is to try to earn as many points as possible in this negotiation.

1. *Site of Next Mine.* There are five locations that the Twin Lakes Mining Company is considering for a new mine site in the Tamarack area. You would certainly like to see the revenues that would accrue to the city as a result of a new mine site. Any of the sites would generate about the same revenue for the city. However, the location of the new mine could have a dramatic effect on future revenue from tourism. Open-pit iron ore mines and tourist resorts are not compatible when they are in close proximity. Some of the potential mining locations have great potential for drawing tourists, and you plan to see that resorts are built in at least some of these areas. Ideally, you would like to see the new mine located at the Eagle Falls Site, because this location has virtually no value to you as a potential tourist area. This is the best option for you. The remaining four potential mine sites are all relatively valuable to you as future resort locations. They would not make good mining sites from your perspective. According to your projections, there should be enough resort development over the next few years to make use of all four of these sites. Locating a new mine at any one of these four sites could cut substantially into future revenue from tourism. They include the Devil's Pass Site, the Clearwater Lake Site, the Buffalo Bridge Site, and the Allen Road Site. The Allen Road Site is

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an especially attractive prospect for new resorts. Allowing a mine at the Allen Road Site could seriously curtail the growth of Tamarack's tourist industry. Twin Lakes wants to open a mine at one of these sites if they are going to continue operating in the Tamarack area. The point values for these mining sites are:

- Eagle Falls Site 150
- Devil's Pass Site 60
- Clearwater Lake Site 45
- Buffalo Bridge Site 30
- Allen Road Site 0

2. *Restoration of Consumed Mines.* Twin Lakes has met its legal obligation by filling the consumed mines and putting enough rejected ore or rock in place to decrease the likelihood of erosion. However, the laws the company has followed were obviously designed to minimally restore the health of land typically located in remote places, not in the middle of a tourist area. You justifiably think the consumed mines, which are alongside busy tourist roads, are an eyesore that place Tamarack at an obvious disadvantage compared to neighboring tourist cities. You would like to see Twin Lakes, as an upstanding member of the community, obey the spirit as well as the letter of the law, and restore the old mines in an aesthetically agreeable manner. It is not your responsibility to restore land that was naturally beautiful before Twin Lakes started mining it. There are two further levels of restoration above the current level ("legal restoration") that are typically discussed. Partial restoration refers to planting enough vegetation to further reduce the risk of erosion and to make the land blend in more naturally with the rest of the surrounding country. In the mining industry, this is sometimes referred to as "descarring" the land. Full restoration, as the name implies, refers to planting enough vegetation to bring the land back to very near its pre-mining state. There are several consumed mines in question, some of which run along main roads, while others are further back in the country. Restoring the mines near the main roads is of primary importance right now. The other mines, however, also need to be restored because resort developers are always looking for new areas to develop, and a remote location could turn into a new resort area if it is attractive to a developer. The options for restoration by the company and the associated point values are given below:

- Company fully restores all consumed mines 120
- Company fully restores mines near tourist roads/
restores other mines partially 90
- Company partially restores all mines 60
- Company partially restores mines near tourist roads 30
- No further restoration by company of consumed mines 0

3. *Air Quality - Road Maintenance.* Unlike several of the other issues, which are one-time expenses, this issue involves a continuing expense. The paved roads will require a far greater amount and a different kind of maintenance than the current dirt roads require. Although there are many tourist vehicles on the roads, especially during the summer, the mining trucks tear up the roads much more than the cars driven by tourists. Most road damage occurs in the winter because the weather conditions make the roads more vulnerable to wear and tear. In the winter, there are far fewer tourists than in the summer, but the mining trucks continue to damage the roads throughout the winter. The options for maintaining the roads are similar to those for paving the roads. These options, and their point values, follow:

- Company maintains all roads 90
- Company maintains all roads it currently uses / City maintains others 69
- Company maintains roads it has constructed / City maintains others 48
- Company maintains roads on company-owned land / City maintains others 24
- City maintains all roads 0

4. *Air Quality - Paving Dirt Roads.* This issue involves reducing road dust by paving the dirt roads around the outskirts of the city. Many of the roads in question are owned by the city, and all of the roads are used by people from the city and by tourists. They are in relatively good shape even though they are not paved, and are certainly adequate in their present condition for all the needs of the city. The mining company has been instrumental in constructing many roads throughout the region. It is true that several of these are now used more by tourists than by the company's trucks. The company's trucks currently use most of the dirt roads around the city. These mining trucks stir up large amounts of dust because of their size and weight. It is undeniable that paving the roads will be a nice improvement for the city, both as a practical and an aesthetic matter. However, it would be an unnecessary improvement, except for the fact that the mining trucks stir up so much dust. The importance you place on this issue stems directly and singularly from your desire to keep the Twin Lakes Mining Company in business. All of these roads have to be paved for the Twin Lakes Company to stay in business. The options for paving the roads that have been discussed prior to this negotiation, and the point values for each option, are:

- Company paves all roads 60
- Company paves all roads it currently uses / City paves others 42
- Company paves roads it has constructed / City paves others 27
- Company paves roads on company-owned land / City paves other roads 15
- City paves all roads 0

5. *Tax Rate on Company Land.* Naturally, you need to generate tax revenues to fund the various projects on which the city is working. In your view, the current tax rate for the company is in line with the rest of the area, and you have proposed the same 4% tax rate increase for the mining company that will apply to everyone else. The company has argued that they should pay a lower rate than the residents of the city, and have proposed a tax rate reduction of 4%. The local taxes paid by the company comprise a substantial portion of the city's tax revenues, and any reduction in this amount would be sorely missed. You think the tourist industry is about to take off, and its expansion will require substantial funding. Of course, you have channeled funds toward the mining company in the past, and will probably do so in the future, if they stay in the area. The options on the table and their point values are:

- Increase tax 4% 30
- Increase tax 2% 24
- Maintain current tax 18
- Reduce tax 2% 9
- Reduce tax 4% 0

The city of Tamarack wants the Twin Lakes Mining Company to maintain their operations in the Tamarack area, and you certainly would like to get the environment cleaned up. However, there are limits to the amount you are willing to do to keep the company here. You have high hopes for the growth of the tourist industry, and money spent on keeping the mining company in the area obviously cannot be used to expand the tourism industry. There are high opportunity

costs associated with money spent on the projects being discussed in the negotiation today. You want to reach the highest quality outcome possible. Your objective for this negotiation is to try to earn as many points as you can.

Because there are opportunity costs associated with the money that may be allocated by your city in this negotiation, and because the company has been reluctant to fully address these issues in the past, you have decided that you need to reach an agreement that yields at least 198 points, or you will break off negotiations and invest further in the tourist industry. An outcome of less than 198 points would indicate a poor overall investment, and the city could achieve higher returns from other investments. Of course, this number represents a minimum for you, and you certainly hope to surpass this number. You have to gain 198 points or more from the final agreement or you will not settle with the company. The final settlement must include an agreement on one option for each of the five issues. If this does not occur, the Twin Lakes Mining Company will shut down its Tamarack operations, and the tourist industry will replace it as the largest industry in the area.

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CITY OF TAMARACK – CONFIDENTIAL PAYOFF SCHEDULE

Issues:	Points:
<i>Site of next mine:</i>	
Eagle Falls Site	150
Devil's Pass Site	60
Clearwater Lake Site	45
Buffalo Bridge Site	30
Allen Road Site	0
<i>Restoration of consumed mines:</i>	
Company fully restores all consumed mines	120
Company fully restores mines near tourist roads / restores other mines partially	90
Company partially restores all mines	60
Company partially restores mines near tourist roads	30
No further restoration by company of consumed mines	0
<i>Air quality - Road maintenance:</i>	
Company maintains all roads	90
Company maintains all roads it currently uses / City maintains others	69
Company maintains roads it has constructed / City maintains others	48
Company maintains roads on company-owned land / City maintains others	24
City maintains all roads	0
<i>Air quality - Paving dirt roads:</i>	
Company paves all roads	60
Company paves all roads it currently uses / City paves others	42
Company paves roads it has constructed / City paves others	27
Company paves roads on company-owned land / City paves other roads	15
City paves all roads	0
<i>Tax rate on company land:</i>	
Increase tax 4%	30
Increase tax 2%	24
Maintain current tax	18
Reduce tax 2%	9
Reduce tax 4%	0

DO NOT LET THE OTHER PARTY SEE THIS SHEET AT ANY TIME!

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