

CENTER for SCIENCE in PUBLIC PARTICIPATION

224 North Church Avenue, Bozeman, MT 59715
 Phone (406) 585-9854 / Fax (406) 585-2260 / web: www.csp2.org / e-mail: csp2@csp2.org
"Technical Support for Grassroots Public Interest Groups"



RECLAMATION SURETY INDIRECT COST GUIDELINES

The Center for Science in Public Participation has done a number of studies on reclamation costing and the calculation of financial sureties. The most commonly underestimated portion of these estimates is that of calculating the indirect cost, i.e. the costs to third parties (government and contractors) in performing the reclamation work should the mining operator not be able to do so because of financial insolvency.

CSP2 has developed the following recommendation for computing indirect costs, and in the table below the CSP2 recommendations are compared to indirect cost recommendations of the US Forest Service.

<u>CSP2 Recommended</u>		<u>USFS Recommended</u>		
<u>Percentage of contract costs*</u>		<u>Percentage of contract costs**</u>		
		<u>Min</u>	<u>Max</u>	
Contingency	10%			Contingencies:
Mobilization / Demobilization	10%	6%	20%	- Scope Contingency
Engineering Redesign	3%	10%	20%	- Bid Contingency
Engineering, Procurement & Construction Management	5%			Mobilization and Demobilization
Contractor Overhead	15%	0%	10%	Engineering Redesign
Contractor Profit	10%	2%	10%	Contractor's Costs:
Agency Administration	10%	3%	3%	- Performance & Payment Bonds
Inflation	3% /yr	0%	5%	- Estimated Sales Tax
	=====			
TOTAL	66%	15%	30%	- Profit & Overhead
				Agency Project Management
		2%	7%	
		0%	3%	Inflation
		====	====	
		38%	108%	TOTAL

References:

* Hardrock Reclamation Bonding Practices in the Western United States, James R. Kuipers, PE, Center for Science in Public Participation, February 2000.

** Training Guide for Reclamation Bond Estimation and Administration, For Mineral Plans of Operation Authorized and Administered Under 36 CFR 228A, USDA Forest Service, Minerals and Geology Management, April 2004.