

Asarco sale raises suspicions The government sees - Omaha World-Herald (NE) - August 26, 2002 - page 1D

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The Justice Department is alleging that **Asarco**, which it says is responsible for environmental contamination around the country, including Omaha, is fraudulently trying to shift ownership of its most valuable asset to protect it from financial liability.

The government claims that the sale is for "substantially" less than market value and would effectively bankrupt **Asarco**, leaving taxpayers to pick up the bill for hundreds of millions of dollars in environmental cleanups.

Asarco disputes the claims, saying it is "surprised and troubled" by the government's efforts to block the sale of its share of a mining company. **Asarco** is restructuring so it can remain in business in the face of significant debt and declining revenues, said Clay Allen, company spokesman.

At issue is **Asarco's** 54 percent stake in the Southern Peru Copper Corporation, one of the 10 largest private mining companies in the world. Southern Peru operates two copper mines in the Andes and a refinery and smelter along the Pacific Coast. **Asarco**, which is owned by a Mexican firm, Grupo Mexico, is proposing to sell its shares of Southern Peru to another subsidiary of Grupo Mexico.

Asarco and the federal government disagree over whether the proposed sale amount, which has not been disclosed, reflects the stock's fair market value. **Asarco** wants to sell the stock to pay off a \$450 million loan that comes due this fall. Allen said the sale price would pay off the loan and leave money to meet other expenses.

The Justice Department filed earlier this month for a temporary restraining order in U.S. District Court of Washington in Tacoma. It is the first time the Environmental Division of the Justice Department has sought to block the sale of assets, said Dana Perino, spokeswoman for the Justice Department.

The sale is now on hold while the Justice Department and **Asarco** negotiate the issue.

"We're pleased that **Asarco** agreed to halt the sale because this allows both parties to present their positions to the court in an orderly fashion," Perino said.

Allen said negotiations appear headed toward an agreement. "We're hopeful that this will be resolved and that it won't end up in court," he said.

Allen said the sale of Southern Peru would place **Asarco** in a stronger position to continue operating and to clean up contaminated sites. **Asarco** believes that it has about \$200 million in

liability at various sites, while the EPA believes the figure is higher.

Asarco, a mining and metals processing company, is liable or potentially liable for environmental contamination at more than 20 sites in 12 states.

Even without the Omaha cleanup on the table, **Asarco** has told the EPA that it cannot meet its obligations and has asked for a more phased - in approach.

Asarco has been struggling under a heavy burden of debt, but Allen said the company has made dramatic strides to get its house in order. Part of its problems are rooted in the declining price of copper. From 2000 to 2001, for example, the average annual price of copper dropped 14 percent.

The Justice Department alleges that the sale of Southern Peru would bankrupt **Asarco** because the Andean mines guarantee a lucrative source of revenue for years to come. If **Asarco** goes bankrupt, taxpayers would have to foot the bill for the cleanups.

In Omaha alone, the Environmental Protection Agency says **Asarco** is responsible for two - thirds to three - fourths of what could be \$134 million cleanup, according to documents filed in court. **Asarco** does not believe it is the primary source of contamination in Omaha.

Debbie Kring, regional spokeswoman for the EPA, said the sale of Southern Peru is important to Omaha because it could affect **Asarco**'s ability to assist in the cleanup here. However, she said, the actual cleanup itself is not in jeopardy. If necessary, the money would be found elsewhere.

Allen said **Asarco** intends to meet its responsibilities.

"Some might say the easy thing to do - like many other companies are doing - is to fold up and walk away, leaving the taxpayers and the federal government with these responsibilities," Allen said. "Grupo Mexico doesn't want to do that, and **Asarco** doesn't want to do that. We're trying to find a way to make this work."

Asarco sites with potential liability

The federal government believes **Asarco** is liable for contamination at more than 20 sites in 12 states. In some communities, there are more than one site.

SOURCE: Environmental Protection Agency

CITATION (CMS STYLE)

Gaarder, Nancy. "Asarco sale raises suspicions The government sees a plot to skip out on site cleanups; the company says it is restructuring to remain in business.." *Omaha World-Herald (NE)*, August 26, 2002: 1D. *NewsBank: America's News - Historical and Current*.

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