



CHAMBER OF MINES OF THE PHILIPPINES

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Hon. Paquito Ochoa Jr.

Executive Secretary
Republic of the Philippines
Malacañan Palace, Manila

Dear Secretary Ochoa,

We write in connection with the forthcoming government policy on mining, to present our views for the consideration of the President in developing his administration's minerals development policy. We are confident that the President will take a close hard look at the mining industry and pursue what is best for the country and our people.

We would also like to express our thanks for the attention given to the mineral resources development sector and for prioritizing our mutually-shared goals of inclusive growth and poverty alleviation. As the government's partners in mineral resource development, we humbly submit the following points to further strengthen the industry's role as a catalyst of growth, particularly in remote areas of the country:

1. *To generate more jobs and contribute to inclusive growth*, the mining industry needs an enabling investment environment and a stable business policy. This has actually been the President's pronouncement in several of his speeches that has, in turn, enhanced business confidence among local and foreign investors.
2. *To ensure accountability and responsibility among miners*, government must enforce existing laws in monitoring legitimate large-scale and small-scale miners; to address issues of environmental protection and a fair share for government in mining revenues, we recommend that jurisdiction over small-scale mines revert back to the DENR, and that small-scale miners be subjected to the same standards and regulations as large-scale mining operations.
3. *Government must assert its ownership over its mineral resources* and finally resolve the conflicts brought about by the refusal of some LGUs to harmonize their policies with those of the national government. While we recognize that

the consent of local communities to proposed mineral resources development projects is important, national laws must still prevail over local ordinances.

4. *To add value to the country's mineral resources*, government must encourage the development of downstream industries within an industrial development framework and an environment that will provide for security of investments in far-flung areas. It will be necessary to consider the investment requirements, the global market and the timing of the prohibition in the export of mineral ores.
5. *To ensure the security of mining investments*, the government must revive the Minerals Development Council (MDC) and the Mining Investment Security Task Force—bodies which in the past have been successful in overseeing the development needs of the sector as well as the implementation of security protocols in remote provinces deemed to be “hot spots” and conflict zones.

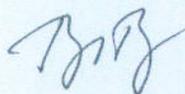
Please be assured that the industry remains committed to forge ahead and contribute to the President's programs of encouraging investments, generating employment, reducing poverty, and improving the quality of life of our countrymen. At this critical time of global economic volatility, we are one with the Philippine government's aim to grow twice as much of its current growth rate in order to sustain a growth path leading to the country's economic development.

We are more than willing to sit down with you and the Mining Policy Study Group and other concerned government agencies to discuss more practical and doable options for reforms that are consistent with responsible mining and sustainable development framework.

Please accept our best wishes for the continued success of President Benigno S. C. Aquino III's *Daang Matuwid* campaign.

Thank you.

Respectfully yours,



BENJAMIN PHILIP G. ROMUALDEZ
President



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A BALANCED MINING POLICY

The Chamber of Mines of the Philippines, as the lead association representing the interests of the large-scale mining, exploration, and mineral processing sector, would like to submit the following points for the consideration of the President in developing his administration's minerals development policy:

1. Mining plays an important role in national development and poverty alleviation, and thus must be encouraged and promoted;
 - a. Mining's ecological footprint in the country is relatively small and does not conflict with agriculture, eco-tourism, and other productive industries;
 - b. Mining has contributed significantly to the country's economy by venturing into rural areas and bringing much needed development and infrastructure;
 - c. There is a need to harmonize laws on mining enacted by the national legislature, with conflicting local ordinances enacted by LGUs;
 2. The regulation and monitoring of the small-scale mining industry must be enhanced;
 3. The development of downstream industries must be pursued to optimize the benefits from the country's mineral resources and spur greater productivity and efficiency.
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1. **Mining plays an important role in national development and poverty alleviation, and thus must be encouraged and promoted;**

At its peak in the 1970s, with 45 operating large-scale mines, the mining industry accounted for about 21% of the country's total exports. However, the oil crisis in the 1970s and the declining price of metals brought the industry to a virtual standstill and the mining industry struggled from the mid-80's through the 1990's. The Mining Act of 1995 was meant to revive the flagging mining industry by creating a more favorable climate for investments into the industry.

In 2010, the mining sector accounts for 5.6% of the country's total exports at US\$2 billion— still a far cry from mining's heyday. But if allowed to grow unhampered, **the industry expects investments amounting to between US\$14 to US\$20 billion in the next five years.** However, it must be noted that even at present, when the full benefits of mining have not yet materialized, **the mining industry in the Philippines already enjoys an impressive growth rate of 21.8% year-on-year, indicating the highest growth rate in the country among all the sectors of the economy.**

In terms of contribution to government revenues by way of excise taxes, fees and royalties, the country's large-scale mining companies contributed a total of **Php13.83 billion in 2010**. For the extraction of copper, gold, and nickel alone, the mining industry has been projected to bring in a considerable US\$15.3 Billion in total investments from 2011 to 2018, and a total annual revenue of US\$11.2 Billion for the next 20 years starting in 2018.

In addition, the mining industry is projected to provide at least 410,000 jobs in 2018. With an average family of six per worker employed in the mining sector, this would result in over two million Filipinos becoming direct and indirect beneficiaries of the mining industry. Assuming a multiplier effect of 6 indirect jobs created for every direct job generated, that would also mean a total of **2.46 million jobs created or supported by the industry**. **If allowed to operate at optimal capacity, the mining industry could account for about 7% of the country's GDP by 2018, a big jump from its current 1.7% share.** Indeed, it cannot be refuted that mining offers an unrivaled potential as a key industry that will drive the growth of the Philippine economy by spurring development in the countryside.

- a. **The ecological footprint of mining in the Philippines is small and will not adversely affect agriculture, eco-tourism, and other productive industries.**

A popular misconception that ALL applications (*see Fig. 1, below*) for exploration permits filed with the Mines and Geosciences Bureau will eventually be approved, granting the applicants the right to mine 40% of the 30 million total land area of the Philippines should be corrected.

The fact is, the 40% is equivalent to 12 to 14 million hectares that are covered by the applications. **The country only has 27 operating large-scale mines that occupy about 60,000 hectares, or approximately 35% the size of Quezon City.** The footprint of 60,000 hectares when spread over the entire country is equivalent to only 0.2% of the total Philippine landmass – *mere pin-pricks on the map and well within the figures of US and South Africa (less than 1%) and Australia (0.06%),* economies where mining is a major contributor to economic growth.

Not all exploration permit applications will automatically result into mining projects. World-wide statistics show that out of 25,000 prospects, 500 will see some form of drilling or exploration, and of these 500 only ONE will go on to become a mine. Since the Country is better endowed with minerals, success ratio will be ONE mine out of 4,000 prospects.

Even if an additional 30,000 hectares were developed in the next decade for 17 projects, the mined areas would still account for no more than 90,000 ha. and would only occupy 0.2% of the total country land mass. In no way does this small footprint affect or threaten biodiversity, ecotourism, fishery, and agriculture.

- b. **Mining has contributed significantly to the country's economy by venturing into rural areas and bringing much needed development and infrastructure.**

The mining industry reaps its highest rewards *in the long term rather than in the short term*. Thus, the benefits of mining must be viewed over an expanded period of time, rather than within the span of a few years. However, in the interim, even as the mining company is still in the process of exploration or development, it already contributes significantly in the areas where they operate.

Apart from creating jobs, mining and exploration companies attract small and medium-sized businesses and entrepreneurs to service the needs of their growing communities. More importantly, mining companies build and maintain important infrastructure in the way of roads, bridges, and spillways that contribute to provincial and municipal development, eliminating the need for governments to make such expenditures. The sector also builds, maintains, and operates hospitals, clinics and schools, which serve broader communities—all out of mining revenues *after* payment of excise taxes and other charges. The industry contributes 1.5% of its operating expenditures to the Social Development and Management Plans (SDMP) of mine operations – bringing economic and social development to communities thereby reducing the financial expenditure of government. Finally, most mining companies are paying a 1-2% gross royalty to the Indigenous People's communities – also off the top.

- c. **There is a need to harmonize laws on mining enacted by the national legislature, with conflicting local ordinances enacted by LGUs.**

The mining industry, like any industry, requires a consistent and enduring policy framework in which it can evaluate the risks and make its investments in growth, without fear of arbitrary subsequent modification. The conflict between the Mining Act and the provincial ordinances imposing mining moratoriums or banning open-pit mining within their territorial jurisdictions has created an impasse that threatens the very existence of the single largest mining investment in the country today.

While the Chamber recognizes and respects the right of local governments to self-determination and governance, it maintains that the primordial interest that should prevail must be the greater good. **With nearly 40% of the population below the poverty line, government has a duty to harness all available resources to improve the lives of the people.** The national government is in the best position to deal with the issue of some LGUs resistance to mining and the inability of the LGUs to harmonize its policies with the national government. If this can be resolved, the Philippines will be a better and more attractive environment for much-needed foreign investments.

- 2. **The regulation and monitoring of the small-scale mining industry must be enhanced;**

The large-scale mining sector is heavily regulated and monitored by the government through the MGB. On the other hand, the bulk of small-scale mining activities lies outside the

boundaries of the law, thrives without much government regulation, and has therefore given rise to flagrantly illegal mining practices. Small-scale mining operators do not have environmental protection programs. With their low-tech mining methods, backyard miners often resort to the use of mercury to amalgamate gold, and do not have safety standards to prevent landslides or cave-ins within their mining operations.

The overwhelming environmental, health, and safety issues that have tarnished the image of the mining industry are largely attributable to small-scale and illegal miners that often operate outside the government's radar and thus not subject to the penalties imposable under the Mining Act. Small-scale mining is now so rampant and so unregulated that the term "*small-scale mining*" has become a misnomer, as most if not all small-scale miners now use machines, explosives, and heavy equipment, contrary to the artisanal mining, or human-powered mining envisioned under the *People's Small-Scale Mining Act of 1991*. It is therefore critical that the regulation of the small-scale mining industry be enhanced, and that the monitoring of their operations be reverted to the MGB.

3. The development of downstream industries for the mineral sector is a welcome initiative that will add value to the country's mineral resources.

Downstream processing of direct shipping ores in order to add value to the minerals is viewed positively by the industry. The implementation of this policy, however, will depend on the framework of industrial development that will be pursued by the government, including an enabling investment environment that will provide for the security of investments normally undertaken in remote areas. The capital requirements of processing plants run into billions of dollars and will normally take a period longer than three years. Many factors need to be considered – timing, investment cost, the desirability of blast furnace plants, the availability and cost of power, the ability to compete on certain types of plants, and the available ore reserves for certain types of ore. *It may thus be prudent to give more time for the phase out of the export of direct shipping ores after a well-defined framework based on a thorough analysis has been developed.*

Conclusion

As partners of the national government in harnessing the country's vast mineral resource, mining companies, both large and small-scale, have a responsibility to protect the environment, to conduct its business based on the highest ethical standards, and to contribute to the welfare and sustainable development of the communities where they operate. Mining brings economic opportunities to the areas around mine sites, which are often in isolated areas. These communities benefit from the multiplier effects of mining activities such as salaries, capital expenditures, the purchase of local goods and services, and payment of taxes and royalties. Mining companies make a significant contribution to the economies of developing communities where they operate, much of which benefits local people. With all the social and economic benefits that come in a healthy and vibrant mining industry, we hope the government will implement a decisive policy intervention to move mining development forward so as to better realize its potential as a driver of growth.

We expect that the government will resolve with finality the ascendancy of national law over LGU ordinances in the implementation of the Mining Act. The resources of the country belong to the people of the entire country, and the Mining Act will best manage the balance between national interest and local needs. In encouraging the mining industry to commit substantial funds to the development of the downstream industry government needs to ensure an enduring policy framework that encourages and rewards the risks involved.

The Chamber of Mines of the Philippines and its members are totally committed to responsible mining and are continually striving to improve its contributions to national growth. The industry remains committed to forge ahead and contribute to government's programs to encourage investments, generate employment, reduce poverty and improve the quality of life of the people.

Finally, the Chamber of Mines reiterates its full support for the Aquino Administration in its efforts to eliminate both corruption and poverty. We are confident that our continued partnership will enable us to even go beyond the parameters of responsible mining: economic growth, environmental protection, climate change adaptation, and social equity towards sustainability. Together, we will be more capable of bringing about our President's avowed goals of inclusive growth for the entire citizenry.