

Joint Foreign Chambers of the Philippines



AMERICAN



AUSTRALIAN-NEW ZEALAND



CANADIAN



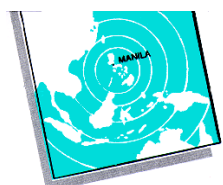
EUROPEAN



JAPANESE



KOREAN



PAMURI

American Chamber of Commerce of the Phils., Inc. ♦ Australian-New Zealand Chamber of Commerce (Phils.), Inc.
Canadian Chamber of Commerce of the Phils., Inc. ♦ European Chamber of Commerce of the Phils., Inc.
Japanese Chamber of Commerce & Industry of the Phils., Inc. ♦ Korean Chamber of Commerce of the Phils., Inc.
Philippine Association of Multinational Companies Regional Headquarters, Inc.

May 17, 2011

Mr. Ramon J. P. Paje
Secretary
Department of Environment and Natural Resources
Visayas Avenue, Diliman
Quezon City

Dear Secretary Paje:

On March 30 the Joint Foreign Chambers hosted the Seven Big Winner Sectors Workshop at the Asian Institute Management Conference Center in Makati to revalidate 283 Seven Big Winner Sectors recommendations in the *Arangkada Philippines 2010* report. Sponsored by the Joint Foreign Chambers, *Arangkada Philippines 2010* presents a path for the Philippines to become a middle-income economy with robust investment levels, high levels of job creation, modern infrastructure, and rising government revenues to pay for enhanced social services.

At the Workshop expert moderators from the private and public sectors led Breakout Sessions with industry and government participants that prioritized near and medium term recommendations for Investment Climate reforms. We would like to share the status of the recommendations identified in the Breakout Session on **Mining**, in which Assistant Director Dr. Elmer Billedo generously participated, and these are appended to this letter in order of priority.

The Workshop affirmed that a strong start has been made on the reforms needed to accelerate investment and job creation. A number of recommended reforms have been implemented and a considerable number are under way. Further, we applaud and fully support the House Bill on sharing royalty payments directly with Local Government Units and believe that this will provide substantial impetus for stronger co-operative implementation of responsible mining projects.

Be assured that we remain committed to a partnership with the Aquino Administration to achieve the goal of an accelerating economy for the benefit of the Filipino people. But major challenges remain and the implementation of other important reform recommendations is not yet under way.

It is of concern to us that there appears to be increasing anti-mining sentiment which needs to be addressed as a matter of urgency. We believe there is a substantial misunderstanding and disconnect about small scale mining in practice and that specified under the Mining Act of 1995. The substantially unregulated practice of substantial small scale mining which does not rehabilitate nor contribute to community development unfortunately establishes the reputation for all miners. Recent unfortunate events only add to the industry's image problem, while political will to promote mining at local government level wanes.

At the same time, Senate Bill 2754 seeks to increase the excise tax from 2% to 7%, which could have the potential to make Philippine mining projects unviable. We have written previously on this issue.

We believe that there is a need to re-establish the Minerals Development Council as it provides a mechanism for all industry participants to communicate and co-ordinate on mining issues. It can also provide a mechanism for civil society to better understand the issues associated with and the benefits provided by the industry.

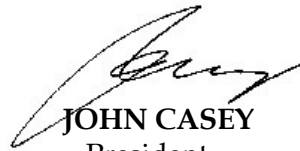
We look forward to an early opportunity to discuss these issues with you.

Best Regards,



AUSTEN CHAMBERLAIN
President

American Chamber of Commerce
of the Philippines, Inc.



JOHN CASEY
President

Australian-New Zealand Chamber
of Commerce of the Philippines, Inc.



JULIAN PAYNE
President

Canadian Chamber of Commerce
of the Philippines, Inc.



HUBERT D'ABOVILLE
President

European Chamber of Commerce
of the Philippines, Inc.



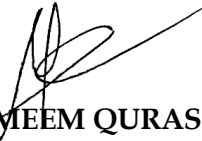
N OBUYA ICHIKI
President

Japanese Chamber of Commerce
& Industry of the Philippines, Inc.



EUN GAP CHANG
President

Korean Chamber of Commerce
of the Philippines, Inc.



SHAMEEM QURASHI
President

Philippine Association of Multinational Companies
Regional Headquarters, Inc.

Cc:

Executive Secretary Paquito N. Ochoa, Jr., Office of the President

Secretary Gregory L. Domingo, DTI

Secretary Jesse M. Robredo, DILG

Director General Cayetano W. Paderanga, Jr., NEDA

Senator Juan Miguel F. Zubiri, Senate Environment and Natural Resources Committee

Congressman Francisco T. Matugas, House of Representatives Natural Resources
Committee

**APPENDIX: Updated Recommendations: Mining Sector,
*Arangkada Philippines 2010***

Highest Priority, Completed Recommendations. The Breakout Session affirmed the following *Arangkada Philippines* reform recommendations to be of the highest, completed priority:

- 1) Reduce Environmental Compliance Certificate processing time and certificates of non-coverage.
- 2) Government, in partnership with exploration and mining companies, should encourage more students to study subjects needed in the mining community.

Highest Priority, Ongoing Recommendations. The Breakout Session identified the following initiatives as highest priority, ongoing *Arangkada Philippines* reform recommendations.

- 1) Speed up growth of the mining sector by removing redundant approvals and non-performing claims.
 - further streamline the exploration permit approval process. Exploration and similar permits should be granted transparently at the regional level within 6 weeks and renewed in one day at one-stop shops;
 - applicants should be vetted strictly to ensure they have both the required funding and the technical staff to undertake the work; and
 - Mines and Geosciences Bureau (MGB) should strictly monitor compliance by mining companies with the Mining Act and related departmental orders. MGB should cancel permits after two years of non-performance.
- 2) Provide LGUs with additional funds for community projects by implementing the simplified joint circular regarding release of mining taxes to LGUs.
- 3) Continue dialogue with the various local government leagues, the religious sector, and non-government organizations to find common-ground solutions to issues being raised against specific mining and exploration projects.
- 4) The industry should actively monitor developments in the Congress and judiciary, such as the Rules of Procedure on Environmental Cases and the Alternative Mining Bill.
- 5) Continue implementation of the Minerals Action Plan. Continue active private sector participation in the Minerals Development Council.
- 6) Complete the MGB review of regulations (DAO 2000-99) to increase the allocation of direct mining and milling costs for community development from 1% to 1.5%.
- 7) The private sector should help build the capacity of indigenous peoples.
- 8) Increase the budget and technical capacity of the National Commission on Indigenous Peoples (NCIP) and resolve the proper government placement for NCIP.

- 9) Geology and mining engineering students following graduation who enter government service should be assigned to work with a local exploration or mining company.
- 10) Carry out a public information campaign regarding mining and increase dialogue with concerned groups.
- 11) Mining companies in the Philippines should endorse the Extractive Industries Transparency Initiative.

High Priority, Not Under Way Recommendations. The Breakout Session identified the following *Arangkada Philippines* reform recommendations as high priority, not under way:

- 1) The current government should have a clear statement on its policies and programs on mining.
- 2) Develop model best-practice regions.
- 3) MGB should adopt The Philippine Mineral Ore Resources Reserve Reporting Code patterned after Australia's Joint Ore Reserves Committee guidelines.
- 4) Seek to end LGU mining moratoriums.
- 5) The private sector should work closely with the MDC committee on mining security, the DILG undersecretary for peace and order, and the AFP to establish a joint mining security protocol to guide mining companies in dealing with local security threats and to formulate short and long-term preventive measures that can be implemented by companies.

Medium Priority Recommendations. The Breakout Session categorized the following *Arangkada Philippines* reform recommendations as medium priority:

- 1) Establish regional level one-stop shops to process applications.
- 2) Government should work on four programs to move mining industry up the ladder of industrialization:
 - promote downstream processing and manufacturing for copper, nickel, gold, and chromite;
 - develop community-based supplier industries and services;
 - improve government benefits from mining; and
 - better control exports of small scale mining and unprocessed minerals.
- 3) Community building should commence from the first day a company takes interest in an area for mining. (MGB should adopt international best practices in community development before issuing mining permits).
- 4) Mining firms should support labor intensive, community-run enterprises such as fish farms and vegetable gardens for the IPs.

Low Priority Recommendations. The Breakout Session categorized the following *Arangkada Philippines* reform recommendations as low priority:

- 1) Continue processing of mining applications involved in mining cases or subject to protests or oppositions, subject to certain conditions.
- 2) Allow pre-permitting access by firm to potential project lands to conduct initial geological studies, mapping, soil sampling, and limited testing.
- 3) Continue to support revision of the 60-40 equity restriction provision in the Constitution with respect to land ownership and water, forest and mining rights, when an appropriate occasion arises.
- 4) When resettling people living in an area to be included in mining operations, find a site that allows habitation as close as possible to their traditional lands, without endangering the safety requirements of the mining operation.
- 5) Encourage mergers of local mining companies and list more local companies on the Philippine Stock Exchange.