

The Global Crisis and the Philippine Mining Industry: Impact and Policy Responses

Global Financial Crisis and Economic Slowdown
Impact on the Philippines and Policy Options
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Impacts of the Global Crisis on the Mining Industry Negative Implications

- **National Level**

- Declining investments
- Decline in exports
- Retrenchment of personnel
- Decrease in tax revenues

- **Local Level**

- Loss of jobs (due to temporary stoppage of operation and exploration activities)
- Less expenditures on social development by companies (schools, markets, and other social infra)
- Less tax revenue collection by LGUs

IMPACTS OF GLOBAL CRISIS ON THE MINING INDUSTRY

Positive Impact

- Prices of some commodities have softened but demand and supply pressures will persist as fundamental issues over the medium and long-term which will cause commodity prices to rise again
- In Asia, China and India will continue to drive commodity demand. With a US\$600 billion stimulus fund, demand for minerals and metals will likely increase within the medium term
- At the local level, some projects have temporarily suspended operation and postponed exploration activities but several operating mines and small and medium scale companies are continuing with their scheduled exploration and production activities
- Exploration activities are normally the first to go during crisis period although in the Philippines, a number of exploration activities are still on-going and investment interest has been sustained since policies on the revitalization of the industry came out in 2005.

Competitiveness Issues

Table 1. Phil. Ranking in the Annual Survey of Mining Companies : Mineral Potential

	:2008-09	: 2007-08	:2006-07	:2005-06
Mineral Potential				
Current policy potential index	: 59	: 60	: 61	: 60
Policy/mineral potential assuming no land use restrictions in place	: 24	: 1	: 35	: 28
Current mineral potential assuming current regulations and land restrictions	: 50	: 52	: 47	: 40
Total Number of Countries Covered	: 71	: 65	: 65	: 64

Source: 2008/2009 Frazer Institute Annual Survey of Mining Companies

Table 2. Phil. Ranking in the Annual Survey of Mining Companies: Factors that Determine the Ability of a Jurisdiction to Attract Investments in Exploration

	Philippine Rank	"Best" Jurisdiction	"Worse" Jurisdiction
Uncertainty concerning the administration, interpretation & enforcement of existing regulations	55	Quebec	Venezuela
Environmental Regulations	41	Chile	Washington
Regulatory Duplications and Inconsistencies	64	Quebec	Venezuela
Taxation Regimes	32	Wyoming	Zimbabwe
Uncertainty concerning aboriginal land claims	62	Wyoming	Ecuador
Uncertainty concerning which areas will be protected as wilderness areas or parks	55	Kazakhstan	California

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	Philippine Rank	"Best" Jurisdiction	"Worse" Jurisdiction
Infrastructure	53	Nevada	Kyrgyzstan
Socio-Economic agreements Community dev conditions	59	Nevada	Ecuador
Political Stability	57	Alberta	Zimbabwe
Labor regulations/employment agreements	50	Wyoming	Venezuela
Geological Database	53	Norway	DRC (Congo)
Security	68	Utah	Zimbabwe
Supply of Labor/Skills	34	Nevada	DRC (Congo)
Current Policy & Mineral Potential	38	Quebec	Guatemala

Table 3 – 2009 Ranking of Countries for Mining Investment
Behre Dolbear Group Inc.

Rank	Country	Econ. System	Political System	Social Issues	Permit Delays	Corruption	Currency Stability	Tax Regime	Total Points
1	Australia	10	9	8	8	10	8	7	60
2	Canada	10	10	6	5	10	8	7	56
3	Chile	9	8	7	7	8	7	4	50
17	Philippines	5	5	3	5	2	4	4	28
18	Zambia	5	4	2	5	3	2	4	25
20	S. Africa	3	3	1	5	2	6	2	22
21	PNG	4	4	1	2	2	4	5	22
22	Indonesia	3	5	3	3	1	1	3	19

Actionable Measures

- Establish a Minerals Protocol in priority project areas identified by government
- Increase capitalization of PHILEXIM to help mitigate sovereign and political risk by providing guarantee cover to mining projects particularly those in the pipeline
- Tap local banks and financial institutions to fund mining projects by enhancing their capacity to learn the intricacies of the mining industry.
- Implement and Monitor the Joint Memorandum Circular on the Guidelines and Procedures on the Release of LGU Share from collections derived by the National Government from mining taxes.
- Showcase progressive mining provinces to encourage other mineral-rich provinces to follow suit