

Big Concerns With Small Miners

By Richard Mills

Small-scale mining is as old as time and it remains today an important source of subsistence income to people in many emerging countries. No international miner would dispute this and most find a certain nostalgic appeal to the enterprise. Despite the brotherly admiration that exists, problems are created when one group is held to a vastly different set of operational and regulatory standards than the other. This is the situation in most emerging countries with vibrant mining sectors and Philippines is no different.

To be a large scale miner in Philippines is to be beholden to the Department of Environment & Natural Resources (DENR). It is this agency that regulates and enforces the activities of all international miners operating in the country.

At a recent well-attended presentation to the Australian Chamber of Commerce in Manila, Secretary Lito Atienza gave a status report on what he feels are the most important issues he is grappling with these days and most of them seemed to have to do with the “misalignment of interests” between large and small miners.

According to Secretary Atienza, there are about 2000 Small-Scale Mining Permits outstanding in the country. Small-Scale Mining in Philippines is defined as mining relying mainly on manual labor using simple tools and methods. The permits require the small-scale mine to be less than 20 hectares in size and to extract no more than 50K tons of ore per year.

Unfortunately, some large-scale operators are alleged to have used Small-Scale Mining Permits to run mines that are out of proportion of these limits. Even worse, environmental and safety violations are said to be rampant.

As well, small-scale miners (and those posing as such) are said to be less able to do the extensive community support and development work that is expected of large scale miners. As a result, some communities are at risk of becoming anti-mining. And who can blame them? If all they experience are the negatives of “old-fashioned” mining practices without the positives of “new-age” mining’s community support, they will naturally feel less enthusiastic.

The causes of these problems are said to be the result of 2 misalignments. First, a small scale mining permit takes a few minutes to acquire and is issued at the local government level. By comparison, permits for larger-scale mines are issued at the national level by the DENR and take many months or even years to receive because rigorous and extensive requirements must be met. The current estimate for a relatively simple exploration permit is 8 months.

The second misalignment of interests has to do with tax transfers. Secretary Atienza admitted that in the past direct taxes paid by large scale miners were often not forwarded to local

government units in a timely manner. Even today, the time required for these transfers is said to be up to 4 years. Needless to say, taxes and other payments from those operating under Small-Scale Mining Permits take a lot less time to get to local officials.

Secretary Atienza says he is committed to addressing these misalignments which many feel are holding back full development of the country's vast mineral resources. He seems well-appointed to the task in the opinion of the industry. All eyes will be upon him and we wish him well.

International Executive Search:

Chalré Associates provides its Executive Search services throughout the Asia Pacific region. We are proactive and well known in our sectors of focus. Regional Managers use us to help bridge the gap between local environments and the world-class requirements of multinational corporations.

Richard Mills CFA

Chalre Associates Executive Search



t: +632 892 6703

m: +63 917 832 0110

e: rmills@chalre.com

w: www.chalre.com