



## Position Paper on Short Term Economic Impacts of Closed Mines

### Introduction

The conduct of the Department of Environmental and Natural Resources recent mining audit has recommended the closure of 23 mining operations. While pro-mining advocates insist significant economic losses are to be incurred, Bantay Kita weighs in by showing evidence that this is otherwise under certain parameters.

Mining companies, like any other business operating in the Philippines, pay taxes, employ workers, and generate value for the economy. According to data sourced from the Philippine Extractive Industries Transparency Initiative (PH-EITI) Report 2016<sup>1</sup> for fiscal year 2014, economic contribution of mines recommended for closure are relatively insignificant especially when environmental damage and negative social effects caused by these erring companies are considered.

The full economic and social impact, however, is hard to measure and validate given the lack of transparency especially among closed mines. Currently, the PH-EITI is voluntary.

Bantay Kita welcomes Senator Joel Villanueva's championing the welfare of our labor force alongside the institutionalization of EITI in the Philippines. We strongly support these initiatives.

### Economic Impact

Of the 23 mines recommended for closure, 7 had no operations or production in 2015. Three firms from Zambales were suspended while the remaining four had no production based on MGB's Metallic Production Report in 2015. This brings the number of mines with direct short-term economic impact to 16 firms.

Of the 16 firms, only seven (7) are considered material or has at least a billion revenues. The remaining generated only 3% of the country's mineral output in 2015 combined. These firms' economic contribution are considered insignificant yet poses greater liability to the environment, government, and communities.

### On Total Government Revenues:

- 19 mines closed account for PhP4.2B or 0.2% of total government revenues in 2014 (PhP2,059.20B).

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<sup>1</sup> The PH-EITI Report provides reconciled data of what extractive companies states they pay to government and what government states it receives from these companies. The data collected are validated and reconciled by an independent administrator usually an auditing firm.



### On Local Government Revenues:

- Local government unit (LGU) payments of the mines recommended for closure would amount to PhP48.7 million in 2014.
- All five (5) provinces where the mines recommended for closure are highly dependent on the *national government (IRA)* for their general funds. In 2015, their share from the national wealth – national mining taxes included, account for 5% of their general funds on average. while locally-sourced income – local business taxes from mining firms and all other businesses combined, amounted to 6% of total on average.

### On Royalty Payments to Indigenous Peoples

- According to the 2016 PH-EITI Report, only one of the 23 mines recommended for closure disclosed its payments to indigenous peoples amounting to PhP119,867,640.

### On Employment

- Only seven (7) of the (23) mines recommended for closure have reported data on employment to the EITI, which totals to 2,845 employees, including 4 foreign nationals. According to MGB's Mining Industry Statistics, 235,000 was employed by mines and quarrying in 2014, which was 0.6% of total employment for that year. The Chamber of Mines of the Philippines quotes a number as high as 1.2 million, while the MGB reports a low of 19,000 affected employees. We underscore the need for a verifiable basis of employment data to make an accurate analysis. We therefore implore the institutionalization of EITI to require extractive companies to disclose the necessary information.

### Impact on National Government Revenues, 2014

|     | Mining Companies                | Payments to National Government |
|-----|---------------------------------|---------------------------------|
| 1.  | AAM Phil                        | 54,729,027                      |
| 2.  | Adnama Mining                   | 131,806,792                     |
| 3.  | Benguet Corp                    | 0                               |
| 4.  | Benguet Corp Nickel Mining      | 194,535,735                     |
| 5.  | Carrascal Nickel Corporation    | 369,891,278                     |
| 6.  | Claver Mineral Development Corp | 241,511,794                     |
| 7.  | CTP Construction                | 529,115,983                     |
| 8.  | Emir Minerals                   |                                 |
| 9.  | Eramen Minerals                 | 180,890,785                     |
| 10. | Hinatuan Mining Corporation     | 1,113,337,555                   |



ADVOCATING FOR TRANSPARENCY  
AND ACCOUNTABILITY IN THE  
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|     |                          |               |
|-----|--------------------------|---------------|
| 11. | Krominco Inc             | 4,344,886     |
| 12. | Libjo Mining Corporation | 53,260,137    |
| 13. | LNL Archipelago          | 101,131,484   |
| 14. | Marcventures Mining      | 48,896,746    |
| 15. | Mt Sinai Mining          | 203,130       |
| 16. | Ore Asia                 | 125,264       |
| 17. | Oriental Synergy         | 30,528,441    |
| 18. | Oriental Vision Mining   |               |
| 19. | Platinum Group Metals    | 869,367,462   |
| 20. | Sinosteel Phils          | 6,453,501     |
| 21. | Techiron Minerals        |               |
| 22. | Wellex Mining Corp       | 98,752,699    |
| 23. | Zambales Diversified     |               |
|     | TOTAL                    | 4,028,882,699 |

Source: PH-EITI Country Report 2016

### Impact on Local Government Revenues, 2014

|     | Mining Companies                | LGU Payments |
|-----|---------------------------------|--------------|
| 1.  | AAM Phil                        | No data      |
| 2.  | Adnama Mining                   | No data      |
| 3.  | Benguet Corp (Itogon, Benguet)  | No data      |
| 4.  | Benguet Corp Nickel Mining      | 292,202      |
| 5.  | Carrascal Nickel Corporation    | 4,405,390    |
| 6.  | Claver Mineral Development Corp | No data      |
| 7.  | CTP Construction, p217          | 2,182,982    |
| 8.  | Emir Minerals                   | No data      |
| 9.  | Eramen Minerals                 | No data      |
| 10. | Hinatuan Mining Corporation     | 24,697,962   |
| 11. | Krominco Inc                    | 2,453,118    |
| 12. | Libjo Mining Corporation        | 118,416      |
| 13. | LNL Archipelago                 | 1,577        |
| 14. | Marcventures Mining             | No data      |
| 15. | Mt Sinai Mining p219            | 499,783      |
| 16. | Ore Asia                        | 568,697      |
| 17. | Oriental Synergy p220           | 1,441,100    |
| 18. | Oriental Vision Mining          | No data      |
| 19. | Platinum Group Metals           | 7,000,000    |



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|     |                         |            |
|-----|-------------------------|------------|
| 20. | Sinosteel Phils         | 2,414,270  |
| 21. | Techiron Minerals       | No data    |
| 22. | Wellex Mining Corp p224 | 2,327,480  |
| 23. | Zambales Diversified    | 249,050    |
|     | TOTAL                   | 48,652,027 |

Source: PH-EITI Country Report 2016

Some companies have no disclosed payments to LGUs. Impact of mining revenues on LGUs may be gauged using the rate of their dependence on internal revenue allotments from the national government.

| LGUs' Sources of Funds |                   |                |                     |               |
|------------------------|-------------------|----------------|---------------------|---------------|
| Year                   | Province          | IRA Dependence | N Wealth Dependence | Local Sources |
| 2014                   | Dinagat Islands   | 82.6%          | 3.51%               | 13.86%        |
| 2014                   | Surigao del Norte | 84.5%          | 8.85%               | 6.36%         |
| 2014                   | Surigao del Sur   | 92.5%          | 3.76 %              | 3.69%         |
| 2014                   | Zambales          | 86.4%          | 1.26%               | 12.25%        |
| 2014                   | Eastern Samar     | 95.8%          | 0.03%               | 5.04%         |
|                        | Average           | 89.24          | 5.062               | 5.698         |

| Year | Municipality     | IRA Dependence | N Wealth Dependence | Local Sources |
|------|------------------|----------------|---------------------|---------------|
| 2014 | Basilisa         | 85.4%          | 5.5%                | 9.1%          |
| 2014 | Cagdianao        | 73.5%          | 11.1%               | 15.4%         |
| 2014 | Libjo            | 87.2%          | 0.1%                | 12.7%         |
| 2014 | Loreto           | 63.2%          | 13.3%               | 23.5%         |
| 2014 | San Jose         | 92.1%          | 0.1%                | 7.8%          |
| 2014 | Tubajon          | 70.5%          | 16.5%               | 12.9%         |
| 2014 | Guiuan           | 88.2%          | 0.3%                | 11.5%         |
| 2014 | Cantilan         | 85.7%          | 0.1%                | 14.2%         |
| 2014 | Carrascal        | 25.8%          | 39.0%               | 35.2%         |
| 2014 | Claver           | 30.2%          | 39.4%               | 30.4%         |
| 2014 | Tagana-an        | 38.7%          | 36.5%               | 24.8%         |
| 2014 | Sta Cruz         | 80.3%          | 9.6%                | 10.1%         |
|      | Average          | 68.4%          | 14.3%               | 17.3%         |
|      | Without Outliers | 80.7%          | 6.3%                | 13.0%         |



### Poverty Incidence in mining-affected communities

The three LGUs that are most dependent on national wealth collections also have among the highest poverty incidence. This is also true for municipalities in mining-dominated Dinagat Islands.

| Year | Municipality     | Poverty Incidence |
|------|------------------|-------------------|
| 2012 | Basilisa         | 54.7%             |
| 2012 | Cagdianao        | 54.2%             |
| 2012 | Libjo            | 47.1%             |
| 2012 | Loreto           | 31.4%             |
| 2012 | San Jose         | 35.3%             |
| 2012 | Tubajon          | 41.6%             |
| 2012 | Guiuan           | 36.5%             |
| 2012 | Cantilan         | 17.6%             |
| 2012 | <b>Carrascal</b> | <b>26.4%</b>      |
| 2012 | <b>Claver</b>    | <b>41.4%</b>      |
| 2012 | <b>Tagana-an</b> | <b>43.7%</b>      |
| 2012 | Sta Cruz         | 18.9%             |

### Impact on Employment

|     |                                 | Employees | % of Total Output |
|-----|---------------------------------|-----------|-------------------|
| 1.  | Hinatuan Mining Corporation     | 1,080     | 2.05%             |
| 2.  | Benguet Corp Nickel Mines       | 767       | 0.00%             |
| 3.  | Adnama Mining                   | 619       | 0.00%             |
| 4.  | Carrascal Nickel Corporation    | 149       | 1.91%             |
| 5.  | LNL Archipelago                 | 51        | 0.26%             |
| 6.  | Sinosteel Phils*                | 40        | 0.00%             |
| 7.  | Ore Asia                        | 139       | 0.08%             |
| 8.  | Benguet Corp*                   |           |                   |
| 9.  | AAM Phil                        | No data   | 0.15%             |
| 10. | Claver Mineral Development Corp | No data   | 0.00%             |
| 11. | CTP Construction                | No data   | 2.50%             |
| 12. | Emir Minerals                   | No data   | 0.00%             |
| 13. | Eramen Minerals                 | No data   | 0.52%             |
| 14. | Krominco Inc                    | No data   | 0.02%             |
| 15. | Libjo Mining Corporation        | No data   | 0.31%             |
| 16. | Marcventures Mining             | No data   | 1.08%             |



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|     |                        |         |       |
|-----|------------------------|---------|-------|
| 17. | Mt Sinai Mining        | No data | 0.00% |
| 18. | Oriental Synergy       | No data | 0.15% |
| 19. | Oriental Vision Mining | No data | 0.00% |
| 20. | Platinum Group Metals  | No data | 4.79% |
| 21. | Techiron Minerals      | No data | 0.00% |
| 22. | Wellex Mining Corp     | No data | 0.50% |
| 23. | Zambales Diversified   | No data | 0.00% |
|     |                        | 2,845   |       |

### Impact on Mineral Production

| Metallic Production, 2014 |                 |        |
|---------------------------|-----------------|--------|
| Gold                      | 32,970,404,193  | 23.53% |
| Silver                    | 616,436,586     | 0.44%  |
| Copper                    | 22,757,540,739  | 16.24% |
| Mixed Nickel              | 20,311,015,241  | 14.49% |
| Nickel DSO                | 62,701,769,864  | 44.74% |
| Chromite                  | 337,103,559     | 0.24%  |
| Iron Ore                  | 455,257,143     | 0.32%  |
|                           | 140,149,527,325 |        |