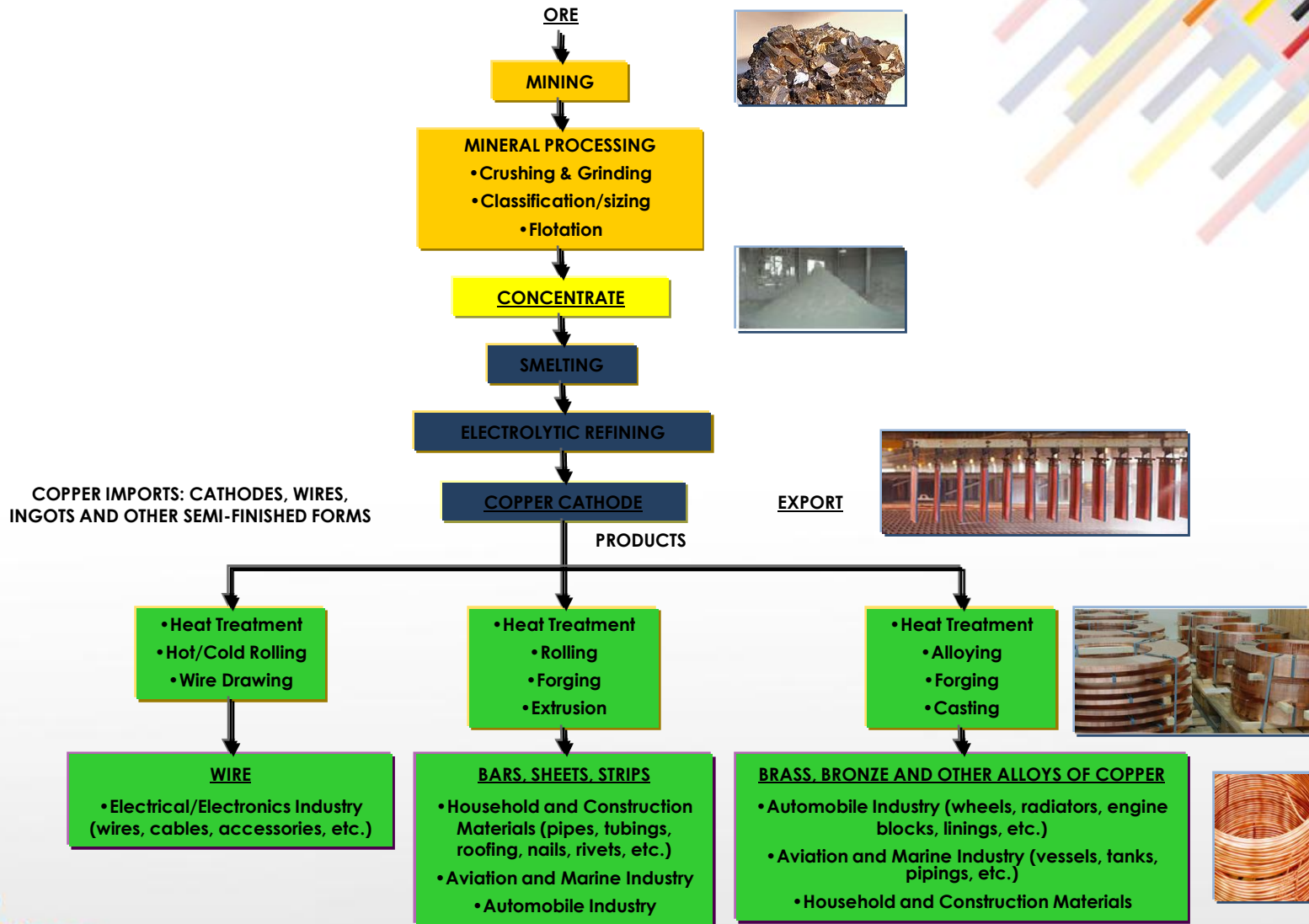




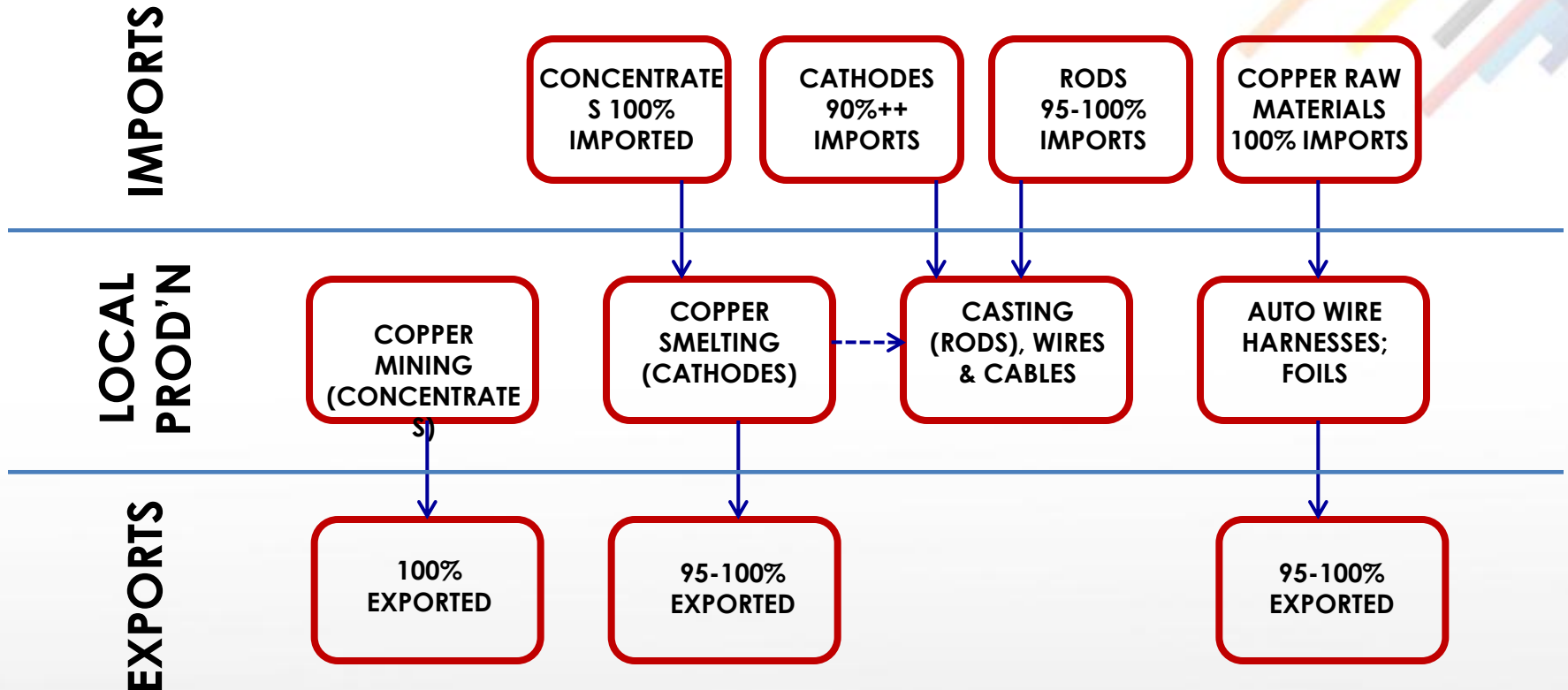
Philippine Industry Roadmap for Copper

**Presented by:
Mr. Angel Veloso
Chairman, PASAR
Dusit Hotel
13 August 2013**

DOWNSTREAM INDUSTRY APPLICATIONS OF COPPER

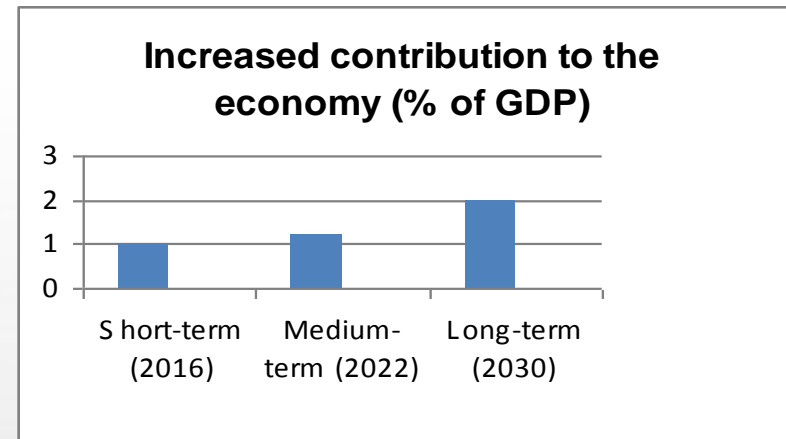
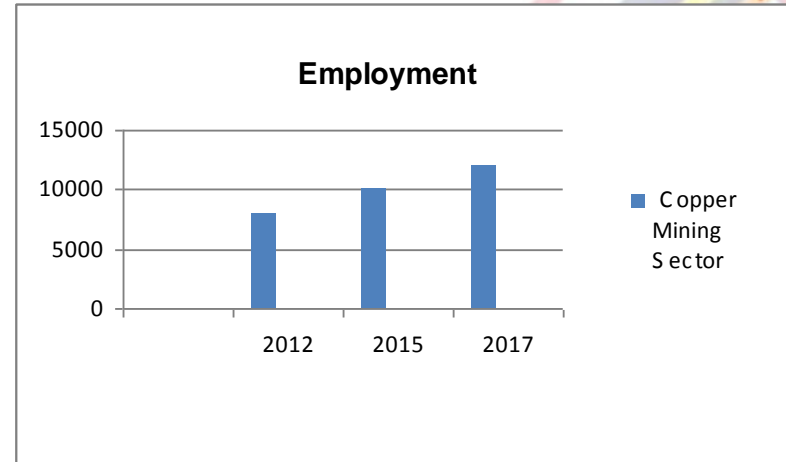
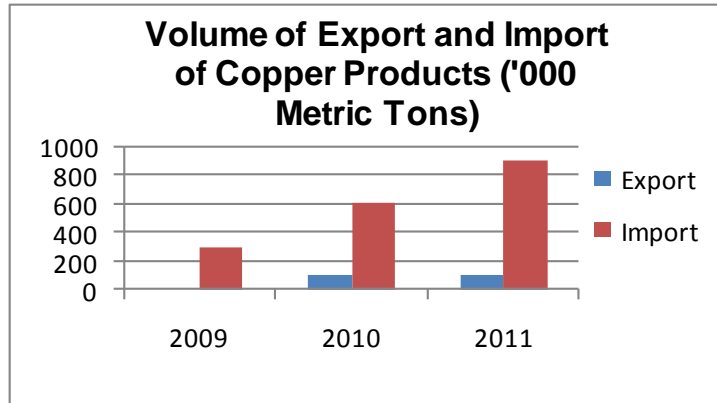


PREVAILING CONDITIONS



A DISJOINTED INDUSTRY

Industry Profile/Situationer



Industry Profile/Situationer

PRODUCT/ SERVICE COVERAGE	Major products: <ul style="list-style-type: none">•Concentrate•Cathode and blister•Rolled products, tubes, rods and other semi-finished products•Wires and cables, harnesses, plating and foils
MAJOR PLAYERS	<ol style="list-style-type: none">1. Philex Mining Corporation2. Carmen Copper Corporation3. TVI Resource Development (Phils.), Inc.
INDUSTRY ASSOCIATION/S	Chamber of Mines of the Philippines Philippine Electric Wire Manufacturers Association (PEWMA)
LINKAGES	local mining operations, copper smelters, copper wire and cable operations



SWOT ANALYSIS MATRIX

STRENGTHS

- Significant reserves (8 billion tons of ore)
- Presence of major copper mining development projects (Tampakan, Silangan, etc.)
- Presence of a world class smelting facility
- A well-established, thriving local wire and cable industry
- Facilities for rod casting already exist (but mostly idle)
- Existence of an institutional mechanism for safeguarding copper product standards
- Incentives schemes are institutionalized under BOI and PEZA
- Funds are available for investing in technology that can be developed locally
- Relatively low land/plant development cost
- Potential for tapping cheaper sources of energy, i.e., natural gas

WEAKNESSES

- Strong anti-mining sentiment by some groups
- LGUs that issue anti-mining rules that are against national mining
- Incentives scheme generally not applicable to local producers selling to the domestic market
- Reliability of electric power (threats of power interruptions)
- High cost of power (3x higher than Indonesia)
- Existing rod manufacturing facilities not energy-efficient, produces output with physical characteristics posing challenge to new wire manufacturing equipment
- Minimum delivery, quality and payment system issues in local cathode supply raises just-in-time issues
- High domestic freight costs
- Tariff distortions

OPPORTUNITIES

- Faster PH economic growth through a possible re-focusing on industrial development
- Strong global demand for mineral products from rapidly-industrializing economies especially Brazil, Russia, India and China
- Undisputed advantage of copper over other materials in the electrical industry

THREATS

- Global demand could make it more attractive to sell concentrates and cathodes abroad than to supply local manufacturers
- Heavy dependence of local copper industry on the construction market, which is cyclical
- Aluminum wire now being used for internal application

Vision, Goals & Targets

Vision

- PHL to have a fully integrated copper industry from mining to manufacturing at the end of 2030

Goals

- Full integration of the copper industry
- Development of the downstream industries
- Enhancement of the copper industry value chain

Targets

- Increased contribution to the GDP from .2% at present to 2% in 2030
- Increase in export of copper products by 15% during the roadmap period from 2015-2030

STRATEGIES

- **INFORMATION-SHARING, CONSULTATION AND COORDINATION AMONG KEY INDUSTRY PLAYERS THROUGH THE ESTABLISHMENT OF AN APPROPRIATE INSTITUTIONAL MECHANISM**
- **PROMOTE INVESTMENT IN SUSTAINABLE COPPER WIRE ROD FACILITIES AS AN INITIAL STEP TOWARDS INDUSTRY INTEGRATION**
- **MORE ACTIVE ADVOCACY ROLE FOR INDUSTRY STAKEHOLDERS ON NATIONAL POLICY ISSUES AFFECTING THE VIABILITY OF THE INDUSTRY, INCLUDING SUPPORT FOR THE DEVELOPMENT OF WORLD CLASS MINES**
- **DEVELOPMENT OF NEW, HIGH VALUE PRODUCTS TO INCREASE THE VALUE CHAIN, DIVERSIFY AND DEEPEN THE INDUSTRY**

Administrative Bottlenecks

- Cyclical market
- Smuggling and fake goods
- Lack of integration between copper mining and copper smelting
- Tariff distortion
- High level issues regarding development of large mines

Major Reforms

- Give a clear direction on open pit mining in the guidelines of E.O. 79 and uphold the primacy of national mining laws over local laws
- Inclusion of copper products in the 2014 IPP
- Where eligible, mining areas to be included as economic zones but with locator incentives limited to what will be in the fiscal regime being discussed at the MICC
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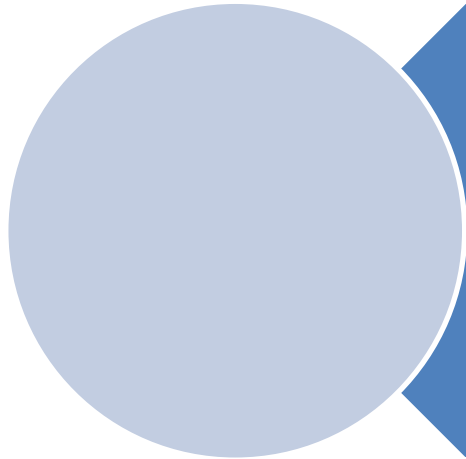


Concrete Project	Timeline
Completion of the Copper Wire Rod Feasibility Study	2013
Strengthening of tie-ups with international copper organizations	2014

Next Steps

- Creation of an organization of key industry players that would cover smelting, casting and other electrical-based manufacturing of copper products
- Generation of data among members to gauge collective performance of various segments of the industry
- Monitoring of policy, market, technological and other developments and creation of opportunities for the industry
- Advocacy work taking into consideration national issues with impact on the industry
- Building relationships among other segments of the industry with similar interests

Contact Details

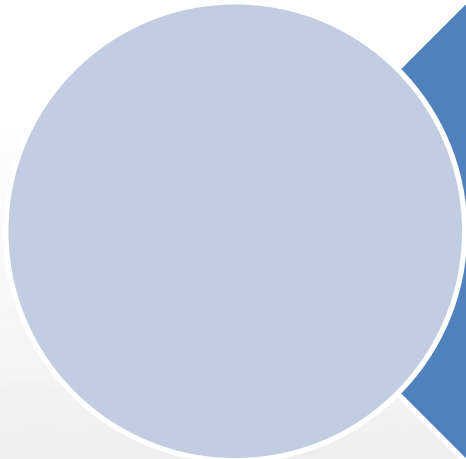


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