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Indonesian parliament digs deep to pass mining bill amid protests

Ika Krismantari , The Jakarta Post , Jakarta | Wed, 12/17/2008 7:11 AM | [Headlines](#)

Marred by protests and walkouts by several factions, legislators on Tuesday ended years of deliberation to endorse the contentious mining bill that includes provisions on revising the permit system and advocating a review of all existing contracts.

Under the bill, the permit system will take the form of a license to replace the current contract of work (COW) scheme — something business players have objected to, saying licenses were more easily revoked than a binding contract.

It also stipulates that, while the government will honor the sanctity of all existing contracts, their terms and conditions will be subject to a review to bring them in line with the new rules within a year of the law's enactment by the president.

Current COW applications will also be honored, however they will be subject to the new rules.

The Indonesian Mining Association (IPA), a group of mining firms operating in the country, and the Association of Indonesian Mining Professionals (Perhapi) say the bill is unfriendly to businesses and could hinder investment in the sector.

Mindo Pangaribuan, Freeport Indonesia spokesman, said the U.S.-based mining giant would continue to honor the terms of its current contracts. Newmont Indonesia spokesman Rubi W. Purnomo said the American gold producer would also abide by its existing contracts.

Tuesday's House session lasted five hours and included two suspensions, as well as interruptions and boycotts by three factions — the National Mandate Party (PAN), the Prosperous Justice Party (PKS) and the National Awakening Party (PKB).

The three objected to an article in the draft bill stipulating the transition period for existing contracts to be revised to suit the new rules.

"We refuse to pass it unless Article 169(A) is struck off," said the PAN's Zulkifli Halim, adding the article was unfair and discriminated against local mining companies in favour of international ones.

The article states the government will honor existing contracts until their terms expire.

The three factions walked out of the session, leaving the remaining seven factions to endorse the bill and bringing to an end more than three years of deliberations marked by wrangling and bickering among legislators and factions.

Most of the legislators deliberating the bill say they want it to work in favor of small and medium mining projects.

Critics say this idea, while commendable, is motivated only by the fact many of these legislators are affiliated with a number of small and medium mining concessions across the country.

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The interests of large mining companies nearly made it into the draft, with articles on the COW initially included. But they were dropped at the very last minute.

Other issues regulated under the bill include a cap on the size and life of mining operations depending on the minerals extracted; and a ban on miners exporting ore after five years.

Energy and Mineral Resources Minister Purnomo Yusgiantoro, representing the government at the House session, said the government hoped the endorsement would at least give industry players a degree of certainty, after a suspenseful wait of more than three years for the bill to be endorsed.

For the bill to take effect, the government will have to issue at least 20 implementing regulations.

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Correction (not verified) — Wed, 12/17/2008 - 4:33pm

Regarding the previous comment from Muh. Jusuf, I can understand your idea, but unfortunately the new law will not work that way. The old law already had provisions for the things you are concerned about. In the Contract of Work, the government already stated the operating requirements for the companies. All companies were required to abide by Indonesian laws for environmental protection, etc, and the government always monitored this closely. Whenever a company did not do as they should, the Contract of Work already had sanctions in place which could be imposed on the company. For both parties, it was clear and fair. Now, with the permit system, companies (and the communities around them) are worried that the government will revoke permits for imagined or fabricated reasons and give them instead to their cronies.

Muhammad Jusuf (not verified) — Wed, 12/17/2008 - 11:55am

This newly bill is very important to us, as long as the bill give more benefit to the Indonesian peoples. In the past, the 1967 mining laws give the authority to the government could give a license or to give an extend license for another 30 years contract, event the contract needs more 5 years to finish, that means five year before the contract had expired, or the extending contract for another 30 years could be signed before the license was expired.

The newly mining bill at least give the government and the peoples can review and to watch the company, the company will do the exploration and exploitation the coal, tin, gold and other mining resources according to the bill or not. If the mining companies do the wrong doing, the peoples could give a warning and report to the government and the government can revoke the license.

Muhammad Jusuf

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