

Metal Mining Agency of Japan

1. Summary of operations implemented using FILP funds

The agency provides loans for metal mining pollution prevention work on designated facilities that are no longer used for metal mining. It also provides loans for those who bear the expenses specified in the Pollution Control Public Works Cost Allocation Law (the Law 133 of the year 1970).

Note: Major operations not eligible for FILP include operations such as geologic structure research projects, rare metal stockpiling projects, mine pollution prevention projects, etc.

2. Amount of lending under FY 2002 FILP

(Unit : billion yen)

FY 2002 FILP	Estimated outstanding amount of FILP lending at end of FY 2001
1.1	8.6

3. Outcome and social and economic benefits of operations

1) Details of lending

(Unit : billion yen)

	Total as of FY 2000	Outstanding amount at the end of FY 2000	FY 2002 (planned)
Loans for mining pollution prevention fund	28.6	4.3	0.8
Loans for bearing expenses	15.8	4.1	0.4
Total	44.4	8.4	1.2

The agency steadily promotes the prevention of mining pollution: It provided 185 mining operations with loans for metal mining pollution prevention work between FY 1973 and FY 2000 and provided 27 areas with loans for those who bear the expenses of pollution removal work between FY 1975 and FY 2000.

2) Social and economic benefits

Operations for mining pollution prevention are aimed at preventing the occurrence of mining pollution by preventing the outflow of mining waste water that contains heavy metals or by treating waste mining water.

The Agency sets environmental standards for the quality of water used for public purposes in accordance with the Basic Law on Environment and sets standards for discharged water based on the Water Pollution Control Law. Implementing mining pollution prevention operations, it treats waste mining water to meet the standards before discharging it (See the table below). The agency contributes to the protection of the nation's health and the conservation of the environment by enforcing environmental standards.

- Water treatment in an operation for mining pollution prevention

Examples of water treatment

Heavy metals	Waste mining water	Discharge standards	After treatment
PH	3	5.8 ~ 8.6	6.9
Lead	0.23 mg/l	0.1 mg/l or less	0.006 mg/l
Cadmium	0.04 mg/l	0.1 mg/l or less	0.002 mg/l
Copper	9.39 mg/l	3 mg/l or less	0.12 mg/l

- Loans for those who bear the expenses of mining pollution removal work

By taking such measures as the removal of certain harmful substances from agricultural soil, agricultural production becomes possible again. The agency estimates that the loans will create an economic effect of about ¥1.2 billion per year at the completion of the operation.

4. Estimated policy (subsidy) cost analysis of the project

Outline of estimate

- The mining pollution prevention loans project (loaning of funds for mining pollution prevention expenses borne by mining pollution) is subject to trial assumptions.
- The estimate includes the outstanding amount of ¥8.4 billion (estimate at the end of FY 2001) and the planned FILP amount of FY 2002 (¥1.2 billion).
- An analysis has been made for a 15-year period during which the amount outstanding and planned FY2001 lending are to be collected (15-year period for FY2001).
- Calculation of subsidies needed to carry out the operations was made based on the analysis assumptions described above.

Policy (subsidy) cost

(Unit : billion yen)

Category	FY2001	FY2002	Increase/Decrease
1. Subsidies from the national treasury	0.603	0.591	- 0.012
2. Opportunity cost of capital investment from the national treasury			
Subtotal (1+2)	0.603	0.591	- 0.012
3. Money transfer to the national treasury			
Subtotal (1+2+3)	0.603	0.591	- 0.012
4. Decreased cost of loss		- 0.017	- 0.017
Total (1+2+3+4=policy cost)	0.603	0.574	- 0.029
Analysis period (years)	15	15	

Compared with FY2001 (¥0.6 billion), policy cost declined. The reason for this is that interest subsidies decreased due to a decline in the balance outstanding on past loans.

The case if assumption is changed

(Unit : billion yen)

Changed assumption and extent of change	Increase / decrease in policy cost
Interest rate on funds raised +1%	0.002

(Reference)

Budgeted amount of subsidies and capital investment in FY 2002

Subsidies: ¥0.2 billion

Capital investment: —

5. Projections in the analysis

- 1) The FY 2002 loan of ¥1.2 billion is to be recollected in 15 years.
- 2) Questionable debts are not estimated because such debts have not yet occurred from FY1984 to FY2000 and sufficient securing and guaranteeing were carried out in the case of lending. Furthermore, with respect to redemption of questionable loans in FY2001, the questionable debts pertain to mining companies that went bankrupt in 1987.
- 3) Since no voluntarily advanced redemption is permitted with loan contracts for mining pollution prevention funds, in a recent case a company was dissolved in line with business completion in 1992. Accordingly, advanced redemption is not included in the analysis.

	Result	Estimated	Planned	Trial assumption
FY	1997~2000	2001	2002	2003~2017
Advance redemption ratio	0.00%	0.00%	0.00%	Same as left
Depreciable ratio of loans	0.00%	0.34%	0.00%	Same as left

- 4) The outstanding balance of risk management credit obligations at the end of FY2000 is ¥50 million. The reserve for possible loan losses in the case of accounting in conformity with the financial accounting standards for business enterprises in the private sector is ¥2.1 hundred billion in FY2000 (reserve for possible loan losses/loans = 2.53%). Furthermore, the ratio of reserve for possible loan losses shifts by 15/1,000.

6. Reasons for granting of subsidies, mechanism and underlying laws

Mining companies must conduct semipermanent pollution prevention after closing their operation. It will bring no profits, making it a problem for them to secure funds for preventing pollution. Therefore, the agency receives interest-compensating subsidies and administration costs from the budget's general account in order to provide them with loans of long-term, low and fixed interest rates.

(Underlying laws and regulations)

- Although interest-compensating subsidies have no legal base (they are budgetary measures), the Law on Special Measures for Mine Damages Caused by the Metal Mining Industry, Etc. provides for securing funds to smoothly implement operations for mining pollution prevention.

(Article 6 of the Law on Special Measures for Mine Damages Caused by the Metal Mining Industry, Etc. (securing funds))

The government shall make an effort to secure or mediate for securing the funds needed for miners or owners of mines to perform operations for mining pollution prevention based on a mining pollution prevention plan.

- Administration costs have no legal base (they are budgetary measures)
- The Metal Mining Agency of Japan Law provides for payment to the national treasury

(Clause 1, Article 24 of the Law)

If profits occur in the general account, instead of the special account, of its statement of profits and losses in each operating year, the Agency shall make up losses carried over from the previous operating year and, when there still remain surpluses, pay them to the national treasury.

7. Special remarks

- 1) The analysis of policy costs only concerns the costs of FILP operations out of its mining pollution prevention account.
- 2) In accordance with the Reorganization and Rationalization Plan for Special Public Corporations, since a newly established independent administrative institution is scheduled to take over operations of the Metal Mining Agency of Japan through integration with the Japan National Oil Corporation, a policy cost analysis was also implemented for mining pollution prevention loan projects subject to the analysis on the assumption that the project would be taken over.

(Reference) Financial Statements**Balance Sheet**

(Unit : million yen)

Item	End of FY 2000 (Result)	End of FY 2001 (Estimated)	End of FY 2002 (Planned)	Item	End of FY 2000 (Result)	End of FY 2001 (Estimated)	End of FY 2002 (Planned)
(Assets)				(Liabilities and capital)			
Current assets	8,168	5,085	3,578	Current liabilities	692	68	120
Cash and deposits	6,618	4,913	3,458	Accrued payments	163	17	17
Marketable securities	0	100	0	Accrued expenses	60	51	103
Prepaid expenses of entrusted operations	398	0	0	Advances of entrusted operations	399	0	0
Prepaid amount	1	0	0	Deposits payable	71	0	0
Profits receivable	60	51	101	Fixed liabilities	46,698	51,388	74,245
Amount receivable	1,091	22	20	Metal mining bonds	30,703	30,703	18,782
Fixed assets	66,185	73,019	97,272	Long-term loans payable	10,287	15,346	28,901
Investments and loans	17,526	23,927	26,867	Allowance	1,969	1,922	1,821
Domestic loans	3,472	3,644	3,842	Allowance for employee retirement	1,879	1,832	1,731
Foreign loans	68	761	1,456	Allowance for loss of guaranteed obligations	90	90	90
Loans for stabilizing metal mining industry	733	6,203	8,082	Mining pollution prevention savings funds	3,119	2,590	2,640
Loans for preventing metal mining pollution	4,344	4,502	4,658	Subsidies for asset return	460	677	781
Loans for bearing expenses of metal mining pollution	4,131	3,934	3,789	Guaranteed obligations	160	150	21,320
Foreign investments	5,642	5,842	6,042	Overseas	160	150	20,360
Allowance for bad loans	- 191	- 286	- 327	Mining pollution	0	0	960
Allowance for losses in foreign investments	- 673	- 673	- 673	Allowance specified in special laws	73	64	56
Assets for operating business	34,402	34,415	34,301	Reserves for making up interest of metal products storage	21	21	21
Rare metals, facilities	31,903	31,855	31,810	Reserves for storing rare metals	53	44	35
Research ships, facilities	1,814	1,643	1,478	(Total liabilities)	47,464	51,520	74,421
R&D facilities	614	685	627	Capital			
R&D facilities construction work under way	71	231	386	From the government	23,738	23,738	23,738
Tangible fixed assets	366	346	336	Mining pollution prevention funds	3,947	4,244	4,458
Buildings	200	190	182	Deficits	- 774	- 1,388	- 1,763
Structures	1	1	1	Deferred deficits	- 501	- 778	- 1,393
Machinery equipment	2	2	2	Net loss	- 273	- 610	- 370
Vehicles	34	31	36	(Total capital)	26,910	26,594	26,433
Tools, instruments	56	49	41				
Land	72	72	72				
Investments and other assets	13,890	14,332	35,768				
Foreign guaranteed obligations funds	3,700	3,700	3,700				
Mining pollution guaranteed obligations funds	289	289	289				
Mining pollution prevention funds	3,947	4,244	4,458				
Mining pollution prevention savings funds	3,119	2,590	2,640				
Long-term deposits	600	0	0				
Securities for investments	1,501	2,800	2,800				
Long-term bad loans	29	0	0				
Leaseholds	545	560	562				
Return from guaranteed obligations	160	150	21,320				
Deferred assets							
Discounts on bonds payable	22	11	4				
Total assets	74,374	78,115	100,855	Total liabilities and capital	74,374	78,115	100,855

Income Statement

(Unit : million yen)

Item	FY 2000 (Result)	FY 2001 (Estimated)	FY 2002 (Planned)	Item	FY 2000 (Result)	FY 2001 (Estimated)	FY 2002 (Planned)
(Expenses)				(Revenues)			
Ordinary expenses	13,981	12,736	11,102	Ordinary profits	13,755	12,132	10,733
Interest on loans	392	327	480	Interest on loans	423	360	516
Interest on bonds	1,339	1,339	1,239	Return on mining pollution prevention reserves	42	39	42
Interest on mining pollution prevention funds	46	42	39	Return on mining pollution prevention funds	61	57	73
Discount on bonds payable	11	11	7	Loan guaranties	1	1	40
Entrusted operations	6,851	5,290	3,815	Leasing out research ships and facilities	323	318	300
Treasury subsidized operations	1,697	1,644	1,583	Entrusted operations	6,996	5,440	3,966
Mining pollution prevention operations	34	44	51	Treasury subsidies	4,927	4,910	4,824
Administration	3,096	3,302	3,230	Government subsidies	40	34	30
Bad debts written off	0	29	0	Expenses borne by mining companies	420	393	331
Provision for allowances	191	286	328	Reversal of bad loan allowance	214	191	286
Provision for allowance for bad loans	191	286	327	Reversal of asset return subsidies	70	105	129
Provision for reserves for making up interest on metal products storage	0	0	0	Reversal of reserves for rare metals storage	9	9	8
Depreciation of operating assets	284	308	330	Non-operating revenue	232	276	189
Non-operating expenses				Interest earned	107	88	134
Miscellaneous losses	40	115	0	Miscellaneous revenues	125	188	55
Extraordinary losses	48	5	0	Net loss	273	610	370
Loss on sale of properties	0	0	0				
Disposal loss in properties	48	5	0				
Total	14,028	12,741	11,103	Total	14,028	12,741	11,103

Note: The balance sheet and income statement above include figures of geological structure research, rare metal storage and mining pollution prevention, which do not use FILP.
Totals may not correspond due to rounding off.