

## **Indonesia Case Study**

### **The Closure of the Kelian Gold Mine and the Role of the Business Partnership for Development/World Bank**

**Presented by Pius Erick Nyompe, Executive Secretary, LKMTL<sup>1</sup>  
to the EIR's Eminent Person and participants at the meeting on  
*Indigenous Peoples, Extractive Industries and the World Bank***

**Oxford, England  
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#### **Introduction**

Kelian Equatorial Mining (PT KEM) is a mining company registered under Indonesian law which is 90% owned by Anglo-Australian mining company Rio Tinto (the biggest mining company in the world) and PT Harita Jayaraya Inc (10%) – an Indonesian company. KEM signed a Contract of Work with the Indonesian government in 1985 for a 286,233.5 hectare concession. This agreement<sup>2</sup>, signed by the (then) president Suharto, allows KEM to explore for and mine gold in the Kelian area of Kutai<sup>3</sup> district in East Kalimantan province.

The primary gold ore deposits are on the slopes of Prampus Barat and Prampus Timur. The mineable ore is estimated at 53.5 million tons with a gold content of around 1.97 grammes/ton. KEM started production on July 1<sup>st</sup> 1991. At that time, the mine was thought to have a lifespan of 9-10 years (ending in August 2002) with production levels at 6 million tonnes of ore processed per year (approx 23,000 tons per day). On average, about 15 tonnes of gold and 13 tonnes of silver are produced each year.

This part of the eastern part of the island of Borneo is largely rugged hills and mountains covered with tropical rainforest. This area is the watershed for the many streams and rivers which drain into the River Mahakam – East Kalimantan's major river. The indigenous (Dayak) community have traditionally depended on clearing some forests to cultivate rice and vegetable crops. When soil fertility drops, this land is used to grow long-term crops such as rattan, various types of fruit trees and palms. After a number of years, this agroforestry system is cleared and replaced by rice farming for several seasons. Under customary law, some forest is never cleared but left intact for spiritual reasons as well as for protection of watersheds and wildlife. People collect a range of forest products for their own needs and for sale such as honey, damar resin and medicinal plants. They also used to hunt for bushmeat.

#### **The history of community mining in Kelian**

The community gold mining which is going on around the KEM mine is not the result of the recent discovery of gold in this area by the company. The local community has long known that there was gold in these hills. Stories of gold have been passed down through the generations. Even today the remains of pits and tunnels constructed hundreds of years ago can be found by local people who know where to look.

In 1949, a visiting group of Penihing Dayaks came to the village of Muara Kelian to ask Lung Bulan, the traditional leader of that community, for permission to collect rattan up the River Kelian and to put up some simple shelters at Gah Balui. It happened that when they were washing themselves in the river after a day's work, they noticed that the sand on their bodies was black and shiny like iron filings. They

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<sup>1</sup> *Lembaga Kesejahteraan Masyarakat Tambang dan Lingkungan (LKMTL)*, the Association for the Welfare of the Mining Community and Environment

<sup>2</sup> The Contract of Work B-06/Pres/1/1985 was signed on 21<sup>st</sup> February 1985

<sup>3</sup> The area is now part of the new district of Kutai Barat (West Kutai) created when regional autonomy was introduced in 2000.

guessed that this sand might contain gold because they had seen local people panning for gold at Danum Biang, near Long Pahangai. So they took a metal plate from their canoe and tried panning themselves. The men soon found tiny grains of yellow metal. By the end of a week they had filled an old lemonade bottle with the yellow metal which they took down river to Long Iram. There, two Chinese goldsmiths<sup>4</sup> examined their find and immediately bought the gold for Rp10 per gram<sup>5</sup>.

News spread that gold had been discovered at Kelian and people rushed from surrounding areas (and eventually from neighbouring islands) to pan for gold too<sup>6</sup>. A small-scale mining industry quickly grew up along the whole length of the Kelian River<sup>7</sup>. Initially, all newcomers only mined with the consent of indigenous community leaders. The population of the Kelian area has obviously increased and become more ethnically mixed since the 1950s. However, families of different ethnic origins share common interests and experiences, so the Kelian community has not experienced the inter-ethnic conflicts which have afflicted other parts of Indonesia in recent years.

## **KEM comes to Kelian**

PT Rio Tinto Indonesia first came to the area in the early 1970s and carried out explorations along the River Kelian at Prampus. The company followed this up by drilling bore holes to take further samples in the Kelian area in 1985. Rio Tinto Indonesia and Buana Jaya Raya Indonesia (a Jakarta-based company) formed PT Kelian Equatorial Mining before applying to the Indonesian government for a concession to explore further and exploit their finds.

From the start, the company claimed that there was no genuine community mining at Kelian. This was a means to avoid paying compensation for the loss of local livelihoods. KEM went on forcibly to evict local inhabitants from Muara Bayaaq to Kampung Baru in 1987. The company forbade local people from gold mining, agroforestry or cultivating fields in the area around the mine site because this was all part of KEM's concession. This ban provoked a strong response from the community (in the form of demonstrations in 1988) who opposed the company's position. KEM responded by bringing in two helicopter loads of security forces. There were a number of other serious human rights violations during the next ten years (see table – Appendix 1)

The communities' grievances against KEM's operations in Kelian at that time included the following:

- Local people are not allowed to carry out agroforestry or to farm their customary lands which lie within KEM's concession.
- The community is gradually getting poorer because they were forced off their land and prevented from mining within KEM's concession.
- There is pollution in the Kelian River. In 1991, there was an incident when 1,200 drums of chemicals for KEM fell into the river. Local people believe they contained cyanide. Most of the community complained of itchy areas of skin which became swollen then turned into open sores. Other negative indications were mass fish deaths along the R. Kelian from Gah Macan to Muara Kelian.
- KEM's trucks and heavy equipment cause air pollution due to the large amounts of dust they stirred up when they pass people's homes on unsurfaced roads.
- KEM's security guards had harassed, beaten up and shot at local people mining in and around the Kelian River within the mine concession. They did this even though East Kalimantan's

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<sup>4</sup> Atjip died some years ago, but Tjien Bie still lives in the provincial capital, Samarinda.

<sup>5</sup> At current rates of exchange US\$1 is worth around Rp10,000.

<sup>6</sup> Initially by traditional panning methods, but later the system of pit mining and tunneling was reintroduced. Nowadays most small-scale miners use high pressure hoses to wash ore-bearing soil from the

river banks or use suction pumps to bring up larger amounts of gravel and mud from river beds and sand banks.

<sup>7</sup> Gold mining sites include: Gah Pahang, Gah Biru, Gah Cincang, Gah Busra, Gah Tukul, Gah Lalang, Gah Pal, Gah Sadiah, Belengyan River, Batu Mak, Batu Bidawang, Gah Batang, Muara Buang, Gah Donggo, Gah Panjang, Gah Kubur, Muara Nakan, Prampus, Gah Sombin, Gah Bujang, Gah Macan, Loa Tepu, Gah Ekong, Gah Punan, Gah Kenyah, Sungai Jiu and Sungai Kelian Hulo.

governor had issued an edict which allowed community mining within 50 metres from the banks of the river<sup>8</sup>.

- Local people had been evicted from their cultivated lands, homes and small-scale mining sites without any prior consultation.
- Some graves were destroyed when the main mine site and access road were established.
- Some local women suffered sexual harassment by KEM staff on and off the mine site and there were a number of rape cases – some involving girls under the age of consent.

### **The community's demands**

Local people's concerns about KEM generated the following demands:

1. Compensation for land for which the company had never paid;
2. Compensation for land where the company had only made inadequate payments;
3. Compensation for the loss of community miners' livelihoods;
4. Compensation for homes and shelters which had been destroyed with no payment;
5. Reduction of dust pollution caused by mine traffic along roads through settlements;
6. Measures to tackle environmental problems<sup>9</sup>;
7. Redress for human rights violations<sup>10</sup>;
8. Honour the promises made by KEM to the community about the provision of clean drinking water supplies, electricity, 2 hectares of land for cultivation and new housing<sup>11</sup>.

### **Local people's attempts to fight for their demands**

The community have tried various means to press KEM to meet their demands including:

- 1) Putting their grievances in writing and sending letters to various relevant authorities such as:
  - a) The Long Iram sub-district head and the district administrator's assistant at Melak, with copies to the National Commission for Human Rights, government ministers and the Indonesian President.
  - b) The East Kalimantan governor (who passed it on to the Kutai district administrator)
  - c) The National Commission for Human Rights who responded by sending a letter expressing concern to KEM.
- 2) Presenting their grievances to the legal aid office in the provincial capital, who wrote 3 times to KEM and the district and provincial governments.
- 3) Getting government and customary (*adat*) bodies at village level to send supporting letters to the authorities to settle disputes.
- 4) Taking community grievances straight to Jakarta: to the National Commission for Human Rights, Indonesian Parliament and the Ministry of Mining & Energy.
- 5) Raising the profile of the community's case through NGO fora, such as the workshop in Banjarmasin (1995) and the 'Peoples' Meeting' in Jakarta (1997).
- 6) Campaigning in Australia with Australian mining unions and NGOs.
- 7) Holding a series of demonstrations locally.

All this pressure finally resulted in discussions between LKMTL and KEM in early May 1998 and an agreement about negotiations to settle the community's demands<sup>12</sup>. Six rounds of discussions were held

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<sup>8</sup> SK Gubernur Kalimantan Timur No.545/3346/Proda/83

<sup>9</sup> These include forest destruction and pollution of water courses due to acid rock drainage

<sup>10</sup> These include intimidation, threats and eviction at gunpoint of people from their homes and small-scale mining operations plus the sexual harassment and rape of local women (some of whom were under age).

<sup>11</sup> Unwritten commitments made by Alan Hawkes, a senior manager at KEM

<sup>12</sup> In mid-May 1998, shortly before Suharto's 33 year autocratic rule came to an end, an LKMTL representative attended Rio Tinto's AGMs in London and Melbourne and (later) discussed the community's case with senior Rio Tinto executives.

between KEM (supported by its parent company Rio Tinto) and LKMTL (supported by the NGOs WALHI and JATAM<sup>13</sup>) during 1998-9. However, the mining company reneged on agreements reached through these negotiations on several occasions and in various ways. In 2000, the negotiation process reached deadlock and the Kelian community responded with large-scale demonstrations outside the mine site and in local villages (see Box).

### **Box 1**

#### **Police violence and company complicity**

- By 1 May 2000, negotiations between KEM and the community organisation LKMTL over the community's demands had broken down. The company had broken the terms of its agreement with LKMTL by involving local government officials. Tempers were running high – one official had a heart attack at an earlier meeting.
- Yohanes Nyomung, a community leader from Melapeh Baru village, was arrested in early May for 'fomenting dissent' and sentenced to seven days in prison. In July, the police threatened to rearrest him on the original charge. His family and other villagers had to spend Rp50 million in payments to the police, prosecutor and judge to get him released again.
- Meetings between KEM and LKMTL were held over a day's journey away from the mine site 'for security reasons'. In early May, a squad of police and soldiers surrounded the hotel in where LKMTL's negotiating team were staying for the next meeting and kept all 15 of them overnight in the cells at their headquarters. This was because the local police chief had decided that a splinter group (backed by the company and the district administrator) were the rightful representatives of the community – LTKTL.
- By that time, local people were engaged in mass demonstrations and blockades at various villages in protest about the breakdown in negotiations. At Kebut, a couple of hours from the mine near Barangtongkok, several hundred people had put large pieces of timber across one of the main roads to stop workers and materials reaching the mine site, but the protest was peaceful. People were camping under tarpaulin shelters in the front yards of villagers' homes.
- On 26 May 2000 at around 6 am, three busloads of Mobile Brigade forces and a pickup of plain clothed police suddenly appeared in Kebut. They fired into the air several times and then ordered the protestors to disperse.
- People fled in terror as the police tore down their shelters and chased them through the village. The police trampled their belongings and confiscated any large knives (essential traditional farming equipment) and blowpipes (local hunting equipment). A substantial amount of money (over Rp1 million), and some identity cards and clothing were stolen.
- The police, who numbered around 100 men, warned the villagers that if they had not removed the blockade by mid-day, they would return and take even stronger action. Six people were taken away by police and held in custody.
- At that time KEM made regular payments to the local authorities to protect the mine site, in addition to its own security guards (some of whom were ex-police) and paid the transport costs of the police/military to break up demonstrations and take 'suspects' down river to police headquarters. It is not known if this practice continues.

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<sup>13</sup> JATAM is a Jakarta-based NGO mining advocacy network

The negotiations were only resumed in March 2001 after a new Protocol on procedures was reached and KEM had a new chairman. This ‘peace deal’ was brokered by the chairman of the Indonesian Commission for Human Rights, Asmara Nababan, and Amar Inamdar of the Oxford-based consultancy Synergy.<sup>14</sup> Australian High Court judge Marcus Enfield and Indonesian Supreme Court judge Artidjo Alkostar were chosen as arbitrators. The Protocol – between LKMTL representing the community and the mining company KEM - was witnessed by WALHI and Rio Tinto.

### **Closure of KEM mine**

KEM intends to close its Kelian mine in 2004. It will rework some of the lower grade stockpiled ore and possibly some of the tailings before leaving the site in 2007. In order to prepare for this, the mining company established a Mine Closure Steering Committee (MCSC). This comprises representatives of KEM, Rio Tinto, local government and central government<sup>15</sup>, academics<sup>16</sup>, the local Customary Council<sup>17</sup> and LKMTL (for the community).

Four Working Groups support the MCSC by more detailed planning and technical discussions on:

- Waste-retaining dams
- The environment
- Disposal of assets
- Community empowerment and regional planning.

A brief outline of the mine closure plans (focusing on the environmental aspects), is as follows:

- All the waste containment areas (primarily Nakan and Namuk) and the main mine pit will be filled with water. This long-term safety of this method, which KEM calls ‘wet cover’, is questionable as a means of environmental protection. It is by no means certain that this will guarantee the stability of the dangerous materials remaining in the waste dumps and effectively prevent their mobilisation into the broader environment. The community must have some guarantee of environmental security from KEM to cover the period after the company has left the area. In the long-term, KEM must take responsibility for any pollution incidents which damage the local community and the Indonesian state.
- Each waste dump will be confined by retaining dams. KEM must be certain that these structures are stable and able to contain all the waste.
- Waste water from the Nakan dam will be drained into the mine pit and, from there, into a 30-40 hectare ‘wetland system’ before eventual discharge into the River Kelian. The scientific basis of the effectiveness of this waste disposal method must be questioned to ensure that water discharges into the R. Kelian are genuinely safe. The company must be absolutely certain that this method is safe as the R. Kelian flows into the Mahakam – the main river of east Kalimantan on which many hundreds of thousands of people depend.
- Waste rock and other spoil heaps which do not contain toxic materials are to be dealt with by the ‘dry cover’ method. These artificial hills will be covered with clay and topsoil and then planted. Once again, KEM must be absolutely certain that this method is effective in preventing acid rock draining in the long-term.
- It is intended that the local community will be able to use the artificial lakes created by flooding some tailings dumps for fishing. This option must be reconsidered since the ‘lakes’ contain toxic wastes. These substances can accumulate in fish through the food chain and, if eaten, could

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<sup>14</sup> This consultant’s role in mine closure and dispute settlement is far from clear to the community – see later.

<sup>15</sup> Kutai Barat district government and the Department of Energy & Mineral Resources

<sup>16</sup> Including from Bandung Institute of Technology (ITB) and UNMUL - the state university in the provincial capital, Samarinda

<sup>17</sup> A government-backed organisation of traditional representatives

endanger human health. Long-term safety factors must be the prime concern in any alternative option.

- Other areas are to be replanted or reforested.
- All KEM's assets and responsibility for the area will be handed over to the Indonesian government in the post-closure period.

LKMTL is also concerned that once the company has left, small-scale gold miners will return to the area to rework tailings and to explore for gold elsewhere. Although KEM claims that the mine is no longer commercially viable, there is sufficient gold in remaining deposits to give small-scale miners a reasonable profit. Given that the contaminated waste is only going to be covered over and there will also be a huge water filled pit, the dangers are obvious – both to these 'illegal miners' and to the broader community as rainwater will carry toxic wastes into local rivers.

### **LKMTL's involvement in the Mine Closure Steering Committee**

"In the case of the approaching closure of Kelian in Kalimantan, Rio Tinto has joined the World Bank Business Partners for Development Programme. This brings together the private sector, civil society and government under the convening authority of the World Bank. The idea is to progress situations in which all three partners have an interest but limited chance of success on their own."<sup>18</sup>

This quote clearly shows that KEM was already planning for mine closure by 1998. However, the first the community knew of this was when KEM sent BPD/World Bank consultant Amar Inamdar and Ramanie Kumanayagam<sup>19</sup> (from Rio Tinto London) to talk with LKMTL. It was assumed at the time that his role was to help settle the differences between KEM and the community over compensation demands and human rights abuses, since this was precisely at the time negotiations were deadlocked. They did also discuss mine closure plans.

In September 2000, LKMTL recommended (via KEM's anthropology consultant Michael Hopes) that Niel Makinuddin<sup>20</sup> should be a facilitator in the Mine Closure Steering Committee. KEM also proposed Amar Inamdar as a facilitator. LKMTL hoped that the presence of these two facilitators – one from the community side and one from the company's – would maintain some equality between the two parties' struggle to promote their own interests. Nevertheless, it transpired that only the community's facilitator stuck to the agreement to be neutral. In private, he explained that he had been pressed by KEM to not be biased in favour of the community. The other facilitator did not seem to be under the same obligation and clearly favoured the company in all discussions.

The first meeting of the Mine Closure Steering Committee was held in February 2001 at the Dusit Hotel in Balikpapan<sup>21</sup>. It was agreed that meetings would be held three monthly.

LKMTL chose five people to take part in the mine closure discussions: one for the Steering Committee and one for each of the Working Groups. As the process went along, LKMTL began to feel that its recommendations were not being taken seriously by the company. Local government representatives always sided with the company, so the community was usually 'outvoted'. Furthermore, LKMTL's four Working Group representatives were no longer included in meetings from March 2002 onwards with no explanation from the MCSC secretariat. Representatives from other parties on the Working Groups continued as before. So, despite the way that KEM always claims that the community is fully involved in

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<sup>18</sup> Rio Tinto 1998 Annual Review, p15

<sup>19</sup> It is hardly surprising that local people are confused about the roles of various consultants. Ms Kumanayagam first appeared at Kelian as 'an independent anthropology student', who then worked for Rio Tinto and is now with the World Bank. Amar Inamdar appeared on the scene in March 1999 accompanied by senior Rio Tinto staff in Jakarta when he was introduced as a World Bank consultant.

<sup>20</sup> Then director of the respected Samarinda-based natural resources NGO, Plasma.

<sup>21</sup> A large coastal city which is Rio Tinto's Kalimantan base: one and a half day's journey by public transport from Kelian or a 45 minute helicopter ride for company staff.

discussions on mine closure and are equal partners, this is not the case. Eventually, on 19 March 2003, LKMTL decided to withdraw from the MCSC because it was dissatisfied with the process<sup>22</sup>.

The two processes - settlement of outstanding disputes and mine closure – which should be quite distinct, are actually connected in many subtle ways. This becomes more complicated as some of the same figures (including consultants) are involved in both processes. There are suspicions that KEM has deliberately dragged out the compensation and dispute settlement process in order to make sure that the community were part of the mine closure process. Rio Tinto and KEM have tried to promote the Kelian closure plans as a model of good practice for mine closure elsewhere in Indonesia and worldwide. Obviously, they do not want any public discussion of unresolved charges of human rights abuse or environmental pollution.

### **Further key issues**

There remain some major outstanding issues, from the community's perspective (apart from those explained in the March 19th letter).

- MCSC and KEM/Rio Tinto's management has never been open about the profits it has made through exploiting this area of community natural resources.
- The salaries of foreign and Indonesian staff or contractors are not the same (i.e. there is discrimination against Indonesian workers).
- There remains a difference between LKMTL and KEM in their long-term views of the issues. For example, KEM looks more at the potential short-term negative impacts, whereas LKMTL focuses on the long-term impacts of the tailings for the whole Kelian watershed and the communities living along the Kelian river.
- The issue was raised that KEM could 'sterilise' the mine, by processing remaining alluvial gold and the tailings (which have a significant gold content). The profits could be deposited in a trust fund to pay for the education of people whose lives had been so adversely affected by the Kelian mine. However, this idea has been dropped without any proper consideration.
- KEM/Rio Tinto did not support the involvement of LKMTL in spreading information about the outcomes of the MCSC and gathering inputs – positive and negative – from the community. KEM/Rio Tinto have established their own system and say that they have only received very positive responses to the mine closure plans.

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<sup>22</sup> See letter No. 22/LKMTL/MB/III/2003 in Appendix 2

APPENDIX 1

**Human rights violations suffered by the Kelian people**

<b>Time</b>	<b>Incidents</b>
1949	A group of Penihing Dayaks visit Muara Kelian and discover gold in the R. Kelian
1972	Exploration by Rio Tinto Indonesia
1976	Exploration by PT Buana Jaya Raya Mining Company (BJR)
1982	Local gold panners told to leave their sites by Long Iram sub-district head to secure the area in preparation for BJR/Rio Tinto's operations
1982 – 1991	Forced eviction of hundreds of local miners and burning of their shelters/homes at Gah Macan, Gah Bujang, Gunung Runtuh, Gah Panjang, Loa Tepu, Sungai Tukam, Gunung Runcing, Gah Ekong and Gah Punan
1985	KEM's Contract of Work signed
1985 – 1989	The frequency and severity of conflicts between local miners and KEM increased. Evidence for this is <ul style="list-style-type: none"> <li>• The number of complaints from local people to LKMTL and WALHI<sup>23</sup> about cases of houses or shelters being burnt down, intimidation, evictions, brutality and sexual violence by company employees or local military/police</li> <li>• The number of cases where KEM accused local people of theft of illegal mining within the concession area.</li> </ul>
1990-92	Construction of processing plant and mine site buildings
July 1991	KEM mine starts pilot production
20 December 1991	Daniel Paras and his family evicted from their home at gunpoint
1992	KEM mine starts commercial production
19 December 1992	Local people demonstrate with 7 banners
22 December 1992	Number of demonstrators increases to 200
24 December 1992	400 people demonstrate demanding fair land compensation
26 December 1992	9 people invited to a meeting with Kutai District Administrator but were held in police custody instead <sup>24</sup>
28 December 1992	H. Ridwan detained by police

<sup>23</sup> WALHI is an NGO network: Indonesia's 'Friends of the Earth'

<sup>24</sup> Fifteen people were detained at Kutai district police station, a day downriver from the mine site, over the Christmas-New Year period as follows: Dither Tarung (10 days); Eduard Tarung (10 days); M. Tolla; M. Baluk (5 days); M. Nurung (5 days); Salire (5 days); Sutarji (5 days); Likupan (5 days); M. Ginting (5 days); H.Ridwan; Mahran (2 days); M. Londit (2 days); Sidik (2 days); Truni (2 days); Edi (2 days).



29 December 1992	5 more people held in detention
31 December 1992	200 people demonstrated at Tutung and were confronted by the security forces. KEM agreed to settle compensation claims, but the local government was slow to act.
5 January 1993	Eduard Tarung died in police custody (aged around 80)
1987 – 1997	Detention, torture of local people and confiscation of their mining equipment and other belongings at Gah Macan, Gunung Runtuh, Gunung Runcing, Gunung Gundul, Muara Nakan, Camp Prampus, Gah Punan, Gah Sadiah, Rodah Lampung, Gah Donggo and Gah Ekong
1990 – 1997	Repeated thefts of equipment from KEM mine site
1997 – 1998	Inhabitants of Gah Donggo (at edge of mine site) blamed for thefts and suffer intimidation from KEM and local police
6 February 1993	Mukidin Anshori is drowned in Nakan tailings dam after being pursued by KEM security guards
1989 – 1994	10 cases of violence against women
1994 – 1997	7 more cases of violence against women

## APPENDIX II

### **The community representation's withdrawal from the Kelian mine closure process**

Letter from: the Association for the Welfare of the Mining Community and Environment (Lembaga Kesejahteraan Masyarakat Tambang dan Lingkungan – LKMTL)

Re: LKMTL'S WITHDRAWAL FROM THE MINE CLOSURE STEERING COMMITTEE (MCSC)

Melapeh Baru, Kutai Barat District, East Kalimantan, Indonesia 19th March 2003

To: Chairman of the Mine Closure Steering Committee of Kelian Equatorial Mining  
President Director, Rio Tinto Indonesia  
President Director PT Kelian Equatorial Mining

Dear Sirs

As part of PT KEM's mine closure plans, LKMTL has been involved in the Mine Closure Steering Committee team, both as a member of the Steering Committee and its Working Groups, as the representative of the community around the PT KEM mine. Based on our observations gained during nearly two years of participation in meetings to discuss the post-mine phase, we are sending this letter to put forward some of the community's suggestions and requests relating to the environmental and social conditions after the mine has closed. We do not think the MCSC has given these and other points serious attention and consideration.

- 1 Requests for the Contract of Work document for PT KEM/Rio Tinto have been ignored; we have still not been given a copy. We find this surprising since this contract is very important as evidence of PT KEM's programme, concession area, mine plans and the basis for the mine closure programme. LKMTL and the community should be able to examine this document in all discussions and meetings with the MCSC. The contract is also important in that the community should know what the company's responsibilities are in managing the mine.
- 2 LKMTL has suggested in MCSC meetings that there should be an independent expert in the mine's laboratory monitoring pollution levels both now (in the short term) and when the mine closes. It appears that there was little response to this suggestion – it was just noted in the MCSC and Working Group minutes. This is an extremely important matter for us: that the community has access to reliable information about the levels and dangers of pollution.
- 3 LKMTL has requested that PT KEM should take responsibility for the recovery of the community economy post-mine closure for a period twice the length of the production period or the company's Contract of Work. This is intended to guarantee the revival of a healthy local economy once PT KEM ceases its operations in Kutai Barat district.
- 4 LKMTL has requested that environmental restoration is carried out in such a way that the community's safety is fully protected, both during mine production and after its closure. This means environmental rehabilitation; filling in the pits and lakes left by excavation; ensuring that the waste disposal site (Namuk Dam) will not cause future pollution problems by leaking or collapsing. The PT KEM mine site and surrounding concession area should be replanted.
- 5 LKMTL has requested that PT KEM/Rio Tinto gives some sort of guarantee or insurance to the whole community surrounding the mine in the event of pollution resulting from PT KEM's operations which endangers people's health either during production or after mine closure.
- 6 LKMTL has requested that PT KEM builds a free hospital for the community around the mine; this could monitor local people's health. The need for this is also supported by accusations made by the inhabitants of Batu Apoi (Letter 02/BA/2003; dated 10th Jan 2003) who suffer various complaints which they suspect are caused by pollution of the River Namuk.

- 7 LKMTL requested that PT KEM/Rio Tinto explain what their responsibilities are for various problems that might arise after the mine closes.
- 8 LKMTL requested that PT KEM gives an honest account of the cases of the deaths of Abdul Rahman and Arifin within the mine site. This is necessary so that the community understands the dangerous consequences of panning for gold in the mine tailings (Namuk dam) and parts of the mining location which may have been contaminated by chemicals.

On the basis of these facts which, in our opinion, have not received serious attention through the process of MCSC meetings and the various contributions relating to the post-mine period made by members of the community - either in these meetings or directly to PT KEM, LKMTL has decided to withdraw from the MCSC and its Working Groups with immediate effect.

Thank you for your attention.

Yours sincerely

Pius Erick Nyompe  
Executive Director LKMTL