Hind Copper chases an Afghan El Dorado

Bids for four gold, copper mines in war-torn country

Sumit Moitra © KOLKATA

Hindustan Copper has embarked on a gold quest in Afghanistan.

"We have, in consortium with SAIL, put in bids for all the four mines being offered by the Republic of Afghanistan. These are copper and gold mines," Shakesel Ahmed, chairman-cum-managing director, Hindustan Copper, told DNA.

The mines are Badakhshan (gold), Zarkashan (copper and gold), Balkh (copper) and Shaida (copper), selected by the Afghanistan government for having significant resource potential, existence of previous drill holes and sampling, and being drill ready.

All the four tenders were launched in December and closed in March.

"Expressions of interest have been submitted and non-disclosure agreements signed, followed by pre-qualification questionnaire. We expect the final bidding process to take place within the next three months," said Ahmed.

Afghanistan is offering a host of incentives like low corporate tax rate of 20%, facility for unlimited tax losses carry-forward and capitalisation of pre-production expenses to lure investors to uncharted territories.

But isn't security a concern for the bidders?

Ahmed said the mines are mostly in relatively secure places. "Afghanistan has raised an industrial security force (called the Mines Protection Unit) whose personnel are taking care of the assets. Also, the government has promised to create infrastructure connecting the mine sites within a few years."

Meanwhile, Hindustan Copper has decided to go for external commercial borrowings of $250 million in tranches. "We plan to raise about $250 crore, or just $50 million, initially during the first quarter of 2012-13, the rest during the year. Our total fund requirement, however, remains at $750 million for meeting the balance capital expenditure," said Ahmed.

The resort to ECBs comes as it is no longer issuing fresh shares, planned earlier along with 10% government's divestment.

The company is investing about ₹4,500 crore in the next five years to boost its copper ore output capacity from the present 3.4 million tonne to 12 million tonne. It has already awarded development contracts for expansion of mines like Khetri, Surda, Malanjhland and Chapri-Sideshwar and reopening of Kenadadh mines.

HCL on Thursday signed a memorandum of understanding with the government for its 2012-13 target of raising ore output by 16% over the 3.45 million tonne projected for 2011-12.

Ahmed described the target as a stiff challenge. "None of our new mines under development would come into production during the year. The extra 16% production can come only from planned higher production in our existing mines like Malanjhland and Banwas," he said.

DNA, Mumbai
Tuesday, 3rd April 2012, Page: 13
Ministry seeks to free import of impure gold

Timmy Jaitpuria

New Delhi, Apr 3: The commerce ministry wants to allow refiners to directly import of gold dore, an impure form of the metal which is currently imported only through state-run trading companies like MMTC and STC and a clutch of designated banks. The ministry has taken up the matter with the Reserve Bank of India.

The ministry reckons that since imported gold dore goes for domestic value addition and these imports are not for pure investment purpose, it doesn’t make sense to put refiners under cumbersome trade restrictions.

The ministry says that the commerce ministry and RBI have recently taken measures to curb gold imports in the wake of the widening current account deficit and in line with the policy imperative that encouraging gold as an investment option might not help enhance the productive capacity of the economy.

The director general of foreign trade (DGFT) Anup Pujari told FE that giving refiners licence to directly import gold would help them save their operational cost. The office of DGFT has received various representations from refiners (for direct import of gold); we have taken up the matter with RBI,” he said.

Currently, the import duty on gold dore is 3.1%, whereas finished gold attracts a higher tax of 4.12%. Despite the duty differential, gold dore imports have not risen because of the Customs bottlenecks. Pritviraj Kothari, president of Bombay Bullion Association said: “If the government allows direct import of gold, it would help big down domestic gold prices.”

According to RBI, the variety of gold—gold dore—is an impure form of gold and is a substitute to gold bullion, thus it might increase bullion trading in the country.

Mainly formed at the site of a mine, a gold dore bar is a semi-pure alloy of gold and silver which is further purified at refiners. After mining of gold ore, the first stage of purification produces a cast bar (gold dore), which is about 90% gold making it equivalent to gold bullion.

Explaining the problems faced by gold dore importers, National Spot Exchange CEP Anjani Sinha said: “At times, the Customs inspectors exaggerate purity of this variety of gold, leading to questions of tax to be paid on the imports. Besides, the refiners would be best helped if direct imports, rather than through canalising agencies, are allowed.”

Other experts are of an opinion that once gold dore is allowed to be import directly, the other benefit would be that it will bring down the prices of jewelry as it is mainly a raw material and there are no exchange-related worries with it.

The Finance Bill 2011 had said dore with up to 80% gold content could be imported through nominated agencies, but under strict conditions.

Gold dore is available with as high as up to 95% of gold purity. Currently, the imports of gold dore are only undertaken by RBI and its nominated agents.

The Centre for Monitoring Indian Economy has estimated that India’s consumption of gold will surge 50% to 1,200 tonnes a year by 2020. But the country produced and refined only a minuscule 2.46 tonnes in 2008-09.

The benefit would be availed by around 25 refiners which refine gold in India despite the fact that India produces just 0.5% of its annual gold consumption.

India currently produces about 10 tonnes gold a year. Domestic refiners, including Hutti Gold, the only gold mining company in the country, contributes another two tonnes.

Gold is refined mostly in Zurich for producing bars and coins approved by the London Bullion Markets Association (LBMA).

India’s gold imports have climbed to the second slot, after crude, in the overall imports basket.
Jharkhand green belt on radar of iron ore miners

SANTOSH NARAYAN IN RANCHI

Tribal inhabitants of Saranda in Jharkhand might have found some solace in the 'assurance' of Union Rural Development Minister Jairam Ramesh categorically stating that he was against mining in this tribal belt.

The outspoken Minister, following a visit to the troubled area few months ago, had answered a question in Ranchi suggesting that he was personally not in the favour of allowing any fresh mining and quarrying exercise in Saranda. However, the undercurrents indicate something else.

Latest information suggests that mining hawks are circling over Saranda's bountiful iron ore reserves, considered one of the best in the country. As many as eight applications, out of 55 proposals for diversification of forest land for non-forest activities pending in Jharkhand falling between 1991 and 2012, are for sneaking into Saranda, also home to precious sal trees.

Jharkhand comprises 27.58 per cent of iron ore reserve of the country. Majority of the reserves are located in Saranda forest area, which covers Chiria, Meghaturburu, Kibibum and Karampada reserves. It has attracted steel investors such as Essar Steel, Indian Iron and Steel Company Limited, JSW Steel Limited, Sosopi Iron Ore Mining, Singhbhum Minerals Company, ArcelorMittal, Electrosteel Castings etc. Many of these companies have already been allocated PL/ML in the Saranda range.

The issue attracts greater attention also because the area is in the grip of left wing extremism. This has pressurised the Centre to initiate a focused developmental programme for the otherwise deprived area, housing about 6,000 tribal families.

Missing mosaic of development and mainstream system has given way to the ultras. The circumstances have stalled normalcy to return to the area forcing the Saranda Action Plan, focused on the native tribals, to take place.
खाना घोटाला
448 लौह अयस्क व्यापारियों के लाइसेंस निलंबित

पण्डीत (एजेंसी)। अतः खाना पर अंकुर कात्ये हुए भगवान का हाथ सक्षम ने खाना उड़ान से पतझडी व्यापारियों को यहाँ निकालने के बजाय में मान्यता को नैसर्गिक अधिकार के रूप में 448 व्यापारियों के लाइसेंस निलंबित कर दिया। यह निर्णय ऐसे समय में हुआ है जब भाजपा नेता गोविंद सरकार ने ‘अपने खाना घोटाले’ में अफसर गलती के लिए खाना निभाने के लिए खाना निभाने के अधिकार मूल्यांकन को नैसर्गिक निलंबित कर दिया। भाजपा ने अपने खाना घोटाले को मुख्य गृहमंत्री लाहौल बनाया था।

राज्य के नौकरिवालों के लिए निश्चित प्रमुख आधार इस बार एक आदेश में इन व्यापारियों के लाइसेंस निलंबित कर दिया गया और उन्हें एक खाना बनाने के लिए उन्हें सीधे व्यापारियों के साथ जोड़ा देना होगा।

आयुक्त ने बताया कि व्यापारियों को अपने दफ्तरों के राख खाना निभाने से संबंधित कराना होगा। इन दफ्तरों के खाना निभाने के लिए वर्तमान में एक बाल की मुख्य मसलन वे किन्हें लौह अयस्क भरती हैं। राज्य के लौह अयस्क का व्यवहार मुख्य रूप से इन व्यापारियों द्वारा किया जाता है।

आयुक्त ने कहा कि राज्य का खाना निभाने व्यापारियों के लिए उत्तर दिशानिर्देश लैयू है। उन्होंने कहा, ‘केवल ऐसे व्यापारियों राज्य में व्यवसाय के लिए पाक होने जो व्यापारियों के रूप में आयी।’ अयस्क नियमों के संरचना गृहमंत्री ने इस सवाल के जवाब में लेख दिया था कि कई-लाख इन अयस्कों का व्यवहार ऐसे व्यापारियों द्वारा किया जाता है जो उनके पास यह इनरिअर्ट नहीं है।
It's become a minefield

The apex auditor's estimate of the exchequer's coal block losses is frivolous. It must come clean on the basis of such a calculation, writes NANTOO BANERJEE.

T
he auditors at the office of the Comptroller and Auditor General of India (CAG) appear to be far from being correct in their estimation of losses to the UPA government due to the arbitrary allotment of 155 coal acreages between 2004 and 2008. The draft CAG report may be short on reliability and high on creating sensation.

The draft report's "conservative estimate" first puts the losses to the exchequer at Rs.31 lakh crore "based on prices prevailing at the time of allocation on a constant cost and price basis" and as on March 31, 2011. "The losses to the exchequer are being naturally projected as the gains to the allottees - Rs.24.94 lakh crore by all private sector companies and a total of Rs.32.97 lakh crore by the public sector units."

The report also re-estimates the losses to the government at Rs.67.67 lakh crore at current prices, which means an almost 65% jump over the earlier estimate. If compared, the presumptive loss on account of the 2G spectrum allocation at Rs.78.66 lakh crore would appear to be unimpressive.

There is no doubt that arbitrariness breeds favouritism and encourages corruption and must be avoided at any cost. An allotment of coal blocks for mining among bidders through auctions would have been in the best interest of both the government and industry, seeking coal linkage to power, steel and cement plants.

Given the experience of the old licence-permit raj, it may not be beyond suspicion that most private allottees of coal blocks may have paid some 'consideration money' to bureaucrats, allotment committee members and influential politicians to ensure that they get blocks bearing better varieties of coal.

However, there was no guarantee that a coal block auction would have fetched the exchequer a lot more money. If not, the astronomical amounts the CAG auditors are referring to. Chances were that the coal acreage auction could have fetched even less money in case the bidders formed a syndicate to force a lower bid price. Such an auction could have flopped if the government had fixed a higher base price. The coal mining business is not the same as the telecom business. There is not much money in mining poor quality domestic coal, regarded among the worst in the world.

Few world mining corporations would like to try their luck with coal mining in India even if raw mine blocks are awarded free. Coal mining is highly capital and labour-intensive. Profitability depends not on the quantum of reserves, but on its quality and the depths at which it is available. Nearly 70% of Indian coal has very high ash content - 40 to 50% - compared to the internationally tolerable limit of below 9%

Did the CAG, while making 'conservative' valuation of coal blocks allotted to those prospective Indian end-users, take into account the quality of coal that these blocks are likely to produce? How did they know how much ash and cinder the mined slabs from various blocks would bear? What would be the ultimate cost of raisings and life of those mines under optimum use? What are the views of experts from the Geological Survey of India (GSI) on these issues? Why did Coal India Limited (CIL), a Maharatna PSU, take this long to produce less than 460 million tonnes of coal per year while China produced nearly 3.5 billion tonnes last year?

According to GSI, India has the world's largest reserves of coal, 286 billion tonnes as of April 1, 2011. However, the GSI estimate has few takers. China, the world's largest coal producer, has an estimated reserve of 200 billion tonnes.

One does not know if the auditors had gone into the details of how CIL makes profit and the reasons behind its earlier losses. The profit comes mostly from CIL's open-cast mines at depths well above 200 metres. Huge deposits at depths between 200 and 300 metres remain untapped because of high raising costs, which would have eaten away much of CIL's profits. Are the auditors aware that 90% of gross geological coal resources in India lie at a depth within 300 metres?

The CAG auditors would have done well by going into the aspects of the scientific mining process and suggest that the government set stringent extraction norms for the new allottees of coal blocks and emphasise on investment in equipment rather than taking the allocation system as a tool to quickly generate large revenues. The nation stood to lose much from the waste of natural resources by undermining and indulging in unscientific mining to make quick profits. It is for this reason the government had nationalised private coal mines four decades ago for scientific utilisation of diminishing national mineral resource.

The CAG's suggestion that the government lost Rs.67.67 lakh crore out of the allotment of 155 coal acreages is frivolous, to say the least. The CAG must come clean on the basis of such a calculation. Moreover, it is industry capable of coughing up CAG-estimated amounts to take the lease of these mine blocks?

Industry would be probably better off with imported coal or buying ready mines. Industry will have to continue importing coal while it makes large investments in developing newly-leased domestic mines. The generation of such large funds is the real challenge before the new allottees.

For the allotment of coal blocks to industry, the government should have gone for the auction route as well, though there was no guarantee that the national exchequer would have been substantially richer in this process.

Incidentally, the department of coal had done some fairly good background work to ascertain the true value of those raw mine blocks by using sound techno-economic parameters and also considering ground realities. The real issue is if some underwriting parties werefavoured in the allotment. Corrupt elements in the government can manipulate any system to make money. There could well be errors or corruption in the auction system as it is alleged in the allotment of offshore oil blocks to certain private parties. Being the super audit(CAG) has to be more careful about its investigation and intent. Its best reward is upholding public trust and not fostering public controversy.

Nantoo Banerjee is consulting editor of India Press Agency and author of The Price: When Bookkeeping Means Bookcooking.

The views expressed by the author are personal.
Goa suspends iron ore traders’ licences

Panaji: Cracking the whip on illegal mining, Goa’s new government on Tuesday suspended the licences of all the 440 traders in the state in a bid to weed out fake traders operating in the mining industry. The suspension came a day after the Bharatiya Janata Party-led government suspended director of mines Arvind Lolnikar for his alleged involvement in the illegal mining scam, pending enquiry. Chief minister Manohar Parrikar holds the mining portfolio.

In an order issued by the newly-appointed director of mines and geology, Prasanna Acharya, licences of the traders have been suspended by asking them to respond with proper documentation within a fortnight. **PTI**
Tata Power may be unable to challenge Indonesia’s decision

By Maulik Pathak
maulik.p@livemint.com

Tata Power Co. Ltd, which is building a 4,000 megawatts (MW) power project in Mundra, Gujarat, may be unable to challenge an Indonesian government decision that will raise the price of coal, despite holding a stake in the mine in the Southeast Asian nation from which it’s getting the fuel.

The company, which has been lobbying the power ministry for higher tariff, acquired a 30% stake in two coal mining units and a trading company from Indonesia’s PT Bumi Resources Tbk for $1.1 billion in 2007. That source fuel for the Mundra plant. Indonesia has stipulated that starting 23 September, coal produced in the country will be pegged to prevailing international prices.

According to the minutes of a joint monitoring committee meeting on Coastal Gujarat Power Ltd (CGPL), as the power project is known, which was held in February and has been reviewed by Mint, a CGPL representative said it has “contacted the Indonesian government through the Indian consulate in Indonesia in the matter. However...lawyers have opined that CGPL does not have any case.” The CGPL representative was responding to D.J. Pandian, principal secretary, energy and petrochemicals, of the Gujarat government, who chaired the meeting.

Pandian had said: “Tata Power has one-third share in the Indonesian coal mine and as a shareholder should try to impress upon the Indonesian government to reconsider the applicability of the new coal pricing regulation with prospective effect and request the Indonesian government to exempt existing contracts (contracts already executed) from being affected.”

According to the minutes, Pandian said: “Any regulation can be challenged and there is no restriction on the same. Further, all the procurers are of the consensus view that CGPL should take judiciary’s help in Indonesia since it is actually the affected party who has to file an appeal.”

Pandian confirmed the exchange in a telephone conversation.

“A committee member first suggested that CGPL should look for legal remedy in Indonesia,” Pandian said. “To this, the CGPL officials said that they have consulted their legal advisers and found that it is difficult for them to challenge the Indonesian government. CGPL also said that since they have only 30% stake in the blocks, they will need to get approval of all other partners to go for a legal remedy.”

Tata Power had signed power purchase agreements to sell electricity to Gujarat, Maharashtra, Punjab and Rajasthan at Rs.2.26 per kilowatt hour (kWh). A recent article in Businessworld magazine cited Anil Sardana, Tata Power’s managing director, as saying that the cost of production at Mundra was closer to Rs.9.90 per kWh.

The generation cost has risen with coal prices having shot up to $110-120 per tonne from $30-40 a tonne at the time the purchase agreement was signed, said an expert tracking the power sector.

Coal secretary Alok Perti said on Tuesday that India plans to raise taxes on coal and base metal to combat the “current fiscal deficit.”

The government has taken this up with Indonesia. Perti told Reuters.

Rising demand has prompted Indian and Chinese firms to invest in the coal sector in Australia and Indonesia, causing prices of thermal and metallurgical coal to rise and leading governments there to seek a greater share of revenue. While Indonesia has implemented price benchmarking to gain greater royalty and tax, Australia will impose a minerals resource rent tax from July.

A Tata Power spokesperson said CGPL had been advised against challenging the Indonesian decision.

“It is correct that CGPL clarified to beneficiaries that it has been advised not to contest the presidential decree in a foreign country, as the decrees are generally not contestable,” the spokesperson said.

The first 800MW unit of the project has been commissioned and is generating power, the spokesperson said. The firm’s course of action will depend on stakeholders’ response, he said.

An external spokesperson for Tata Power said in an emailed response: “Tata Power is only a minority shareholder in the said Indonesian mines. This does not give Tata Power any mining rights. The investments are only strategic in nature.”

Mint had reported on 6 March that customers refused to consider any move to allow a higher tariff because of the rise in fuel prices. This may affect the financial viability of the project as fuel costs have escalated. The customers had instead asked Tata Power to approach a higher authority, the power ministry, to look for a way to resolve the issue.

India is confronting its worst coal shortage. With power firms consuming 78% of the total domestic production of coal, about 50 million tonnes of the commodity needs to be imported for electricity generation in India, a number that’s expected to double by 2012 as more thermal power projects come up.
गैरकानूनी खनन से इकोनॉमी को लग रहा चुनौती

विकल्प भाषक

इसमें खनन नहीं सुनाया है। इससे एक तरफ जो हमारे लोगों का जीवन और रोजगार प्रभावित है जो नहीं उसी तरफ आत्मक श्वेत स्वतंत्र पर्यावरण स्वतंत्र कर सकती है कारण अन्य खनन की घटना वहा बढ़ाई जा रही है जिसको कारण पय्याल खनन स्वतंत्र स्वतंत्र रहने के लिए खतरा है।

देश में राजस्थान, कर्नाटक, गोवा, मध्य प्रदेश, ओडिशा, उड़ीसा, कर्नाटक और छत्तीसगढ़ दूसरे राज्यों में भी अधिक खनन की घटना चढ़ रही है। तथापि अधिक महसूल ने खतरने के लिए की सत्ता अधिक अस्तित्व नहीं है। इसलिए इसका सत्ता ऐसे बढ़ाने से है जिसमें अनुचित गिरावट के रूप नहीं है। इसलिए इसका सत्ता ऐसे बढ़ते हैं जिसमें आत्मक श्वेत स्वतंत्र स्वतंत्र रहने के लिए खतरा है।

बड़े राजस्थान में घटनाओं के घटाव

सप्ताहों बाद वह लोकसभा की घटना के लिए नहीं है कि अधिक राजस्थान के मानने में घटना सहित स्वतंत्र मानने हो रही है। फलस्वरूप राजस्थान शासकों की योजना ने अनुचित प्रकार के बढ़ते हैं जो भारतीय राजस्थान के सत्ता अधिक अस्तित्व नहीं है। क्योंकि इसका सत्ता ऐसे बढ़ते हैं जिसमें आत्मक श्वेत स्वतंत्र स्वतंत्र रहने के लिए खतरा है।

समस्त सांस्कृतिक झंडा

हमारे राजस्थान में घटनाओं के घटाव

इसमें हमारे राजस्थान में घटनाओं के घटाव

इस रिपोर्ट के साथ साथ भी ठीक ही है कि इसका सत्ता ऐसे बढ़ते हैं जिसमें आत्मक श्वेत स्वतंत्र स्वतंत्र रहने के लिए खतरा है। राजस्थान में वह जीवन जीने में जीवन नहीं है। इसलिए इसका सत्ता ऐसे बढ़ते हैं जिसमें आत्मक श्वेत स्वतंत्र स्वतंत्र रहने के लिए खतरा है। इस रिपोर्ट के साथ साथ भी ठीक ही है कि इसका सत्ता ऐसे बढ़ते हैं जिसमें आत्मक श्वेत स्वतंत्र स्वतंत्र रहने के लिए खतरा है।

प्रभावण श्री महेंद्र मौर्यी
Goa suspends 460 mineral trade licences

PANAJI, DHNS: Goa’s directorate of mines has suspended the licences of 460 mineral traders registered with the government pending verification. The iron ore traders have been given 15 days to produce documents to prove their bonafides.

The new director of mines, Prasanna Acharya, who assumed charge on Tuesday, said the process had been initiated to update the records and genuine traders would not be affected. They will be allowed to continue operations as soon as their documents are whetted by the department. All the 90 operational mines would also be inspected, he said.

It will also be mandatory for mineral traders doing business in Goa to show the source of the mined ore, the government said. During the Shah Commission enquiry into illegal mining in Goa, over 25 per cent of the iron ore traders registered with the government had turned out to be front companies for shady dealers. The police could not trace 110 of the registered trading companies.
Goa suspends licences of 448 iron ore traders

PRESS TRUST OF INDIA

Panaji

CRACKING the whip on illegal mining, Goa’s new government on Tuesday suspended the licences of all the 448 traders in the state in a bid to weed out fake traders operating in the mining industry.

The suspension came a day after the BJP-led government, which made “illegal mining scams” as one of the election issues, suspended director of mines Arvind Lohienkar from services for his alleged involvement in the illegal mining scam, pending enquiry. Chief minister Manohar Parrikar holds the mining portfolio.

In an order issued by the newly-appointed director of mines and Geology Prasanna Acharya this evening, licences of these traders have been suspended by asking them to respond back with proper documentation within a fortnight.

Acharya said the traders will have to approach the mines department with their documents, which should also include details about the mining companies, from whom they buy the ore.
Granite exporters fake measurements of blocks, evade ‘Seigniorage’

Vigilance indicts mines officials

U. SUDHAKAR REDDY | DC HYDERABAD, APRIL 2

Vigilance and enforcement has recommended action against the mines department officials for not taking action as per the law in the case of evasion of crores of rupees of ‘seigniorage’ by high quality granite exporters and lease holders. The charge: falsifying the volume measurement of granite blocks.

The large scale illegal transportation of granite blocks by the lease holders of Karimnagar, Prakasam, Nizamabad and Warangal districts is conducted through Kakinada and Krishnapatnam ports. Vigilance asked the mines department to collect the normal ‘seigniorage’ fee along with penalty to the tune of ₹28 crore from the companies.


The officials were faulted for not conducting inspections of granite quarry lease areas and checking measurements of the granite blocks at regular intervals. Vigilance has asked the government to take disciplinary action against the officials.

The probe began in 2011 when vigilance officials verified the granite blocks at railway stock yards of Kazipet in Warangal, Peddapalli, Jagtial in Karimnagar and Kakinada sea port. The officials found that there were variations in measurements and volume of 7,699 granite blocks out of the 8,518 which were checked.

The blocks were received by the clearing and forwarding agents through road and railway rakes for export to various countries. Vigilance said that the lease holders in Karimnagar had evaded seigniorage fee by either deliberately under measuring the blocks and transporting more than one block under the same transit. As for granite blocks in Prakasam, the officials of Nellore are verifying them at Surareddyapalem and Krishnapatnam.

Sources said the granite industry has probably evaded around ₹240 crore during a year.
**Financial Express, Delhi**  
Wednesday, 4th April 2012, Page: 6  
Width: 6.52 cms Height: 6.86 cms, Ref: pmin.2012-04-04.28.74

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**Nalco's metal production negative in 2011-12**

National Aluminium Company (Nalco) has reported that the company has registered a negative growth rate in the production of aluminium in 2011-12. During the year, the metal production of the company slumped to 4.13 lakh tonne in 2011-12 from 4.44 lakh tonne reported in 2010-11. Nalco CMD BL Bagra said that the lower production of metal is due to cut down of production by the company. “Coal shortage, and the declining LME prices of metal, forced the company to cut down its production of metal to some extent,” he said, adding, “It was not commercially viable to produce more metal using expensive imported coal,”
India seeks treaty revisions to deal with corporate suits

Subhomoy Bhattacharjee  
New Delhi, Apr 3

ATTACKED by threats from foreign companies to drag India to international courts over breach of investment promises, the government is planning to erase a key clause in bilateral investment treaties that allows for international arbitration in order to protect itself.

The government is in talks with countries to amend the investment treaties so that any supposed violation of an investment promise through Indian government action can be challenged only in Indian courts.

Currently, India has treaties with Singapore and South Korea, among others, that allow firms under their ambit to challenge any adverse policy action by New Delhi as a breach of investment promise in international tribunals.

Since January, the government has been served a brace of legal notices by multinational companies in the telecom and coal sectors. Norway's Telenor and Russia's Sistema have moved court, while Vodafone has threatened "a number of courses of action, both in India and internationally". The Children's Investment Fund, a UK-based hedge fund, too has asked its lawyers to move against Coal India. India has also recently lost a case involving White Industries of Australia against Coal India in the International Court of Arbitration.

Continued on Page 2
India seeks...

All of these are under one or other of the 82 bilateral investment treaties that India has signed.

A government official involved in the process said India is taking a two-level approach on the issue of the dispute resolution clause in these treaties. Where the bilateral investment treaty is part of a free trade agreement (FTA), like the Comprehensive Economic Cooperation Agreement with Singapore, the government has asked the island nation to modify the clause to allow only the jurisdiction of Indian courts in arbitration cases.

Where the FTA is yet to be signed like the one with Australia, the chapter on investment will speak the new language. For the government it is significant that the FTA with Australia should provide for the exclusive right of Indian courts and, correspondingly, that of Australian courts, as a number of mutual investment in the mineral sector is envisaged in future. Significantly, Australia has supported the Indian position on that score.

The other major FTA where the Indian government is pushing for similar wording is the one with the European Union. If the FTA was already inked, for instance with the new dispute resolution framework, India would not be facing the prospect of going to courts abroad to defend its change in tax policies vis-a-vis companies like Vodafone. On the anvil is an investment treaty with the US.

Speaking on the subject, trade policy analyst Biswajit Dhar said that despite the negative publicity, it is fair that India should not have to face multiple battles overseas on investment-related concerns. Dhar, the director general of trade policy think tank RISDOC, said: “We have been objecting to this clause for a long time, mainly because carelessly drafted arbitration clauses that often do not specify the territory are quite frequent in many of these treaties.”

While these bilateral investment treaties have now been reclassified as Bilateral Investment Promotion Agreements, the essential thrust of the policies remain the same.
Copper dips on dollar, US data support

Reuters
London/Singapore, April 3
Copper dipped on Tuesday as the dollar rose, but held close to its highest in nearly two months after manufacturing data in China and the US suggested recovery in the world’s two biggest economies.

Three-month copper on the London Metal Exchange was $8,570 a tonne in official rings, down from $8,640 at the close on Monday. It hit a session high of $8,702 75, not far off this year’s peak of $8,765 reached in early February.

Copper stocks in LME-monitored warehouses have started rising again after a steady fall since October, partly indicating slower demand. Data on Tuesday showed they climbed 3,100 tonnes to 260,650 tonnes.

A stronger dollar against a basket of currencies knocked some of the support from metals prices.

A stronger dollar makes dollar-denominated commodities more expensive for consumers using other currencies.

Benchmark tin on the LME was $23,300 in rings from $23,350 at Monday’s close. Zinc was $2,000 from $2,008. Lead was $2,046, aluminium was $2,125 from $2,130 and nickel was $18,375 from $18,225.
Maharashtra proposes bar-coding to check illegal sand mining

Press Trust of India
Mumbai, April 3

The Maharashtra Government is contemplating a bar-coding system to check illegal sand mining. The Government plans to put in place across toll plazas in the State.

The State Revenue Minister, Mr Rulaasheb Thorat, told the House that "in order to keep a check on illegal sand transport, the Government is planning to set up a bar-coding system at various toll plazas across the State. The toll receipt will have a bar-code number (printed) on it. This will help calculating number of times a particular truck passes through the toll plaza and how much sand he is allowed to carry," he said.

The Minister's reply came after the Opposition leaders launched a stinging attack on the State Government accusing it of "shielding" the sand mafia.

The MLCs led by Shiv Sena group leader, Mr Diwakar Raote, staged a walkout over "unsatisfactory" reply from Mr Thorat over the issue of illegal sand mining.

He also pressed for enacting stringent laws to curb illegal sand mining in the State.

The Minister claimed that the workers from political parties seek to bail out unauthorised sand extractors when they are caught by police by making phone calls for their release.

"Workers from political parties who later go on to become leaders (Ruling as well as Opposition parties) make a call and intervene into the matter after a truck loaded with illegally mined sand is caught by the police," Mr Thorat said in a reply during question hour.

Objecting to Mr Thorat's claim, Mr Raote sought to know whether the Government was willing to enact a stringent law if anyone tries to influence the police from taking action in such cases.
Goa suspends licences of all iron ore traders

Goa's new government suspended the licences of all the 448 traders in the state in a bid to weed out fake traders operating in the mining industry. The suspension came a day after the BJP-led government suspended Director of Mines Arvind Lolienkar.
Coalgate: Scam or Bad Policy?

Imprudent Policies & Potential Scams

E A S Sarma
Former Secretary,
Department of Economic Affairs

Read the coal ministry’s 2010-11 annual report: “A need was felt for evolving an objective and transparent system of allocation of coal blocks. Accordingly, the Mines and Minerals (Development and Regulation) Act has been amended to provide for introduction of competitive bidding system for allocation of coal blocks for captive use.”

The amendment came on September 9, 2010, and the competitive bidding procedure was finalised on February 2, 2012. It is like closing the stable door after the horse has bolted! Two decades after 1991, it dawned on the ministry that competition and transparency should be the true drivers of efficiency in the economy! It was a typical case of lack of coordination, partly unintended and partly deliberate, on the part of the various central ministries in responding to an emerging situation.

During the first five years of the UPA rule, the environment ministry cleared 1,929,136 mw of new thermal power projects. It was already in the process of clearing another 2,08,000 mw of thermal projects, mostly coal-based. The total additional coal-based generation capacity thus considered would be six times the existing capacity and three times the capacity projected by Planning Commission till 2031! About 70% of the coal needed for this was to come from indigenous sources.

Since the coal PSUs could not have mustered resources to cope with this unprecedented ‘coal rush’, the power companies, both public and private, sought allotment of captive blocks.

In an abysmal ineptitude, the coal ministry thought fit to regulate the demand for power and coal. Nor were they prudent enough to insist on transparency and competition to safeguard public interest.

It was a free-for-all situation during 2004-10, which, incidentally suited the politicians and private companies to make hay. None in the government was in a hurry to upset this applecart. Meanwhile, without facing any competition, a few influential private players laid siege to a large number of coal blocks to their advantage.

The coalgate is there to see, despite the government positioning itself in its usual denial mode.

Overhaul Allocation Rules for Coal Blocks

Arvind Mahajan
Partner (Energy Practice), KPMG

The CAG report has argued that the government’s system of coal allocation has resulted in a huge loss to the exchequer and windfall gains to companies. The government’s policy has been to allocate coal blocks to large actual users such as power generation companies, steel companies and so on for captive mining through a process that has evolved over the years.

Did this allocation process maximise the value of the coal mines? The answer is no. The policy was to enable users to develop coal mines so that they can access coal supplies reliably and economically. Did the policy lead to windfall gains? The answer is yes. Given that a large number of companies, both private and government-owned, got access to coal blocks. Also, almost all blocks were allocated to power generators that sell most of the power under long-term power purchase agreements to state government distribution companies through competitive bidding processes where the lowest power tariff wins. The scope for significant gains is limited to only merchant power companies but these companies carry significant risk as well. The reality is that these ‘user companies’ are not allowed to sell the coal in the open market to earn windfall profits.

Can the existing policy be improved?

Sure, by restricting coal allocation to power companies with long-term PPA only and by auction of coal-mines, which tends to be a more transparent process. However, existing mining companies are only by value maximisation criteria, it will lead to higher price for coal and cost of power. Also, true value maximisation will happen only if the coal industry is reformed and auctions are opened, not just to actual users, but to mining companies, including foreign ones. This will ensure greater access to technology and sustainable mining practices, as well as efficiency and competitiveness of the coal mining industry. But this will require a change in the Coal Mines Nationalisation Act, 1973. The issue is not just allocation policy but the fact that we need to significantly enhance domestic coal production or we will need substantial increase in higher-cost imported coal and perhaps even stranded power projects for want of coal. If we are going to change the policy, why not go the whole hog.