Disinvestment primer FY13

Public sector companies have budgeted for just a 10% rise in additional investment spend

The key to the fiscal numbers in 2012-13 will be the Rs 4,000 crore disinvestment target. Along with the telecom spectrum auction and the 2% additional indirect tax, this is among the three top revenue raising measures in Budget FY13.

Since the finance minister has also given the retail investor a Rs 60,000 tax break if he/ she invests in equities, it is a good time to check if he/ she has made of the public sector companies attractive for her to invest in. This also gives us space to validate if the disinvestment target will be met. Of course, this is assuming the government approaches the equity market with disinvestment plans (seems a long time ago) to sell the shares of the slotted companies. If it plans to instead ask companies to hold in each other, it is a different policy altogether, which can be completed even in one fine day that the finance minister, with his vast knowledge of panchangs, chooses to announce.

But assuming it’s a follow-on public offer route, first let’s get ONGC, the perennial disinvestment candidate, off the table. Its biggest investor LIC must be feeling like a heel now. The Rs 2,000 per tonne increase in tax on domestic crude production announced in the Budget and after the sell-off hurts both, but what should hurt more is Pranab Mukherjee’s assertion (in an interview to FDI) that the revision in cess will finance government investment in the company. Budget papers show the government will spend not a single rupee on ONGC. So the bleeding company will have to finance its 5.6% rise in investment in 2012-13 from its own resources. For this prized asset, LIC has paid Rs 62.6 per share to buy a 44.8% stake. Between Friday and now, the price of those shares has slipped to Rs 272.8. This isn’t about just ONGC, the total investment in the public sector companies by the finance ministry in FY13 will be only 13% higher than in FY12. Within this too, support through loans will come down by 50% year-on-year.

Financing the total plan outlay for the sector is therefore entirely the responsibility of the public sector companies, which after paying a Rs 20,000 crore dividend have budgeted for a just 10% rise in additional investment spend in FY13. The dividend paid by them to Mukherjee in FY12 is an almost 26% hike over the Budget estimates for the year. For the next year, his officers have taken this as the baseline scenario. At the end of the year, their 11th will urge the companies to bid for the treasury.

The government then does not plan to finance these companies, except the public sector banks (about which a lot has been written), presumably because they are profitable ones that can take care of themselves. Then how is the market to gauge an upside in the prices of these companies?

One of the upsides should be to provide enough cushions in the Budget that will improve the working environment for the corporate sector to exploit. But as Budget analysts have pointed out, there is no policy-induced upside in the Budget for the markets to expect the prices of these companies to soar. The other upside for the market will be an examination of the plans of the companies that are lined up for the beauty page in FY13.

While ONGC seems to be pretty much on the route to trouble, its upstream partner Oil India Ltd is in no better position. The company expects to raise its investment in FY13 only 6% to Rs 3,378 crores. The unfilled subsidy bill will be something the investors will be carefully watching to see how they drain the company. SAIL, which should be the biggest issue for the year too, is going to be a disappointment for the markets, going by the investment plans. The largest steel public sector company has a flat investment budget of Rs 14,500 crore for next year, unchanged from the Budget estimate for FY12. Here too, there seems a year-on-year rise of 14.8% only because the actual investment numbers went down by Rs 12,856 crore.

Rashtriya Ispat Nigam Ltd is in a worse spot. The company has an investment plan of Rs 14,840 crore, which is 36% lower than the Budget estimates for FY12. It is going to be interesting to see what upside the disinvestment department is able to stuff into this scrip when it rolls out into the market. Among all the PSU, Hindustan Copper Ltd is in a better position. The company has an investment plan of Rs 12,124 crore that is almost 15% more than the Budget estimates for FY12.

On the policy front, a 2% increase in excise duty will be marginally negative for the steel industry. To some extent, this will be partly neutralised by the increase in custom duty for non-alloy flat-rolled steel to 7.5% from 5%. The rise gives some support to domestic steel prices against China’s cheaper imports.

The only upside the retail investors can bank on as the public sector disinvestment programme rolls out next year is from the global market dynamics. As this piece shows, this is the sole determinant for investors to buy into public sector companies. Indian companies are broadly on an autopilot mode in 2012-13, says the Budget. The finance minister has nothing more to offer them, though he aims to raise Rs 60,000 crore from the sale of their shares.
Chhattisgarh Vs Jayaswal throws light on murky mine sector

In a petition filed in the Delhi high court, the state alleges that the firm forged papers to get iron ore mining leases.

By Bichitra Singh
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NEW DELHI

The Chhattisgarh government has filed a writ petition in the Delhi high court against the Central government over Jayaswal Neco Ltd’s applications for mining leases in a case that throws light on the murky world of mining in the state.

The state alleges that the mid-sized steel-maker forged documents in its application to get iron ore mining leases in Rowghat in Bastar district and that the Union government directed it to consider the application favourably—e ven after the state ordered investigative reports that said Jayaswal Neco had allegedly faked paper work to get the leases.

Neither the company secretary of Jayaswal Neco nor the state’s mining secretary responded to e-mails or phone calls seeking comment.

India’s mining sector has been in the spotlight over allegations of rampant illegal mining and activists, government officials and companies have spoken about the opaque way in which many leases are issued and the way some unscrupulous miners secure their interests.

“The Chhattisgarh Neco case, which will be heard on 30 April, may reveal the inner workings of miners and government officials especially if the court finds the allegations contained in the 265-page petition to be true,” the writ petition says.

At stake are iron ore deposits of 280 million tonnes (mt) valued at over Rs 80,000 crore, in Rowghat.

At stake are iron ore deposits of 280 million tonnes (mt) valued at over Rs 80,000 crore, in Rowghat.

Prospecting claims
Jayaswal Neco’s prospecting licence covers 6,502.47 hectares in and around Rowghat and its deposits in the area are estimated to be around 30 million tonnes.

In 2006, the company made an application to the Chhattisgarh government asking for mining leases (ML) in the same area.

In 2007, the state government rejected all applications after Jayaswal Neco failed to provide proof of its mining entitlement.

In September 2007, the revisory authority in the mines ministry directed the state government to grant the mining lease and did not consider the CVO’s report.

The Chhattisgarh government challenged the revised order and filed a revision appeal with the appropriate authority in the central government’s mines ministry.

By Bichitra Singh
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NEW DELHI

In August 2011 disregarding the entire factual matrix presented by the petitioner state, the revisionary authority decided to overrule the revision application of respondent number two...the state was directed to pass a revised order on the mining lease applications, the writ petition said.

The petition alleged that the state government had not held a public hearing before granting the lease, and that the state did not consider the objections and suggestions of the petitioner.

The petition also sought the revision authority’s order asking Chhattisgarh to consider Jayaswal Neco’s mining lease application to be set aside and challenges Section 55(4) of Mineral Concession Rules (MCR) which gives the central government bigger powers than the MMDR Act itself.

The case has the potential to hurt the company’s reputation and earnings, said Arun Kejriwal, director, of Mumbai-based equity research firm KRIS.

“Every application is a fight, there could be stricture laid down by the court. There could be some fine or penalty,” Kejriwal said. “Sometimes this could be held against the company in future as well.”
Utilities report generation loss of 8.7 billion units

By Utpal Bhaskar

India’s power generation utilities reported a generation loss of 8.7 billion units in the current fiscal till February due to a shortage of coal, junior power minister R.K. Singh told the Rajya Sabha on Monday.

Some of the utilities that reported the loss include state-owned NTPC Ltd (loss of 7.16 million units, or 0.02%), Damodar Valley Corp (3.37 million), and Maharashtra State Power Generation Co. Ltd (0.11 MUs).

Such losses will dent revenue at the utilities but not profit, because state utilities have to pay a fixed amount to the power producer even if they do not draw any electricity.

Meeting electricity demand is key to achieving the government’s target of 9% annual growth in Asia’s third largest economy.

It takes around 5,000 tonnes of coal to generate 1 megawatt (MW) of power. India has 75 thermal power projects that depend on state-owned Coal India Ltd (CIL) for supplies. With the supply of domestic coal at a low, utilities have to burn imported coal, which is increasing the cost of power, leading to state electricity boards (SEBs) becoming averse to such purchases.

The worsening fuel crisis was mentioned in the Economic Survey presented in Parliament on Thursday, which was critical of state-owned CIL, terming it monopolistic and calling for competition to fuel mining growth.

Power projects are the worst hit by falling coal production as the sector is the biggest consumer of the fuel, absorbing 78% of domestic production. India has an installed power generation capacity of 130.23 MW, of which 55.2% or 105.37 MW is coal-based.

The world’s largest coal miner is struggling to meet its target for the current fiscal as floods in east India and a strike by workers has crippled production, which is already under stress due to the lack of new mines.

Only 320 million tonnes (mt) of coal is expected to be supplied to the power sector by CIL against the committed 341 mt in the current fiscal. The state-owned firm mined only 331 mt in 2010-11 against a target of 464.5 mt because of stalled projects. Its target in the current fiscal is 452 mt.

Mint reported on 25 October that NTPC, India’s largest power generator, may fall 18% short of its potential production capacity in the current fiscal as SEBs have purchased expensive electricity generated with imported coal. The expected shortfall in power generation by the firm is a 38% rise over the last fiscal, when it fell short of its generating capacity by 13%.

Even as power projects situated near coal mines are supposed to have a reserve of two weeks, while those located far from the mines should have at least a month’s supply in reserve, India is facing its worst coal shortage with power projects running on minimum supplies. This has forced the country to lower power capacity addition targets for the 12th Plan by so much as 25,000 MW to 76,000 MW. Much of the earlier proposed addition of 100,000 MW was also expected to be coal-based.
PMO takes stock of POSCO project with Orissa Government

ANIMESH SINGH • NEW DELHI

A
mid growing speculations that Pohang Steel Company’s (POSCO) ambitious 12 million tonnes proposed steel plant in Orissa may fail to take off as the State Government has failed to acquire land for the project, ahead of Prime Minister Manmohan Singh’s scheduled three-day visit to South Korea later this week, his office on Monday summoned top Steel Ministry as well as State officials to take stock of the impasse.

The PMO's concern seems evident as the delay in the project, has stood out as a sour thumb in the otherwise cordial relations between New Delhi and Seoul. The Prime Minister, who is leaving for Seoul on March 25, is scheduled to meet South Korean President Lee Myung-Bak, during his participation in the second Nuclear Summit there.

According to Steel Ministry sources, the meeting conducted by Principal Secretary in the PMO Pulok Chatterjee was attended by Steel Secretary PK Misra along with his other senior colleagues from Udyog Bhawan, as well as Orissa Government’s Principal Resident Commissioner SK Bhargava, as the State’s Chief Secretary Bijay Patnaik could not make it due to the ongoing Italian tourists hostage crisis there.

The PMO, according to sources, took stock of the ongoing impasse which has hit the project, triggered mainly due to protests by local villagers, who are not ready to give land for setting up of the steel plant near Paradip in Jagatsinghpur district of the State. The proposed project requires 4,004 acres of land while only about 2,000 acres has till date been acquired. The project work has been on a standstill after violence erupted between pro-Posco and anti-Posco groups on November 24, 2011.

Sources said that Chatterjee is learnt to have expressed serious concern over the delay in the project, especially in the light of the fact that despite receiving Environment Ministry’s green signal a year back, the Orissa Government has failed to show any progress in the project due to non-compliance by local villagers.

It is learnt that the State government officials gave a status report on the project to the PMO officials and no concrete assurance could be extracted from them as to when the issue of land acquisition would be resolved.

South Korea, which has been asking New Delhi from time to time to get the project started in Orissa, has been feeling anxious about the future of the project and, therefore, Singh’s visit to Seoul, could hold a lot of significance, sources added.

According to a source close to the development, with uncertain reports emanating out of Orissa, South Korean Government would be keen to seek a firm commitment from the Prime Minister about the future of the project.

Planned in 2005, when POSCO signed the MoU with Orissa Government for setting up the ambitious steel plant, it first got stalled after the Environment Ministry delayed the green clearance to it. However last year when the project finally received the go ahead from the then Environment Minister Jairam Ramesh, it had been stuck due to law and order and land acquisition issues.

The Steel Ministry has even failed to renew the MoU, which expired almost a year back, despite repeated reminders from POSCO officials. In fact, on March 14, an inter-ministerial group meeting was scheduled to be held here under the chairmanship of Misra, where the project was to be discussed. However, it got postponed.

With nothing concrete emanating from Monday’s meeting, a lot would hinge on what kind of assurance the Prime Minister would be able to give to South Korean President, when both of them would meet later this week.

Orissa Chief Minister Naveen Patnaik had attended the ‘At Home’ organised at Rashtrapati Bhawan in New Delhi in honour of Lee in 2010 when he had visited the country as chief guest for the Republic Day celebrations. The issue had also figured in the talks between President Pratibha Patil and Lee in July 2011. Lee had requested Patil at that time to extend all necessary cooperation for establishment of the mega steel project.
Zimbabwe invites Indian investors

BS REPORTER • New Delhi

Zimbabwe’s vice-president Jestina Mujuru has invited Indian companies to invest in Zimbabwe in various sectors, including infrastructure development, mining, diamond cutting and polishing industry. "I especially call upon Indian companies in diamond cutting and polishing to come to Zimbabwe."
अवैध खनन पर रिपोर्ट

राष्टिया सहरा, दिल्ली
तuesday, 20th March 2012, Page: 11

अवैध खनन पर रिपोर्ट 

राज्यसभा में उपेक्षा किए जाने के बाद अवैध खनन के 

लेखक शहीद आयोग को रिपोर्ट उन्होंने निम्न रूप में दी है, 

पर भी कोई उनकी तृप्ति अनुभव नहीं किया है। राज्यसभा में उन्होंने 

बताया कि जीप्टर वापस शहीद आयोग 

को रिपोर्ट उन्होंने तीन हिस्सों में दी है कि 

उन्होंने नहीं कि इस पर नवीं 

करने में लेखक के 

कारण गलत है, 

कि शहीद आयोग को रिपोर्ट में कटिब 

और भाषा के नाकिक नीतियों के नाम 

विलिए यह है। रिपोर्ट उन्होंने तथा 

सम्मानजनक नहीं है। लेकिन वो नोबा जी 

कुछ में इस पूर्व रही है। 

(प्रसिद्धी/एजेंसी)
Hindustan Zinc shuts Vizag smelter

Hindustan Zinc Ltd, owned by Anil Agarwal’s Sterlite Industries and the Centre, has shut its 56,000 tonne per year zinc smelter in Visakhapatnam. People close to the development said it had become unviable for the company to bring raw material from Rajasthan to the smelter in the southern city. The company did not respond to email queries. It is also looking to improve efficiency at its Dariba smelter and increase zinc production to 20,000 tonne to cover up for the lost production at Visakhapatnam.
Copper drops with China home sales fall

Bloomberg
March 19
Copper swung between gains and losses in New York as investors weighed a sagging housing market in China, the world's biggest consumer of the metal, against stockpiles at the lowest level since July 2009. Copper for May delivery advanced 0.1 per cent to $3.8815 a pound by 7:36 a.m. on the COMEX in New York after climbing as much as 0.3 per cent and sliding as much as 0.6 per cent. The LME's three-month contract rose 0.3 per cent to $8,535 a tonne. Immediate-delivery copper on the LME traded at a $32 premium to three-month metal.

Aluminium for three-month delivery on the LME rose 0.2 per cent to $2,262 a tonne and nickel dropped 0.2 per cent to $18,860 a tonne. Lead slid 0.4 per cent to $2,100 a tonne, zinc fell 0.8 per cent to $2,061 a tonne, and tin gained 0.2 per cent to $23,363 a tonne.
‘I was given a sweeping mandate to inquire into all aspects of mining illegalities’

If no one appeals the Karnataka High Court judgment, the case will go uninvestigated, says former Karnataka Lokayukta N. Santosh Hegde.

Upton Sinclair’s powerful 1906 novel The Jungle, which documented the oppressive conditions and appalling corruption in the meat packing industry in Chicago, ultimately forced major regulatory changes in food safety by President Roosevelt’s administration. While it is too early to say whether the 2011 report by former Karnataka Lokayukta N. Santosh Hegde on illegal mining in Karnataka will have the same impact on the way the industry operates in the State—and elsewhere in the country—the 36,000-page document is positively the most exhaustive, carefully-researched investigation into corruption and its linkages with industry and politics that has been compiled in India.

A recent judgment by a division bench of the Karnataka High Court on a petition by former Chief Minister B.S. Yeddyurappa challenging the First Information Report filed against him by the Lokayukta police has been widely viewed as a setback to the legal fight against corruption.

In an interview with Parvathl Menson, Justice Hegde, who has numerous questions on the judgment and its implications. Excerpts—

What is your response to the recent judgment of the Karnataka High Court that has quashed the First Information Report filed by the Lokayukta police based on the findings of your report on illegal mining? The State government has quashed Chapter 22 of that report that dealt with circumstances in which alleged payments were made by a private mining company to a trustee run by members of former Chief Minister B.S. Yeddyurappa’s family. Has this judgment been a setback to the investigative pursuit into illegal mining and the findings of the report?

I am aware of the fact that I cannot designate the judgment as that would be contempt of court, but fair criticism is not contempt of court.

Let me analyze the judgment. A factor held against me is that I have violated the principles of natural justice because I did not serve a notice to the former Chief Minister B.S. Yeddyurappa and allow him to depose during my investigations as required by law.

I relied on a judgment of the Karnataka High Court in the R. Chaudhari vs. State of Karnataka, I.R.K. 1990 which examined the provisions of Sections 7(3A) and 9 of the Karnataka Lokayukta Act 1994.

The 1990 Judgment specifically states that there are two types of enquires entrusted to the Lokayukta. Under Section 9, any citizen can file a complaint to the Lokayukta, and you have to give notice to the respondent as there is a respondent in that complaint. The second is under Section 7(3A). Here the case is referred to the Lokayukta or Upalokayakta by the Government. Under Section 7(3A), you do not need to give notice to the respondent—and there may or may not be a respondent.

Take the recent case. The reference is made to the State illegal mining in Karnataka in the districts of Tumkur, Chitradurga and Bellary, and there is no respondent as such. During the course of the investigation we may find certain irregularities committed by an officer, a politician, a contractor or anybody—such terms of reference are widespread.

The 1990 Judgment states: ‘When, in a case referred to Lokayukta or Upalokayakta by the state government, the Lokayukta or Upalokayukta is not required to follow the procedure laid down in sub-section (3) of Section 9 of the Act.’

The judgment also states that mere preliminary inquiry is not a bar to holding further inquiry by government. I hold a preliminary inquiry and told the government what I had found. As there was evidence of criminal misconduct, I said that they take action under the relevant criminal law.

I think it also stands to logic that in a massive inquiry like this, if we had given notices to all the persons concerned, it would have taken about 25 years to do. But in this is only a buttoming argument. Merely because of the time taken, that fact does not mean that notice should not be given. This interpretation of the Act by a High Court, which judgment is binding on me as a Lokayukta, I have followed that.

The High Court Judgment also states that no material has been gathered in the report to prove that any favour has been committed by the petitioner, B.S. Yeddyurappa, to these companies. There are two parts to corruption. The first is receiving illegal gratification, and the second is showing official favour. My experience in corruption is that nobody shows official favour before getting a bribe—they first get the money then do the favour.

In this case, it became difficult or impossible for the petitioner in the writ petition to show favour as there was a stay order on mining leases. But according to me, an illegal gratification to show official favour is significant. My question is this. When a Chief Minister’s family receives such enormous sums as Rs 30 crore, should it not be further investigated? Please see the recommendation in my report at the end of Chapter 22. I ask for an appropriate authority to investigate. At the time of investigation he will get an opportunity to be heard. No police officer will go and ask the accused to depose before registering an FIR.

The judgment states that Chapter 22 of your report ‘has no connection with illegalities or irregularities in the mining licit or licit’ and goes on to say that your report is not within the scope of reference made to it by the Government.

I was given a sweeping mandate to inquire into all aspects of mining illegalities. Corruption in mining is also within its scope. In Chapter 22 of my report, I had said that if 10 crores was paid by South West Mining Company Ltd (SWMC), a front company for JJB Steel Ltd (that has another sister concern called Jindal Vijay Marg Steel Ltd to the Prerana Trust, owned by the family members of the then Chief Minister).

The company, along with two other sister companies, had applied for mining leases. It had no money and therefore borrowed from its ‘parent’ company. If I can call it that. In the normal course, the money should have been transferred directly to the SWMC, but that did not happen because the donor wanted to keep his identity secret. Therefore it was paid in a circuitous manner to the SWMC. We have documents to show the payment by SWMC of Rs 10 crore to the Prerana Trust.

There is the question—why should this mining company have paid Rs 10 crore to the Prerana Trust? It is in Shimoga district. The money was not even from the Toranagallu or Bellary where the company is situated. It does not offer any benefits to the workers or the citizens who might have got the benefit or any education in an institution run by the Trust.

There are many enterprises running in Karnataka—why do they choose the Prerana Trust to give a donation? That is one question.

Further, this company was running its day-to-day business on overdraft. Have we ever heard of somebody borrowing Rs 10 crore and then donating it? The guidance value of the land at the relevant point of time was Rs 1.1 crore, but was purchased by the very same company for Rs 30 crore.

The judgment states that when the companies applied for the three mining leases, B.S. Yeddyurappa was neither Chief Minister nor Mining Minister. Were the mining leases pending or had they been approved by the State government?

The State government had sent the applications to the Central government, and the Central government in turn sent them to the State government for its comments. At this stage there was a stay from the High Court.

What are the implications of the judgment?

You must have read that the Lokayukta police are not filing an appeal against it in the Supreme Court. However, I read that one of the Upalokayukta is ready to go on appeal. If that does not happen, this case will go uninvestigated.

Can the Supreme Court intervene?

If there is an appeal by an aggrieved party, yes. But the big question is, will there be an appeal?

What kind of resources did it take to carry out the investigation?

The second report was 26,000 pages. My offices collected 40 lakhs bank accounts. The necessity arose because of the multi-activity of the ‘Bellary’ group. You had to transport one case that had 2000 pages of evidence and 1500 per cent of other money. The money could be credited in some inaccnous person’s bank account, and then transferred from that account to another account. Ultimately it gets parked in a VVIP’s account. To trace the money trail just five officers collected these accounts. The amount involved runs to hundreds of crores.

Do you believe there is hope that justice will be done?

The environment has changed, and there is hope. That apart, the Supreme Court of India has appointed a Central Investigation Committee which has been directed to investigate into any payments which might have been made to the then Chief Minister by two of the companies mentioned in my report. According to media reports, the CBI has given notice for appearance to the parties concerned on March 20. I am confident the investigation will be positive.

The issue is now in the public domain. There is popular hatred against mining companies. Hence this is a matter that has to be taken to its logical conclusion.
Coal India sweetens terms for land acquisition
To also compensate for loss of livelihood

Pratim Ranjan Bose
Kolkata, March 19

Under pressure to step up production, Coal India Ltd (CIL) has sweetened its offers for land acquisition. The new rehabilitation and resettlement (RnR) policy was recently approved by the CIL board.

According Mr R. Mohan Das, Director (personnel) and IR, in addition to price of land, the Indian miner will now offer Rs 5 lakh an acre to farmers as “compensation” to loss of livelihood with options of annuity income. The compensation, however, will not be available if the land loser opts for employment in CIL.

According to the previous policy, the coal major offered price for land and one job for land holding in excess of two acres. The additional compensation will therefore be of help particularly to the small farmers (owning less than two acres), who miss the employment opportunities.

Though the total number of job offers in a particular project is capped at half of the number of acres to be acquired, CIL now extends greater autonomy to mining subsidiaries in offering jobs depending on the average land-holding in the area. Offers for homestead were also increased substantially.

RESPITE FOR GEVRA
According to sources, the sweetened offers will be immediately put to test at Gevra mine under Chhattisgarh headquatered South Eastern Coalfields Ltd (SECL). The 30 million tonne (annual) open cast project, arguably one of the largest in CIL family, was facing dwindling production outlook due to resistance to land acquisition.

However, this is just the beginning. The company was in need of as much as 60,000 hectares to step up production by 160 mt to 520 mt during the Eleventh Plan (2007-12).

With current production at 431 mt, CIL has an uphill task of acquiring majority of the identified land during Plan-XII.

FLIPSIDE
The new policy, however, banks heavily on the State Governments to decide the price of land as in Chhattisgarh. The State Government has notified a price of Rs 10 lakh an acre for industrial usage. While Orissa is reportedly planning a move in the same direction, Jharkhand, one of the major coal bearing States, is nowhere near considering the option.

The problems are more apparent in West Bengal, where land is highly fragmented and the State Government keeps itself out of the issues pertaining to land requirement for industry.
Australian Senate okays new 30% mining tax

Australia's Senate has approved a new 30% tax on the profits of big mining companies. The Senate passed the legislation 38 votes to 32 on Monday, allowing the government to take a bigger slice of profits from a mining boom driven by Chinese and Indian demand for raw materials. The boom kept Australia out of recession during the global financial crisis while creating what the government describes as a patchwork economy.
Centre winks at a mine monster

EXCLUSIVE

By Akash Vashishtha in New Delhi

THE CENTRE has been equally at fault inadvertently, or otherwise, patronising Uttar Pradesh’s despicable sand and stone mining mafia.

This can be said with authority because the Union ministry of environment and forests has approved mining on the riverbed of Baur in the eco-fragile Terai region, which is part of the Shivalik elephant reserve, in Uttar Pradesh. The Baur originates from the foothills of Nainital.

—Significantly, the mining has been approved despite an inspection of the site by officials of the environment ministry’s Lucknow regional office. The inspectors, in their report last year, clearly stated that this could trigger a massive degradation of the ecosystem in the area.

Conflicting reports by Centre & regional environment ministry

In Uttar Pradesh, most of the rivers that run through the Bhabhar Tract had been exploited for their sand and boulders, the report says.

The report, subsequently submitted to the Planning Commission, adds the forest is home to elephants, tigers, leopards, crocodiles, wild boars, sambar, chetals and blue bulls — protected species in the wildlife protection Act.

Corbett National Park is located at a crow’s flight of 32 km from this wildlife zone, while the historically significant Corbett Nature Heritage Trail and Jim Corbett Museum in Chobi Haldwani are just 10 km away.

Though the mostly dry, sandy and rocky riverbed is bereft of any vegetation, the banks have rich foliage where trees such as khejri, shisham, arjun, kanju, eucalyptus, mango, etc. thrive in abundance.

Mining could jeopardise the ecological balance in the area, the report observes.

The environment ministry has agreed to fritter away 140 hectares of highly sensitive forest land to the Uttar Pradesh Development Corporation Ltd in the Udham Singh Nagar district. The corporation had sought environmental clearance for mining on the Baur riverbed for minor minerals last year.

Though it was hard to believe, it said “collection of material from the riverbed would help direct the river’s course and subsequently reduce soil and water erosion.”

The report takes a dig at this: “No justification has been given by the state government regarding the demand and supply pattern so as to justify opening up of new areas for extraction. No alternatives have been examined.”

Udham Singh Nagar district magistrate PS Jangpangi said: “The Baur has been erroneously mentioned in the report. A stretch of 5 km on the riverbed will be engulfed by mining. At least 15 endangered species will be affected if the project is sanctioned.”

The Baur mining site could jeopardise the ecology.

The environment ministry's central zone chief conservator of forests, Azam Zaidi, defended the mining proposal. It would help control the flow of the river, he insisted.

When confronted with the contradictory report, and his own suggestions in it, Zaidi said: “The project has yet to be approved. We are monitoring it. The area is probably part of the elephant corridor.”