

MINING A MELTDOWN

After the Supreme Court suspended all mining in the Bellary area, jobs have been axed and the Karnataka town has virtually shut down, find **Varuna Verma** and **Abimanyu Nagarajan**

Bellary's boys are not sons of the soil, goes a joke doing the rounds of this small Karnataka town. They are, instead, sons of dust.

This dust rose from the hundreds of iron ore mines that dotted the town and neighbouring Sandur and Hospet. It brought with it winds of change: from an obscure town, Bellary became the hub of mining lords, big bucks, private choppers and Bentleys.

But the dust settled in July this year, when the Supreme Court suspended all mining in the district. Without the black gold — and the big bucks it brought — Bellary has become a different place.

Once lazy and laidback, it is seeing mass unrest for the first time. Recently, the town woke up to police pickets placed across the main market area. Shops were shut and wayside vendors shunted out. The district commissioner's (DC) office was barricaded with platoons of *lathi*-wielding policemen.

The shutdown was in preparation for a protest by the local Sponge Iron Manufacturers Association (Sima). Around midday, hundreds of men marched to the DC's office, shouting slogans and carrying placards that read, "We want iron ore" and "Save our lives".

The 36 sponge iron plants in Bellary — which employ 20,000 people — have shut because of the non-availability of iron ore. "We haven't laid off any employee. But the factory owners' debts are spiralling. This can't go on for long," says Sima president T. Srinivasa Rao.

The town looks desolate. Roadside hotels, eateries and mechanic shops — most of which lie locked — speak of an economic fall. The broken, potholed roads, though, still stand witness to the 7,500 ore-laden lorries that plied daily.

You'd think a heavy vehicle bazaar has been set up at Sirguppa Road, on the outskirts of Bellary — where over 100 trucks stand idle in a guarded enclosure. "These are among the 4,000 lorries



BOOM TO BUST: Trucks stand idle following the ban on mining; and (inset) a Sima protest

seized by financiers because their owners defaulted on loan payments," explains K. Venkata Rao, president, Bellary Transport Operators Association.

The local transport industry rode into big business with the mining boom. "About 16,000 lorries were bought and registered in the district in the last five years," says Rao. The truck traffic sustained a subsidiary industry as well — 4,500 mechanic workshops and 3,000 automobile showrooms mushroomed across the town.

Big money hit the highway, as buying and plying a truck became a route to riches. "From petty traders to shopkeepers, everybody took bank loans to buy trucks. They hired drivers and cleaners

and were in business, transporting iron ore to ports and rail heads," recalls Rao. July's mining ban put a brake on the industry. "There is nothing left for the truckers to transport. In one sweep, 7,500 people became jobless," says Rao. The Rs 22-lakh 10-wheeler trucks, used to transport heavy goods such as iron and steel, lie idle because they are not compatible for carrying other wares.

Like transport, many get-rich-quick wannabes entered the mining sector as well. "Before 2003, mining was a secondary industry in Bellary. There were barely 40 firms and iron ore sold at just Rs 200 a tonne," says D.V. Pitchamuthu, director, south zone, Fed-

eration of Indian Mineral Industries.

After 2003, huge demand from China changed the dynamics of the industry. Ore prices shot up to Rs 3,000 a tonne. Suddenly, everyone wanted to be a miner. "Farmers converted agriculture land into mines, people left jobs to do mining, traders turned part-time miners," says Pitchamuthu. In two years, over 100 mining leases were distributed and one lakh people employed.

A new swish set arrived in town — the mine owners. Name a fancy car and one of Bellary's mining barons was sure to own it. Eight mine owners had private helicopters. Bellary also became the

badland of Karnataka, as illegal mining flourished and government laws were brazenly flouted.

The party ended this year. "Miners pumped in money to buy machines. Their capital sank with the shutdown. To cut costs, they laid off most of their employees," says Pitchamuthu.

Bellary is feeling the ripples of losing an industry that had become the town's chief cash cow. It's a hot day, but the swanky Baskin Robbins ice cream par-

lour, near the main market, is empty. "We were running to capacity till last summer. Business dipped 70 per cent this year," says the parlour manager.

Property owners are feeling the pinch as well. Mining brought huge numbers of migrant workers to Bellary. Sriram Rao saw a business opportunity there. He constructed a two-bedroom flat above his single-storey house in Ganesh Colony and rented it to a mine engineer for Rs 10,000 a month. Last month, Rao's tenant lost his job, vacated the flat and left town. "I can't find a tenant now, though I've halved the rent," says Rao.

On the other hand, the ecology is looking up. "The district is getting back its green cover," says DC and district magistrate Amlan Aditya Biswas. Last year, the DC's office commissioned an animal health study which found a high incidence of breathing and gastroenterological disorders in cattle and sheep. "This was because of the dust in the air," says Biswas, adding that crops and trees were cleared to make way for mining.

Biswas, however, doesn't believe Bellary is breathing its last. "The town's garment, rice mills and animal husbandry industries are reasonably successful. They've been around for longer than mining," he says. The end of the mining mania is good news, he holds. The mining money created an elite minority which changed the face of Bellary. Multinational stores opened. People were drinking latte in the coconut water-sipping town. Harley-Davidsons were zipping down its roads. "In the last four years, 200 bank branches opened in Bellary. This isn't in proportion to the town's small size," he explains.

What followed was an increase in crime. "In the last five years, more than 100 gun licences were granted. Businessmen, transporters and traders roamed armed, as they dealt in big money," says Biswas. Road accidents — especially hit-and-run cases — peaked between 2008 and 2010, going up from 69 in 2003 to 145 in 2010.

As migration increased, a sea of new faces became part of the small town, where, earlier, everyone knew each other. "Migration created a range of social tensions, especially because many miners were living alone in the town," says political scientist Sandeep Shastri.

But with the mines shut, Bellary's dust storms are settling. The soil may be able to reclaim its sons now.



सीबीआई के घरे में दो नौकरशाह

हैदराबाद, प्रेट्र : अवैध खनन मामले की जांच कर रही सीबीआई ने ओबुलापुरम माइनिंग कंपनी (ओएमसी) घोटाला मामले में एक पूर्व नौकरशाह और एक आईएएस अधिकारी को आरोपियों की सूची में शामिल किया है। जांच एजेंसी के एक अधिकारी ने रविवार को बताया कि आंध्र प्रदेश खदान और भूविज्ञान विभाग के पूर्व निदेशक वीडी राजगोपाल और वरिष्ठ आईएएस अधिकारी वाई श्रीलक्ष्मी को आरोपियों की सूची में शामिल कर लिया गया है।

PARRIKAR TO WRITE ANOTHER REPORT ON SCAM

Press Trust of India

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PANAJI: After the Public Accounts Committee (PAC) report on illegal mining in Goa, was refused to be tabled in the state assembly last week, BJP leader Manohar Parrikar, who had led the PAC, intends to write another report on the scam.

Leader of opposition Parrikar said he would now write a "Parrikar Accounts Committee" report on the contentious issue.

"The Congress legislators always termed my genuine PAC report as 'Parrikar Accounts Committee' report. Now, since they have not let that report to be tabled, it's time to have my own Parrikar Accounts Committee report, which will expose illegal mining," Parrikar told PTI on Saturday. He said that the report will have detailed investigation into the illegal mining scam, along with documents.

The BJP leader said he would make the report public on the coming Friday. "This report would be as genuine as the PAC report, supported with relevant proper proof," he said. Last week, the PAC had submitted a detailed report on ₹4,000 cr illegal mining rackets, which Speaker Pratapsingh Rane refused to table it in the state assembly.

■ Uncertain coal supply and issues in fuel imports may hit power sector

₹1,00,000cr stuck in power

New Delhi, Oct. 9: Over ₹1 lakh crore of investment in the power sector is stuck, as 25,000 MW of thermal power capacity is stranded due to non-availability of coal and gas linkages, which may hamper energy generation capacity addition in the country, says a report.

"The issue of adequate coal linkage to power projects has assumed critical importance as nearly 25,000 MW of thermal power capacity is presently stranded. This implies a locking up of Rs 100,000 crore in stalled power projects," a report by industry body FICCI said.

Most critical challenges being faced by the power sector today are domestic fuel shortages and financially precarious condition of distribution utilities.

Most critical challenges faced by the power sector are domestic fuel shortages and distribution utilities

The ministry of power had set a target of adding 78,000 MW of power during the current Plan period (2007-12), but was curtailed to 62,000 MW by the Planning Commission due to various factors like fuel shortage, environment clearances and land acquisition problems.

The report observed that the capacity addition in the 12th Plan (2012-17) also runs the risk of getting

derailed because of uncertain fuel availability and volatile international process of coal, unless immediate reforms are undertaken to augment domestic coal supply.

To tide over the problem, the report suggested a few remedies, which includes allowing captive mines to sell surplus coal at market prices, which will incentivise additional production and full-scale commercial mining at market prices through amendment in the MMDR Act (Mines and Minerals (Development and Regulation) Act).

The government has set a target of adding 1,00,000 MW capacity in the 12th Plan period, however, the sector needs to respond quickly and definitively to the challenges, the report added.

— PTI

CAG plans Shimla retreat for govt brass

BY UTPAL BHASKAR &
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NEW DELHI

The Comptroller and Auditor General of India (CAG) has invited the government's top officials to a retreat in Shimla later this week in an attempt to present its viewpoint to them and gain their support.

The proposed relationship-building exercise comes amid a series of critical reports by the government's statutory auditor pointing to irregularities in the allocation of radio spectrum, the purchase of aircraft by state-owned Air India and an oil exploration deal with Reliance Industries Ltd (RIL).

The auditor is also studying a decision of the government to allow the diversion of surplus coal by Reliance Power Ltd from the captive coal mines associated with the Sas-an ultra-mega power project to another project of the company.

The retreat, to be held at CAG's National Academy of Audit and Accounts in Shimla on 15 and 16 October, is expected to be attended by the country's top bureaucrats, including secretaries of various min-

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CAG plans Shimla retreat for govt brass

► FROM PAGE 1

istries, and is aimed at those holding "deliberations with auditees". The invitations have been sent by Vinod Rai, comptroller and auditor general.

The United Progressive Alliance has been battling allegations of widespread corruption, prompting Prime Minister Manmohan Singh to state that CAG was going beyond its mandate.

"CAG has invited the top officials for this retreat in the wake of the 2G and Commonwealth Games scams to present its viewpoint as the issues have captured the nation's imagination," said a senior government official aware of the retreat, who did not want to be identified.

While government officials clarify that such a retreat is an annual occurrence, it comes at a time when questions are being asked about how the government's auditor arrived at the ₹1.76 trillion loss figure in the so-called 2G (second-generation telecom spectrum) scam and how the report featuring this number was prepared.

A CAG spokesperson declined to comment.

Mint reported in a 6 September story, based on internal CAG documents, that R.P. Singh, director general (post and telecommunications) at CAG, and the man who signed off on the 2G report, had raised the impossibility of quantifying losses arising from the allegedly irregular allotment of licences and spectrum to some telcos in 2008. He also didn't actually have a hand in com-

piling the final report. Instead, he was asked to sign off on a report prepared by CAG headquarters. In its final report, CAG listed four figures as possible presumptive (or notional) losses arising from the way the government chose to allot spectrum to companies in 2008: ₹67,364 crore, ₹57,666 crore, ₹69,626 crore and ₹1.76 trillion.

The joint parliamentary committee looking into alleged irregularities in the allocation of 2G spectrum is expected to go into the genesis of the government auditor's report that estimated a loss between ₹65,000 crore and ₹1.76 trillion to the exchequer citing the *Mint* report on 6 September.

Oil and gas companies such as RIL, against whom CAG has levelled allegations of gold-plating costs, have also hit back, saying CAG does not have the technical expertise to audit them.

However, the Central Bureau of Investigation, India's federal investigating agency that was conducting a preliminary inquiry into the issue of alleged irregularities in the operation of RIL's block in the Krishna-Godavari (KG) basin, has been bolstered by the findings of a CAG report that highlighted improprieties in RIL's operation of the KG-DWN-98/3 block and raised questions about its operation of the lucrative KG-D6 block. *Mint* reported on 20 September that CBI plans to register a case or multiple cases against RIL and officials of the Directorate General of Hydrocarbons and the petroleum ministry.

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खनन घोटाले में दो अफसर नामजद

हैदराबाद। ओबुलापुरम खनन कंपनी (ओएमसी) खनन घोटाला मामले में सीबीआई ने एक पूर्व नौकरशाह और एक आईएएस अफसर को नामजद किया है। इन अफसरों में आंध्र प्रदेश माईंस एंड जियोर्लॉजी के पूर्व डायरेक्टर वीडी राजगोपाल और वरिष्ठ आईएएस अधिकारी वाई श्री लक्ष्मी शामिल हैं। सीबीआई अफसरों ने बताया कि इन दोनों अफसरों से शनिवार को पूछताछ के बाद इस मामले में उनका नाम जोड़ा गया है। दोनों के खिलाफ आपराधिक साजिश रचने व खनन से जुड़े कानूनों का उल्लंघन का आरोप है।

Woman IAS officer named accused in illegal mining case

SURESH DHARUR/TNS

HYDERABAD, OCTOBER 9

Srilakshmi, a senior IAS officer in Andhra Pradesh, has been named as one of the accused in the illegal mining case involving mining baron and former Karnataka Minister Gali Janardhan Reddy.

The CBI, probing the multi-crore illegal mining involving Obulapuram Mining Company (OMC) owned by the Bellary Brothers, has named Y Srilakshmi, presently the Secretary of the AP Family Welfare Department, and a retired bureaucrat VD Rajagopal as the co-accused in the scam.

After conducting extensive raids, the CBI sleuths found incriminating evidence against the two officials who now face an imminent arrest.

The investigating agency has accused the bureaucrats of colluding with mining tycoon Janardhan Reddy and his brother-in-law BV Srinivasa Reddy, who are lodged in the Chanchalguda Central Prison here.

Srilakshmi, an IAS officer of 1989 batch, was the Secretary of the Industries and Commerce Department between 2005 and 2009 when the government headed by late YS Rajasekhara Reddy granted licenses to the OMC for iron ore mining at Obulapuram in Anantapur district. Rajagopal was the director of the state mining corporation.

The investigations revealed that the two civil servants had favoured the Bellary brothers while granting the mining lease, which facilitated illegal

mining as well as transportation of iron ore. The CBI will submit a status report before the special court tomorrow, after which the two officials are likely to be arrested.

The main charge against Srilakshmi is that she had deliberately deleted the words "captive mining" from a government order issued for granting the mining lease to the OMC, whereas the note file signed by YSR Reddy had clearly mentioned that the mining leases were being granted to the OMC only for captive mining to provide iron ore supply to the Brahmani Steels proposed to be set up by Janardhan Reddy in Kadapa district.

The CBI team searched the office and residence of Srilakshmi and recovered several important documents.

TRADE

'Haldia, Vizag ports not cooperating'

Bhubaneswar: Worried over the illegal transportation of iron ore from some mines in the state as detected by the Central Vigilance Commission (CVC), the Orissa government has said it is not getting the required cooperation from the authorities of Haldia and Vizag ports.

"The authorities of ports in Haldia and Vizag are not providing adequate information on export of minerals while Paradip Port Trust has been cooperating," chief secretary B.K. Patnaik said on Saturday. Patnaik was responding to a question on CVC's observation that many iron ore miners were defrauding the Railways by passing off export consignments of the ore for domestic consumption.

Stating that the state government would soon convene a meeting of port authorities on the questionable export of minerals, the chief secretary pointed out that Haldia and Vizag ports were not fully cooperating though several letters had been written to them. **PTI**

Pisces Exim's mine acquisition plan

Pisces Exim India has drawn up a ₹1,000 crore expansion plan that envisages the acquisition of mines in the country and abroad to increase its export market share. "Over the next two years, we will invest ₹700 crore in buying domestic mines and ₹300 crore in joint ventures for mining in Malaysia, Indonesia and Thailand," managing director Soumit Jena said.

PTI