

Nab illegal mining 'big fish': SC

Court asks CBI to name owners of two Bellary companies

NEW DELHI: In fresh trouble for the Reddy brothers, the Supreme Court on Friday asked the Central Bureau of Investigation (CBI) to go after the "responsible persons" behind illegal extraction of iron ore in the Bellary region of Karnataka, instead of some employees of errant mining companies.

A three-judge bench headed by Chief Justice S H Kapadia directed Attorney General G E Vahanvati to disclose the



names of the owners of the companies of Associated Mining Company and Deccan Mining Syndicate and thoroughly investigate their role in illegal mining.

The Bench, also comprising Justices Aftab Alam and Swatanter Kumar, was unhappy with the status report filed by the Attorney General to the court. The court directed the

CBI to widen its inquiry into the role of responsible persons in the companies, and not merely that of some low-level employees. Vahanvati, on his part, sought three weeks' time for filing a fresh, comprehensive status report, which was allowed by the court.

On September 23, the apex court had favoured CBI probe into the alleged "linkages" between illegal mining activities in Andhra Pradesh and Karnataka being resorted to by the two companies including the one owned by arrested former Karnataka Minister G Janardhana Reddy in the Bellary region.

The court had sought a status report of the CBI's ongoing probe with regard to the ex-

traction of iron ores by Obulapuram Mining Company (OMC) also owned by the Reddys in Andhra Pradesh.

The Court's order came on the Central Empowered Committee's latest recommendations submitted on September 21 seeking direction for extension of the CBI probe into alleged "illegalities" in extraction of the iron ore in mining leases in the Bellary region.

The CBI has already taken into custody Janardhana Reddy and his brother-in-law Srinivas Reddy, who is also the managing director of OMC, and conducted several raids on their residences and lockers and recovered huge quantities of cash, gold and jewellery.

DH News Service

Sesa Goa denies excess iron ore production

PANAJI, DHNS: Sesa Goa, one of the many leading iron ore exporters being investigated by the Shah Commission for irregular mining in Goa, denied it had violated regulations or made underhand political donations.

The Vedanta-owned company, which is India's largest producer and exporter of iron ore in the private sector, said recent media reports against the company for excess production were false, motivated and baseless. The leading iron ore producer said it had permission to extract 4 million tonnes of iron ore from three sites at Codli, Dharbandora for the year 2006-07.

From the year 2007-08 permission was enhanced to 7 million tonnes for the same pits, the company said. "Production each year from the same sites has been within the permitted quantities," it insisted adding, like many other corporate houses in India, Sesa has indeed made donations to political parties but strictly in accordance with due process prescribed under law.

It denied impropriety or lack of transparency in the in its political donations and said it was unfortunate that certain activists and sections of media are ascribing motives to such political donations.

Mining report

■ **Bangalore (PTI):** The Karnataka government has decided to seek the views of the Lokayukta on whether its report on illegal mining violated constitutional provisions and principles of natural justice. The move triggered sharp reactions from former Lokayukta Justice Santosh Hegde and governor H.R. Bhardwaj.

Tribal panel chief protests bill snub

PHEROZE L. VINCENT

New Delhi, Oct. 14: The National Commission for Scheduled Tribes is upset that two important bills that would affect tribals have got the cabinet's nod without incorporating suggestions given by the panel.

"The ministries of mines and rural development failed to consult the NCST as mandated by the Constitution," commission chairman Rameshwar Oraon told **The Telegraph** on Wednesday.

Secretaries of both ministries had met Oraon, but what the NCST chief meant was the final drafts of the bills

— one on acquisition of land and rehabilitation and the other on mining and local development — were not sent to the commission before they were forwarded to the cabinet.

"We still haven't received copies of the drafts from them," Oraon said.

Asked why he had not sent to the NCST the draft of the acquisition bill the rural development ministry introduced in the Lok Sabha on September 7, minister Jairam Ramesh said: "We sent it to the ministry of tribal affairs (the NCST's parent ministry), Mr Oraon is always free to send his comments to the standing committee or to me."

In an email to this correspondent, Anil Subramaniam, an undersecretary at the mines ministry, said most of the suggestions the previous NCST chairman, Maurice Kujur, had given in 2010 had been incorporated in the Mines and Minerals (Development and Regulation) (MMDR) Bill.

"In continuation, three meetings have so far been held with the NCST with the secretary (mines) on 25th July, 2011, 17th August, 2011, and 15th September, 2011. A copy of the draft MMDR Bill, 2011, as finalised by the Group of Ministers in its meeting held on 7th July, 2011, was also sent to the NCST on 30th September,

2011," he said.

The Land Acquisition, Rehabilitation and Resettlement Bill (LARR), 2011, proposes to replace the Land Acquisition Act, 1894, with a comprehensive law for acquiring land and adequate rehabilitation mechanism for affected persons.

The other proposed legislation, the MMDR Bill, which got the cabinet's nod on September 30, deals with sustainable mining and local development.

Oraon doesn't want land to be taken away from tribals. "Don't take away ownership of land from tribals. Take land on lease so it can be restored to its original inhabitants after the

operations end," he said.

Minutes of meetings the NCST held with the two ministries reveal serious reservations on the two bills.

According to the minutes of Oraon's meeting with mines secretary Vijay Kumar on July 25, the NCST objected to the proposed District Mineral Fund because of "the potential for diversion to other proposals".

The proposed Mineral Fund is a trust to administer funds for sharing profit between mining companies and local people. The NCST "preferred direct payment to affected people".

The NCST also recom-

mended equity sharing with tribals and inclusion of gram sabhas/district councils in framing the mining plan.

On September 16, the NCST had discussed the land acquisition bill at a meeting. One observation, according to minutes of that meeting, says "it would be appropriate to simultaneously legislate special provisions for acquisition of land in Scheduled Areas instead of leaving adaptation of the same entirely to the wisdom and zeal of the Tribal Advisory Councils/Governors of the Concerned States".

Scheduled Areas are tribal areas included in Schedule V and VI of the Constitution.

Times Past : From the Archives of The Times of India

Coal Output Likely To Be Far Below Target

Industry body expresses concern at poor start to the Third Plan

The output of coal in the first six months of the Third Plan was only 670,000 tonnes higher than the production in the corresponding period, April-September, 1960, and the year is likely to end with an output substantially lower than the 60 million tonnes the industry was to have achieved by 1961, at the end of the Second Plan. The Third Plan target is 97 million tonnes.

Describing this as a disturbingly poor start to the Third Plan, Mr Pran Prashad, chairman of the Indian Mining Association, told a press conference that the shortfall in wagon supplies, esti-

ated at 1,186 wagons per day during the current year, was the most serious brake on productions. The shortage apart, wide fluctuations in day-to-day wagon supplies constituted a major problem since output could not be "increased or decreased at will" to match wagon availability.

Most of the output of high-grade coal came from mechanised mines, which suffered most from power shortage, leading to serious difficulties for important consumers like the steel industry.

Pointing out that applications for import licences of the value of ₹4.75 crore were held

up owing to procedural delays in utilising the World Bank loan of \$35 million granted to the Government of India to meet the foreign exchange requirements of the private sector of the industry. Mr Prashad said the position regarding essential spares and replacements was now "extremely acute". Production had greatly suffered during the current year, and no early improvement could be expected as it took six months after the issue of licences for the equipment to arrive.

In the "rigidly controlled" price structure within which the industry worked, rising costs and static prices had reduced capital formation to a level "lower than in almost any organised industry".

**Times
PAST**
Dec 15
1961

NEW MINING BILL

Corroding steel makers' profitability



ADARSH
GOPALAKRISHNAN

► Miners will now have to shell out a large sum as royalty. How much of this burden will be passed on to users is the big question.

Indian steel producers have faced a torrid spell on the margins front over the past year. Soaring coking coal prices and limited pricing power have squeezed players such as JSW Steel and SAIL.

A silver lining for several Indian steel producers was iron ore pricing. Domestic miners such as NMDC sell their ore at prices far below international prices. Better still, Tata Steel and SAIL have their entire requirement of iron ore met by captive mines. This is a substantial competitive advantage.

However with the introduction of the new Mines and Minerals Development and Regulation (MMDR), things could get a lot tighter.

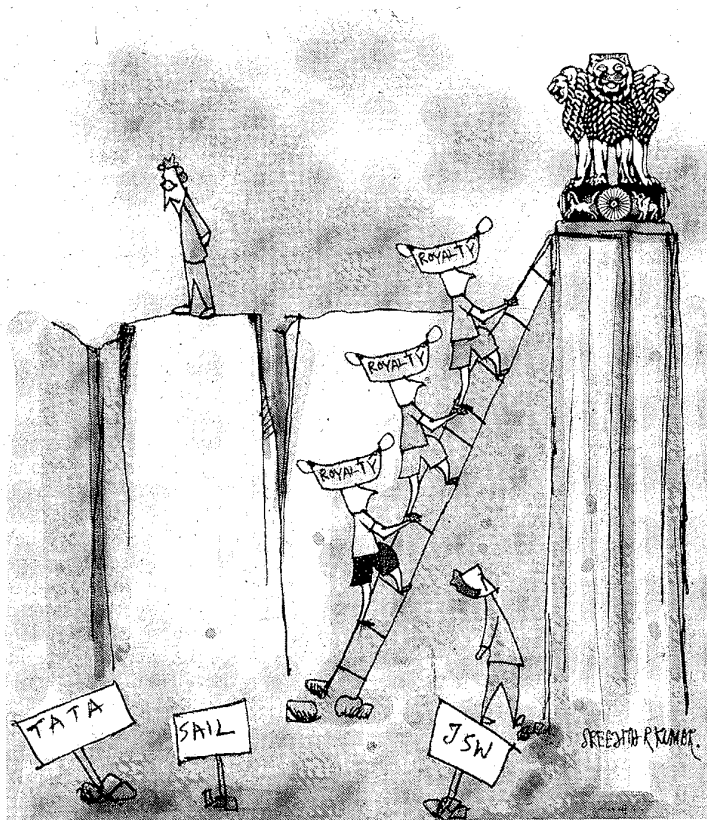
India's top three domestic steel producers — SAIL, JSW Steel and Tata Steel — will see varying impact of the MMDR Bill.

Tata Steel is the most integrated domestic player with captive mines in Orissa and Jharkhand to meet its entire requirement of iron ore and 65 per cent of its coal needs.

The least integrated of the top three is JSW Steel whose sole domestic mine is a stake in an iron ore mine in Karnataka which caters to 10-15 per cent of its requirement. SAIL lies between the two with captive mines meeting its entire requirement of iron ore and 25 per cent of its coal requirements.

WHY CAPTIVE MINES?

Indian steel producers sell steel at prices which largely hover around international prices while their reported cost per tonne of iron ore



range between Rs 760 and Rs 2,800.

This is an advantage over international producers who procure iron ore at international spot prices which averaged at Rs 6,750 between March 2010 and April 2011.

Taking a closer look at the cost structure of a SAIL or Tata Steel gives us an idea on why captive mining is such a coveted business model.

Almost every large steel producer wanting to set up shop in India targets the iron-ore belt in Jharkhand, Chhattisgarh, Orissa or Karnataka. The promise of building a large plant also comes with the demand for a mining concession.

Tata Steel's Indian operation is among the most profitable globally. In FY11 the company's standalone EBITDA margins stood at 43 per cent. As a percentage of sales, the company's spend on iron ore and coal accounted for 30 per cent of sales.

This figure is remarkably low compared to peers such as SAIL and JSW which shelled out 43 and 52 per cent

of their net sales for their iron ore and coal requirements during the same period. Consequently both the companies' operating margins hover around 21 per cent.

So now that miners will have to shell out a large sum as royalty, how will that shake things up?

THE MMDR KNOCK

In FY11, iron ore miners across India, including captive miners, paid a royalty of 10 per cent on the sale price of the iron ore mined (as listed by the Indian Bureau of Mines). Depending on the steel producer in question, this worked out to Rs 200 - 460 a tonne of iron ore sold.

SAIL, whose mining division is critical for lowering costs, will lose out the most. SAIL paid out Rs 580 crore in royalties on both coal and iron ore (a good chunk of which is towards iron ore).

SAIL shelled out 1.5 per cent of its total spending (excluding depreciation) on royalties. The new charges could take six per cent off SAIL's

operating profit. Tata Steel's royalty outgo was Rs 615 crore. However Tata Steel's royalty includes the outgo for its seven million tonnes of mined coal.

In case of steel producers, the 'new' payment equivalent to royalty applies to every mineral utilised except coal.

Captive coal miners are required to pay 26 per cent on the notional value of their output excluding mining and transportation costs.

Companies with sizable coal operations such as Tata Steel could find themselves paying out a considerable sum which could be roughly in the same range as their per-tonne iron ore royalty rates.

Royalties accounted for 3.4 per cent of Tata Steel's stand-alone expenses last year. The souped-up charges could account for nine per cent of their total expenditure and cost them 5-6 per cent of their operating profits.

PASSING IT ON

The impact on JSW Steel will be harder to quantify with certainty. NMDC is one of JSW's largest suppliers. NMDC's royalties accounted for a third of its total spending. The additional payout amounted to nine per cent of the company's operating profit last year.

With 86 per cent operating margins, NMDC can afford the payout while maintaining its enviable margins. How much of this burden will NMDC and other miners pass through to steel producers such as JSW, Essar and RINL is the big question.

NMDC prices its wares at half the levels of international peers. So the company has a good case to pass through some of the added burden. However steel producers find themselves between a rock and a hard place when it comes to passing on hikes given the challenging global climate for commodities.

This is likely to remain the case over the near term which spells further margin pressure for steel producers.

For Sesa Goa, which exports a significant portion of its output, this Bill could spell further trouble. Hikes in export duty earlier this year and the Karnataka iron ore export ban have crimped output. Sesa paid out Rs 330 crore in royalties during the last fiscal. This was just under seven per cent of its total spending. The levy could take a 6-7 per cent bite out of Sesa's operating margins of 62 per cent.

GOA GOUGED

HARTMAN de SOUZA taps
into the public mood over
what mining companies
and other vested interests
are doing to the
environment of this tiny
state...



ONCE A GREEN VALLEY... PHOTO: ANDREA PEREIRA

Hindu, Delhi

Sunday, 16th October 2011, Page: 15

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To fully comprehend the grip of mining in Goa, it would require several commissions of enquiry, or, as they say in the local tavern in the village I am visiting – one for every decade since mining started in the 1940s, with Goan mining families becoming rich willingly supporting and taking orders from the dispensation of the day.

This village is in close proximity to the mining operations in the north, around the mining town of Bicholim, where one pit in the village of Sirga is now infamous for being 37 metres below sea level, and that too in the home of the shrine to Lehrai, a Goan deity venerated because of her proximity to water and where she now suffers the fate of being a silent spectator to wells long dried.

Just take a walk up the hill, above the church, passing so many trees well over a hundred years old perhaps, and such lush, thick, luxuriant undergrowth with the monsoons having done their work, Goans can be forgiven for having taken this beauty for granted.

Not a pleasant sight

From the top of the rise in the village, the view eastwards, where the foothills of the Western Ghats break, where, perversely, all the mining companies abound, the sight is anything but pleasant. A skeleton of hills some kilometres long, once probably thicker with trees and water than the hills of this very village, now shorn bare, and, regardless of which part of the day you view them, standing as mute as the carcass of a giant animal left to rot in perpetual sunset.

Goans have many such views in this state barely a 100 or so kilometres at its longest, 45 or so at its widest, where the so-called "mining corridor" runs 95 kilometres north to south down the slopes of the Western Ghats, sharing borders, ironically, with notified wildlife sanctuaries. But then again, this is Goa where everyone with a stake in mining will tell you smiling: "You see Goa's such a tiny place... how we can have a 10 kilometre buffer zone around the sanctuary?"

So maybe a tavern is a fitting place to ease the public mind and outrage, now that the Justice M.B. Shah Commission on illegal mining has come and gone – an initiative in itself that most here also find somewhat paradoxical, as they more succinctly put it with the third sip, "damn stupid if you ask me man, the congress fellows in Delhi trying to catch their own bloody crooks here in Goa! If you really go to see, the crooks are the same only..."

Everyone in Goa knows that the ore here was of such low content the mining industry was in a slump. As the Goa Mineral Ore Exporters Association (GMOEA) or Goa Miners' Club as it's referred to in some taverns, put it somewhat humbly in a recent press note (sic):

"Goa has a long history of being an internationally competitive iron ore industry beginning from the 1940s. Being endowed with poor quality ore reserves, the industry has been able to survive through times of highly controlled economic environment, exorbitant machinery import duty, controlling exchange rates with investments in value addition technology and unique infrastructure solutions in an ever increasing highly challenging competitive environment internationally. Over the last 6-7 years, due to the surge in demand from China for various raw materials,



WOUNDED EARTH: A mine in Goa. PHOTO: ANDREA PEREIRA

one of which was iron ore, started a clamour for iron ore business that initially felt like an economic boom but of late has translated into an erosion of the reputation of the mineral industry."

But at least one company, its operations on the edge of the Selaulim Dam in south Goa, had had its loans waived by a bank. In October 2009, the Central government lowered the threshold value of iron ores from 55%Fe to 45% Fe, but barely six years earlier, with the Chinese build up to the Olympics they hosted, was a Kingdom of Bellary created almost overnight in Goa. This has translated into one mine owner mooring his six-crore yacht in the Mandovi River, a heliport in Quepem, and the small mining town of Sanvordem with its disproportionately high number of luxury vehicles, any number of BMWs and Audis and even a Bentley and a Ducati motorcycle costing over one crore.

In the bars close to mining operations, the older men are disgusted but alas, resigned to the fate of not knowing better. They were told and bought the argument that "mining is the backbone of the Goan economy", which for the mining industry meant doling out loans to able-bodied men to own and even drive their own truck. Pro-environment activists and believers have given up trying to compute the exact number of trucks in the mining areas. The GMOEA translates this into (sic):

"The Mining companies of Goa have also engaged stakeholders like villagers, whereby all transport are carried out by villagers, and this model has proven to be great dis-

tributor of wealth, which is unique in the country."

To those older who fell for this tasteless perspective, in the mining affected villages it has meant a strange kind of red fog that descends on their dwellings, the village shops, the school, the roadside trees, the orchards and their fields, slowly but surely encrusting everything in red dust, which, mixed with an early morning dew and then baked in the hot sun, creates a harsh and impermeable veneer.

Humour to the rescue

In tavern after tavern, regardless of creed, Goan men can be heard saying that earlier Goan politicians in the 1960s and well into the 90s looted the exchequer but at least gave half back; that these days the "fellows eat up everything they can for themselves and for their children and their bloody children's children." At hand is a quirky brand of humour that provides the needed release and gives all the feeling that the issue has been postponed, at least for the night, so therefore wittily re-defining democracy in Goa as "a government far from the people man, totally buy the damn people, and bloody off the people completely."

The pro-environment lobby in Goa has been emphasising that the Justice M.B. Shah Commission could not have come at a better time, it is time for the change. They know that the enquiry will compliment a study on the environmental impact of mining in Goa commissioned by the Ministry of Environment and Forests (MoEF), and a report on the protection of the Western Ghats conducted by the

Western Ghats Ecology Expert Panel constituted by the MoEF; and, if that's not enough, a comprehensive study on the same issue recently commissioned by civil society groups. Everyone now wants to know how much mining (and real estate, one may add) have contributed to worsening Goa's self-reliance in food production.

Pro-environment activists across the board, and economists and statisticians also challenge the mining industry claims that it gives employment to 75,000 people. One independent researcher says it is closer to 27,000 and that most of this work is seasonal.

In some taverns they insist that it is sad that even though most Goans understand the value of the iron ore more clearly than the value of the forests and water, they do not know this belongs to them.

As one such maverick thinker's cogent syllogism goes: "The iron ore is the property of the state of Goa, the mining companies are permitted to extract and sell a certain amount after paying royalty and making investments...they do not have a natural ownership right to the ore."

Therefore he concludes, "when mining is outside the law, whether illegal or irregular, it is a theft of the Goan people. Mere payment of royalty is not enough. They need to repay the entire amount."

Before the evening ends, everyone is far less subtle. They say there is nothing legal in destroying Goa's forests and water. They want the old mines to be brought back to their natural state. It only takes thirty years to do so, they say.

Or, as was put it, then give them their ton of fish back. "The money skimmed from mining is how much? Say 2500 crore. As per the 2011 census there are 1,457,723 individuals in Goa, say 1,500,000 by now...2,500,00,00,000 rupees divided by 1,500,000 works out to Rs. 16,667 for each man, woman or child in Goa. For a four-person household, this around Rs. 66,666. Who'll say no to that?"

A SKELETON OF HILLS SOME KILOMETRES LONG,
ONCE PROBABLY THICKER WITH TREES AND WATER
THAN THE HILLS OF THIS VERY VILLAGE, NOW
SHORN BARE...