

## Chapter 5

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### Natural Resources & Mining: Value Addition.

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Nature gives its bounties over the surface and under the surface. That which is over the surface is easily recognisable — the greenery that gives us the vital foods; herbal medicines; decorative flowers; the fibres like cotton for clothing; forests for a whole range of wealths from fire wood to ~~fire~~ wood for structures, furnitures, pulp of the

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wood giving us fibres like rayon  
for ~~the~~ books and newspapers...  
or ~~newspaper~~ paper. Also  
the hillocks give ~~stores~~ stones  
for house or road making.

Many animals, birds, fishes  
in water - form foods, pets,  
animal power for carts, plowing etc.

As we saw. Above all the water  
resources through rivers, ~~canals~~,  
lakes etc. Without much of

scientific analyses, we all  
know intuitively how closely  
these are inter-connected.

Those which are above  
the earth are also inter-connected

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with those which on the surface. The very obvious one is the ground water, in which most of us survive

nowadays. ~~These~~ The roots of the big trees draw nutrition from below the soil and grow the trees.

// The modern life ~~which~~

depends so much on electricity.

In fact without electricity there is no modern life or hope for

Electricity is now mostly good living for all.

generated through the fuels

that are buried deep inside

the ground - coal, ~~and~~ gas and petroleum. The nuclear

power too depends on the ~~the~~

uranium which are ~~are~~

buried deep down the earth.

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Another great material  
required for modern life  
habitates, roads, transports  
bridges, ~~etc~~ ~~even~~ in fact

all of machinery is

Iron in various forms,

the most ~~subtle~~ sophisticated

one being various forms of

steel. There are other

~~the~~ vital metals like copper,

aluminium, platinum,

titanium and rare earths

material

↳ which includes specialised high

~~even~~ energy magnets.

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In fact the human civilisation really took off from the early agricultural stage (which was ~~done~~ done mostly through initial deforestation and later through mining which gave them metals.

Mining continues to be important even now. Though many persons from the ~~the~~ middle class would like to avoid the "dirt" of the ~~the~~ mines, that is the vital sector of the economy. Also a large number of Indians <sup>are</sup> ~~can be~~ employed in it productively.

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In our earlier book India 2020: the vision for the new millennium, we had elaborated about the role of mining and materials. Though some efforts were done to liberate the sector from the ~~set~~ shackles of earlier <sup>govt</sup> controls through nationalised ~~or~~ companies, the govts since three then had tried to take steps to make ~~mining~~ mining a vital economic growth story.

But steps were halting and the cancer of corruption had also entered into some of the sectors. In addition ~~there~~ the environmental activism and

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misguided ideas about the role of Coal for India, causes further damage.

### MINING IN INDIA.

Large amount of easily accessible information is available in Wikipedia ~~at~~ on "Mining in India" and also from several other sources ~~also~~ including the websites of the ~~Mines~~ ministries dealing mines.

The GDP contribution of the mining industry is ~~about 2~~ varies between 2.25% to 2.5%, considering the whole of the economic activities. It however

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we look at only the industrial sector (to which it belongs) it constitutes about 10% to 11% of that sector. Also one should not look at mining as a mega activity ~~at~~ alone. There are a ~~few~~ number of small scale contributors as well. These form 6% of the entire cost of mineral production. And above all its employ<sup>ers</sup> <sup>productively</sup> about 700,000 ~~pers.~~ ~~persans.~~ ~~per~~

(Source: Wikipedia). Therefore when mines are closed in India for one reason or another, most middle class persons tend to

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the lives of these 700,000 people.  
In fact, Indian mines ~~can~~  
can grow much more. ~~It~~  
Instead of mere mining and  
exporting, Indian companies  
can do ~~a~~ many value addition  
all the way in the chain and  
~~to~~ create more wealth and  
therefore <sup>more</sup> employment and  
better incomes.

Some statistics on India:

~~India~~

- Largest producer of sheet mica
- ~~Third largest producer of iron ore~~
- ~~Fifth large producer of~~

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of bauxite (which is the base ore for making aluminium)

- Metal and mining industry in India is estimated to be about <sup>US</sup> \$ 106.4 billion in 2010

(Source: Wikipedia)

~~Rank~~ India's global position in the mineral production

Mineral	Global Rank
Coal	3
Chromite	3
Iron Ore	4
Bauxite (For Aluminium)	6
Manganese Ore	5

(Source: Annual Report FY13, Ministry Mines & Geol. of India)

As per the Ernst & Young report <http://www.ey.com/in/industries/>

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Mining --- Metals (EY - emerging economies - and - India - mining - industry), India produces currently around 89 minerals under various groups, with fuel minerals, metallic minerals, non-metallic minerals, atomic minerals and minor minerals. The report says that "the country has immense potential for mining resources and reserves and is currently among the top 10 global producers of many minerals."

~~The~~  
Around the globe the mining industry was growing at a rapid pace for over a decade till 2008-09 when the global recession hit the demand. Indian ~~also~~ mining

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also was affected

In addition India had other problems. The EY reports says:

"After growing at more than 8% for many years, the Indian economy registered a GDP growth of 5% in ~~FY~~ FY 13 (Financial

Year 2013-14). The on-going slow ~~down~~ down had had

an impact on demand for metals across ~~the~~ all the major consuming sectors. ~~In line with~~

~~the overall trend~~ <sup>of</sup> mineral pro

Thus the mineral production registered a negative growth!

In addition the court orders banning iron ore mining in Karnataka and Goa (recently lifted) causes

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caused ~~add~~ additional slow-down. That coupled with several actions by the courts and govt, led to near complete stoppage of coal mining in India. ~~These two added to~~ India, which has rich coal reserves, had to import.

These two elements caused severe balance-of-payment problems (that ~~are~~ our imports ~~are~~ bills were raising and the export incomes were not sufficient to meet these additional import bills.) As per recent reports the demand-supply gap for Coal is likely to reach 185 million tonnes by end ~~201~~ 2017, if things are as they are now!

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## SOME DETAILS ON MINES

A book by D. R. Khullar (2006) titled "Mineral ~~Source~~ Resources", India: A Comprehensive Geography is cited in Wikipedia for ~~giving~~ getting some authentic information about mining in India. The pace at which the sector is growing would require search of several other updates, for those who want to dig deeper.

We give here some data from the book as quoted in Wikipedia.

Total Mines in India	: 13100
(approx)	
of these the sub-details are	
Fuel Mines	: over 550
Metal Mines	: over 560
Extractive non-metal	: over 1700

Wikipedia also quotes one S.N. Padhi

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For coal mines 600

~~Oil projects 35~~

There are other forms of categorisation and variations in number. Most

of the mines are overseen by the Ministry of Mines (except those

which are under other ministries:

example Natural gas and petroleum has a separate ministry; atomic

minerals come under department

of atomic energy. Coal comes under

Ministry of Coal.

There are number of ~~books~~ <sup>extracts from D. R. Khullar's</sup> ~~books~~ <sup>giving</sup> the

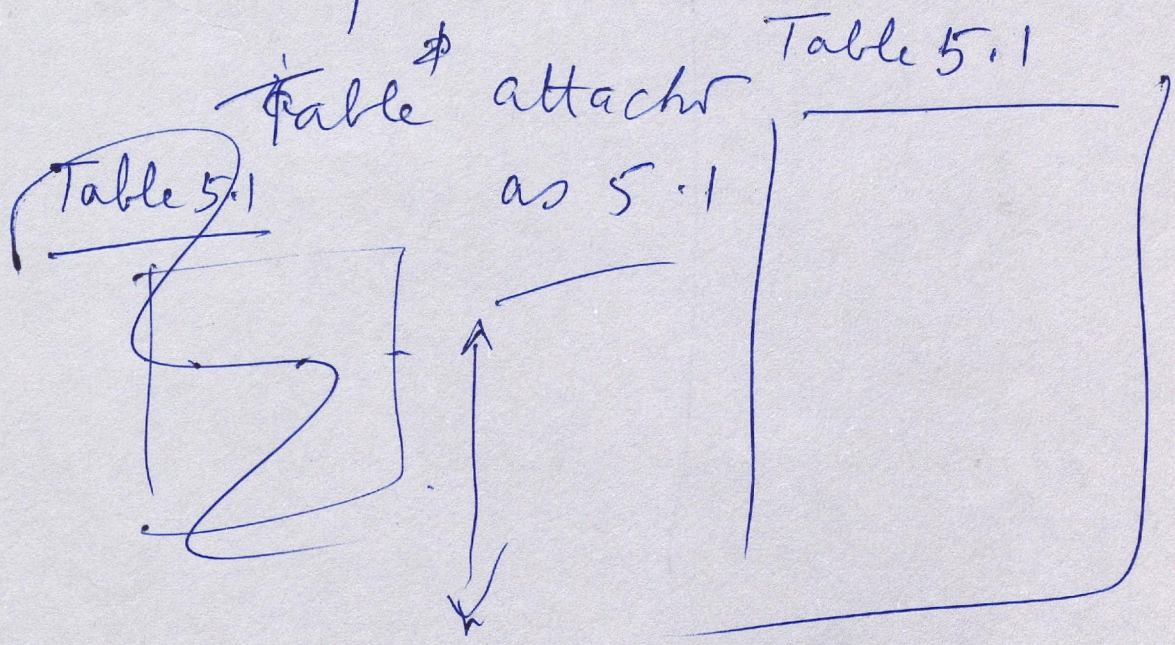
~~book~~ geographic distribution of mines

in India, given in The Wikipedia.

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The net production of ~~selected~~ <sup>selected</sup> minerals in 2005-06 as per the Production of Selected Minerals, Ministry of Mines, Govt. of India (Source: Wikipedia) are as in Table 5.1

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A similar table for Ex' exports of selected minerals as of 2004-05 from the same sources ~~is~~ <sup>is</sup> in Table 5.2

~~Table 5.2~~

5.1

Mineral	Quantity	Unit	Mineral type
Coal	403	Million tonnes	Fuel
Lignite	29	Million tonnes	Fuel
Natural Gas	31,007	Million cubic metres	Fuel
Crude Petroleum	32	Million tonnes	Fuel
Bauxite	11,278	Thousand tonnes	Metallic Mineral
Copper	125	Thousand tonnes	Metallic Mineral
Gold	3,048	Thousand grammes	Metallic Mineral
Iron Ore	140,131	Thousand tonnes	Metallic Mineral
Lead	93	Thousand tonnes	Metallic Mineral
Manganese Ore	1,963	Thousand tonnes	Metallic Mineral

Zinc	862	Thousand tonnes	Metallic Mineral
Diamond	60,155	Carats	Non Metallic Mineral
Gypsum	3,651	Thousand tonnes	Non Metallic Mineral
Limestone	170	Million tonnes	Non Metallic Mineral
Phosphorite	1,383	Thousand tonnes	Non Metallic Mineral

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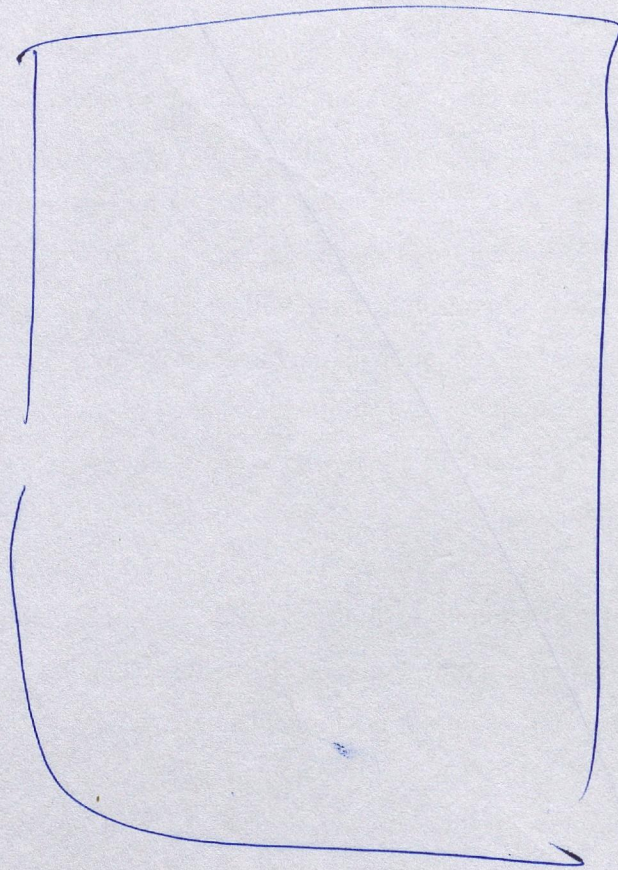
Mineral	Quantity exported in 2004-05	Unit
Alumina	896,518	tonnes
Bauxite	1,131,472	tonnes
Coal	1,374	tonnes
Copper	18,990	tonnes
Gypsum & plaster	103,003	tonnes
Iron ore	83,165	tonnes
Lead	81,157	tonnes
Limestone	343,814	tonnes
Manganese ore	317,787	tonnes
Marble	234,455	tonnes
Mica	97,842	tonnes
Natural gas	29,523	tonnes
Sulphur	2,465	tonnes
Zinc	180,704	tonnes

Table  
5-2

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Table 5.2  
Export of select minerals from India  
@ as of 2004-05

Type  
iii



In many

It is

It is surprising to learn  
is the lack of assessment of India's

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natural sources. A number of areas is still unexplored and mineral resources of these ~~area~~ areas are yet to be assessed (~~Source~~<sup>Ref</sup>: Wikipedia). While the space based remote sensing can be of help to some extent, actual ground surveys are ~~involve~~ required. Mountain ranges and forested areas need to be surveyed. In addition India's marine territory is yet severely underexplored. To a certain extent, they have been explored for gas. A lot more needs to be done. // No doubt these surveys are time consuming <sup>and</sup> costly. At least

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for the ground surveys ~~and~~  
in mountain ranges and forested  
and other difficult to access  
areas, why not use the  
youth in India (in colleges  
and schools), ~~who are~~ They will  
enjoy the adventure too. No  
doubt these needs to be planned  
and all safety precautions need to  
be undertaken.

WHAT ARE THE IMPEDIMENTS?

One of the biggest impediment  
is the mindset of intellectuals  
and middle class towards mining.  
While most of them will shun a

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a career in agriculture, at least they will consider to be vital for the country (though of course some "inferior"

Indians can struggle through the dirt of the soil.). Most of persons do not know the risks and challenges in agriculture. They think it is nature's bounty, coming through seeds, water and fertilisers.

But when it comes to mining, it is all dark, dark and dirty world. I ~~to~~ am not aware of any person going for a picnic to a mining

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area or see a mine. They  
Many go and see a dam  
or even big dairy farms.

But no mines! The schools  
have very little to <sup>say something exciting</sup> say about  
mines.

Therein <sup>lie</sup> ~~the~~ the problems;  
govts after after govts have  
ignored the ~~the~~ mines. ~~All in~~  
the ~~Thoughts~~ The Mines and  
Minerals (Development and  
Regulation) MMDRA ~~the~~ Act enacted  
in the Parliament 1957 gave  
the power ~~the~~ to State Govts the  
ownership to the State minerals  
~~state~~ in the mines (even those

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which are under the <sup>private</sup> lands). They collected royalty, dead rent, and fees as per the provisions of the MMDR Act. The ~~revenues~~ <sup>revenues</sup> thus collected go to the Consolidated Funds of the State Government concerned. This fund can be used by the State Govt as it wishes for the expenditure in the State. ~~Therein~~ ~~was~~ ~~As~~ it happens in many other sectors of ~~such~~ social and economic sectors, ~~the~~ ~~it~~ ~~was~~ such revenues were "lost" in the ocean of ~~the~~ State Govt activities — some critical, many populist etc

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Little attention was given to improvement of technology and management of the mines or to the working conditions of the mine workers, their safety, improvement of their families or to the development of the local community ~~sub di~~ or to the ~~environmental~~ improvement of local environments which would naturally be affected by the mining operations. ~~The Po~~  
Very slow induction of technologies

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led to further inefficiencies and wastages which affected the local environment and ~~to~~ health of local communities.

Such an apathy ~~of~~ over decades have led to total loss of sympathy for mining operations. Local resistance is ~~is~~ Resistance by local people ~~to~~ high, ~~leading to~~ increased over years leading many activists opposing ~~mining~~ or ~~ask~~ appealing to courts for closure.

even after the <sup>economic</sup> liberalisation, ~~no~~ little attention

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was given to ~~at~~ economic and industrial reforms in this sector. Public sector still dominates, most of them working in their ~~strong~~ slow and inefficient earlier mode.

When privatisation of some of the coal and steel iron ore mining was attempted during the ~~the~~ 1990's and later during the 2000's, in principle it was a very positive attempt. ~~It~~ ~~Since~~ As pointed out earlier, the big monolithic public sector mining units had become obsolete technologically and unwieldy to manage. Therefore

promoting, facilitating and acknowledging innovation.

Some competition from private sector would have been in many ways: larger production; more efficiency in terms of inputs and outputs; better cost control etc. While part of this goal was achieved, the process of allotting mines led to several questions ~~of~~ about pointing out favoritism, huge losses to govt exchequer (which could have been used to improve environment around mining areas; helping locals etc),

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and various other forms of serious corruption. All these have led to ~~a public~~ series of public outrage about the "scams". So much so, there were many public interest litigations (PIL), thus bringing the ~~apex court~~ courts and even apex court (Supreme Court SC) into the ~~front~~ picture. Courts have ordered cancellation of many allotments; closure of some mines etc. In addition there are many ~~lit~~ (criminal) investigations by Central ~~Board~~ Bureau of Investigation (CBI). These are

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all going to be long drawn  
processes of enquiry, change sheets,  
defence and prosecution arguments  
etc. In a few cases, SC  
has given some relief. ~~Even~~

~~these are not easy~~ for

certain categories of mines,  
~~and~~ asking the respective  
State Govts to initiate processes  
of starting them if they satisfy  
certain conditions: some of them  
are purely in terms of contractual  
conditions; some renewal of leases etc.

To give a flavour of the  
actions to be taken, we quote  
some parts of a <sup>a well written</sup> ~~good~~ ~~article~~ report

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#

in the Business Standard, dated  
29 May 2014 "Mining ~~Ban~~ leaves  
firms in a bind" As per  
(of a govt official of Odisha Steel & Mines department)  
the quote in that report:

"Most of the renewal cases  
are of quasi-judicial nature, hence  
it is not easy to decide them  
quickly" - . . .

" Besides according to  
the law, the government has  
to ensure that the renewal  
of the lease is in the interest of  
developing state's mineral wealth;  
How can a private mine-owner  
looking wind fall profit by

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selling the mineral and not going for value addition in the state and also not paying the penalty for extracting excess quantities of ore be viewed as an act of mineral development?"

.. "All these issues need to be resolved. That is what is causing the delay."

~~As~~ We had repeatedly emphasized in the India 2020 book and many reports of TIFAC, that mines in India

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Should not just be "dig - transport -  
export - ~~low~~ earn profit" mode.

If value addition is done, the  
ore-wealth multiplies several  
times. It also creates many  
better - income - employment to  
the locals. Indian GDP will  
grow faster.

Unfortunately India's  
govt systems — Central & State —  
and Private & Public Sector industries  
(barring a few exceptions) <sup>are</sup> ~~are~~  
~~are~~ very much short-term -  
oriented. They look at "Quarters"  
of a year and forget long term losses!

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"<sup>11</sup>  
This attitude of "let-us-cross-the-~~river~~<sup>bridge</sup>-when-it-comes" ~~attitudes~~ has led to several losses to the country and its people.

"dekha jayega" (we will see)  
The same attitude also leads to several problems in environmental clearances. Not that there is no scope to make environmental clearances speedy professional and speedy. (In environmental clearances, there are) the problems are many: narrow bureaucratic interpretations; activist pressures; populism <sup>(by Ministers)</sup> and also play of extraneous forces including corruption.

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Other major impediment is about the ~~infrastructure~~ <sup>structure</sup> ~~clear~~ in the supply chain logistics of mines.

In the recent (ent May 2014) report by the Coal Ministry to the newly elected Prime Minister Narendra Modi, three elements are emphasized:

- Critical ~~point~~ rail links for evacuation of coal from the mines to the customers
- quicker environmental clearances and
- speedy development of captive coal blocks, that is

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those mines which are ~~best~~  
~~to~~ dedicated to one consumer  
like <sup>a</sup> Steel Company, Iron Company etc

The above description  
of the impediments is not  
exhaustive but ~~they~~ it has  
pointed out the critical elements  
~~the~~ <sup>Country's</sup> ~~the~~ ability to quickly  
solve them and move things  
fast, will decide ~~to~~ as to  
how well India will use its  
mineral resources <sup>and therefore its GDP growth and employment</sup>. It is not just  
the job of the Prime Minister,  
and Central Govt alone. But they can  
set the pace. State Govts have  
to move. ~~##~~ And about all

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as the Prime Minister has  
given as the top of his  
of ten priorities, the bureaucracy  
has to be given the confidence  
fact that they will not be hounded  
for their honest decisions.

This applies not only to  
the top echelons of the bureaucracy  
but at all levels.

Over a period of more  
than two decades and especially  
since the ~~Right~~ Right to  
Information (RTI) Act, and  
especially 'media trial' based

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on those reports, have led to  
a situation where each <sup>gov</sup> official  
has become defensive. She/he  
can raise points which are  
negative in nature, though  
may not be fully relevant.

"Why should I be the person  
giving a lead to give a  
positive decision to a private  
party?" All these "queries"  
"need for  
or seeking clarifications" etc  
accumulate at the top levels  
of bureaucracy. Then they  
resort to committees or reference

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to Group of Ministers etc. The  
so called ~~poly~~ "policy  
paralysis" is <sup>really</sup> due to  
this "procedure paralysis".

Also the proactive  
role of CAG (Comptroller Auditor  
General) and the ~~leakages~~ leakages  
of draft reports ~~causes~~ are  
also fearsome for the govt  
officials because it takes place  
a few years after decisions  
are done. The right procedure  
is to have internal discussions,  
notes <sup>in terms of reply to CAG observations</sup> malap/ek between CAG and

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and concerned Govt departments. Then after the CAG reports are submitted they have to be considered by the Public Accounts Committee (PAC) of the Parliament. Their conclusions and observations have more of a finality. But well before that leakages are taking ~~places~~ place; whole set of media analyses, expert opinions, and activist ~~pro~~ protests seeking resignations, CBI enquiry etc.

# Such a situation is not conducive to ~~do~~ honest decision making ~~alone~~ in the public interest.

Some persons imagine that all these can be taken care of by computerisation. ~~Manu~~ Many simpler ~~stems li~~

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items like getting exam results, birth certificates, ~~where~~ payment of bills etc IT computerised systems can help a great deal. It is remarkable that Income Tax department have switched over to computerisation; but even then for other big ticket taxes, things are ~~not~~ not that easy, as can be seen by many ~~cases~~ court cases and complex proceedings which are going on, with big companies. Small companies may suffer unreported!

When it comes to big issues like allocation of mines, privatisation, or environmental clearances, parameters involves

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in decision making are large. They are not, <sup>often</sup> amenable to computerised model, as in each cases there will be some uniqueness and differences from earlier cases. Therefore human decision making is required by higher level officers, and Ministers. After persons take decisions through a process, to keep on questioning them and also accusing them of ~~mat~~ corruption, favouritism etc is not conducive to smooth governance. While aggrieved parties (those who ~~do not~~ lose out in a competitive bid)

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go to courts for each and every big project decision or purchases or contracts, again there is a problem of imbalance in what our Constitution has envisaged. The Executive has the task of decision making. If ~~the~~ Judiciary has to become an arbiter for many such decisions by the Executive, there is a problem. Therefore, there is a need for the Judiciary to develop a new norm for itself as to which such items they will ~~not~~ not entertain.

Of course, all the above require TRUST to be built up about the fairness of decision making; ~~fairness~~

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~~also~~ a common belief that those in power are not using it to favour some parties or punish others; and above all <sup>a general feeling</sup> ~~the processes are~~ that who handle the processes of governance ~~are~~ cannot be ~~to~~ bought through temptation (there is no price for such people!)

The above requirements are difficult. But we ~~can~~ all have to build up such a framework of mindsets very soon.

WHAT ARE THE STEPS AHEAD?

There are a number suggestions about immediate actions

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required to ~~put~~<sup>bring</sup> back Mining  
Sector back to action and  
put it on a rapid growth path.  
~~The~~ There are reports by Industry  
association like Confederation of  
Indian Industry (CII), ~~and~~  
many consultant report and  
also reports in business newspapers.

We give a few ~~of them~~<sup>recommendations</sup>  
drawn from them and also  
based on our ~~our~~ studies.

- Give a special status  
to Mining Sector (including  
for value addition there on) as  
it is CRITICAL for the economy  
and ~~and~~ military. While  
doing it should be in terms

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of ~~fast forwarding~~ and facilitating  
and fast forwarding, govt approvals  
(Central / State) to the ~~se~~ projects  
from this sector and NOT TO CREATE  
more hurdles, by putting more  
bureaucratic conditions.

- ~~Modi~~ Fine ~~time~~ time existing  
MMBR Act and procedures  
resulting from it so that  
~~the~~ mining sector <sup>growth</sup> can speed <sup>ed</sup> up  
~~its growth~~ (reduce delays in  
permit, clearances etc) and  
also create a sense of confidence  
that <sup>State/Central</sup> Govt agencies do not come  
with newer and newer conditions!)  
• As India's mineral wealth is

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~~to~~ ~~is~~ still not fully explored,  
increase efforts for such  
surveys, pre-exploration and  
actual explorations to utilise  
the potential reserve. Govt. may  
do some of it and also  
incentivise ~~for~~ private players  
(Indian and foreign) to step  
up actions, by giving them  
special concessions to ~~be~~ be  
the first ones to use ~~the~~ full or  
part of the Ores for their  
commercial actions, as they  
have taken the risk. This  
is a tricky area because many  
accusations can come after

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Several years when it is ~~some~~ found  
that ~~at~~ some areas give better  
yield for the explorers (entrepreneurs).  
It can be done through a  
honest well announced process.

- Even when the above ~~is of~~  
~~short~~ <sup>beneficially</sup> will impact in a  
short - medium - and long term  
basis, take ~~the~~ IMMEDIATE  
actions to retrieve all the  
cases that are ~~at~~ under litigation,  
and various other forms of  
past actions, going ~~some~~ down  
in the present. We have described  
them in detail before. This  
will require a ~~Special~~ SPECIAL ONE TERM

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SOLUTION (each case ~~the~~ ~~with~~ <sup>may</sup> have a different solution).

The Centre, the Concerned State Govt., Judiciary and bodies

like CAG, ~~the~~ should all ~~the~~ sit together and find such solutions. It is unorthodox

but unavoidable because already many cases are delayed for several years and Indian ~~to~~ mining

has nearly come to a grinding halt affect economy and lives of millions of Indians.

• In the above process some fines may be levied. Also in new auctions / allotments

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payments may be received  
by the ~~State~~ State / Central  
Auct. Let them all not  
be diverted to the Consolidated  
funds of the State Auct / Central  
Auct to be used to "cover"  
budget deficits or populist  
schemes. Let About 60%  
of ~~them~~ <sup>(receipts of ~~revenue~~ money)</sup> be kept aside for  
improvements in the Mining Sectn:

o When the above begins  
to yield results (i.e. more mines  
opening and ~~prod~~ <sup>current</sup> starting production),  
the  $\perp$  biggest bottle neck ~~is~~ for  
the even the lesser production,  
will multiply many times more:  
That is the track capacity

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to evacuate the mines ~~to~~<sup>ores</sup> and reach consumers. This is crucial for ~~cat~~ coal and iron ore. Cost effective mineral transportation should begin right now, without waiting for further crises.

① As pointed out earlier, already <sup>existing</sup> the mining sector in India ~~is~~ lacks modern technologies — for efficient production or reduction of pollution or safety. These need to be attended to. Invite FDI if necessary or have joint ventures. Cost to

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actively enable this.

● Closely coupled with the above is to ~~add~~ RE-SKILL many of the existing work force and also SKILL many new entrants. Let not the <sup>companies</sup> ~~import~~

after  
↑  
increases  $\uparrow$  investments, complain about human resources at various levels - from <sup>deep inside</sup> mines, several other logistics and also in office management.

● All the above are to orientes toward production, efficiency, environmental cleanliness, technology, safety etc. These are vital. Beyond ~~these~~ these are

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are the people living around  
the mining areas. Do we  
care for them? ~~It~~ Most companies  
and govt agencies (with a ~~few~~ very  
few exceptions) don't even ~~even~~  
look at their surrounding. They

come in cars or buses and  
enter their beautiful campuses.

~~They~~ Some of them do care

of their employees & health through  
a small hospital  
and their children education through  
good schools; They such actions

are laudable. more

There are <sup>more</sup> people around  
who are not their employees.  
They have lived there for generations

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They will no longer be carried away by the slogans of "temples of modern India". They have seen over six decades of independence. Therefore it is essential that these people are also "taken care of" in greater scheme of things of reviving ~~the growth~~ and accelerating the growth of mines. If value-addition activities are encouraged around the mines, instead of mere digging and transporting, many local people will get better income jobs. ~~The~~ Also it will be

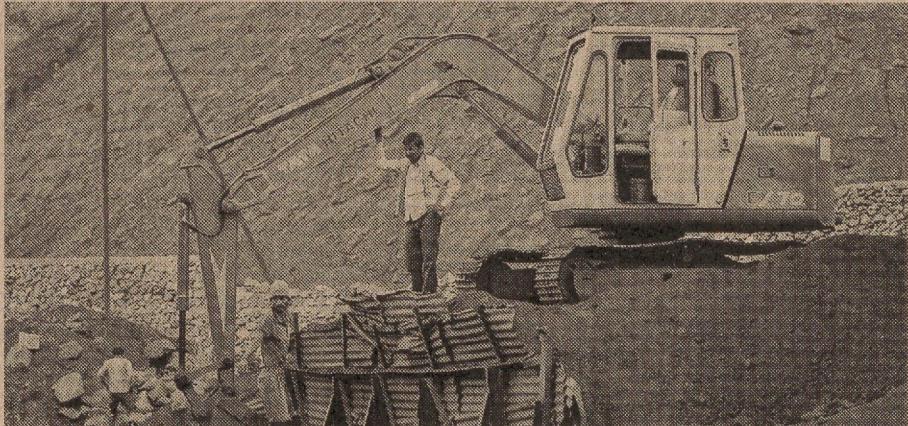
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good to attract other auxiliaries even though they are directly connected with mines. They can be enabled by giving ~~etc~~ access to electricity and water.

Govts (Central & State) need to play a role. As also the local MLA's & MP's.

All the points above are not to be done one after another. They have to be ~~carried~~ together — immediately.

As Kabir says "Kaal Karey ~~tho~~ ~~tho~~ aaj kar; aaj Karey ~~tho~~ ~~tho~~ ab" (If it is done tomorrow, do today; if to ~~be~~ done today, do it just now.)



IN THE PITS Workers at an iron ore mine. Efforts to clean up mining have shut down output in Odisha, causing shortage of the raw material

REUTERS

# Mining ban leaves firms in a bind

Prices of iron ore have shot up and steel plants are staring at revenue losses as they may now have to resort to imports

DILLIP SATAPATHY  
Bhubaneswar, 28 May

With the Supreme Court ordering the shutdown of mines involved in irregular mining in Odisha on May 16, the Indian steel industry is staring at an acute shortage of iron ore. While imposing restrictions on the operation of 26 mines, the leases of which have not been renewed for decades, the court had asked the Odisha government to decide within six months on whether or not to extend their leases. The imbroglio is, however, likely to continue longer than that.

After the court order, a high-powered committee of the state government recommended the renewal of the leases of 13 of the 26 mines — provided they fulfilled three conditions. One, pay the penalty for excessive mining. Two, get permission for total diversion of the forest land inside the lease area, instead of seeking forest diversion in parcels. And three, get approval for using tribal land.

The miners hope to get around the first condition by filing an affidavit stating that they would pay the penalty if the court orders them to do so, given that the matter is *subjudice*. (Odisha had imposed a fine of ₹65,500 crore on over a hundred miners for extracting more than the permitted ore between 2000 and 2010).

It's the other two conditions that have the miners worried. Earlier, mine-owners would seek diversion of forest land in parts, as and when they required the area within the lease boundary to expand their mining operations. Now, according to a circular issued by the Union ministry of environment and forest, it is mandatory for them to get the ministry's nod for diversion of the entire forest land within their lease area. "Getting a clearance for the entire forest land in one go will be a Herculean task," says a mine-owner. "Given the pace at which forest clearances are given, this will take three to five years."

Getting approval for using tribal land within the lease area is another big concern. Since 2002, the Odisha government has disallowed sale or leasing out of tribal land to non-tribal persons. Hence, those mine-owners who had not taken possession of the tribal land within their lease boundary before the cut-off date and were mining the land by paying a rent to the tribal land-owners now find themselves in the soup. "It is virtually impossible for them to get approval for using tribal land falling within their lease boundary," says an official working with a mining company. "Given these stiff conditions, this is going to be a long battle."

## Steeling for loss

The ban has brought iron ore output down by 40 million tonnes, severely impacting the supply of raw material to the steel industry. The worst affected are two of India's largest steel producers — Tata Steel and state-owned Steel Authority of India (SAIL). Tata Steel's seven captive mines — Joda East, Joda West, Khandbandh, Bamebari, Katamati, Manmora and Guruda — have gone off operation. The company used to source about 60 per cent of the iron ore it needed from these mines. Now it is weighing the option of importing ore to meet its needs, says a source.

## LOSSES ABOUND

- 26 No of iron ore/manganese mines closed after SC order
- 40 million tonnes Annual production loss
- 20 per cent Rise in input cost for steel companies
- ₹2,000 cr Per annum loss of royalty revenue for state government
- ₹65,500 cr Amount of fine imposed on mines for excess production

## GOVT TAKES A HIT

The state government too is staring at a loss of ₹2,000 crore in revenue annually from royalty on minerals extracted from the mines. Meanwhile, thousands of workers who have been rendered jobless since the Supreme Court order have launched an agitation demanding payment of full wages till the mines remain closed

## MAJOR MINES IN TROUBLE

### CAPTIVE MINES

TATA STEEL: 7 mines | SAIL: 2 mines

### MERCHANT MINES

KJS AHLUWALIA: Nuagaon iron ore mines | RUNGTA MINES: Kolmong and Kantharkoida  
AMTC: Narayanpasi and Mahulsukha iron ore mines | OMC: Kurmitar Pahar iron ore mines

Two mines of SAIL — Bolani and Barsuan-Kalta — have also suspended operations. SAIL was sourcing iron ore for its Rourkela and Durgapur plants from these mines. Though SAIL Chairman C S Verma has said the company has enough stock to run its plants, sources say if the problem persists, it might be forced to either cut production or import ore.

The hit taken by merchant miners, who were supplying iron ore to different standalone steel plants, besides exporting to China, has choked the ore supply channel.

"Odisha caters to nearly 60 per cent of the domestic steel industry's iron ore demand. If you ignore the material meant for export, the fall in ore supply from Odisha is likely to impact roughly 20 million tonnes of steel production across India," says B K Mohanty, former state mines director. The impact on the domestic steel industry might encourage steel imports, fears Assocham Secretary General D S Rawat. He calls for an immediate ban on ore exports to deal with the shortfall.

The shortage has already pushed prices up. While pellet rates have risen by 10 to 12 per cent, merchant miners propose to increase iron ore prices by about 20 per cent. Before the crisis, iron ore rates (ex-mines) were in the range of ₹1,900 to ₹2,200 per tonne for fine and ₹3,500 to ₹4,500 per tonne for lumpy ore, depending on the grades.

## A minefield of issues

Most of the mines in Odisha, which made windfall profits following the boom in metal prices since 2001, were operating without statutory clearances under the Environment (Protection) Act, 1986 and the Forest (Conservation) Act, 1980. They were also functioning without their leases being renewed. After the media highlighted these anomalies, a number of public interest litigations were filed. In 2010, the Justice M B Shah Commission was constituted to probe illegal mining in the state. The state government then shut down 102 mines.

Eventually, only 56 iron ore and manganese mines, which had valid forest and environment clearances, were left. However, 40 of these mines

were operating under the deemed extension clause of the Mineral Concession Rules (MCR), 1960 as their lease had expired. While 14 of them were pending first renewal, the remaining 26 were waiting for second and subsequent renewals. According to Rule 24A (6) of MCR, a lease is deemed to have been extended if the state government does not dispose of the renewal application before the expiry of the lease.

The Supreme Court, while acknowledging the lessees' right of first renewal for a maximum period of 20 years, however, denied such a right to properties seeking second and subsequent lease renewals. It said, "The provision of deemed renewal in Rule 24A (6) of the MCR, 1960 is not available for the second and subsequent renewals of a mining lease considering the language of Section 8 (3) of the Mining and Minerals (Development and Regulation) Act, 1957. Hence, these 26 leases cannot be allowed to operate until the state government passes express orders... after it forms an opinion that in the interests of mineral development, it is necessary to renew the leases".

## Tug of war

Mine-owners accuse the state government of delay in processing their 'renewal of mining lease' applications, despite them having submitted the documents well in time. But the government has a different view. "Most of the renewal cases are of quasi-judicial nature, hence it is not easy to decide them swiftly," says a senior official at the Odisha steel & mines department. "Besides, according to law, the government has to ensure that the renewal of the lease is in the interest of developing the state's mineral wealth. How can a private mine-owner book windfall profit by selling the mineral and not going for value addition in the state and also not paying penalty for extracting excess quantities of ore be viewed as an act of mineral development?" asks the official. "All these issues need to be resolved. That's what is causing the delay."

Odisha Chief Secretary J K Mohapatra declines to comment on the time it will take to resolve the impasse. But he says "the cases will be cleared within the time (six months) stipulated by the Supreme Court or even before that." How this feat will be achieved, given the face off between the mine-owners and the government, that, he doesn't explain.



SAIL Chairman C S Verma says the company has enough stock to run its plants for six months

## BEST OF THE NEWS

# Coal ministry to Modi: Focus on rail links, captive blocks

SUDHEER PAL SINGH  
New Delhi, 28 May

**T**he coal ministry wants to focus on the implementation of three critical rail links for evacuation, seek quicker environmental clearances and speed development of captive coal blocks. This it said in a presentation to Prime Minister Narendra Modi.

According to sources, the ministry said the proposal of opening the coal sector and restructuring state-owned miner Coal India Ltd (CIL) were its priorities. The demand-supply gap for coal is likely to reach 185 million tonnes (mt) by the end of the current Plan period in 2017.

the ministry said.

Among things the ministry said should have happened differently were faster decision on lifting of Comprehensive Environment Pollution Index, that barred industrial activity in selected environment clusters under the United Progressive Alliance regime, and coordination between coal mining and commissioning of coal-based power capacity.

The ministry has informed the government of its major achievements over the past few years. These include simplification of royalty rates in May 2012 and the switchover to gross calorific value-based grading and pricing of coal apart

from the initiation of auctioning for coal block allocation. The ministry has listed many reasons for constrained domestic output: Pending environmental clearances, delays in land acquisition, slow resettlement and rehabilitation, pending court cases related to captive allocations and issues related to transfer of land and availability of explored blocks. CIL has signed fuel supply agreements for projects of 78,000 Mw to be commissioned by March 2015. India produced 565-mt coal last financial year versus a target of 604 mt. The demand is likely to go up to 787 mt in the current financial year. The government expects 643 mt will be sold; 144 mt will have to be imported.