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Press Release

ILLEGAL MINING CRISIS CREATED BY MINE OWNERS AND MINING COMPANIES: ONLY THEY SHOULD BE HELD ACCOUNTABLE FOR THE CONSEQUENCES OF CLOSURE

There is a widespread consensus today among all people, including those from the mining industries, trucking associations, political and civil society, that illegal mining should not be permitted and only sustainable legal mining be supported.

However, the extent of illegal mining is so vast that there are reasonable apprehensions that significant sections of the mining industry will have to shut down as required actions are taken, once the report of the Shah Commission of Enquiry into Illegal Mining is made public.

This apprehension is justified, considering that in the past few weeks the Goa Pollution Control Board has issued suspension orders to approximately 45 mines who were operating without consent, and show cause notices for closure to another 45 mining leases affected by the High Court judgement in Writ Petition No.6/2011.

It is obvious therefore that serious problems will emerge on social and economic fronts from closure due to illegal mining, largely affecting ordinary people who make a living from activities related to mining.

The Goa Foundation therefore wishes to place certain important and relevant facts related to mining before the public and also offer some proposals for dealing with the emerging situation.

Fact No.1: It is an established fact that illegal mining has been carried out by mining companies and traders and that they are well aware of the limits of production they had to adhere to and of the various sanctions and permissions

required in order to legally operate their mines. However, greed induced them to violate mining and environmental regulations, while government sat by, watched and did nothing.

Fact No.2: The maximum investment in the mining industry in Goa has not come from the mining companies or the lease owners but from the persons who have invested in trucks or barges. The total investment from the mining companies (the figures are taken from the environment clearances for the 90+ working mines) is approximately Rs.662 crores. Many of these mining companies have not even invested in machinery for their mining operations, but rent this from organisations like the Goa Mining Machinery Owners Association and even individuals. On the other hand, the total investment for purchase of trucks and barges would be around Rs.2,200 crores. So, maximum investment in the mining industry has come from non-mining companies and non-lease holders.

Fact No. 3: Those who have invested in the mining industry in the form of trucks and barges have done so on solemn assurance of the mining companies and lease holders that they were engaged in legal and valid mining. If therefore the activity is found to be illegal then the consequences of this must be borne by the errant mining companies and it is they who need to now assist those who will be deprived of income due to closure of mining operations.

Fact No. 4: It is well documented that the environment (rivers, streams, paddy fields) and the infrastructure of the State (roads, bridges etc.) have all had to bear the brunt of excessive mining over the past six years since the China boom. Public health and mental peace has been destabilised in all mining areas. Rehabilitation and repair is mandatory and those who have made windfall profits from excessive mining must be made to pay for the recovery process. This will also help persons displaced from mining jobs to return to their traditional occupations like farming, fishing, handicrafts, etc.

Fact No. 5: Mineral ore is the property of the State, which holds it in trust for the citizens of the State. Illegal mining is theft of citizens' property. It is estimated that the extent of illegal mining during the past decade is approximately Rs.25,000 crores. In other words, there has been theft of Rs.1,71,500 from each man, woman and child in the state of Goa (the population of the state as per the 2011 census being 14,57,723 persons).

Goa Foundation's proposals: Given the above facts, it is therefore legally and morally binding on the mining companies / lease owners to:

- 1) employ for a period of at least one year in the mandatory rehabilitation work required to be done on the mining sites all those who may be thrown out of work due to closure of mining operations;
- 2) reimburse the bank installments (balance EMIs) that such persons have to make on loans taken for purchase of trucks, barges and other mining equipment for at least the next one year; and
- 3) rehabilitate the environment that has been destroyed due to the large-scale illegal mining.

If the government compels the mining companies to adopt these measures, those who have hitherto been dependent on mining will have sufficient time to make alternate arrangements for carrying on their daily lives. After all, why should the public, who have assisted the mining companies with their mining operations and thereby helped them to make their huge profits, now have to suffer and worry about how to earn their livelihood and pay off their loans only because of the misdeeds of these companies?

Below are some examples of the extent of profits made by the mining companies and lease holders.

Example One: Total iron ore exported from Goa in the year 2010-11 was 55 million tonnes. Total income from 55 million tonnes at today's rate is Rs. 22,612 crores. Bulk of this money has been earned by 5 or 6 major companies only – including Sesa Group, Fomento Resources, Timblo Group of Industries, Chowgules, Salgaocars – and a number of raising contractors, including Dinar Tarcar, Joachim Alemao, Subhash Shirodkar, Imran Khan, etc.

Example Two: Sesa Goa India's annual report states that it sold 20.4 million tonnes of ore in the year 2010-11 for Rs.8,387 crores. In other words, nearly one third of the total iron export from Goa belonged to Sesa Goa. Net profit after tax as declared by the company for the same year is a whopping Rs.4,222 crores. (The income of the Goa Government for the same year from all sources was Rs.4,290 crores. Total budget of the Goa Government in 2010-11 was Rs.6,000 crores). Sesa Goa is owned by Vedanta Resources, whose Chairman, Mr Anil Agarwal, lives in London and has no responsibility to Goans or to the Goan environment.

Example Three: During 2010-11, Goa Government has earned royalty of only Rs.900 crores (on the export figure of Rs.22,612 crores). As stated earlier, the total investment of the mining companies is only Rs. 662 crores. The leases of most of the mining companies has already expired in November 2007 and they

should not be renewed. Since the mineral ore is the property of the State, the government can easily nationalize the mines since the ore belongs to the Government and not the lease owners. The State's earnings would then double and could be utilised for better roads, water supply, electricity, medical insurance, unemployment guarantee scheme, mine rehabilitation, capital subsidy for small scale entrepreneurs and subsidy for purchase of land and housing for newly married Goan couples in the state of Goa.

Conclusion:

The Goa Foundation is not suggesting that Goa export 55 million tonnes or even half that amount. The economics of mining presented above – and who benefits from it – is solely to show how a public resource is ending up in the pockets and bank accounts (Indian, Swiss) of a few companies, politicians and traders.

The Goa Foundation has openly declared that the mining industry and Goa cannot co-exist. Mining and export of 55 million tonnes per year (as took place in 2010-11) will finish Goa in five years. Even the tourist industry will have to shut down. This is the reality we all face as a State. The mining industry – dominated by a few big players – is responsible by its own actions for the present state of affairs. It should not be permitted to shift the blame for its abysmal conduct to others.

Dr Claude Alvares
Director

Notes:

* Rs. 2,200 crores is clear (a) Rs. 7 L per truck multiplied by 20,000 trucks = Rs. 1,400 crores. (b) Rs. 2 cr per barge multiplied by 400 barges = Rs. 800 crores. Total is Rs. 2,200 crores.

* Rs. 1,71,500 is simply Rs. 25,000 crores divided by the population of 14,57,723. Rs. 6,86,000 is simply Rs. 1,71,500 multiplied by 4.

* Sesa Goa Annual Report 2010-11 pg 5 states that they sold 20.4 million tons on a Wet Metric Ton basis, for a total of Rs. 8,387 crores. That works out to Rs. 4,111 per ton. For 55 million tons at the same rate, we get Rs. 22,612 crores.

* Accounting for expenses of 50% -- Sesa Goa reported Iron Ore segment Profit before Interest and Taxes of Rs. 4,884 crores, or 58%. This includes amounts paid to state government as royalty, etc., but does not subtract income tax paid to the central government. Hence, 58% will come down a little, taken at 50%.

* 50% of Rs. 22,612 works out to Rs. 11,306 crores. Divided by the census population, this comes to Rs. 77,559 per person (rounded to Rs. 77,500). Multiplied by household size of 4, we get Rs. 310,237 (rounded to Rs. 310,000).

Latest figures on Illegal Mining:

Table on Illegal Exports

Ser.N	Year	Production/ Extraction	Exports	Difference
1	2002-03	1,70,43,862	1,89,60,148	19,16,286
2	2003-04	1,83,23,219	2,20,95,993	37,72,774
3	2004-05	1,80,67,470	2,33,08,033	52,40,563
4	2005-06	2,56,60,826	2,55,37,924	-1,22,902
5	2006-07	3,04,91,785	3,08,93,953	4,02,168
6	2007-08	3,05,11,690	3,34,34,429	29,22,739
7	2008-09	3,27,57,453	3,80,75,223	53,17,770
8	2009-2010	4,48,56,985	4,56,86,900	8,29,915
Total	2002-2010			2,04,02,215
9	2010-2011	4,83,80,000	5,40,30,000	56,50,000
Total	2002-2011	Illegal export		2,60,52,215

Excess Production in Violation of Norms:

The details provided in the Goa Foundation PIL Writ Petition No.34/2011 show that there has been gross violation of production limits by 48 mining leases from 2006-2010).

In the financial year 2006-07, the excess ore produced was 2,155,899 tonnes (2.1 million). In 2007-2008 excess ore produced increased to 2,741,372 tonnes (2.7 million). In the year 2008-2009 excess ore produced was double the figure of the previous year and now stood at 4,243,700 tonnes (4.2 million). And in 2009-2010 the excess ore was 4,329,401 tonnes (4.3 million). Thus, in the space of four years, from 2006-2010, the illegal ore produced by 48 mines was a staggering 13,470,372 tonnes – i.e., 13.47 million tonnes.

For the years 2010-11, quantum leap in excess production touched 12.24 million tonnes, but number of leases involved came down to 31. Value of 12.24 million tonnes at Rs.4100 per tonne is Rs.5018.4 crores.

Today production from Goa according to government affidavit for 2010-11 was 48.38 million tonnes and total export was 54.03 million tonnes. Therefore illegal export was still 5.65 million tonnes on which no royalty was paid. However production of 48.38 million tonnes includes 15.45 million tonnes taken illegally from so-called mining dumps for which there was no environment clearance nor consent from the Pollution Control Board.