

Plundered Histories, Forgotten Terrains & Entangled People

(A critical search on Planning and Commission on Mining) **

Goldy M. George

I. Conflict in Interest: Planning, Commissioning and Development

In the early 1950s India embarked on a program of planned industrial development. Borrowing planning concepts from the Soviet Union, the government tried to stimulate development through massive investment in the public sector, imposing a system of tight controls on foreign ownership of capital in India and playing a highly interventionist role in all aspects of economic policy. The private sector was allowed to continue to operate in agriculture and in a wide range of 'non-essential' industrial sectors.¹

The steady economic growth of industries with active support from the state machinery is directly proportional to the unchecked exploitation of masses. Several instances of eviction, evacuation etc. had put before a long array of questions on the very edifice of mining and development. Marginalised communities such as Dalits, Adivasis, women, working class, etc. are the first victims of this. Though during the independence struggle "factory to the workers" prominently came on to the national agenda, nowhere in India it was implemented in the post independence era. Resultant displacement, migration, repercussion of workers, loss of land and livelihood, pilfering state revenue, forest resources, etc. has outgrown to monstrous magnitude.

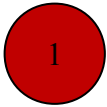
Decolonisation of erstwhile colonies invariably saw the elite take control of political power. Naturally they were inclined to capitalism preferring to inherit the colonial state – its laws, structure and character – rather than to transform it fundamentally in ways to respond to the most urgent needs of the oppressed sections. The development process initiated by the organs of the 'state' built on the edifice of the colonial structure, while evolving into a full blown neocolony, had to content with political threats of fundamental nature.² The political compulsions, when confronted by the state and ruling classes, evoked invariably responses to manage and control the threats themselves. These took the form of cooption, diversion, fragmentation, outright suppression or combination of these, depending on the extent that these challenges posed. The state provided a semblance of mitigating problems without actually having to resolve them in fundamental ways.³

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¹ <http://www.tripwolf.com/en/india/info/background-modern-india-economy-india-s-five-year-plans> accessed on August 28, 2010.

² C.R. Bijoy and Jose Sebastian, "Redefining Social Action in the Globalised Era", Programme for Social Action, annual get-together theme paper 1996.

³ Goldy M. George, "Digging the Graveyard A Study on Jindal's Mining in Raigarh of Chhattisgarh", National Centre for Advocacy Studies, Pune, 1999-2000, page 1.



While the challenges could be contained, at least for the time being, the system was constantly being legitimised by its actions of acknowledging its responsibility for changes in the required directions. While keeping these pretensions alive and flourishing in ever so many ways, the political upheavals and movements were constantly being undermined. These pretensions were constantly kept alive by concessions, which were often only marginal or nominal and constituted populist issues of the entrenched political system. While these marginal gains and proposed gains were kept alive, the system continued, efficiently and with sophistication, the further marginalisation of the oppressed. This diabolical state of existence of the state and political system has been nurtured and perpetuated vigorously for it to ensure its own existence itself. The neo-liberal doctrines aimed at also destroying collective structures, which stay on the way of unhampered pursuits of exploitation and expropriation of resources. The expansion and development of the neocolonial state in its structures and functions naturally meant dismantling or modified changes. Fuelled by capitalist development, these significant changes constituted change nevertheless, but what was not apparent was that these changes constituted new ways for the continuance of the order, nationally and globally. The reaffirmation of the primacy of the democratic political process in symbolic terms helped the system to command legitimacy.⁴

Slowly all notions and models of development shifted completely. With globalisation, sweeping changes have come about already, throwing to the winds the earlier pretensions and legitimacy, of the state and the political system that controls the state, its resources and all aspects of power. This has become possible in many ways, one of which is the extension of economic rationality to all spheres of public and even private lives. Taking the argument that economic mobility in the hierarchy of the world economy requires higher level of production and technology, the state pushes forward greater vertical linkages to the capitalist market and deepens their internal accumulation through exploitation of labour and nature. It is hoped that the external linkage of local economy to the world economy could reinforce the ruling elite and promote internal expansion.⁵

Globalisation emerged as the cannon fodder of capitalism in the mid-eighties and early nineties. Practically globalisation is nothing new, it is the establishment of the territory of the mighty across the globe through establishing the dictums of political and economic power centres and its controlling systems. In many ways, the world economy in the late 20th century resembles the world economy in the late 19th century. The fundamental attribute of globalisation, then and now, is the increasing degree of openness in most countries. The openness is not simply confined to trade flows, investment flows and financial flows; it also extends to flows of services, technology, information, ideas and persons across national boundaries. There can be no doubt, however that trade, investment and finance constitute the cutting edge of globalisation. The past two decades have witnessed an explosive growth in international finance, so much so that, in terms of magnitude, trade and investment and now dwarfed by finance.⁶ The political stability or instability has a direct bearing on the process, pace and intensity of the globalisation and reforms, which admittedly have been slow and inadequate.⁷

⁴ Optical Cite, C.R. Bijoy and Jose Sebastian, 1996.

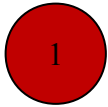
⁵ Optical Cite, Goldy M. George, 1999-2000 page 1-2.

⁶ Kavaljit Singh, *"A citizen's Guide to the Globalisation of Finance"*, Madhyam Books, Delhi & Documentation for Action Groups in Asia, Hong Kong 1998, page 5.

⁷ P. M. Tripathi, *"Impact of Globalisation on Regional Development in Asia"*, AVARD, page 1.
<http://www.angoc.ngo.ph/pdf/Impact-of-Globalisation-on-Regional-Development-in-Asia.pdf> accessed

Under the conflicting state of interests between power and people, the connecting link between human, resource, production, and nature is the worst hit. As the basis of all economic activity, land can either serve as an essential asset for a country to achieve economic growth and social equity, or it can be used as a tool in the hand of a few to hijack a country's economic independence and subvert its social pressure.⁸ This is the context under which one needs to rethink on a broader canvas on the entire question of land rights, land reforms, the prospects and modalities of planning and developing sustainable livelihood and coexistence. Planned mining and development is the key era and much aphorized development which also raises

II. Mining in the pre and post Globalisation Planned Era



Planned mining and development, the much aphorized face of modern Indian economic growth has two phases. This could be broadly categorised as the pre-globalisation and post-globalisation. In India, as in most Asia-Pacific countries, exploitation of land for mineral resources has a long history involving abuse and plunder. India's Five Year Plans have focused on mining to achieve 'development', demanding the forfeiture of people's lands for 'national prosperity'. Most mineral and mining operations are found in forest regions, which are also the habitat for Adivasi (indigenous) communities. India is a vast country and as such the history and status of mining varies between regions. Mining projects vary from rat hole mining, small-scale legal and illegal mining, to large-scale mining –most of which had been historically managed by the public sector. Since the introduction of private sector participation in the 1990's, a number of mining related community conflicts have arisen with far reaching consequences.

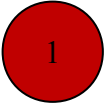
No doubt mining industry provided employment to a large proportion of the industrial workforce in the past. But are the developments in the mining industry, in keeping with national interests? This draws a lot of controversial aspects related with question of national interest versus community interest. One of the decisive factors of fast growth of mining industry is the impact of economic policies of liberalisation, market and trade, land and labour, as well as production and consumption. Economic policies, in India, have undergone a sea change in the nearly two decades, starting from 1991. The underlying argument is to have a minimal state and rely more on market forces.

Table-1
Mineral Production in India from 1970 to 2000

Mineral Units	1970-71	1990-91	1999-2000
A. Fuel Minerals			
Coal	73.7	211.3	300.0
Lignite	3.5	14.00	21.9
Crude oil	–	33.00	32.00
Natural Gas	–	18.00	26.4
B. Metallic Mineral			
Bauxite	1.4	5.00	6.8
Chromite	0.3	0.9	1.7
Copper Ore	0.5	5.3	3.1
Iron Ore	31.4	55.5	73.5

on December 1, 2009

⁸ Manpreet Sethi, "Land Reforms in India: Issues and Challenges", <http://www.foodfirst.org/files/bookstore/pdf/promisedland/4.pdf> accessed on August 27, 2010.



Mn Ore	1.7	1.5	1.6
Lead and Zinc Ore	NA	2.7	
Gold Ore	NA	0.7	
C. Non-Metallic Minerals			
Limestone	23.8	70.1	127.9
Dolomite	1.1	2.6	2.9
Gypsum	NA	1.7	3.3
Diamond	20	18	41
All figures in million tones, except diamonds, which are in 1000, carats			
Source: Ministry of Mines annual reports 1999-00 to 2006-07			

With the concept of Planned Development, planned mining was introduced in 1951. The Private Sector and the Public Sector were clearly demarcated giving the Public Sector a bigger role in India's mineral wealth. 'There was spectacular progress in Indian Mining Industry from 1947 to 1985 when mineral production grew by about 120 times'.⁹

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a) Public Sector and their achievements

In the pre-plan period i.e. before 1950, there were 24 types of minerals with a total value of \$US 23 million. Today, 84 minerals are produced valued over \$US 1200 million. Four fuel minerals are extracted which together account for 85% of this total value. Eleven metallic minerals account for 7% and the remaining 8% are attributed to 49 non-metallic minerals and 20 minor minerals. The mineral sector employs 800,000 personal and accounts for 3% of the country's GDP and forms an 11.5% share of total industrial sector production. Public Sector mines account for 91% of the total mineral value, even though 80% of mines is privately owned.¹¹

Today the Public Sector mines are in a state of disarray. There are multiple reasons for this: bureaucratic, technological, market pressures, added to this the terms and conditions signed with the IMF conditions, better known as the Structural Adjustment Program (SAP), and now the conditions set about by the World Trade Organisations (WTO) to which India is a signatory. But however the crisis, it did not start only with the SAP and WTO. It began much before this. For this reason it is essential to look into the pre globalisation state and how it was fuelled by the liberalisation in practical terms.

b) Modernisation/Mechanisation/Automation

- *USSR help and Obsolete technology*

In the 1980's, the government sought imports of technology in the coal sector to encourage foreign collaborators to implement the projects on a turnkey basis. With guarantees against time and cost over-runs, the government entered into a long-term agreement for Soviet "technical assistance" in the coal sector until the year 2000. The USSR was to collaborate in the development of fifteen coal mining projects, five open cast mines and ten underground mines from the stage of preparation of the feasibility report till the mining stage. The foreign exchange

⁹ Optical Cite, Goldy M. George, 1999-2000, page 6

¹⁰ Optical Cite, Goldy M. George, 1999-2000, page 6

¹¹ Xavier Dias, "Mining Today – An Overview", Mines, Minerals & PEOPLE, 1999-2000.

component to cover the cost of equipment and services would be covered with Soviet soft loans and long term credit. The Government also sought collaboration with Poland, U.K., France, West Germany, East Germany, Canada and Australia for projects till the mining stage. These collaborations were strictly technical and only up till the mining stages. The ownership of the mines and their running would still be with the PSU.

Such technology imports were criticised by sections of the press in India as 'importing obsolete' and 'creating a relationship of dependent exploitation'. The aim of these changes was to increase output per worker shift. Coal India Ltd. (CIL) a PSU accumulated losses at the end of 1986-87 to the tune of Rs. 1,800 crores. It was hoped that these steps would reverse the trend.

- *Faulty & Total Mine Management*

The Eastern Coalfields Ltd. run the Rajmahal Coal Mining Project, situated in Godda Jharkhand was the worst hit with the technological up gradation as a new phenomena of faulty management surfaced. It is a much talked hi-tech Public Sector venture worth 1,000 crores. Planned in 80's it hired Met-Chem (of Bailadila fame) a Canadian based MNC linked to US STEEL, for the procurement of equipment technology transfer and technical consultancy in mining. It is said to be Asia's largest open cast, coal mine. It employs a workforce of only 2441 and is fully automated. But the production cost of coal is Rs. 440/- per tone in comparison to the sale price of Rs. 260 per tone. There is a dearth of ancillary and auxiliary industries. 30% of the imported machineries are not functional and the project is sustaining losses for the last several years and the causes are attributed to its faulty management.¹²

In 1988 the 'Total Mine Management' system was introduced commencing with the Rajrappa project of Central Coalfields Ltd. (CCL) but here technology was introduced in the non-mining sector i.e. telecommunications and computerisation of payrolls inventory and office work. Similarly Singaroli Collieries took a number of steps to modernise its mines under a similar program. But not all equipment brought had been used. In Dhanbad BCCL spent Rs. 2000 crores on machinery and equipment but it lay unused at a depreciation rate of Rs. 3 lakh a day. While the aim was to increase the per worker output, the results show that this has not happened. The technology, which is capital intensive, has mopped up a huge amount of capital.¹³

c) The Question of Technology

The question of technology or choice of technology or mechanisation in mining is a complex one. When technology totally replaces labour it is a political and social question. When technology reduces the hazardous of mining especially occupational health hazards then it is beneficial to labour. When technology is used only with the sole aim of increasing profit and production over the interest of society, the environment and labour it should be challenged.

Unfortunately the mining sector in India has gone in for technological upgrading without having a clear perspective of what is actually required. A labour surplus country like India can ill afford such option. Most of the technologies are designed for countries with a shortage of labour force like Australia, Canada, USA, etc. India's research and development in the field of mining technologies are almost zero. Even the safety equipment our miners are supplied with makes it impossible for them to

¹² Optical Cite, Xavier Dias, 1999-2000

¹³ Optical Cite, Xavier Dias, 1999-2000

use in tropical humid climatic conditions. As a result many miners do not use the safety equipment (provided in the few mines), giving the Management a convenient excuse for not providing safety equipment. If technology has helped, it has helped, it has surely helped the companies producing these technologies and selling them. Nevertheless, technologies are required to reduce occupational health hazards, to evolve an ecological balance in mining areas, to enhance the per worker tone of production, to extract non-fuel minerals, and to manage and recycling waste.

d) Private Sector panacea?

This failure in 'technological collaborations' or in the 'choice of technology' automatically led to the failure of the PSUs and brought a shift in the government's policy and it placed all hopes on the Private Sector. The failure of modernisation drive in the Public Sector mines was not evaluated. Privatisation, which includes foreign collaborations and Joint Ventures (JV's) was seen as the panacea to this crisis.

Leasing of mines was seen as one step towards the reversal of government policy in favour of private ownership of mines. Opposition to such a policy got cemented on the issue of lease of Bailadila mines Madhya Pradesh taken by the Ministry of Steel in October 1995. The opposition urged the MP Governor to direct the state government not to permit transfer of the lease for mine. In 1996 the Kumaraswamy Iron Ore Mines situated in Sandur Taluk Bellary district Karnataka was leased to M/s Jindals as a captive mine. Rajasthan has the largest number of leases for small mines in the country. It has 42 major and 23 minor minerals. There are 10851 leases of minor minerals and 19,251 quarry licenses in force. The labour employment in the sector has increased ten folds from 0.32 lakhs in 1950 to about 3.25 lakh in 1993. The Rajasthan government introduced a New Mineral Policy with the aim of maximising exports.¹⁴

- *Child labour in Mines today*

Child labour has been eliminated in the official records of mines. But this is not due to good will or legislation. Mechanised mines do not need child labour. The other controversy is that mining companies interpret the Mining Act as an act covering that area where the mineral is being extracted i.e. that pit. It does not take into account the extra-pit areas or the transport and haulage work or the wagon-loading etc. Thus no child in the pit, means no child labour, an interpretation convenient for the Labour Enforcement Officer (LEO), and mine owner.¹⁵

The problem of child labour in mining cannot be ignored or taken in isolation. It is connected and related to the issue of 'contract' or 'casual' and 'piece rate' labour extensively used in the mining industry. Especially in the rate sector where all hands in the family are involved in optimising their outputs. 'Piece rate' employment is very convenient for the Mining Companies one doesn't have to give minimum wage, maintain working hours, maternity benefits etc.

- *Women & Mining*

On 16th January 1960 the Mining Act was amended (Sec 46 (1) (a) (b) prohibiting the employment of women in any underground mine, and in any open cast mine between 7 pm and 6 am This amendment was brought about at the dawn of mechanisation in Indian mining. According to Ministry of Labour, in the underground mines the number of women mine workers fell from 9,568 in 1981 to 3,151 in 1993. In the above ground mines the statistics shows a decline, but not as

¹⁴ Optical Cite Xavier Dias, 1999-2000

¹⁵ Trade Union Record, July 5, 1998

serious as the above from 21,290 women in 1981, to 18,532 in 1993. In both these cases the decline was sharper from 1991 onwards.¹⁶ In the coal and iron ore mines, men workers replaced women workers. Women were cajoled to give up their jobs to their sons or sons-in-law, with the active encouragement of the male workers and the trade unions, thereby reducing her into the four walls of kitchen. Today in the following private iron ore mines over 50% are women: SKG & SKG Iron Ore Mines, Balaji Iron Ore Mines, Bihar Iron Ore Mines.

- *Golden Hand-shake*

The Voluntary Retirement Scheme (VRS) introduced by the mining companies in the 1970's has resulted in grave consequences to particular sections of the working class especially Women, Adivasis and Dalits as a community, and the 4th grade class as such. Workers were cajoled and in some cases even force was used to make them sign on the forms. Adivasis and Dalits were falsely lured by the golden handshake. This method of retrenchment has drastically reduced the number of Women, Adivasis and Dalits in the mining industry and it continues even to this day. If the statistics show any employment of women in mines, it is largely those jobs like sweepers, nurses or teachers. The effect of VRS and now, ESS (Early Separation Scheme) on Women, Adivasis and Dalits needs to be closely studied.

- *Contract labour Yes! Permanent jobs No!*

When mines were manually operated and a large workforce was required, women were employed. In some cases like iron ore mines, the percentage of women in mining was more than 50%, i.e. IISCO Gua, SAIL Chiria, BSP Dalli-Rajara. Contractors taking contracts within the mine area do employ women in all sections at all times. In clear violation of the Contract Labour Abolition Act, for works that are of perennial nature to production/mining i.e. cleaning of conveyor belts area, transport and haulage, wagon loading etc. contractors employ women. But when it comes to a permanent job, the women are discounted. The common reasons given by Managements were that employment of women in mines is risky, their saris get caught in the conveyor belts and machinery. In the dark underground tunnels women are vulnerable to men workers.

- *World Bank funds retrenchment?*

Coal India Ltd. in 1993, approached the World Bank for a loan \$ US 500 Million to fund their retrenchment programme officially for 15,000 mine workers but unofficially for 1,40,000 worker. Since the World Bank cannot provide financial assistance for such a programme (retrenchment), Coal Indian has requested that the proposed Bank loan would also cover the local cost of investments. This would free resources, which Coal India could use to finance its retrenchment programme.

The closure of uneconomical mines and the retrenchment of surplus labour by far were the major obstacles in the smooth implementation of reforms. The Government of India and Coal India has agreed on a reform strategy that would ensure that Coal India would-

- Invest only in the most profitable mining operations
- Phase out its subsidies to loss-making operations over a 5-7 year period
- Outsource all activities that can be obtained cheaper from other companies.
- Improve the quality of its coal supplies.
- Make its operations environmentally and socially sustainable.

¹⁶ Annual Report, Ministry of Labour, Government of India, 1993.

While we welcome No 4, and hope that No 5 will be taken seriously, it is clear that the first three will involve reduction of workers and retrenchment.

e) Environmental, Health & Occupational Hazards

Mining involves the movement of mountains, the changing of river courses, digging deep into the bowels of the earth, some times thousands of feet below, extensive and intense blasting with scaring amounts of dynamite. The rich geology that has taken million of years to evolve, our tropical forest, store-houses of rich and irreplaceable bio-diversity, can be aluminium to make our beer cans. Its operations need a large amount of energy, water and chemicals, called process chemicals. Only a fraction of the earth that is removed is used as ore's the rest goes as wastes or tailings. The topsoil that is nutrient rich and has taken thousands of years to form, is called the 'over burden' in mining jargon and it is normally wasted.

The ores have to be washed and huge amounts of water are needed for this purpose. The washers consume about 50,000 liters of water per hour. For this traditional water sources of the people are diverted to the mines. In return the water laced with affluence, chemicals and sewage, is poured back into the rivers or on people's lands, including agricultural lands.

- *Toxic and Radioactive pollution*

The other question is the mining of heavy metals rare on earth. The percentage of the ore is so little i.e. in uranium it is only 0.02%, that it accumulates mines and mill tailings that build mountains. Apart from these materials it also consumes large quantities of water, in quantity three times the material waste that ultimately flows into rivers and joins the underground water. The quantity of these materials is one part of the story the other part is their low dose radioactive potential that can go on for thousands of years. The half life of Thorium a waste product in uranium mining is 80000 years and it will take 250000 years for all the waste tailing in the uranium mine in Jaduguda to become lead and harmless. Each day tones of radioactive waste are sent down the Subarnarekha river that winds its way around the city of Jamshedpur into West Bengal, Orissa and into the Bay of Bengal.

- *Social impacts of mining*

The Washington based World Watch Institute has categorised the social impacts of mining as-

- Displacement from the mine site.
- Loss of sites of cultural importance.
- Loss of autonomy or food self-sufficiency.
- Influx of outsiders attracted by prospects of employment with the mine, or hoping to mine independently (illegally) in a prospective area.
- The boom-town syndrome – disruption of social cohesion influx of consumer goods and rising prices for basic goods, with an added value of commercial prostitution.
- Social stratification of original community caused by employment of community members (usually men) by the company.
- Social tension caused by the juxtaposition of a relative luxurious accommodation and facilities for well paid management and the less well off surrounding communities.

To these we can add, the undermining of political cohesion and self respect of local communities. The bringing in of new diseases i.e. Sexually Transmitted Diseases (STD), HIV/AIDS, Malaria, Filariasis, Leprosy, TB, and other enteric and toxicity related diseases.



- *Safety in Mining*

An ILO press release in May 1994 claims “15,000 mine workers loose their lives every year and there is also suspected under reporting of fatal mines accidents”. The press release brought out at the 75th anniversary of the ILO states that there are 25 million workers directly employed in the mines throughout the world. Our records in India are again dismal.

One week in a year is designated as ‘Mines Safety Week’, and prizes are given for safety in mines. One prize is given for that mine that put up the best hoarding (in English of course). It is a well-known fact that mining companies do play down deaths in mines and misinterpret the definition of safety in mines. A death in the pit is considered as a death in the mine. So most deaths and injuries are shown outside the pit area. There have been cases of the medical reports being manipulated to show a worker dies of ‘cerebral thrombosis’ or other ‘natural causes’ when in fact the death was the result of electrocution or other mechanical injuries.

- *Contract labour and safety*

Not only contract labour are not supplied any safety equipment, but their deaths and injuries in the mines are denied, making it possible for the mining company to get the coveted ‘Mines Safety Week’ prize, and avoiding any medical treatment and cash compensation. Since contract labour is used for the cleaning and maintaining of the conveyor belt systems, hoppers that can extend up to a couple of kms, many deaths takes place here as there is no proper signalling system or communication to warn the workers when the belts starts to roll. Some important questions

- *Who will benefit from the New Mineral Policy and all the other new policies the government is announcing to welcome joint ventures or ‘opening up’ of the mineral sector?*
- *Will it reduce even a part of our ever-bloating unemployed labour?*
- *Will it exhilarate the process of that model of ‘development’ projected by the Britton Woods Institutions?*

In general the devastation and human misery caused by mining, has been callously taken as an ‘acceptable price’ to pay for industrialisation and military might. In India the protagonist of this theory use the familiar term ‘National Development’. Well who makes a nation, a nation is a real question.

III. The Power Hub Strategy!

Power hub strategy is one of the core industrial strategies of mining and industrial development which has been given special emphasis both in the mining and industrial policies. With abundant coal reserves in the state power generation is easily possible. The total installed capacity in the State is approx. 3900 MW. Efforts are being made to encourage entrepreneurs to develop their own captive power projects.¹⁷ During the past 5 years all efforts have been made to turn the state into a power hub. According to the Industrial Policy, as part of the power hub strategy the government in a planned manner has signed Memorandum of Understanding (MoU) with public and private sector under to produce 50000 megawatt power. This would attract industries such as automobile, capital goods, steel and aluminum producers.¹⁸

¹⁷ Mineral Policy of Chhattisgarh, 2001, page 4

¹⁸ Industrial Policy 2009-14, Government of Chhattisgarh, Section 1.5, page 2.

a) **Recent Developments in Energy & Power Sector**

According to a document of Government of India under the head “Consortium Lending” it is said that the Government of India envisions ‘Power for All’ by the year 2012 which requires ambitious target of augmentation of generating capacity by 100,000 MW. Like the other infrastructure projects, power projects are also highly capital intensive and have long gestation periods and a sizeable part of the investment is required to be made by the private sector. However, in the absence of uniformly acceptable approach, private sector projects are bound to face numerous hazards in obtaining finance like multiplicity of appraisal by participating institution, stipulation of different types of terms and conditions, different procedures/methodologies for disbursement and monitoring leading to delays in achieving financial closure and expeditious project implementation.¹⁹

Realising the above situation, Power Finance Corporation (PFC) in association with Life Insurance Corporation (LIC) and four other Indian Banks had established a Power Lenders’ Club (PLC) in August 2005 to provide single window financing solutions for clients in the private power sector and to achieve expeditious financial closure. It is essential to take a note that both PFC and LIC are Government of India undertaking. Subsequently, with the joining of Housing & Urban Development Corporation Ltd. (HUDCO) and eight other Indian Banks, PLC has now emerged as a 21 members strong Club. The Consortium approach offered by Club would provide a comprehensive solution to the debt requirements of these projects without the developer having to queue up before a number of lenders to arrange for the funds.²⁰

The PLC has already adopted a Common Loan Approach Form and standardized the loan documents for the convenience of the borrowers and lenders. As on date, PFC with some of the other members of PLC has been associated with funding of three power projects viz. 350 MW Domestic Coal based project of RKM Power Gen in Chhattisgarh, 20 MW Bagasse based project by Viswanath Sugar in Karnataka and 820 MW Konaseema Gas Based power project in AP. Further, M/s. IFFCO Chhattisgarh Power Ltd have placed a Letter of Intent on PFC for providing project advisory, appraisal and loan syndication services for their 1000 MW power project to be set up in Chhattisgarh estimated cost Rs.5400 crore with debt component of Rs.3780 crore.²¹

With the aim to give impetus to Consortium Lending Operations, particularly through the PLC, PFC has recently established a Consortium Lending Group (CLG) headed by an Executive Director. The CLG shall work towards harnessing the huge business potential offered by the Power Sector. CLG is interacting with the Banks and Financial Institutions (FIs) to make an assessment regarding the cumulative exposure which could be taken by PLC members with a view to identify and firm up the various power projects to meet their funding requirements and to facilitate their expeditious financial closure.²²

b) **Strategising Power hub through IPPs: A Scanner of experiences**

Independent Power Producers is a western concept recently adopted by Indian state. Increasingly governments are turning to the private sector for power generation. Some developing countries started allowing private firms to enter electricity generation at the

¹⁹ “Consortium Lending”, http://www.pfcindia.com/consortium_lending.pdf accessed on 16th September 2009

²⁰ Ibid.

²¹ Ibid.

²² Ibid.

beginning of the 1990s. In some countries it began as early as 1970s.²³ IPPs are presented as an attractive option because they are supposed to facilitate investment where a bankrupt public sector can barely afford to make ends meet; and because they allow the private sector to operate without the need for lengthy regulations to be in place beforehand, as the conditions of operating can be specified in the terms of the IPP contract. IPPs are heralded as the start of further liberalisation and subsequent privatisation of electricity.²⁴

However, more and more governments are running into difficulties with IPPs. In countries where such as Pakistan and Indonesia, IPPs have been the subject of protracted legal, political and economic battles. Other countries have seen electricity utilities crippled by payments due to IPPs, for example, the Philippines and Dominican Republic. Others have questioned the generous terms offered to power producers by previous governments and have attempted to limit the damage such arrangements might cause for example, Croatia and Hungary. Despite these difficulties, more IPPs are still being planned in various countries.²⁵

In its origin an Independent Power Producer (IPP) also known as Non-utility generator (NUG) is an entity, which is not a public utility unit, but which owns facilities to generate electric power both for self consumption and sale to utilities and end users.²⁶ According to the US experiments IPPs may be privately held facilities, cooperatives such as rural solar or wind energy producers, and non-energy industrial concerns capable of feeding excess energy into the system. Hence the real idea of IPP is an ideal one which basically supports in generating renewable energy from unexplored sources. Economically it is highly viable both for the privately owned industrial unit as well as the government for the majority of IPPs, particularly in the renewable energy industry a feed-in-tariff provides a long term price guarantee.²⁷

US Congress passed the Public Utility Regulatory Policies Act 1978 (PURPA), establishing a class of non-utility generators, called Qualifying Facilities (QF), which were permitted to produce power for resale.²⁸ PURPA was intended to reduce domestic dependence on foreign energy, to encourage energy conservation, and to reduce the ability of electric utilities to abuse the purchase of power from QFs.²⁹ Another nation that undertook a similar process, although at a later period, was Canada.³⁰ From these two experiences one could comprehend that the real idea behind IPP is to generate non conventional as well as renewable energy sources. Further the intentions of these energy sources also clearly stratify that it is meant to generate green energy generated through solar, wind, waves and other sources.

²³ Kate Bayliss, & David Hall, "Independent Power Producers: A Review of Issues", Public Service International Research Unit (PSIRU), School of Computing and Mathematical Institute, University of Greenwich, November 2000, page 3 accessed from www.psiru.org/reports/2000-11-E-IPPs.doc on March 1, 2010

²⁴ Ibid.

²⁵ Ibid.

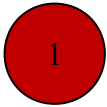
²⁶ http://en.wikipedia.org/wiki/Independent_Power_Producer accessed on January 30, 2010

²⁷ Ibid.

²⁸ Public Utility Public Policies Act, 1978.

²⁹ Ibid, Section 210.

³⁰ http://en.wikipedia.org/wiki/Independent_Power_Producer accessed on January 30, 2010



- *IPPs are means to drain state revenue*

IPPs are sometimes presented as new sources of finance for investment in electricity generation. This is misleading. Investors in an IPP will not construct (or buy) a power plant unless they are sure they will ensure to be repaid (with a profit margin), and so usually require that a power purchase agreement (PPA) is in place. Under the terms of a PPA, the electricity utility undertakes to buy all or partial power produced by a power plant. The price of the power (usually in foreign currency) and the amount to be sold are specified in such agreements.³¹

This highlights a further point – that the financial status of the IPP customer – usually the government-owned electricity utility - is crucial to the IPP obtaining finance for the project. A guarantee from the electricity utility may be underwritten by a government guarantee. The government guarantee is in fact assisting the IPP investors to raise finance – not the other way around. Often the IPP will require that an Escrow account is established to ensure payment. This means that some agreed amount of government revenue (which may or may not be revenue from electricity charges) is siphoned to a foreign exchange account. These funds are earmarked for the IPP and government cannot touch this money. To provide ‘comfort’ for investors, escrow payments may actually exceed those required by the PPA³²

For example in Maharashtra when Enron had come for its huge power plant at Dabhol it had a counter guarantee of regular payment for output from the Maharashtra State Electricity Board (MSEB). The MSEB has set up an ‘escrow account’ collected from electricity consumers on which Enron would have first claim in the event of default, or even delay, in paying the power station: *“If MSEB fails to pay any of its obligations within five business days following the due date for payment, all escrowed amount shall be retained in the escrow account and, to the extent not satisfied by a draw on the phase-II letter of credit, such retained money shall be paid to the company until the unpaid obligation has been paid in full.”* To make the guarantee even more secure, the board gave Enron rights over 25% more than it is owed, *“..... the escrow account would cover at least 1.25 times of the monthly capacity payment owing pursuant to the power purchase agreement”*.³³

The lack of escrow cover in some parts of India has caused a row over who has first right over the revenue generated through the state electricity boards. IPPs want first claim, but they are currently behind financial institutions and banks.³⁴ Some lenders have suggested that they should have access to other aspects of government revenue, such as sales tax.³⁵ Alternatively others have suggested that investors would get some comfort from a government commitment to undertake reforms, in accordance with certain agreed milestones.³⁶ These are likely to include privatisation of transmission and distribution based on the notion that private distribution companies will have a more sound revenue base and therefore more likely to pay the IPPs.³⁷

³¹ Optical cite, Kate Bayliss, & David Hall, page 3.

³² Ibid, page 4.

³³ Amy Louise Kazmin, *“Guarantees ignite flurry of Indian power plant activity: Projects are plunging ahead despite claims that the government has changed the rules in mid-game”*, Financial Times, August 26, 1998

³⁴ *“IPPs FIs Clash on Demand for Revenue”*, Business Standard, May 11, 2000.

³⁵ *“Lenders to IPPs want Recourse to State Revenue in case of Default”*, Financial Express, May 11, 2000

³⁶ *“Power funding to be reform linked”*, Indian Business Insight Database, May 10, 2000

³⁷ Optical cite, Kate Bayliss, & David Hall, page 4.

Under these circumstances there are also questions that the public sectors electricity utilities, such as the State Electricity Boards, would amass extensive debts due to some of existing contracts with the IPPs. This also would raise the trend of privatisation of public sectors. These situations had already turned down the government electricity generation units in Philippines and Kenya. Similar situations could also arise in India.

- *IPPs agreements are uncompetitive and inflexible*³⁸

The terms of power purchase agreements can be fixed for decades, in some cases for up to 30 years and provisions are there for further extension too. Circumstances can change dramatically over such a timeframe. Yet, the terms by which governments have to purchase power from IPPs remain inflexible. Governments are tied into buying the same amount of power, regardless of fluctuations in demand or alternative sources of supply. Prices are fixed in foreign exchange, regardless of how this might relate to domestic prices or to what utilities are able to charge customers. Once PPAs have been signed, it can be difficult to change the terms, not least because of the fear that future investors will be put off by a government that is seen to renege on agreements.³⁹

IPPs are supposed to speed up the project process compared with other government contracts but this has not been the case. Once up and running, IPPs continue to stifle competition. According to a World Bank study, “*PPAs can hamper efficiency in system operations and sector liberalisation. Even if all the output can be freely dispatched, PPA prices deviate from those provided by a competitive pool – prices that are the same for all generators, a capacity charge smaller than that of a base load IPP and time-varying energy charges. The potential for inefficiencies is substantial if the IPPs meet a large share of the load; for example, PPA prices provide no incentive to maximize the availability of base load IPPs in the period when supply costs are highest.*”⁴⁰ This implies that the higher the proportion of power comes from IPPs, the greater the scope for inefficiencies. Based on this logic the lower the proportion of IPPs in power generation would increase efficient the electricity sector.

Investors have no incentive to respond to market conditions or to compete with other producers. The only competition comes in the contract negotiating stage (and not always then). This is in itself a disincentive for new investors as, even if they can produce power more cheaply, the electricity utility is unable to switch to alternative sources for the duration of the PPA. Governments get left with ‘stranded assets’ which means that they are committed to paying higher prices for electricity (or compensation to the IPP), even if a cheaper competitor comes on to the market which might be due to technological progress and access to cheap power inputs.⁴¹

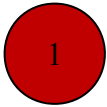
By insulating companies from some aspects of commercial risk, the IPP framework sets an environment in the private sector, which the whole privatisation process seeks to eradicate from public ownership. One of the reasons put forward for privatisation is that government bureaucracies can suffer from ‘moral hazard’. This is the inefficiency that arises from economic actors being insulated from the real risks of their actions. In the private sector, where profits are at stake, the argument is that managers will use resources more efficiently. In the case of IPPs, however, where PPAs are fixed for long periods, another kind of moral hazard arises. Managers have no incentive to respond to market changes or to improve technological practices. The only incentive is to keep

³⁸ Optical cite, Kate Bayliss, & David Hall, page 5.

³⁹ Ibid.

⁴⁰ Yves Albouy & Reda Bousby, “*The Impact of IPPs in Developing Countries – Out of the Crisis and into the Future*” The World Bank, Public policy for the private sector, Note No. 162, December 1998

⁴¹ Optical cite, Kate Bayliss, & David Hall, page 5



profits up and so keep costs down. IPPs are capital intensive and the most flexible cost is labour. Hence, the main 'efficiency gains' one could expect from an IPP over a period of time is downward pressure on wages and numbers employed.⁴²

Gujarat State Electricity Board (GSEB) is a classical example to this where it is to pay around Rs 500 crore to three independent power projects including Essar Power, Gujarat Torrent Electricity Company (GTEC) and Gujarat Industrial Power Company (GIPCL). However, GSEB will not buy power from them because of the fuel that they use (high cost naphtha). GSEB has to continue with payment because it is committed to paying a fixed cost of these power projects as per the power purchase agreements signed between GEB and the three companies.⁴³

High prices and generous concessions⁴⁴

IPPs are an expensive source of power generation. According to the World Bank study, "in the final analysis, it appears that IPPs have often inflated supply prices for utilities".⁴⁵ Prices paid under PPA terms are often so high relative to sales tariffs that they leave no margin for the costs of transmission. Raising prices for the end user is not always a solution as higher prices may just result in less usage or efforts to avoid charges.⁴⁶

The reasons for high PPA prices and generous concessions stem from the terms negotiated between the IPP and the government when the contract is drawn up. Subsequent events may further inflate costs but to a large extent the problems start when contracts are awarded. Some attribute inflated costs to corruption but this is also to do with the inexperience of governments and inflated expectations of IPPs as well as lack of competition.

One of the problems with evaluating the effect of IPPs is that the central utility may already be in financial difficulties and the IPP may not be the only cause of impending bankruptcy. However that where there is a fragile electricity utility, the use of IPPs will make matters worse as the high costs result in an unbearable financial burden. The solution to this situation, according to some (in particular the World Bank) is to privatise the electricity utility. This is proposed in Uganda (in order to make the Bujugali IPP 'sustainable'). However, this does not guarantee success as events in the Dominican Republic demonstrate. Here, electricity distribution as well as generation has been privatised. The result is that the government sector has been squeezed further while the private sector has increased charges and profit margins. The effects have been disastrous with consumers facing massive tariff increases as well as lengthy blackouts.⁴⁷

In Costa Rica, it is reported that the electricity utility the Instituto Costarricense de Electricidad (ICE) paid private generators more than what the company would have produced the electricity itself.⁴⁸ In Dominican Republic, generators increased charges by 51 percent on privatisation. Consumers have suffered and in June 2000, wholesale businesses in the north of the country began to withhold payment of electricity bills in

⁴² Ibid, page 5

⁴³ "GSEB has to give but cannot take from IPPs", Economic Times, September 6, 2000

⁴⁴ Optical cite, Kate Bayliss, & David Hall, page 6

⁴⁵ Optical cite, Yves Albouy & Reda Bousby

⁴⁶ Optical cite, Kate Bayliss, & David Hall, page 6

⁴⁷ Ibid, page 6.

⁴⁸ "Comptroller claims generator constants lack legal footing: Costa Rica", Business News Americas, World Reporter, August 31, 2000



protest against daily blackouts lasting more than 20 hours and 'abusive rates' charged by power companies. The government agreed to absorb 42 percent of the increase leaving customers with nine percent to pay.⁴⁹

This subsidy has been costing the government around five million dollars every month. By July 2000, the Dominican Republic state-owned electricity corporation CDE has accumulated a debt of more than US\$135mn with private generation companies. With mounting arrears, IPPs (which now provide about 40% of the country's power) are pulling the plug on power supplies, exacerbating blackouts which have been lasting up to 24 hours affecting businesses, schools and hospitals.⁵⁰ In Philippines, the average generating cost for IPPs in 1996 was \$76 per MW compared with \$57 per MW for the state-owned utility. Power contracts entered into by the former Ramos administration with independent power producers (IPPs) are bleeding the National Power Corporation to death.⁵¹ In Indonesia state electricity company PT Perusahaan Listrik Negara (PLN) announced a twelve fold increase in losses in the first half of the year 2000. These losses were made despite a 30% increase in revenue over the period.⁵²

In India according to experts, "the demand assessment for power has been the weakest link in the chain for the Electricity Boards. There is a distinct fear in the international lending community that too. Many IPPs are coming into the arena too fast. This would lead to a rapid reversal of the situation from power deficit to surplus. The Central and the State governments have further added to the fears by announcing large and small power projects in the public sector. From the above experiences of turning a state into a power hub is full of economic and financial risks. The idea of establishing IPPs at economic risks of state revenue recalls to the inability of planning at the primary level. This would further weaken the state and its apparatus politically. The abovementioned analysis hasn't calculated the social, cultural and environmental risks involved in the entire process.

IV. The Issues that matters!

a) Land Alienation and Depeasantisation

Land alienation and displacement are integral part of life in mining plazas. In fact land is the lone sources of livelihood in rural areas across the country. In the last two decade, as an integral part of globalisation liberalisation policies large area of land has been taken away from the people for various purposes – mega industries being the major one. While acquisition of the land from the people is a major issue, to the industries – most of them being private including both national as well as international – it is a means of multiplying capital.

An overwhelming majority of the Adivasis are agriculturists. Apparently there are a few Adivasis nomadic by history, culture, character and nature. The settled groups owe land for centuries without any external intervention, mostly in forest areas and fringes. Their entire life process was centered and built upon two major means of production i.e., the forest and the land. To understand the dynamics of land problem in the totality, one needs to understand the logic underlying the forces that govern its ownership pattern. The specific economic form in which unpaid surplus

⁴⁹ Optical cite, Kate Bayliss, & David Hall, page 6

⁵⁰ Ibid, page 6

⁵¹ "IPP deals killing NAPOCOR", Manila Standard, September 20, 2000

⁵² Optical cite, Kate Bayliss, & David Hall, page 7

labour is pumped out of the direct producers, determines the relation of the rulers and the ruled.⁵³

Hence land problem of a particular area has to be understood from its historical perspective. Historical evidences are ample to prove the conception of depeasantisation as the net result of uneven structural changes that have taken place from time to time due to the commoditisation of the Adivasi economy in which land plays a critical and predominant role. This is what has and is happening to the entire Adivasi areas.

b) Privitisation of PSUs

In 2001, Sterlite, a subsidiary of Vedanta took over BALCO's Korba unit in Chhattisgarh along with its mining areas. Sterlite's further acquisition of a 65.9 percent controlling stake in Hindustan Zinc was challenged in the Supreme Court which questioned the legality of the government's sale. The (BALCO) deal is economically irrational, politically deplorable, legally unsustainable and environmentally unsound and it violates the Supreme Court verdict in the Samatha case, which vests ownership of Adivasi land to Adivasis.⁵⁴

Even among the sorry stories of betrayals, caused by privatisation in the mining industry, the abject surrender of BALCO – let alone to a dubious outfit like Sterlite – stunk of expediency and underhandedness. This hasty sale of 51% of India's third biggest aluminum company (brokered by Jardine Fleming of Hong Kong) was seen by some as a 'pre budget maneuver' to balance the government's shaky books. There were allegations that the then rightwing central government deliberately prevented BALCO from modernising on its own terms and with its own funds. In any event, the company was grossly undervalued; according to some estimates, Sterlite secured assets worth up to ten times what it paid for them.⁵⁵ The most immediate victims of the BALCO 'fire sale' were members of its workforce, threatened by redundancies and loss of benefits. Seven thousand workers in Chhattisgarh came out on a lengthy strike.

c) Fragile ecology at stake

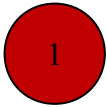
Mining had already brought in numerous ecological concerns and problems in the entire country. Most of the mineral deposits are found in central Indian states like Chhattisgarh, Jharkhand, and Orissa. Heavy deposits of iron ore, coal, limestone, bauxite, dolomite, tin ore, gold, etc. and is also rich in the deposits of precious and semiprecious stones like diamond, corundum, alexandrite, garnet, etc. Coal and iron ore are the key minerals in the state.

For example in Chhattisgarh the following areas within the state containing different minerals are being looked at for future exploitation: Deobhog in Raipur district and Tokpal in Bastar district has been identified for the exploration of Diamond; Bijapur in Bastar district for Corundum; Saraipali of Mahasamund district for Gold and Tin (Cassiterite); Bailadila, Raoghat and areas in Rajnandgaon and Kawardha districts for iron ore; Jhanjhar, Meru, Durg, Bhaupratapur, Kondal area of Kanker district for gold; Renger, Markanar, Vasanpur area of Dantewada district for tin; Chhirahi-Newari, Saradih, Garrabhata and Patharkundi village of Raipur district and Sakti area of Janjgir district for limestone. In addition 500 lakh tonnes of high grade dolomite has

⁵³ Shyama Prasad Rout, *"Land Alienation and Adivasi People's Rights: A Case Study of Mayurbhanj District in Orissa"*, JNU, New Delhi.

⁵⁴ Praful Bidwai, in *Frontline* May 2-25 2001

⁵⁵ *"Vedanta Resources plc Counter Report 2005 Ravages through India"*, by Nostromo Research and India Resource Center, London, page 12



been found in Lagra-Madanpur in Champa-Janjgir district; 5 lakh tonnes of metal grade bauxite in Dorima (or Barima) of Surguja district; 220 lakh tonnes of coal has been identified in Hardi Bazar-Kertali in Korba district; 170.4 lakh cubic metres of flagstone having different shades and colours has been demarcated on the revenue land of Chitrakot and Matkot area of Bastar district; clay and banded haematite quartzite (BHQ) in the Balod area in Durg district.⁵⁶

The mining areas have a huge overlap with the forest and Adivasi areas in the state and the increasing mining activities and allied industries have had a tremendous negative impact on these. A study by the Forest Survey of India (FSI) looking at 'Forest cover in metal mining areas' shows some revealing statistics. In Bastar region, one of the biodiversity rich areas of Chhattisgarh, out of the 13470 hectare area under leases for iron ore mining, 11657 hectares are covered by forests.⁵⁷ This of course indicates the forest within the actual lease, but the impact on the forests, biodiversity and the communities dependent on this region due to ancillary impacts of mining extends far beyond the actual lease area.

Another instance is the Bailadila hill ranges is a 36 km long and 10 km wide hill range located in the Dantewada district of Chhattisgarh. The area is characterised by rugged terrain and heavy rainfall. It harbours rich biodiversity. Its upper ridges are covered with dense deciduous forest and the lower slopes and banks of the *nalas* consist of semi evergreen species. Varied physiographic elements and microclimatic conditions, in association with vegetation, have made this area a treasure house of medicinal plants. Excavation of iron ore has caused immense damage to the Bailadila hills and adjoining water resources and land. NMDC started exploitation of iron deposits in 1962 for export to Japan for which a railway line from Kirandur to Vishakapattanam was constructed. The influx of people from outside and mechanical and manual mining operations have ravaged the area. This can be clearly seen around Kirandur, Bachel and Bhansi where units of NMDC are working.

Forest destruction continues unabated to this date for iron ore mining, timber and firewood requirements. Mining operations have caused tremendous pollution in the water of river Sankhini and other rivers and streams.⁵⁸ As a consequence of runoff from the mines, a 32 km stretch of the Sankhini river is called '*lal pani*' (red water) by the Adivasis; who see the "*earth bleeding from the wounds inflicted on it by the miners.*" The impact on both the terrestrial and aquatic ecosystems in the region has been tremendous.

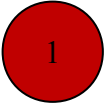
The afforestation done for rehabilitation also involves the use of non native species such as Eucalyptus, *Peltoforum sp.*, *Acacia auriculiformis* and Gulmohar (*D. regia*). This region lies south of the Bhairamgarh sanctuary and west of Pamed sanctuary.⁵⁹ The area has been recommended to be declared as a biosphere reserve by an ongoing biodiversity planning initiative, which also emphasises the need for NMDC to shoulder the responsibility to restore biodiversity in the degraded areas and protect rest of the areas still having valuable biodiversity.⁶⁰

⁵⁶ "Chhattisgarh Biodiversity Strategy and Action Plan" (draft), 2002, Forest Department, Chhattisgarh.

⁵⁷ A study of FSI, 199 (unpublished). Cited in State of Forest Report 1999, Forest Survey of India, Dehradun, page 62.

⁵⁸ "Central Forest Belt Biodiversity Strategy and Action Plan" (draft), 2002. This was part of the ongoing National Biodiversity Strategy and Action Plan. Vidarbha Nature Conservation Agency

⁵⁹ Neeraj Vagholikar, and Kaustubh A. Moghe with Ritwick Dutta, "Undermining India Impacts of Mining on Ecologically Sensitive Areas", Kalpavriksha, 1999, page 18.



One of the major threats to wildlife habitats in Chhattisgarh is due to proposed diamond mining in protected areas. It was reported in 1999 that the Udanti and Sitanadi wildlife Sanctuaries in the Raipur district of Chhattisgarh and their connecting corridors are threatened by the proposed diamond mining. The proposed mining is mainly around the Udanti sanctuary. Udanti holds some of the last herds of the wild buffalo and the mining will also cause great loss of habitat contiguity for wildlife in this region.⁶¹ In January 2001 it was reported that the Union Government had ordered an inquiry into illegal mining carried out by B. Vijay Kumar Chhattisgarh Exploration (BVKCE) in Deobhog in Chhattisgarh in the year 1999. The company had been given a 'prospecting license over large area' of 4600 sq. km. The firm had illegally collected jeeploads of diamond soil from inside the Udanti sanctuary and samples had also been sent to Australia and South Africa for testing.⁶² More recently several companies have been granted reconnaissance permits for diamond in Chhattisgarh.

d) Mechanisation and Rights of Mineworkers

The issue of mechanisation is closely linked to the question of industrial production, and to the question of the size of the organised industrial workforce and consequently, to the question of unemployment.⁶³ Up till the 80s whatever mechanisation has taken place was primarily due to certain bilateral agreements. Dumping of obsolete machinery and technology in the third world, especially in India, is destabilising the very economy. The deployment of machinery should be undertaken only when it is keeping with the economic, social and cultural needs of the specific locality and country.

Another critical issue related with mechanisation is that of contract labour. Industrial development and contract labour system coexist in the country like twin brothers. Contract labour system is diametrically opposite to any intension of employment generation.

Here is another example. In Chhattisgarh at Mainpat, the biggest single bauxite mining complex, around thirty Adivasi workers, unhelmeted, clad in shirts and saris under a blazing sun, as the lateritic overburden was blasted. The same story is that of the workers in the Daldali mines owned by the same company Vedanta. Virtually all Vedanta's bauxite miners are contract labourers. They earn just over 60 rupees (less for women), for loading one tonne of ore. In Daldali it is different story since the rates are different for different group of people. Those who could bargain better rates get better and those who couldn't bargain it to their level are the lost ones. Particularly the Baigas, one of the primitive tribes adopted by the President, couldn't bargain to the extent of the Gonds. Nevertheless it won't be more than 60 rupees per person per day.

Again in Mainpat their habitations are small thatched hovels, perched over the quarry, deprived of electricity and adequate water. "*There's only one hand pump to serve 150 families,*" a young Adivasi woman worker, Mati Shahu, told us. "*The company provides no medical facilities and if someone's injured we have to take them ourselves by taxi down to the plains*", informed another worker. Villagers at another, slightly better appointed settlement close by, complained that, day and night, the silica laden dust from the mining blew into their windows, covering walls and floors.

⁶⁰ "Central Forest Belt Biodiversity Strategy and Action Plan" (draft), 2002. This was part of the ongoing National Biodiversity Strategy and Action Plan. Vidarbha Nature Conservation Agency

⁶¹ "Threat to Udanti", Tiger Link News Volume 5 No. 1, January 1999.

⁶² Indian Express, January 10, 2001

⁶³ Shankar Guha Niyogi, "Mines Mechanisation and People", in "On A Rainbow in the Sky... The Chhattisgarh Mukti Morch", Centre for Education and Communication, New Delhi, page 48-57.

In June 2005, Vedanta's contract labourers at Mainpat went on strike against the appalling conditions to which they are subjected. On July 18 2005, another 2,500 contract workers at the BALCO Korba expansion project 200 km further north, went on strike to protest a worker's death on duty. On July 19th 2005, police baton-charged the striking workers, injuring seven, instead of consoling the family of the deceased that has four children.⁶⁴ Last year's chimney accident in Korba is another instance of keeping the people in darkness. Although an inquiry has been ordered, the real culprits are still at want.

e) Shrinking Employment Opportunities

Reduction of employment is gripping heavily under globalisation liberalisation policies. On one hand sophisticated technology and mechanisation will directly reduce the possibilities of employment and on the other hand schemes like VRS and ESS are retrenching the workers thereby decreasing the number of employees in each sector. There are clear indicators of this in Chhattisgarh too. For example in 1984, in Bhilai Steel Plant, 96,000 workers were employed but today there are only about 42,000 workers. The production has tripled but the number of workers has fallen. According to one of the retired managing directors, BSP can go full swing with just 6,000 workers. They have such plan of massive mechanisation and automation.⁶⁵

There is a cement factory run by Ambuja group (formerly by Modi group) in Chhattisgarh, which has the largest production capacity in Asia. Its total capacity was 10.46 lakhs in 1992 but to produce that they have engaged only 300 workers. 30 years ago Tata had put up a cement factory in Jamul near Bhilai. It had a production capacity of 4 lakh tons and the number of workers are 1800.⁶⁶ Mechanisation goes to such extents that in future it may need only two or three employees to run the entire plant. The prophets of industrialisation talk about prosperity and creation of jobs, but what is actually happening is extremely shocking.⁶⁷

f) Refutation of rights

Refutation of the rights is characteristically multidimensional – one is the denial of the eligible rights of people in mining zones, another is the flouting of law by the State machinery and third is the rights of the mineworkers. Looking at the aspect of denial of rights, certain constitutional provisions are also not taken care while executing the project. Apart from this, there are some other laws with specific provisions in terms of land acquisition, right on common property like water, forests, etc. provisions preventing any sort of mining activity within the Scheduled Area and so on. PESA is fully ignored. In most of the places such violations have become a common routine. Labour laws are never practices with mineworkers. In almost all the places these mines are recruiting contract labourers. Some of the commonly violated articles of the Constitution of India under fundamental rights are Article 19 (e), (f), (g), (i), (o). Similarly under the Directive Principles of State Policy Article 38, 39 (a), (b), 46, 47, 48, Article 51 (g), (i) are grossly violated.⁶⁸

Mining in forest areas grossly violates major provisions under the National Forest Policy 1988 such as Sections 2.1, 2.2, 3.1, 3.2, 3.4, 3.5, 4.3, 4.4, 4.6, and 4.9.⁶⁹ Similarly in

⁶⁴ IANS report, July 20 2005

⁶⁵ "Dance of Life & Dance of Death", Programme for Social Action, 1992 page 41-42.

⁶⁶ "Dance of Life & Dance of Death", Programme for Social Action, 1992 page 42.

⁶⁷ Goldy M. George, "Questions arising from the new statehood", The Hindu, 31st October 2000.

⁶⁸ For further details refer to the Constitution of India

⁶⁹ National Forest Policy, 1988.

Scheduled Areas all provisions with regards to the provisions under the Panchayat Raj Act are clearly violated. In Section 4 (a) it clearly states, “a state legislation on the panchayats that may be made shall be in consonance with the customary law, social, and religious practices and traditional management practices of community resource”. Further Section 4 (b) says, “every gram sabha shall be competent to safeguard and preserve the traditions and customs of the people, their cultural identity, community resources and the customary mode of dispute resolution”⁷⁰. The Scheduled Area Act or the Panchayat Extension to Scheduled Area Act (PESA) is one powerful weapon in fighting unjust mining. Gross irregularity and corruption in granting the mining lease are involved.

In Chhattisgarh there is a specific provision holding back the transfer of Adivasi land to non Adivasis under section 170-B of the Land Revenue Code.⁷¹ This again is not a national policy barring the transfer of Adivasi land to non-Adivasis. In addition to this land could be taken away via land acquisition in the name of National Development.

g) Absence of Resettlement and Rehabilitation Policy

Though the inception of planned economic development brought in a lot of infrastructure projects, they have also displaced a number of people. Yet there is the absence of a proper national resettlement and rehabilitation policy. Neither at the national level nor at the state level there exist any specific legislation for rehabilitation of the project oustees, particularly in those areas where the land settlement hasn't been executed in accordance with the traditional land holding patterns among Adivasis. Hence there is difficulty in claiming rehabilitation as a matter of constitutional rights after displaced. Although there are certain policies stands against people's aspiration. In fact this very policy undermines the possibility of Adivais rights in many ways.

V. Planning and Commissioning: India on Sale!

From the above, there is no doubt that mining has in no way benefited the people. There are several instances where people have strongly resisted the different moves of such mining companies. They had resisted the land acquisition process, challenged the environmental procedures, and expressed their strong discontented against any such action. In most of these areas PESA as a law had been abandoned by the officials thereby superseding it with other legal acclimation, while on the contrary people's resistance had been turned into a law and order problem. In Scheduled Areas, it is seldom allowed to exercise their rights under the provisions of PESA.

Therefore in a general overview one could find the depletion of natural resources like water, forests, land, declination of food grain produce and productive process, depletion in the arability of cultivable land, pollution of water, air and land and an alarming decline of democracy as an institution in these areas. Hence under these circumstances it is essential to look into the question of the professed national development through mining in the Adivasi areas vis-à-vis Adivasi development through local and natural resources. Never in the past, have the state and industry kept their promises with the ordinary people.

Conflicts over mining have existed for more than four decades in different forms in. In earlier days such disagreements were not taken to be conflicts as such, but only as immediate questions related to inadequacy. Another reason for limitation of these

⁷⁰ For further details refer Panchayat Extension to Scheduled Area Act 1996.

⁷¹ Section 170-B of the Chhattisgarh Land Revenue Code.

conflicts is the limitation of trade union movements in industrialised areas to understand the gravity of the problem and address it thoroughly. The standpoints of trade unions were only one dimensional; related to an increment in wages or matters related with labouring class. The Union could never address the entire question of mining in totality. Moreover mining has been strongly presupposed as a major means of industrial development contributing to the state economy. Even organised trade unions find nothing wrong in mining as such. So how the vehicle of development could be understood as a conflict was another question. Over the course of time the very definition of state and its economy has changed. This has impacted the general thought process of the opinion building class.

These middle class thoughts have much reflected in all the policy documents of the state. A few aspects are crystal clear flipping the mineral policy, the industrial policy, the investment policy, the environmental policy, the water policy, the land utilization policy and the compensation package. It is meant for increasing private and foreign capital in the mining sector by creating conducive business environment to attract private investment in the State. The state will provide counter guarantee in case of any loss incurred by such foreign companies. All social, political, environmental and legal hindrances have been slowly and strategically cleared for the entrance of these private sectors. For realising this, administrative procedures have been simplified and all procedural impediments are taken care by the state. Now the Forests Conservation Act 1980 is considered to be the biggest obstacles.

Mining invariably brings about environmental destruction, human displacement and non-repairable ecological imbalances. It undermines the amount of disparity it brings due to land acquisition. The indigenous people are denied of their eligible rights in mining zones and laws are flouted by the State machinery. The rights of the mineworkers are also flouted. The aftermaths of mining could be gazed in the following few points.

VI. The Final Word

The picture is lucid that how the concept of industrialisation under planned development and now under globalisation liberalisation policies had adversely affected the masses. In this situation, where are the people going to be listed? The choice and space is limited. It is also clear that the land acquisition and free market economy goes hand in glove. In a market economy people are disallowed to exercise their free will at least in the matter of disposing their land at the market price.⁷² The mechanism of compensation and rehabilitation is too much supportive to the corporate sector; this only pauperises the poor than a change in their destiny. The principles of compensation often forgets or never estimates that on the very first day of reaching a rehabilitation colony, a poor family has to buy firewood, which they procured free from the Common Property Rights (CPR).⁷³

Land is a productive asset but people are more emotionally attached with the land in many ways. For many it is the symbol of their freedom. To some it is the image of their fight against the upper caste. It represents the mark of reiterating the lost identity. To many it is the icon of self-determination, coexistence and community feeling. But to the corporate sector and agents of development it is a commodity to

⁷² Prafulla Samantara, “*People’s Rights to Livelihood and Sustainable Development in the Context of Steel Projects at Gopalpur*”, A pamphlet.

⁷³ Goldy M. George, “*Global Capital Vs People’s Power – People’s Struggle Against Gopalpur Steel Plant and Corporate Giants*”, National Centre for Advocacy Studies, Pune, 1998-99, page 28.

be consumed. The state also takes side with these so-called think tanks. Land can be purchased and sold for commercial purpose. Or even it could be acquired forcefully. The common man of the country sacrifices himself for the relish and enjoyment of the elite.⁷⁴ No mining company could compensate the loss that people have to suffer.

Today the trust of the disinherited has been shattered and disowned by the disingenuous attitude of the state. In many cases even the highest offices of the President and the Governor closed eyes and remained disabled to use their prerogative powers. All attempts were only to sugar-coat and water-down the efforts of democratic protests and opposition, which give an impetus to the mining companies to capitalise the situation and overthrow the people's aspirations. Questions pertaining to human rights violation go unheard.

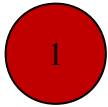


This abominable and abhorrent attitude, the odious and repulsive demeanour, the atrocious and heinous actions of the state puts forward an array of questions. The hire and fire formula of the capital-fascist brigade, the coherence of world capital with global fascism is permeating glaringly. It is under this context questions what sort of planning does the many commissions did in the context of mining and for whom it was needs to be addressed. This litmus test is on the meaning of planned development, the meaning of displacement and eviction, the parlance of rehabilitation and resettlement, etc. With such a drastic situation one can't honestly laud kudos to the entire phase of planned development. The state should become more responsible and accountable to the masses and needs to undergo a serious planning with a bottom-up formula. Otherwise this land would be vacant without people by the next generation!

⁷⁴ Goldy M. George, "*The Politics of Land and the Besieged Lot*", A paper presented during the annual get-together of CHETHANA, Madanapalli, Andhra Pradesh, 2001, page 5-6.

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