

INDIAN MINING AT THE CROSSROADS

The conflicting challenges that the mining sector faces have fuelled the opposition against various projects. As a result, it is necessary to carry out constructive discussions with all stakeholders on the various issues and concerns over mining.

There has been some social tension building up in relation to the setting up of cement plants across the country. At the time of writing this article, two incidents have come to light — unrest in a Rajasthan village and protests during a public hearing regarding the proposed setting up of a plant in Tamil Nadu.

It is true that it has almost become fashionable to oppose any new industrial activity, mainly to increase the bargaining or negotiating power of a few vested interests. The government revised the MMDR Act in 2015, and made amendments to it mainly to facilitate the sale of distressed assets. However, it has been

observed that the people affected by mining projects generally get a raw deal due to their lack of education and low social status.

The revised MMDR Act provides improved hope to the project-affected communities. However, the real impact of the amended legislation will



be seen only after a few years; it is too premature at this juncture to judge the success or failure of the new Act.

What the revised Act says

In earlier issues of the Indian Cement Review, Dr Hari Dandi had covered in detail the changes that have been ushered in by the amended Act. Here are the key takeaways from his analysis:

1. The Act was amended with an objective to bring in transparency, obtain fair share of value of mineral and eliminate delay in grant of concession. It also prescribed auction of all minerals including limestone.
2. The *inter-se* cost differences between units with raw material linkages and those without could be significant. Hence cost of acquisition of reserve or its location will consequently have a significant impact on the cost of manufacturing of cement.
3. Under the new law, if a mining lease is granted, then the mine has to come in production within three years.
4. As against the earlier provision of 30 years from first grant, and two renewals thereafter of 20 years each, (total 70 years), concessions shall now be granted for 50 years without any renewal clause.
5. Two additional cesses — District Mineral Foundation and Mineral Exploration Trust cess are now levied.

Further amendments were brought in to facilitate the sale of distressed assets of few corporates, to help overcome financial difficulties, a move which was welcomed by the industry.

State governments are now auctioning their mineral deposits. In case of limestone, Chhattisgarh was the first state which put its assets on the block. The auctions will be in line with the revised Act, and will lead to

generation of extra revenue for various states.

Indirectly, there should be a trickle-down effect from these royalties that states would receive, and the auction proceedings should benefit the project-affected people. But a few caveats do exist. With the payment of royalties on limestone extraction, the cost of manufacturing clinker which is today around Rs 650 per tonne, likely to go up, with 10 per cent of the total cost of manufacturing clinker comes from lime stone alone. Ergo, if the cost of limestone mined through auctions goes up, the cost of finished cement is likely to increase for the end user. That's the flip side of the story.

Innovations

In this issue, we have covered the innovations carried out by the Anglo Australian mining conglomerate Rio Tinto, which is putting in lot of effort to bring down the cost of mined commodities to remain viable in business. It has been the first company to try out driverless trucks on a very large scale. These vehicles operate on a 24x7 basis. In the next phase, Rio Tinto will use driverless trains to transport the material for longer distances. As a result, the entire mining industry across the globe is curious to know if these innovations become a success.

Use of remote sensing, information technology and computer science is now established mainly in areas like exploration, mine planning and maintaining a fleet of the required heavy vehicles. With the use of technology, various difficult mining tasks are being made easy, but there's a flip side here, too. There is bound to be a reduction in manpower as machines gradually start taking over routine, menial jobs.

Maintenance of vehicle fleets

AK Halder, of BEML and

H Jayaram of GMMCO, heads of major players in the equipment industry, are pulling out all the stops to provide comprehensive service to users. Every equipment manufacturer is valuing the service provided to the user, which is a big differentiator in the trade. Enhanced service levels have the potential to generate more business from existing users.

Social impact of mining

Chandra Bhushan and Srestha Banerjee from the Centre for Science and Environment, New Delhi, have published a report titled 'Losing Solid Ground: MMDR Amendment Act, 2015', a comprehensive document which addresses many lacunae in the amended mining legislation.

Globally, it is now recognised that the wealth generated by mining comes at a substantial development cost along with environmental damages and economic exclusion of the marginalised. This has led to a new thinking about the ways in which mineral wealth can be converted into sustainable development benefits for local communities. Most of these new approaches are built around a framework in which compensation, benefit-sharing, community development and social & economic reconstruction after mine closure are the key aspects. The assumption is simple: wealth generated by mining is not for companies and governments alone — places and people affected by mining must share the benefits.

At the end, the amended MMDR Act is a good piece of legislation, but only time will tell if it manages to usher in change. It is certain that the mining industry has to prosper, for the development of the country. But this prosperity should not come at the cost of the poor and marginalised sections of society which are impacted by mining activities. 