

CLEAN THY COAL

Certainty of punishment can be the only way to stop flourishing corruption



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Coal has long been the face of thriving corruption in India both as a means as well as an end in itself. Indian Coal economy has been a victim of the 'vice of arbitrariness and legal flaws' as the Honourable Court has put it. The recent Supreme Court decision terming all coal block allocations between 1993 and 2010 as 'illegal' should be taken as an opportunity and a blessing in disguise by the industry and the government alike to clean up the mess.

The government has rightly not opposed the deallocation of all the coal blocks. All the 218 mines allocated during the period, whose allocation process has been questioned by the Supreme Court should be deallocated. Any move to save any mine from deallocation would be counterproductive. The price attached to deallocation of producing mines would be a price well paid, for the growth of the coal economy and various industries dependent on coal as well as a shot in the arm for the bigger war against corruption.

Moreover, the companies that have been allotted mines have already made windfall gains through access to cheap resources for so long. Deallocation of coal mines is not new and there are examples of deallocation of mines on charges of corruption in other countries as well. The government of New South Wales, Australia had in the past supported the recommendations made by the corruption watchdog Independent Commission against Corruption (ICAC) into how coal mining licenses are managed across the state leading to cancellation of coal licences. The opaque coal economy would get an opportunity to be transparent and conducive for growth on similar lines in India.

The Indian industry should also support this deallocation, since it would present an opportunity to start with a

clean slate. For long the corporate sector in India has been not so vocal against corruption. Corruption though affects the majority in industry; a handful finds it convenient to bend the system in their favour to mint money. This has flourished due to absence of certainty of punishment. One who benefits from this collusive corruption wants the status quo to remain. The guilty needs to be punished and we need to have certainty of punishment to arrest the loot.

The observation of the apex court indeed calls for certainty of

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punishment. India has the third largest reserves of coal. But the irony lies that we are one of the largest importers of coal and would shortly overtake China to become the largest importer in the world. The fallacy lies in our coal policy which requires a complete overhaul. I am confident that the new government through its dynamic leadership would be able to put the systems in place.

A pragmatic coal policy is vital for the country's economy as coal forms the backbone of two critical industries, namely power and steel. A vibrant power sector and a dynamic steel industry are vital to fuel India's industrialisation and in fulfilling the "Make in India" mission of our Prime Minister.

It would be wrong to blame Coal India for India's low coal production. One company cannot meet the burgeoning demand of a growing economy. The fault is in the "ill-conceived" Coal Mines Nationalisation Act. The Act, at the time of its formulation, did help in consolidation of small unorganised mines into a single entity, thereby increasing safety parameters, safe-guarding the miners, stopping rampant illegal mining and making coal mining an organised industry. However, on realising the pitfalls of this Act - that comes in sync with demand, we took the easier route of bypassing it by introducing captive mining concept.

The concept of captive mining is laced with an undue benefit to the captive user, as the allottee gets access to coal at a much cheaper rate than the market rate. The allottee of captive mine is thus at a more advantageous position compared to its peer in the industry and it defeats the concept of level playing field which the government should always present unbiased to all industries. Irrespective of the process of allotment that is followed, the captive policy also does not solve the problem of increasing production. The captive miners though sitting on coal reserves more than their requirement were constrained to not sell coal to the market which continues to starve of this resource and is forced to import. The pitfall of importing is not restricted to the importing company but also to the general economy which is known to all. To add to this, captive mining had led to the development of small and fragmented mines that have not been able to enjoy the economies of scale.

Furthermore, process industries may not have the expertise in mining and it should be left to mining companies that excel in this field to ensure that the nation gets full benefits of its vast mineral resources.

The time has come for which the

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Supreme Court has already set the ball rolling, to remove the concept of captive mining and to introduce private mining for commercial purpose. We should identify mines, have all the clearances in place and privatise them through an open and transparent auction. Private miners should be allowed to sell coal openly to the market which would in itself increase India's coal production many folds and we would be able to meet our demand for power industry through domestic resource.

An independent regulator may be brought in to oversee and check any violation. Any violation should be dealt with certainty of punishment within a stipulated time frame. We should not miss this opportunity to open up coal sector in India, increase our coal production and most important, rid it of crony capitalism by bringing in transparency.

