NOTE

DISCRIMINATORY MINERAL POLICY

Bharat Jhunjhunwala writes:

Articles 294-296 of the Constitution provide that State Government will be the owner of underground resources such as coal, oil and iron ore. Accordingly it is free to charge royalty on the exploitation of these resources. But the Central Government enacted the Mines and Minerals (Regulation and Development) Act 1957 and declared "it is expedient in the public interest that the Union should take under its control the regulation of mines and development of minerals." The Central Government now fixes the rates at which the State Government may collect royalty. The Sarkaria Commission had held this attitude of the Centre to be unjust. It had quoted Dr B R Ambedkar that the Constitution was "unitary in extraordinary situations, such as war or emergency, and, federal in normal times." Surely 'public interest' cannot qualify as extraordinary situation to invoke Central interference in the ownership of the States.

The matter at hand is fixation of low rates of royalty by the Central Government. Dilip Bisoi writes in *Financial Express* that Orissa Government collects royalty of about Rs 90 crores on sale of iron ore of Rs 9,000 crores annually or at the rate of one percent. Hemlata Rao of Bangalore-based *Institute of Social and Economic Change* writes in a study titled *Economic and Fiscal Impact of Royalty Rates of Coal and Lignite in India* that the Central Government has revised the rates of Royalty only four times in 27 years although the 1957 Act provides for revision after every four years. As a result State Governments cannot collect royalty as per their assessment on resources owned by them. No wonder Jharkhand Chief Minister lamented in his speech before the National Development Council in 2005 "Industries being set up in Jharkhand are denied coal linkage from the mines of the state. At present, the coal mines in Jharkhand are being tagged to the so-called core sectors elsewhere while our industrial units are being denied coal linkage from within the state..."

According to Hemlata Rao, the Centre argues a rise in the price of coal due to increase in the royalty rates makes the domestic coal industry lose its market. However, she refutes this argument. The final landed price of coal is influenced more by the pit head price of coal and railway freight than by royalty, she says. Thus the Central Government must make efforts to reduce the cost of production and railway freight-both of which are under Central Ministries-rather than encroach on the right of States to collect royalty. □□□