



Coal is Gold: The 'Coalgate' Scam

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Abstract

India is a land of diversities and cultures. It is a democratic nation and elects its own Government to rule it and formulate policies and implement them for the benefit of its people. It also deals with collection, allocation and disbursement of funds for the purpose of development of the economy. India being rich in mineral ores, has a huge market for the same. But in the past few years, many unwanted scams and cheats have been seen in the economy. One such scam is the 'Coalgate' scam which involves crores of rupees. This paper intends to find out the view of general public and their level of awareness about such an event which is shocking to the entire country.

Introduction

The coal allocation scam, popularly known as 'Coalgate' in media. It is a political scandal that was surrounded by the UPA govt. in 2012.

As we all know India is a country rich of minerals, spices, and so does have huge deposits of coal. There are many blocks of coal in India which is under government control.

The government allocates these coal blocks to public and private individuals or enterprise for use. The proper procedure of allocating these blocks is that there must be an auction held for these coal blocks and the interested enterprises can participate in those auctions. The highest bidder is given the coal block for his or his enterprise's use. This is/was the legal and correct way to allocate the coal blocks.

But in this scam the government allocated 194 coal blocks wrongly to private enterprises for their captive use but the right procedure was to that the interested private enterprises has to bid in the auction.

It came to light when the Comptroller and Auditor general of India (CAG) accused the government that without being the auctions conducted the 194 coal blocks were allocated to private individuals/enterprise for captive use. This scam is considered the biggest scam in India and has involvement of many high profile people in this scam.

What is Coal Allocation Scam?

The coal allocation scam, or 'Coalgate' as it is popularly referred to in the media, is a political scandal that engulfed the UPA government in 2012. The scam came to light after the Comptroller and Auditor General of India (CAG) accused the government of India for allocating 194 coal blocks to public and private enterprises for captive use in a flawed, between 2004 and 2009.

CAG Say-

The premise of the CAG's argument was that the exchequer suffered a huge loss and public and private entities enjoyed windfall gains, because the government's policy of allocating coal blocks was non transparent. It alleged that despite having the opportunity to bring in transparency, the government did not introduce the process of competitive bidding. It also found that many politicians lobbied for allotment to certain private players raising questions about crony capitalism. The CAG also said some private players got more coal blocks than needed for their captive operations and several companies sold coal meant for internal use in the open market. Many firms were also found to be squatting on blocks for years on end.

Facts & Figures

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Facts

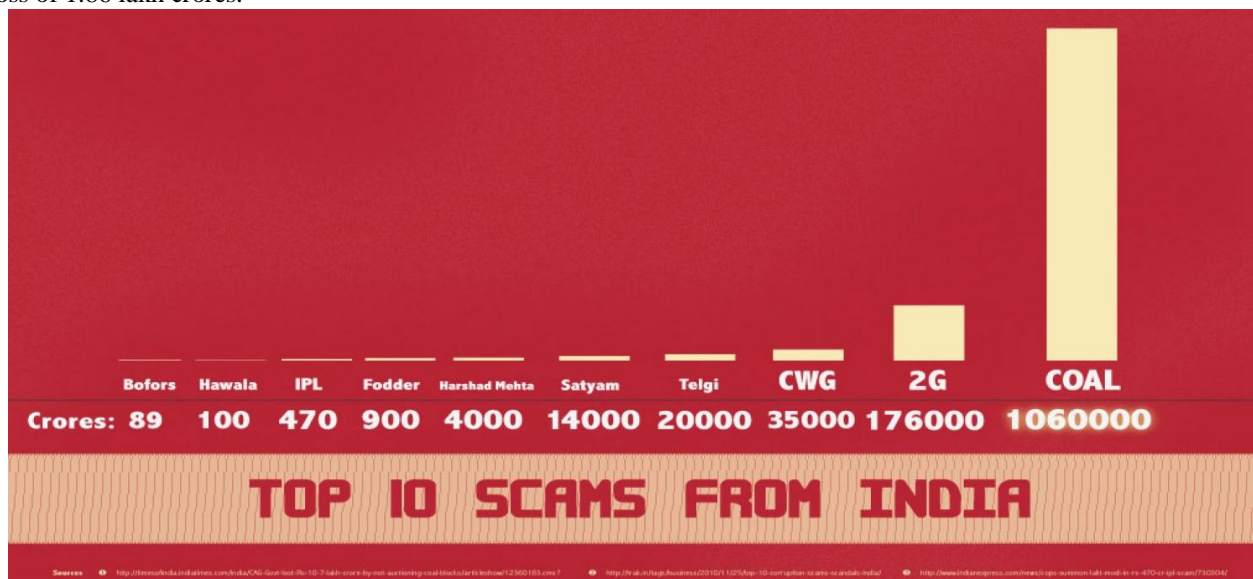
India is a country which is facing the problem of corruption since many decades. And it has also faced many scams and scandals. There are many scams that occur in the country out of which some are detected and many are not known to the common public.

There are many scams that have taken place in our country. Few of them are:

- 2G Spectrum Scam – 2008 – 1.76 L Crore
- Wakf Board Land Scam – 2012 – 1.5-2L Crore
- Commonwealth Games Scam – 2010 – 70,000 Crore
- Satyam Scam – 2009 – 14,000 Crore
- Bofors Scam – 1980s & 90s – 100 to 200 Crore
- The Fodder Scam – 1990s – 1,000 Crore
- The Hawala Scandal – 1990-91 – 100 Crore

There are many more hundreds of scams and scandals but the ones mentioned here are those which have taken a huge toll in the country and affected the country massively.

And the coal allocation scam is the biggest scam ever detected in the country as in this scam the country suffered a loss of 1.86 lakh crores.



Coalgate

Coal allocation scam or coalgate is a major political scandal regarding the allocation of coal blocks to public sector entities and private companies, without competitive bidding .

It came to light when Comptroller and auditor general of India (CAG), indicted the government of India of allocating coal blocks in a wrong manner during the period 2004–2009. Over the Summer of 2012, the opposition BJP filed a complaint resulting in a Central Bureau Of Investigation (CBI) probe into whether the allocation of the coal blocks was in fact influenced by corruption.

Government had the authority to allocate coal blocks by a process of competitive bidding, but chose not to do so this is the motive of CAG’s argument. Which resulted both public sector enterprises (PSEs) and private companies paid less than they might have paid .

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At the initial report of CAG only said that the blocks of coal could have been allocated with more efficiency and the government could have earned more profit. At no point he says that there was any corruption in the allocation. The question of corruption arose by the complaint of BJP by which the Central bureau of Investigation (CBI) was told to investigate the matter.

The CBI has named 12 Indian firms in a First information report (FIR), the first step in a criminal investigation. These FIRs blame them of exaggerating their net worth, failing to tell past coal allocations, and hoarding rather than developing coal allocations. The CBI officials investigating the case have guessed that bribery may be involved.

The matter received large media response and reaction from public. And in a session of parliament the BJP questioned government way of handling all these and asked Prime minister’s resignation. Also they refused to have any debate due to which there were only 7 sessions which had to be 20.

The government said that the delay in introducing the auction process was a result of coalition politics. It also alleged that opposition ruled states opposed the auction methodology. The government defended its allocation policy saying maximization of revenue shouldn’t necessarily be the government’s prime motive, as an auction can lead to higher prices hurting consumers. Prime Minister Manmohan Singh has rebutted the CAG’s report and claims there was no misdoing.

What has been the output?

A complaint filed by the BJP resulted in the CBI starting a inquiry into described corruption in the allocation of coal blocks. The CBI has so far lodged 14 cases against individuals and firms including high profile industrialists like Naveen Jindal and his company JSPL, Kumaramangalam Birla, Congress MP Vijay Darda and his brother Rajendra Darda, JLD Yavatmal Energy Limited, AMR Iron & Steel Private Limited, Vini Iron & Steel Udyog among others. The CAG report also resulted in the formation of an Inter-Ministerial Group (IMG) to decide on de-allocation of coal blocks that were not developed on time. The IMG recommended de-allocation of 13 blocks and forfeiture of bank guarantees of 14 allottees including the likes of Tata Sponge, GVK, Arcelor Mittal, Monnet Ispat & Energy, Adhunik Metaliks etc. A Standing Committee report has suggested that allocation of all coal blocks between 1993 and 2008 was unlawful, searching licenses of those mines where production hadn’t started to be cancelled, in effect prosecuting both the NDA and UPA administration.

Coal Allocation Guidelines

The guidelines for the Screening Committee suggest that preference be given to the power and steel sectors (and to large projects within those sectors). They further suggest that in the case of competing applicants for a captive block, a further 10 guidelines may be taken into consideration:

- status (stage) level of progress and state of preparedness of the projects;
- net worth of the applicant company
- production capacity as advised in the application;
- maximum recoverable reserve as proposed in the application;
- date of enabling of captive mine as proposed in the application;
- date of completion of detailed exploration (in respect of unexplored blocks only) as proposed in the application;
- technical experience (in terms of existing capacities in coal/lignite mining and specified end-use);
- recommendation of the administrative ministry concerned;
- recommendation of the state government concerned (i.e., where the captive block is located); track record and financial strength of the company.

These were the guidelines which has/was to be followed for allocation of the coal blocks to public companies or private companies by the government but these were not followed fully .

The CAG Report

The CAG report, leaked to the press in March as a draft and tabled in Parliament in August, is a performance audit focusing on the allocation of coal blocks and the performance of Coal India in the 2005–09 period. The Draft Report, stretching to over 100 pages—far more detailed and containing more explosive allegations than the toned-down Final Report of some 50 pages—was the document that sparked the Coalgate furore. The Draft Report covers the following topics:

- 1 Overview
- 2 Audit Framework
- 3 Institutional Framework
- 4 Gaps in Supply and Demand
- 5 Coal Blocks-Allocation and Production Performance
- 6 Production Performance of CIL
- 7 Conclusion and Recommendations
- 8 Annexures

As far as Coalgate is concerned, the key passages of the Draft Report are in Chapter 5, where the CAG charges that:

- In 2005 the Government had the legal authority to allocate coal blocks by auction rather than the Screening Committee, but chose not to do so.
- As a result of its failure to auction the coal blocks, public and private companies obtained "windfall gains" of ₹ 10673 billion), with private companies obtaining ₹ 4795 billion and government companies obtaining ₹ 5078 billion

CBI and Income Tax Investigation

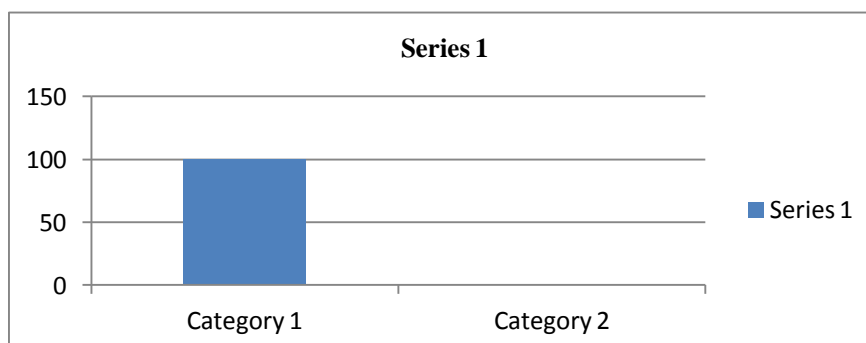
- On 31 May 2012, Central Vigilance Commission(CVC) based on a complaint of two BJP Member of Parliament directed a CBI enquiry.IT dept. also started an enquiry based on the reference by the two BJP MP's
- There were leaks of the report in media in March 2012 which claimed the figure to be around rs,10600 billion . It is called by the media as the *Mother of all Scams*. Discussion about the issue was placed in the Parliament on 26 Aug 2012 by the Prime Minister, Manmohan Singh with wide protests from the opposition.
- According to the Comptroller and Auditor General of India(CAG) this is a leak of the initial draft and the details being brought out were observations which are under discussion at a very preliminary stage. On 29 May 2012, Prime Minister Manmohan Singh offered to give up his public life if found guilty in this scam.

Survey

In order to find out the awareness of general public in relation with this scam, we have conducted a short survey amongst few people within a small region of learned respondents. A questionnaire was designed for the same and circulated amongst these respondents and the results are as follows:

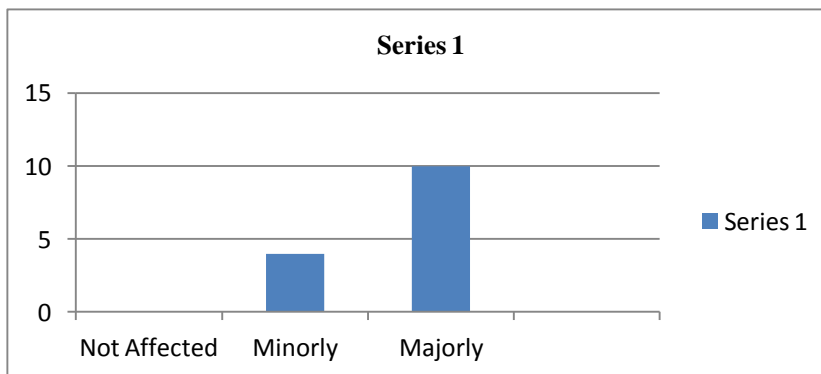
Disclaimer: The survey conducted was only an attempt to check awareness & opinion of the general public. The questionnaire was not made to hurt or challenge the decisions, actions or opinions of any person or legal phenomenon. The intention of the survey is purely academic and statistical and is not used for any other purpose. The authors do not take any responsibility of the outcome of the survey what so ever.

1. Are you aware of the coal allocation scam?



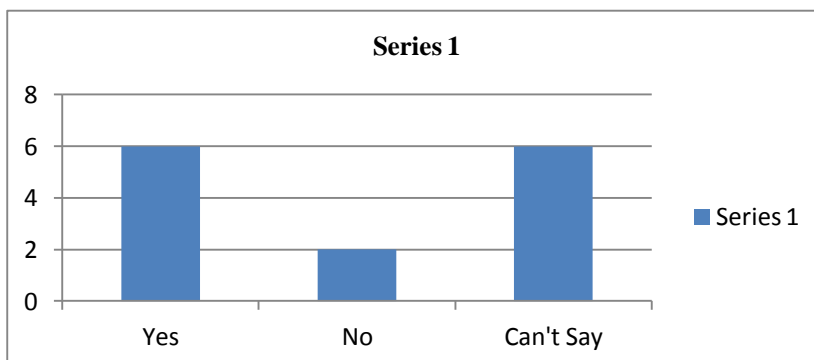
As seen in the above graph, all the respondents are very well aware of the 'Coalgate' scam.

2. How much our economy was affected due to this scam?



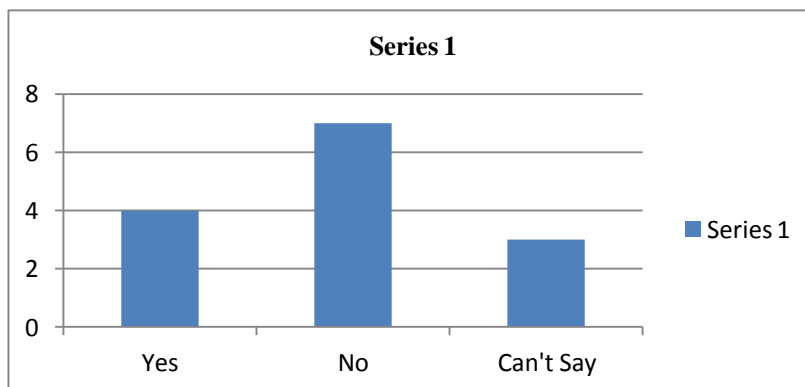
The scam has majorly affected the nation’s economy. This question was introduced to find out the level of damage our nation thinks the scam has done. According to the survey 71% respondents believe that it has majorly affected the nation. 29% believe that the scam has minorly affected the nation and nobody believes that this has not affected the nation at all. This shows that the scam has definitely affected the nation at large.

3. Is CAG’s (Comptroller and Auditor General of India) report authentic according to you?



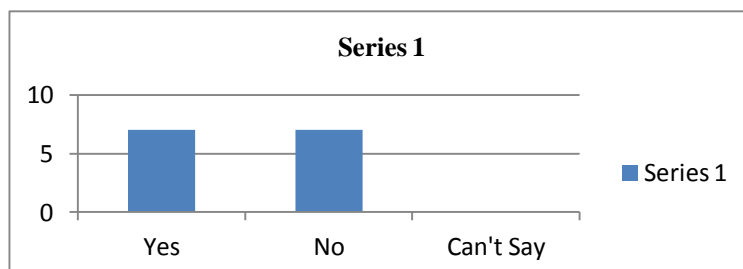
As per the above graph, it is clear that people have equal opinion about the authenticity of the CAG’s report. 42% people have put their faith in the CAG’s report and another 42% are neutral about the report. 16% of the respondents do not accept the CAG report to be true.

4. It was considered as the biggest scam of India, so, for avoiding more such scams is/has the government taking sufficient actions?



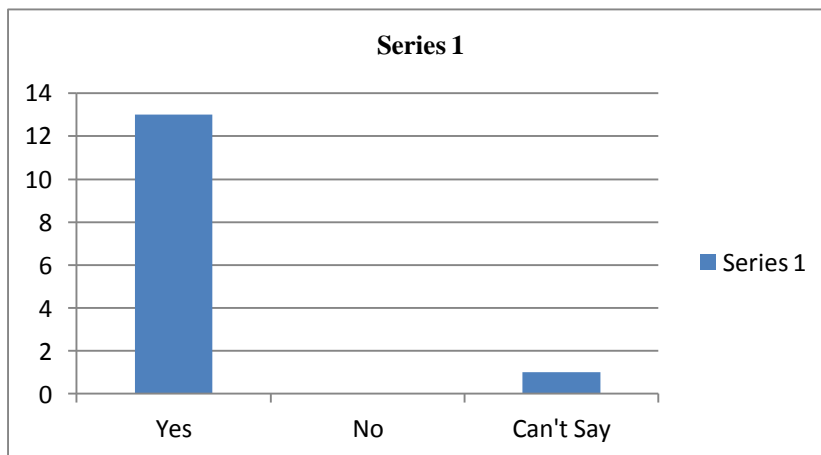
The above graph shows that 28% respondents feel that the Government has taken proper initiatives for avoiding and curbing such crimes and scams. 50% respondents still do not feel that sufficient action had been taken for the same. Whereas, 22% have neutral opinion.

5. Do you think the CBI will be able to investigate properly as there are names of many high profile people included in the scam?



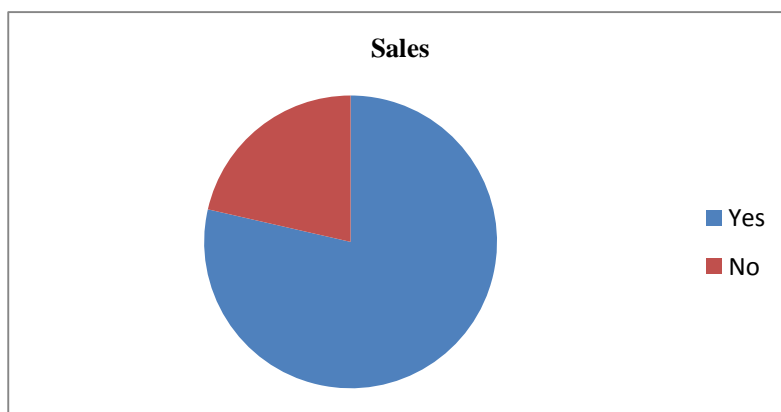
This question deals with the investigation of CBI in the matter and there is equal response for people who think the investigation is moving in the proper direction and for those who do not believe in the investigation i.e. there is 50% response for both and nobody is neutral about this question.

6. Do you think ‘Coalgate’ is more vast and has deeper roots than it is showed to us?



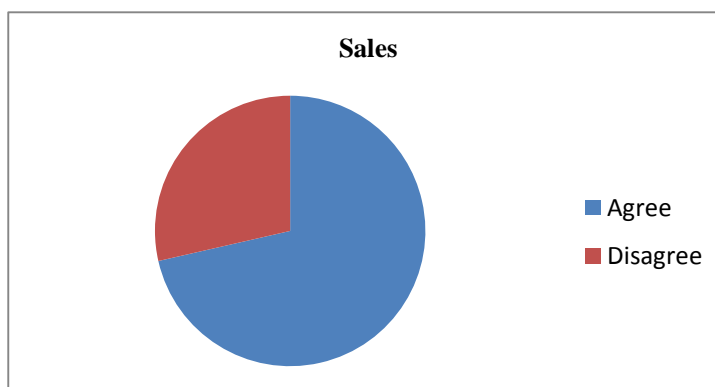
As seen above, 93% people believe that this scam is much deeper than what it is known presently.

7. Is there lack of transparency in our system?



79% respondents agree to the fact there is lack of transparency in our system whereas 21% respondents believe that our system is transparent and clear to understand.

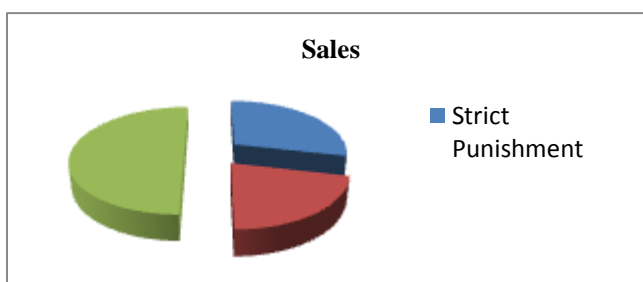
8. Has media played an important role in this scam?



As seen above, 71% respondents feel that media has played a very important and vital role in the whole scenario whereas 29% respondents disagree to the role of media played in this entire scam.

9. Do you think that one of the following mentioned steps will be helpful in preventing these acts in the future?

- Strict punishment
- Minimum qualification for politicians
- High level vigilance committee should be formed



As seen above, 29% respondents believe that stringent punishment should be decided for such scams; 22% people say a minimum level of qualification should be decided for politicians to attain a particular post. 49% respondents believe the best step taken should be forming a high level vigilance committee to investigate the matter properly.

Conclusion

There are many scams in past that our country has suffered but this one that is “Coalgate scam”, was a very big and huge scam. This scam was from 2004-2009 ,and was of 1.86 lakh crore rupees. This is a very huge amount. This is also the biggest scam in India till date. During the research, many respondents also were of the opinion that it becomes the prime responsibility of the Government to keep in check all such records and not act only when the damage has been done.

Reference

- 1) https://en.m.wikipedia.org/wiki/Indian_coal_allocation_scam
- 2) <http://m.indiatoday.in/gallery/coal-scam-how-india-lost-rs-1.86-lakh-crores/1/7610.html>