

## **Lokayukta Report: Facts on Transportation of Iron ore in Bellary**

(For more details see complete Lokayukta report at <http://ibnlive.in.com/news/read-ktaka-lokayukta-report-on-illegal-mining/171489-53.html>)

### **METHODOLOGY OF THE LOKAYUKTA IN GATHERING INFORMATION**

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Documents were seized in 2010 during an Income Tax raid based on which the following information has been presented by the Lokayukta.

### **ACTIVITIES INVOLVING**

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The documents reveal information about a group of companies including Obulapuram Mining Company Private Limited, Anantapura Mining Company, Associated Mining Company (all owned by Janardhana Reddy and his associates), Sri Minerals and Basaveshwara Minerals (whose Managing Partner is BV Srinivasa Reddy, who also is Managing Director of the Obulapuram Mining Company owned by Janardhana Reddy). This group followed the process below in the mining of iron ore in excess of permits out of Bellary -

1. They identified mines which did not have permission to operate or were engaged in boundary disputes
2. Took control of 16 such mines through “raising contracts” with 50-100% production sharing agreements. This is in violation of the law as permission is needed from the Government whenever there is any change in the control of a mining lease.
3. They then involved transporters and middle traders to supply ore in excess of permit from these mines to exporters and domestic consumers through front companies (for e.g. Lakshmi Aruna Minerals, named after the wife of Janardhana Reddy) created by the group.

The total estimate of iron ore mined in this manner is 73,99,314 MT of iron ore, amounting to around Rs 1850 Crores.

This also involved the recorded payment of bribes amounting to Rs. 2.46 crores to 617 officials of various rank and cadres of all connected departments, for favours such as non-checking of overload and trip sheets, allowing lifting of waste dumps from all type of lands, allowing extraction of floating ores from patta lands and forest land, excess removal of ore from regular leases, allowing transportation without payment of royalty and forest development tax.

The transportation of the illegal iron ore would occur through a system known as the ‘risk’ system, i.e. the transporter would pay the bribe if caught, after collection of risk amounts from the miners. One such risk transporter K. Mahesh had a documented collection of Rs. 40.92 crores at the rate of Rs. 75 to Rs. 200 per MT based on the risk involved. The risk amount collected would be drawn as cash and would reach “Sri G.J. Reddy Sir” who would provide all necessary permits and assure unimpeded transport, a system that came to be known as the ‘zero risk system’.