

CASE : STERLITE COPPER SMELTING UNIT.

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Sterlite Copper Smelting Unit (SCSU) was a copper producer plant promoted by Vedanta Group led by Mr Anil Agarwal. SCSU was set up in Thoothukudi in Tamil Nadu. It was operating from 1996 and had acquired an important place in economic development of the region. It had built up a production capacity of 4 lakh tonnes per annum and provided direct employment to 3500 people and indirect employment to about 30000 people. It had invested Rs 2500 crore and was planning to invest another Rs. 3000 crore to add to the existing capacity to reach the 8 lakh tonnes per annum production of copper. About 45% of copper needs of market in India were met by SCSU.

Doctor Copper :

Copper occupies a special place in the industrial input. It is a base metal and has versatile applications across utilities, heavy industries, transport and communication. Therefore Economists term it as “ Doctor Copper”. The price of the copper which is determined by the demand and supply dynamics is considered to be an excellent indicator to the health of global economy. Economists use the term Doctor Copper when using the signals from copper prices to gauge the state of the economy. Analysts believe that meltdown in London Metal Exchange copper prices in 2008 was an early warning signal of global financial crisis that unfolded later in that year. The correlation between MCX copper prices and the NSE-500 index for the period between 2015 and 2018 is very high (0.85) suggesting that stock market moves in tandem with domestic copper prices.

Pollution:

The production process is prone with water and air pollution. This necessitates pollution control. The sulphur dioxide that comes out during the production process needs to be treated. Further the effluents let out in the water leaves the water contaminated. The danger of health hazards therefore always looms large in the area.

History of SCSU :

Initially SCSU was slated to come up in Ratnagiri-Maharashtra in 1993. But there the locals protested the setting up of the plant and after a year long protest, the location was shifted to Thoothakudi – TN in August-1994 with clearance from Ministry of Environment and Forest.(MoEF) The licence was obtained from TN pollution control board to operate the plant which was granted in 1996.

The locals began to complain of health issues like cough, headache, choking which they blamed on the factory discharging the pollutants. The complaints slowly led to the entry of environmentalist and politicians who started taking up the issue.

In 1998 Madras High court ordered the plant to be closed but later modified its order and asked the National Environmental Engineering Research Institute to conduct a study. The study did not reveal any major causes for health hazard. The operations were allowed to continue.

After a period of 12 years, citing the violation of law and causing environment pollution, the court ordered the closure of SCSU. SCSU went to Supreme Court who stayed the high court order. Hence the operations were not stopped.

In 2013 The Supreme Court fined SCU Rs 100 crore for polluting land and water in the area on account of gas leak.

In 2016 SCSU applied for expansion of plant capacity by seeking permission from MoEF which was granted. SCSU got 342 acres of land from the State Industries Promotion Corporation of Tamilnadu (SIPCOT) for Phase-2 expansion. In July-2017 the construction activities commenced.

Looking at the expansion activity by SCSU and the permission given by the authorities the organized protest began. To mark the 100th day of the protest a strong crowd of 20000 people gathered to show the solidarity and concern. They started the demonstration on 22, May, 2018. Looking at the law and order situation the police resorted to the firing which left 11 people dead on that day and later another two taking the tally to 13 in all. Scores of others including the policemen were injured in the incidence.

The fallout :

The incidence left 13 people dead and many injured. The Govt announced the compensation of Rs 10 lakh to the families of dead, Rs 3 lakh to the with major injury and Rs 1 lakh to with minor injury respectively besides assurance of an employment in Govt on compassionate ground subject to eligibility.

There was widespread criticism of the police firing. The opposition blamed the Govt on inept handling of the situation and held it responsible for the loss of life and property. They demanded removal of Sate Police Chief and action against the police officers who gave the firing orders.

The Govt defended its action stating law and order situation going out of control and threat to the life of innocent imminent. It claimed that there was involvement of antisocial elements.

Police started picking up the suspected from their homes which sent fears down the spine of people and many were upset over the police behaviour. The people alleged that police did not listen to them when they pleaded for their innocence. The fear gripped the area.

The DC and SP of the region were replaced. Govt ordered the inquiry by a retired Judge to look into the police firing and situation leading to firing.

The Tamilnadu Pollution Control Board rejected the SCSU's application for 'Consent to Operate' which was expired on 31/03/2018 and was applied for renewal by SCSU. Directions were issued to disconnect the power supply to SCSU following the non renewal of 'consent to operate' and the power supply was disconnected.

The govt took the decision to close down the SCSU in the interest of public and invoking the applicable and relevant provisions of a Act. The DC sealed the factory.

The Madras High court saw about 50 PILs (public interest litigation) filed seeking various remedies to the affected in violence.

The National Human Rights Commission (NHRC) sent in its team to conduct the inquiry of the incident.

The UN Human Rights experts called for in-depth investigation into the incident.

Amnesty International expressed its view that the Govt was shockingly under prepared to peacefully control the massive protest.

In London where the Vedanta Resources is listed and has its head quarters, the main opposition Labour Party described the company as 'rogue' corporation and called for its delisting from London Stock Exchange.

There were protests in UK before the HQ of Vedanata Group by the organization called Foil Vedanta.

The Civil rights organizations also stepped in and took up the issue. SIPCOT declared that it would take back the 342 acres of land allotted to SCSU for second phase of expansion.

The social media was abuzz with various messages and forwards hence to stop the spreading of rumours the Govt disabled the internet for few days which caused lot of hardship to those who had to upload exam forms and such documents in the process of their routine work.

The CEO of SCSU in an interview blamed the outfits who were spreading the wrong information about the company and creating ill will amongst the people deliberately by misrepresenting the facts. He expressed his willingness to talk to the people to clarify as to how the company was taking care of pollution.

What Next :

Though the factory was sealed, its power was snapped and land allotted was called back, the issued was leading to long drawn legal battle. The settlement looked a function of time and the resumption of work a remote possibility.

The issues for discussion.

1. How Companies like SCSU prone for pollution should be managed
2. What is the role of the Govt and various authorities.
3. What is the eco system required and to be created for society and business to coexist.
4. Did the Govt fail to read the unrest and was found not prepared to handle the situation.
5. What SCSU could have done to avoid this incident
6. Besides the legal remedy are there any options left for SCSU now.
7. Should the company go beyond the mandatory CSR and engage with the society.

The case is written for class room discussion. It is based on the reports appeared in the print media for 10 days after the police firing took place. Facts presented are based on those media reports.

Ref; Business Line Paper and The Hindu Paper dated May, 23rd to June 5th, 2018.