

Exploring illegal sand mining issues in selangor



July 15, 2010, 8. 35 am. Kamal was already late to work that morning. The traffic was at a stand still although it was only a stone throw a way from where he was to the main gate of the Selangor State Secretariat Building. From inside his car, he could see that the main gate to the state secretariat building was kept closed. Curious, he rolled down the window and stuck his neck out to investigate more of what was happening. From where he was, he could see two opposing protesters with banners and handmade posters, chanting and jeering angrily to one another. If his eyes could be believed, he also saw a scuffle broke out. “ Wow, this sand mining issue has really turned into a sandstorm this time around “, he murmured.

Yet, what he did not understand though was that illegal sand mining in the state has been around as far as his memory could remember. “ These guys should really look at the real issue here. Illegal sand mining was not successfully addressed before and it is not being addressed successfully now either!”, he said to him self. The time showed that it was already 9. 30 am when Kamal finally managed to inched his car passed through the main gate. Kamal was really upset that morning and only hoped that the government could quickly find ways to solve effectively this problem for good.

Kamal’s sentiment on the illegal sand mining issue is shared by many in Selangor. This problem has been plaguing the state government for so long that people are now demanding it to be addressed effectively. However, the fact that illegal sand mining activities have been able to continue for so long only proves that the steps taken by the state government- previous and current - have been largely ineffective.

Illegal sand mining is essentially an economic activity. Just as any other economic activities, the operations of sand mining follow some economic rationals and principles. It is through studying the economics of it that effective solutions to this illegal sand mining problem could be found. Hence, the utmost important thing to do first for the state government is to analyze the problem from the economic perspective before any problem solving solution could be introduced. For the Menteri Besar Tan Sri Khalid Ibrahim, that means putting on his economic thinking cap and going back to the drawing board.

BACKGROUND

Recently, there was a public outcry over the issue of sand in Selangor being illegally mined by unscrupulous sand miners. The reaction from public is understandable given that illegal sand mining in Selangor is rampant. According to the State Agriculture Modernization, Natural Resources And Entrepreneur Development Committee Assistant Chairman, Shuhaimi Shafiei¹, the Selangor government has recently shut down five major illegal mining spots in various districts in the state but has also identified 30 smaller ones with an output of up to 600 lorry loads a day. The emergence of these smaller illegal mining sites, according to him has doubled the amount of sand illegally mined and sold. The illegal miners have also become bolder in their tactics to avoid from being spotted and caught which only makes it more difficult for the authorities to arrest the problem.

So rampant is the illegal sand mining in Selangor that it has now become controversial and attracted close media attention. At the height of the tension, the news media reported the issue almost daily. Each time the

<https://assignbuster.com/exploring-illegal-sand-mining-issues-in-selangor/>

media made reports, there would always be accusations hurled on who was to be blamed for this fiasco. The current State administration is blaming the sand piracy on its predecessor while the predecessor is saying otherwise. The contentions between these two sides on this issue are still going on and do not seem to have abated.

To be fair, the old and current administrations understand the seriousness of the situation and have carried out ways to curb the illegal sand mining in Selangor. The former administration, for example, had created a special enforcement team to monitor and prevent sand theft while licenses were only issued for sand mining on private land or in old tin mines, and not on state-owned land. This was done to make the monitoring of the illegal sand mining easier. In contrast, the current administration is addressing the issue by consolidating sand mining in the state under a newly formed state-owned company, Kumpulan Semesta Sdn. Bhd. (KSSB).

The truth is, illegal sand mining and the issues surrounding it are not something new in Selangor. In the olden days, sand used to be found in abundance after the tin mining industry in the state wound up, and could be bought cheaply where buyers needed to pay only for the transportation. However, due to the rapid and persistent economic development growth in the states especially in the construction sector, the demand for sand shot up and effectively turned sand into a much sought after mineral. It's a no brainer then to understand why the sand industry be legal or otherwise to thrive.

In the mean time while the debate continues on who is to be blamed, the illegal sand miners on the other hand continue to have their field days in plundering this lucrative asset. The sand siphoned from illegal mines in the Sepang, Kuala Selangor, Hulu Langat and Kuala Langat districts and are said to be sold at RM18 to RM20 per tonne have built a multimillion ringgit industry².

A REAL PROBLEM FOR SELANGOR

The illegal sand mining which has been going on for so many years has brought many problems to the state. The State government for one has lost some direct revenues due to its inability to collect royalty for sand extraction from the illegal miners. The actual revenue lost from royalty due to the illegal sand mining is very hard to come by since it is very hard to estimate the volume of sand that have been stolen.

However, The Malaysian Insider in its 31 May, 2010 report quoted an estimates by the State government which showed that there are at least 30 illegal mining sites operating in Selangor with output capacity of up to 400, 000 tonnes a month or 4. 8 million tonnes a year. This has resulted in revenue lost of around RM728, 000 a month or RM8. 74 million a year³. At the recent Select Committee on Competency, Accountability and Transparency (Selcat) public hearing, Kumpulan Semesta Sdn Bhd (KSSB) executive director Ramli Abdul Majed said that based on a report from KSSB's consultant, the company could only net up to RM31 million in sand royalty from the sale of 15 million tonnes of sand a year⁴. Hence, the revenue lost due to illegal sand mining is as high as 28. 2% of the total potential revenue for a year from sand royalty. This estimate in lost revenue

however may be an underestimation because there could be more illegal sites than already identified. According to Ramli, there were 46 illegal sand mines at 23 locations in Selangor⁵. The revenue lost could have been used for other purposes like providing assistance for genuine entrepreneurs, better rural roads, better social welfare program or others.

The illegal sand mining have also brought about irreversible destruction to the environment due to the indiscriminate ways that the illegal sand miners are employing. Already, the ecological balance of the State's rivers has been disturbed causing deterioration in the quality of its water. The concern over the deteriorating water quality of the States' rivers has moved Syarikat Bekalan Air Selangor (M) Sdn. Bhd. (Syabas) to set up toll-free river watch telephone hotline. The hotline which has been in operation since 1997 has enabled the public to inform Syabas of incidents of pollution such as the indiscriminate dumping of untreated waste, illegal sand mining and logging activities which Syabas have highlighted to the relevant authorities for enforcement⁶.

The State's tourism sector can also suffered negative impacts due to the damage sand mining brought to the environment. Already, there has been mounting pressure from several parties like the Tourism Minister Datuk Seri Dr Ng Yen Yen⁷ and environmentalist group, The Malaysian Nature Society to make the State government take decisive action to stop the sand mining from being detrimental to the Paya Indah Wetland in Dengkil, Selangor⁸.

Illegal sand mining activities also causes inconvenience to people's life. The lorries carrying loads of sand have badly damaged paved roads, creating

potholes and endangering other road users. Not only that, illegal sand mining activities have also damaged the public utilities assets in the State. In October 2008, three pipes channeling water to the Semenyih plant burst, disrupting supply to 75, 000 households in Sepang, Kuala Langat and Hulu Langat districts and the damage was due to suspected sand-mining activities⁹. In another event, it was reported that three Syabas pipes burst due to illegal sand mining near Jenderam cutting off water supply to 350, 000 residents¹⁰.

GOVERNMENT POLICY ON SAND MINING: IS IT EFFECTIVE?

In trying to better manage the sand industry, the current government has taken a different approach than what had been practiced by the previous administration. One obvious difference is by consolidating the industry through a newly set up of state government-linked company called Kumpulan Semesta Sdn Bhd (KSSB).

Under the new arrangement, the licenses for mining are still issued by the district offices and KSSB has no authority to issue licenses. However, KSSB is the only company given the licenses to sand mine in the state. This is because instead of issuing licenses to individual contractors that have applied for the licenses as previously done, the district office now issues the licenses only to KSSB. KSSB then choose through open tenders, suitable contractors which have the capabilities and expertise in sand mining to carry out sand mining activities. KSSB will then pay royalty to the State government on the sale of sand, based on calculations that had been agreed upon earlier. Through this arrangement, it is hoped that the sand mining

activities could be monitored easier and minimize illegal sand mining activities.

The State government has also beefed up in terms of its enforcement. According to the Selangor State Secretary Datuk Ramli Mahmud¹¹, enforcement officers have been identifying several illegal mining locations and conducting spot checks every day. This effort has to some extent been successful. “ As proof, we have seized 27 excavators, 33 lorries and other machinery in connection with illegal sand mining conducted on State land from last year till early this year in Klang, Sepang, Gombak, Hulu Langat, Kuala Selangor and Kuala Langat ” he said. However the challenge in carrying out enforcement is still there. According to the Sepang District Officer Mohd Amin Ahmad Ahyia¹², “ We believe there are many more mines and we are constantly surveying the areas but the touts are not making it any easier for us. Since the closure of some of the hotspots, our movements are constantly being monitored. Some of our officers face intimidation from them but fortunately nothing untoward has happened as they (enforcement officers) have kept their cool,”. The State government has also introduced the “ Rakan Pasir” SMS service for public tip-offs on sand-theft and reward scheme to encourage the public and law enforcers to restrict these illegal activities¹¹.

However, what the state government has done so far has not really been effective in curbing the illegal sand mining activities in Selangor. Judging from the recent public outcry on this issue, one can safely assumed that illegal sand mining in Selangor is still rampant, at least for now.

THE ECONOMICS OF ILLEGAL SAND MINING

Demand outstripped Supply

Sand is something that is never short in demand, in fact the demand for it in places like Selangor and the Klang Valley are very healthy. As the State's economy grows better particularly in the construction and construction related industries, so does the demand for sand. In fact, for the next 10th Malaysia Plan, the demand for sand in Selangor could be shifted higher since the state is projected to increase its total Gross Domestic Product (GDP) from RM120.186 billion in 2010 to RM157.932 billion in 2015 and construction sector's GDP from RM4.68 billion in 2010 to RM7.74 billion in 2015¹³. Echoing to this, the Master Builders Association Malaysia (MBAM) president Kwan Foh Kwai¹⁴ said: "As the 10th Malaysia Plan output machinery goes into full gear, the need for sand will increase as more projects are expected to be implemented in the year 2011 to 2015,". He added that consumption of sand before 2007 was about 15 to 17 million tonnes and that if the 10th Malaysia Plan was to be implemented on schedule, the requirement of sand consumption could approximately reach 20 million tonnes.

However, there is some concern by the industries that the recent controversy over the sand mining could get worse to the point that the supply of sand is affected. To avoid this, Kwan suggested that "the government should consider opening up more sand pits and issue more licenses, according to market demand to avoid shortage of sand supply." The possibility of supply shortage is real as it had already happened before in 2006 where as a result of the shortage, the price of sand has shot up by as much as RM40 a tonne compared with RM15 to RM18 a tonne¹⁵. The

shortage in supply of sand could also cause delays or worse still, bring projects to a standstill.

The projected higher demand of sand due to the coming 10th Malaysia plan and the shortage of supply to meet the demand could fuel the illegal sand mining industry.

Elasticity of Demand

To some industries, sand is the crucial input to the final product. As such, these industries are dependent to the use of sand than any other industries. According to the Master Builders Association of Malaysia (MBAM) secretary general Yap Yoke Keong¹⁵, sand is the essential ingredient of the construction sector because “ We can’t make a single brick without sand. We need sand for piling, concreting, to build roads and drains,”. Besides the construction sector, some manufacturing companies also depend on sand as a raw material. The Federation of Malaysian Manufacturers (FMM) Selangor branch president Tan Sri James Alfred said most building material manufacturers had limited stocks to fall back on and “ If they do not get their sand supply, production of tiles, bricks, concrete beams, pillars could be halted,” ¹⁵.

The degree in which some industries are depending on the availability of sand only seems to suggest that there are no other close substitutes for sand available. With the lack or non existence of substitutes coupled with the fact that it is an essential item to some industries, the demand for sand tends to be inelastic. With the demand tends to be inelastic, a price increase would not cause the quantity demanded for sand to drop that much.

Market Structure

The decision to set up KSSB by the state government is not without criticisms. Many parties complained that the state government has actually assisted in creating a monopoly in the industry. This monopoly, as some accused, has actually resulted in the illegal sand mining industry to thrive. How is this so?

With monopoly, KSSB is able to set its own price for sand. However, the price currently set by KSSB is well above the market price of RM18 per tonne¹⁶. The Selangor Youth Council's vice president Badrul Hisham Badrudin revealed that currently KSSB has set its price for sand at RM21 per tonne, which makes the price of sand in Selangor the highest in the country¹⁷. The difference in the two prices has presented opportunities that could be exploited and helped make the illegal sand mining industry thriving. Even the licensed miners have also been alleged to have sold sand in the black market as it is more lucrative¹⁶.

Meanwhile, Tengku Shaiffuliazan Tengku Zainal Abidin of the Selangor Malay Sand Operators Action Committee (SMSOAC)¹⁸ criticized that the move by the state government to only allow KSSB to obtain sand mining permits has resulted in sand mining operations being monopolized by companies or traders with large capital. He added that the smaller operators could not afford to become contractors for KSSB because of the steep RM300, 000 annual guarantee deposit to extract sand. The cost would also be higher if petrol and operation costs were included. The royalty imposed for river sand extraction of RM6. 00 per tonne is also high and not profitable for operators. The monopoly of KSSB and the difficulty in entering the lucrative industry

<https://assignbuster.com/exploring-illegal-sand-mining-issues-in-selangor/>

due to the impositions of entry barriers like the high guarantee deposit and high royalty rate could have encouraged some operators to resort to illegal mining. Prompted by this concern, could be the reason why MBAM has asked the government to issue more sand pit licenses to minimize illegal mining and prevent a monopoly.

In trying to break the monopoly, SMSOAC has urged the state government to get KSSB to hand over management of sand mining in the state to the District and Land Office. The call for the monopoly over sand mining to be broken could also be heard from within the administration. Mohamed Azmin Ali (PKR-Bukit Antarabangsa) said a healthy competition would be created if private companies were given the opportunity to join the fray while enhancing corporate governance and transparency¹⁹.

Marginal Benefits vs Marginal Cost

The illegal sand miners are into this for economic reasons. High in demand, somewhat short in supply, inelastic nature of its demand, low technology requirement, free natural sources, no complicated process to extract and refine have all contributed to the benefits of sand mining. While there are high benefits in sand mining, the cost of doing it illegally is pretty low.

Although there are already heavy penalties for illegal sand mining and graft related to illegal sand-mining activities imposed by the State and Federal government, these penalties only put into effect if the offenders are caught. So far, the illegal sand miners have had it easy for them in terms of enforcement by the authority. They have been able to work around some enforcement loopholes to enable them to continue with the illegal activities.

According to Arfa'eza Aziz, press secretary to the Selangor Menteri Besar, the state relied on the district office to act against illegal sand-mining operations. The district office acting as the enforcer can only send agents from time to time and when they make their raid, the illegal operators stop their sand-mining operations. Hence, she said, " The enforcement officers very rarely catch them on the spot,". To make matter worse, the State Executive Councilor for Environment Elizabeth Wong¹⁶ said the illegal sand industry has a complex support network, including bad hats in enforcement agencies. " The syndicates even installed CCTVs all along the roads leading to the illegal sites and on site to detect the movements of those who go in and out.", she added. Since the chances of getting apprehended is slim, the illegal sand miners and those who work in cahoots with them became more aggressive in doing their business.

EPILOGUE

What new or improved solutions to this illegal sand mining problems can the Selangor state government offer? The current government knows too well that delaying in solving the illegal sand mining could have a far reaching consequences. In the mean time, Selangorians like Kamal are waiting for the solutions from the government and their patience are thinning.

Endnotes:

" Selangor identifies 30 illegal sand mining sites" The Star. July 23, 2008.

" Closing shop" The Star. December 1, 2008.

" Khir Toyo claims Selangor sand miner illegal" The Malaysian Insider. May 31, 2010.

<https://assignbuster.com/exploring-illegal-sand-mining-issues-in-selangor/>

“ Director: Forecast sand royalty way too high” New Straits Times. June 4, 2010.

“ Land Office oblivious to illegal sand-mining activities in Sepang” The Star. June 17, 2010.

“ At Puncak Niaga We Care: Health, Safety & Environmental Policy & Report”

[online] Available at [http://announcements.bursamalaysia.com/EDMS/subweb.nsf/7f04516f8098680348256c6f0017a6bf/fb6a8d95a267cc8f48256ea9001764ad/\\$FILE/Puncak-%20Pullout%20-%20Health-Safety-Environment%20Policy%20Report%20%28615KB%29.pdf](http://announcements.bursamalaysia.com/EDMS/subweb.nsf/7f04516f8098680348256c6f0017a6bf/fb6a8d95a267cc8f48256ea9001764ad/$FILE/Puncak-%20Pullout%20-%20Health-Safety-Environment%20Policy%20Report%20%28615KB%29.pdf).

“ Wetlands may lose tourism potential: Ng” [online] Available at <http://www.mysin Chew.com/node/42108>. July 21, 2010.

“ Malaysia Nature Society wants Government to stop sand mining” The Star. July 18, 2010.

“ Taps run dry due to burst pipes” The Star. October 17, 2008.

“ Days numbered for sand miners” The Star. December 1, 2008.

“ State Secretary claims action taken on illegal sand mining operations since last year” The Malay Mail. July 20, 2010.

“ Not easy to stamp out illegal sand mining” The Star. June 28, 2010.

10th Malaysia Plan. [online] Available at http://www.epu.gov.my/html/themes/epu/html/RMKE10/rmke10_english.html. June 10, 2010.

<https://assignbuster.com/exploring-illegal-sand-mining-issues-in-selangor/>

“ Issue more sand licences to curb illegal mining: MBAM” [online] Available at [http://www. mysinchew. com/node/41936](http://www.mysin Chew.com/node/41936). July 17, 2010.

“ A sandy situation ” The Star. May 27, 2006.

“ Sandstorm in Selangor” The Sun. July 25, 2010.

“ Selangor youths want sand-mining monopoly, sports betting scrapped” The Malay Mail. May 26, 2010.

“ Selangor govt urged to shut down Semesta operations” [online] Available at <http://www. mysinchew. com/node/41938>. July 17, 2010.

Selangor’s Sand Mining Monopoly Should Be Broken - Azmin” Bernama. November 12, 2009.

“ Illegal sand mining: The buck-passing begins” [online] Available at <http://freemalaysiatoday. com/fmt-english/politics/pakatan-rakyat/6223-illegal-sand-mining-the-buck-passing-begins>. June 1, 2010.