



Insights Into Land Acquisition Experiences Of Private Businesses in India

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- Please note that all slides/notes, etc. ... are largely compilations from various references, books, and presentations.
- Views expressed herein are personal.
- They are only for the sole purpose of good class discussion.

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- ◆ Legal Clearances, Environmental Clearances, Court Orders can be managed.
- ◆ Most 'private businesses' know!
- ◆ Examples ... POSCO, Tata Singur, ...
- ◆ Stress on 'Social Consent' to Operate ★

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'Social Consent' to Operate

MEANS ...

securing the free, prior, and informed consent of affected communities to part with or share their resources and also give consent to the business to operate in their community.

- ✓ Further, the consent must be freely given and not coerced, and it must be obtained prior to significant project decisions.
- ✓ Companies must acknowledge that communities have the right to withhold their consent. ★

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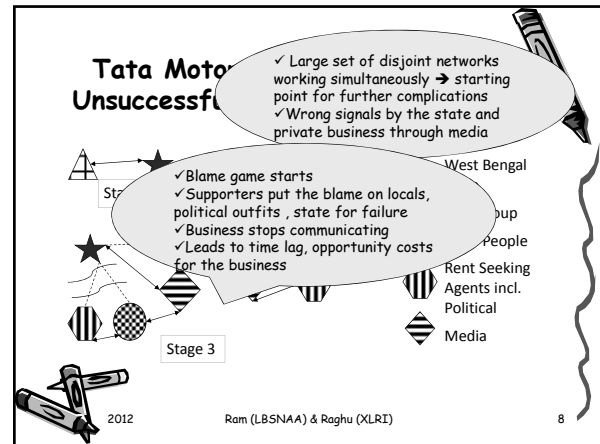
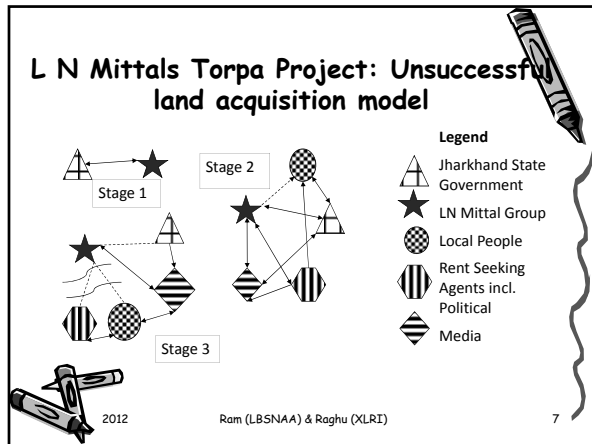
- ✓ We analyze the recent land acquisition styles being adopted by few private businesses.
- ✓ And pick the lessons therein for (public/private infrastructure) project proponents.

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List of Projects of Private Business along with Status (1994-2008)

Project Brief	Sponsor Name	Place	Status
Car Plant	Tata Motors	Singur (West Bengal)	Abandoned
Power Plant, Fertilizer & Steel	Tata Group	Barapukuria (Bangladesh)	Abandoned
Steel Plant	Tata Steel	Gopalpur (Orissa)	Abandoned
Titanium Dioxide	Tata Steel	Tuticorin (Tamil Nadu)	Abandoned
Steel Plant	Tata Steel	Saraikela (Jharkhand)	Temporarily Stalled
Alumina Refinery	Vedanta (Sterilite)	Lanjigarh (Orissa)	Tending towards Failure
Aluminium Smelter	Vedanta (Sterilite)	Jharsuguda (Orissa)	Tending towards Failure
Steel Plant	Bhusan Steel	Potka (Jharkhand)	Tending towards Failure
Steel Plant	Tata Steel	Bastar (Chhattisgarh)	Tending towards Failure
Steel Plant	Essar Group	Paradip (Orissa)	Tending towards Failure
Steel Plant	POSCO Korea	Paradip (Orissa)	Tending towards Failure
Steel Plant	L N Mittal Group	Torpa (Jharkhand)	Tending towards Failure
Steel Plant	L N Mittal Group	Kasaphal (Orissa)	Tending towards Failure
Steel Plant	Tata Steel	Kalinganagar (Orissa)	Tending towards Failure

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- Chances of failure would be more if ...
- ✓ the acquisition style is thickly sandwiched, by multiple layers of political contestation & authority, between the communities giving up their livelihood rights & the private business interested in the deal.
 - ✓ Non-cooperative stance adopted by the different parties involved
 - ✓ Information asymmetry between the locals and the private business, involvement of number of intermediaries in communication
 - ✓ Involvement of self-interested parties (political and other rent seeking agents)
 - ✓ Wrong signals and misinterpretation of signals between each other (primarily the locals & the private business).
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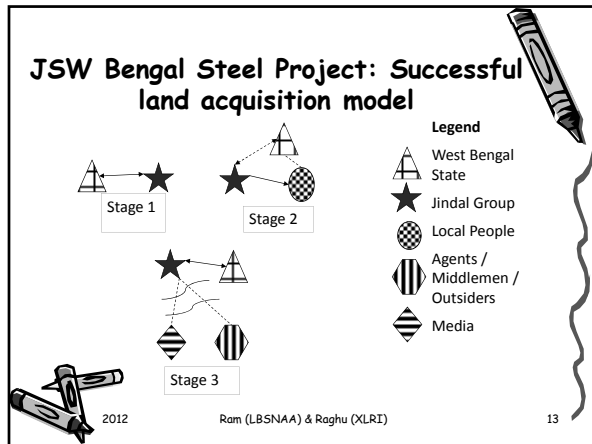
- ### Key Characteristics of Unsuccessful Acquisitions
- ◆ High Profile Promoters (Mittal Keonjhar & Tata Tuticorin) ~ NGO free rider problem
 - ◆ Acquisition of Fertile Land (Mittal Keonjhar & Tata Singur)
 - ◆ Slow Acquisition Process (Tata Gopalpur & POSCO Paradeep)
 - ◆ Unacceptable Rehabilitation Package (Vedanta Lanjigarh & Tata Singur)
 - ◆ No Direct Talks with the Locals (POSCO Paradeep & Tata Kalinganagar)
 - ◆ Aligning with Political Parties (Vedanta Jharsuguda & Tata Singur)
 - ◆ Wrong Communication / Confusing Signals (Mittal Torpa Vs Keonjhar and Tata Gopalpur)
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- ◆ State governments have become crucial facilitating agents.
 - ◆ To attract private investments, states compete with each other resulting in proliferation of tax-incentive schemes and promises for speedy procedures, quicker expedition for industrial projects, freebies, etc.
 - ◆ Given the newfound demand for their "investment-facilitation services", leaders of state governments had suddenly found rent seeking potential increase enormously.
 - ◆ A noteworthy process is to derive illegal income by manipulation of land acquisition process for private sector industrial and infrastructure projects.
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List of Industrial Projects of Private Business along with their Status (1994-2008 except red colored Tata Power's Maithon Project in 2011)

Project Brief	Sponsor Name	Place	Status
Car Plant	Hyundai Motors	Irungattukottai (Tamil Nadu)	Successful
Port & Special Economic Zone	Adani Group	Mundra (Gujarat)	Successful
Power Plant	Navin Jindal Group	Raigarh (Chhattisgarh)	Successful
Special Economic Zone	Mahindra Group	Bagru (Rajasthan)	Successful
Special Economic Zone	Mahindra Group	Maraimalaiagar (Tamil Nadu)	Successful
Power Plant	Sajjan Jindal Group	Barmer (Rajasthan)	Tending towards Success
Power Plant	Tata Group	Maithon (Jharkhand)	Tending towards Success
Power Plant	Moser Baer	Chandil (Jharkhand)	Tending towards Success
Steel Plant	Sajjan Jindal Group	Salboni (West Bengal)	Tending towards Success

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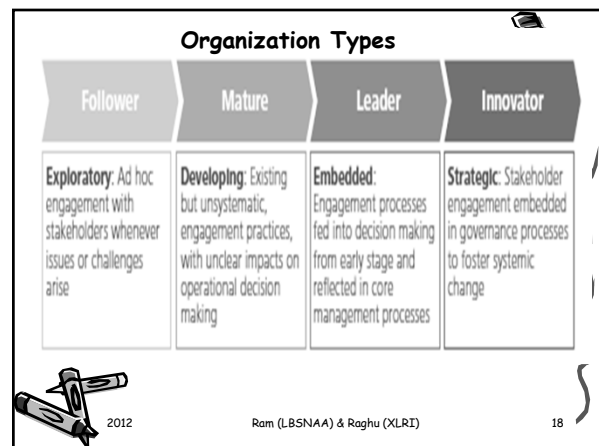
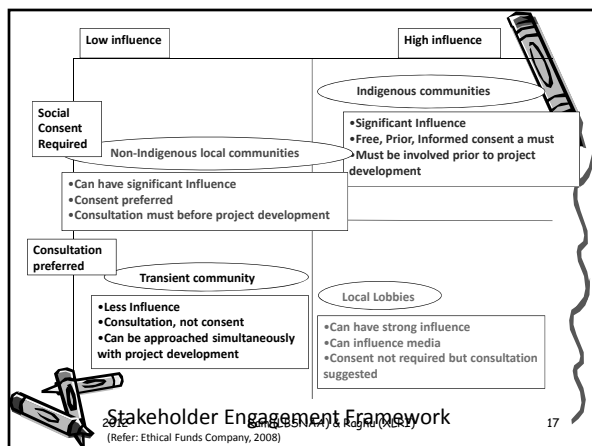


- ### Key Characteristics of Successful Land Acquisitions
- ◆ Avoid Productive Land (Jindal Salboni & Mundra Port)
 - ◆ Open Direct communication channels with Locals (Mahindra Maraimalainagar & Jindal Barmer) ~ fast, cheap, lower risk of litigation
 - ◆ Equitable benefit sharing especially with scope to share potential upside (Jindal Salboni & Jindal Barmer)
 - ◆ No (formal) Political alignment (Jindal Raigarh & Mahindra Maraimalainagar)
 - ◆ Low Profile Coordinated Corporate Communications (Hyundai Irungattukotai and Mahindra Maraimalainagar)
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Sponsor Name	Place	Time (months)	News(days)	Status
Vedanta (Sterlite)	Lanjigarh (Orissa)	48	38	Tending towards Failure
Vedanta (Sterlite)	Jharsuguda (Orissa)	43	16	Tending towards Failure
Tata Motors	Singur (West Bengal)	30	124	Abandoned
Hyundai Motors	Irungattukotai (Tamil Nadu)	34	13	Successful
Adani Group	Mundra (Gujarat)	12	22	Successful
Navin Jindal Group	Raigarh (Chhattisgarh)	66	17	Successful
Sajjan Jindal Group	Barmer (Rajasthan)	23	14	Tending towards Success
Moser Baer Group	Chandil (Jharkhand)	5	0	Tending towards Success
Tata Group	Barapukuria (Bangladesh)	44	31	Abandoned
Mahindra Group	Bagru (Rajasthan)	25	10	Successful
Mahindra Group	Maraimalainagar (Tamil)	60	3	Successful
Bhusan Steel	Potka (Jharkhand)	10	6	Tending towards Failure
Tata Steel	Bastar (Chhattisgarh)	40	43	Tending towards Failure
Tata Steel	Gopalpur (Orissa)	66	56	Abandoned
Essar Group	Paradip (Orissa)	42	11	Tending towards Failure
POSCO Korea	Paradip (Orissa)	40	103	Tending towards Failure
L N Mittal Group	Torpa (Jharkhand)	36	56	Tending towards Failure
L N Mittal Group	Kasapal (Orissa)	24	30	Tending towards Failure
Tata Steel	Saraikela (Jharkhand)	35	17	Temporarily Stalled
Sajjan Jindal Group	Salboni (West Bengal)	18	16	Tending towards Success
Tata Steel 2012	Kalinganagar (Orissa)	60	49	Tending towards Failure
Tata Steel	Tuticorin (Tamil Nadu)	60	24	Abandoned

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- ### Other Managerial Implications
- **Community Consent** also indicates being practical about the relation (Jindal Raigarh Vs Bhusan Potka)
 - **Cultural Differences:** Projects in the Eastern region of India need to give more time to locals for social consent to emerge compared to projects in the Western region (say, Gujarat and Rajasthan).
 - **State Role:** Governments acting as low key facilitators (say, Tamil Nadu) have higher chances of ensuring project coming through than others (say, West Bengal)
 - **Middlemen** facilitating the successful projects were usually people with rich political & bureaucratic network and solid rapport with local community and have high good will.
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Attitudes towards stakeholders engagement

Reaction / resistance	Interest	Proactivity	Transformation
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Levels of stakeholders involvement

Mainly informative through meeting and documentation to explain positions	Consultation through stakeholders' surveys and panels to obtain feedback and comments	Involvement of stakeholders through collective inquiry, to take into account stakeholders' input	Empowerment of stakeholders through partnerships and other consensus-based forms of collaboration
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**Policy Perspective ...
Implication ... →**

"The thrill of circumvention must be replaced by a joy of compliance"

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JULY 2012 Update

The Land Acquisition Bill is at a crucial stage with the Centre rejecting a Parliamentary Panel's suggestion that the Government cannot acquire land for PPP projects (80% clause)

(a) Panel says "Such acquisitions cannot be done for any "for Profit enterprise"

(b) Panel wants all acquisitions to be handled in close consultation with the local gram sabha and panchayat ... on the other hand, Centre is widening the ambit of "Public Purpose", enabling it to buy land for production of goods & services for social and physical infrastructure and human development projects → LA for 'urbanisation' and 'industrialization'

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PPP Infra Project CEO's View

US \$90 billion DMIC Development Corporation Ltd. CEO, Shri Amitabh Kant...(HBL, 11-07-2012)

Instead of bringing a Central Act, land acquisition must be left to "the genius of the states to adopt local methods of acquisition, resettlement, and rehabilitation"

- ✓ Haryana pays landowners additional annuity.
- ✓ Gujarat has town planning
- ✓ Rajasthan permits the first storey of the house to be used for commercial purposes.

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Economist-Administrator View

M G Devasahayam, the former chief secretary of Haryana government...(HBL, 07-07-2012)

the law extends to... "Governments acquire land ... with ultimate intent of transferring it to private companies for a stated public purpose"

- ✓ Pass it on to 'industrialists' & real estate developers after seeking rent from windfall gains.
- ✓ For the planners and decision-makers, land is seen simply as property and those owning the land are mere impediments.

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