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POLITICAL ECONOMY

A NEW BILL TO BE INTRODUCED

India to raise compensation mines have to pay displaced people

The move could see a reduction in opposition to mine leases but will raise costs

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Posted: Monday, 22 Feb 2010

NEW DELHI (REUTERS) -

India plans to raise the compensation for people displaced by large mining projects, the federal mines minister said on Monday, in a move that could soothe opposition to leases but will raise costs.

The government will introduce a new bill, probably in the current session of parliament, to raise the payout to affected people and direct large mining firms to link the payment to their profits, B.K. Handique told Reuters in an interview.

"It will not only be a one-time payment. We are thinking of giving them annuity throughout the year from their profit domain," he said.

For years villagers and tribesmen have opposed several projects such as India-focused miner Vedanta Resources Plc's (VED.L) bauxite mines and POSCO's (005490.KS) proposed steel plant in the eastern state of Orissa.

The protests have been often violent, with Maoist rebels killing people, disrupting mining operations and damaging property in eastern and central India, saying companies were exploiting the region and its mineral wealth.

The Maoist revolt started in 1967 as a peasant-based uprising in West Bengal's Naxalbari town, but has now spread to large swathes of countryside in more than 20 out of 28 states, especially around mineral-rich eastern and central India.

"We want people to be compensated adequately...to be rehabilitated. This is the bounden duty, the moral obligation of the miners," Handique said.

"We (will) insist on a sustainable development framework."

The planned higher payout will help strengthen the rural base of Prime Minister Manmohan Singh's government, which rode back to power last year on support from the villagers who form about 60 percent of India's billion-plus population.

An analyst said the move to pay more would be welcomed by the mining companies if it meant delays could be stopped.

"The projects have been so much delayed that the industry would be willing to accept any compensation package which is in the interest of the local people and expedites the process of allotment of leases," said Manish Pande, regional director of CRU Strategies.

COSTS TO RISE

The proposed law will increase the costs of large miners seeking to ramp up metal-making capacity, but may help speed the start of projects mired in protests and controversy.

The world's leading steelmakers ArcelorMittal (ISPA.AS) and POSCO have plans for \$14 billion of new investment in India despite a history of delays in their existing projects.

Handique said the mines ministry was not aware of any proposal to hike export duty on iron ore for the second time since December.

There has been speculation in the trade the government is under pressure from domestic steel makers for an increase in the duty so that more of the raw material is available at cheaper price locally.

"So far there is no proposal...(but) the ultimate decision is not ours. It is in the domain of the Commerce Ministry," Handique said, adding, "Why should I be in favour of a hike?"

"As of now there is nothing we have to complain about. Next year we shall see. We always do periodical reviews amongst ourselves and then decide."

The Indian government raised the export duty on iron ore lumps to 10 percent from 5 percent earlier while slapping a 5 percent duty on fines at the end of December.

India exported 106 million tonnes of iron ore in 2008/09 from a total output of 222 million tonnes.

Handique said he was concerned about the livelihoods of small miners and exporters and did not favour curbs on iron ore exports as demanded by the steel industry and some political groups, who say India's resources should be used at home.

Handique said the mines ministry had no proposal yet for suspending mine leases to bring Maoist rebels to the negotiating table and help reach a resolution.

"No instruction from the government," Handique said when asked if the Mines Ministry would suspend mining deals as some media have reported.

Handique said his ministry like to be party to any talks the government might open with the Maoists, who have often targeted mines killing personnel and damaging infrastructure.

"If Naxalites come to the negotiating table that is the most welcome thing. We will cooperate. We will see in what

way we can help." (Editing by Clarence Fernandez)

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Back