

Revamp of India's land laws seen raising costs

Move brings clarity but land prices likely to rocket

[MUMBAI] More than a century after it was drawn up by British colonial rulers, India's land acquisition law is finally set for a revamp that promises to breathe life into scores of frozen industrial and infrastructure projects and help lift the sagging economy.

That's the optimistic scenario.

The reality is that the new law will make the cost of land much higher for businesses and is unlikely to put a stop to protests by millions of people determined to defend their livelihoods or get fair compensation for losing their land.

The new bill will govern land acquisition by the government for itself and by private firms to provide public services. This will embrace a wide range of projects in sectors from power and telecoms to transport and education.

Among the major projects which have stalled awaiting the new legislation are 12-million-tonne steel plants planned by Posco and ArcelorMittal, a six-million-tonne steel plant of Tata Steel in Odisha, and Coal India's mine expansion in Chattisgarh.

More than 80 highway projects are also running behind schedule.

Despite the promise of greater transparency and better regulation, corporate India is worried about cost.

The new law may force them to pay four times the market price for land in rural areas and twice the market price in urban areas, and give displaced people homes, jobs, monthly stipends and even a share of their profits in some cases.

Even if companies enter into private negotiations for land, they will be required to rehabilitate people if they acquire over 100 acres of rural land or 50 acres in urban areas.

The Confederation of Indian Industry lobby group estimates that this will increase land acquisition costs by 3-3.5 times, affecting the viability of projects across the board.

Companies are bracing for increased costs and may tweak project plans, but they're unlikely to ditch projects altogether, having invested years negotiating with state governments and landowners.

ArcelorMittal's boss Lakshmi Mittal said recently his India projects were unlikely to see light for several years because of unresolved policy issues. But a spokeswoman said they were continuing negotiations despite likely cost increases.

The government has tried twice to amend the 118-year-old legislation,

but until now it has failed to balance demands for an end to the regulatory minefield that confronts developers with a popular clamour to protect the poor.

Safeguarding farmland against the creep of industrialisation to ensure food security is a priority for the left-leaning government led by Sonia Gandhi's Congress party, which relies heavily on rural voters for support.

Back in 2004, when it came to power, Congress pledged to overhaul a law whose wide definition of "public use" means people can be turfed without much ado off their land, and which omitted to lay down rules for compensation and rehabilitation.

The government now appears confident that the bill - whose final contours have yet to be made public - will at last be passed despite the fierce partisanship of the main opposition party, which has made a habit of blocking reform.

The trick that the government must pull off with the new legislation, however, is mollifying both the social activists and India Inc.

Over 200 government projects and several industrial ones have stalled due to land-use snags, contributing to the country's sharpest economic slowdown in a decade and stifling much-needed growth in employment. - Reuters