



MANAGING LOCAL POLITICAL RISK: PARKING THE TATA NANO (C)

TATA WITHDRAWS FROM SINGUR

By the fall of 2008, the situation in Singur had become untenable for Tata Motors, and on October 3 of that year the company announced it was withdrawing from the city. Tata Motors Chairman Ratan Tata explained the company's decision:

Through these two years we have faced enormous destruction, assault and intimidation to our employees. Taking all things into account, mainly the well-being of our employees, the security of our contractors and, in fact, of our vendors also, we have taken the very regretful decision to move the Nano project out of West Bengal.¹

Ratan Tata also said the only reason Tata made its decision was the “great agitation and great aggression” of Mamata Banerjee and her party, adding: “If somebody puts a gun to my head, you either pull the trigger or take the gun away, because I will not move my head. I think Ms. Banerjee has pulled the trigger.”

By the time Tata Motors made its decision, the company had seen a delay of five months in its original plan for commercial launch, and an increase in the production cost of the car.²

¹ Suhrid Sankar Chattopadhyay, “Singur’s Loss,” *Frontline*, October 25 – November 7, 2008.

² “Tata Motors to Exit from Singur,” *The Economic Times*, October 3, 2008.

Debra Schiffrin and Professor Saumitra Jha prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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MOVE TO SANAND IN GUJARAT STATE

On October 7, 2008, just a few days after it announced its withdrawal from Singur, Tata Motors said it would be moving its Nano plant to Sanand in Gujarat State. The city was emerging as an industrial hub, just 10 km from Ahmadabad city, the largest city in Gujarat. In announcing the move, Ratan Tata said: “When I came here first on an industry visit invited by the Gujarat Chief Minister, I was told that if it (the Nano plant) is not in Gujarat I will be stupid. I am no longer stupid after investing in the plant in Gujarat.”³

The state allocated 1,100 acres of land to Tata from the villages of Khoda and Bol (in Sanand Taluka), previously owned by the villagers. By mid-November 2008, there were protests by landowners over incentives given to Tata and issues related to the state’s unemployment levels. In addition, the opposition Congress Party’s youth wing and the Maha Gujarat Janata party claimed that Tata Motors did not plan to employ 85 percent of its employees from surrounding areas, as Gujarat policies required.⁴

By December 18, 2008, several petitions were making their way through the courts regarding ownership rights and higher compensation for land the government acquired for the Nano plant. On December 26, 2008, farmers filed a case with similar demands against the Indian government and Tata Motors. Some tried to renegotiate after prices went up; however, all these efforts did not succeed in stalling or stopping the construction of the plant.

The plant was inaugurated on June 2, 2010 by Gujarat Chief Minister Narendra Modi of the Bharatiya Janata Party (BJP) and Ratan Tata. It took 14 months to build the Sanand factory—half the time it took to build the uncompleted Singur plant.⁵ Tata Motors invested about \$400 million (2,000 crore) in the Sanand plant.⁶

A Boon to Sanand

The Tata Motors plant brought significant benefits to Sanand. After the company began construction, 54 subsidiary businesses also moved to Sanand. Beyond Tata, in 2011, Ford Motors announced it would invest \$1 billion to build a vehicle assembly and engine plant in Sanand. Ford estimated it would employ 5,000 people.⁷ In addition, Peugeot Automobiles announced plans to set up a plant in Sanand. The BJP was expected to reap electoral dividends in the constituency and across the state.⁸

³ “Tata Motors Inaugurates Nano Factory at Gujarat’s Sanand,” *The Times of India*, June 2, 2010.

⁴ “Political Parties Protest Against Nano Project,” *Business Standard*, November 15, 2008.

⁵ Anand Adhikari, “Supersize Gujarat,” *Business Today*, January 23, 2011.

⁶ “Tata Motors Inaugurates Nano Factory at Gujarat’s Sanand,” loc.cit.

⁷ Michael Boneham, “Ford Announces New \$1 Billion plant in Sanand, Gujarat,” *The Economic Times*, June 28, 2011.

⁸ “Nano Success in Gujarat to Help BJP in Elections,” *Asian News International*, April 14, 2009.

SMALL MANUFACTURING PLANTS IN PANTNAGAR

In addition to the large Nano plant in Sanand, Tata Motors announced it would set up smaller Nano plants in Pantnagar, in the state of Uttarakhand.

LAND RETURN BATTLE IN SINGUR (2011)

In the West Bengal elections of 2011, Mamata Banerjee became chief minister, ending 34 years of CPI(M) party rule. Many credited the Singur episode as a crucial turning point that led to this victory.⁹ In Singur itself, the Trinamool Congress party continued to be in charge, but won the seat with a much larger margin than in 2006.

After Banerjee was elected she quickly pushed the “Singur Land Rehabilitation Act” through the West Bengal legislature. The Act would return to “unwilling farmers” the 400 acres of land that the state acquired for the Tata Motors plant. To do this, the government was given the green light to revoke the 99-year lease that the previous government signed with Tata Motors. Tata Motors challenged the legitimacy of the bill in the Calcutta High Court, but the court ruled the Act was legal, and the 400 acres of land was to be returned to farmers.¹⁰ Tata Motors appealed the decision.

In the years since Tata Motors left Singur, the many investors and small businesses that came to Singur because of the plant construction also left, and the city recruited few other investors. Banerjee said she would support any industry proposal for Singur, including one from Tata, as long as it did not include the 400 disputed acres of land. In 2011, with its property rights still unclear, Singur was termed a ‘wasteland.’¹¹

⁹ “Assembly Election 2011 West Bengal: Trinamool Congress Rises like a Phoenix,” *The Economic Times*, May 13, 2011, http://articles.economictimes.indiatimes.com/2011-05-13/news/29539868_1_trinamool-congress-assembly-elections-mamata-banerjee.

¹⁰ Nikhil Gulati, “Court Upholds Law to Return Tata Motors’ Singur Land,” *The Wall Street Journal*, September 28, 2011.

¹¹ Ashish Mishra and Archisman Dinda “Singur Is Still the Waste Land,” *Forbes India*, July 19, 2011.