



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

TATA CHOOSES SINGUR

In the end, Tata Motors chose Singur in West Bengal. The deciding factors were Singur's proximity to Calcutta and the national highway, and the array of incentives the state offered. Reflecting the reasons for the decision, Tata Motors Chairman Ratan Tata¹ called West Bengal the most "investor-friendly" state in the country. West Bengal announced the project in May 2006, and the company signed an agreement with the West Bengal government on March 9, 2007 for the land in Singur.

ACQUIRING THE LAND FOR THE PLANT

West Bengal allocated 997 acres of agricultural land for the Nano plant and its parts and service providers. In September 2006, the state acquired the land using the eminent domain provision of the Land Acquisition Act of 1894, which allowed for the government to acquire land to use for "public purpose." As a result, 13,500 small landowners, mostly farmers, were to be paid at the 2007 market rate of between \$10,000 and \$20,000 for their land, depending on fertility.²

FARMER AND POLITICAL OPPOSITION

The situation in Singur deteriorated quickly after West Bengal announced the project, as protests erupted about the government's 'forcible land acquisition.' About 2,500 landholders, who owned

¹Ratan N. Tata became Chairman of Tata Sons, the promoter holding company of the Tata group, in 1991. He was also the Chairman of the major Tata companies, including Tata Motors.

² Mehul Srivastava, "Why Indian Farmers Are Fighting Tata's Nano," *Bloomberg Businessweek*, August 27, 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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around 400 acres of the land, refused to accept the compensation the state offered.³ Some wanted more compensation and others simply did not want to sell their land, which served as both a residence and the source of their livelihoods.

The local Member of Legislative Assembly, Rabindranath Bhattacharjee of the Trinamool Congress party, the main opposition party in West Bengal, played an early galvanizing role in organizing this opposition.⁴ The protests also attracted the attention of the opposition party leader Mamata Banerjee, raising the resources and the profile of the protests. She organized the “Protection of Farmland, Lives and Livelihood” committee, which attracted high-profile social activists, intellectuals and film stars from across the country as well as widespread media attention. Among these personalities were the noted activist, Medha Patkar, Booker Prize-winning author Arundhati Roy and film star Aparna Sen. Patkar proclaimed: “The people who voted the Left to power should do something and save the farmers who produce the food they eat.” Sen also joined the protests in the streets, stating: “I am a hardcore professional and I will not leave my profession even if I am asked to. Then, why is a farmer being forced to quit his profession?”

Early in the protest movement Banerjee threatened to resist the setting up of the plant “even at the cost of bloodshed.” When the state administration announced it would be fencing off the Nano plant to protect it from protestors, Banerjee countered: “We will resist it. I will rush to Singur ... to prevent the district administration (from) fencing the acquired land with barbed wires. The government had collected the land at gun point.”⁵

Ravi Kant, the managing director of Tata Motors, responded to the protests through a press statement:

Anybody can agitate in a democratic society. As a company, we do not have anything to do with it. But we are always open to talks with all stakeholders involved in the Singur project. We can explain to them the importance of the project, not only for West Bengal but for the entire eastern region. The proposed plant will generate employment for 2,000 people directly and 10,000 people indirectly. We will initially manufacture 2.5 lakh cars at Singur. The first people’s car will roll out in 2008.⁶

Unconvinced, Banerjee demanded that the government return 400 acres of land it had acquired to landowners who had not wanted to sell. The remaining 600 acres of land was enough to build the Tata Nano plant, but not enough to house the parts suppliers critical to the plant. Moving the suppliers to another area would significantly increase the production cost of the car.⁷

Inflaming an already tense situation, on November 30, 2006 the West Bengal government prevented Banerjee from entering Singur and imposed a curfew on the entire district. Shortly

³ “Business in India: Nano Wars,” *The Economist*, August 30, 2008.

⁴ For a detailed, albeit likely partisan timeline of events, see the AITC website: www.aitmc.org/singurstory.php.

⁵ “Tata Motors Singur Project on Track,” *The Economic Times*, November 26, 2006.

⁶ “Tata Motors Singur Project on Track,” loc.cit.

⁷ “Business in India: Nano Wars,” op.cit.

thereafter, Banerjee called for a statewide *bandh* (general strike) in protest. In December 2006 amid increased protests, attacks on Tata employees and theft of plant property, the state administration went ahead and fenced off the Nano plant, which only served to increase the number of protestors.⁸ Banerjee responded with a 25-day fast to protest the land acquisition.⁹ She ended her fast only when asked personally by the prime minister and the president of India, as well as West Bengal's chief minister, who each gave her assurances that they would coordinate a compromise between Singur and Tata Motors. However, this compromise soon fell apart.

In February 2007, a group of farmers petitioned the courts, saying the land had been acquired illegally, and the farmers started litigation proceedings.¹⁰ However, in January 2008 the Calcutta High Court ruled that the state's acquisition of the land for the Tata plant was legal.¹¹

Siege of the Tata Plant

Beginning on August 24, 2008, almost 40,000 protestors surrounded the Tata plant, basically stopping its production, while about 5,000 riot police looked on.¹² The siege, which at times included some violence, lasted until September 8, 2008. By this time, delays had increased initial investment costs for the plant from the planned 15 billion rupees to 20 billion rupees.¹³

Ratan Tata emphasized that the problems in Singur were mainly political:

[It is] between two political parties—and we've been caught in the crossfire. The land acquisition was not our doing; the West Bengal government managed that. There was no problem when it was offered to us or when we accepted. Singur becoming an issue was an out-of-the-blue happening. The solution lies in sitting down with the state government and talking about compensation, retraining, reemployment and the rest, with Tata Motors being made a party to this activity. Instead, what we've got is a chorus of negatives, loose talk of returning the land, women and children blocking roads, and guns, bullets and firings.¹⁴

By September 2008, Tata Motors had invested over \$300 million in the Singur plant.

⁸ Rajdeep Datta Roy, "Singur Land Acquisition Is Legal, Rules HC," *The Wall Street Journal*, January 19, 2008.

⁹ "Mamata Decides to End Fast," *Rediff India Abroad*, December 29, 2006.

¹⁰ Rajdeep Datta Roy, op.cit.

¹¹ Ibid.

¹² Mehul Srivastava, op.cit.

¹³ Rina Chandran, "Protests May Disrupt Nano Output, But Won't Delay Launch," Reuters News, September 3, 2008.

¹⁴ Christabelle Noronha, "In Step with the Nation," Tata Motors press release, November 2007.

Discussion Questions:

1. How might geography—and political geography—have played a role in the genesis and escalation of the protests?
2. Could Tata have anticipated this situation? Would these protests have occurred in the other locations? Why or why not?
3. What should Tata do at this point: Fight? If so how? Cut losses and leave? Try to make a deal? If so, what sort of deal?