
Market price based royalty on iron ore mining recommended

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It is reported that a government report has recommended that royalty rates for iron ore be fixed at 10% of the market value to boost the states' share of revenues, as international prices of the commodity soar. The recommendations need cabinet approval and if adopted, the proposal of the study group on royalty for major minerals will mark a fundamental shift in the calculations of iron ore royalties.

The study is being coordinated by the mining ministry with representation from several mineral bearing states. They have suggested that the Indian Bureau of Mines prepare an iron ore price chart every month. Iron ore rich states have also raised concerns about how royalties can be collected from steel companies with captive mines. Chhattisgarh has demanded the sale price listed by the National Mineral Development Corporation Limited be taken as a benchmark.

At present, India's royalty rates on iron ore are the lowest in the world, following the archaic practice of prices based on every tonne extracted from the ground instead of market value, known as an ad valorem rate. Despite global prices of iron ore skyrocketing, states continue to get between INR 16 and INR 27 a tonne.

According to reports, Jharkhand and Chhattisgarh have demanded a royalty hike of 20%; Orissa has claimed an even higher 22% to 25%. Karnataka put its demand at 10%.

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