Govt mulls shift in iron ore auction format

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[illegible] is weighing a possible [illegible] in the iron ore mine [illegible] mechanism to curb [illegible] premium and simplify [illegible]dures.

[illegible] in the know said [illegible] least three line minis[illegible] likely to be taken on [illegible] to form an inter-min[illegible] committee.

"[illegible] is a set auction [illegible] in place. If that [illegible] change, it needs con[illegible] with stakeholders, [illegible] experts and at minis[illegible] level too," said a senior [illegible] official.

[illegible]LE-BID FORMAT

[illegible]stions include moving [illegible] from the current re[illegible] bid mechanism to a [illegible] single-bid format or [illegible] Swiss Challenge one, [illegible] officials in the know [illegible] *businessline*.

High mine auction premiums impact the final price of the raw material.

For example, if the mine-head price of iron ore is ₹1,000 per tonne and a 200 per cent premium is bid over a reserve price of ₹100, the total government payout becomes ₹300, even before the mining activity starts. Other costs follow.

In India, mines are reverse bid, that is a company bids the highest [illegible] over the reserve [illegible], committing to pay [illegible] to the government for [illegible].

Industry has [illegible] single price [illegible], where each [illegible] one sealed bid, [illegible] bound chance [illegible], if necessary.

SWISS CH[illegible]

Others sugg[illegible] Challenge [illegible], where a floor p[illegible], and a round-base[illegible] curs. The bidding [illegible] when either a [illegible] emerges or [illegible] match bids.

The move [illegible] amid rising concerns [illegible] makers regarding "[illegible] input costs", with [illegible] being a feedstock and [illegible] auction premiums [illegible] in the 115-120 per cent range, and sometimes as high as 200 per cent.

Auction premium [illegible] additional amount a company pays above the reserve price to secure a mining lease.

HIGH LEVEL MEETING

Industry and government representatives recently attended a high-level meeting in August.

At least two line ministries participated, and the issue of high auction premium on iron ore mines was raised.