

Chapter-4

Determination of compensation

Compensation for land acquired by the Board is fixed by the Price Advisory Committee (PAC) headed by the Deputy Commissioner (DC) of the district. PAC meetings are convened by the DC after the final notification for acquisition of land is issued. Though PAC considers the guidance value of land fixed by the Department of Stamps and Registration and the sale statistics of previous three years obtained from the jurisdictional Sub-registrar, the compensation payable to the owners is finally determined by PAC based on mutual agreement. The Board approves the compensation so fixed, with or without modifications. Land owners who do not accept the compensation so fixed are entitled to refer the disputes to court under Section 18 of the Land Acquisition Act 1894.

4.1 Delay in fixation of land compensation

Under the KIAD Act, land vests with Government on publication of the final notification for acquisition. Compensation is payable to the land owner only after acquisition of the property. However, the KIAD Act does not prescribe any timeframe for completing the acquisition proceedings including payment of compensation. As the compensation based on mutual consent fixed by PAC invariably reflects the current market considerations, any delay in fixation of compensation by PAC is fraught with the risk of the owners demanding higher compensation based on current market price (as discussed in Paragraph 4.2). In 7 out of 19 projects, it was seen that the PAC had not fixed compensation even after 11 to 57 months from the date of publication of final notifications as shown in **Table-4.1**:

Table-4.1: Delay in fixation of compensation by the PAC

Name of the industrial area	Extent of land acquired (in acres and guntas)	Date of preliminary notification	Date of final notification	Delay as of December 2011(months)
Apparel Park III Phase	753-09	10.05.07	13.12.07	48
Kelakote	72-31	11.12.09	14.06.10	18
Dobbaspeth III Phase	478-11	02.08.06	21.09.10	15
Dobbaspeth IV Phase	891-10	08.12.08	27.05.10	19
Harohalli III Phase	1612-08	25.10.06	01.04.07	57
Vasanthanarasapura II Stage, Tumkur	1492-16	04.12.09	23.07.10	17
Gowribidanur	453-14	29.03.10	12.01.11	11

(Source: Compiled by Audit based on Gazette notifications issued by Government)

In the case of Apparel Park, III Phase and Harohalli, III Phase, there was a delay of 48 to 57 months in convening the PAC meetings. These delays would adversely impact the amount of compensation to be fixed. Absence of guidelines prescribing the timeframe for each stage of acquisition diffused accountability and the Board acquired lands at the price fixed by the PAC,

unmindful of the extra financial burden passed on to the entrepreneurs seeking to establish themselves in the industrial area. Thus, the Board mandated with the responsibility of promoting industrial growth did not consider it important to provide land to the entrepreneurs at affordable prices.

4.2 Lower compensation fixed by PAC helped a company acquire land at a cheaper rate

The Board undertook establishment of Hardware Technology Park, Aerospace Components and Information Technology Park in Jala Hobli of Bangalore North taluk simultaneously and these projects were adjacent to each other. Government issued the preliminary notifications for acquisition of land required for these projects between August 2006 and January 2007. However, final notifications for these projects were not issued simultaneously and there were delays as shown in the **Table-4.2** below:

Table-4.2: Delays in issue of final notifications

	IT Park	Hardware Technology Park (Phase I)	Aerospace Components	Hardware Technology Park (Phase II)
Extent of land acquired	1028 acres and 19 ½ guntas	450 acres and 5 guntas	918 acres and 16 ¾ guntas	869 acres and 9 guntas
Date of preliminary notification	07.08.2006	03 .11.2006	09.01.2007	16.12.2006
Date of final notification	25.09.2008	07.05.2007	15.05.2007	09 .04.2008
Date of PAC meeting	24.12.2008	21.11.2007	25.03.2008	25.09.2008
Compensation awarded (₹ in lakh) per acre	62	31 (40 only for land adjoining the airport road)	55 for rural villages 57 for urban villages	60 for two villages and 70 for one village

(Source: Gazette notifications issued by Government & information furnished by the Board)

As a result of the delays, the PAC meetings were also delayed. The delay had a cascading effect on the compensation fixed on the basis of mutual agreement. Though these three projects were adjacent to each other, farmers losing land for a project demanded higher compensation than the one fixed earlier for another adjacent project. The compensation fixed first at ₹ 31 lakh was for Hardware Technology Park (Phase I), followed by ₹ 55 to 57 lakh for Aerospace Components, ₹ 60 to 70 lakh for Hardware Technology Park (Phase II) and ₹ 62 lakh for IT Park. Thus, delay in issuing final notifications delayed the convening of the PAC meetings and facilitated fixation of different rates of compensation for different projects although preliminary notifications for these projects had been issued around the same period and the projects were adjacent to each other.

The Board sent (November 2005) a proposal to Government for acquisition of 1442 acres and 7 guntas of land in four villages, including Bandikodigehalli, of Bangalore North taluk for establishing the Hardware Technology Park. In spite of taking a year to issue the notification, Government issued

preliminary notification for only 450 acres and 5 guntas in one of the four villages viz., Bandikodigehally during November 2006. This was followed up with the final notification in May 2007 and the PAC meeting in December 2007 wherein the compensation at ₹ 31 lakh per acre (₹ 40 lakh per acre of land adjoining the airport road) was fixed. Though Government issued the preliminary notification for the remaining three villages during December 2006, final notification was issued after a delay of 16 months, only in April 2008. The PAC fixed (September 2008) a higher compensation of ₹ 70 lakh per acre for Bagalur village and ₹ 60 lakh per acre for Huvinayakanahalli and Mahadevakodigehalli villages. SLAO-II stated (September 2011) that the process was delayed due to shortage of staff and technical opinion. It was further stated that enhanced compensation was inevitable in view of the strong protests by the farmers demanding market rates for their lands. The reply was not acceptable as awarding such a higher compensation within a span of nine months for land in the adjacent villages on grounds of demand from the farmers was not justified.

Audit further observed that SHLCC approved (August 2006) the project proposed by Itasca Software Development Private Limited to set up a SEZ over 325 acres of land in Bandikodigehalli village. While submitting the project proposal, the company had even identified the survey numbers in Bandikodigehalli village for setting up the SEZ. The preliminary notification for acquisition of 450 acres and 5 guntas issued in November 2006 covered all the survey numbers identified by the company. Government's action to split up the notification for acquisition into two parts and first notify acquisition of land only in Bandikodigehalli village was evidently done to facilitate early acquisition and allotment of land to the company. This process facilitated not only acquisition of land required by the company at a cheaper rate of ₹ 31 lakh per acre but created the ground for awarding higher compensation for land in the remaining three villages. While the lower rate of compensation fixed for Bandikodigehalli village benefitted mainly the company, the higher rate of compensation for the other three villages escalated the cost of industrial plots to be allotted to other entrepreneurs. SLAO-II stated (September 2011) that the cost of land acquired was passed on to the entrepreneurs, implying that the Board did not incur any loss in the process. The reply was not tenable as the Board was mandated to develop industrial areas declared by the State Government and the higher cost of land unjustifiably escalated the cost of land to the allottee entrepreneurs.

4.3 Board unjustifiably enhanced the compensation fixed by the PAC

Government issued (October 2007) the final notification for acquisition of 510 acres and 3 guntas of land (226 acres and 38 guntas of private land and 283 acres and 5 guntas of Government land) in Gamanagatti and Tarihal villages of Dharwad district for establishing an industrial area. The PAC fixed (November 2007) the compensation at ₹ 9 lakh per acre and the Board approved it during February 2008. The compensation was fixed considering the rate of ₹ 6.90 lakh per acre paid by the Housing Board for lands acquired

in the vicinity during 2006-07. The Board, however, enhanced (March 2008) the compensation from ₹ 9 lakh to ₹13.36 lakh per acre on the ground that the DC had recommended ₹ 13.36 lakh per acre for land in the vicinity acquired for the Hubli airport.

It was observed that while the lands for the industrial area had been notified during August 2006, those for the airport were notified during April 2007. Compensation for these two lands could not, therefore, be the same. The Board illogically compared the rates recommended earlier by the PAC for the industrial area with those fixed for land acquired for the Hubli airport at a later date. The enhanced compensation resulted in extra expenditure of ₹ 9.90 crore for 226 acres and 38 guntas of private land.

