Chapter-6
Allotment of land

The Board had established 136 industrial areas in 28 districts of the State. As of March 2011, 79 *per cent* of 41126 acres and 27 guntas of land acquired for these industrial areas had been developed by the Board. Of these, 26524 acres and 34 guntas had been allotted to 14435 industrial units. After excluding roads and other facilities, 3510 acres and 37 guntas of developed land remained unallotted (**Appendix-5**). While Bangalore Rural district had 44 *per cent* of the total unallotted developed land, Hassan (14 *per cent*), Dakshina Kannada (10 *per cent*), Chikkaballapur (7 *per cent*) and Bidar (6 *per cent*) districts accounted for another 37 *per cent* of the total unallotted developed land.

6.1 The Board restricted publicity while inviting applications for allotment of land

In accordance with the Regulation 7 to 9 of the KIADB Regulations 1969, the Board was required to notify the availability of land, the manner of disposal, the last date for submission of application and such other particulars as may be considered necessary, by giving wide publicity in each case through news papers having circulation in and outside Karnataka and invite applications from industrialists or persons intending to start industries. The Board is to register all the applications, and give preference to such of those applicants, who have paid the probable cost of the land applied for, pending allotment of land.

Audit observed that the Board had dispensed (April 1996) with the system of issuing notification in the newspapers, inviting applications from the industrialists for allotment of land, with effect from 1996-97 by amending the existing Regulation to the effect that the information on the availability of vacant plots in an industrial area be displayed on the notice board of the respective Deputy Commissioner's office, District Industries Centre and Zonal offices of the Board. The Board had passed the resolution citing heavy expenditure involved in issuing advertisements in newspapers. However, Section 42 of the KIAD Act, 1966 requires that any rule/regulation, any amendment/modification to the approved rules and regulations framed under the KIAD Act needs to be laid before each house of the Legislature. Thus, the Board, though not competent, amended the approved regulation. The amended regulation restricted publicity, especially to those entrepreneurs outside the State.

CEO stated (July 2011) that committees formed at the district and State levels under the Karnataka Industries (Facilitation) Act, 2002 had been functioning since 2004 and the prospective entrepreneurs seeking allotment of land could file their applications throughout the year. The reply is not tenable as the Regulations could not be amended by a resolution of the Board and any amendment required the approval of the Legislature.

6.2 Land Allotment Committee and Development Officers unauthorisedly allotted land to entrepreneurs

A resolution passed (December 2005) by the Board permitted the LAC, under the chairmanship of CEO, to allot land not exceeding one acre in Bangalore Urban and two acres in Bangalore Rural districts. However, the LAC violated the resolution and allotted lands in all the districts of the State. Zonal DOs also allotted lands in the industrial areas under their jurisdiction and such allotments were routinely and belatedly ratified by the LAC. The Board did not furnish the list of allotments made by the Zonal DOs and ratified by the LAC during 2006-11. However, the proceedings of the LAC for this period were furnished. Audit compiled such allotments made during 2010-11 and found that DOs had allotted 101 acres.

6.3 The Board did not frame regulations for the allotment of civic amenity sites

"Civic Amenity" (CA) is defined in zonal regulations of town planning authorities as market, post-office, bank, bus stand/depot, fair price shop, library, gymnasium, maternity home, milk booth, child care centre, police station, service station of the local authority, recreation centre run by Government/Local authorities, a centre for education, religious, social, cultural activities run by co-operative societies *etc*.

The Board is required to allot CA sites only for these purposes. However, it was seen that the Board allotted CA plots to industries. Test-check showed that during 2006-11, the Board allotted plots reserved for CA and parks to 14 industries in Bangalore and Ramanagara districts. DOs of Mysore and Tumkur districts also allotted CA sites to industries. The Board did not furnish to audit the details of CA sites and park areas allotted to industries in all the 136 industrial areas and, as a result, audit was unable to assess the extent of CA sites allotted to industries. The Board did not frame any policy on allotment of CA sites and there was no transparency in allotment of CA sites to industries. CEO stated (July 2011) that the Board had decided (June 2011) to amend the existing regulations to provide for disposal of CA sites.

6.4 The Board delayed acquisition/allotment of land for projects cleared by the committees

The Board allots land to industries after clearance of their project proposals by various committees (SHLCC, SLSWCC and DLSWCC). Under Section 12 of the Karnataka Industries (Facilitation) Act, 2002, Karnataka Udyoga Mitra (KUM) was appointed as the nodal agency at the State level to undertake investment promotional activities and to render necessary guidance and

assistance to the entrepreneurs to set up industrial undertakings in the State. KUM communicates the clearance of the projects to the entrepreneurs and directs them to approach the Board for allotment of land within one month. The sanctions given by KUM are valid for two years.

It was observed that the land required for allotment to these industries was generally not in possession of the Board, as the acquisition process remained incomplete. Project clearance and land allotment were confirmed by KUM long before the land was acquired and developed by the Board. Cases where projects were cleared by KUM before issue of the final notifications for acquisition are as detailed in **Appendix-6.**

There was no co-ordination between the Board and KUM in allotment of land. KUM did not ascertain the status of land acquisition and development before clearing the projects and the Board also did not keep KUM informed/updated on the status of availability or allotment of land in different industrial areas. Test check showed that in the industrial areas as shown in **Table-6.1**, lands had not been either acquired or allotted to the entrepreneurs by the Board even after a lapse of three to four years after clearance of projects by KUM.

Table-6.1: Non-acquisition/allotment of land after clearance of projects by KUM

Name of the Industrial Area	No. of projects sanctioned	Name of the Industrial Area	No of projects sanctioned
Apparel Park, Doddaballapur	24	Ilawala-Belagola	14
Davanagere	01	Malur	11
Dobbaspet	110	Narasapura	02
Gowribidanur	02	Vasanta Narasapur	08

(Source: Information compiled by KUM)

CEO stated (July 2011) that while one DO had been deputed to KUM to furnish the details on a regular basis, the DCs at the zonal level were furnishing information to the District Land Allotment Committee. Scrutiny of records, however, showed that KUM was compiling information received only from the entrepreneurs and did not get formal feedback from the Board.

6.5 The Board showed undue haste in reducing the allotment rate

In the Bidadi Industrial Area-Phase II-Sector I having 152.50 acres of allotable land, the allotment rate was ₹ 60 lakh per acre. However, the Board reduced (November 2009) it to ₹ 47.80 lakh per acre based on requests made by the allottees citing economic slowdown and industrial recession. Audit noticed that twelve allottees benefitted from the decision of the Board in respect of 37 acres of land allotted at the reduced rate. However, the Board revised (June 2010) the allotment rate within six months to ₹ 78 lakh per acre, higher than

the initial rate of ₹ 60 lakh on the ground that there was enormous demand for land. Thus, the hasty decision of the Board to revise the rate downward resulted in loss of ₹ 4.51 crore.

6.6 The agreement with the allottee did not have penal provision for delay in remittances

SHLCC accorded (August 2006) approval to the project proposed by ITASCA Software Development Private Limited to establish a SEZ with an investment of ₹ 1130 crore. The Board was to acquire and allot 325 acres of land in the proposed Hardware Technology Park in Bandikodigehalli village.

Board initially acquired 450 acres and 24 guntas of land in Bandikodigehally village by issuing preliminary notification during November 2006 and final notification during May 2007. The Board directed (December 2006) the company to execute an agreement and deposit ₹ 42.53 crore, being 40 *per cent* of the tentative cost of 325 acres of land (cost computed at ₹ 106.33 crore at the rate of ₹ 25.56 lakh per acre plus Board's service charges at 28 *per cent*). The company remitted (December 2006) only ₹ 3 lakh along with the application and entered into an agreement only during May 2007 wherein it was agreed that the company should pay 40 *per cent* of the tentative cost of the land within 15 days and the remaining 60 *per cent* before issue of the final notification. Though the Company remitted the balance tentative cost only between May 2007 and October 2010, the Board did not levy interest for the belated payments as there was no enabling provision in the agreement. It was seen that the Board levied interest at the rate of 12.75 *per cent* per annum for belated payments made by the entrepreneurs who had been allotted land in industrial areas of the Board. Applying the same ratio, the Board should have collected interest of ₹ 2.90 crore from the company, which was not possible in the absence of penal provisions in the agreement. The Board also did not collect mandatory slum improvement cess of ₹ 32.50 lakh from the company. Special DC stated (February 2012) that specific reply would be furnished after conclusion of enquiry pending before the Lok Ayuktha.

6.7 Government irregularly allotted land to two companies in the area earmarked for park

SLSWCC approved (June & July 2009) the project proposals of two companies, one for construction of shopping mall, multiplex and multi-level car parking and another for establishing an IT park. The land to these companies was to be allotted in the Export Promotion Industrial Park (EPIP) industrial area, Whitefield, Bangalore. Accordingly, based on Government directions (November 2009), the Board allotted (March 2010) three acres and 2.85 acres of land to each of these companies at the rate of ₹ 2.20 crore per acre out of the area reserved for park in the EPIP area though the allotment was violative of the provisions of the Karnataka Town and Country Planning Act, 1961 which prescribes strict compliance by the planning authorities with

the zonal regulations while developing and approving the layouts. As per the zonal regulations, 10 *per cent* of the total extent of land in an industrial area or any non-residential/residential layout is to be earmarked for open space/parks and civic amenities and this area is not to be used for any other purposes. It was noticed that out of 554 acres and 20 guntas of land acquired for EPIP I and II Stage, only 22.47 acres (4 *per cent*) had been reserved for park. However, the Board allotted even this meagre area available for park between 2000 and 2009, except for 1.82 acres on which a water tank had been constructed. CEO stated (December 2010) that the decision to reduce the area of 22.47 acres reserved for park by 50 *per cent* had been taken by the then CEO during 1998 to meet the demand for plots in EPIP area. The balance park area was subsequently brought down to 1.82 acres on account of allotment of plots for projects cleared by SLSWCC and sub-committee of the Board. According to the CEO, these decisions had been taken in the interest of the Board to generate additional revenue. The reply showed lack of regard for the Karnataka Town and Country Planning Act, 1961 and planned development of the Bangalore city to ensure desirable standards of living.

Audit observed that the Board had earlier cancelled (February 2006) two acres of land allotted to another entrepreneur in the same industrial area and refunded the deposit of ₹ 0.16 crore on the ground that no lands were available in the industrial area. The company filed a writ petition in the High Court, which was disposed of during February 2009, following the filing (February 2009) of a Joint Memo by way of compromise. According to this, no land could be allotted in EPIP industrial area due to the Government's direction to reserve the available area for civic amenities. The Board was to allot alternatively two acres of land to the entrepreneur in the Hardware Technology Park at Devanahalli.

Government's subsequent direction to allot 3 acres and 2.85 acres of land to each of the two companies was, therefore, unreasonable and unjustified. It was further seen that the EPIP industrial area was a centrally sponsored project under which only export-oriented industrial units were entitled to allotment of land. However, one of the two companies was allotted land for establishment of a shopping mall, multiplex *etc.*, which did not involve any export activity. CEO stated (December 2010) that the allotment to these two companies had been cancelled in September 2010 due to non-remittance of the required amount within the prescribed timeframe. It was further stated that the Board was bound to follow Government instructions. The reply was not tenable as the cancellation was done not to reverse the wrong decision of Government but due to default in payment. The governance system failed to prevent wrong decisions being blatantly taken.

6.8 The Board handed over possession of part of allotted land without realizing the dues

SHLCC cleared (January 2010) the project proposal of a company for manufacture of aerospace components and directed the Board to allot 35 acres of land at the Aerospace Components Industrial Area. Accordingly the Board allotted (September 2010) 35 acres of land (corner plot) to the Company. As per the terms and conditions governing the allotment of land, the Board was to hand over possession of the land only after payment by the allottee of the tentative cost of the land fixed. However, the Board handed over (February 2011) possession of 5 acres of land to the company after receiving only ₹ 18.94 crore against ₹ 63.90 crore payable. CEO stated (July 2011) that 5 acres had been handed over after remittance of its cost to facilitate laying the foundation stone of the company. It was further stated that there was no impediment in handing over a portion of land whenever large extent of land was allotted and the company had remitted 100 *per cent* of the cost in respect of 5 acres of land. The reply was not acceptable as such deviation was not permissible in selective cases unless the terms of allotment were revised to provide a level playing field to all the allottees. Any deviation from the terms agreed upon would extend unauthorised favour to the allottees.

6.9 The Board showed undue favour to a company by retrospectively applying the reduced extra levy for a corner plot

The Board resolved (November 2010) to collect corner plot charges only for 5 acres of land irrespective of the size of corner plot allotted. It was observed that in respect of a corner plot measuring 35 acres allotted (September 2010) to a company, the Board levied extra 10 *per cent* only for 5 acres although the Board's decision to restrict the extra levy to 5 acres was taken after allotment in September 2010 and had only prospective effect. Further, in respect of 25 acres allotted to a Government company[18] in October 2010 subsequent to allotment to the company, the levy of 10 *per cent* was levied on the entire allotted area of 25 acres. Thus, the Board extended undue benefit of ₹ 5.40 crore to the company. The CEO stated (July 2011) that Board's decision of November 2010 was taken based on the representation (October 2010) of the company and the benefit of the decision was, therefore, extended to the company. The reply was not acceptable as the company's representation was received on 7 October 2010 after allotment of the plot on 1 September 2010 and the terms of allotment cannot be materially altered to the advantage of the company at a later date. The fact that this benefit was not extended to the Government company which had been allotted 25 acres on 5 October 2010 showed that the concession was extended on a selective basis.

[18] Bharat Earth Movers Limited

6.10 The Board did not recover the loss due to allotment of land at a concessional rate

Government accorded (December 2009) sanction for allotment of 250 acres at a concessional rate of ₹ 10 lakh per acre in SEZ, Shimoga to a company. Loss, if any, incurred by the Board would be compensated by the Government by way of grant, subject to a maximum of ₹ 3 lakh per acre.

Though the Board allotted (February 2010) 221.62 acres of land to the company, it failed to claim from Government ₹ 6.64 crore, being the loss to be compensated for allotting land at the rate of ₹ 10 lakh against ₹ 13.04 lakh per acre spent by the Board. The Board did not also collect pro-rata charges of ₹ 1.67 crore from the allottee for having provided pipeline for water supply and slum improvement cess of ₹ 25.30 lakh.