

Executive Summary

Background

Government acquires private land for various public purposes under the provisions of the Land Acquisition Act 1894 (Central Act) as amended in 1984. Standing orders of the erstwhile Board of Revenue (BSO) and the Andhra Pradesh (Telangana area) Alienation of State Lands and Land Revenue Rules, 1975 authorise the Government to alienate its land for bonafide public purposes to a person, institution or local body.

(Para 1.1)

The Comptroller and Auditor General of India has been pointing out, in his Audit Reports, year after year, several irregularities relating to allotment of land by the Government of Andhra Pradesh. The State Government, however, is yet to take corrective measures in this regard and come up with a comprehensive policy relating to alienation/allotment of land. We have conducted a performance audit of 'land allotment', covering the allotments made by the Government of Andhra Pradesh during the five year period 2006-11. The objective of this performance audit was to assess whether the processes followed for land allotment were compliant with the legal framework and were transparent, consistent and protected the interest of the State, and appropriate value was realized while alienating land. As part of this audit, we have also examined the utilisation of the allotted land.

(Paras 2.1-2.2)

The main findings of the performance audit are summarized below:

Alienation/Allotment of Land

During 2006-11, the State Government alienated/ allotted 88,492 acres of land to 1,027 beneficiaries. In the 11 sampled districts, 459 allotments were made, involving 50,285.90 acres of land. Out of these, 409 cases were scrutinized in audit. Audit found that land allotments for commercial purposes were not made in a fair, consistent and transparent manner so as to serve the public interest.

(Paras 4.2 and 4.4)

Land policy and database

State Government did not have the primary data, which is essential for effective land administration. In the absence of a comprehensive database with regard to land, indicating the location and utilisation of clear Government land, assigned land and resumed land, in some cases assigned lands were allotted for other purposes. Government had also not formulated any land use policy defining its sector-wise priorities in utilization/ allotment of land for the present and future needs for socio-economic development of the state.

(Para 3.1)

Alienation of land

Alienation/ allotment of land by the State Government during 2006-11, was characterized by grave irregularities, involving allotment in an ad-hoc, arbitrary and discretionary manner to private persons/ entities at very low rates, without safeguarding the financial and socio-economic interests of the State. The rates proposed at different established levels of the Government hierarchy were disregarded and substantial benefits were unduly granted to private parties. Audit scrutiny revealed that in the test-checked cases undue benefit of ₹ 1784 crore was given to various entities and persons, due to the difference in the rates at which land was allotted and the market value as recommended by the District Collector/ Empowered Committee. In a large number of cases of land allotment, the State Government has ignored the prescribed procedures and disregarded canons of financial propriety.

(Para 4.4)

Some of the major irregularities noticed in land allotments included the following:

- 3,115.64 acres of land in Jammalamadugu Mandal, YSR district was allotted to Brahmani Industries Limited for setting up a Commercial Airport and Flying Academy, in violation of GoI's policy on setting up of commercial airports, and without verifying the suitability of the site and viability of the project. It overlooked the fact that the Kadapa airport was just about 50 kms away.*

(Para 4.5.1)

- 10,760.66 acres of land in the same mandal was allotted to Brahmani Industries Limited for establishing a green field Integrated Steel Plant, this involved illegal alienation of 674.58 acres of water bodies and allocation of 2 TMC of water from the Gandikota Reservoir, without environmental clearance or independent examination of the Project Report. As of November 2011, even the 1st phase of construction had not been completed.*

(Para 4.5.2)

- APIIC irregularly executed a sale deed for 8844.01 acres of land in Anantapur district in favour of Lepakshi Knowledge Hub Ltd. (LKH) even before creation of infrastructure by the developer (LKH). LKH did not establish any industry nor create any employment, but had mortgaged 4397 acres of allotted land for obtaining loans of ₹ 790 crore from the banks.*

(Para 4.8)

- The request of Obulapuram Mining Company (OMC), which had unauthorisedly occupied Government lands, for grant of lease of 413.81 acres of land was turned down by the Collector, Anantapur in August 2008. However, within a month thereafter, this position was reversed by the Collector who, at the request of APIIC, recommended alienation of 304.66 acres of land to APIIC (for transfer to*

OMC) for establishment of industrial park. The reasons for reconsidering the lease or alienating the land were not recorded.

(Para 4.6)

- *Government lost revenue of ₹ 874.03 crore by alienating 881.32 acres in Mamidipally Village, Ranga Reddy District to APIIC at a meagre cost. APIIC, in turn allotted 500 acres of this land at very low rates to Indu Tech Zone and Brahmani Infra Tech even before orders of alienation were issued.*

(Para 4.9)

- *The process of agreement with VANPIC and alienation of land lacked legitimacy and transparency. As the terms of agreement were loaded heavily in favour of VANPIC without leaving any elbow room to the Government to amend the provisions of the agreement, it had serious financial and legal implications for the government.*

(Para 4.10)

- *APIIC entered into an arrangement with K Raheja IT Park Pvt Ltd. (KRITPL), the terms of which, enabled the latter to sell/ mortgage Government land of 110 acres, apart from exposing Government to financial risk.*

(Para 4.9.4)

- *Government of Andhra Pradesh allotted 250 acres of land to Georgia Institute of Technology (GIT) based on the orders of the then Chief Minister at ₹ 1.50 lakh per acre against the prevailing market value of ₹ 18 lakh per acre which gave an undue benefit of ₹ 41.25 crore to the Institute. GIT is yet to pay the cost of the land*

(Para 4.11)

- *Government allotted 535 acres of land in Ranga Reddy district to Emaar Properties PJSC, Dubai through APIIC for establishing an 'Integrated project with international standard Convention Centre, a Star hotel, Golf course and Multi-use developmental Township'. However, the SPV set up in terms of the MOU with Emaar re-assigned the rights of development of the project to its sister concerns. This process diluted the financial stake of APIIC/ Government without its consent and diluted its control over a developmental initiative in which it had invested substantial equity.*

(Para 4.12)

- *Revenue of ₹ 72.07 crore and ₹ 39.60 crore respectively were foregone by Government, through allotment of land in Chillakur Mandal of SPS Nellore district (through APIIC) at very low rates for establishment of an industrial park by Simhapuri Energy Pvt. Ltd/ Vikas Power Ltd. and setting up of two power projects by Simhapuri Energy Pvt. Ltd/ Meenakshi Energy Pvt. Ltd.*

(Para 4.15)

- *Instead of taking action for unauthorized occupation of 20.06 acres by Bellary Iron Ore Ltd. (BIOL), the District Collector, Anantapur accepted an amount of ₹ 0.63 crore in respect of an application for an additional 50.69 acres of land by BIOL and disbursed awards to the assignees for resumed land, even before approval of Government.*

(Para 4.7)

- *In 60 cases, alienation cost amounting to ₹ 2,559 crore was not collected by the District Collectors from the institutions to which land was alienated between 2003-04 and 2010-11.*

(Para 4.3 and Appendix-A)

Allotment through APIIC

Government allotted over 34,000 acres of land to/through APIIC for industrial development in the State during 2006-11. However, APIIC could not provide the required thrust towards targeted industrialization of the State despite thousands of acres of land being alienated to it by the Government. Further, APIIC while entering into development agreements and related allotment of lands to various entrepreneurs, not only failed to safeguard Government interest but also failed to monitor effectively the end uses, causing considerable loss to Government exchequer.

(Chapter 4)

As APIIC allowed the private developers to utilize Government land for furthering their real estate business, the envisaged purpose of developing IT infrastructure and generating employment was defeated. APIIC did not safeguard Government interest in permitting these private firms to mortgage/ sell Government land exposing Government to financial risk.

(Para 4.9)

Employment Generation by SEZs

APIIC has been tasked with development of industrial infrastructure through development of industrial parks and Special Economic Zones (SEZs). Although hundreds of acres of lands were transferred for creation of Special Economic Zones and IT/ industrial parks, the objective of these allotments remained unachieved.

- *11 SEZs/ IT parks had not generated the expected employment. Against the total contemplated employment of 5.93 lakh jobs, four SEZs had generated zero employment opportunities and seven SEZs had generated only about 0.26 lakh jobs during the last 4-5 years.*

(Chapter 5)

Non-utilization of Land for Allotted Purpose

- *For establishment of ‘Health City’ in Visakhapatnam, APIIC allotted plots to ten hospitals with a stipulation to complete the projects within two years and extend free treatment to 10 per cent of poor out-patients and to the students of Government residential schools. However, none of the entrepreneurs had established the intended hospitals as of July 2011.*

(Para 6.1)

- *Government land to the extent of 615.43 acres were allotted, between June 2000 and June 2010, to 58 units in Hardware Park, Maheswaram, RR District. 36 units had not implemented their projects, while 11.97 acres of land were allowed to be irregularly diverted to 5 units for commercial purposes such as hotels, petrol bunk and office.*

(Para 6.2)

- *25 other cases involving non-utilisation of 5520.28 acres of land allotted prior to 2010 for different purposes were detected during test-check of records.*

(Para 6.3)

Violation of Environmental Regulations

- *Government violated the directions of the Supreme Court and its own orders, in alienating 972.69 acres of water body in Sompeta mandal, Srikakulam district to Nagarjuna Construction Company Infrastructure Holdings Ltd (NCC) (total allotment was 1046.21 acres).*

(Para 7.1)

- *Temporary mine leases were irregularly granted in Qutbullapur Mandal, Ranga Reddy district in areas allotted for non-polluting industries.*

(Para 7.3)

Illegal encroachments

Government has been a mute spectator to encroachment of its lands. Instead of instituting a mechanism for preventing and detecting illegal encroachments and dealing with them swiftly and effectively, in a sense, it has fuelled encroachments by regularizing 14,878 of such unauthorized encroachments involving 21 lakh sq. yards of land, collecting meagre revenue of ₹ 63.71 crore.

(Para 8.1)

- *Government regularised/ alienated 25.72 acres of land in favour of M/s Aurobinda Pharma Limited, Hyderabad (APL) at ₹ 5 lakh per acre, as against ₹ 25 lakh per acre recommended by the District Collector, despite the fact that 20.48 acres (out of 25.72 acres) was already under encroachment by APL.*

(Para 8.2)

- *Government paid ex-gratia of ₹ 8.25 crore to encroachers for vacating 103.21 acres of Government land illegally held by them in Saroornagar mandal in Ranga Reddy district, for handing over the land to APIIC.*

(Para 8.2)

- *While on one hand, the Government allowed a concessional rate to Institute of Management Technology, Ghaziabad by alienating 30 acres of land valued at ₹ 15 crore for ₹ 45 lakh, on the other hand, it ordered payment of ₹ 26.43 lakh to encroachers for resuming its own land for the purpose of alienation.*

(Para 8.4)

Recommendations

- *Government should have a well defined and transparent land use policy which clearly stipulates the sector-wise priorities for allotment of land for the present as well as future needs in the State. This policy should be formulated earliest so that further allotments can be made as per the new policy.*
- *The policy should not permit any discretion. In all the cases which have been highlighted by Audit in the present report, it was found that discretion has been used in favour of the beneficiary and invariably against the revenue interests of the State. Assignment/allotment of land should be only at the prevailing market value.*
- *Even if land is allotted for non-commercial purposes, such as educational and hospital, if the beneficiary institutions are charging fee at par with private hospitals or schools, the benefit of concessional rate for the land should not be permitted. Since commercial fees would be charged by the educational institution or the hospital from the clients, they should also be given land at the prevailing market rates.*
- *Allotment of land for personal use of widows of Jawans and other Government officials killed in the course of duty should also be done through the well defined policy with no discretion being permitted to any authority.*
- *All Government land allotments must carry a clear time limit within which the purpose for which the land was allotted should be completed. Failure to construct and make the facility operational, for which the land was allotted, should automatically lead to cancellation of that allotment. In case the facility is incomplete and cancellation is not feasible, a heavy penalty should be levied with no discretion to review.*

- *Encroachment of Government land has been noticed to be rampant. It should be the responsibility of the Tahsildar or any other authority designated for this specific purpose to identify and take action for removal of such encroachment. Accountability for non-identification of such encroachment should be fixed. There should be no discretion with Government for post-facto regularization of encroachment especially for larger plots of land.*