State sold TDR at lower rate: CAG report: RS 4.8 CRORE LOSS IN REVENUE
Somit Sen TNN
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State sold TDR at lower rate: CAG report

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Mumbai: The state government has come under fire from the Comptroller and Auditor General of India for extending benefits to a private party by selling Transfer of Development Rights (TDR) at a lower rate without calling for competitive bids.

The CAG report, which was tabled in the House recently, pointed out that the government-owned undertaking Shivshahi Punarvasan Prakalp Limited (SPPL) had shown "undue haste" in sale of TDR to the private firm, identified as Mehta Trading Company, in 2006. As a result, the government lost potential revenue to the tune of Rs 4.85 crore, the CAG report stated.

Incidentally, Mehta Trading Company had made an application to former chief minister Vilasrao Deshmukh—who was also ex-officio chairman of SPPL—for purchase of TDR at Turbhe. "When this application was received, no TDR was available for sale. But about a month later, the SRA recommended to the BMC that TDR of 4,370 sq-mt (47,039 sq-ft) was generated from its Slum Rehabilitation Scheme in Turbhe-Mandale," the CAG report mentioned.

"SPPL inquired about the prevailing rates for sale of this TDR from the civic corporation and it confirmed the rate of Rs 1,300 per sq-ft in January 2006. During audit, it was observed that SPPL sold the TDR at Rs 1,310 per-sq ft in February 2006, which was only Rs 10 more than the rate intimated by the BMC. They had not called for any competitive bids," the report pointed out.

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It was further observed that when SPPL subsequently called for tenders in June 2006 for sale of TDR of 11,770 sq-mt—recommended by SRA from the same scheme—it received the rate of Rs 2,340 per sq-ft. "This was substantially higher than the rate of Rs 1,310 per sq-ft at which the sale was made earlier to Mehta Trading Company," the CAG report said.

"Thus, due to unusual haste in disposing of the relatively small quantity of TDR without competitive bids, the company extended undue benefit to a private party and also deprived itself of potential revenue of Rs 4.85 crore," the report stated.

The management of SPPL, in its reply to the auditors in September 2007, had said that the TDR market was "volatile" and rates were prone to "fluctuation with every transaction during a short period".

But the CAG report said that "the reply was not tenable as in the normal course, the approved method for disposal of TDR was through tenders only". It criticised the management of SPPL for not exercising powers in the best financial interests of the company. The matter was reported to the government in July 2007, but the auditors did not get a reply till November 2007, the report stated.

Other observations

In another audit, the SPPL was found making an excess payment of Rs 3.13 crore to a project management consultant (PMC) in violation of the terms of agreements. The company had in May 1999 awarded the work of construction of 33 buildings at Turbhe-Mandale to a contractor for Rs 77.35 crore, to be completed within 15 months (by August 2000). The company appointed Mahimtura Consultant Pvt Ltd, Mumbai, as the PMC for the project for a fee of Rs 1.73 crore. But SPPL ended up paying Rs 4.58 crore to the PMC till May 2006 and thus incurred extra unavoidable expenditure of Rs 3.13 crore.

The SPPL provided vehicles to its vice-chairman and his private secretary in violation of government's directives and incurred an expenditure of Rs 26.31 lakh towards petrol, repairs and drivers' salary.