

Muddle in lease of Backbay plots

By A Staff Reporter

SEVERAL irregularities in the allotment of reclaimed and unreclaimed plots in the Backbay reclamation scheme of Bombay, leading to huge losses to the government, have been brought out in the report of the comptroller and auditor-general of India for 1974-75.

The report was presented to the Maharashtra assembly by Mr. Y. J. Mohite, finance minister, on Tuesday.

The report had highlighted several cases of leasing of reclaimed and unreclaimed plots in an irregular manner.

The report noted that between April 1970 and January 1971, the state government received unsolicited offers from 17 parties for taking on lease 20 unreclaimed plots measuring 78,000 square metres, the rates of offer varying from Rs. 2,750 to Rs. 4,050 per square metre.

GOVT. EXPLANATION

A decision to lease out these plots without reclaiming them and without inviting open tenders was taken by the government. Among the reasons for this decision given by the government was that it would be unrealistic to invite tenders for unreclaimed plots without even the official line of reclamation having been decided when several uncertain factors such as the extent and cost of filling existed.

Accordingly, the report said, 11

unreclaimed plots measuring 37,000 square metres were leased out by a resolution dated March 1, 1972 at Rs. 4,050 per square metre. The possession of some plots was given even before March 1.

The price represented the highest among the unsolicited offers and was stated to be comparable with the tendered rate of Rs. 3,671 per square metre obtained in July 1969 from a reclaimed plot in the same block.

The report however, raised certain points of interest in this deal: — no publicity was given to the availability of the plots; and — it was not clear how the rate of Rs. 4,050 obtained on the basis of a few unsolicited offers was taken as the basis for negotiations. The possibility of receiving higher offers, had tenders been invited, could not be ruled out, the report noted.

It was also not clear, the report said, how the rate obtained for unreclaimed plot in 1972 could be compared with the rate obtained in 1969 for a reclaimed plot.

The government had told the comptroller and auditor-general in April 1974 that when the decision was taken for allotting the plots without inviting tenders, all aspects were considered. The government was of the firm view that tenders could not be invited and therefore the point that the government might have got better offers in tenders was hypothetical, the government said.

In addition to 11 unreclaimed plots leased by the March 1972 resolution, 22 more unreclaimed and two

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Many issues raised in report: Backbay plots

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partially reclaimed plots were leased out during 1972-73 and 1973-74 by negotiations, the report said.

The report noted that although a rate of Rs. 4,050 per square metre was charged for unreclaimed plots, the rate charged in 1973 was only Rs. 3,600 for such plots in the same block. In the other block (v), the rate charged in 1974 was Rs. 3,000.

The government was also asked by the audit to show how the prospective lessees came to know of the government's intention to dispose of the plots by negotiations, the basis of the selection of the lessees and the basis on which the rates were determined.

The government told the audit in March 1976 that the Bombay high court had delivered a judgment on a writ petition in which these points were raised and a copy of the judgment was awaited.

In a test-check of some leases of reclaimed plots concluded by the government some interesting points were also revealed, the report noted.

In 1964, the government decided to take over a property measuring 8,169 square metres on Malabar Hill with a view to preventing any construction there which would mar the scenic beauty and interrupt the panoramic view from the Ferozeshah Mehta Gardens.

RENT-FREE PERIOD

In exchange of this property, the government leased out in January 1968 two reclaimed plots in the Backbay area measuring a total of 8,454 square metres at the rate of Rs. 2,224 commencing from the 48th year of the lease. No security deposit was to be taken and a nominal rent of Re. 1 per year was to be charged for the first 47 years. The Malabar Hill property was taken over by the government in 1970 and handed over to the municipal corporation for developing as a garden.

The report noted that the property had been purchased by its owner in 1960 for Rs. 4.88 lakhs. It was valued by the collector in July 1963 at Rs. 5.50 lakhs to 6 lakhs with 15 per cent. solatium for compulsory acquisition. When the property was auctioned in August 1967, it fetched Rs. 8.70 lakhs. Against this, the revenue forgone by the government in giving a 47-year free-from-rent lease would work out to Rs. 5.74 crores, the report noted.

Again, when the surrendered property was inspected by government officials in January 1969, it was found that many multi-storeyed buildings had come up between this land and the sea and the sea view was obstructed by them. The main objective behind acquiring the property — not to mar the view — was not fully achieved, the officials reported.

Moreover, the municipal corporation had not developed a garden on the land till November 1975. The government stated that they had no comments to offer on the issue for the time being.

DEPOSIT PAID LATE

In another case, when a private firm which was leased out a plot by tender was required to pay a security deposit of Rs. 65.60 lakhs within seven days, it paid the deposit after a lapse of eleven months in the form of Bihar government zamindari abolition compensation bonds. The agreement was signed 17 months after that.

Though the lease actually became effective from April 1966, the possession of the plot was given to the firm in 1964. The revised rate of rent which was applicable to the lease of the government lands from February 1964 was not charged resulting in a loss of Rs. 3.97 lakhs per year,

the report said. The plot was allotted for the construction of a hotel.

Furthermore, the report said, the advertised schedule of recovery of rent for this plot was modified in August 1969 by which the rent-free period was enhanced from one to two years followed by 50 per cent. rebate for the next two years against 25 per cent. rebate from the second to the fifth year as per the original schedule.

The government's explanation was that the additional period was granted as the firm had requested for it because the government had allowed such a period to another hotel project and also because the approval of the Centre for collaboration with a foreign hotel company was received by the firm only in late 1967. The additional rent-free period involved a rental loss of Rs. 13.25 lakhs, the report said.

MORE PLOTS LEASED

The firm again applied for four more plots in September 1968 for providing additional amenities like a cinema, shopping arcade and an art gallery. The government architect opined that the additional allotment was not essential. The government had also decided in January 1969 to invite tenders for these plots.

However, the report noted, ultimately an additional area measuring 6,038 square metres was leased out to the firm in November 1970 at Rs. 3,600 per square metre without inviting tenders.

Similar concessions in doubling the rent-free period and also enhancing the rebate to another company in 1967 had caused a loss of Rs. 4.26 lakhs, the report noted.

The report noted that of the 78.92 hectares reclaimed in the Backbay area till September 1975, the area reclaimed by private parties was 42.59 hectares. The private reclamation included substantial area reclaimed mainly by the municipal corporation by dumping debris free of cost.