CHAPTER III

3 Reviews relating to Statutory corporations

3.1 WEST BENGAL INDUSTRIAL INFRASTRUCTURE DEVELOPMENT CORPORATION

Highlights

West Bengal Industrial Infrastructure Development Corporation (Corporation) was set up in November 1973 to develop infrastructure facilities as well as growth centres for orderly growth of industries in West Bengal. As of 31 March 2003, the Corporation developed 11 growth centres while another six growth centres were under development.

(Paragraph 3.1.1)

The Corporation sustained losses of Rs 33.73 lakh in 1998-2000, which turned into profits of Rs 1.87 crore in 2000-02 due to spurt in interest income from term deposits. Further, due to failure to repay loan/ interest out of land premium the Corporation had to bear additional interest burden of Rs 1.06 crore.

(Paragraphs 3.1.6 & 3.1.8)

Eleven growth centres were completed after a time overrun of 12 to 108 months while development of six growth centres was lagging behind due to inordinate delay in acquisition of land as well as failure to commence development work.

(Paragraph 3.1.11 & Annexure 18)

At Haldia (phase-II), expenditure of Rs 4.68 crore on land and its development proved unfruitful due to failure of the Corporation to arrange water.

(Paragraphs 3.1.13 & 3.1.14)

The Corporation neither reviewed nor revised the land premium annually, leading to loss of Rs 4.97 crore. Further, in five growth centres, the Corporation pegged the prevailing rates of land premium below cost and would sustain loss of Rs 9.79 crore on allotment of 150 acres allotable land to entrepreneurs.

(Paragraph 3.1.35)

The Corporation had no post-allotment monitoring mechanism over utilisation of land by entrepreneurs. As much as 118.81 acres land allotted to 61 units were lying unutilised for four months to 26 years, while 42 units, allotted 203.62 acres, remained closed for four months to 15 years. But the Corporation did not take action to repossess the allotted land. Further, the Corporation failed to enforce lease provisions against the erring entrepreneurs for recovery of assignment charges, lease rental and thereby sustained loss of Rs 1.91 crore.

(Paragraphs 3.1.37, 3.1.38 & 3.1.39)

Introduction

3.1.1 With a view to securing development of trade, commerce and industries in a well planned manner, West Bengal Industrial Infrastructure Development Corporation (Corporation) was established (November 1973) by an ordinance, later replaced by the West Bengal Industrial Infrastructure Development Corporation Act, 1974. Under the Act, the objectives of the Corporation are:

- framing schemes for and developing industrial areas as new growth centres for setting up industries and carrying on trade and commerce;
- acquiring and developing land in any existing industrial estate and providing amenities like roads, drainage, power, water etc.;
- advancing loans to industrial units to relocate to industrial areas and estates; and
- constructing factory sheds/ buildings including residential accommodation for employees of the undertakings.

Till 31 March 1990, the Corporation had acquired and developed 1,850.03 acres land. The Corporation had not acquired any land between 1990-1998, while 247.05 acres land was acquired during 1998-2003.

As of March 2003, the Corporation developed 11[1] industrial growth centres in seven districts and was developing another three[2] growth centres and three mega growth centres at Jalpaiguri, Malda and Bolpur under centrally sponsored schemes. These 17 growth centers were set up at 12 locations. In addition, the Corporation also undertakes deposit works against receipt of agency charges.

Organisational set up

3.1.2 The management of the Corporation is vested in a Board headed by a Chairman. The present Chairman, holding charge from June 2000, is an ex-member of the West Bengal Legislative Assembly. As on 31 March 2003 all 13 members, including the Chairman and the Chief Executive Officer (CEO), were nominated by the State Government.

The CEO is the executive head and is assisted by the Secretary, the Chief Accounts Officer and two Superintending Engineers - (responsible for monitoring growth centres) in the day-to day management of the Corporation. Besides, there are 10 Executive/ Assistant Engineers in the growth centres to look after their functioning.

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[1] Haldia, Kharagpur (Medinipore), Dabgram, Raninagar (Jalpaiguri), Kalyani-Phase I, Phase II, Phase-III (Nadia), Uluberia (Howrah), Coochbehar (Coochbehar), Bishnupur (Bankura), Falta (South 24 Parganas)

[2] Haldia (phase-II), Falta Phase-II, Uluberia (phase-II)

During the period under review (1998-2003) the State Government appointed three[∝] CEOs for duration of five to 47 months of whom two CEOs were bureaucrats and one was a technocrat.

Scope of Audit

3.1.3 The performance of the Corporation was last reviewed and included in the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 1990, Government of West Bengal. The review was not discussed by the Committee on Public Undertakings (COPU). The present review conducted between November 2002 and March 2003 covers the performance of the Corporation during 1998 - 2003. The audit findings as a result of test check of records at Head Office, Kolkata and 12[Φ] out of 17 growth centres were reported to the Government/ management in April 2003 with specific request for attending the meeting of the ARCPSE so that the view point of Government/ management was taken into account before finalising the review. The meeting of ARCPSE was held on 12 June 2003 where Government was represented by the Principal Secretary, Commerce & Industries Department and the management was represented by the Chief Executive Officer. The review was finalised after considering the views of the Government/ management.

Audit objective

3.1.4 The present review evaluates the performance of the Corporation on the aspects of (a) fund management; (b) acquisition and development of land at growth centres; (c) creation of requisite facilities and infrastructure at growth centres; (d) pricing of land and sheds; (e) allotment and utilisation of land and sheds; and (f) recovery of service charges from entrepreneurs.

The absence of up-to-date accounts, non-preparation of management information reports and lack of monitoring of the performance of allottee units were significant constraints in formulating audit observations. In light of audit objective, the audit findings are set forth in succeeding paragraphs.

Funding

3.1.5 The Corporation has no share capital. During 1998-2003, the Corporation received fund of Rs 23.30 crore from the Central (Rs 3.50 crore)

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1	Shri Sukumar Ghosh, WBCS(Ex)	01-12-1997 to 31-10-1998
2	Shri Sitapada Dey	30-11-1998 to 30-04-1999
3	Shri S. A. Ahmed, IAS (Also held additional charge of Special Secretary in Chief Minister's Secretariat since May 2002)	30-04-1999 to 31-03-2003

Φ Falta (phase-I), Uluberia (phase-I), Kharagpur, Kalyani (phase-I), Kalyani (Phase_II), Kalyani (phase-III), Bishnupur, Raninagar, Haldia (phase-I), Dabgram, Coochbehar and Malda and State (Rs 19.80 crore) Governments by way of loans (Rs 12.34 crore) and grants (Rs 10.96 crore). Further, the Corporation received (1995-98) rupees five crore from GOI (Rs 3.50 crore) and State Government (Rs 1.50 crore) by way of grant for three mega growth centres and Falta (Phase-II). The purpose and utilisation of these funds is tabulated below –

	Purpose	Amount received	Amount utilised
		(Rupees in crore)	
	Plan fund		
A)	Acquisition of land	11.50	9.86
B)	Development of growth centres	13.95	
	- Land development and infrastructure		5.32
	- Pay, allowances & other expenses at incomplete growth centres at Malda*		0.96
	- Repairs and maintenance*		4.58
	Pay, allowances & other* expenses at five completed growth centres { Cooch Behar, Dabgram, Bishnupur, Kalyani (phase-III) & Uluberia (phase-I) }		1.89
	- Miscellaneous fixed assets		0.18
C)	Promotional grant	0.10	0.10
D)	Non-plan fund to meet operational expenses	2.75	2.75
		28.30	**25.64**

(* Upto 2001-02)

The Corporation diverted plan fund of Rs 7.43 crore to meet revenue expenses.

It was observed that Rs 2.66 crore remained unspent till 31 March 2003, while the Corporation diverted plan fund of Rs 7.43 crore to meet repair and maintenance expense and pay and allowances at growth centres.

The Corporation stated (June 2003) that repairs and maintenance was transferred to development expenditure in accordance with the Corporation's rules. The reply was not tenable since the percentage of such expenditure to be transferred to development expenditure had not been specified in the Corporation's budget as required under the rules.

3.1.6 Though the Corporation received land premium from entrepreneurs, it did not repay principal or pay interest on loans since 1989-90. Consequently, outstanding principal increased from Rs 26.24 crore in 1998-99 to Rs 37.84 crore in 2001-02, while outstanding interest stood at Rs 11.38 crore as of 31 March 2002.

The Corporation could have saved interest of Rs 1.06 crore by repaying loans out of land premium.

These loans carried interest of 14.5 *per cent* per *annum* and should have been repaid out of land premium proceeds received. The Corporation, however, parked these proceeds in term deposits with banks carrying interest of five to 13 *per cent* and earned Rs 10.32 crore during 1998-2002. If these loans had been repaid, the Corporation could have avoided interest burden of Rs 1.06 crore after considering the interest earned.

In violation of the Act, the State Government channelised Rs 55 crore through the Corporation as loan to HPL.

3.1.7 The State Government routed (December 2000) short-term loan of Rs 55.00 crore through the Corporation to Haldia Petrochemicals Limited (HPL), a joint sector company to meet pressing liabilities to financial institutions which was ultra-vires the provisions of the Act.

Principal Secretary of the Department assured in the ARCPSE meeting (June 2003) that this would not be repeated in future.

The loan was repayable by HPL within December 2001 with interest and service charges aggregating 11 *per cent*. HPL paid interest of Rs 2.58 crore till June 2001 and thereafter neither paid interest nor re-paid the loan. An amount of Rs 65.59 crore towards principal (Rs 55.00 crore) and interest (Rs 10.59 crore) was receivable from HPL till March 2003. In view of continuing financial crisis at HPL, the chances of recovery are doubtful.

Financial performance

The accounts of the Corporation for 2002-03 are in arrears. Analysis of the financial position and working results (Annexure-15) revealed the following points :

The Corporation earned profits only due to spurt in interest on term deposits.

3.1.8 The Corporation sustained loss of Rs 11.14 lakh in 1998-99 which rose to Rs 22.59 lakh in 1999-2000 due to fall in income from land rent, water and power supply charges. However, the Corporation earned profit of Rs 11.91 lakh in 2000-01 and Rs 1.75 crore in 2001-02 due to spurt in interest earned on term deposits from Rs 1.43 crore in 1999-2000 to Rs 4.18 crore in 2001-02.

None of the growth centres earned profit in any of the four years.

3.1.9 The Corporation did not prepare working results for each growth centre to assess their actual profitability. However, a review of working results of growth centres for the four years up to 31 March 2002, as worked out by Audit (Annexure-16), revealed that of ten growth centres, only Kalyani earned profit in all four years. Growth centres at four locations sustained losses in all four years, one centre in three years, two in two years and two in one out of four years. The aggregate operational loss of Rs 1.96 crore outstripped the aggregate operational profit of Rs 1.27 crore. Moreover, these results had been arrived at after capitalising revenue expenditure of Rs 6.47 crore. Had the Corporation charged this expenditure, none of the growth centres would have earned profit in any of these years.

The Corporation stated (June 2003) that the suggestion regarding preparation of working results for each growth centre was noted for guidance.

Operational parameters

3.1.10 It would be seen from the operational parameters of the growth centres (Annexure - 17) that out of 2,178 acres proposed to be acquired at the 11 completed growth centres, only 1,686 acres of land (77 *per cent)* was acquired, of which 91 acres was not suitable for industry. Of the three growth centres under development and three mega growth centres, only 92 acres (12 *per cent*) and 320 acres (12 *per cent*) were acquired against proposal of 800 acres and 2,704 acres respectively. As of March 2003, the Corporation had allotted 1,157.17 acres to 324 units at 12[®] growth centres. In addition, the Corporation had leased out 135 acres land at Chakdah (11 acres), Jhargram (106 acres), Kurseong (8 acres) and Haldia (10 acres) to five units between 1977 and 1986 of which four (124 acres) had closed down during 1986 to 1996. However, the Corporation had not taken action to resume land from these closed units (September 2003). Further, the Corporation had constructed 56 sheds and 76 residential units at Uluberia and Falta, of which 43 sheds were allotted to eight units while all residential units were rented out.

The earlier review had pinpointed the non-completion of schemes due to delays in payment of land compensation, delay in finalisation of tenders, poor performance of contractors etc. leading to time and cost overrun coupled with lack of demand from entrepreneurs for land. Moreover, the system of recovering dues from entrepreneurs was ineffective. Thereafter, the Corporation did not show any perceptible improvement on the above deficiencies, as discussed in the following paragraphs.

Establishment of growth centres

3.1.11 Though the Corporation was engaged in the development of industrial areas since 1974, it did not prepare a corporate plan delineating medium and long term goals for development of industrial infrastructure in the industrially developed districts and no industry districts to ensure balanced industrial development in the State. The targets *vis-à-vis* achievements relating to development of growth centres as of 31 March 2003 are given at the Annexure-18.

The development activities relating to completed growth centres at Kalyani (phase-I), Dabgram, Haldia (phase-I), Kharagpur, Uluberia (phase-I), Falta (phase-I), Raninagar, Bishnupur and Coochbehar were reviewed in the Report of the Comptroller and Auditor General of India (Commercial), Government of West Bengal for the year 1989-90. The details of land/ shed allotted in these growth centres have been discussed in paragraph 3.1.37 *infra*. In respect of five[≈] growth centres, the acquisition of land and development activities have been discussed below :

Haldia (phase-II)

Acquisition of land – extra expenditure

3.1.12 To meet the increased demand for industrial plots at Haldia, the Corporation decided (November 1997) to develop an industrial estate for downstream industries of Haldia Petro-chemicals Limited (HPL) which was approved by State Government in March 1998. After lapse of 13 months, the Corporation approached (May 1999) Haldia Municipality (HM) for 250 acres land. However, the Corporation identified only 100 acres land belonging to

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[®] Including Malda Growth Centre now under development as Mega Growth Centre

[≈] Haldia (phase-II), Falta (phase-II), Uluberia (phase-II), Kalyani (phase-II), Kalyani (phase-III)

HM, which agreed to transfer (August 1999) land on long term lease at rupees four lakh per acre. Since, the land was located away from HPL, the Corporation, at the instruction of the State Government, inspected (February 2000) 250 acres land adjoining HPL, belonging to Haldia Development Authority (HDA). This land was available at Rs 3.50 lakh per acre.

The Corporation acquired land at an additional expenditure of Rs 50 lakh.

It was noticed in audit that the Chairman of the Corporation, however, decided (June 2000) to acquire 100 acres of land at rupees four lakh per acre from HM without any recorded reasons. Accordingly, the Corporation paid (January 2001) rupees two crore to HM towards half of the land cost and received (February 2001) possession of 52.50 acres, while the possession of the balance 47.50 acres was still awaited (September 2003). This resulted in additional expenditure of Rs 50 lakh towards procurement of land at higher rate.

Since HM was unable to arrange the entire 250 acres, the Corporation approached (February 2001) HDA to acquire another 150 acres. HDA, however, offered (April 2002) 36.88 acres at Rs 2.27 crore i.e. Rs 6.16 lakh per acre. Decision to acquire land from HDA was awaited (September 2003). Moreover, HM had unauthorisedly excavated earth from 150 acres, proposed to be handed over by HDA to the Corporation.

The Corporation stated (June 2003) that the land offered by HDA was not ideal since it was not beside the highway and required considerable land development. The contention is not justified as the Corporation's Chief Executive Officer (CEO) himself confirmed (February 2000) the suitability of the land and sought approval of the Government for acquisition of this land. However, the Chairman pre-empted the Government's approval by acquiring land from HM which was ratified (July 2000) by the Board as fait accompli.

Inordinate delay in development of land

Corporation's investment of Rs 4.68 crore became infructuous.

3.1.13 The Corporation prepared (July 2001) a project report for development of 100 acres land over a period of three years (2000-03) at a cost of Rs 17.92[Θ] crore with allotable land of 85 acres to be leased out at a premium of Rs 21.46 crore. However, the Corporation delayed land development (52.50 acres) by 11 months, which commenced only in January 2002 and even land filling work remained incomplete as of March 2003 against the target date of completion by April 2002. The Corporation spent Rs 4.68 crore till March 2003 on the project.

In September 1999, GOI, Ministry of Environment and Forests notified that all land filling within a radius of 50 kms of any thermal power station should be undertaken with fly ash. Though Kolaghat Thermal Power Station was only 46 kms from Haldia, the Corporation executed (January/ February 2001) earth filling of about 5 acres with 'good earth' instead of fly ash purportedly in view of the urgency in laying foundation stone of the project. Subsequently, the

[Θ] Government loan (Rs 8 crore), commercial borrowings (Rs 5 crore) and internal resources (Rs 4.92 crore)

Corporation entered (January 2002) into an agreement with HM to undertake earth filling primarily with fly ash for around 47.5 acres at rates lower by 36 to 46 *per cent*. Had the Corporation undertaken the earlier job with fly ash, it could have avoided additional expenditure of Rs 35.55 lakh.

3.1.14 The Central Ground Water Authority (CGWA) prohibited (August 2000) installation of new tubewells for extraction of ground water in Haldia without their prior permission. Yet, the Corporation envisaged (July 2001) sinking of a tubewell to ensure water supply to entrepreneurs and approached (July 2002) HDA instead of CGWA for permission to install tubewell. However, HDA intimated (February 2003) the Corporation that sinking of tubewell was prohibited by CGWA. In May 2003, the Corporation also realised that HDA was not in a position to supply piped water.

Thus, in absence of water, allotment of land cannot be undertaken and the future of this project is jeopardised. Consequently, the entire investment of Rs 4.68 crore proved unfruitful.

Acquisition of land under WBIIDC Act, 1974 at Falta and Uluberia

Lack of co-ordination among the Corporation and Government departments delayed acquisition of land by eight years.

3.1.15 The WBIIDC Act, 1974 provides for expeditious acquisition of land in terms of Section 27. The Commerce and Industries Department (C&I) is empowered to notify and acquire the land with the assistance of the Land Acquisition (LA) Collector under the Land and Land Reforms Department (LLR). Funds were released by the Corporation to the LA collector as per demand. The Corporation had not evolved a mechanism to verify the acquisition price of land. Thus, the co-ordination among the Corporation, C&I and LLR is imperative to ensure speedy acquisition.

At Uluberia (phase-I) and Falta (phase-I), 100 *per cent* and 84 *per cent* of the land respectively was allotted. To meet the demand for land with easy accessibility from Howrah and Kolkata, the Corporation proposed (January/ May 1995) to acquire land under WBIIDC Act, 1974 at Falta and Uluberia. However, as discussed in the succeeding paragraphs, lack of co-ordination among the Corporation, C&I and LLR had frustrated efforts to acquire land, thereby rendering the projects unviable.

Falta (phase-II)

3.1.16 The Corporation proposed (May 1995) to acquire 288.59 acres land at Falta through C&I which delegated (July 1995) the power to the Commissioner, Presidency Division and the Collector, South 24 Parganas. The Project Report envisaged (January 1997) that the land acquisition was to be completed within 1997-98 and the entire work be completed within six years at a cost of Rs 27.23[µ] crore.

However, due to inordinate delay in land acquisition, a revised viability analysis was prepared to reduce the implementation period to four years

[µ] Government loan (Rs 10 crore), grant (Rs 3.98 crore) and internal generation (Rs 13.25 crore) beginning from 2001-02 at revised cost estimate of Rs 28.12[┘] crore to ensure allotment of land from 2003-04.

Only 11 *per cent* of proposed land was transferred after expiry of more than eight years.

The Corporation received Rs 4.50 crore as loan from State Government till March 2003 and paid (December 2002) Rs 1.10 crore towards land acquisition. After lapse of more than eight years, ownership of only 31 acres land was transferred to the Corporation till March 2003. The Corporation did not also follow up with the C&I and district authorities for several years to expedite acquisition. Even as of September 2003, the Corporation had not taken possession of land since the erstwhile land owners sought enhanced compensation and re-employment as a result of which some interspersed plots could not be acquired thereby hampering development work. This indicated lack of monitoring by the C&I Department, the District Authorities and the Corporation.

Thus, the objective of expeditious acquisition of land under WBIIDC Act so as to speed up the implementation work had been frustrated. The Corporation incurred interest of Rs 2.40 crore up to March 2003 on loans of Rs 4.50 crore without accruing any benefit to the Corporation, besides rendering the project unviable.

Uluberia (Phase – II)

3.1.17 The State Government approved (March 1995) the proposal (January 1995) of the Corporation to extend Uluberia growth centre. The Corporation proposed (October 1995) to acquire 261.47 acres through C & I department which empowered (January 1996) LA Collector, Howrah to undertake acquisition and simultaneously notified the acquisition.

The project report envisaged (September 1996) that land acquisition was to be completed by September 1997 and the entire work was to be completed by August 2002 at an estimated cost of Rs 23.10[∞] crore.

After lapse of two years LA Collector, Howrah notified (April 1998) acquisition of only 8.17 acres land. However, the Corporation possessed the land only in March 2001 due to delay of two years in submitting estimates by the Commissioner, Presidency Division. Further, the LA Collector intimated the Corporation in August 1999 that an underground pipeline of Indian Oil Corporation Limited (IOCL) passed through the delineated land, thereby precluding the possibility of utilising the proposed land for industrial or residential purposes. This indicated lack of planning in land acquisition. Consequently, the Corporation forwarded (December 1999) a revised proposal for acquisition of 207.65 acres land to the LA Collector, Howrah and prepared

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┘ State Government loan (Rs 8.50 crore), commercial borrowings (Rs 10.00 crore) and internal generation (Rs 9.62 crore)

∞ Government grant (Rs 7 crore), loan from financial institution (Rs 12 crore) and internal generation (Rs 4.10 crore)

(July 2001) a revised viability analysis for development of 206 acres by June 2005 at a cost of Rs 27.96® crore.

In March and April 2002 the LA Collector, Howrah communicated estimate of Rs 2.17 crore for 59.04 acres. C & I Department sanctioned Rs 2.17 crore in August 2002 which was paid by the Corporation in November 2002. However, possession of the land was awaited (September 2003).

Inordinate delay of eight years in acquisition of only four *per cent* of proposed land made the project unviable.

Thus, lack of coordination among the Corporation, C & I and LLR Departments led to acquisition of only 8.17 acres even after eight years, against a requirement of 206 acres. Consequently, the Corporation was unable to allot 35 and 20 acres land to Hindustan Petroleum Corporation Limited and Damodar Valley Corporation for setting up LPG bottling plant and a sub-station respectively despite repeated requests. This inordinate delay led to escalation of Rs 4.86 crore in project cost with consequent increase in land premium by Rs 9.50 lakh per acre i.e 90 *per cent*, thereby adversely affecting the viability of the project.

3.1.18 To overcome the problem of land acquisition, the Corporation submitted (December 2001) a proposal to LLR Department for creation of a "Special Cell" at the district level/ WBIIDC headquarters to expedite the process of land acquisition. Further developments were awaited (September 2003). Meanwhile, the LLR department expressed (March 2002) its inability to expedite the process of land acquisition and attributed the delay to C & I Department. The process of industrialisation in the State was, therefore, frustrated due to inordinate delays of seven years in acquisition of land at Falta and Uluberia respectively, as compared to a maximum of two years in Gujarat, Maharashtra and Andhra Pradesh, as reported (February 2002) by the management.

The CEO intimated in the ARCPSE meeting (June 2003) that land acquisition was dependent on the priorities of the district land acquisition authorities and speedy acquisition under WBIIDC Act was hampered by dependence on the same mechanism as under the Land Acquisition Act. This indicates that no priority was accorded to land acquisition for industries even after seven or eight years of communication of requirement, which ultimately frustrated the industrialisation in the State.

Kalyani growth centre

3.1.19 The Corporation set up between 1974 and 2002 three growth centres at Kalyani in three phases. The total land as of 31 March 2003 was 413.96 acres. Of the aggregate allocable land of 295.13 acres, only 248.71 acres (84 *per cent*) was allotted till 31 March 2003. While 100 *per cent* allocable land was allotted in Phase-I, the picture in Phase-II and III was bleak at 55 and 47 *per cent* respectively.

® Government loan (Rs 8 crore), commercial borrowings (Rs 16 crore) and internal generation (Rs 3.96 crore).

Purchase of unsuitable land and failure to arrange power and water led to non-development of the growth centre.

It was observed that the Corporation acquired 233.994 acres of low lying agriculture land at Kalyani (Phase-II) which was inaccessible from the road thereby leading to non development of land. Further, the Corporation failed to arrange power and water at Kalyani (Phase-III). Consequently, 90.72 acres at phase-II was neither developed nor returned, while 10.54 acres encroached was returned to Government in December 1992. At phase-III, only four units which were allotted 13.52 acres land, commissioned the activities and four units did not commission activities and surrendered land during January 1998 to November 1999, while 5.22 acres remained vacant till March 2003. Besides, land premium of Rs 35.97 lakh due from three units could not be recovered.

The Corporation attributed (June 2003) these deficiencies to lack of organisational strength leading to absence of planning as well as delays in setting up power sub-station.

Construction of mega growth centres

Construction was delayed by seven years due to lack of monitoring and inordinate delay in constitution of the State Level Committee.

3.1.20 In terms of the decision (June/ December 1988) of GOI the State Government proposed (May 1989) seven locations♦ for setting up mega growth centres that would act as magnets for attracting industries in backward areas. GOI approved (October 1989) three locations at Bolpur, Jalpaiguri and Malda in the backward districts and directed the State Government (September 1990) to submit the project reports within November 1990.

It was noticed in audit that-

3.1.21 The Corporation entrusted Webcon↑ only in January 1991 to prepare project reports, at a cost of Rs 6.50 lakh, i.e. four months after the scheduled date of submission of project reports.

3.1.22 Webcon was to prepare the project reports within 12 weeks from the date of submission of drawings, data and relevant information, which was submitted by the Corporation in February and May 1992. The project reports were received between October 1992 and February 1994 after delay of four to 38 months each. GOI approved the Project Reports of Bolpur (Rs 63.56 crore), Malda (Rs 42.98 crore) and Jalpaiguri (Rs 111.84 crore) in February 1997.

3.1.23 According to the project reports, land acquisition was to be completed by February 1998 so as to complete the project within seven years i.e. 2005. The implementation of these projects would be monitored by a State Level Committee (SLC) and on the basis of quarterly progress reports of SLC, fund would be released by GOI and State Government. The SLC consisting of 14 members and headed by the Chief Secretary was, however, constituted only in May 2001 after lapse of more than six years since approval of the project. The SLC was to meet once in each quarter. Against seven meetings to be

♦ Bankura, Malda, Jalpaiguri, Berhampur, Dubrajpur, Rampurhat, Raiganj
↑ M/S West Bengal Consultancy Organisation

convened from June 2001 to March 2003, the SLC met only thrice. This indicated the indifferent attitude of the State Government to develop these growth centres.

The progress of works in these growth centres as mentioned in table are discussed below :

Mega growth centre	Total area proposed	Land proposed to be acquired	Land acquired so far (March 2003)	Scheduled date of completion	Estimated cost	Expenditure on land acquisition (March 2003)
	(In acres)				(Rs in crore)	
Bolpur (Phase-I)	923.00	204.72	50.38	March 2003	12.81	1.46
Jalpaiguri (Phase-I)	1,094.72	341.55	105.00	June 2004	22.21	2.48
Malda (Phase-I)	686.58	204.07	Nil	June 2004	13.22	Nil
Total	**2,704.30**	**750.34**	**155.38**		**48.24**	**3.94**

3.1.24 At Bolpur, the Corporation decided (November 1999) to acquire land in a phased manner due to land acquisition problems and accordingly, moved (March 2000) C&I Department. After lapse of six months, C&I Department moved (October 2000) LLR Department and LA Collector, Birbhum for procurement of land on payment of 50 *per cent* of the estimated cost of land by the Corporation. LLR Department submitted (December 2000) an estimate of Rs 7.34 crore for 195.15 acres. However, the Corporation decided (October 2001) to acquire 53.48 acres land for the time being and paid Rs 1.46 crore in July 2002 to LA Collector, Birbhum out of Rs 1.50 crore received in February 1997 and 2001-02. In December 2002, the Corporation received possession of 50.38 acres. But the Corporation did not take up land development work as the estimated cost was not finalised (September 2003).

3.1.25 The Corporation approached (March 2000) C&I Department for acquisition of land at Jalpaiguri. After lapse of seven months, C&I Department approached (November 2000) the LLR Department and Collector, Jalpaiguri for acquisition of land on payment of 50 *per cent* of the estimated cost by the Corporation. In January 2001, LLR Department submitted estimate of Rs 5.00 crore (50 *per cent*) for acquisition of 305.17 acres.

Ultimately, the Corporation reduced (October-December 2002) the requirement of land to 105.54 acres and paid Rs 1.50 crore. In January 2003 the Corporation further paid Rs 97.78 lakh and received possession of 105 acres received in March 2003. Again, the Corporation was yet to take up land development work (September 2003).

3.1.26 The Corporation approached the C&I Department only in March 2000 for acquisition of land at Malda. In January 2001, LLR Department intimated estimate of Rs 3.99 crore for 197.08 acres. After lapse of 15 months, the Corporation advised (April 2002) the District Magistrate to acquire 89.54 acres. L.A Collector, Malda intimated (January 2003) tentative estimate of Rs 3.21 crore for acquisition of 89.54 acres and requested release of Rs 1.61 crore. No payment had been made so far (September 2003), though the Corporation received (1997-2003) Rs 4.10 crore as grant from Central/ State Government.

Thus, these mega growth centres, scheduled to be completed over the reduced area of 750 acres by June 2003-June 2004, would be further delayed since land acquisition was being inordinately delayed. The SLC also failed to monitor the progress of work which adversely affected the flow of fund from GOI.

3.1.27 In view of poor progress the Planning Commission proposed (August 2002) to discontinue these projects by withdrawing their funding beyond 2002-03. Although the State Government requested (October 2002) GOI to reconsider their decision and assured allotment of land from February 2003; the Corporation did not achieve this target as the Government failed to acquire land. In view of the unsatisfactory progress, the possibility of further fund from GOI appears to be bleak.

The management stated (June 2003) that though some delays had occurred initiating the process of taking up the projects, action had already been taken to accelerate process of land acquisition and to start development work. The reply indicates that even after a decade, the development of these growth centres was yet to achieve momentum whereas Maharashtra, Gujarat and even Nagaland had achieved substantial progress.

Delay in development of growth centres in no industry districts

3.1.28 GOI introduced (April 1983) a scheme for assisting State Governments to set up growth centres in 'No Industry Districts'[π] (NID) at a cost of rupees six[η] crore each at Raninagar, Coochbehar, Malda and Bishnupur and approved feasibility reports in March 1987.

The implementation of these growth centre is discussed below :

3.1.29 These growth centres, to be originally completed between December 1988 and September 1989, were rescheduled to be completed between September 1990 and March 1992 leading to a time overrun of 18 to 37 months due to non-synchronisation of fund required with physical milestones. Till March 2003, Rs 22.70[1] crore was released against which the Corporation incurred Rs 21.09 crore for acquisition and development of 621 acres land.

3.1.30 Between December 1988 and March 2003, the Corporation completed 72 *per cent* of revised scope with time overrun of 162 to 171 months and cost overrun of Rs 7.89 crore, mainly due to interest on IDBI loan, continued

[π] Districts having no medium or large scale units
[η] GOI subsidy Rs 2 crore, State Government share Rs 2 crore and IDBI loan Rs 2 crore
[1] State Government Rs 12.09 crore, Government of India Rs 8.10 crore, IDBI Rs 2.51 crore

charging of establishment expenses to these projects, increase in power and land cost etc.

Further, six acres at Coochbehar were not taken up for development and roads remained incomplete on 16 acres.

3.1.31 Land for energy sub-stations was handed over at Bishnupur, Coochbehar and Malda to West Bengal State Electricity Board (WBSEB) after delays of 44, 57 and 87 months respectively from their scheduled dates of commencement of work. Thus, commissioning of sub-stations in all three growth centres was delayed.

3.1.32 At Coochbehar the Corporation, without the permission of the Government, decided (December 2000) to develop 16.88 acres, earmarked for industrial housing, into residential plots for sale to the general public and incurred an expenditure of Rs 31.31 lakh till March 2003. The Government directed (January 2003) the Corporation not to proceed further, thereby rendering the expenditure of Rs Rs 31.31 lakh infructuous.

Incomplete infrastructure facilities at completed growth centres

Facilities at five out of 11 completed growth centres remained incomplete.

3.1.33 The Corporation has no system of declaring any of the industrial estates as complete. Only in September 2002, the Corporation communicated to the Planning Commission that 11 growth centres, approved by the State Government between 1975 and 1986, were ‘fully developed and operational’ while three growth centres, approved by the State Government between 1995 and 1998 and three mega growth centres, approved by the Central Government in February 1997 were still under development.

Out of 11 growth centres reported to be completed (Annexe-18), at four growth centres various facilities like drainage, common facilities etc. were incomplete to the extent as tabulated below :-

	Item of incomplete work	Bishnupur	Coochbehar	Raninagar	Falta
		(Percentage of non-completion)			
1	Land development	-	10	-	-
2	Residential accommodation, industrial housing and sheds	100	100	100	-
3	Roads and culverts	31	30	-	-
4	Water supply system	33	30	30	-
5	Drainage system	100	25	-	-
6	Electrical distribution system	-	30	-	-
7	Common facilities – bus terminus, fire station, police outpost	100	100	100	100

This indicated that lack of facilities was one of the reasons for poor response from entrepreneurs. Further, at Kalyani (phase-I), roads, drainage, water supply etc. were incomplete though degree of non-completion was not on record. Though the entrepreneurs apprised the Corporation from time to time, it did not complete the infrastructure facilities. In addition, the Corporation had not installed common effluent treatment plant at any of the growth centres, despite operation of many grossly polluting industries at these centres in contravention of the legal requirement.

Land premium policy

3.1.34 The Board approved (October 1982) the policy of determining land premium payable by entrepreneurs for allotment of leasehold land. Land premium included cost of land, cost of infrastructure facilities plus 12.5 per cent thereon towards administrative overhead, as reduced by State/ Central grants and was to be enhanced annually by adding interest payable on loans plus 5 per cent for establishment charges.

Pending finalisation of actual project cost of growth centres, the Corporation, since inception, fixed land premium provisionally based on the estimated project cost with annual increase thereon of 10 to 15 *per cent* to cover interest and 5 *per cent* towards establishment charges. Accordingly, the Corporation allotted land till February 1993 on the condition that it would recover the balance land premium on determination of final cost. Subsequently, the Board decided (March 1996) that land premium on the date of the offer would be 'treated as final'.

The Corporation failed to recover Rs 14.76 crore towards land premium and development cost.

3.1.35 The Corporation neither determined the final cost of growth centres nor revised the land premium annually. The Corporation revised (April 1997) land premium at Uluberia, Falta, Dabgram, Kalyani, Kharagpur and Haldia by 20 to 108 *per cent* while land premium at Raninagar, Coochbehar, Bishnupur and Malda was revised by 14 to 76 *per cent* in August 2001. Although demand for land was high at these locations, the Corporation did not revise land premia for these locations annually. Further, the Corporation spent Rs 28.65 crore towards land and development cost of 538 acres in respect of five* completed growth centres till March 2003, of which Rs 11.42 crore was recovered as land premium against allotment of 388 acres, as tabulated below.

Name of growth centre	Non-revision of land premium	Total cost incurred till 31 March 2003	Premium recovered on land allotted till 31 March 2003	Premium recoverable on land available for allotment	Non-recovery of cost on allotment of balance land	Total loss arising from non-revision & non-recovery (2+6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	(Rupees in crore)					
Kalyani	1.37	7.56	1.73	2.97	2.86	4.23
Falta	2.01	-	-	-	-	2.01
Uluberia	0.86	-	-	-	-	0.86
Haldia	0.73	-	-	-	-	0.73
Coochbehar	-	5.25	0.55	1.93	2.77	2.77
Raninagar	-	6.44	3.07	0.70	2.67	2.67
Bishnupur	-	5.20	2.52	1.31	1.37	1.37
Malda	-	4.20	3.55	0.53	0.12	0.12
Total	**4.97**	**28.65**	**11.42**	**7.44**	**9.79**	**14.76**

* Coochbehar, Raninagar, Bishnupur, Malda and Kalyani (phase-III)

It would be seen from the table that the Corporation failed to recover Rs 4.97 crore on allotment (April 1993 -March 2003) of 152.55 acres at Kalyani (Rs 1.37 crore), Falta (Rs 2.01 crore), Uluberia (Rs 86 lakh) and Haldia (Rs 73 lakh). The management stated (June 2003) that annual increase of land premium would make the land premium prohibitive.

Moreover, even if the entire remaining allottable land (150 acres) was allotted at the prevailing rates to earn land premium of Rs 7.44 crore, the Corporation would not be able to recover Rs 9.79 crore due to fixation of land premium below cost. Consequently, the Corporation suffered loss of Rs 14.76 crore due to non revision/ recovery of land premium.

Allotment and utilisation of land

3.1.36 The Corporation allots developed land on 99 years lease to the prospective entrepreneurs on receipt of applications with particulars of the proposed unit. On realisation of land premium in two instalments, possession of land is handed over and lease agreement entered into with the entrepreneur. The entrepreneur is to submit the building plan to the Corporation within six months from the date of handing over possession and construction should commence within 12 months from handing over of possession, while commercial production is to commence within 36 months. The entrepreneur is to furnish quarterly progress reports and other details including employment position regularly to the Corporation. The Corporation is entitled to terminate the agreement and repossess the land if the lessee fails to complete the factory within the stipulated time or leaves the land unutilised or uses the land for any other purpose.

3.1.37 The Corporation had no monitoring mechanism to oversee the utilisation of land by entrepreneurs. The table indicates the utilisation of allotted land as of March 2003.

Sl. No.	Particulars	Area in acres	Percentage of total area	No. of units	Percentage of total units
1.	Business in operation	722.00	64	134	51
2.	Land lying un-utilised	118.81	11	61	23
3.	Factory closed	203.62	18	42	16
4.	Construction started but left abandoned	14.65	1	04	2
5.	Construction completed	2.81	-	02	1
6.	Construction started	56.82	6	21	7
7.	Construction for other purposes	1.00	-	01	-
	Total	**1,119.71**	**100**	**265**	**100**

Thirty *per cent* of the land allotted either remained unutilised or factories were closed or construction was abandoned.

It would be seen that 118.81 acres allotted to 61 units were lying unutilised beyond 12 months for periods from four months to 26 years in contravention of the lease agreements. Further, 203.62 acres were allotted to 42 units till March 1999 which remained closed for periods ranging from four months (Kalyani Phase-I) to 15 years (Kalyani Phase-II). However, the Corporation did not take any action to repossess land. Some of the cases examined in audit are mentioned below.

- At Haldia, 3.50 acres land was allotted (March 1981) to Anand Explosives Limited, promoted by an ex-member of Parliament. Land remained unutilised for 22 years.

- At Raninagar, 4.88 acres land allotted (December 1999) to IOC for construction of a petrol pump was partly sub-let to Jai Baba Lokenath for construction of restaurant/ dormitory. However, in absence of an agreement with IOC, the Corporation was unable to take action.

- The Corporation allotted (December 1989/ November 1996) 2.90 acres to Srikrishna Industries and Rochanica Food Products, which sub-let their closed factories to CocaCola and Hindustan Lever for use as godown and weigh bridge respectively. Moreover, an acre allotted (June 1989) to Northern Footwear (P) Limited for manufacture of shoes remained vacant till October 2001, when the Corporation unduly permitted construction of a godown.

- At Dabgram, 4.64 acres land valuing Rs 37.12 lakh was earmarked since 1991-92 for development of a commercial complex zone. Of this 1.14 acre was occupied by a place of worship. The Corporation sought offers for development of a commercial complex on 3.50 acres only in December 2002 and received a single response that did not yield any result. This indicated that the Corporation's decision to set up a commercial complex was unviable and as a result, the land remained unutilised till date (September 2003).

- Out of 355.17 acres allotted at Raninagar, Coochbehar, Malda and Bishnupur, 35.08 acres was allotted between April 1988 and March 2003 to 84 small scale units in contravention of the 'No-Industry District' scheme that envisaged establishment of only large and medium scale units at these centres. The Corporation stated (June 2003) that to fulfil the social commitment and to develop local entrepreneurs, land was allotted to small scale units.

- Four units to whom 14.65 acres was allotted (February 1991- March 1997) at Uluberia and Kalyani (phase – III), abandoned construction and the land remained unutilised for 34-145 months.

While accepting these observations, the Corporation stated (June 2003) that it went for negotiation rather than taking legal action against defaulting units for resuming land. However, the fact remains that the Corporation did not take any effective action to this end so far (September 2003).

The Corporation allotted 9.76 acres land valuing Rs 83.29 lakh in excess of requirement for installing sub-stations.

- At Uluberia, Bishnupur, Kalyani (phase – I & III), Falta, Kharagpur, Malda, Raninagar, Coochbehar and Dabgram, the Corporation allotted (October 1977- March 1995) 1.272 to 3.089 acres land free of cost to WBSEB, for setting up sub-stations, against normal requirement of an acre only at each location. Thus, the Corporation allotted 9.76 acres (value : Rs 83.29 lakh) in excess to WBSEB, without assessing actual requirement. The Corporation stated (June 2003) that land was allotted as per requirement of WBSEB. However, the Corporation neither reviewed such assessment nor resumed the excess land so allotted to WBSEB.

Loss due to undue favour to a private party

Failure to enforce lease provision resulted in a loss of Rs 52.17 lakh.

3.1.38 The Corporation allotted (February 1982) 54.56 acres (premium: Rs 22.37 lakh) to Hindustan Development Corporation Limited (HDCL) at Kharagpur for a wagon factory. As per the lease deed (March 1991) HDCL was to complete the factory within three years. After 16 years, HDCL offered (January 1998) to surrender the land as they had abandoned the project and prayed for waiver of penalty and interest.

The Board approved (March 1998) resumption without levy of penalty or interest, ostensibly for allotment to entrepreneurs at the current rate of Rs 8 lakh per acre since demand for land at Kharagpur had increased considerably. However, there was nothing on record to indicate the number of such entrepreneurs and their requirement of land (September 2003).

The Corporation refunded (October 1998) Rs 21.44 lakh and repossessed the land without recovering penalty and interest of Rs 52.17 lakh in terms of the lease agreement. In February 2003, the Corporation allotted only three acres land to Software Technology Park at Rs 24 lakh.

Thus, ineffective monitoring and failure to enforce lease provision led to undue favour to an erring private party, resulting in loss of Rs 52.17 lakh. The Corporation stated (June 2003) that due to lack of demand from prospective entrepreneurs effective step was not taken to repossess land. The reply is however silent in regard to failure to impose penalty or interest on HDCL.

Loss due to non recovery of assignment charges

3.1.39 The Corporation recovers assignment charges from new allottees while transferring the lease at the instance of the original allottees, being the difference between original and current land premium.

The Corporation irregularly waived assignment charges of Rs 1.39 crore.

The Corporation allotted (December 1976) 14.22 acres at Rs 61,500 per acre to Andrew Yule & Company Limited (AY) at Kalyani (phase-I) for the belting division. Subsequently, 4.85 acres land (current premium : Rs 48.50 lakh) was allotted (January 1979) in the same growth centre to Yule Financing & Leasing Company Limited (an associate company within Andrew Yule Group) for future expansion/ diversification of the belting division. Entire land of 19.07 acres remained vacant for nine years till May 1998.

AYL approached (June 1998) the Corporation for transfer of 19.07 acres in favour of Phoenix Yule Limited (PYL), a new joint venture company formed to take over the belting division with a view to turn-around the division since it was incurring huge losses and also requested the Corporation to waive the assignment charges of Rs 1.79 crore. The Corporation agreed (July 1998) to waive assignment charges and referred (August 1998) the matter to State Government for approval. The State Government observed (September 1998) that since the Board had decided on the method of collecting the assignment charges, the Board should decide on waiving the charges.

At the invitation of the Chairman, the Chairman-cum-Managing Director (CMD), AY pleaded (4 September 1998) for waiver of assignment charges at the meeting of the Board. The Board authorised the Chairman to determine the quantum of assignment charges. Within three days, CMD of AY offered (7 September 1998) to pay Rs 40 lakh against liability of Rs 1.79 crore which was promptly accepted by the Chairman of the Committee and later ratified (January 1999) by the Board. PYL paid Rs 40.00 lakh between January and March 1999 and assignment deed signed in October 2001.

Action of the Chairman in inviting CMD, AY to attend the Board meeting of the Corporation was inexplicable and acceptance of Rs 40 lakh as assignment charges without recorded reasons led to a loss of Rs 1.39 crore to the Corporation. The Corporation stated (June 2003) that CMD of AY was present in the meeting to represent the facts before the members of the Board. However, the reply was silent in regard to the basis of fixing and accepting Rs 40 lakh as assignment charge.

Loss of revenue due to recovery of water rates below cost

3.1.40 At seven growth centres, the Corporation distributed ground water to entrepreneurs and recovered water charges based on consumption recorded in the water meters.

It was observed in audit that the Corporation had not evolved any system to review the cost of water supplied for realisation of water charges. With rising expenditure on operation and maintenance of water supply infrastructure, the Corporation undertook (March 2001) a study at Kalyani and recommended recovery of water charges at Rs 5.75 per kilo litre (KL) on 'no profit no loss' basis. Similarly, expenditure at different growth centres was assessed and water charges to be recovered ranged from Rs 5.60 to Rs 11.30 per KL.

However, the Board revised (March 2001) the rates for water charges of April 1997, from April 2001 to absorb the enhanced cost of supply that was significantly lower than the assessed rates, as shown below :

	Name of the growth centre	**Existing rate of water charges (1 April 1997) (Rs / KL)**	**Assessed rate of revision of water charges (Rs / KL)**	**Rates of water charges effected from April 2001 (Rs / KL)**
1	Kalyani	4.00	5.75	5.00
2	Kharagpur	5.50	11.30	6.00
3	Uluberia	5.50	5.67	6.00
4	Falta	5.50	5.92	6.00
5	Bishnupur	4.00	6.30	5.00
6	Raninagar	4.00	5.60	5.00
7	Coochbehar	4.00	7.85	5.00

The reasons for revision of water charges on lower side at five centres as compared to assessed water charges were not on record.

Thus, due to revision of water charges below cost, the Corporation sustained loss of Rs 47.87 lakh on supply of water at five growth centres. The Corporation accepted (June 2003) the observations.

Dues towards water charges and service charges

3.1.41 As per the rule, the Corporation raises quarterly bills of water and service charges. The Corporation, however, permitted entrepreneurs to avail these facilities up to 12 years without paying their dues, thereby indicating absence of monitoring to recover dues. Consequently, the outstanding dues on account of water and service charges went on increasing and the same stood at Rs 44.32 lakh, of which Rs 31.74 lakh (72 *per cent*) was outstanding against closed, vacant and abandoned units which rendered the recovery of these dues totally bleak and the Corporation sustained loss to that extent. The Corporation stated (June 2003) that efforts were made to recover the outstanding amount. However, no such effort was on record (September 2003).

Conclusion

Though the Corporation's main objective was the development of industrial infrastructure/ growth centres in the State, the Corporation has not framed any medium and long-term plans for achievement thereof. Out of 17 growth centres, 11 growth centres were completed after a considerable time and cost overrun while there were already slippages in developing other six growth centres including three mega growth centres due to abnormal delay in acquisition of requisite land and arranging supply of power and water thereby retarding the process of industrialisation. Further, four completed growth centres were yet to develop infrastructure facilities. Large number of units to whom land was allotted did not utilise the same for a long time or remained closed. This coupled with inadequacies in fixation of land premium, non recovery of land premium/ water and service charges resulted in loss to the Corporation.

The Company needs to prepare medium and long term plans with the emphasis on speedy acquisition of land, allotment of available land, periodical review of land premium and close monitoring of dues recoverable.

These matters were reported to the Government in April 2003, their replies were awaited (September 2003).