

# Govt plans to cash in on defence real estate

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In a marked shift in the way land belonging to the defence ministry is used, it has been decided that transactions in defence lands will be treated as capital receipts. Also, in order to cash in on the value of the real estate held by the defence ministry in metros and big towns, shops located on its land will be made to pay rents at market rates from now on.

Both the finance and defence ministries have approved these proposals, which are part of a report filed by a committee set up by the ministry of defence to examine the utilisation of its land bank. Headed by former finance secretary Sumit Bose, the committee was also meant to find ways of bringing order to the land banks in and around the cantonments and monetise them wherever possible.

Once introduced, the measures will rationalise the usage of land by the defence ministry, which, according to its own

## KEY PROPOSALS

- No land parcels should be sold or leased before the decisions are vetted at a centralised level
- The proceeds should not become the income of the cantonments, but should enter the Consolidated Fund of India as capital receipts
- All renewals of lease of shops and establishment on defence land should be at market rates

Note: From a report filed by a panel set up by the defence ministry to examine the utilisation of its land bank

**1.75 mn acres** Land held by the defence ministry across the country

**90%** Defence land situated within the 62 notified cantonments

estimates, holds 1.75 million acres across the country. Of this, approximately 9 per cent is situated within the 62 notified cantonments and the rest is located outside these cantonments, as per data with the Directorate General, Defence Estates, a body under the defence ministry. For security reasons, the location of a large part

of this land bank is not made public.

There are no uniform rules on land utilisation by the defence ministry units. And more than one report of the Comptroller and Auditor General (CAG) has pointed to the "unsatisfactory management of defence estates". In an audit report issued in 2013, the CAG noted that there was



misuse of defence land by either local military authorities or unauthorised occupation of land when the lease on them had long expired. These drawbacks, the report went on to say, had been highlighted in previous audit reports too, but the problem has not been solved.

In test checks of just six cases spread across Delhi, Mumbai and Kolkata and Pune, the CAG report estimated a loss of ₹8.30 billion to the government because the defence ministry had delayed renewing the lease with the parties concerned. This did not include the Adarsh housing case in Mumbai.

However, the defence ministry is not the largest owner of land bank among government departments. That honour goes to the ministry of railways. But the numbers vary. Data gleaned from the government land information system is often at variance with the annual reports of the respective departments of the ministries.

Turn to Page 4 ▶

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For example, at 723,919 acres, the railway ministry's land back falls short of the land data from the records of the Directorate General, Defence Estates.

Again, the land holdings of the ministries of coal, power and heavy industries among others, are reckoned to be larger than that belonging to defence. As per the latest budget data, the asset register of all land held by the government of India is at ₹3.52 trillion.

The lack of consistency of data on these land parcels reveals the risk government runs in administering them. The Bose committee said that defence land is particularly vulnerable to encroachment as large chunks of it are located in and around cities. A Parliament reply given by defence minister Nirmala Sitharaman earlier this year also acknowledged the scale of the problem.

The minister's reply stated that currently, more than 10,000 acres of defence land have been encroached upon. As the audit reports show, even those under the effective control of the ministry are not well managed.

In its recommendations, the Bose committee says that no land parcels should be sold or leased before the decisions are vetted at a centralised level. Plus, the proceeds should not become the income of the cantonments, but should enter the Consolidated Fund of India as capital receipts. The management of the Fund vests with the finance ministry. By ensuring that the money is treated as capital receipts, Parliament will see to it that the money does not disappear in the general revenue stream, and instead, is used to build military assets. This will also cut down chances of corruption in the

use of land parcels by unmonitored entities.

The committee has also suggested that once the purpose for which a land parcel was given out is over, the local military authorities should hand it out to other parties. Currently, there is no way to track the loss to the government from such transfers.

A public interest litigation was filed in the Supreme Court in 2014 by an NGO, asking the Court to give directions to the government to stamp out such practices.

In addition, the committee has advised against leasing out shops to private parties in cantonments at concessional rates.

Citing the example of Delhi, it has shown that this is a revenue loss for the cantonment and also gives an unfair advantage to those who get the lease at subsidised prices. In fact, it has gone on to suggest that all renewals of lease of shops and establishment on defence land should be at market rates from now.

This will of course have a knock-on effect on the real estate sector as the prices of shops in several upscale markets that are built on defence land across the country will likely shoot up. In both Delhi and Mumbai some of the prime shopping centres are built on defence land.

The audit reports show that the committee's report and recommendations are based on strong evidence. Delay in the renewal of lease benefits private parties while the government loses out.

For example, in Kolkata, the Royal Calcutta Turf Club has occupied 153.41 acres of prime land in the heart of the city, but the lease for it was not renewed for six years from 2007 to 2013. The delay cost the exchequer ₹8.14 billion.