GOVERNMENT INTERVENTION AND LAND DEVELOPMENT IN NEW TOWN, KOLKATA: EMERGING LESSONS FOR THE POLICYMAKERS?

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Summary:

This paper reviews the government intervention in land market in Kolkata with a special focus on New Town. It is observed that whilst past government interventions exhibited classic errors of provider regime, the New Town reflects how the government is implementing its neo-liberal agenda despite its socialist background resulting in the ‘pro-market’ operation of lead public agency, HIDCO. High land development multiplier and land price to income ratio suggest both physical and regulatory constraints and profit-seeking developers leading to a conclusion that the ultimate beneficiaries are not likely to be LIG and EWS population in Kolkata. The project displays some of the positive ingredients of operations under enabling context; however, there is a risk that the government intervention could be characterized just by a bundle of narrowly defined but technically and commercially sound intervention.

Key Words:

Government intervention, Land development, New Town, Kolkata, India, Low-income
1 INTRODUCTION

In the past several decades cities in the developing world have witnessed an unprecedented level of urbanization causing enormous pressure on land, housing and infrastructure. This trend is likely to continue as the UN-Habitat (2003) predicts some 56 per cent of the world population will be living in cities by the year 2030 suggesting efforts of global scale will be required to address the housing and land need arising from them. Implicit in this growth figure is a much greater rise of urban population in the larger cities of the developing world. The housing and infrastructure deficit as a result of this is already evident in their landscape in the form of numerous squatter settlements and slums. Estimates suggest that between 30 and 70% population live in ‘irregular’ settlements (Durand-Lasserve 1997: 11), some 64% of the housing stock in, and up to 85% of newly produced hosing low-income countries is unauthorized (UNCHS, 1996: 200) pointing towards an urgent need to address the serious shortage of housing and infrastructure provision. About a third of the population Kolkata lives in bustees\(^1\) and slums located in the overcrowded quarters of the city without basic health and sanitary conditions.

Kolkata in India is one of the ten largest cities in the World. Throughout the 19\(^{th}\) century, the city experienced a phenomenal population growth owing to a huge influx of migrants generating a high demand on land and housing and exerting further pressure on the antiquated infrastructure of older quarters of the city. The city currently has an average annual housing need of some 70,000 new dwellings which will potentially rise to 90,000 units by the year 2025 at the rate of current deficit (KMDA, 2000). Housing is however only one part of the city’s function as a system. There are other competing land uses claiming their stake on the available land. Since the implementation of liberalization policies in the 1990s, growing IT industries and newly-resurrecting manufacturing industries are increasingly looking to locate in the city’s expanding quarters. Given that the city is physically constrained in many areas and that the scale of land needed is very high, there is a widely shared belief that the government has the ultimate responsibility to manage the supply of land in Kolkata.

\(^1\) The Royal Commission of Indian Labour (1931) described bustees as ‘houses that are built close together and frequently back to back in order to make use of all the available spaces’. This indicates the congestion where every inch of land was utilized for residential purpose leaving no open space for even circulation of fresh air (Mitra, 1987).
Reflecting the growing need for land and housing in the city since the liberalization began in the 1990s and the longstanding interest to manage land supply, the government began to intervene in the land market in Kolkata by laying groundwork for developing new townships in the city. The State is now no longer antagonistic to capital despite its socialist political ideology (D’costa, 2005). The liberalization of capital market thus provided easy access to private capital for the city to embark on the scale of land development that has no parallel in the history of Kolkata. The New Town (locally called Rajarhat) is one of the most prominent land development projects in the country, second only to Navi Mumbai in terms of its scale and the estimated population it will accommodate. The policy framework is provided by the nationwide program that conceptualizes the creation of 100 new towns by the year 2021. Set within the context of economic liberalization, the New Town development aims to rejuvenate the Kolkata’s stagnant economy by triggering land and housing development and to improve its image as an investment friendly destination. The social, economic and political implications of an intervention of this scale could thus be far reaching.

This study aims to explore the rationale for undertaking such a massive project, examines the way it is being implemented and assesses its impact on both micro and macro levels. It is pertinent to explore the impact it has on land and housing prices in the city and on the access to land for the urban poor given, traditionally, government intervention in the land market has not resulted in the desired redistribution and efficiency of the land use. At the macro level, the dilemma is how to distribute the positive attribute of the New Town and increase the economic competence of the city creating areas for modern industries, IT and other enclaves, while minimizing its negative impact on the poor and the society as a whole. The challenges presented by the New Town are being experienced widely in India and elsewhere at various levels of development. For the purpose of this paper five key indicators form the basis for the analysis: land development multiplier, raw land prices, serviced land prices, cost of raw land to income ratio and cost of serviced land to income ratio. Published city-level data on household income and price of land are sourced to formulate key indicators. In addition, a series of semi-structured interviews with officials of Housing and Infrastructure Development Corporation (HIDCO), West Bengal Housing Board (WBHB) and Kolkata Metropolitan Development Authority.
(KMDA) conducted in 2006 and 2007 forms the basis for the analysis and interpretation in this paper.

The remainder of this paper is organized as follows. In the next two sections present urban housing and land context of Kolkata followed by the historical experience of government intervention in the land market. The subsequent section presents empirical observation on the New Town followed by analysis using a set of key indicators of land. We then close with a discussion on the findings and their possible interpretation.

2 URBAN LAND AND HOUSING CONTEXT IN KOLKATA

Kolkata is a colonial port city where both Europeans and Bengalis flourished in the eighteenth and early nineteenth century. Foundation of British settlement in Kolkata was laid in 1690 when Job Charnock, an agent of East India Company, arrived at the bank of the River Hooghly and took the lease of the three villages - Sutanuti, Govindapur and Kolkata - as trading posts of the British East India Company. Jute industry helped the city expand quickly and the city was transformed. Kolkata grew as the trade grew and became the epicentre of trade, labour and capital.

Kolkata is a linear city, sprawling over 1,785 km² and extending north-south along the east and west banks of River Hooghly (part of the Ganges). Geographically the city is situated ninety miles away from the Gangetic delta. The core city is sandwiched between the Rive Hooghly on the west, salt lakes to the east and marshes and the swamps to the south. By virtue of its geographic profile, successive growth in the years following independence spread eastwards as unstable ground conditions provided little alternatives. Kolkata’s growth has been regarded as the most striking illustration of extent to which locational disadvantages have been overcome (Murphey, 1964).

In the last decade or so, the huge demand of land manifested with the advent of liberalization prompted the city to target the hinterland on the eastern fringes as the source of land supply and home for planned urbanisation. In fact the demand for new land in newly rejuvenated Kolkata
and its hinterland has been nothing short of spectacular as a result of the growth in the overall economy, IT sector and general wealth of the people (Roy, 2003). As the first step towards accommodating this new growth the government began the process of administrative consolidation of metro Kolkata in the 1990s and the villages in the hinterland were amalgamated to form Kolkata Metropolitan Area. As the second step the government has started vigorously to intervene in the land market by planning and developing multiple township projects (Figure 1). Currently, half a dozen townships are being developed at the outskirts of the city in partnership with local and overseas developers. The urban landscape in Kolkata thus typically underwent a transformation that can be characterized by first a city-ward growth in the early decades of 19th century around its core and second by the proliferation of high rise tower blocks specially in the outskirts of the city, and in particular around EM Bypass.

The impetus for housing and land reform no doubt stemmed from the scale of quantitative and qualitative housing shortage in the city. According to a KMDA report entitled ‘Development Need of Calcutta Metropolitan area 1992-2002’ (1992), the average annual additional need for housing in the Kolkata Metropolitan Area (KMA) was estimated at 70,000 dwelling units. A new report projected the average annual additional housing need in the KMA to grow to 90,000 units by the year 2025 (CMDA, 2000: 73). This also reflects the magnitude of additional growth in Kolkata, assuming that the current housing situation does not worsen further. An estimated 800 ha land will be needed annually to meet the need generated by housing alone. Although the growth rate of overall housing has increased and the housing condition has somewhat improved in recent years as compared to the 1950s and 1960s, the average annual house building rates in recent years (including both public and private) has been around 15-20,000 dwelling units, well below the target figures (Sengupta and Tipple, forthcoming). Limited new housing in the market is often targeted to the higher income population signifying an unequal distribution of land and housing across the urban population. This has a direct implication on the housing opportunities

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2 Kolkata Metropolitan Area now has three Municipal Corporations (Kolkata, Howrah and Chandannagore), 38 municipalities and several villages. The urban built up land now constitutes 54.7% of the total area of the CMA and the rest is under non-urban use, which include agricultural land, fallow land, plantation, forest, coastal wet land, water bodies et cetera, together constituting around 35% and the rest 15% is under mixed built up use where no individual urban land use category is pre-dominant. Among the urban uses, the total built land consists of residential of about 32% of the total land area (CMDA, 2000: 57).
for some 27% EWS and 53% LIG population in the city (Table 1). According to a recent report 2,011 registered and 3,500 unregistered slums constituting one third of the population in the Kolkata Municipal Corporation (Kundu, 2004: 4) area alone.

**Table 1** Distribution of households by monthly household income in CMA

<table>
<thead>
<tr>
<th>Economic group</th>
<th>Monthly Income (INR)</th>
<th>% of households in KMA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economically Weaker Section (EWS)</td>
<td>Up to INR 1,999</td>
<td>27.4</td>
</tr>
<tr>
<td>Low-Income Group (LIG)</td>
<td>INR 2,000-4,999</td>
<td>53.3</td>
</tr>
<tr>
<td>Middle-Income group (MIG)</td>
<td>INR 5,000-9,999</td>
<td>16.4</td>
</tr>
<tr>
<td>High-Income group (HIG)</td>
<td>Above INR 10,000</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Source: Perspective Plan of CMA-2025; CMDA (2000)

In sum, the context of urban land and housing in Kolkata is characterized by low levels of supply relative to high demand from across the range of land uses and a range of income groups within housing. Concomitantly rise in housing price has been observed but the household income has not increased at the same rate making it difficult for the majority of the population to access a scarce and expensive commodity. This context poses a challenge for the government to ensure that where land is made available its distribution remains efficient and equitable. As well as supplying land for emerging real estate boom, the government intervention in new townships is expected to generate sufficient land for housing the urban poor. It is within this framework the New Town development will be assessed in this study. Such assessments are rare in Kolkata even though the new townships have been underway at quite an aggressive pace for some time.

The next section gives a brief overview of the past government intervention in the land market and discusses the New Town, Kolkata in detail.

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3 The primary aim of the township development however has been to address the serious shortage of developable land to accommodate renewed surge in housing demand and forthcoming housing investments in the post-reform period. The desperation amongst the stakeholders has become evident with certain sections of the private developers attempting to fill up the environmentally sensitive wetland in the south of the city to build new housing. Land crunch in the city has been further fuelled with the Central Government’s announcement to permit 100 per cent foreign direct investment (FDI) for the development of integrated townships, including housing, commercial premises, hotels and urban infrastructure facilities since 2002 (GOI, 2002). West Bengal’s first integrated township development with FDI is the ambitious Kolkata West International City currently being developed in partnership with an Indonesian developer.
3 GOVERNMENT INTERVENTION IN LAND MARKET IN KOLKATA

Government intervention in land market has been widely witnessed. Kolkata is not alone in this regard. There is a credible evidence which shows government intervention in the land market has activated urban land market bringing about a major transformation in the urban landscape in many third world cities (Kundu, 1997; Angel et al., 1987; Dowall, 1989; Shaw, 2004). Government intervene in the land market through master plan, zoning, land related regulations, developing transport network, subdivisions to increase land supply for housing and other developmental projects. These interventions are aimed at attracting housing and real estate investment (Haila, 2000; Wu, 2002), protecting environment (Son and Kim, 1998) or could be aimed at providing land to the poor when there is a shortage of supply (Kundu, 1997). However, government intervention in land has its own caveat and often falls short in terms of efficiency leading to budget deficit and sub-optimal utilization of land resources. On the other hand, lack of guidelines and regulations results in haphazard growth and an inequitable form of land market characterised by monopolistic behaviours restricting the urban poor from gaining the access to land.

Land market in Kolkata has been witnessing government intervention since the post independence period through township development. State intervention in land development is governed by the Land Acquisition Act (1894) in India enacted by the British government more than 100 years ago to acquire land for public purposes such as planned development, provisions for town or rural planning, provision for residential purpose to the poor or landless and for carrying out any education, housing or health scheme of the government. Land had been a sensitive issue in Kolkata and became a scarce resource during the 1940s when the city received a huge influx of migrants during the India-Pakistan Partition in 1947 as mentioned before. New migrants occupied every conceivable place in public buildings, market places, open spaces and roads. The newly independent city had practically no financial or institutional base to support such a large population. There was neither time nor any institutional mechanism to develop and implement any land use planning and control. Deteriorating civic and infrastructure facilities and grossly inadequate housing conditions gradually turned Kolkata into what Bose (1973) calls a ‘premature metropolis’. The extent of the housing problem was such that one dwelling per
household was a rare privilege for the majority of the population. Chakrabarty (1959) observed that only 7% of households had an exclusive place to live in with separate facilities of bathroom, lavatory, kitchen, etc., and 88% of households lived with more than two persons per room. Such conditions not only affected privacy and general quality of life, but also threatened the health of many, leading to a widespread cholera epidemic in 1958. Consequently, Calcutta Metropolitan Planning Organization (CMPO, later CMDA/KMDA) was established in September 1962 under the executive direction of the World Health Organization. Public planning and intervention on any formal scale practically began from this point with CMPO preparing a Master Plan for the first time for water supply, sewerage and drainage in the Metropolitan area. Later in the same decade Basic Development Plan (BDP) was published in 1966 outlining different strategies for development and a perspective plan. The Perspective Plan advocated a bi-nodal strategy of development in the CMA by focusing on the government intervention on the two centres Calcutta-Howrah and Kalyani-Bansberia. Perspective Plan prepared in 1986 that looked into the development need up to 2,011 showed a housing requirement of over 1.3 million and an estimated 25,000 acre land. The document set out provision for supplying a third of the total land through public procurement (Kingsley and Kristof, 1971).

Large tracts of buildable land in Kolkata or its immediate environment had always been short in supply in Kolkata. To overcome this, the State government is found to intervene in the land market by creating townships. Initiated by the first Chief Minister Bidhan Chandra Roy, Kalyani and Salt Lake were conceived as satellite townships built on the principles of recycling brownfield land and minimal or no displacement of the farming community. Kalyani township was built on non-agricultural land and Salt Lake was built on the salt laden marshy land deemed not fit for agriculture. The following paragraphs discuss briefly the two prominent townships development undertaken in Kolkata in the previous decades.

3.1 Kalyani Township
Kalyani is the first planned township in the West Bengal. It is a small township located at the extreme north of Kolkata Metropolitan Area covering an area of 23.30 km². Kalyani was selected as a location to make use of the existing infrastructure developed during the World War II when it was a base for American soldiers. The land was acquired from the surrounding areas under the Land Acquisition Act 1894. Kalyani was aimed at accommodating some 125,000 people mainly of low to middle income group through plotted development. However, owing to the large size of the plots and undue density regulation and control over the property transactions, the government intervention could not achieve its desire impact.

First, about 75% of the total plots in Kalyani were between 330 to 670m² (5 to 10 Kattha⁴) which were affordable to only middle and high income people. Only 2.6% of the plots were about 2 Kattha (130m²) potentially affordable to low-income group. As a result, most of the plots remained vacant. The high income group who bought these plots as a second property had no immediate need to develop. Despite the urgent need to supply low-income housing in the post independent period, not many group housing projects were initiated or even encouraged by the government. Second, complicated building and development regulations⁵ led to density control leading to only low rise development. Third and most rearward clause was relating to the restriction over any market transaction of the land in future. Though plots were allocated as a long term lease of 999 years, they were restricted to be subleased or sold or transferred to a third party. If the original allottee could not build a dwelling, either the land remained vacant or was returned to the government thus restricting any economic use of the land.

A complete short-sightedness of the government over the use of land, and the density and development pattern thus developed into a major disappointment signifying Kalyani as a classic example of an uneconomic and inefficient government intervention with the significantly flawed understanding of the deliverability of the programme. Even the government plan to relocate some government offices to Kalyani could not materialize as the employees refused move to a location 88 km away from the central Kolkata. However government was more cautioned in case of Salt Lake.

⁴ One Kattha equals 720ft² which is a standard plot size for a single dwelling in Kolkata.
⁵ These regulations pertain to ground coverage of 50-65% and FAR ranging between 1.25-2 and maximum height restriction to 8 m.
3.2 Salt Lake Township

Salt-lake (locally known as Bidhannagar) was conceived in 1960s though its development continued until 1988. The township is located in the eastern part of Kolkata, about 7.5 km from BBD Bag (Dalhousie Square) and covers around 15 km² with five sectors and is well connected to other parts of the city. The township was developed after reclaiming several salt lakes and was primarily designed to partly solve the housing problem in Kolkata by creating a place for 250,000 people to live and work. In Salt Lake, land is supplied for individual housing though some group housing projects have also taken place.

Many of the State government’s administrative offices have shifted to Salt Lake over the years making it a metropolitan sub centre. However, despite its connectivity with the city, excellent planning with wide roads and efficient transport nodes, the township is yet to hit the target population even after four decades. According to the census 2001, it was recorded to have a total population of 167,848. As in Kalyani, the main caveat in Salt Lake turned out to be low provisions for low-income housing (about 10%) in the project and almost none for economically weaker section. Majority (more than 55%) of the plots were 4 kattha or above (270 m² or above) which were not affordable to the city’s low-income group. Those plots that were eventually developed turned Salt Lake into a predominantly high income enclave with some 40% development catering to the middle and low-income group.

In Salt Lake plots were leased for 999 years however, there were regulations imposed to control free property transaction restricting owners from sub-leasing or selling the plot. Those with genuine financial difficulties could not develop their plots whereas affluent investors opted to wait to benefit from speculations. On hindsight, enforcement of such counter-productive regulations in a city with a massive need for new housing supply and a serious shortage of buildable land was arguably the biggest policy error which makes everyone a loser. On the other hand the development and occupancy had been so slow that the cost of maintaining the areas relating to the taxes they yield constituted significant budget deficits. Despite the enormous need for land and housing in the city, there has been no effort to direct new investments to develop the
vacant plots. As a result many plots remained vacant and government was unable to recoup the development costs. The actual project cost in Salt Lake was INR 887.6 million and total sales receipt was only INR 494.1 million (Bysack, 2004).

The State government in Kolkata seems keen on intervening in the land market by developing new townships in the undeveloped areas rather than revitalizing the unplanned areas of older city or even the planned areas of the new townships. As the investment made in developing land is often so huge that the government has to plan for a rapid economic turnover and opts to sell land to the high income group and speculative investors. It is pertinent to see how far the new townships in Kolkata, including the New Town have followed that trend.

3.3 The New Town development in Kolkata

Unlike these earlier projects which were much smaller in scale and planned for a smaller population base, New Town (also called Rajarhat), in Kolkata is conceived for 750 thousand people with the objectives of decongesting older areas of the city and preventing chaotic urban sprawl. It is to cover an area which is three times larger than Salt Lake and has been projected to accommodate 1.5 million by 2015. For the city the primary aim of the New Town land development has been to address the serious shortage of developable land to accommodate renewed surge in housing demand and forthcoming housing investments in the post-reform era.

The New Town comprises 3,075 ha of vacant low yield agricultural land at Rajarhat and Bhangar blocks of the districts of north and south 24 Parganas, some 10 km. from the centre of Calcutta and just 1 km. from the airport. The project area is served by Bagjola and Krisnapur canals. A new major north south arterial road with a six lane divided carriageway has been proposed that will pass through the centre of the New Town and connect to Kazi Nazrul Islam Sarani and Salt Lake City. When fully developed the New Town is expected to accommodate 750,000 resident population and 250,000 floating population. Over the years the project area has been expanding to include adjoining areas to accommodate new facilities. It is expected to cover some 5,000 ha land area with 2 million permanent population and 500,000 floating population. An estimated 200 households have been affected by the project, which means about a rehabilitation plan and
resettlement packages for about 1,000 have been drawn up in accordance with the norms of the Government of India and the State Government.

**Figure 1** Locations of selected new townships in Kolkata

In 1993 KMDA prepared a Concept Plan that drew the proposal for the New Town. A layout plan was then prepared on the basis of a plane table survey of the acquired land, and in accordance with the norms and standards evolved by WBHB for providing a congenial living environment. In 1999, WBHIDCO, a 100 per cent government company was established to oversee the implementation. The Corporation has been given wide powers to develop the entire range of infrastructure services, construct housing and commercial premises, acquire and sell land for different purposes, and also to maintain the New Town until a local government authority is established to undertake the implementation.
Financing of the New Town land development has been unique. The total cost of the project is estimated to be INR 4 billion (Biswa, 2006) and WBHIDCO has been arranging for the entire sum on its own, which is an important aspect of the New Town project. Whilst 51% of the share capital of HIDCO is held by the state government, funding for the project has been secured by involving private finance agencies, marking this one of the largest off-budget projects in the country in recent years seen elsewhere only in Gurgaon in Haryana. Key finance agencies such as National Housing Bank and Punjab National Bank, HUDCO and the West Bengal Infrastructure Development Finance Corporation, have provided low interest loans and the rest is expected to be generated from land sale. With a loan of 1 billion at an annual interest rate 6.5%, NHB is the largest contributor. Administrative costs have been kept to within 1% of the total project cost and implementation is independent of direct government intervention.

The following subsections discuss the three key stages of land development process and issues that emerged during various stages.

**Planning stage**

At the planning stage the selection of the project and expectations of the project was physical, environmental as well as political, as one would expect from a project of this scale. Recognising that a poly-centric nature of urban structure of the city with Howrah and Kolkata as hubs, the Concept Plan of the KMDA (1993) identified 10 expansion zones just outside the Metropolitan area, one of which is New Town, Rajarhat. Range of other factors influenced this decision. The area had poor irrigation system and therefore low productivity, suffered from incessant water logging. About 64% of the area comprised agricultural land out of which some 88% was deemed unirrigable, and 13% land fit for cultivation was single-crop cultivation. These factors were important to minimize the loss of productive farmland, which would also eventually help keep the costs of land acquisition down. Mitra (2002) claims Housing Minister, hailed from this area had helped to garner public support and mobilizing resources for quick land assembly. Despite that there were some outstanding environmental issues to be resolved, the project was judged favourable and WBHB was entrusted with kickstarting the project and mobilizing resources.
The issues at this stage were the ones that concerned the rights of existing settlers within the project area, lack of transparency and dialogue, much of which was to resurge and be debated years later. In the New Town, Kolkata, a multi-pronged strategy was used to expedite orderly land assembly without the concomitant problems of law suits and dharnas (Mitra, 2002). In each mouza, land prices are negotiated according to the character of land (low land, proximity to roads etc.). Land is acquired under land Acquisition Act 1894, however, initially, the government used a special clause in the Act 1894 which enables it to directly buy land from the farmers. The government went on to provide framework for the WBHB and the joint venture companies for direct land purchase early on in the project. Allowing joint ventures/West Bengal Housing Board to set land prices for eventual acquisition was a technique practiced in in Seoul (Mitra, 2002), but the way it was carried out in the New Town led to some discontent among the landowners.

Land holders and farmers were told that they would be given more prices if they directly sell the land to the government/joint venture rather than government acquiring land from the farmers through land acquisition. Direct purchase from the land amounted to 4.3% in the government records (Table 2) however, unofficial communication with the officials in HIDCO and WBHB suggested that direct sale initiated is just a fraction of the total land acquired contrary to government claims and intended only for establishing land price in the area. This also explains why the compensation paid was so low. In early cases prices were set at as low as Rs.3,000 per kottah. Later in the process up to 20,000 per kottah was paid depending on what stage the land was acquired.

Increasing concerns on equity thus became a major focus of legal battles that followed as HIDCO sold developed land parcels at much higher price than what was paid to the landholders. The discontent from low compensation levels continued to grow, some through protracted court cases increasing the cost of acquiring land. Latest official figures shows HIDCO spent around 4.5 billion on land purchase, which was 24% of the total project cost.

<table>
<thead>
<tr>
<th>Table 2</th>
<th>Land procured so far</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mode of procurement</td>
<td>No. of Mouzas</td>
</tr>
</tbody>
</table>

14
Land acquisition process

<table>
<thead>
<tr>
<th>Direct purchase from landowners</th>
<th>26</th>
<th>7,119</th>
<th>5,849.03</th>
<th>3.98 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>13</td>
<td>-</td>
<td>251</td>
<td>125 million</td>
</tr>
</tbody>
</table>

Source: Biswas (2006)

Development stage

Land assembly in the New Town commenced from 1996 following the imposition of restrictions on land transfer to prevent speculation but establishment of HIDCO came much later, making it a delivering vehicle for implementation. HIDCO began the land development by laying range of infrastructure works that included land reclamation with up to one metre land to fill up, on site infrastructure provision (road, drainage and power) and off site Infrastructure provision (trunk system). HIDCO has taken up the development of the New Town in phases. The Phase 1 covers an area of about 1300 ha divided into 4 Action Areas. Action Area 1 of Phase 1 comprises 640 ha land between Bagjola and Krisnapur canals, linked to Salt Lake by a 6 lane bridge over Bagjola Khal. The Action area 1 is further subdivided into 4 sectors with 45% land reserved for residential development. The Action Area 2, that extends along the Link road comprises 740ha land with up to 55% reserved for residential. So far Action Area 1 has been nearly complete. The Table 3 shows the status of development in the New Town.

Table 3  Progress on infrastructure development in the New Town as of 2006

<table>
<thead>
<tr>
<th>Location</th>
<th>Action Area I</th>
<th>Action Area II</th>
<th>Action Area III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area</td>
<td>669 ha</td>
<td>1,050 ha</td>
<td>1,365ha</td>
</tr>
<tr>
<td>Infrastructure development</td>
<td>Almost complete</td>
<td>Ongoing</td>
<td>Ongoing</td>
</tr>
</tbody>
</table>

Source: Biswas (2006)

Distribution stage

The distribution of land use (Table 4) at the time of conception showed characteristics of an integrated township with 50% land area reserved for residential development and commercial and office areas together with industries occupying 11 per cent. By 2006, some adjustment was done in the share of residential use as a result of introduction IT (5%) and quite a significant
increase in the stake of cultural and health facilities (from 0.7 to 9%). A gross density of 482 has been considered for the residential quarters of the project area.

**Table 4  Land use distribution in New Town Kolkata at the time of conception and in 2006**

<table>
<thead>
<tr>
<th>Land use</th>
<th>Area in ha</th>
<th>% of total project area in 1999</th>
<th>% total project area in 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential including local collector streets, open spaces and community facilities</td>
<td>1,555</td>
<td>50.5</td>
<td>38</td>
</tr>
<tr>
<td>Industries</td>
<td>200</td>
<td>6.5</td>
<td>4</td>
</tr>
<tr>
<td>New business districts and other commercial areas</td>
<td>140</td>
<td>4.6</td>
<td>12 (commercial and IT 5)</td>
</tr>
<tr>
<td>Regional cultural, educational and health facilities</td>
<td>20</td>
<td>0.7</td>
<td>9</td>
</tr>
<tr>
<td>Major arterial roads, arterial roads, subarterial roads, LRT and transport terminals</td>
<td>300</td>
<td>9.7</td>
<td>9</td>
</tr>
<tr>
<td>Large open spaces, green areas, water bodies</td>
<td>860</td>
<td>28</td>
<td>28</td>
</tr>
</tbody>
</table>


In terms of broad land use, the share of developed land for different land uses appears logical as it has taken account of the renewed interest by IT companies to locate in Rajarhat thereby reducing total residential land share. The distribution within the residential component raises some concerns. The share of EWS and LIG combined is only 21% (of the new residential development despite that one of the aims has been to generate areas for absorbing future metropolitan growth by creating residential areas for the people from various income class according to the need of the city (HIDCO, 1999).

**Table 5  Share of different income group on residential land**

<table>
<thead>
<tr>
<th>Income groups</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>EWS</td>
<td>4</td>
</tr>
<tr>
<td>LIG</td>
<td>17</td>
</tr>
<tr>
<td>MIG</td>
<td>35</td>
</tr>
<tr>
<td>HIG</td>
<td>44</td>
</tr>
</tbody>
</table>

Source: Bysack (2004)

The residential land disposal in the New Town follows two parallel approaches. First, up to 40% of the total residential land has been reserved for bulk residential use primarily by the joint
venture companies, and second, the remaining 60% of the land is being released to individuals and Cooperatives as an incentive to sectors outside the main public-private partnerships. Overall, the prices at which plots are offered for sale by the HIDCO are much lower than the prices for similar land parcels in the commercial market in and around New Town. In Action Area 1, they range from INR55,000/kattha for LIG Co-operatives to INR160,000/kattha for HIG individual plots. Similar price structure has been established for land disposal in Action Area 2. The prices of LIG plots reflect subsidized prices made possible by the profits from HIG plots. To secure money for cross subsidization, some of the commercial plots are sold for highest bid price. However, despite cross-subsidy, the issue of affordability has remained indicating the extent of subsidy on EWS and LIG land. For example, initially LIGs plots were intended to sell at INR150,000 per kattha, which was subsequently reduced to INR55,000.

Plots of New Town are high in demand. Even for HIG plots, 30 applications were received for one plot (Mitra, 2002). Demand for the MIG and the subsidized LIG/EWS plots are much higher simply because they are affordable to HIG as well. The subsidized plots are however required a hefty application money to be deposited upfront, which equals 20% of the total price of the plot and remaining to be paid in four separate instalments. Such requirement clearly discourages many low-income families even from applying. Despite the similar levels of price structure, the application money in Action Area 2 has been nearly doubled. Residential plots are generally distributed through lottery.

4 UNDERSTANDING THE IMPACT: A DISCUSSION ON LAND INDICATORS

It is acknowledged that operational anomalies can occur in a project of such a scale and a mechanism of iterative correction and damage control become part of the overall project. The government has been successful in projecting a human face by avoiding mass displacement and retaining an estimated 5,000 ancestral homes. It went further to redraw boundaries and amended the physical layout despite additional costs. However, the real benefits of government intervention in land development should be seen through its contribution to the land market by addressing land shortage issues and its role in enhancing accessibility and availability of land to majority of city’s urban poor. The following sub-sections discuss the key indicators – land development multiplier, land price to income ratio and prices of raw and developed lands – to
explore the impact of the New Town Development on the land availability and affordability issues. The performance of land development multiplier measures the inefficiencies in the provision of land and infrastructure. Indicators such as raw and developed land prices when seen from the perspective of median income measure the level of affordability.

4.1 Land development multiplier

The Government of India (GOI) (2002) has recognised the need to revisit the issues around the land in the periphery in the 10\textsuperscript{th} Five Year Plan in the context of land ceiling removed in most parts of the country. A common way to undertake this is through land development multiplier which is defined as the ratio between the median cost of a square metre developed land and the median price of raw, undeveloped land at the urban fringe. A high value signifies shortage of land supply, higher cost of land, higher cost incurred in addressing regulatory constraints, development permit and eventually high housing price. To calculate land development multiplier, prices of raw and developed land are obtained during the field survey.

A survey of land prices in Action Area 1 and Action Area 2 (Table 6) shows that the prices of land ranged between 820/m\textsuperscript{2} to 2,388/m\textsuperscript{2}. More recent prices of AA2 and AA3 have ranged between 175,000 and 225,000 (per kattha) (2,261 to 3,358 per m\textsuperscript{2}) for MIG and HIG plots. The prices of commercial lands are much higher up to 6,000/m\textsuperscript{2} and still rising. Prices of raw land have varied considerably between INR45 per m\textsuperscript{2} to 298 per m\textsuperscript{2} (INR3,000 per kattha to INR20,000 per kattha) depending on when the land was acquired. Considering the average figure of 179/m\textsuperscript{2} for raw land at the time of acquisition and 1,600/m\textsuperscript{2} for a developed residential plot in Action Area 1 and Action Area 2, land development multiplier in the New Town stands at 9.

<table>
<thead>
<tr>
<th>Table 6</th>
<th>Land prices in Action Area 1 and 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Prices of developed land in</td>
</tr>
<tr>
<td></td>
<td>Prices of raw land in INR</td>
</tr>
</tbody>
</table>

18
<table>
<thead>
<tr>
<th>Action Area 1 &amp; Action Area 2</th>
<th>Price per kattha (INR)</th>
<th>Price per m² (INR)</th>
<th>Prices per kattha (INR)</th>
<th>Prices per m² (INR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MIG Individual</td>
<td>100,000</td>
<td>1,492</td>
<td>3,000-20,000</td>
<td>45-298</td>
</tr>
<tr>
<td>HIG Individual</td>
<td>160,000</td>
<td>2,418</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LIG Cooperatives</td>
<td>55,000</td>
<td>821</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MIG Cooperatives</td>
<td>80,000</td>
<td>1,194</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HIG Cooperatives</td>
<td>120,000</td>
<td>1,791</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td>103,000</td>
<td>1,600</td>
<td>11,500</td>
<td>179</td>
</tr>
</tbody>
</table>

Source: Field survey (2007)

The land development multiplier of 9 for the residential development implies that the price of developed land is about as many times the price of raw land. It is generally recognised that Indian metro cities tend to have high land development multiplier vis-à-vis other Asian countries, but the international comparison suggested the ratio is substantially greater than the average figures recorded in the region and beyond (Figure 2). The New Town’s land development multiplier finds its parallel to the highly land development multiplier found in Rio at 11(UNCHS 1996:250f) which sits at one end of the spectrum as one of the highly cost intensive operations. Mori (1998) suggests even in the context of high costs of servicing and environmental upgrading, land development multiplier should stand at 2-3, at most.

**Figure 2   Comparison of Land Development Multiplier**

Source: UNCHS/World Bank (1992) and Authors
High land development multiplier thus signifies that the New Town has not made any significant impact towards confidence building in the land market in Kolkata and as a result casts a serious doubt on the sustainability and replicability of the future government involvement in land development. It is also a pointer towards issues around high costs of ‘servicing’ the land in two distinctive categories – costs infrastructure development and costs of obtaining approvals and permits.

Table 7 Various components of land development costs breakdown

<table>
<thead>
<tr>
<th>Tasks</th>
<th>Estimated costs (in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Procurement of 3,000 ha of raw land (excluding 75 ha land covered by Bagjola and smaller canals) @ 150,000 per ha including incidentals expenses</td>
<td>4.5</td>
</tr>
<tr>
<td>Land filling cost – An average fill of 1.5m @80 per cubic meter</td>
<td>3.17</td>
</tr>
<tr>
<td>Roads and bridges – includes 11Km of major arterial roads, 60 Km of Arterial and suburban roads, 150Km of collector and local road and five bridges</td>
<td>3.25</td>
</tr>
<tr>
<td>Outfall system</td>
<td>1.07</td>
</tr>
<tr>
<td>Internal drainage system</td>
<td>1.35</td>
</tr>
<tr>
<td>Water supply system</td>
<td>1.63</td>
</tr>
<tr>
<td>Sewerage system</td>
<td>1.43</td>
</tr>
<tr>
<td>Solid Waste management system</td>
<td>0.12</td>
</tr>
<tr>
<td>Power system</td>
<td>1.88</td>
</tr>
<tr>
<td>Transport terminus</td>
<td>0.50</td>
</tr>
<tr>
<td>Parks, open space and landscaping</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>19.91.90</strong></td>
</tr>
</tbody>
</table>

Source: HIDCO (1999: p. 35)

Table 7 shows the estimated costs breakdown of various components of the project. In the New Town cost of development has, in general, been found high, and, in particular, apart from land procurement, costs of land filling and construction of road and bridges have assumed the largest proportion of the total expenditure. However, development costs tend to rise with a large capital spent on service and infrastructure provision, particularly when it is public sector led. For example, in the New town, the new link road was constructed that cost HIDCO around 1 billion despite that only 20% of the road is directly beneficial to the project. But the logic of the entire road project was to generate multiplier benefits from planning gain and through the reduction in traffic decongestion and to serve the VIP/Airport area. Unlike in New Town, private sector in
Dankuni and West Howrah did not have to bother with off-site infrastructure. This, according to HIDCO officials, made New Town more socially orientated than say, Dankuni or West Howrah. In Dankuni, KMDA acquired the land and sold it to DLF, a top real estate agency that currently has a land bank of 4,000ha across India. Despite additional off site provisions the estimated cost of development of 1m² of land in the New Town is INR650. This generates land development multiplier of 3.6 which is significantly lower than the multiplier calculated using the sale prices.

Above observation leads us to assume that the cost of obtaining approvals and permits significantly adds to the land development costs. The development process involves range of conformity to numerous regulations causing all forms of delay with costs implications in Kolkata. Four major permits dictate this process in Kolkata – development permit, building permit, environmental permit and regulations associated with land transfers/titling and sale involving nearly 40 clearances from at least 15 departments such as sewerage, water, land survey, land revenue, fire and pollution (Times News Network, 2003). Traditionally these activities have been time intensive, resulting in all sorts of delays. Likewise stamp duty is very high ranging typically between 8-15%, and 6 per cent registration fee which belongs to the central government. Officials in the WBHB have claimed that government involvement has significantly reduced the delay associated with such permits however the savings from expediting these approvals in the New Towns have not been quantified. There is no evidence of rationalization of these regulations as a long term solution for reducing land development multiplier.

Land development multiplier also measures indirectly the existence of monopolistic practices in residential land development (UNESCAP, 2000). The monopoly issue has been seen to inhibit participation of the small and medium players who would potentially cater to less affluent segment of the society. This concern has been raised in the 10th Five Year Plan based on the experience in Delhi in particular. Supply of urban land is largely controlled by state-owned development bodies like the Delhi Development Authority (DDA) and Housing Boards leaving very limited developed space free, which is controlled by a few major players in each city.
…..Many cities have created development agencies (like the DDA in Delhi) and handed over control of all urban land within the municipal jurisdiction to them in the belief that they would act in the interests of the public. However, such agencies tend to behave like the monopolies that they are. It is in the interests of the monopolist to restrict the development and sale of new land and keep prices high, so as to maximise its own returns (GOI, 2002).

Early evidence (Table 8) of land and property price movement in various townships shows an unprecedented upward pressure on the cost of land in the New Town. The public agencies responsible (HIDCO in New Town) have consistently raised prices with the progress in the project and sold developed plots to highest bidders thereby operating in market principles and abandoning the welfare principle of the government principles. While the price increase in New Town may be modest compared to say Dankuni, the government has not shied away from the claim that it is keen on making profit from the project. HIDCO has made a profit of INR84,000/kattha from residential plots alone (Sen and Kumer, 2003). No account is however given on how the profit has been absorbed in the government coffers or whether or not it has been reinvested to deliver more subsidized housing. For this tactic Roy (2003) brands the public agencies in Kolkata ‘an avid developer’ turning a blind eye on its social responsibility of releasing and managing land supply system equitably. This is problematic in a typically inelastic land supply system, as the developers will almost certainly pass the additional cost burden to the consumers eventually housing prices will soar. The consequent limited demand for such inappropriately priced products could create serious market imbalances (Rao, 2002) eventually risking losing the broader goal of public good in the scheme.
Table 8  Land price movement in Township development in Kolkata

<table>
<thead>
<tr>
<th>Townships</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>Price movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rajarhat</td>
<td>INR1,400-1,500 per ft²</td>
<td>INR2,400-2,850 per ft²</td>
<td>INR2,800-3,300 per ft²</td>
<td>15-20 per cent rise per annum</td>
</tr>
<tr>
<td>Dankuni</td>
<td>INR21-56 per ft²</td>
<td>INR208-415 per ft²</td>
<td>-</td>
<td>900 per cent rise</td>
</tr>
<tr>
<td>West International City</td>
<td>INR211-188 per ft²</td>
<td>-</td>
<td>-</td>
<td>20 per cent rise expected in 2007</td>
</tr>
<tr>
<td>Eastern Metropolitan Bypass (EMB)</td>
<td>-</td>
<td>INR3,000-3,400 per ft²</td>
<td>-</td>
<td>15 per cent rise expected in 2007</td>
</tr>
<tr>
<td>Baruipur-Sonarpur</td>
<td>-</td>
<td>INR900-3,000 per ft²</td>
<td>-</td>
<td>Prices have already been pushed up by 15-20 per cent</td>
</tr>
</tbody>
</table>


4.2 Prices of raw land

UNCHS/World Bank (1992) define this indicator as the prices of one m² of raw land located in the urban fringe. It is used to calculate land development multiplier (discussed above) and is a crude measure for overall land prices in the urban area. Higher figure suggests shortage of land supply resulting in higher housing prices. We are however using this indicator to assess the impact of development of the New Town manifested in the sharp rise in land prices in Kolkata, from around Rs 10 to around 30 to 40 thousand. While the spill over effect on the raw land prices in areas immediately adjoining the New Town is inevitable, the upward pressure cannot be considered merely speculative.

The government has established BRADA (Bhangor Rajarhat Area Developemnt Authority) to monitor and regulate development activities of the neighbouring area. At present, BRADA in conjunction with HIDCO is preparing a land-use plan for these areas and is currently acting as a Plan-sanctioning office. The land owners under the BRADA Area must take permission for any land transaction. Land sale has not been frozen but now have to undertake under BRADA’s jurisdiction. Notwithstanding land prices have risen in these areas restrictions on sale and conversion has also tended to drive down land prices resulting in the reduction in asset value. Taken together such prohibitory regulations exercised by BRADA tend to distort the land market first artificially raising the prices and blighting what Mori (1998) calls the ‘floating’ value or
‘hope value’ which is typically associated with sporadic and unplanned development. In the Indian context, such speculations actually helps to contain land prices by helping to curb public perception on the extent of land shortage through gradual release of land. It also ensures at least some land may be used to address the needs of the large population below low-income threshold and those working in the informal sector of the economy. What it indicates is as expansion of the urbanized area brings low priced lands into the periphery it will have the effect of correcting or modifying the increase in price within the existing boundaries. If there are constraints in the expansion of land in the peripheral areas such as a restrictive land conversion policy exercised by BRADA, the resulting price correction will not happen.

Moreover, the real motive behind establishment of BRADA has been in the spotlight recently with the controversy surrounding a 650 acres of prime land in the New Town and in the adjoining BRADA areas. The state has not only been accused of subsidising the Singur small car project but also of giving away of 300-400 acres of land to Tata Housing Development Company for housing development, as only 300 to 350 acres in Singur would be needed for the car factory.

4.4 Prices of developed land

Defined as the price of 1 m² of serviced land at the urban fringe, this indicator is also used to calculate land development multiplier in combination with raw land prices, however, it is also a general measure of land prices in urban area. Developed land prices have increased at a rate roughly at three quarters of the rate of per capita GNP changes (UNCHS/World Bank, 1992). In the fringes of Kolkata, their rate of increases has been phenomenal mainly associated with higher development cost, transaction costs and speculation and distortion discussed above adversely affecting the supply of land in the market. Ballestoros (2000) argues high prices of developed land is not so much of an issue of restrictive land policy but is an issue of high transaction cost arising from hordes of regulation, permits and licensing system. In Kolkata however, it is typically associated with speculation. Even though it is early to comment, the New Town shows signs of both government and investors capitalizing on the speculation in the land market.
4.5 Land price to income ratio

Land price to income is defined by median price of 1 m² of highly developed, developed and raw land and the median household income per month. Land price is a major guide to land availability and development in cities. A responsive urban environment should have land available at a range of prices wide enough to meet the demands of individual households and the private sector. The ratio of land price to household income not only indicates if affordable land is available for different segments of the population, it also shows if the government is able to develop infrastructure or provide incentives for new development. Low values for this ratio, found in African cities and Transition countries, indicate that land markets are not highly speculative and are driven by relatively high supply and low demand for land (UNCHS/World Bank, 1992).

The median prices of a raw land, developed land and fully developed land in the New Town were obtained from the field survey (Table 9). For the purpose of this research the median income of population in Kolkata is taken as INR5,000 based on the KMDA’s income classification (Table 1) which shows slightly over 50 per cent low-income group population under this threshold. Using this figure it is found that land prices to income ratio in Kolkata range from 0.18 to 0.22 for raw land, 1.85 for developed land and 5.5-7.73 for a highly developed land. To put it into international context the developed land price to income ratio is nearly double the figure of regional averages (Figure 3).

Figure 3 Land price to income ratio in Kolkata compared to other regional averages

Source: UNCHS/World Bank (1992) and Authors
Ironically, while access to raw land is considered affordable to majority population, the land price to income ratio for developed land is highly inhibiting to the majority population in the city. In the New Town, affordability problems have surfaced early on in the project. In one example, HIDCO constructed 56 dwellings to rehabilitate the project-affected households at a concessional price of INR120,000 per unit. Despite the subsidy many allottees failed to make payment on scheduled dates resulting in imposition of penal interest. The government later waived the penal interest and twice extended the payment date but a significant number of households have still not been able to pay their dues. It should be noted that these plots were being distributed at highly subsidized prices. Without the subsidy the ratio would be even higher. High land price to income ratio in the New Town thus weakens the case for massive investments made on the land development as the end user will almost inevitably be the middle and upper income category, clearly pointing towards the government shifting focus away from the low-income group in its pursuit of creating more land in the city.

Table 9 Median prices, income and land price to income ratio in Kolkata

<table>
<thead>
<tr>
<th>Categories</th>
<th>Median Prices per kattha in INR</th>
<th>Median Prices per m² in INR</th>
<th>Median monthly income In INR</th>
<th>Median price to income ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw land</td>
<td>10,000 to 12,000</td>
<td>929 -1,115</td>
<td>5,000</td>
<td>0.18-0.22</td>
</tr>
<tr>
<td>Developed land</td>
<td>100,000</td>
<td>9293</td>
<td></td>
<td>1.85</td>
</tr>
<tr>
<td>Highly developed land</td>
<td>300,000 to 400,000</td>
<td>27881-37174</td>
<td></td>
<td>5.5 – 7.43</td>
</tr>
</tbody>
</table>

Source: Field survey (2007)

5 THE NEW TOWN: A STEP TOWARDS LAND MARKET LIBERALIZATION?

The New Town thus symbolizes the State government’s philosophy of achieving a rapid economic development to resolve the urban problems and poverty in the city. Underpinning this is the recognition that the city cannot wait ad infinitum for the economic prosperity given the new opportunities brought by liberalization are highly contested. In this context, the most visible strategy that the government has undertaken is the ‘strategy of intervention’ to attract investment, new industries and technology. Strong intervention in almost all spheres - land, housing and real estate - has led to a form of economic revival of the city. It is observed that the New Town
development has no doubt boosted the dormant housing market and contributed to supply of land in a significant way. But the distributive aspect needs special attention.

**Government-led-enabling development**

The New Town project has come to represent the ‘government-led-enabling development’ that subscribes to the international trend. Not only has the development helped to create an economic setting for the land market it has helped build an also brought together a package of measures promoted by World Bank and UN-Habitat that suits the context of newly liberalized and globalized city. While the lower overall project cost may be matter of economic prudence it also defies Dowall and Clarke’s (1996:8) sweeping statement that large parastatal organizations often ‘pose a serious financial drain to governments’. The HIDCO’s autonomous operation more or less independent of the direct government intervention has shown the best practice of bringing together public and private partners apart from generating obvious savings for the government. Joint venture companies have been involved from early on in the project and public participation has been maintained throughout leading to contribution in developing the institutional structure for an enabling land market that forms the basis for the real estate boom in Kolkata today.

Formal land development has its obvious advantages in Kolkata through its contribution to mapping, titling and regularization of land which could potentially fall outside the purview of the formal system for what Roy (2003: 49) refers to as a ‘city with no maps’. By reducing the asymmetric information about ownership it is possible to transfer the land from less productive to more productive individuals (Deininger and Binswanger, 1999). The city is therefore set to gain economically by turning the latent land into capital with legal rights (De Soto, 2000, Durand-Lasserve, 1996).

**Benefits from master planning exercise**

For the three decades preceding development of the New Town, Kolkata lacked any deliverable perspective plan to direct and channelize land use in the newly expanding areas around the built up area in the city. The New Town development has thus been a watershed insofar as to transforming what could have been an archetype of haphazard peripheral urban growth of a large city manifested first through accelerated township development by range of public sector
agencies and second through re-organization of urban spaces. The enthusiasm for the promotion of land development has been unprecedented. More importantly, it has been recognised as tool for local governments to stimulate local economic growth as well gain from revenue generation.

The Table 4 shows that in the New Town 38 per cent of the overall allocated land have been reserved for housing purposes, other uses such as urban services and commercial use have also taken a fair amount of allocation. This points to the comprehensiveness of the programme in the sense that it makes provisions for all types of urban requirement much of which would enhance the housing and living environment of the residents. Further, offsite expenditures including the link road offers a significant gain in terms of the multiplier effect on the increase in land value for the much wider community. From the functional point of view, the additional infrastructure provision will significantly improve their links with Kolkata and Salt Lake.

**Development regulations and restrictions**

The New Town has much less restrictions on sale, transfer and subdivision when compared to Kalyani and Salt Lake had more stringent rules and regulations over property thereby restricting the owners from sub-leasing or selling the plot without handing it over to the State government. This resulted in many plots remaining undeveloped due to owners’ financial problems or because of lack of incentive to develop land for investment purposes. In the New Town all distributed plots are freehold and have flexibility on ground coverage and have higher FAR. This reflects the government subscribing to the wider international trend of deregulation. This is a significant given the scale of development the government cannot afford to repeat the past mistakes. Such relaxations motivate developers to execute timely development of the land and help them keep profit levels relatively high given formal land administration systems as practiced in developing countries are often expensive and inflexible and involve complex legal requirements and technical procedures (De Soto, 1989).

6 **THE NEW TOWN DEVELOPMENT: IRRELEVANT TO THE POOR?**

For a major land development programme to succeed it must avoid unintended and adverse consequences such as infrastructural pressure, land price inflation and accelerated urban
obsolescence. It also must be able to offer an equitable distribution of the benefits to all strata of the society, particularly when it is government-led. Efficient and equitable land markets are a prerequisite for well functioning cities. These factors are important given poverty and inequality in accessing land and housing is a hallmark for South Asian countries. Any programme under liberalization that fails to minimize this inherent deficiency risks aggravating this even further.

Where the scale of development is high and the outcome is inequitable, the impact of inequity is more widely felt in a deregulated environment. Past government intervention in development of Kalyani and Salt lake aimed at 125,000 and 250,000 population respectively, both about 15 to 25% of the population of the New Town, and the impact of their failure was limited. It is therefore important to assess how the project has contributed to the formation of sustainable land supply in the city and what stake the city’s some 50% low-income group and 30% EWS have in the project of this scale. Once the race begins, a variety of stakeholders join in, but the ‘urban poor’ and the low-income groups are excluded to allow the rich and powerful to improve their position in the market (Kundu, 1997: 9).

*Lack of mechanism for sustainable land supply system*

Given the scale of housing and land need in Kolkata, the New Town set an ambitious goal to achieve 15 per cent of the total shortfall in the housing stock (Mitra, 2002). While such targets are needed to assess the performance of the project, what is important is whether or not a mechanism has been established for a smooth land supply in the future, without active government interjection and without incurring high price. It can be argued that the outcome of the New Town has not been the one which established a mechanism for sustainable land supply system for the future.

The analysis in the previous section showed high land development multiplier in the New Town indicating high premium for land development, constrained windfall profits in and the complexity of the development process. This is despite that the government involvement has been instrumental in fast-tracking the permit system thereby minimizing overall transaction costs. The complexities associated with land assembly and compensation process arising from lack of transparency, mistrust and eventual legal battle prolonged the implementation and increased the costs of development. Although these costs are internalized through different forms of market
organization, these forms do not imply an alternative to efficient enforcement of regulation. Historically, ineffective policies on urban land acquisition have led to steep land price inflation as flows of finance expand in Indian cities (Kundu, 1997; Pugh, 2001).

Legal problems, small individual land holdings, untraceable records experienced in the process of land assembly in the New Town could continue to be barriers to future projects unless relevant government laws and regulations are amended. The government reluctance to amendment of ULCRA, gives rise to speculations and creates the impression of “opportunistic” government officials and developers. The absence of a clear direction on land assembly and conversion/development will inevitably result in what Baross (1990) calls ‘the sequence of Planning–Servicing–Building–Occupation’ characterized by steep price rise and fuelled by speculation thereby creating a biased land market. Going by Berner’s (1999) argument that it is the process that makes formal urban housing an extremely scarce and expensive commodity for a large proportion of the population, the New Town in Kolkata does not show serious commitments towards improving that process.

Creation of a biased land market and exclusion of small and medium developers

An obvious implication of a biased land market is that small and medium developers are priced out of the market making land development exclusive prerogative of few national players. The prices at which developed land parcels are being sold in the New Town shows a ‘profit-seeking’ behaviour of a public agency and has a resonance to widely criticised DDA’s operations in Delhi (MMRDA, 1996; GOI, 2002) that kept the small and medium developers out from the market. By disposing land through open market competition rather than through a reasoned and strategic invitation to the developers/investors, the government has managed to avoid the ‘under pricing’ in the emerging market, as has been seen in China (Li, 1997), but it is a slippery slope that can easily cause HIDCO lose its focus and follow the DDA’s footprints.

The analysis in the previous section showed that the land development multiplier could be as low as four if the ‘profit’ element is taken off the equation. To maintain that profit level large developers will either pass on the high premiums to the consumers or will sit on the land by exercising their own monopoly in the market until such times when the desired profit levels are
achieved. In both instances the majority urban population will be priced out of the market. With the commercialization of urban land markets land conversion business is often usurped by organised syndicates and clandestine collusions which make huge profits out of the housing needs of low-income groups (Amis 1984; Payne 1989). There is an increasing risk that the New Town could fall into the trap which manifests into exceptionally high land prices coexisting with much vacant land as seen in Metro Manila in the mid 1990s (Strassmann et al., 1994). Besides, the monopolistic behaviour of the State in the way it has established BRADA to regulate development in adjoining areas is also a point of concern for the blighting effect on the land market in the periphery and an easy access to land to the favoured companies.

**Low share of LIG/EWS**

An unfortunate outcome of the high land development multiplier is that developed land in the New Town is only available at a price that is beyond the reach of the majority urban population. In the New Town, the price of highly developed land to income ratio is high even with the subsidy. The high prices of unsubsidized land can be justified to sustain the cross-subsidy approach, but, the levels of subsidized prices relative to median income indicate a potential upper income bias.

Notwithstanding the usefulness of the cross-subsidy approach is sound and tested through public private partnerships in housing (Sengupta, 2006) its effectiveness depends on amount of subsidy relative to the need in the society. In the New Town land made available at subsidized prices that could potentially cater to the LIG and EWS population is negligible. Historically, a diminishing trend of LIG and EWS share in land development has been observed in Kalyani and Salt Lake development as seen from Figure 4. A marginal increase in the share of EWS and LIG in the project has been achieved in the New Town, however, against the proportion of some 80% EWS and LIG population in the city, it is very low. This refutes the government claim that the New town development is a pro-poor development.
Exclusion of the EWS and LIG population has a wider implication on the viability of the project itself. In this respect the government does not appear to have learnt from previous experience. A Ford Foundation report (Kingsley and Kristof, 1971) on housing in Kolkata described Salt Lake and Kalyani as painfully assembled and developed ‘major disappointments’ mainly because not enough housing was built that was affordable to the majority population. To take this little further, negligible provision of EWS/LIG in Kalyani and Salt Lake can be cited for a reason for their failure along with lack of provision to accommodate a range of different types of economic activities leading to only 70% and 66% achievement out of the targeted population levels. Relocation schemes in other countries have been unsuccessful because of lack of employment opportunity in the new areas suited to the low-income communities (Berner, 1996; Hardoy and Satterthwaite, 1993; Hassan, 1997). It is acknowledged that big businesses do bring desired investment levels, however, by ignoring completely the constructive low-income group and their economic activities and excessively relying on big businesses the government could hold itself into hostage of big businesses in the New Town and run the risk of meeting a similar fate of Kalyani and Salt Lake.

7 Conclusions

The paper began by discussing the development pattern and housing need in Kolkata. It then contextualized the New Town development to the debate on government intervention under liberalization. Interesting insights have emerged. The government intervention in land development in the New Town reflects how the State is implementing its neo-liberal agenda. The approach has been one which is essentially a pro-market, however, the government also appears
to be keen on extending its control over the land market, as has been seen from the flurry of public sector-led land development programs across the city. The government has emerged as a powerful regulator and land supplier in real estate development in Kolkata with a huge emphasis on the economic gain and cost recovery. While such approach is crucial for the viability of the project and for the institutional development of the land market in general by sustaining the interests of the major players in the land market, there is ample doubt that such measures in themselves are not sufficient to extend the access to land for the low-income group to any significant degrees.

Experience in the New Town thus far suggests an inequitable redistribution the society's scarce resources that excludes the disadvantaged groups from sharing the benefit thereby negating one of the principal reasons for government intervention in land - to establish good governance by providing for those who are not provided for by the market (UNESCAP, 2003). There is a growing concern that the good governance in land in Kolkata is being construed as a good market ideology. In a city with a large marginalised population with little relevance to legal, formal system must learn to avoid greater social and economic exclusion by providing equal opportunities to the urban poor. This points to the need for the government to be careful about how land is allocated and is being used in its programs. There are however a plenty of positive features in the project to carry them forward to other land development projects in the city and indeed in the region. It is by far the largest of all the township development and a pioneering project based on public participation, public private partnership. The project is also an off-budget scheme and tested many of the regulatory and legislative barriers at different stages of the project. Given the evidence so far it can be concluded that rather than acting as an integral element of broader development process, the government intervention in the New Town is characterized by a bundle of narrowly oriented but technically and commercially sound intervention.
VII REFERENCES


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