Banking on the Bangalore Dream Asha Ghosh

The Bangalore Development Authority has reserved 2,500 hectares of additional land in the city for the IT sector and 1,500 hectares for all the other industries till 2015. But land use planning remains largely inaccessible to the majority of the population, since they can neither rely on the master planning process nor on local politicians to stake claim to land. This raises the question whether developing the city as an IT hub is the only dream that is to be pursued or should a balanced development plan, benefiting a wider constituency be followed.

In a recent episode of The Big Fight on NDTV, Vikram Chandra asked the panelists and audience, "Is the 'Bangalore Dream' dying?" Chandra's reference alluded to an imagination of Bangalore as a global city based on a promising IT sector that now threatens to relocate due to the current government's lack of attention to their infrastructure requirements. The respondents took Chandra off-guard, asking what the dream was exactly and who dreamt it in the first place. While members of the audience agreed that Bangalore's inadequate infrastructure spares no one from daily travails, they, and M P Prakash, deputy chief minister of Karnataka, showed little empathy for the IT representatives' woes. Perhaps the backlash that evening owes to an undercurrent of disenchantment with a sector that has undoubtedly contributed to Bangalore's economy, but has also stood the most to gain, both financially and in terms of government and policy support.

Riding on their success in drawing international attention to Bangalore as an IT hub, corporate leaders have been lobbying for land, infrastructure, and access to policy-making circles. As a priority, they seek to tackle the hurdles in identifying and purchasing land and obtaining sanctions for land use conversions to commercial and industrial uses. However, former prime minister and chief minister of Karnataka and current JD(S) leader Deve Gowda, recently forced a public debate regarding indiscriminate support by the earlier S M Krishna's regime to the IT sector, and particularly to Infosys, in acquisition of real estate, an invaluable asset in a booming city. Moreover, Deve Gowda contends that Infosys "banks" their land as a corporate asset. Regardless of Deve Gowda's personal political agenda, he has cultivated a critical debate on the role of government in enabling particular economic sectors.

Land Acquisition, Allotments and Regulation

To examine the current conflict, it is essential to understand the institutions and processes that govern land acquisition, allotment and regulation. Clearly, the Karnataka state government supports the IT sector, as encapsulated in the millennium IT policy, which states, that the government will set up "electronics cities" and these will be supplied with adequate infrastructure and residential facilities. Furthermore, the government will provide financial assistance to IT firms in the form of equity, seed capital, and reduced interest rates. To fulfil these objectives, state agencies acquire land for sale and lease to industries at costs lower than prevailing market rates through two acts: the Land Acquisition Act (LAA) and the Karnataka Industrial Areas Development Act (KIADA). The government invokes the LAA to acquire land for "public purpose" and the KIADA for broader industrial uses, according to their judgments. [Lawrence Liang 2005].

Concurrently, the Karnataka Industrial Areas Development Board (KIADB) allocates the land and grants concessions on stamp duty, registration charges, and other taxes. And Karnataka Udyog Mitra offers industries a "single-window cell" that assists in the identification and acquisition of land, and access to infrastructure. These policies enable corporations to avoid the lengthy and risky process of acquiring individual sites through the market. More critically, while these policies and institutions do not necessitate a bias towards the IT sector, one must examine the link with the overall planning of the city.

In Bangalore, long-term land use planning falls under the aegis of the Bangalore Development Authority (BDA).

The BDA also operates as a development agency. The officials of the BDA have noted that this introduces a conflict of interest wherein the development function takes priority over planning and regulation. The state government also mandates the Bangalore Metropolitan Region Development Authority (BMRDA) to approve all plans for the metropolitan area, but they have handicapped the agency for the past several years with inadequate staff, resources, and political support. In 1999 the BMRDA prepared a structure plan for the Bangalore metropolitan area, but to date this plan remains in draft form, "under review" by the state government. Meanwhile in June 2005 BDA submitted the revised comprehensive development plan (CDP) for Bangalore to the state government.

In the Vision of the CDP 2005-15, BDA states under the "main points" that, "one must offer optimal conditions for IT companies in terms of infrastructure, housing, public amenities, public transportation, training, and qualifications, while ensure the regulation of the entire city" [BDA 2005]. To satisfy this objective, the revised plan reserves 2,500 hectares of additional land for the IT sector and 1,500 hectares for all other industries until 2015. According to current statistics, the IT sector will comprise up to 22 per cent of the working population in this time frame. The BDA qualifies that the land allocation to IT includes offices, activities, and housing. Hence, in the revised CDP, the government safeguards land parcels not only for employment, but also for the housing and activities for a minority of the working population; while the majority must use market mechanisms to locate homes and recreational facilities in appropriately zoned areas.

Revenue Layouts

The "revenue layout" offers one common form for residential layout development in the city. The revenue layouts do not follow BDA norms for land allocation, but provide denser and lower cost housing, through incremental growth and infrastructure provision. Previously, to "regularise" a revenue layout, residents required authorisation from four officials or departments. Since April 2005, with a court order staying further regularisation of layouts,

the residents now require "no-objection certificates" from 12 departments.⁷ Thus as the government eases access to land for the IT sector through the master plan and single windows agencies; the majority of city residents face increasing hurdles in obtaining housing and infrastructure.

Though the BDA placed the draft CDP on display for public comment for three months, the Karnataka Town and Country Planning Act does not require incorporating public comments or a formal review process. The democratic structure ought to take care of this. Yet, local elected representatives, often captive to party politics, wield little control over higher-level agendas for land use. Furthermore, the state government now places parastatal agencies in control of governing the land comprised by large development projects (e.g., Bangalore International Airport Area Planning Authority, Bangalore Mysore Infrastructure Corridor Planning Authority, IT Corridor Planning Authority) further reducing the role and power of local politicians. Thus, land-use planning remains largely inaccessible to the majority of the population, since they can neither rely on the master planning process, nor on the local politicians to stake claims to land. The developers and residents refer to the CDP for insights, in terms of where to invest in real estate and implications on their properties. In fact, of the 7,032 comments residents submitted, 94 per cent related to personal property issues [*The Hindu* 2005]. Even the city's service providers claim that the CDP is of little relevance in their provision of services, since it remains in the BDA's domain.⁸ This apparent confusion regarding land use planning and it's relationship to infrastructure and economic development stems from the lack of appropriate and integrated policies and agencies to address the current realities of land requirements in a largely poor urban area.

Public-Private Partnerships

In this fragile regulatory structure, land banking remains a controversial issue. The state government engages in explicit relationships in the form of "public-private partnerships" to confer legitimacy to primarily private ventures for large development projects. With little to no project justification and analysis provided to the public, public-private initiatives in Bangalore currently bank on land for financial security and the potential for high returns. Thus, the government provides low-cost land on behalf of the public, and the private sector partner profits from the increase in value. The case of the Bangalore International Airport (BIAL) project comes to mind. When Narayana Murthy, founder of Infosys, recently resigned from the board of BIAL, a dismayed public accused Deve Gowda for a lapse in judgment against a key corporate figure in the state, but few questions have been raised regarding the basic structure of the project. While the rationale for the choice of location for the new airport still remains unclear, critics have pointed out that the 4,000-acre land area (acquired by the government for the project) exceeds the land used by most other airports in the world [Jacob John 2005]. According to Albert Brunner, CEO of BIAL, the project will use less than half of the land for the airport initially and will lease "excess" land to private parties for commercial uses that support the airport, including hotels, conference centres, and

shopping malls. Brunner emphasises the prime real estate value of this property and the unlimited potential for non-aeronautical revenues, all made possible through the "public-private partnership" between BIAL and the state government. Similar issues are evident in the case of the Bangalore-Mysore Infrastructure Corridor (BMIC) project, for which the government notified over 28,000 acres of land for the construction of a new private six-lane highway and the development of five townships, while repairs to the existing road and rail network also continue through public funds.

Complex Dynamics

In the midst of this complex dynamic, IT industry leaders threaten that they will leave Bangalore if the government does not provide adequate land and infrastructure, particularly roads. Deve Gowda retaliates that the subsidies and tax breaks granted to the IT sector could have been used as revenues for such purposes. Some argue that the government's mismanagement of funds, rather than a lack of revenue generation from the sector, has precipitated the infrastructure predicament. Thus, Nandan Nilekani, CEO of Infosys, in a presentation to Montek Singh Ahluwahlia, asserted that if the government makes public revenue and expenditure more transparent, citizens will use this information to ensure efficient allocation of public funds. [Navika Kumar 2004] Unfortunately, access to information alone cannot resolve the complexities in public finance. In Bangalore, the two major IT campuses (Electronics City and International Technology Park) are located in different city municipal corporation (CMC) limits adjacent to Bangalore. The state government directly receives part of the taxes and ensures dedicated infrastructure, while the CMCs bear the burden of a rapidly growing population and

strain on resources, without commensurate revenue gains. ¹⁰ Likewise, many employees choose to live in Bangalore, adding to the burden on infrastructure provision in the city. To understand this situation better, a thorough analysis of the tax revenues, subsidies, and infrastructure requirements is necessary. In the meantime, the political structure determines the decision-making process, and it is this that we must turn our attention towards. If high-level political leaders determine the allocation of the most critical public assets, including land, revenue, and infrastructure, then we must strengthen the local political structure to hold government decisions accountable to the public. With such channels in place, the public will be better positioned to judge whether investments in particular infrastructure projects make sense for the overall growth of the city.

Deve Gowda further contends that while the state government supports the IT sector, they must also address the requirements of other sectors in the state. Infosys leaders do not disagree, but argue that nonetheless public infrastructure investments must meet the needs of the growing IT sector, given the scale of their contributions to the economy. This begs the question: to what degree does this wealth boost the lives of the broader population? An international team of leading economists recently published a paper describing Inclusive Wealth, an alternative method for accounting GDP. This method reveals that, "India's average of around 3 per cent economic growth over 30 years contrasts with a near-0 figure for change in inclusive wealth – which may help to explain why the rich were so surprised when the poor voted the previous Indian government out of office. The slum-dwellers weren't realising the benefits of increased GDP from the Bangalore IT sector" [Alan AtKisson 2005]. While such an analysis does not clarify the appropriate allocation of investments on infrastructure, perhaps it indicates that the government must assess with greater clarity the distribution of benefits of public projects. If demands for land and infrastructure for the offices, activities, and residences of the IT sector, far exceed requirements of the average employee or resident, perhaps the government must reconsider subsidies and instead introduce additional taxes for social costs.

The government cannot focus only on attracting one sector, regardless of its growth capacity and must also provide subsidies to favour those in much more disadvantaged situations. Some residents argue that by applying pressure, the IT sector has stimulated a more responsive government, but perhaps it has become responsive only to particular and powerful demands. This does not necessarily translate into an improvement in governance for the rest of the city. The state government, dating back to Deve Gowda's tenure as CM, has armed the IT sector with policies that enable access to land and infrastructure and enable para-statal institutions to assist and support the endeavours of IT companies to access these often subsidised public goods. To achieve broader economic development, benefiting a wider constituency, government must initiate balanced policies that also assist the sectors facing insurmountable disadvantages.

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Notes

- 1 October 22, 2005 episode of 'The Big Fight' aired on NDTV 24×7, "Is the Bangalore Dream Dying?" available online from: www.ndtv.com
- ${\bf 2} \; {\bf See} \; {\bf Millennium} \; {\bf IT} \; {\bf Policy}, \; {\bf government} \; {\bf of} \; {\bf Karnataka}, \; {\bf available} \; {\bf online}.$
- 3 According to the KIADB website: http://kiadb.kar.nic.in/buylandonline/indus_policy.htm
- 4 Based on interviews by author with officials of the Bangalore Development Authority in June 2003.

- 5 Based on interview by author with commissioner of the Bangalore Region Metropolitan Development Authority, July 14, 2003.
- 6 The BDA estimates that by 2015, 3.75 lakh employees will join the IT sector and population growth may reach 86 lakh [BDA 2005]. Current estimates indicate three lakh employees in the IT sector [The Economist 2005, The Times of India 2005]. Safely assuming the working population as 33 per cent of the city population, IT sector employment will comprise up to 22 per cent of the working population in 2015. According to Census of India, the national working population was 37 per cent of total population in 1991 and 39 per cent in 2001.
- 7 Based on notification by government, as shown to author by local politician, Mahadevpura CMC, December 1, 2005.
- 8 Based on interviews by author with commissioners of BWSSB, BMTC, BESCOM, and BMP regarding the upcoming revision of the CDP, July and August 2003.
- 9 Presentation by Albert Brunner on Bangalore International Airport Project at Indian Institute of Management, Bangalore, on January 20, 2005.
- 10 According to a local politician in Mahadevpura CMC, where ITPL is located, interview with author, December 1, 2005.

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