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Singur, look west at Magarpatta, the farmers' township

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NEW DELHI: The dramatis personae of the ongoing big controversy over the small car project at Singur would do well to look at a colourful ad spread over the back page of the Economic Times on Sunday (December 3). The advertisement is about Magarpatta City, off Pune, a town built by a group of 120 farmers who pooled 400 acres in 1999, formed a company and built the township on that land. They have built homes, 60 lakh square ft of office space, a school, hotels, hospitals and a sports complex. The company earns crores of rupees from sale of homes, and lease income from office property occupied by information technology companies (for details, see a story in the Sunday Times of India on the same day). The farmers who promoted the company have become millionaires.

The Magarpatta example is one way of changing land use, converting agricultural land to non-industrial land. The Singur model is another. The differences between the two models are stark.

In Magarpatta, the change of land use was voluntary on the part of the owners of the land. It is not, in Singur: the government is acquiring the land for the car project, in the face of stiff opposition. In Magarpatta, the original owners continue to have property rights over the land whose use has been changed. In Singur, the land has been alienated. Magarpatta farmers continue to earn incomes from the land that has been taken away from farming whereas the oustees of Singur have no income streams from their erstwhile land anymore. In Magarpatta, the original land-owners have found new occupations in meeting the assorted requirements of the township they have built. In Singur, there is no ready availability of alternative occupations. Magarpatta is celebrated as a success story. Singur is yet another story of the powerless getting further dispossessed, so that the juggernaut of 'development' might roll on. Magarpatta farmers look forward to building on their success. Singur oustees, desolate and desperate, become grist to the political mill.

Is it possible to convert the oustees of Singur, victims of development at present, into its stakeholders? Such a transformation is indeed possible: just go the Magarpatta way.

It has been the practice in India for new enterprises setting up shop in a rural area to first build an entire township from scratch. This was inevitable, given the lack of alternatives in the past. But it is not an efficient way of deploying corporate resources. Things have changed. Widespread institutional capacity to form companies and run them, dispersal of managerial know-how and technical skills have emerged. These need to be tapped, to create companies that build township and lease out premises for industrial use.

True, the ousted farmers of Singur lack the entrepreneurial capability of the Magarpatta farmers — they will not, on their own, form a company to build and run the urban facilities required to house and run an auto hub. But they can indeed be given shares amounting to, say, 50% ownership in a company that builds the township and leases out its premises. The remaining 50% could be owned by the Tatas themselves or some other company or even a government agency.

Fair compensation for the land acquired would tend to be calculated, at best, as the present value of a stream of incomes down the years, as per the present pattern of land use. This future income stream would, of course, be discounted at an appropriate rate. But even this best case scenario does not guard against the sense of loss and of being cheated that the displaced farmer would feel once property prices shoot up, when an industrial town comes up in the area.

Right now, no mechanism exists to bridge this gap in valuation over time — to the detriment of the oustees. Stakeholding by the oustees in a special purpose vehicle that would own the land being put to a non-farming use would serve as such a mechanism. A lock-in period for such a stake would ensure that oustees do not sell out prematurely, before the quantum jump in the value of their land has materialised.

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