

MEMORANDUM BY THE MINISTER OF JUSTICE AND PARLIAMENTARY
AFFAIRS

Emphyteutical grants of land and developed property
for major agricultural projects

Following my directives a committee was formed under the Chairmanship of the Assistant Commissioner of Land to study the question of emphyteutical grants of land and developed property for major agricultural purposes. Representatives of the P.W.D. and the Department of Agriculture were included.

2. The main point at issue is whether the groundrent to be fixed in these cases should be a commercial one or whether it should be fixed at a percentage on a valuation made by Land Engineers.

3. The normal procedure for the grant on emphyteusis of Government property is for a call for tenders to be issued. The highest or the most advantageous offer is accepted. This is an equitable way to proceed.

4. Special considerations, however, have caused several deviations from this procedure.

5. This has happened in cases of new industries, where apart from the grant-in-aid given by Government, a suspension of the provisions of the Income Tax law for 10 years, ~~and~~ and waiver of Customs duties, these have been granted land concessions at very low rate of groundrent.

6. It has also happened in the cases of new hotels, where we have cases in which the reduction in the groundrent, over the period of lease, even exceeded the grant-in-aid given by Government.

7. It is the view of this Committee that in the case of major agricultural projects a similar policy should apply.

8. There is a certain amount of risk attached to all agricultural undertakings and it is the considered view of this committee that this should be taken into consideration in fixing groundrent., apart from the fact that, as in all other industries, the agricultural undertaking will have to go through a certain period of difficulty while it is being set up.

9. Agriculture is, perhaps, the undertaking which needs the greatest incentive. There is at present a growing tendency for country people to leave the land and if this is to be stopped it is only by encouragement afforded by grants and so on that peasants will be induced to remain on the land.

10. I am aware that agricultural enterprises are aided directly by grants and loans, by technical and advisory services, etc., and it is of the view that an added incentive, that of a reduced groundrent during the period when the undertaking is getting over its teething troubles, could be included. This need not go right through the whole lease period. In fact once the undertaking is deriving all the profits the property is potential of from its proper and full use, there is no reason why full rate of groundrent should not be charged.

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11. This, however, should be limited to those cases where improved agricultural techniques, substantial economic projects, new services and other projects involving heavy capital expenditure call for encouragement. The idea behind this is to induce the bona-fide farmer to enlarge his outlook and undertake major projects.

12. The other point to be considered is the duration of the emphyteutical grant. This can be related to the capital outlay involved in the project, it being kept in mind that in dealing with agriculture one must think in terms of decades not years. It is felt that a minimum term of 50 years and a maximum one of 99 would be appropriate. This being established one can proceed to say what the reduction in groundrent is to be and whether it is to be for the whole period of the lease or for a part.

13. This Committee in submitting its recommendations was of the opinion that the rebate in groundrent should be limited, as stated in paragraph 10, for a period in which one would expect any undertaking to have got into its stride of production. This is considered to be twenty years. Any project that has not made headway in 20 years is bound to fail anyway and it is not the increase in groundrent which will make it fail. The Committee had agreed that the rebate should be $\frac{2}{3}$ of the assessed groundrent, this assessment being made by a Land Engineer.

In their report, the Committee made the following proposals -

(A) that the normal procedure in the grant of land is to make that grant after a call for tenders to the tenderer making the highest or most advantageous offer.

(B) In the case of major agricultural projects a deviation from this policy on the lines of grants to industries or tourist projects is advisable.

(C) Once an agricultural project is considered worthy of such a deviation, a rebate in assessed groundrent should be allowed, this being a $\frac{2}{3}$ rebate for an initial period of 20 years, the groundrent rising to full rate after that period.

(D) The period of emphyteusis should be between 50 and 99 years this being dependent on the amount being spent by the farmer on the project involved.

With regard to the proposal at (C) above, it is my considered view that the initial period of 20 years is too long and I therefore recommend that it should be reduced to 15 years.

Hon. Ministers are invited to say whether they agree with the above proposals.

L. 357/66

12th May, 1966.