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IMPLEMENTATION OF PUBLIC PRIVATE PARTNERSHIP- INDIRA GANDHI INTERNATIONAL AIRPORT, DELHI

[Action Taken by the Government on the Observations/Recommendations of the Committee contained in their 94th Report (15th Lok Sabha)]

MINISTRY OF CIVIL AVIATION

PUBLIC ACCOUNTS COMMITTEE
(2018-19)

ONE HUNDRED AND TWENTY EIGHTH REPORT

SIXTEETNH LOK SABHA

LOK SABHA SECRETARIAT
NEW DELHI

PAC NO. 2167

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PUBLIC ACCOUNTS COMMITTEE
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(SIXTEENTH LOK SABHA)

IMPLEMENTATION OF PUBLIC PRIVATE PARTNERSHIP- INDIRA GANDHI INTERNATIONAL AIRPORT, DELHI

[Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Ninety- Fourth Report (15th Lok Sabha)]

MINISTRY OF CIVIL AVIATION

सत्यमेव जयते

Presented to Lok Sabha on: ***19-12-2018***

Laid in Rajya Sabha on: ***19-12-2018***

LOK SABHA SECRETARIAT
NEW DELHI

December, 2018 /Agrahayana, 1940 (Saka)

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APPENDICES*

**Not appended to the cyclostyled copy of the Report*

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE 2018-19

Shri Mallikarjun Kharge - Chairperson

MEMBERS

LOK SABHA

2. Shri Subhash Chandra Baheria
3. Shri Sudip Bandyopadhyay
4. Shri Prem Singh Chandumajra
5. Shri Gajanan Chandrakant Kirtikar
6. Shri Bhartruhari Mahtab
7. Smt. Riti Pathak
8. Shri Ramesh Pokhriyal "Nishank"
9. Shri Janardan Singh Sigriwal
10. Shri Abhishek Singh
11. Shri Gopal Shetty
12. Dr. Kirit Somaiya
13. Shri Anurag Singh Thakur
14. Shri Shivkumar Chanabasappa Udasi
15. Dr. Ponnusamy Venugopal

RAJYA SABHA

16. Prof. M. V. Rajeev Gowda
17. Shri Bhubaneswar Kalita
18. Shri Shwait Malik
19. Shri Narayan Lal Panchariya
20. Shri Sukhendu Sekhar Roy
21. Shri C.M. Ramesh
22. Shri Bhupender Yadav

SECRETARIAT

1. Shri A.K. Singh - Additional Secretary
2. Smt. Bharti S. Tuteja - Deputy Secretary
3. Shri Shankarnath Sharma Laimayum - Committee Assistant

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2018-19), having been authorised by the Committee, do present this One Hundred and Twenty-eighth Report (Sixteenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Ninety-Fourth Report (Fifteenth Lok Sabha) on **"Implementation of Public Private Partnership-Indira Gandhi International Airport, Delhi "**.

2. The Ninety-Fourth Report was presented to Lok Sabha/laid in Rajya Sabha on 6th February, 2014. Replies of the Government to all the Observations/Recommendations contained in the Report were received. The Public Accounts Committee considered and adopted the One Hundred and Twenty-eighth Report at their sitting held on 14th December, 2018. Minutes of the sitting are given at Appendix I.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

5. An analysis of the action taken by the Government on the Observations/ Recommendations contained in the Ninety-Fourth Report (Sixteenth Lok Sabha) is given at *Appendix-II.*

NEW DELHI;
December, 2018
Agrahayana,1940 (*Saka*)

MALLIKARJUN KHARGE
Chairperson,
Public Accounts Committee

PART-A

CHAPTER – I

R E P O R T

This Report of the Public Accounts Committee deals with Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Ninety-Fourth Report (Fifteenth Lok Sabha) on **"Implementation of Public Private Partnership-Indira Gandhi International Airport, Delhi"** based on the C&AG Report No. 5 of 2012-13 (Performance Audit) Union Government, relating to the Ministry of Civil Aviation.

2. The Ninety-Fourth Report (Fifteenth Lok Sabha) was presented to Lok Sabha/laid in Rajya Sabha on 06th February, 2014. It contained 17 Observations/ Recommendations. Action Taken Notes in respect of all the Observations/ Recommendations have been received from the Ministry of Civil Aviation almost after a delay of two years from the date of presentation of its original Report and are categorized as under:

(i) Observations/Recommendations of the Committee which have been accepted by the Government:

Paragraph Nos. 1,2,4,5,8,10-13, 15 and 16

Total: 11
Chapter- II

(ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government:

-NIL-

Total: NIL
Chapter- III

(iii) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which requires reiteration:

Paragraph Nos. 3,6,7, 9 and 14

Total: 05
Chapter- IV

(iv) Observations/Recommendations in respect of which Government have furnished interim replies:

Paragraph No. 17

Total: 1
Chapter- V

3. **<u>The Committee desire the Ministry of Civil Aviation to furnish Action Taken Notes in respect of Observations/ Recommendations contained in Chapter I and final Action Taken Replies in respect of Observations/ Recommendations contained in Chapter V for which interim replies have been given by the Ministry within six months of the presentation of the Report to the House.</u>**

4. The Action Taken Notes furnished by the Ministry of Civil Aviation on the observations/recommendations of the Committee contained in their Ninety-fourth Report (15th Lok Sabha) have been reproduced in the relevant Chapters of this Report. In the succeeding paragraphs, the Committee have dealt with the Action Taken by the Government on some of their Observations/Recommendations made in the Original Report which either need comment or reiteration.

I <u>Concession Period</u>

[Recommendation Para No. 3]

5. The Committee noted that in terms of Article 181(b) of Operation, Maintenance and Development Agreement (OMDA), Delhi International Airport Private Ltd. (DIAL) enjoys the unilateral right to extend the concession period for another 30 years on the identical terms and conditions provided no JVC event default takes place during 20th and 25th year of first concession period. The Cabinet Note of September 2003 specifically envisaged that concession period of next 30 years could be subject to 'mutual agreement and negotiation of terms'. Surprisingly, this condition was missing in OMDA signed in April 2006 though the MoCA denied extending any favour to DIAL on the ground that the concession period was decided by the EGoM constituted by the Cabinet to finalise various transaction documents. The Committee noted that the Cabinet in September 2003 had given permission only for privatisation of airports. Further, the extension of concession period was not automatic/unlimited as conditions like satisfactory performance in first 30 years was stipulated under OMDA. These provisions relating to extension of lease period were finalized before Request for Proposal was issued to the qualified bidders. The Committee noted that the initial concession period of 30 years could be extended by another 30 years. Asked about the reasons for extending the concession period by another 30 years, the Ministry submitted that it was felt that the investment would need a longer time-frame and also to attract more bidders for Delhi and Mumbai airports, the EGoM made a provision for further extension of 30 years. This was finally approved by the Cabinet. The Committee

desired to know how this joint venture would pave the way for future airport development and modernization in our country.

6. The Ministry in their Action Taken Note submitted as under:

"While entering into an agreement with the JVC, it was ensured to check the unwarranted benefits to it by laying down the stringent conditions on JVC such as adherence to laid down standards, performance indicators, mandatory investment, satisfactory performance throughout the period, objective service quality requirements etc. Non-compliance of which attracts penalties and liquidated damages which can lead to termination and cancellation of the agreement by AAI and Government. Hence, JVC does not have automatic right to extend the period but is subject to conditions and review by AAI and further subject to overall stringent yardsticks laid down in OMDA and monitored by AAI. Further, Airports have long gestation periods and the investor needs long term period to plan and execute projects apart from making considerable upgradation depending on the requirement. In the present case, IGI Airport, New Delhi has been planned to be fully developed in six phases spread over many years. It is prominent to notice that the case of implementation of PPP at Delhi & Mumbai airports was one of the pioneer efforts in the Civil Aviation sector as there was no such precedence available before the Government. Hence, there was apprehensions among the prospective bidders regarding, availability of enough opportunity for them to extract the profit out of their huge investments. These airports required huge investment and management skill to build and operate them as world class airports. If AAI were to do it, there would have been a severe resource crunch for AAI and it could not have taken up development of other airports. Through these JV Companies on one hand AAI could mobilise on investment of about Rs. 24,000 crores and on the other hand AAI spent about Rs. 12,000 crores to develop about 60 airports in metro, non-metro and other towns/cities. Moreover, since awarding the Delhi airport project to DIAL, AAI has earned revenue share of Rs. 6306.81 crores till FY 2013-14. AAI has effectively utilized this revenue share for development / modernization of its metro airports like Chennai, Kolkata and other 35 non-metro airports. The revenue share is also being used further to develop/upgrade Tier II & Tier III city airports across the country. Further, an economic impact assessment study was also conducted by National Council of Applied Economic Research (NCAER) with respect to the privatization of IGI Airport outlining its economic & social impact. The findings of the study are as under:

Economic Impact:-

- Economic impact of IGI Airport estimated to be Rs.29,470 Crore during 2009-10 - Contribution of 0.45% to the national GDP
  - Contribution to Delhi's GSDP is 13.53%
- Economic impact of IGIA by 2020, expected to be approximately Rs.90,950 crore
  - Contribution of 0.7% of the National GDP
  - Contribution of 22.2% to Delhi's GSDP

Social Impact:-

- Delhi airport's operation contributes 15,78,000 jobs
  - Contribution to national employment 0.34%
  - Share in Delhi's total employment as 25.9%.
- Delhi airport's construction activities contributed - 614 thousand direct and indirect jobs every year during 3 years of construction

- Employment benefits, especially from tourism & investments, shared with other regions & States.

  The above facts show that the implementation of PPP at IGI Airport, New Delhi has acted as a catalyst in the economic growth of the country and has helped tremendously in development of airport sector by allowing AAI to pay attention towards building necessary infrastructure for providing regional connectivity to the remote areas. The Master Plan prepared by DIAL included the targets/ milestones for development of IGI Airport in phases. The Master Plan was primarily based on traffic trigger points and linked to traffic growth. Besides, as stipulated in OMDA, DIAL is in the process of review and update of the Master Plan to meet the traffic demand and incorporate new traffic challenges. As regards utilization of revenue earned from DIAL, AAI has received total revenue of Rs. 6306.80 crores from DIAL from 2006-07 to 2013-14. AAI has spent an amount of approx. Rs. 12743.10 crores (including revenue from DIAL) from 2007-08 to 2013-14 on modernization /development of various airports.

  Annual revenue share received from DIAL from 2015 – 2016 to 2017 -2018 is Rs. 6,700.46 crores. "

7. The Committee noted that the Cabinet in September, 2003 while giving permission for privatization of airports had specifically envisaged that concession period of 30 years could be extended subject to 'mutual agreement and negotiation of terms'. However, this condition is <u>conspicuous</u> in OMDA. The Committee note from the reply of the Ministry that some provisions have been included in the OMDA for checking unwarranted benefits to the operator. <u>The Committee also note that DIAL is in the process of reviewing the Master Plan and updation of the same to meet the traffic demand and also incorporate new traffic challenges</u>. The Committee while opining that the extension should only be given to the operator subject to 'mutual agreement and negotiation of terms' desire the Ministry to ensure that a thorough scrutiny of the implementation of project by the DIAL should be undertaken before extending the contract and any violation of the provisions of the contract be strictly dealt with, financial loss, if any, to the exchequer prevented and interest and welfare of the passengers/users of the airport protected. <u>The Committee also desire the Ministry to apprise the status of the review and updation of the Master Plan to meet the traffic challenges of over 40 million passenger projected by the year 2022</u>.

II Right of First Refusal
[Recommendation Para No. 4]

8. The DIAL was given unilateral right to manage the IGIA for sixty years and in addition to it, State Support Agreement gave DIAL the Right of First Refusal (RoFR)

with regard to any second airport planned within 150 km radius of the IGIA. The Second airport was to be planned through a competitive bidding process in which DIAL too would participate and in case of being unsuccessful, DIAL would be allowed to match its bid with the most competitive bid, if it was within 10 per cent of that bid. This condition was applicable in the first 30 years. The Ministry, in response, submitted that development of second airport is based on triggers like, existing airport reaching saturation point, traffic sharing and host of other factors which are clearly inbuilt in policy on Airport Infrastructure 1997. Further, the Ministry added that as per the study conducted by International Civil Aviation Organisation (ICAO), second airport may not be needed until 2022. According to the Ministry, the RoFR condition was approved by EGoM and laid down before the issue of RFP wherein DIAL was not the final bidder. The Committee had observed that the second new airport, if planned, functioning in the competitive environment will be under the regulatory regime of Airports Economic Regulatory Authority of India (AERA) and will not have the benefit of dual till or hybrid till system. It would, therefore, be virtually impossible for a new bidder to share a large percentage of revenue and survive in a competitive environment in which the existing Delhi airport already would have significant benefits. The submission of the Ministry was that the matter was considered in the IMG & the EGoM and it was felt that, based on global experience the absence of RoFR, the JVC would be exposed to significant investment risks if a second airport came in the vicinity. Moreover, the second airport at Delhi may not be needed until 2022 and at Mumbai till the traffic reaches the saturation point of 40 million. The Ministry also submitted that safeguards have been provided to ensure competitiveness and transparency. The Committee had expressed hope that the assurances given would be fulfilled.

9. The Ministry in their Action Taken Note submitted as under:

> "Yes. It is reiterated that competition and transparency will be ensured in the process whenever RoFR is exercised."

10. The Committee find that in response to their recommendation on the issue of Right of First Refusal (RoFR), the Ministry of Civil Aviation have assured that transparency and competitiveness will be ensured in the process whenever RoFR is exercised. Although the Committee hope that the assurance given would be fulfilled, they desire the Ministry to put in place a robust in-built mechanism so that competition and transparency is engraved in the process while RoFR is

exercised when a second airport come up in the vicinity of Delhi. The Committee feel that such a step on the part of the Ministry would enable them to avert a situation which, otherwise, give undue benefit to any concessionaire in a Public Private Partnership Project. They would also like to be apprised of the steps taken by the Ministry in this regard.

III Revenue Earnings and Misuse of Upfront fee
[Recommendation Para No. 5]

11. The Committee in their 94th Report had inter-alia observed that as per Article 11.1.1 of OMDA a onetime upfront fee of Rs.150 crore was fixed for each of the Delhi and Mumbai airports by MoCA on the basis of decision of Inter-Ministerial Group (IMG) who considered average revenue earning from both the airports. The Ministry of Civil Aviation attempted to justify its actions by submitting that AAI got a much higher amount of about Rs. 6 crore in comparison to the amount that it would have got through nominal lease rental basis. Further, it was also added that the additional land of 'Excluded Premises' could have been transferred to DIAL without any compensation to AAI as this land was to be used only for aeronautical purposes. Asked about the basis of charging Rs.150 crore upfront fee from the JVC, the MoCA submitted that different models were discussed by the EGoM. The EGoM, after discussion, approved the quantum of upfront fee of Rs.150 crore as also recommended by the IMG. The Ministry further submitted that the leasing of land by AAI to DIAL was in return of its share of 45.99 percent of the total revenue and therefore the question of lease rental was inconsequential and that it would not be correct to make comparison with the lease charges imposed on DGCA and BCAS. The Committee in their Original Report had desired to know the total earnings of DIAL and the revenue earned by the Government year-wise, in terms of its approved share, to enable the Committee to infer whether public interest was substantially sub served by such a negotiated settlement as claimed.

12. The Ministry of Civil Aviation in their Action Taken Note submitted as under:

"The details of Revenue earned by DIAL since awarding the Delhi Airport project (i.e. 2006-07 to 2013-14) and Revenue share to AAI and the Net Revenue of AAI prior to handing over of IGI Airport on PPP i.e., for 2005-06 is given below:

(In Rs. Crore)

FY	DIAL's total Rev (A)	AAI's Share (B)	DIAL's Revenue (C) = (A-B)	DIAL's Net Revenue (Profit/Loss) (D)
2006-07	591.38	271.98	319.40	29.33
2007-08	875.65	402.71	472.94	56.66
2008-09	958.10	440.63	517.47	-23.49
2009-10	1171.83	538.92	632.91	19.89
2010-11	1255.22	577.28	677.94	-450.20
2011-12	1530.95	704.08	826.87	-1085.40
2012-13	3333.71	1533.17	1800.54	72.52
2013-14	4004.44	1838.04	2166.40	410.83

In addition to above AAI's revenue share, DIAL has also contributed in the revenue to GoI in terms of payment of various taxes (such as Service tax, VAT, Income Tax, etc) during the period i.e. 2006-07 (Rs.86.42 crores); 2007-08 (Rs.106.85 crores); 2008-09 (Rs.116.46 crores); 2009-10 (Rs.110.79 Crores); 2010-11 (Rs.165.17 crores); 2011-12 (Rs.237.52 crores); 2012-13 (Rs.521.15 crores) and 2013-14 (Rs.593.97 crores). Further, it may be observed from the above table that DIAL has, so far, incurred a cumulative loss of Rs. 969.86 crs since taking over the operations of IGI Airport, New Delhi in 2006. This goes on to show that this model of PPP has benefitted AAI/Govt. through enhanced collection of revenue/taxes. Thus AAI has been able to develop/modernize its other airport in the country, subserving the public interest.
The revenue share paid by DIAL for 2008-09 was Rs. 440.63 crores. Further, a part of upfront fee paid initially (Rs. 5.00 crores) was also transferred to revenue showing a total revenue of Rs. 445.63 crores in the financial statements of AAI. Hence, as against quoted by Audit, the revenue share of Rs. 440.63 Crores to AAI for 2008-09 is correct.
Further, the Total revenue earned by DIAL for 2010-11 was Rs. 1261.67 crores. After After writing off the "Bad debts" of Rs. 6.46 crores, the revenue of DIAL came as Rs. 1255.21 crores.
The total revenue earned by DIAL for 2012-13 was Rs. 3324.88 crores. A prior period income of approx. Rs. 8.83 crores not shown under revenue but under separate head was to be added to get revenue figure of Rs. 3333.71 crores."

13. The Committee find that there has been a steady increase in AAI's revenue share from 2006-07 to 2011-12, and during 2012-13, the revenue share of AAI increased more than double the amount earned during 2011-12. However, the Committee are surprised to note that the rising trend of revenue earnings could not be sustained in the subsequent year i.e. 2013-14. The Committee feel that in

such kind of a project revenue share usually get upward momentum after the initial teething period. In case of DIAL also during 2012-13 i.e. after 6 years of its operationalisation, the total revenue generated increased from Rs. 271.89 crore in 2006-07 to Rs. 1533.17 crore in 2012-13. The Committee hope that the figures of the revenue generated are correct as per provisions of OMDA and be apprised of the earnings of DIAL/AAI during the last five years.

IV. Commercial Exploitation of Land
[Recommendation Para No. 6]

14. The Committee in their Original Report had noted that AAI leased out 4799.09 acres of land as demised premises at Rs.100 annually to DIAL and for 190.19 acres a one time fee of Rs.6.19 crore was charged. As per OMDA, DIAL was allowed to utilize 5%of the total land area i.e. 4799.09 acres of demised premises (i.e. 239.95 acres) for commercial exploitation. DIAL had projected an earning capacity of Rs.681.63 crore per acre from the land in terms of license fee over the concession period of 58 years. The projected earning capacity for 239.95 acres worked out as Rs.1,63,557 crore wherein AAI share as Rs.75220 crore i.e. 45.99 percent of the total revenue. As of February 2013, DIAL were able to lease out only 45 acres of land. As against the projection of Rs.1.92 crore per acre for 2012-13, DIAL actually received a lease rental of Rs.1.96 crore per acre. To a query of the Committee, the Ministry stated that the sole bidding criterion was the OMDA Fee which was the revenue share of AAI from gross revenue of the airport and it captured the earning potential of the airport from both airport activities and the land. The decision to allow 5 per cent of land for commercial exploitation was taken by EGoM on the advice of Department of Economic Affairs and Financial Consultant (FC) and did not go through the route of market valuation of land. This area was subjected to monitoring by AAI and MoCA from time to time. As per OMDA, DIAL could utilize 5 per cent of land area of 4608.9 acres (190 acres subsequently transferred and not included) of demised premises for Non-Transfer Assets i.e. commercial exploitation which works out to 230.44 acres and not 239.95 acres. As on 31.12.2009, 45.08 acres of land had been awarded by DIAL for commercial exploitation. According to the submissions made before the Committee, DIAL suffered a cumulative loss of more than Rs.1706 crore whereas in 2013 DIAL was expected to earn Rs.1859 crore through aeronautical revenues. The Ministry submitted that as against the permissible commercial exploitation of 5 per cent land, DIAL had not so far used even 1% against

the limit of 5%. The Committee had desired to be apprised of the total revenue year-wise earned by the AAI from DIAL after taking over the Delhi airport as also the projected revenue share in the next three years.

15. The Ministry in their Action Taken Note furnished information about the revenue received by AAI from DIAL from FY 2006-07 to 2013-14 as also reproduced at Para 9 of this Report. They further submitted as under:

"As per the current tariff, the projected revenue share of AAI for the next three years is as below :
Assumptions: 1) average effective traffic growth rate @ 3.55 %,
2) Tariff will remain the same at current rates

Head	FY2014-15	FY2015-16	FY2016-17
Revenue Share - AAI	1903.33	1970.90	2040.87

Tariff revision is due w.e.f. 1st April, 2014 and the calculation given above may undergo a change after finalization of Tariff by AERA for 2014-2019.

The Assumptions for arriving at the projected revenue of DIAL are considered based on (i) USD conversion rate (considered @ Rs. 64 per dollar), (ii) Aeronautical Traffic mix for Aero income taken as per previous corresponding twelve months trend (Seasonal impact) and (iii) Traffic Growth. Based on the above assumptions, the Actual revenue received for 2013-14 (Rs. 1838.04 crores) was extrapolated by the effective traffic growth of 3.55 % to get the figure of Rs. 1903.33 crores. The figure for 2014-15, 2015-16 and 2016-17 was similarly projected assuming the traffic growth of 3.55%. However, the actual revenue received for 2014-15 is Rs. 1967.80 crore in place of projected figure of Rs. 1903.33 crores due to higher effective traffic growth."

The actual revenue share (Monthly Annual Fee) received by AAI from DIAL is as follows:

Financial Year	**Amount (Rs. in crores)**
2015 – 2016	**2,304.15**
2016 – 2017	**2,634.84**
2017 – 2018	**1,761.47**
TOTAL	**6,700.46**

16. The Committee find that the Ministry of Civil Aviation have furnished the information regarding the projected revenue share of AAI from 2014-15 to 2016-17 whereas the thrust of the recommendation of the Committee was on 'commercial exploitation of land'. The Committee undertook a local visit to the Indira Gandhi International Airport, Delhi on 7 March, 2017 to ascertain actual implementation of the PPP project by the DIAL. They were dismayed to note the unscientific commercial exploitation/encroachment of the walking space meant for passengers inside the <u>security hold</u> area where the restaurants, duty free shops and executive lounges etc. have come up. The Committee note from the submission of DG, CISF that DIAL has been ignoring the security concerns raised by the CISF that it would be difficult for them to evacuate passengers in large numbers, in case of emergency, as the passage has become zig-zag. The Committee are surprised to note that the advice of security agencies is being overlooked for commercial interests. The Committee are also dismayed to note that that the license holders are using the licensed land and space areas for <u>their offices</u> in separate wings and desire the MoCA to take immediate action in this regard.

V Airport Development Fee
[Recommendation Para No.7]

17. The Committee in their Original Report had noted that Article 13.1 of OMDA specifically provides that the "JVC shall arrange financing and/or meeting all financing requirements through suitable debt and equity contributions in order to comply with its obligation including development of airports pursuant to the Master Plan and the major development plans". The Committee were, however, dismayed to observe that instead of finding ways of debt and equity contribution, in February 2009, MoCA allowed DIAL to levy a Development Fee (DF) at IGIA for the purpose of funding or financing the cost of up-gradation, expansion or development of the Airport in contravention of the provisions of Article 13.1 of OMDA. The rates of levy of DF were Rs.200 per departing domestic passenger and Rs.1300 per departing international passenger. The Ministry submitted that the DIAL in 2008 proposed the development of the airport at an estimated cost of Rs.8975 crore but the proposal to collect fund for the development by way of refundable security deposit from the hospitality district was rejected by the Ministry on the ground that excessive high order of security deposit for about five and a

half years of annual lease rental would impact revenue shareable by AAI. Lenders also refused to enhance the debt due to constraints on serviceability of debt. Furthermore, only Rs.1471 crore worth refundable security deposit could be arranged by the DIAL from disposal of commercial land as against an originally envisaged amount of Rs.2,738 crore due to restrictions imposed by MoCA/AAI. Hence in terms of Section 22A of the AAI Act 1994 the Ministry approved levy of Development Fee purely on ad-hoc basis to bridge the funding gap of Rs.1827 crore for a period of 36 months. Further, the Supreme Court declared that w.e.f. 01.01.2009 no DF could be levied or collected from the embarking passengers at major airports under Section 22A of the 1994 Act unless AERA determined the rate of such DF. Notably the levy of DF was not quashed by the Court. DIAL collected DF amounting to Rs.2302.20 crore uptill January 2013 and an amount of Rs.1262.01 crore proposed to be recovered till March 2016 (total Rs.3564.21 crore). The DF was later reduced to Rs.100 per domestic departing passenger and Rs.600 per international departing passenger w.e.f. 01.01.2013 from Rs.200/- and Rs.1300/- respectively. The Committee would like to know the circumstances and the rationale for fixing such a high Development Fee which was later reduced substantially.

18. In their Action Taken Note, the Ministry submitted as under :

> "The basic rationale for levy of Development Fee is aimed at funding or financing the cost of upgradation, modernisation or development of the airport under section 22A of the AAI Act, 1994. Development Fee collected was to be utilised for the development of Aeronautical Assets only, which are 'Transfer Assets' to Airport Authority of India (AAI) in terms of OMDA. AERA upon an application by DIAL determined DF in respect of IGI Airport, New Delhi after due consultation process with the stakeholders, vide Order No. 28/2011-12 dated 14.11.2011. The rate of levy of DF were Rs. 200/ -per embarking domestic passenger and Rs. 1300/ -per embarking international passenger. Subsequently, AERA vide its Order no. 30/2012-13 dated 28th December, 2012 revised the rate of DF to Rs 100/- per departing domestic passenger and Rs 600/- per departing international passenger. Based on the original levy of DF rates, the period for billing of DF was upto May 2013 for Stage 1 and from June 2013 to February 2014 for Stage-2. With the reduced rate of DF and taking in to account the remaining amount of DF (Rs. 1413.02 crore), as on 01.01.2013, the DF billing is expected to continue till April, 2016. Hence, the rate of DF was subsequently reduced by AERA by way of extending the period of collection, keeping in mind the amount which had remained to be collected. It is evident from the above factual position that the actual amount of DF to be collected has remained the same. The reduction in rate has resulted in an increase in the period of its levy only".

19. **The Committee observe that Development Fee (DF) was levied w.e.f. February, 2009 at the rate of Rs. 200 per embarking domestic passenger and Rs.**

1300 per embarking international passenger. The period for billing of DF was upto May, 2013 for stage I and from June, 2013 to February, 2014 for stage II. However, it was reduced to Rs. 100 per domestic embarking passenger and Rs. 600 per international embarking passenger w.e.f. 1.1.2013 by the Airport Economic Regulatory Authority (AERA) by extending the period of collection of DF upto April, 2013 though the amount of DF to be collected remained the same. The Committee are disappointed to note that both MoCA and DIAL took decisions against the interests of the passengers which ended in adverse decision by the apex court. The Committee are perturbed to note that the Action Taken Note submitted by the Ministry failed to explain the facts/conditions and the reasons for fixing high Development Fee which was subsequently reduced substantially w.e.f. from 01.01.2013. Therefore, the Committee reiterate their earlier recommendation and desire the Ministry to explain the reasons for not doing due diligence and charging high Development Fee which was reduced subsequently.

VI. Deficient Land Records at IGI Airport
[Recommendation Para No.9]

20. The Committee in their Original Report had noted that as per records of the Directorate of land of the AAI, as on 9 February 2011, the total land available at IGI Airport was 5106 acres of which 4799.09 acres was Demised Premises and 306.91 acres was Carved out Assets. However, details of the land such as Khasra number, land award, etc. were not available for verification by the Audit. The Ministry put the onus of maintaining such land records on the other Ministries/Departments who had been looking after the affairs of the airport since its inception prior to independence. Regarding total area handed over to DIAL, the Ministry stated that it was based on the demised area Map which was shown in schedule 25 of OMDA and schedule 1 of the Lease Deed. The Committee were distressed to note that in the absence of proper records of the land of IGIA and also given the fact that no joint physical survey was conducted, public land was transferred to DIAL. Given the commercial potential of the public land and also the right of DIAL to commercially exploit 5% of the land the Committee recommended that necessary survey of the land be undertaken and physical markings erected to identify the demised land and carved out assets for future and the Committee be apprised within six months.

21. The Ministry in their Action Taken Note have submitted as under:

"M/s DIAL has independently carried out a survey in 2013 of the land of IGI airport through an external hired agency. The agency carried out the survey using total solution and Differential Global Positioning System (DGPS) and developed an Auto Computer Aided Design (CAD) drawing. Further, the required action to survey the land including physical markings in respect of all land – demised premises, carved out assets and excluded assets is being taken by the airport operator. This being a huge exercise the work could not be completed in 6 months and it is anticipated that the work will be completed by 30th June, 2015. The additional time is required since the existing records are not available and the ownership details are also not readily available.The Ministry further submitted that DIAL had appointed M/s Geokno India Private Limited for carrying out the necessary survey as per the recommendations of the Committee. As per their findings the area of different assets have been listed below :

(i) Total survey area = 4773.42 acres

(ii) Carved out assets = 42.69 acres

(iii) Excluded premises =247.52 acres

(iv) Demised premises =4483.21 acres."

22. The Committee are surprised to note that the area of different assets such as 'total land', 'carved out assets' and 'demised premises' etc. listed in the survey report undertaken by M/s Geokno India Private Limited vary from the records of the Directorate of Land of AAI. The Committee feel that accuracy in the area of different assets is of paramount importance in view of the high commercial value of the land and consequent right of DIAL to commercially exploit 5% of the land. Therefore, the Committee urge upon the Ministry to find out reasons for the discrepancy in the areas of different assets. They would also like the Ministry to find the reasons, if any, in distorting the areas of above mentioned different assets. The Committee would like to have re-verification of land records by the appropriate authority and be apprised of the precise details of the areas of different assets and the reasons for discrepancies therein and the punitive action taken, if any, by the Ministry in this regard.

VII Revenue Sharing
[Recommendation Para No. 13]

23. The Committee in their Original Report had noted that the Dual Till takes into account 30 per cent of the revenue generated by non-aeronautical services and this gave an unfair advantage to the DIAL at the cost of Government/passengers. The Ministry stated inter-alia that EGoM on 15.02.2005 decided that 'hybrid/shared till' 'price

cap approach' be adopted for fixation of aeronautical tariff with 30% of non-aeronautical revenue to be considered for subsidizing the aeronautical tariff. Accordingly, these provisions were set out in the SSA and it was also mentioned about establishment of AERA to take into consideration provisions of OMDA offered by the Central Government in any agreement or memorandum of understanding or otherwise. 30% of non-aeronautical revenue should be taken into account by AERA while determining the aeronautical charges. In other words, 46% of the remaining 70% of the non-aeronautical revenue was to be shared with AAI by DIAL. The Committee felt that the 'shared till' had actually increased the burden on the travelling passengers as the aeronautical tariffs were not subsidized by a significant part of non-aeronautical tariff. Further, most of the non-aeronautical services which were low capital intensive and high revenue services were frozen in OMDA and differ significantly from the provisions of AERA Act. The Committee had, therefore, urged Government to consider this aspect while awarding contracts for other airports under PPP in future.

24. The Ministry in their Action Taken Note submitted as under:

> "In regard to the suggestions of the PAC, it is mentioned that Government of India is in the process of formulation of a policy on Economic Regulation for airport sector keeping in view all aspects. Further comments of MoCA: At present, there is no proposal for implementation of PPP model under Operation, Management and Development Agreement, as done in case of Delhi and Mumbai Airports. The proposal for implementation under PPP model for Chennai, Kolkata, Jaipur and Ahmedabad is cancelled."

25. **The Committee note that the non-aeronautical services which were low capital intensive and high revenue services were frozen in OMDA and differ significantly from the provision of AERA Act and had urged the Government to consider this aspect while awarding contracts under PPP model for other airports. <u>The Committee note the initiation of the process of formulation of a policy on Economic Regulation for the airport sector by the Ministry.</u> The Committee, therefore, <u>desire</u> the Ministry to expedite the formulation of the policy and apprise the Committee in this regard within six months of the presentation of the Report.**

VIII. Adverse impact on revenue sharing by AAI on outsourcing of non-aeronautical services by DIAL
[Recommendation Para No. 14]

26. The Committee noted that many of the services had been outsourced by DIAL to as many as 11 Joint Venture companies. Equity shares of DIAL in these companies range from 26 per cent to 50 per cent. The revenue share in these companies ranges from 10 per cent to 61 per cent. DIAL also collected Rs. 503 crore from these ventures as security deposit and reflected as unsecured loans in its financial statement. When queried, the MoCA clarified that the aggregate security deposits collected by DIAL from the 11 JVs is Rs. 512.82 crore out of which about Rs. 190 crore has been ploughed back as equity by DIAL in the JVs and the remaining amount has been used to meet pad of the cash losses that DIAL has suffered in the last 2 years i.e. 2010-11 and 2011-12 (Rs. 840.79 crores). These deposits are refundable at the end of the concession term. "The Financial statements of these JVs form part of Independent Audit Report for each quarter. The Ministry categorically averred that none of the selected concessionaires are Group companies or affiliates on any of the DIAL shareholders. On the issue of JVs, the Ministry of Law & Justice opined that JVs are permissible under Article 8.5.7 of OMDA and Article 11.1.2 imposes an obligation to pay @ 45.99% of the projected overall revenue for said year. However, it is silent about any share in the revenue generated or to be generated by the Sub-contractors formed or to be formed. The apprehensions of the Committee that the outsourcing of non-aero services by DIAL would adversely impact revenue sharing were sought to be allayed by the MoCA by stating that the efforts were made by DIAL to increase the non-aeronautical revenue and the same was raised from Rs. 315 crore to over Rs. 1000 crore in seven years. This meant that to the possible extent aero revenue would be offset and consequently tariff rates would come down. The Committee also note that given the equity participation of DIAL in these JVs, these sub-contracts are violation of the principle of arms-length as enshrined in the OMDA. The Committee would like to know how the revenue share would go up once the capacity of cargo operations and car park are fully utilized especially when the income from these two have shown a declining trend after these businesses wore transferred to JVs. As recommended by the Committee elsewhere in this regard, a transparent mechanism be evolved after fullest consultation with the stakeholders with respect to the audit of PPP projects and the Committee apprised in due course.

27. The Ministry in their Action Taken Note submitted as under:

"Further, although, there is an inbuilt mechanism to ensure that the JVs formed by M/s DIAL operate at arm's length from DIAL, this Ministry got carried out a Special Audit through DIAL by engaging M/ Rawla & Co. Chartered Accountants on the following points:

i. Formation and Operation of JV's of DIAL is as per the provisions of OMDA;

ii. The capital structure of these JV Companies;

iii. Shareholding of DIAL and GMR group companies in the Equity of these companies;

iv. Audit practices and corporate governance in these companies.

The Special Auditor has, inter-alia, observed that M/s DIAL has not violated the provisions of OMDA and formation of the JVs was as per the agreement. Though there is temporary drop in the revenue from Cargo & Car Park activities, the same cannot be attributed solely to the formation of JVs for providing these services. DIAL had never intended to carry out these services at its own. It is a global practice that the non-aeronautical activities are not carried out by the airport operator itself but through third parties. As regards Cargo, in the initial period the revenue share received by AAI from cargo operations was high as DIAL had to do self-operation. It was never intended to be self-handled by DIAL in the long run. However, DIAL after taking over the airport from AAI, had to manage the cargo operations for a limited period till the two concessionaires were identified as per requirement of OMDA. With investment of approx. Rs. 430 Crores up to Mar'15 by the concessionaires, the capacity of the cargo terminals has increased manifolds. With the growth of cargo market, the revenue share from cargo activity will increase gradually. Similarly, in case of Car Park, initially it was surface parking. However, surface parking was not an option for long term operations. With MLCP (Multi-Level Car Parking), a much better and necessary infrastructure was created requiring an investment of approx. Rs. 300 Crores. The revenue share from parking is gradually increasing (with revenue share increasing from 10% to 40%), mainly to take care of loan commitments which may be seen from the following table:

(In Rs. Crores)

FY	Cargo	Car Parking
2010-11	138.59	9.7
2011-12	128.46	5.47
2012-13	128.47	5.76
2013-14	140.73	9.65
2014-15	156.24	10.23

As regards the issues raised by the Audit in respect of Report of M/s Rawla, it is stated that the bidding process was already reviewed by M/s Thakur Vaidyanath Aiyar & Co., who were appointed by AAI, and they confirmed that formation of the JVs (i) did not lead to revenue loss to AAI, (ii) was OMDA compliant and (iii) was on sound business principles."

29. The Committee had noted that many of the services had been outsourced by DIAL to as many as 11 Joint Venture Companies and equity shares of DIAL in these companies ranged from 26 to 50% and further, revenue share in these companies ranged from 10 to 61%. The Committee note from the reply of the MoCA that it had got carried out a special audit through DIAL by engaging a chartered accountant firm <u>and subsequently by AAI</u> which observed that DIAL has not violated the provisions of OMDA and formation of JVs was as per the agreement. <u>The Committee however, note with concern that the special audit was not comprehensive and transparent as the auditor failed to comment on important issues and was also for a limited period from 2010-12.</u> The Ministry <u>also</u> stated that DIAL has taken minority interest in few concessions only after award of the concessions with no change in terms. The Committee appreciate the fact that revenue share from the cargo activity and car parking have increased gradually from the year 2012-13 onwards. The Committee would like to be apprised of the updated status of the JVs to whom contracts for non-aeronautical services have been awarded, respective share of GMR/DIAL and details regarding the Chairperson/ Directors in the Board of these JVs. The Committee desire to know the Revenue earnings during the last five years of all the Joint Venture Partners/Subsidiaries separately through aeronautical/non-aeronautical services and expect a strict mechanism to cross check their books of accounts. <u>The Committee also wish the Ministry to apprise the details of the subsequent audit by M/s Thakur Viadyanath Aiyar of company appointed by AAI so as to ascertain the rectification of the deficiencies in the special audit done through M/s Rawla by DIAL.</u>

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PART-B

The Committee undertook a local visit to the Indira Gandhi International Airport, Delhi on 7 March, 2017 to ascertain actual implementation of the PPP project by the DIAL. The Committee visited arrival and departure lounges at both Terminal 1 and Terminal 3 and the Airport Operations Control Centre (AOCC) at Terminal-3. The Committee noted that the Terminal-1 is used by some of the airlines for domestic departures/ arrivals. At Terminal-3, the Members formed small groups and visited the International Departure Lounge and inspected the commercial usage of the space available for passengers especially the restaurants, shopping, duty free complexes and executive lounges.

Thereafter, the Committee had an informal discussion with the representatives of the Ministry of Civil Aviation, Airport Economic Regulatory Authority, Airports Authority of India, CISF, Air India, Inter Globe(Indigo) Airlines, Jet Airways and Air Passengers Association of India. When asked about the reasons for allotment of huge areas to commercial establishments, the Ministry(MoCA) replied that DIAL had so far used around 6% area of the terminal buildings put together against the 20% as per IATA Airport Development Reference Manual for commercial purposes. DG, CISF, however, stated that these commercial establishments will be a big hindrance to evacuate people in case of emergency and the Ministry has not responded to their letter in this regard. The Passengers Association has in its written memorandum submitted that the airport charges huge rentals from vendors and food chains operating from the airport premises with the in-built provision for revising them periodically and the services provided at the airports are expensive and lounges are dirty and food quality is poor. Further, adequate facilities for seamless travel of passengers are lacking. It was pointed out by the APAI that though feedback forms are provided, the actual experience of passengers is nightmarish, as response by the concerned officials on these complaint/feedback at both the terminals of the IGI Airport is poor.

The details of the local visit undertaken by the Committee along with all the issues raised by the Members are elucidated in the Tour Report which is appended to this Report. The observations/ recommendations of the Committee after the local visit to IGI Airport are contained in the succeeding paragraphs. The Committee desire MoCA to furnish their replies on both the issues contained in Tour Report and the observations/recommendations contained in the succeeding paragraphs within one month of presentation of this Report to the Parliament.

The Committee note from the background note submitted by the MoCA that "While governments work to serve the public in capital investment projects, private partners are understandably focused on recouping their investment and on generating a profit." The Committee while acknowledging that private partners focus on generating a profit are of the firm opinion that the underlying philosophy of a PPP project is welfare of the people of the country as national resources(land

in this case)of the country are harnessed for generating revenue in these projects. However, the Committee after visiting the IGI Airport are disappointed to note that the commercial interests are dictating the modalities in this case.

During the visit, the Committee found that the operators have not allocated space inside the terminal buildings at Terminal-1 and 3 scientifically. The Committee observed that the land allotted for commercial use, though, within the permissible limit, as per the submission of the DIAL/MoCA, is obtruding into the areas meant for passenger movement. The Committee opined that the operators have not thought about the safety of passengers while allotting spaces inside the terminal premises as retail shops have cropped up at every nook and corner and some of them protruding sharply into the walking spaces. Members of the Committee felt that mishap or disaster could be foreseen given the present state of narrow lanes for movement of passengers. The Committee felt that comfort/safety of users should not be compromised for commercial interests and took a serious note of the unscientific allocation of areas to commercial establishments inside the terminal buildings. The Committee desire that the passages inside the terminal buildings should be freed from these retail shops and a plan for straightening up the passages may be prepared and executed urgently. The Committee while noting that there is no aerobridge at Terminal-1 desire that aerobridges may be provided at the terminal for enabling passengers to board and disembark easily and comfortably.

The Committee strongly deprecate the complicity of MoCA ,which has a representative on the Board of DIAL, and AAI, which has a 26% share in the DIAL, in commercial use of the spaces inside terminal buildings without looking into the security concerns, passenger safety and actual need for such retail shops.The Committee are also dismayed to note that the MoCA has not given heed to even the security concerns raised by the CISF. The Committee recommend that the utilization of space inside the terminal buildings should be done (i) in coordination with the security agencies (ii)on the basis of cognitive psychology of the passengers and (iii) after giving due consideration to the safety and smooth movement of the passengers not only during normal times but also in case of emergency/ exigency. The Committee desire the DIAL to carry out modifications as suggested by the CISF for ensuring compliance to the safety norms and obtain a safety certificate from the CISF at the earliest and apprise the Committee accordingly.

The Committee are of the strong view that, though, DIAL had so far used around 6% area of the terminal buildings put together against the 20% as per IATA Airport Development Reference Manual for commercial purposes, any further allotment of areas for commercial use will compromise the safety of the passengers and the security at the airport. The Committee feel that instead of going by the reference manuals which prescribe the maximum limits, in general, the criteria should be situation on the ground, which , in this case, does not allow

the present type of commercial expansion. The Committee are of the strong view that any more commercial expansion inside the terminal buildings would not only lead to choking of the area but also restrict smooth movement of passengers. The Committee, therefore, desire that the MoCA take up this matter in the right earnest with DIAL for stipulation of a reasonable limit for commercial use in the OMDA itself.

Though, due to paucity of time, the Committee could not visit the land and space area provided on license basis for commercial development at Delhi Airport managed/ operated by GMR, the Committee understand that these license holders are using the licensed land and space areas for large number of other offices in separate wings which raise concern about further commercial exploitation of these spaces. The Committee are of the strong view that the operators have not made any study about the passenger movement, their accommodation needs and accessibility to the airport before licensing out the land which is evident from a large number of hotels cropping up in the area and consequent illegal use of the licensed land for other purposes. The Committee further note that EGoM decided in its meeting held on 22nd June 2005 that all commercial activities unrelated to the airport should not be part of OMDA. Accordingly, AAI is not empowered under the AAI Act, 1994 to lease land to the proposed Concessionaire for commercial activities listed in Schedule 19 of the draft OMDA Agreement like building of golf courses, business parks, high tech parks, commercial offices, leisure facilities, commercial arcades, sports complexes, shopping complexes and convention centres etc. unconnected with the scope of airport development and management. The Committee strongly deprecate the inaction on the part of the MoCA and desire that immediate action may be taken against all such license holders who are running other businesses from the licensed land by initiating an independent investigation and revocation of the licenses of those found guilty.

The Committee, further, note that the Air Passengers Association of India has also raised grievances regarding the poor state of facilities at the IGI Airport which include restriction in safe movement of passengers, dirty lounges and restrooms during peak hours, low quality food and ill-managed food courts, long queues, inadequate seating facility at the T-1 and T-3 lounges, inconvenient baggage handling counters, lack of transport connectivity between T-I and T-3, poor cart facilities, uneven terrain outside Terminal and long queues both outside the Terminals and inside at the security check points etc. Further, the Committee were told that , though, feedback forms are available , no action is taken on these suggestions/complaints. The Committee deplore the laxity of MoCA for not taking strict action against the operators in this regard. The Committee desire the Ministry to undertake a review of the management of crowd of passengers and the facilities offered at the Airport and take necessary action for fast-tracking/ smoothening up the processes and improving the standard of facilities being offered. The Committee further desire that the CISF personnel deployed at the

airport be adequately trained to handle large number of passengers promptly and courteously. Also, a uniform format for e-tickets may be prescribed for the airlines since different formats may not be comprehensible to the security personnel. Further, the menace of touts may also be dealt with both CISF and Delhi Police together as difference in jurisdictional spheres help touts in getting away easily.

The Committee note that the Levy of Development Fee (DF) by DIAL at IGI Airport for financing the cost of upgradation, expansion or development of Airport was in contravention of the provisions of OMDA, AAI Act and AERA Act. The Committee, further, note that the MoCA had agreed to the levy of DF on adhoc basis to the extent of Rs. 1827 crore for 36 months. However, due to the intervention of Delhi High Court and subsequently by Supreme Court there was a substantial reduction in DF from Rs.200 per domestic passenger and Rs.1300 per international passenger to Rs. 100 and Rs.600 respectively w.e.f. 1 January, 2013. The Committee are disappointed to note that both MoCA and DIAL took decisions against the interests of the passengers which ended in adverse decision by the apex court. The Committee are of the strong view that capital requirements should not be fulfilled by levying unethical Developmental Fee on the passengers who are made to contribute towards the airport infrastructure which is the sole responsibility of the DIAL and its shareholders. In fact, passengers have been made to pay for the infrastructure, the aeronautical services, the non-aeronautical services and the 26% contributed by the AAI is also public money in addition to the land which is a national resource. Further, DIAL is increasing its earnings by acquiring shares in the Joint Ventures that were awarded the contracts for non-aeronautical services. DIAL is also levying the car parking charges in a time slot manner for parking the vehicles in the MLCP infrastructure created at a cost of ` 300 crores. The Committee, however, note with concern that the time taken from receipt of the parking token and the parking of the vehicle is roughly half an hour. The Committee desire that operators may think of other ways of raising capital and should not in future impose such burden on the passengers.

The Committee had noted that many of the services had been outsourced by DIAL to as many as 11 Joint Venture Companies and equity shares of DIAL in these companies ranged from 26 to 50% and further, revenue share in these companies ranged from 10 to 61%. The Committee note from the reply of the MoCA that it had got carried out a special audit through DIAL by engaging a chartered accountant firm which observed that DIAL has not violated the provisions of OMDA and formation of JVs was as per the agreement. The Ministry further stated that DIAL has taken minority interest in few concessions only after award of the concessions with no change in terms. The Committee, however, note that the auditor's report confirmed that representatives of DIAL are Director - Chairman in the Board of JV companies pointing towards breach of principle of arm's length. The Committee are disappointed to note that the MoCA got a special

audit done, to look into the transactions made by DIAL, through DIAL conveniently overlooking the principles of financial propriety.

Further, the Committee had noted that public land was transferred to DIAL without proper records of the land and without carrying out any joint physical survey to determine the exact area to be transferred. The Committee were dismayed to note the MoCA's reply have, shockingly, stated that M/s DIAL had independently carried out a survey in 2013 of the land at IGI Airport through an external hired agency which is a huge exercise since the existing records were not available and the ownership details were not readily available. The Committee observe that the MoCA transferred the public land without any records in 2006 and then got the survey done independently by the operator in 2013 which could only be completed by 2015.Further, the Committee are surprised to note that the area of different assets such as 'total land', 'carved out assets' and demised premises etc. listed in the survey report undertaken by the external agency vary from the records of land of AAI. The Committee are disappointed to note such delinquency on part of MoCA in managing national assets.

The Committee are of the view that MoCA has apparently gone overboard while extending concessions to DIAL, has been privy to preposterous commercial expansion at the Airport and has been disappointing in monitoring the implementation of PPP project by DIAL. The Committee while endorsing the view that policy of expansion of airports and growth in aviation sector should be in tandem with the Government's objective of making flying affordable for everyone desire that a cost-benefit analysis be carried out to see whether such projects are actually serving the public interests or only benefitting the private partners.

The Committee while noting that DIAL enjoys the unilateral right to extend the concession period for another 30 years on the identical terms and conditions provided no JVC event default takes place during the 20th and 25th year of the first concession period are of the view that giving a unilateral right to an entity to extend the concession period on same terms and conditions, without any thorough scrutiny of the performance during the first concession period is bound to make that entity complacent in its approach. The Committee opine that since 10 years have been completed, a review of the performance of DIAL be undertaken by a Committee of Secretaries(CoS) which should be followed by 5 yearly reviews to ensure that the operators have adhered to the laid down standards and the principles of financial propriety, managed the national resources efficiently and serviced the people satisfactorily.

NEW DELHI;
December, 2018
Agrahayana,1940 (*Saka*)

MALLIKARJUN KHARGE
Chairperson,
Public Accounts Committee

APPENDIX-II

(Vide Paragraph 5 of Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE CONTAINED IN THEIR NINETY-FOURTH REPORT (FIFTEENTH LOK SABHA)

(i)	**Total number of Observations/Recommendations**	**17**
(ii)	**Observations/Recommendations of the Committee which have been accepted by the Government:** **Para Nos. 1, 2, 4, 5, 8,10-13, 15 and16**	**Total : 11** **Percentage: 64.71**
(iii)	**Observations/Recommendations which the Committee do not desire to pursue in view of the reply of the Government:** **Para Nos. -Nil**	**Total : 0** **Percentage: 0**
(iv)	**Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:** **Para Nos. 3, 6, 7, 9 and 14**	**Total : 5** **Percentage: 29.41**
(v)	**Observations/Recommendations in respect of which the Government have furnished interim replies:** **Para No. 17**	**Total : 1** **Percentage: 5.88**