

Chapter - 6

Passenger Service Fee (Security Component) – Escrow Account

The passenger service fee (PSF) is an amount collected from each embarking passenger at the airports by the airlines. The PSF has two components viz security component (SC) which constitutes 65 *per cent* and facilitation component (FC) which is 35 *per cent* of the total charge. OMDA provides that the concerned airlines shall collect the entire PSF from embarking passengers and would remit the amount in two groups – 65 *per cent* as SC to AAI and 35 *per cent* as FC to DIAL directly.

As per Clause 3.1.A.4 of SSA, Government of India, throughout the term of the State Support Agreement (SSA), shall control some reserved activities which would include Customs and Immigration control, Quarantine, Health, Meteorological and Security Service etc. as mentioned in Para 3.3.1 of SSA. The facilitation component payable to DIAL could be revised under the provisions contained in OMDA by DIAL while the security component payable to AAI can be revised as and when directed by GOI.

Thereafter MoCA issued instructions¹⁶ from time to time for collection and utilization of PSF by airport operators. Broadly, these instructions were:

- (i) PSF at airports would be collected from various airlines by the respective airport operator, which could be either AAI/ DIAL or any private operator.
- (ii) A separate Escrow Account would be operated by the airport operator in fiduciary capacity.
- (iii) In all ₹ 130 were collected as PSF (SC) per passenger to be deposited in the escrow account, within 15 days of the next calendar month of collection, for meeting the expenses relating to the CISF.
- (iv) PSF (SC) collected at an airport operated by DIAL or a private operator would be utilised at the airport concerned only to meet the security related expenses at that airport. However, AAI would be considered as a single licensee in respect of all its airports across the country for this purpose with liberty to pool the PSF (SC) collections from any airport and use the same for meeting the security related expenses at any other airports.
- (v) The escrow account would be subject to audit by Comptroller and Auditor General of India.

¹⁶ May 2006, June 2007, April 2010 and July 2010 and Standard Operating Procedure in January 2009

6.1 Funds diverted from PSF (Security Component) Escrow Account for purchase of Security Equipments by DIAL.

As per the clause 3.3.5 of SSA, the JVC i.e. DIAL shall be responsible for procuring and maintaining at its own cost all security systems and equipments (except arms and ammunition) as required by GOI or the Bureau of Civil Aviation Security or its designated nominee(s)/ representative(s) from time to time. MoCA's order No. AV-13028/001/2009-AS dated 16 April 2010, stated that the entire cost incurred on security equipments purchased could be met from PSF (SC). DIAL included the cost of security equipments like Perimeter Intrusion Detection System (PIDS) installed over the perimeter wall of airports, patrolling tracks, etc. in the PSF (SC) account.

Thus, the order of the MoCA permitting the same to be met from the PSF (SC), overriding the provisions of Clause 3.3.5 of the SSA, resulted in granting financial benefit of ₹ 239.69 crore to DIAL.

MoCA replied (March 2012) that a need was felt by the Government to upgrade the security equipment available at the airports to the best available internationally. Security being the sovereign responsibility of the state, it was considered by the Government that the expenditure on the security equipment be made out of PSF Escrow Account.

The reply of the Ministry was not acceptable since MoCA letter dated 16.04.2010 stated that in the case of new airports, the entire cost of the security equipments would be borne by the airport operator. However, in the case of Indira Gandhi International Airport, though DIAL was required to bear the cost of security equipments as per SSA, MoCA permitted the same to be met out of PSF (SC).

6.2 Irregular withdrawal from Escrow Account

MoCA clarified during January 2010 and April 2010 that the security related expenses permitted under PSF (SC) should not include expenditure on any other security staff or other administrative set-up created/ engaged by the airport operators. The Association of Private Airport Operators (APAO) represented to MoCA (9 April 2010) for clarifications regarding the applicability of the above guidelines. MoCA (5 July 2010) clarified that the guidelines dated 16 April 2010 may have only prospective application. Accordingly, DIAL under the cover of this clarification, debited all the expenditure incurred during 2006-10 towards private security agencies including consultant fees to PSF (SC) account.

Therefore, the clarifications issued by the MoCA regarding withdrawal of expenses made to private security agencies including consultant fees by the airport operators during 2006-10 led to irregular withdrawal of ₹ 26.05 crore from PSF (SC) Escrow Account by DIAL with consequent loss to the Government and undue favour to the private operator i.e. DIAL. MoCA (March 2012) has accepted the audit observation and has asked DIAL to reverse the entry on this account.

6.3 Insurance Premium debited to Passenger Security Fee (Security Component)

As per Para 8.5.6 (i) of OMDA, during the term, DIAL shall maintain at its own cost the insurances set out in Schedule 11. Meanwhile MoCA while issuing the “Standard Operating Procedure for Account/Audit of PSF (SC) by JVC/ Private Operators” specified that all fixed assets acquired through PSF (SC) shall be adequately insured by DIAL / Private Operator and insurance charges shall be paid from PSF (SC). DIAL charged ₹ 4.34 crore¹⁷ in the PSF (SC) accounts for the year up to 2010-11 as insurance charges.

Therefore, the orders of MoCA were in contradiction of the provisions of OMDA regarding insurance charges to be borne by the airport operator which led to undue favour to the tune of ₹ 4.34 crore to the airport operator i.e. DIAL up to the year 2010-11. MoCA stated (March 2012) that once having decided to acquire this equipment out of PSF (Government funds), the Government is justified in getting the equipment insured through the PSF (SC).

As per OMDA the cost of security equipments as well as insurance was to be borne by the airport operator, the interpretation of the Ministry is incorrect. Further, the reply of the Ministry was against the above provision.

¹⁷ ₹ 2.03 crore as standalone terrorism policy for the year 2010-11, ₹ 1.14 crore as insurance charge on Fixed Assets acquired through PSF (SC) and ₹ 1.05 crore as a standalone Terrorism Policy for the year 2009-10 and ₹ 0.12 crore for the year 2008-09