

CHAPTER III: MINISTRY OF CIVIL AVIATION

Airports Authority of India

3.1 Land Management

3.1.1 Introduction

The Airports Authority of India (AAI) came into existence on 1 April 1995 with the merger of International Airports Authority of India (IAAI) and the National Airports Authority (NAA) with the enactment of the Airports Authority of India Act 1994. The AAI manages 122¹ airports and is vested with 52868.36 acres of land spread across country as on 31 March 2012. Airport operations involve activities on air side as well as city side. On the air side, land is required for creation of runways, taxiways, aprons, hangars, perimeter roads, control towers, while on city side land is required for construction/development of terminal building, car parking, approach roads, development of space to be allotted to various concessionaires, etc.

The scope of the audit was limited to examination of records available at the five Regional Offices² of AAI and at its Corporate Office for three years from 01.04.2009 to 31.03.2012. Detailed scrutiny of land records was also carried out at 13³ selected airports. Audit reviewed the records relating to management of land, land acquisition, maintenance of land records, safeguarding of land, finalisation of land lease policy, execution of lease agreements and utilisation of available land for optimum revenue generation at the said offices.

3.1.2 Audit Findings

3.1.2.1 Planning

The requirement of land at a particular airport is dependent upon factors such as types of aircraft proposed to be operated, topological conditions of airport, future expansion plans, requirement for airport licensing authority, leasing of land to various parties for aeronautical/non-aeronautical operations, International Civil Aviation Organization (ICAO) guidelines etc. For an agency like AAI, a 'Master Plan' is expected to set out the plans for the development of airport area covering aeronautical and non-aeronautical services, which would be updated depending upon the requirement of each airport. However, Audit observed that master plans were available, in piecemeal, only for 74 out of 122 airports.

(a) Land Manual

The AAI established in the year 2000, a Directorate of Land Management at Corporate Headquarters (CHQ) to ensure availability of ownership documents, proper land records management, to prevent encroachments, formulate and implement land lease policy in

¹ Domestic and international Airports – 96, , Civil Enclaves – 26

² Eastern, North-east, Northern, Southern and Western Regional offices

³ Amritsar, Hyderabad, Jammu, Jaipur, Juhu, Leh, Lucknow, Pant Nagar, Safdarjung, Srinagar, Tirupati, Varanasi, and Visakhapatnam

case of commercial utilization of available land, etc. However, AAI did not prepare a manual so that these important issues could be addressed on regular basis, uniformly throughout the organisation.

Management stated (March 2012) that the draft Land Manual has been prepared and was ready for circulation. However, the Land Manual was yet to be approved (October 2012).

(b) Cancellation of allotted land

Ministry of Urban Development (MoUD) allotted 2.0524 acres of land at Vasant Vihar, New Delhi (July 1985) to AAI for construction of residential quarters in lieu of AAI's land in the residential area in Lodhi Estate. While AAI took possession of the land in March 1987, as per the terms and conditions of allotment, it was required to complete the construction of the building within two years from the date of taking over possession. In spite of this stipulation, AAI neither put the land to use/made any plans for utilization of this land nor sought extension of time from the Delhi Development Authority (DDA). Resultantly, MoUD cancelled (September 2002) allotment to AAI.

Though AAI raised the issue with Committee of Disputes (COD), the COD confirmed (August 2009) the lapses on the part of AAI in not constructing residential quarters in time and not seeking extension of time for almost 17 years. Though the COD recommended reconsideration of the issue by the Secretary MoUD and also advised to see whether alternative suitable land could be allotted to AAI, as of March 2012, no land had been allotted to AAI by MoUD.

Management while accepting the facts, stated (March 2012) that MoUD was to give alternate land to AAI as advised by COD for amicable settlement of the issue. Thus, due to non-compliance of the terms and conditions of allotment, AAI lost 2.0524 acres of prime land at Vasant Vihar, New Delhi.

(c) Non-utilization of Begumpet Airport at Hyderabad

The commercial operations of Begumpet Airport, Hyderabad (with an area of 790 acres of land) were shifted to the new greenfield airport constructed at Shamshabad in March 2008. AAI incurred an expenditure of ₹ 2.18 crore during 2009 to 2012 on maintenance of the airport. The revenue earned in the preceding three years by AAI before shifting to new airport was as follows:

2005-06	2006-07	2007-08
₹ 135.49 crore	₹ 225.56 crore	₹ 222.21 crore

AAI decided (April 2008) to utilize the existing infrastructure for establishing Civil Aviation Training Centre (CATC), creation and expansion of Maintenance, Repair and Overhaul (MRO) facilities, establishment of high speed rail link to Hyderabad International Airport, establishment of convention centre and conducting Aviation Expos, facilities for general aviation aircraft, other services and usage for aeronautical purposes.

It was observed that only a 'Civil Aviation Training Centre' was created for organizing ATC training, air shows and the airport was being used for general aviation purposes. While the proposals of high speed rail link was kept in abeyance by the Government of Andhra Pradesh, proposal for MRO facility could not materialize and tendering was yet to commence (February 2013) in respect of work relating to Convention Centre.

Therefore, an airport with 790 acres of land in a prime locality of Hyderabad, which was generating revenues of about ₹ 200 crore per year was only being partially utilized. Management replied (March 2012) that the proposal to further utilize the existing space was under active consideration. It was however noted in Audit that no concrete plan has emerged to utilize the existing land at Hyderabad airport.

3.1.2.2 *Illegal occupation of space in excess of allotment*

AAI issued instructions (May 2007) to all Airport Directors to periodically inspect and measure the land allotted to the various allottees/lessees at particular airports so as to ensure that no additional land has been occupied by the allottees/lessees other than the land actually allotted to them.

In the following cases test checked in Audit it was observed that the Directorate of Land Management did not take appropriate steps for removal of unauthorised occupants of excess area:

3.1.2.3 *Excess occupation of land by private parties*

(a) Fly Tech Aviation Limited (Fly Tech) at Nadirgul was allotted a hanger space of 465 sqm for a period of 3 years from 01-3-1996 to 28-02-1999 with a license fee of ₹ 2345 per month. The above lease was extended upto 28-02-2002 and thereafter no lease was granted in favour of the agency. The agency continued with the occupation of the said hangar. In addition, Fly Tech was also occupying land measuring 12132.69 sqm illegally. AAI initiated proceedings in 2001 under Public Premises (Eviction of unauthorised occupants) Act 1971 and issued eviction orders in April 2006 which were confirmed by the High Court of Andhra Pradesh in July 2009. AAI claimed ₹ 27 crore as damages upto July 2010 from the agency.

Audit observed that though the eviction order issued in April 2006 was confirmed by the High Court of Andhra Pradesh, the AAI, on the request (September 2009) of the party, appointed a Conciliator in December 2009 to settle the dispute between the parties. This led to further litigation which was still pending resulting in non-realization of damages of ₹ 27.37 crore (March 2012).

Management stated (March 2012) that the findings of conciliator appointed (December 2009) were not acceptable to AAI as the amount offered by the agency to AAI was very less as compared to the amount claimed. On the request of AAI, a panel of two former judges of High Court has been appointed to examine the issue. The report of the panel was awaited.

The fact remained that AAI did not take timely action even after issue of eviction orders in 2006 and confirmation of the same by the High Court of Andhra Pradesh and M/s Fly Tech continued with occupation of the land.

(b) M/s Indamer & Company was allotted a hangar measuring 1247.96 sqm in January 1954 at Juhu Aerodrome by Director General of Civil Aviation (DGCA) and an agreement was executed. Though AAI increased the rate of license fee from time to time, M/s. Indamer disputed the enhanced rate and continued to pay at 1996 rates. AAI initiated eviction and recovery proceedings under PPE Act 1971 in December 2001. The Estate Officer closed the case on 28 July 2004 and matter was reserved for pronouncing the judgment, but till date the same has not been pronounced.

AAI constituted a committee in October 2010 and again in March 2011 to negotiate but the matter was still unresolved. This led to non recovery of ₹ 12.86 crore (March 2012) outstanding from M/s Indamer while unauthorized occupation of hanger continued without any valid agreement.

(c) AAI allotted an area of 3252.79 sqm to M/s MESCO Airlines in April 1993 for 15 years for construction of hangar at Juhu Airport. The party defaulted in payment of license fee and royalty since November 1997. On initiation of proceedings by AAI under the Public Premises (Eviction of Unauthorised Occupants) Act, 1971 the party moved the High Court of Bombay.

In compliance with the order of the High Court (January 2003), AAI appointed an arbitrator (February 2003). The arbitrator gave award (August 2008) in favour of AAI and directed MESCO to pay ₹ 1.27 crore towards license fee to AAI. Accordingly, M/s MESCO paid the same to AAI. While reviewing the statement of assessment, collection and outstanding dues in respect of MESCO, submitted (June 2008) by AAI to the Arbitrator, AAI noticed (June 2011) that a sum of ₹ 1.20* crore recoverable from MESCO was not included in the statement. Apart from the above an amount of ₹ 2.06 crore, towards interest for delayed payments was also not included by AAI in its claim.

Management stated (March 2012) that the total outstanding amount due from the party was under examination. Audit, however, observed that the management did not take any concrete action either to finalise and recover the amounts due or to fix responsibility for the lapse in submitting an incorrect statement to the arbitrator.

3.1.2.4 Excess occupation of land by Government Agencies / PSUs

(a) AAI allotted (December 1995) land measuring 2017.60 sqm to M/s Mysore Sales International Limited (MSIL) for air cargo complex at Bangalore Airport for a period of five years. MSIL also occupied 547.8 sqm of adjacent land unauthorisedly. After expiry of agreement, AAI did not renew the agreement and MSIL continued occupying the total land measuring 2565.4 acres without paying any license fee.

To settle the issue, AAI decided (August 2009) to charge 50 *per cent* of applicable rate of licence fee and entered into (February 2010) another agreement with the party for the period from 18 January 2001 to 31 March 2010. Even after conclusion of agreement at reduced rate, M/s MSIL neither cleared its outstanding dues nor paid current lease rentals and was in unauthorized occupation of the space (March 2012). Efforts, made by AAI for getting the space vacated and to realise dues amounting to ₹ 2.63 crore (March 2012) from MSIL, were not found on record.

Management stated (March 2012) that AAI was contemplating legal action/ eviction proceeding against the party. Audit, however, noticed that no legal action, either to evict or realize the dues, was initiated against the party till October 2012.

(b) BSF was in unauthorized occupation of Hangar No. 3 measuring 2285.10 sqm at Safdarjung airport since January 2005. AAI decided (January 2012), without realization of dues or an agreement for payment of dues from January 2005, to allot Hangar No.3 for

* (i) ₹ 0.76 crore considered as received, though the same was not related to the period of claim (ii) Instead of showing an amount of ₹ 0.28 crore as opening balance of license fee dues amount was shown as NIL (iii) Amount of license fee billed shown lesser by ₹ 0.16 crore.

a period of five years or upto the date of construction of hangar on the land to be allotted to BSF. Later on AAI had withdrawn (November 2012) allotment of above Hangar from BSF and allotted the same to Strategic Forces Command.

Failure to enter into agreement or to realize the dues even at prevailing rates for a period of seven years resulted in revenue loss of ₹ 3.45 crore (January 2005 to March 2012) to AAI.

3.1.2.5 Maintenance of land records and safeguarding of land

The ownership of land is determined as per the records available with the revenue authorities of the concerned State. It is, therefore, essential that all land ownership records are available, properly maintained and updated at all the airports. Further the land available should also be properly safeguarded from encroachments by timely construction of boundary wall. The Land Management Department was responsible to liaise with the authorities concerned to obtain the land ownership documents, wherever these were not available.

3.1.2.6 Land Records

In view of discrepancies between AAI land records and revenue records of the respective State Governments, as also difference in the land records maintained at various levels of AAI itself, AAI instructed (September 2007) all Airport Directors to take corrective steps for reconciliation and up-dation of records at all the Airports.

Audit scrutiny of records of 37455.729 acres land, (i.e. 70.85 per cent of total land of 52868.36 acres) revealed that 14053.202 acres land was not mutated* in the name of AAI (March 2012).

A test check of records at the following airports revealed discrepancies in the land records maintained and land under actual possession as on 31.3.2012, as shown in the table below:

Name of Station	As on 31.3.2012		Difference
	Land held as per AAI records	Actual land under possession	
Amritsar	1008.000	975.000	(-)33.00
Dehradun	250.080	326.420	76.34
Goa	48.495	54.770	6.275
Jammu	129.210	134.500	5.29
Varanasi	1120.202	632.770	(-)487.43

AAI stated (March 2012) that necessary instructions had been issued to the concerned officers to complete the land records at all airports.

Audit scrutiny further revealed that due to discrepancy in the ownership records AAI had to forgo possession of 7341 sqm of land at Lucknow Airport without any compensation. National Highways Authority of India (NHAI) approached (January 2001) AAI for

* The process of recording of land owners name as per the title in the records of State Government revenue authority

transfer of 5600 sqm of land for construction of by pass at Lucknow Airport on payment basis along with transfer of ownership. Although, as per AAI records the said piece of land was in their possession, ownership of land in the land records continued in the name of Defence Authorities, as it was not mutated in the name of AAI.

In March 2003, NHAI without any consent/permission of AAI broke the boundary wall of the above stated land and constructed the road on the said land. The total land used by NHAI for construction of road was 7341 sqm for which NHAI had shown its willingness to pay the compensation. However, in absence of proper documents AAI could not establish its ownership on this land and the matter was still unresolved.

Management stated (March 2012) that the matter would be taken up further with NHAI.

3.1.2.7 Boundary Wall

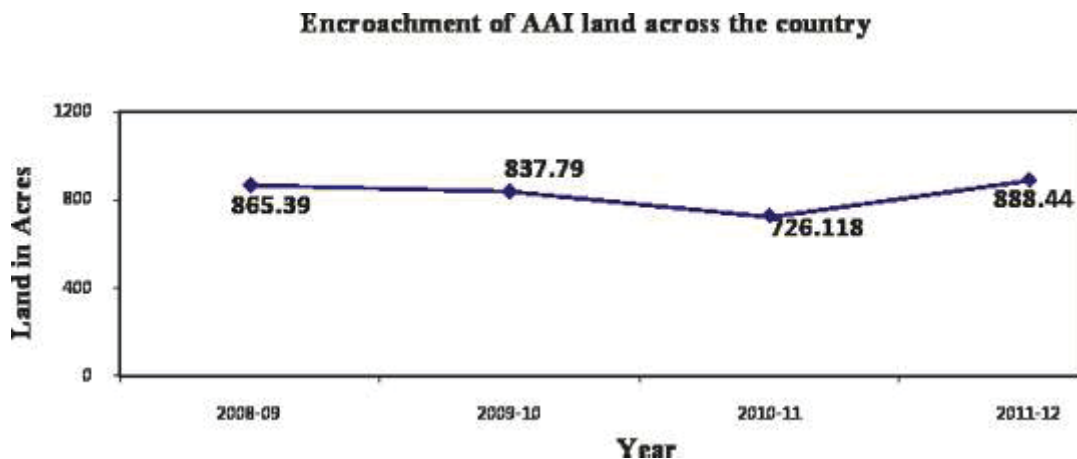
AAI issued (March 2000) instructions for construction of boundary walls immediately after demarcation of land boundaries at all airports for safeguarding of AAI land from encroachment by local habitants.

Audit scrutiny revealed that even after lapse of more than ten years, construction of boundary wall at five airports namely Lucknow, Aurangabad, Balurghat, Jharsuguda and Warangal was not completed due to non-demarcation of land, non-availability of clear site, obstruction by local habitants etc.

Management stated (March 2012) that necessary instructions for securing the land by construction of compound wall/security fencing to avoid encroachment had been issued to the Airports/Regional Headquarters.

3.1.2.8 Encroachment

The area under encroachment from March 2009 to March 2012 is shown in the chart given below:



Audit scrutiny revealed that due to encroachment of land, creation of various facilities at airports was delayed or deferred as discussed under:

- (a) The work relating to the Construction of Fire Station (Cat-IX) and Emergency Medical Centre was awarded in August 2008 at Lucknow Airport. The same could not commence as the AAI was not able to provide encumbrance free land at the proposed site which was encroached by local villagers. As a result, the work awarded at a cost of ₹ 9.08 crore was foreclosed in August 2009.

Management in their reply (March 2012) stated that Engineering Department had been requested to ensure land free of encroachment for future constructions. However, the fact remained that the fire station and emergency medical centre required could not be constructed due to encroachment.

(b) AAI paid ₹ 1.25 crore in May 1994 to the Government of Andhra Pradesh for rehabilitation and eviction of private parties from the encroached land of 96.06 acres at Hyderabad airport. However, as no action was taken by the State Government, therefore, AAI demanded (August 2007) refund of its amount after a lapse of 13 years. It was observed in audit that neither were the encroachments removed nor was the AAI able to realize the outstanding amount (October 2012).

Management stated (March 2012) that the issue of removal of encroachment / realization of money would be taken up with the State Government.

(c) The CAT-II lighting facility, required by ICAO to enable the aircrafts to land during low visibility, was provided at Lucknow and Amritsar Airports at a cost of ₹ 5.18 crore and ₹ 5.31 crore respectively during 2004 and 2008. However, the same could not be operationalised till February 2011 and November 2011, respectively, due to non-availability of encumbrance free land.

Management in their reply (March 2012) stated that Engineering Department had been requested to ensure land free of encroachment for future constructions. It was further intimated that the encroachment at Lucknow was mainly on account of relocation of Mosque/Temple which took considerable time. At Amritsar Airport the delay was due to the requirement for execution of ORP/Blast Fence by Defence.

The reply was not acceptable as failure of management to make available encumbrance free land led to non-installation of CAT-II lighting procured at a cost of ₹ 10.49 crore.

3.1.2.9 Lapses in renewal /execution of agreements

Audit scrutiny of lease agreements revealed the following deficiencies:

3.1.2.10 Agreement with Public Sector Undertakings/Govt. Departments

(a) Pawan Hans Helicopters Limited (PHHL) was required to pay lease rent at the prevailing rates¹ for the land and hangar spaces occupied under different agreements entered with AAI at Juhu, Safdarjung, Rajahmundry and Guwahati airports.

Instead of paying lease rent at prevailing rates, PHHL however, paid lease rentals at pre-revised rates² on the ground that the rates demanded by AAI were excessive.

To resolve the issue, MoCA appointed an arbitrator who gave the award in May 2003. As per the award, the PHHL was required to pay lease rent at pre-revised rates, during the period up to March 2005 for Safdarjung, June 2007 for Rajahmundry, March 2008 for Guwahati and March 2009 for Juhu. Thereafter, license fee was required to be paid as per rates approved by the Board of AAI.

¹ Juhu – ₹ 660/- per square meter per annum (psmpa), Safdarjung – ₹ 240/- psmpa for land and ₹ 100/- psmpm for hanger, Rajahmundry – ₹ 9 psmpa for land and ₹ 78/- psmpa for hanger and Guwahati - ₹ 1510/- psmpa for hanger

² Juhu – ₹ 330/- psmpa, Safdarjung – ₹ 85/- psmpa for land and ₹ 30/- psmpm for hanger, Rajahmundry – ₹ 9 psmpa for land and Guwahati - ₹ 1200/- psmpa for hanger

Audit, however, observed that AAI did not get fresh agreements signed with PHL, incorporating a clause for charging license fee at applicable rates with effect from April 2005 (Safdarjung), April 2008 (Guwahati) and April 2009 (Juhu). As regards Rajahmundry airport, PHL had signed revised agreement with AAI and was paying lease rent at rates as per the award. Consequently non-payment of dues as per arbitration award resulted in dues amounting to ₹ 16.83 crore as on March 2012. However, as the issue was not resolved an arbitrator was again appointed (July 2012) by MoCA and award was awaited (October 2012).

(b) AAI was having long pending disputes with Air India (erstwhile Indian Airlines) relating to license fee for the space allotted to them. MoCA appointed (February 2005) an arbitrator to adjudicate on the outstanding dues/issues. The arbitration award was pronounced in February 2009. As per the award, payment of license fee in respect of land/space allotted by AAI to Air India at International Airports Division (IAD) airports and National Airports Division (NAD) airports should follow the Brahma Award and accordingly adhere to 25 per cent hike every 3 years w.e.f. 1.04.2001 at IAD airports and 15 per cent hike every three years was to be adhered as per the agreement at NAD airports.

Audit observed that the AAI was not able to realise the dues as per the arbitration award resulting in outstanding dues of ₹ 161.16 crore as on 30 September 2012.

(c) AAI leased out (February 2005) land measuring 6766 sqm to NHAI for temporary traffic diversion during the construction of Highway at NH-8, Mahipalpur, New Delhi for a period of six months which was later on increased for one more year i.e. upto July 2006. However, during joint survey conducted in June 2010, and subsequently in August 2012, the aforesaid land was found in occupation of NHAI without any renewal of the agreement or payment of licence fee. Consequently, an amount of ₹ 4.43 crore was outstanding for the period from August 2006 to March 2012.

The AAI Headquarters instructed (January 2013) its Regional Headquarters (NR) to take up matter with NHAI.

(d) At the five¹ airports test checked, Central Public Works Department (CPWD) was found occupying land measuring 27416.88 sqm., without paying any license fee. Though efforts were made by AAI from time to time (through erstwhile National Airport Authority and International Airports Authority of India) to realise outstanding amount of license fee or to get the land vacated, they could not succeed. Presently, as no agreement exists between AAI and CPWD for charging license fee at prevailing rates, the AAI was unable to enforce license fee amounting to ₹ 8.29 crore² (March 2012).

Management stated (March 2012) that the recovery of long pending license fee was not becoming possible. Management reply was not acceptable because as per AAI's rationalized policy (2008) Government Departments were to be charged at 50 per cent of the prevailing rate. The AAI, however, neither applied the above policy to CPWD nor contemplated action to get the land vacated.

¹ Amritsar (8766.8 sqm), Jaipur (4047.0 sqm), Lucknow (3949.8 sqm), Srinagar (5823.0 sqm) and Vishakhapatnam (4830.28 sqm)

² Amritsar - ₹1.00 crore (1995 to 2012), Jaipur - ₹2.08 crore (till March 2012), Lucknow - ₹0.97 crore (till March 2012), Srinagar - ₹0.82 crore (2008 to 2012) and Vishakhapatnam - ₹3.42 crore (till October 2012)

(e) A plot of land measuring 4645.15 Sqm was allotted to CGHS at Hyderabad Airport for construction of dispensary on payment of license fee @₹ 1 per annum for a period of 10 years with effect from 03 February 1981 to 02 February 1991. CGHS disputed revisions made by AAI in license fee for subsequent periods.

To resolve the issue, the Board of AAI accorded (September 2008) *ex-post facto* approval for renewal of lease for the period 03-02-1991 to 31-3-2008. The Board also approved extension of lease for further period from April 2008 to March 2011 subject to settling the outstanding dues.

Management stated (March 2012) that the Board of AAI approved the lease for further period from April 2008 to March 2011 subject to payment of the outstanding dues. Accordingly, CGHS had cleared the outstanding up to 31 March 2008. Management's reply was not acceptable as no agreement for the land under occupation was executed and the dues for subsequent period were not paid by CGHS. Consequently, of ₹ 3.29 Crore (upto March 2012) was outstanding against CGHS.

3.1.2.11 Benefit to Private Party at Raipur and Ranchi Airports

AAI decided (August, 2005) to charge license fee at the prevailing rate for allotment of land to contractors engaged in construction work at airports. Thereafter, in July 2008 a technical instruction (No.18) was issued in this respect. In contravention of above instructions the tender documents relating to the work for construction of new terminal building at Raipur and Ranchi airports were issued in June 2008 and October 2008, respectively, specifying that the contractor would be allotted land within the airport premises in non-operational area for installation of plant & machinery, storing and stacking of materials at a nominal license fee of ₹ 1 per annum. M/s KMB-ERA (JV) and M/s Ahluwalia Contracts (India) Ltd. were awarded contracts in September 2008 and January 2009 for construction of new terminal buildings at Raipur and Ranchi respectively.

AAI allotted a total area of land measuring 3984 sqm and 36781 sqm to the contractors at Raipur and Ranchi airports, respectively, at a license fee of only ₹ 1 per annum, instead of the prevailing license fee. The above resulted in loss on account of non-recovery of license fee of ₹ 2.38 crore (upto March 2012).

3.1.3 Compensation pending with Government Department/Statutory Corporation

3.1.3.1 Indian Navy

In compliance with the, sanction (January 1986) of Government of India to transfer the civil aerodrome at Vishakhapatnam for the use of Indian Navy, the AAI handed over (June 1987) land measuring 794.70 acres and structures thereon to the Indian Navy. AAI raised (July 1991) a claim of ₹ 174 crore on Indian Navy, towards cost of land and structures of the aerodrome. The amount was payable within one month failing which naval authorities were liable to pay interest at the rate of 12 *per cent* per annum on the amount.

AAI took up (January 2001) the issue with Ministry of Defence after lapse of 13 years. Thereafter, AAI sought (December 2004 and January 2010) permission from MoCA to refer the case to the Committee on Disputes (CoD) to which MoCA did not respond.

Management stated (March 2012) that the issue would be taken up with the naval authorities.

3.1.3.2 National Highways Authority of India

AAI transferred (2006) land measuring 3881.40 sqm to National Highways Authority of India (NHAI) for construction of fly-over in front of Chennai airport and raised (January 2008) a demand for ₹ 7.11 crore on NHAI. The amount remained unrealized even after lapse of 6 years.

Management stated (March 2012) that matter would be taken up further with NHAI.

Conclusion

The Land Management Department was responsible to keep proper record and to establish ownership of land vested with AAI. Audit however observed that the above department could not fully achieve the objectives for which it was created. Out of 37455.729 acres of land test checked in Audit, 14053.202 acres of land was not mutated in the name of AAI. Further, 888.44 acres of land was under encroachment (March 2012) due to which AAI had to defer creation / operationalisation of certain facilities as detailed above.

A number of agencies were unauthorisedly occupying land at various airports. However, in absence of agreements with the parties AAI was unable to realise license fee / lease rent due.

Recommendations

- *Immediate steps need to be taken to ensure availability of complete land records in the name of AAI.*
- *Efforts should be made to remove the unauthorized occupation and encroachments.*
- *Efforts should be made to recover outstanding dues from defaulters.*

The matter was reported to the Ministry in December 2012; their reply was awaited (March 2013).

3.2 Loss of revenue

Loss of revenue of ₹ 6.22 crore due to non-realisation of its due share by AAI in the electricity charges collected by DIAL from the concessionaires in excess of per unit rate charged by the service provider i.e. BSES Limited

Airports Authority of India (AAI), in the capacity of state promoter, signed Operation, Management & Development Agreement (OMDA) with Delhi International Airport Private Limited (DIAL), a Joint Venture Company (JVC), on 04 April 2006 and handed over Indira Gandhi International (IGI) Airport, Delhi to DIAL on 03 May 2006 on 'as is where is' basis. As per OMDA, DIAL was required to operate and maintain IGI Airport at Delhi initially for 30 years, which was further extendable for another 30 years, on payment of upfront fee of ₹ 150 crore and an Annual Fee in the form of revenue share of 45.99 *per cent* of revenue of DIAL for the year. In order to ensure credit of revenue share accruing to AAI, OMDA provided for appointment of an Independent Auditor by AAI in consultation with DIAL. The revenue share was to be calculated on the basis of quarterly revenue of DIAL as certified by the said Independent Auditor.

Clause 1.1 of OMDA defines the revenue as under:

“Revenue means all pre-tax gross revenue of JVC, excluding payments made by JVC, if any, for the activities undertaken by Relevant Authorities or payment received by JVC for provision of electricity, water, sewerage or analogous utilities to the extent of amounts paid for such utilities to third party service providers”.

The Independent Auditors appointed in terms of OMDA highlighted in Audit Report for the quarter ended 31 March 2012 on the revenue of DIAL that as against ₹ 6.47 per unit being charged by the service provider i.e. BSES Limited for High Tension (HT) and Low Tension (LT) both, DIAL was collecting from the concessionaires electricity charges at the rate of approximately ₹ 9.66 per unit in case of LT and at ₹ 6.91 per unit in case of HT. The Independent Auditor highlighted in its report that DIAL did not share with AAI an additional amount of ₹ 13.52 crore collected from various concessionaires, during the period April 2010 to March 2012, over and above the per unit rate payable to BSES Limited.

As per the definition of revenue mentioned above, any recovery in excess of the amount paid to service providers shall be considered as revenue of DIAL. Accordingly, AAI was entitled to get its due share of 45.99 *per cent* in the above amount of ₹ 13.52 crore.

DIAL stated (November 2011) that they were following the practice adopted by AAI of levying 27 *per cent* service charges on electricity charges recovered from various concessionaires/Airlines at IGI Airport. DIAL further stated that the service charges levied on electricity charges was necessary to recover the huge costs incurred on creation and maintenance of distribution lines and infrastructure within the Airport.

The Ministry of Civil Aviation stated (March 2012) that since, as per legal provisions, DIAL cannot make any profit from distribution of electricity, it is imperative that both the parties (AAI and DIAL) should not take any advantage on the electricity charges. Ministry further stated that they have issued instructions to AAI and DIAL to resolve the issue in right perspective.

The reply of the Ministry as well as DIAL was against the provisions and the definition of revenue stipulated in OMDA. Further, as the DIAL was also recovering utility/facilitation charges @ ₹ 500 per sqm. per month from concessionaires / airlines for providing space equipped with all the facilities, the contention of DIAL for levying service charges on electricity charges to recover the huge costs incurred on creation and maintenance of distribution lines and infrastructure within airport was not acceptable.

Thus, due to non-realisation of its due share by AAI in the amount of ₹ 13.52 crore collected by DIAL towards electricity charges from concessionaires, in excess of per unit rate charged by BSES Limited, the AAI suffered loss of revenue of ₹ 6.22 crore.

3.3 Non-realization of due share in the revenue of DIAL.

Delhi International Airport Limited (DIAL) utilised the value of Duty Credit Scrip amounting to ₹ 91.83 crore, earned under Served From India Scheme (SFIS), for payment of import duty but did not account for the same as 'Income'. This deprived the AAI from getting 45.99 *per cent* share of the above revenue, i.e. ₹ 42.23 crore receivable as per OMDA. The AAI further sustained loss of ₹ 9.84 crore (till January 2013) towards interest due to non- realisation of the above amount.

Airports Authority of India (AAI), in the capacity of state promoter, signed Operation, Management & Development Agreement (OMDA) with Delhi International Airport Private Limited (DIAL), a Joint Venture Company (JVC), on 04 April 2006. As per the agreement, AAI handed over Indira Gandhi International (IGI) Airport, Delhi to DIAL on 03 May 2006 on 'as is where is' basis. As per OMDA, DIAL was required to operate and maintain IGI Airport at Delhi initially for 30 years, which was further extendable for another 30 years, on payment of upfront fee of ₹ 150 crore and an Annual Fee in the form of revenue share of 45.99 *per cent* of revenue of DIAL for the year. As per Clause 11.1.2.4 of the OMDA the revenue of DIAL was to be verified on quarterly basis by an Independent Auditor appointed by the AAI.

DIAL was entitled to custom duty scrip under Served From India Scheme (SFIS) of Foreign Trade Policy issued by the Government of India. Under the terms of SFIS, service providers are entitled to duty credit scrip as a percentage of foreign exchange earned by them that can be utilized for payment of import duty in case of imports.

The Independent Auditors appointed in terms of OMDA highlighted in Audit Reports on the revenue of DIAL for the quarters ended 31 March 2011 and 31 March 2012 that an amount of ₹ 91.83 crore of custom duty scrip was utilized (₹ 65.01 crore during 2009-10, ₹ 24.09 crore during 2010-11 and ₹ 2.73 crore during 2011-12) by DIAL for payment of duty on imports. However, DIAL did not account for the above amount of custom duty scrip while measuring the value of Fixed Assets, as required vide provisions of Accounting Standard-10, 'Accounting for Fixed Assets', and Accounting Standard-2, 'Valuation of Inventories', according to which the cost of purchase of fixed assets, consumables, spares etc. should be recorded at their full value inclusive of the import duties payable thereon whether by way of cash or by way of utilisation of the duty credit entitlement, in order to provide the fairest possible approximation to the costs incurred in bringing these items to their present location and working condition.

The Statutory Auditors in their Statutory Auditors Report on the accounts of DIAL for the financial years ended 31 March 2011 and 31 March 2012 also opined that DIAL should have recorded the aforesaid amount of custom duty scrip utilized by it for payment of duty on imports, as income.

This also deprived of the AAI from getting 45.99 *per cent* share of the above revenue which worked out to ₹ 42.23 crore (45.99 *per cent* of ₹ 91.83 crore). AAI also sustained loss of ₹ 9.84 crore (up to January 2013) towards interest on the above amount.

On being pointed out, Ministry of Civil Aviation stated (March 2012) that AAI had initiated the action to recover its share of revenue from DIAL. Audit, however, observed that an invoice raised in March 2012, for an amount of ₹ 40.98 crore, was not realized as of January 2013.

Despite acceptance of the audit observation by the Ministry, the AAI could not realize its due share of revenue, amounting to ₹ 42.23 crore from DIAL till January 2013. Delay in realization of the above amount also resulted in loss of interest of ₹ 9.84 crore (up to January 2013) to AAI.

Air India Limited**3.4 Loss of revenue due to avoidable termination of Ground Handling Agreements**

Air India Limited suffered loss of revenue of ₹ 12.21 crore from January 2010 to March 2012 and would suffer a recurring revenue loss of ₹ 8.53 crore per annum from April 2012 onwards due to termination of Ground Handling Agreements by three customer airlines at Mumbai Airport.

Air India Limited (AIL) provides ground handling services to 'customer airlines'¹ at various airports in India. Depending upon the requirement of services by airlines, AIL enters into Ground Handling Agreements (GHA) with customer airlines for comprehensive handling² or specific handling services as per standard prescribed by International Air Transport Association. GHA executed with the customer airlines are either specific period contracts or can remain valid for an indefinite period until terminated by either party after giving prior notice³ in writing to the other party.

Audit scrutinized one year's daily Flight Handling Discrepancies Report (FHDR) of AIL in respect of Malaysian, Ethiopian and Saudi airlines and noticed that customer airlines had been complaining of substandard services provided by AIL. These deficiencies in services were also stressed upon by said airlines through e-mails to AIL. However, no timely corrective action was taken by AIL leading to termination of GHAs resulting in loss of ₹12.21 crore during the period January 2010 to March 2012 and a recurring loss of revenue of ₹ 8.53 crore per annum from April 2012 onwards. Specific details of three cases of termination of GHAs are given below:

(i) **Malaysian Airlines (MH):** MH operates daily flights at Mumbai and had renewed an existing agreement with AIL from August 2007 to July 2010. MH terminated the agreement seven months before its expiry, citing prolonged and continuous deterioration of services provided by AIL and resultant difficulties faced by the former. Scrutiny of FHDR revealed that MH faced numerous problems with AIL because of shortage of loaders, improper handling *etc.*

(ii) **Ethiopian Airlines (ET):** ET renewed GHA with AIL at Mumbai airport in September 2005 for a three year period which was further extended indefinitely with the provision that either party could terminate the agreement giving 90 days prior notice. Even after ET pointed out (August 2008) that the service levels of AIL were very low and stressed the need for drastic improvement and assurance by AIL for improvement in quality of services, AIL failed to take timely corrective measures and improve the standard of services to satisfy the airline. ET terminated the GHA in February 2010 on account of the poor quality of services rendered by AIL.

(iii) **Saudi Arabian Airlines (SV):** SV renewed GHA with AIL for Mumbai airport in November 1999. The agreement was for an indefinite period with the option of either

¹ Customer airlines of AIL included Malaysian Airline (MH-from August 2007 to July 2010), Ethiopian Airline (ET- September 2005 till date of termination), and Saudi Arabian Airline (SV-28 November 1998 till date of termination).

² Comprehensive handling comprises Passenger handling, Ramp handling, Cargo, Cabin Cleaning services, Flight Operations, Departure Control System, X-Ray of checked baggage and strapping, Baggage Reconciliation System and partial security services *etc.*

³ Sixty days in case of Saudi Arabian airline and Malaysian Airlines and ninety days in the case of Ethiopian airline.

party terminating it with due notice. SV terminated the GHA for Mumbai airport in March 2012 citing, *inter alia*, lack of redressal of its complaints by AIL despite several follow-ups as a cause for termination.

Audit noticed that section 4.6 of the operating manual of the Ground Services Department of AIL provided a procedure for holding review meetings with customers to sort out mutual problems in executing terms of contracts. However, AIL did not produce any records in support of conducting regular periodical meetings with the customer airlines.

Thus, lack of corrective action and seriousness of AIL in dealing with the deficiencies pointed out by the customer airlines resulted in loss of revenue of ₹ 12.21 crore to AIL during the period January 2010 to March 2012 due to termination of GHAs by the two airlines (MH and ET) and a recurring loss of revenue of ₹ 8.53 crore per annum from April 2012 onwards owing to termination of GHAs.

The Management in its reply (September 2012) stated that:

- The discrepancies raised by MH and ET were due to certain deviations in GH services which were minor in nature and had not resulted in any delay in flights. Majority of these discrepancies were due to infrastructure problems mainly on account of space constraints and shortage of manpower at Mumbai Airport, which were beyond the control of the Management.
- With the change in GH Policy by the Government of India, new ground handling agents in Delhi were offering heavy discounts to customer airlines to grab business. SV terminated GHA with AIL as per an arrangement between that airline and M/s Celebi*. As per the arrangement between the two, the latter would reduce handling charges at Istanbul, for taking over GH work at Mumbai.

The reply is not acceptable on the following counts:

- Complaints made by MH and ET airlines through e-mails and FHDR and the note of Under Secretary for Civil Aviation, Ministry of Transport, Government of Malaysia (October 2009) to the High Commission of India, Kuala Lumpur pointing to difficulties faced by MH on account of disruption in GH services as a result of ongoing industrial dispute between Air India Management and its staff indicated that the customer airlines terminated their GHAs with AIL due to poor quality of GH services of AIL. The contention that these deficiencies were minor showed absence of seriousness in dealing with the customer airlines which led to termination of the GHAs.
- Issues like space shortage are common to all the ground handlers and are not unique to AIL alone. The fact remains that AIL failed to address these bottlenecks.
- The contention that SV terminated the GHA with AIL pursuant to an offer made by M/s Celebi to SV for taking over latter's ground handling work at Mumbai, is in itself testimony to the fact that M/s Celebi was offering better GH services at lower rates at Mumbai. It also points to the inability of AIL to compete effectively

* *A private party providing handling services at Istanbul in Turkey where SV is operating and a new entrant in India in the business.*

in the altered business environment. The statement that with the change in GH Policy by the Government of India, new GH agents were offering heavy discounts to customer airlines to grab business is also an admission of the poor services, high rates and resultant inability of AIL to retain customers for GH operations. In an era of intense competition, AIL failed to retain existing customers by providing satisfactory services and taking effective steps to improve its GH services which resulted in loss of business as well as revenue for the company.

The matter was reported to the Ministry in October 2012; their reply was awaited (March 2013).

Pawan Hans Helicopters Limited

3.5 Operations of Helicopters

3.5.1 Introduction

Pawan Hans Helicopters Limited (the Company) was incorporated on 15 October 1985 as a Government Company under the Companies Act, 1956. As on 31 March 2012, the paid up share capital (₹ 245.62 crore) of the Company was held by the Government of India and Oil & Natural Gas Corporation Limited (ONGC) in ratio of 51:49. The Company was set up with the objective of providing helicopter support services to meet the requirements of oil sector, to operate in hilly and remote terrain, connect inaccessible areas, operate charters for promotion of travel and tourism and provide intra-city transportation. The Company has a fleet of 45 helicopters (March 2012) which consists of 35 - Dauphin N & N3 (10 seater), seven - Bell (6 seater), two - B3 (6 seater) and one-MI-172 (26 seater). The Company earned a net profit of ₹ 35.59 crore and ₹ 18.51 crore in 2009-10 and 2010-11, respectively, while it had a loss of ₹ 10.35 crore in 2011-12.

Audit reviewed the operations of helicopters in PHHL during the period April 2009 to March 2012 with reference to MOUs and Agreements entered into so as to assess the efficiency of its operations.

3.5.2 Audit Findings

3.5.2.1 Operations with ONGC

ONGC is the largest customer to which the Company has been providing helicopter services for off shore operations since October 1986. The Company earned ₹ 522.44 crore as revenue from ONGC operations during 2009-10 to 2011-12 which amounted to 43.72 per cent of its total operating revenue for that period. Audit observed following deficiencies in operations with ONGC:

3.5.2.2 Aircraft on Ground

ONGC awarded a contract (October 2006) to the Company for hiring 12 Dauphin helicopters (eight N and four N3), including two on standby, to meet its offshore operations. The contracted helicopters were to be made available on all days without delay and were not entitled to any Aircraft on Ground (AOG) days. The contract also provided for deduction of Fixed Monthly Charges (FMC) and levy of liquidated damages for AOG days of any of the contracted helicopters.

The Company entered into two more contracts with ONGC in July 2010 for three N3 helicopters & April 2012 for seven N3 helicopters. These two contracts stipulated a

permissible AOG of two days per month per helicopter beyond which LD was to be recovered by ONGC and no payment of FMC was to be made to the Company for such days.

Audit observed that while entering into contract with ONGC (October 2006), the Company was aware of the fact that it did not have sufficient number of pilots to fulfill its commitment under the contract. Even then the Company did not recruit desired number of pilots for its Dauphin fleet resulting in shortage of average 22 to 18 pilots during the period 2009-10 to 2011-12 at Western Region, from where the ONGC operations were catered,

Audit noticed that out of total 738.5 Aircraft on Ground (AOG) days over the period 2009-10 to 2011-12 in operation of Dauphin fleet under the above contracts, 64 *per cent* of AOG days were attributable to shortage of pilots. The remaining 36 *per cent* of AOG days were due to non-availability of spares, delay in maintenance and shortage of engineers.

ONGC deducted an amount of ₹ 6.61 crore as FMC and ₹ 10.37 crore as liquidated damages for AOG days during the period April 2009 to March 2012 on account of non-availability of helicopters.

3.5.2.3 AS-4 retro fitments of Dauphin Helicopters

As per Company's agreement (October 2006) with ONGC referred to above, eight Dauphin N helicopters were required to be Aviation Standard-4 (AS-4)¹ compliant.

The Company awarded (August 2005 to July 2007) three piecemeal contracts to M/s. Sofema, an authorized representative of M/s Eurocopter France, at a total cost of ₹ 83.42 crore (13561696 Euro) for retro fitment of its 17 Dauphin N, besides six Dauphin N3, helicopters as per Aviation Standard-4 (AS-4).

Audit observed that only 10 Dauphin N helicopters (considering 20 *per cent* maintenance reserve) were sufficient to meet the requirement of ONGC for eight AS-4 compliant Dauphin N Helicopters. However the Company went for retro fitment of 17 Dauphin N helicopters. Further, no other client of the Company had insisted upon AS-4 compliance nor it was mandatory requirement as per DGCA or the manufacturer of the helicopter. Moreover, with the introduction of vintage clause² (July 2010) by ONGC future utilization of these AS-4 compliant Dauphin N helicopters with ONGC was also bleak as the entire fleet of Dauphin N helicopters was more than 24 years old as on 31 March 2012.

Audit further observed that even after more than five years of delivery, AS-4 kits valuing ₹ 9.94 crore were awaiting installation as on 31 March 2012. Thus, procurement of seven AS-4 kits for Dauphin-N helicopters was in excess of requirement which resulted in additional operational expenditure of ₹ 27.92 crore (March 2012).

¹ *The AS-4 is a modification kit required for safety in offshore operations introduced by ONGC as per requirements of its aviation advisors.*

² *The age of helicopter should not be more than five years as on the date of techno-commercial bid opening.*

3.5.2.4 Inventory Management

Non-moving inventory constitutes the items which have not moved for a period of more than three years. As on 31 March 2012, the Company had a total inventory of ₹ 121.20 crore, consisting of stores, spares, repairables, rotables etc. out of which ₹13.88 crore was non-moving. The age wise analysis of inventory was not made available to Audit. It was noticed in Audit that inventory, spares and other major components of the helicopters valued at ₹ 1.87 crore (March 2012) was blocked due to acceptance of supplies of either short, unsuitable or damaged items etc. Management had failed to take necessary effective steps.

3.5.2.5 Non-availability of spares

The Company entered into an agreement with the Government of Odisha (November 2011) for providing one MI-172 helicopter at Koraput/ Bhubaneswar at FMC of ₹ 1.56 crore for 30 hours minimum guaranteed flying and ₹ 86,500 per hour beyond 30 hours. The agreement was for the period from 07 August 2011 to 31 December 2011, which was further extended up to June 2012.

It was observed in Audit that the helicopter remained unserviceable during the period 27 May 2012 to 20 June 2012 (25 days) for want of a critical spare 'circuit breaker' and was made serviceable only after the spare part was obtained on loan basis from a Russian party. Although, the Company had issued instructions during June 2010 for fixation of re-order level for all the inventory items but poor forecasting, non-fixation of re-order level and long lead time resulted in non-availability of critical spare at the time of need and the Company suffered a loss of ₹ 1.98 crore on account of deduction of FMC and penalty charges.

Management stated (February 2013) that it made attempts to procure the item immediately (30 May 2012) after the helicopter was on ground and the purchase order for the item was issued on 14 December 2012. The receipt of the item was still awaited.

The reply of the Management confirms its failure to manage inventory of the critical item as even after AOG situation, the Management took about seven months to place the purchase order.

3.5.2.6 Negligence in procurement of Rear left sliding doors

The Company placed an order (November 2007) with M/s Vectra Aviation, an authorized distributor of M/s Eurocopter, for supply of 10 rear left sliding doors of Dauphin N helicopters under Part.No. 365A87-3031-0003 for a value of ₹ 2.45 crore. The same were supplied (December 2009) and payment was released during 2009-10. The Company placed another order (February 2008) with M/s Vectra Aviation under Part No.365A87-3031-0206 for supply of 10 rear left sliding doors of Dauphin N helicopters for a value of ₹ 2.40 crore. The same were supplied during December 2009 to January 2010 and payment of ₹ 2.20 crore was released during 2010-12.

Audit observed that Part No.365A87-3031-0206 was an alternate Part No. for 365A87-3031-0003, i.e., different code name for same spare/component. Realizing this fact the Company merely sent a fax (July 2008) to M/s Vectra Aviation for cancellation of second purchase order and relied on 'OK' report of Fax transmission. It neither received nor did it make any attempt to obtain any formal acknowledgement from M/s Vectra Aviation regarding the cancellation of the order. The Company on receipt of the delivery raised

the issue of cancellation of order with the supplier, who denied the receipt of any fax. On repeated requests by the Company to take back the spares, the supplier conveyed that the 10 doors supplied could not be taken back as these were specifically made on order for the Company and M/s Eurocopter had stopped manufacturing Dauphin N helicopters. Thus, negligence in ensuring cancellation of order led to unnecessary purchase of 10 rear left sliding doors for Dauphin N helicopters resulting in wasteful expenditure of ₹ 2.20 crore.

3.5.2.7 Radio Altimeter Indicator

M/s Prime Industries supplied eight radio altimeter indicator (Part No. 9599-607-12185) for Dauphin N helicopters to the Company during 2009-10 at a cost ₹ 0.72 crore against the purchase orders issued during February 2009 to April 2009. On physical inspection (July 2009) of the altimeters, it was found that all the eight altimeters (Part No. 9599-607-12185) had the graduations in meters. However, the altimeters already installed on Dauphin N helicopters and others lying in the inventory had graduation in feet (Part No. 9599-607-12183). As the installation of two different types of indicators on the helicopter would have resulted in chaos and miscommunication posing serious safety threat and risk to helicopters, the Company got the radio altimeter indicator with meter graduations converted into feet graduations from M/s D J Aviation at cost of ₹ 0.24 crore during 2010-11.

Audit observed that M/s D J Aviation was not authorized to make the required changes. In view of U.K Civil Aviation Authority's advice (July 2012) to not install on aircraft the subject component, until further corrective action has been undertaken, the converted radio altimeter indicator became useless and resulted in loss of ₹ 0.96 crore.

3.5.2.8 Float of Engines

As on March 2012, the Company maintained float of different types of helicopter engine as detailed below:

(As on March 2012)

Types of Helicopter	Aircrafts available	No. of engines installed	No. of engines kept on float
Mi-172	01	02	06*
Dauphin N	18	36	19
Dauphin N3	17	34	04
Bell	07	07	02
B-3	02	02	NIL

It was observed in Audit that the Company had not fixed any standard/norms for the minimum float of engines to be kept for various types of helicopters, high variation was noticed in float of engine kept. The further observations are as follows:

3.5.2.9 Engine for MI-172 Helicopter

The Board approved (September 2010) procurement of two new engines, over and above available float of four engines (including one engine to be declared as beyond repair) for MI-172 helicopters, at a price of ₹ 3.27 crore (US\$ 6,95,800) for first engine and ₹ 3.41 crore (US \$740000 less 2 per cent discount) for second engine from M/s Klimov, Russia.

Purchase agreement for first engine was entered into in November 2010 and for second engine in October 2011.

Audit observed that after accident of one MI-172 helicopter at Tawang, Arunachal Pradesh on 19 April, 2011, the Company was left only with one MI-172 helicopter in their fleet. At that point in time (April 2011), though the Company had a float of five engines (including newly procured first engine received in March 2011), purchase agreement for second engine was signed in October 2011, which was delivered in March 2012. Thus, decision of the Management for procurement of second engine was imprudent.

3.5.3 Violation of Aircraft Rules 1937

(a) Rule 78 (1) of Aircraft Rules 1937 stipulates that, “No aerodrome shall be used as regular place of landing and departure by a scheduled air transport service or for a series of landings and departures by any aircraft carrying passengers or cargo for hire unless it has been licensed or approved by Director General as per conditions laid down under such license or approval”. Further, Rule 78 (4) provides that “no person shall operate or cause to be operated any flight from a temporary aerodrome or an aerodrome which has not been licensed or approved, as the case may be, under these rules unless it meets the minimum safety requirements laid down by Director General”.

Audit observed that inquiry committee appointed by MoCA for probe in accident of MI-172 helicopter at Tawang had stated that Rule 78 was applicable not only to aerodromes but also to helipads and it was the responsibility of the operator to ensure that its helicopter lands at licensed helipads. Further it stated that no airfield/helipad in Arunachal Pradesh was licensed or approved. On scrutiny of records, it was seen that as on 30 June 2012, the Company was operating helicopters from the airfields/helipads at Gangtok, Katra, Phata (Kedarnath), Amarnath, Portblair, Patna, Koraput and Gadchiroli without any license or approval of DGCA. Thus, in the absence of requisite licence or approval, the safety of these aerodrome/helipads was questionable.

Management in its reply (February 2013) stated that the responsibility of approving the helipads lies with DGCA and operations from various helipads are being carried out as per standard operating procedures approved by DGCA.

The reply of the management was not acceptable as enquiry committee appointed by MoCA had emphasized that under Rule 78 it was also the responsibility of the operator to ensure that its helicopter lands at licensed helipads.

(b) Audit further observed that in pursuance of elaborate procedure given in Section 5 of CAR on 'Air Safety' issued by DGCA, proper records regarding Pre Flight Medical checks of crew were not maintained by the Company.

Management stated (February 2013) that now they have started keeping the record at all bases.

In absence of any documentary evidence furnished to Audit the reply could not be substantiated in Audit.

3.5.4 Blocking of Funds

As on 31 March 2012, the amount outstanding from various parties was ₹ 171.87 crores out of which ₹ 42.22 crore was outstanding for the period ranging more than one to 16

years against which the Company has made a provision of ₹ 3.40 crore. Of the above amount, the Company could not recover an amount of ₹ 3.84 crores from the Governments of Arunachal Pradesh and Punjab as services were provided to them without any formal contract.

Audit further observed that the huge outstandings were due to lack of timely and vigorous follow-up by the Management with its debtors as there was no system in place for timely recovery of debts. The position of outstanding was critical in view of the fact that the Company had to pay interest of ₹ 14.46 crore on loans of ₹ 232.83 crore during 2011-12. Thus failure of the Company to recover dues led to borrowings to finance its operations resulting in further outgo on account of interest. Audit noticed that the amount outstanding of ₹ 171.87 crore as on 31 March 2012 further increased to ₹ 192.10 crore by the end of December 2012.

The Management accepted (February 2013) in its reply that there was delay in signing of the contracts with State Governments of Arunachal Pradesh and Punjab and consequent non-realization of dues. It further replied that consistent efforts were being made to recover the amounts outstanding.

Conclusion

The Company had shortage of average 22 to 18 Pilots during the period 2009-12 for its Dauphin fleet of helicopters at its Western Region from where operations to one of its largest customer viz. ONGC were catered to. ONGC deducted an amount of ₹ 16.98 crore (FMC and liquidated damages) towards AOG of helicopters due to non availability of helicopters mainly for shortage of Pilots. There were instances of excess procurement of AS-4 kits, sliding doors, engines, delayed procurement of critical items, resulting in loss of FMC which indicate the need for an efficient inventory control system.

There was no system for timely recovery of debts due to which there was huge outstanding of ₹ 171.87 crore as on 31 March 2012 necessitating implementation of credit control procedure.

The matter was reported to the Ministry in February 2013; their reply was awaited (March 2013).