

Licensee (MIAL) of an airport is entitled to collect fees known as Passenger Service Fee (PSF) from the embarking passengers at such rate as the Central Government may specify (Rule 88 of the Aircraft Rules 1937). The licensee is also liable to pay for security component to any security agency designated by the Central Government for providing security service at the airport. Article 12.4.1 of OMDA stipulates that PSF shall be collected and disbursed in accordance with the provisions of SSA. Clause 3.1A.1 of SSA states that PSF chargeable at the airport shall be inclusive of security expenditure on the designated security agency. Security Component constitutes 65 per cent, and the Facilitation Component 35 per cent of the total PSF charge, per embarking passenger.

Clause 3.1A.4 of SSA also states that respective airlines shall collect the entire PSF and distribute the Security Component (SC) to AAI and the Facilitation Component (FC) to MIAL directly. FC payable to MIAL can be revised under the provisions of SSA while SC can be revised as and when directed by GOI. MOCA issued instructions⁷ from time to time which allowed the airport operators to collect the SC component of PSF and laid down certain conditions for its utilisation. Broadly, these instructions were:

- i) PSF at airports would be collected by the respective Airport Operator, which could be AAI, JVC or a private operator;
- ii) For the SC of PSF, a separate Escrow account would be opened and operated by the JVC or private operator;
- iii) PSF (SC) of ₹130 (65 per cent), collected out of total ₹200 per passenger to be deposited in the escrow account, for meeting the expenses relating to the Central Industrial Security Force (CISF). The collection must be utilised to meet security related expenses only; and
- iv) Any balance amount remaining in PSF (SC) account would be transferred to AAI by the airport operator through a process of mutual consultation for payment to CISF deployed for security purposes at other airports.

⁷ *May 2006, June 2007, April 2010 and July 2010 and Standard Operating Procedure in January 2009.*

However, MOCA subsequently amended the provision regarding transfer of balance funds to AAI and directed (June 2007) that PSF (SC) collected at an airport operated by a JVC or private operator would be utilised at the concerned airport only to meet the security related expenses of that airport. In the Standard Operating Procedure (SOP) issued by MOCA on 19 January 2009 for Accounts and Audit of PSF (SC) by JVC/ Private Operators, MOCA also mandated, *inter-alia*, that the Escrow account would be subject to audit by C&AG.

Thus, MOCA progressively allowed MIAL to operate the PSF (SC) account which was a deviation from the provisions of the SSA. MIAL incurred expenditure out of these funds on ineligible items. A paragraph titled 'Unauthorised withdrawal of ₹15.22 crore from the Escrow Account' had been reported (C&AG's Report No. 3, (Commercial) of 2011-12). MOCA informed (December 2011) the Committee on Public Undertakings (COPU) that MIAL has been directed to remit the amount back in the escrow account. MOCA confirmed to COPU (November 2013) that M/s. MIAL has remitted the amount in the PSF (SC) Escrow Account on 19 August 2013. MOCA however informed COPU that penal interest had not been recovered as MIAL had filed a writ petition in Delhi High Court claiming expenses incurred by them on deployment of private security guards which is presently sub-judice. COPU expressed their strong disapproval of the inaction of the Ministry and desired that needful be done at the earliest along with all out efforts to expedite the legal process.

In addition, persistent irregularities have been noticed over the years like incurring expenditure on items other than the permitted purchases from PSF (SC) as listed below:

7.1 Unauthorised expenditure

(i) Clause 3.3.5 of SSA states that JVC shall be responsible for procuring and maintaining at its own cost all security systems and equipment (except arms and ammunitions) as required by the Government of India (GOI) or the Bureau of Civil Aviation Security or its designated nominee(s)/ representative(s) from time to time. However, MOCA in its Order dated 16 April 2010 permitted that entire cost incurred on security equipment deployed at the airports could be met from PSF (SC), over-riding the provisions of SSA. It was noticed that MIAL unilaterally procured various ineligible equipment including computers, furniture and fixtures and designated them as being essential for maintenance of security. This has resulted in extending unwarranted favour to MIAL amounting to ₹ 87.97 crore during 2006-12.

(ii) As per Article 8.5.6 (i) of OMDA, JVC shall, during the term, maintain at its own cost the insurances set out in Schedule 11. However, MOCA specified

(January 2009) in SOP that all fixed assets acquired through PSF (SC) shall be adequately insured by Private Operator and insurance charges shall be paid from PSF (SC). MIAL charged ₹2.55 lakh as insurance charges in the PSF (SC) account for the period upto 2011-12.

Instructions of MOCA with respect to insurance charges to be charged to PSF (SC) account were against the OMDA provisions which led to undue favour to the tune of ₹2.55 lakh to the MIAL upto the year 2011-12.

MOCA replied (November 2013) that a need was felt by the Government to upgrade the security equipment available at the airports to the level of the best in the world.

Reply of MOCA is not acceptable as its letter dated 16.04.2010 stated that in the case of new airports, the entire cost of the security equipment would be borne by the airport operator. However in case of CSI Airport, Mumbai, though MIAL was required to bear the cost of security equipment as per SSA, MOCA permitted the same to be borne out of PSF(SC).

It is pertinent to note that PAC in their report presented to Parliament on 06 February 2014 regarding implementation of PPP in Indira Gandhi International Airport, Delhi while noting the assurance of MOCA in the matter, had observed that such lapses should not recur.

7.2 Unjustified charge

As per Para No. 3(V) of MOCA's Order dated 08 January 2010, "The permissible expenditure out of PSF (SC) shall not include the expenditure on any other security staff (other than CISF) or other administrative set-up created/engaged by the Airport Operators. The administrative cost, consultant's cost etc. in respect of PSF (SC) handling shall not be chargeable to PSF (SC) account."

MIAL charged salary of ₹12.36 crore from PSF (SC) Escrow Account during the year 2009-10 to 2011-12 in respect of security employees and other miscellaneous services from private agencies deployed at Mumbai Airport, which was not permissible out of PSF (SC) and is a violation of MOCA's order of January 2010.

MOCA replied (November 2013) that in view of the frequent observations of C&AG in respect of improper utilisation of PSF(SC) funds by the airport operators, it has been decided to amend the modus operandi of PSF handling by way of creating Aviation Security Fee by further amending Rule 88 of the Aircraft Rules, 1937.

It is pertinent to note, in this connection, that PAC recommended (report presented to Parliament on 06 February 2014) while considering implementation of PPP in Indira Gandhi International Airport, Delhi that MOCA look into the matter and fix responsibility on the part of officials responsible for avoidable loss to Government.

Further action in this regard in MIAL would be watched in future audits.