

Chapter 1

Introduction

1.1 Background of Airports Authority of India

The Airports Authority of India (Authority) managed 15 international airports, 86 domestic airports and 26 civil enclaves* as on 31 March 2006 covering the entire Indian airspace. These 127 airports included 83 operational and 44 non operational and closed airports (**Annexure-I**). The five international airports at Delhi, Mumbai, Chennai, Kolkata and Thiruvananthapuram were managed by the Authority's International Airports Division (IAD) and the other airports by the National Airports Division (NAD).

1.2 Functions of the Authority

The main functions of the Authority relating to infrastructure are:

- Design, development, operation and maintenance of international and domestic airports and civil enclaves;
- Construction, modification and management of passenger terminals;
- Development and management of cargo terminals;
- Expansion and strengthening of operational areas viz. runways, aprons, taxiways; and
- Provision of communication, navigational and visual aids.

1.3 Air Transport Policy

The Air Corporations Act, 1953 was repealed with effect from 1 March 1994 and air transport in India was opened to operation of scheduled services by any carrier which fulfilled the statutory requirements ending the monopoly of the Indian Airlines Corporation and Air India International. Consequently, the number of scheduled operators grew steadily and as of March 2006, the number of such operators was 12. New bilateral agreements signed during the period with various countries also resulted in new international airlines starting international operations in airports other than at Delhi and Mumbai.

1.4 Increasing requirements for infrastructure development

With the opening of Indian skies to private and international operators, between 2000-01 and 2005-06, the number of aircraft movements grew from 4.90 lakh to 8.38 lakh and passenger traffic from 4.20 crore to 7.33 crore. This put immense pressure on airport infrastructure especially at the metro airports. It was therefore laid down in the Tenth Five Year Plan that navigation and surveillance facilities were to be upgraded as a matter of priority to be in line with world standards.

* Airports owned by Ministry of Defence

1.5 Airport Infrastructure Policy

In December 1997, the Ministry of Civil Aviation (Ministry) announced the Policy on Airport Infrastructure. The main objectives of the Policy were:

- To provide a boost to international trade and tourism and enhance the country's image in the comity of nations;
- To provide airport capacity ahead of demand, in order to handle an increasing volume of air traffic and to garner maximum traffic share in the region;
- To enhance airport facilities to make the airports user friendly and achieve higher level of customer satisfaction;
- To ensure total safety and security of aircraft operations by introducing state of art air traffic, security and related services; and
- To foster development of a strong airport infrastructure, maintaining a balance between the need for economic viability and the objective of equitable regional dispersal of infrastructure facilities.

1.6 Scope of Audit

Audit conducted a pilot study by collecting records relating to conception, planning and implementation of various infrastructure projects at 20 international and domestic airports during the five year period ending 2004-05 spread over all five regions and six project offices to assess the extent to which the Authority was able to fulfill the objectives set out in the Policy on Airports Infrastructure and in the Tenth Five Year Plan. The selection of airports was made on the basis of geographical location, expenditure incurred, criticality of the project and physical progress of the work. A detailed Performance audit on 'Creation and augmentation of infrastructure and operational facilities by Airports Authority of India' was conducted covering further 20 airports (**Annexure II**).

1.7 Audit Objectives

The Performance audit was conducted with a view to assessing whether:

- A strategic plan was prepared by the Authority for infrastructure development;
- The output was consistent with the goals set for infrastructure development;
- The management of infrastructure development projects was efficient to safeguard against possible risks to the economy and efficiency;
- The internal control system in the Authority was sufficiently sensitive to highlight variations in the estimated and actual cost and quantities;
- The Authority was sensitive to quality assurance procedures and controls and maintained effective oversight to ensure that the systems for quality assurance and quality control were robust and verifiable;
- Provision of Communication, Navigational, Surveillance (CNS) and safety facilities to cope with the increasing pressure on the air corridors and airports was adequate and state of the art technology was brought in by the Air Traffic Management; and

- Passenger facilitation and customer satisfaction were adequate and consistent with the norms set by ICAO.

1.8 Audit Criteria

The Audit criteria were:

- Traffic forecast;
- International best practice/norms for revenue composition and
- Compliance with ICAO, Director General of Civil Aviation (DGCA) and other regulatory authorities' stipulations on operational, safety and security aspects.

1.9 Audit Methodology

The pilot study covering a sample of 20 airports examined the infrastructure available and this revealed inadequacies and irregularities with financial implication of about Rs.159.52 crore (**Annexure II**) by way of defective estimation, midway change of scope, non synchronisation of activities, poor contract management and idle assets. Hence for the detailed Performance audit, 111 contracts/purchase orders executed during the years 2000-2001 to 2004-2005 totalling Rs.1449.62 crore in 40 airports were examined. The total capital expenditure incurred by the Authority during this period was Rs.2285.86 crore.

1.10 Acknowledgement

The audit programme, methodology and audit objectives were discussed in the entry conference with the Member (Finance) of the Authority in July 2005 and in several meetings during the course of audit. The draft review report was issued to the Authority in April 2006. A presentation on the audit findings was made during the exit conference with the Chairman of the Authority during August 2006. The Management's response was received during August/September 2006. Audit acknowledges the co-operation and assistance extended by the Management at various stages of the Performance audit.