

**COMMITTEE
ON
GOVERNMENT ASSURANCES
(2005-2006)**

FOURTEENTH LOK SABHA

FIFTH REPORT

(INVESTIGATION OF AIRPORTS AUTHORITY OF INDIA)

(Presented to Lok Sabha on)



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2005/ Agrahayana, 1927 (Saka)

CONTENTS

	Page
Composition of Committee (2005-2006)	3
Introduction	4
<u>Report</u>	
Chapter I Introductory	5
Chapter II Observations/Recommendations	13

APPENDICES

I Minutes of the Sitting of the Committee held on 30 December 2004	16
II Minutes of the Sitting of the Committee held on 30 November 2005	18

COMPOSITION OF THE COMMITTEE ON GOVERNMENT ASSURANCES
(2005-2006)

Shri Harin Pathak - CHAIRMAN

MEMBERS

2. Shri Rashid J.M.Aaron
3. Shri Yogi Aditya Nath
4. Shri Anandrao Vithoba Adsul
5. Shri Ajit Singh
6. Shri Jigajinagi Ramesh Chandappa
7. Shri Biren Singh Engti
8. Shri Mohan Jena
9. Shri Sunil Khan
10. Shri Rasheed Masood
11. Shri Kailash Meghwal
12. Shri A. Venkatesh Naik
13. Shri M. Shivanna
14. Shri Aruna Kumar Vundavalli
15. Shri Kailash Nath Singh Yadav

SECRETARIAT

- | | | | |
|----|---------------------|---|-----------------|
| 1. | Shri John Joseph | - | Secretary |
| 2. | Shri P. Sreedharan | - | Joint Secretary |
| 3. | Shri T.K. Mukherjee | - | Director |
| 4. | Shri K. Jena | - | Under Secretary |

* The Committee was constituted on 7 August 2005 vide Para No.1484 of Lok Sabha Bulletin Part-II dated 5 August 2005.

INTRODUCTION

I, the Chairman of the Committee on Government Assurances, having been authorized by the Committee to submit the Report on their behalf, present this Fifth Report of the Committee on Government Assurances.

2. The Committee (2005-2006) was constituted on 7 August 2005.

3. The Committee (2004-2005) at their sitting held on 30 December 2004 took the oral evidence of the representatives of the Ministry of Civil Aviation and Airports Authority of India in connection with assurance given in reply to USQ No.6850 dated 13 May 2002 regarding 'Investigation of Airports Authority of India.

4. At their sitting held on 30 November 2005, the Committee (2005-2006) considered and adopted the Fifth Report. The Minutes of the aforesaid sitting of the Committee form part of this report. (Appendix)

5. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the Report.

6. The Committee wish to express their thanks to the officials of the Ministry of Civil Aviation and Airports Authority of India for their co-operation. The Committee also accord appreciation to the Secretariat staff/officers for the services rendered by them to the Committee in the finalisation of this report.

NEW DELHI;
23 November 2005

2 Agrahayana 1927 (Saka)

HARIN PATHAK
CHAIRMAN
COMMITTEE ON GOVERNMENT ASSURANCES

REPORT

CHAPTER I

I. Introductory

1. A news item captioned “Advertising rights scam costs AAI Rs. 21.6 crore” appeared in Hindustan Times dated 1 May 2002 in which it was inter-alia reported that an “advertising rights scam” has caused a loss of Rs. 21.6 crore to the Airports Authority of India (AAI) and the case was being investigated by CBI. It was also reported that three companies namely, Delhi based M/s Deltrol, M/s TDI and M/s Aaren advertising, submitted their proposals for supply of trolleys but the committee headed by the Chairman, AAI rejected the proposal of Aaren on technical and financial grounds and recommended acceptance of proposal submitted by TDI. It was further reported in the news item that the offer of Delhi based M/s Deltrol and Aaren advertising was rejected on flimsy grounds. Moreover the contract given to TDI for a period of seven years was beyond the powers of the Chairman, AAI.

II. GOVERNMENT ASSURANCE IN REPLY TO AN UNSTARRED QUESTION BASED ON THE NEWS ITEM:-

2. Based on the above news items on 13 May 2002, Shrimati Shyama Singh and S/Shri Ram Mohan Gadde, M.V.V. S. Murthi, G. Putta Swamy Gowda, MPs addressed the following USQ No. 6850 for answer by the Minister of Civil Aviation:-

- (a) **Whether attention of the Government has been drawn to the newsitem captioned “Advertising rights scam costs AAI Rs.21.6 crore” appearing in the Hindustan Times dated May 01, 2002;**
- (b) **if so, whether CBI has since investigated the scam in which Airports Authority of India (AAI) officials in connivance with Delhi based company has caused losses to exchequer by several crores;**
- (c) **if so, the details of the modus operandi of the scam; and**

(d) the time by which investigations are likely to be completed and responsibilities to be fixed?

3. The then Minister of Civil Aviation Shri Syed Shehnawaz Hussain gave the following reply:-

(a) Yes, Sir.

(b), (c) and (d): Central Bureau of Investigation (CBI) registered First Information Report (FIR) against some officials of Airports Authority of India and M/s. TDI International (I) Pvt. Ltd. Further details in this regard are being ascertained from CBI.

4. The above reply was treated as an assurance and was to be fulfilled within three months of the date of reply i.e. by 12 August 2002, but the assurance could not be fulfilled. The Ministry of Civil Aviation sought extension of time on several occasions for fulfillment of the aforesaid assurance which was acceded to.

5. Since there was inordinate delay in the fulfillment of the assurance, the Committee took evidence of the representatives of the Ministry of Civil Aviation and AAI to know in detail about the reasons for the same on 30 December 2004.

III. POLICY REGARDING ADVERTISEMENT RIGHTS

6. The Committee desired to know about the policy framed by the Ministry of Civil Aviation regarding advertising rights of Airports Authority of India (AAI) and its salient features. In reply, the Ministry stated in a written note that AAI Board lays down the commercial policy for advertisement rights contract which involves display of advertisement in the form of translites, show windows and hoardings at or near the airport premises and on passenger baggage trolleys. It was also stated that the contract for advertisement rights are awarded in terms of the Delegation of Powers depending on the value of the contract. When asked about the process being followed by the Ministry/AAI in the awarding and execution of the contracts, the Ministry stated in a written note that the advertisement rights are given after calling tenders for a defined period as per the terms of the contract by following the procedures laid down in the Commercial Manual, which has been approved by the AAI Board. Earlier, the contracts were given for a period of 3 years.

However, now-a-days the advertisement contracts are given for a period of 5 years. The tenders are invited on two bid system with the Technical Bid in Envelope 'A' and Financial bid in Envelope 'B'. The Ministry of Civil Aviation is not involved in the process of award of contracts by AAI.

IV. ALLEGED ADVERTISING RIGHTS SCAM

7. As regards the alleged advertising rights scam, its modus operandi and how the investigations were handed over to CBI including the present status of the enquiry, the Ministry in a written note stated that CBI registered the case suo-moto vide No. RC-1(A)/2002/ACU(V)/DLI on 26 March 2002 against some of the officials of AAI for awarding a contract during the period 1995 to 1996 for free supply of trolleys against advertisement rights to M/s TDI International Private Limited causing thereby wrongful gains of Rs. 21.5 crore to TDI and corresponding loss to AAI. It was also informed that CBI vide its letter dated 7 December 2004 had stated that the investigations were at final stage.

8. During evidence the representative of the Ministry of Civil Aviation gave the following gist of the First Information Report, which was filed by the CBI:-

- Although there was more than one player in the field, yet AAI had not issued an advertisement inviting open tenders and the unsolicited offer of M/s TDI was considered favourably, ignoring the offer of others.
- The contract was awarded to M/s TDI based on the Report of a Committee of officers in AAI and not through open tenders.
- Other offers were rejected on flimsy grounds.
- Contract was agreed with M/s TDI for seven years by the Chairman, AAI without the approval of the Board even though any proposal for beyond five years requires the approval of the Board.
- Contract entailed an expenditure of about Rs.15 crore for retrieval alone of 12, 500 trolleys, which will be paid by AAI to M/s TDI.

- In the offer of M/s Aaren Advertising, expenditure was to be borne by the party and not by AAI.
- AAI was to pay M/s TDI about Rs.3 crore for shared cost of maintenance. In the offer of M/s Aaren, expenditure was to be borne by the party and not by AAI.
- M/s Aaren offered to pay AAI about Rs. 3.50 crore as licence fee for a seven-year contract. However, no licence fee was payable by M/s TDI.
- Trolleys supplied by M/s TDI were not the same for which proto-type was supplied for inspection.
- No inspection was done at the time of delivery by AAI.”

9. In this context during evidence the representative of the Ministry of Civil Aviation also apprised the Committee that previously AAI was procuring trolleys departmentally and through open tenders. There were several contracts for advertising rights in the trolleys and contracts for retrieval and maintenance were being given to private companies and advertising agencies separately. But in the particular case, there were four players in the field and they were:-

- (i) M/s Deltrol, New Delhi,
- (ii) M/s TDI International Private Limited,
- (iii) M/s Aaren Advertising, Mumbai,
- (iv) M/s Sandeep Publicity, Delhi.

10. The Committee were further informed that in January, 1995 M/s Deltrol offered to the Airport Authority of India to supply trolleys free of cost including retrieval and maintenance in lieu of advertising rights. In August, 1995, M/s TDI offered AAI to supply 12,250 trolleys within six months in a phased manner free of cost in lieu of advertising rights for a minimum period of seven years, without any responsibility for retrieval and maintenance. In January, 1996, M/s Aaren advertising, offered to supply 19,500 trolleys in a phased manner in seven years in lieu of

advertising rights and also to pay a licence fee of Rs. 3.50 crore to AAI. In February 1996, M/s Sandeep Publicity offered to supply trolleys free of cost in lieu of advertising rights.

11. A Committee was constituted by the Chairman, AAI and the Committee consisted of five members. The Committee consisting of five members, in fact, considered the offers made by M/s TDI and M/s Aaren Advertising. They rejected the offer of M/s Aaren and recommended M/s TDI for award of contract.
12. On being asked about the system/procedure being followed by the Committee before purchasing anything, the witness stated during evidence:-

“ As far as this particular issue is concerned, we have gone through the files, the notings and other things, which are recorded. Based on the records, I can give you the information. I have not dealt the case but since I am also from the Airports Authority of India, I know what the system was, what has gone there etc. Normally, before this particular exercise was done, the process was through open tender, and we procured the trolleys. Subsequently, for retrieval, maintenance, advertisement etc. also another contract was in vogue. As per the noting, which has been recorded, there had been high-level meetings, and then there had been a lot of complaints in the existing trolleys position like wheels broken, making noise. I think it has been recorded. Then there was a lot of criticism on the Airports Authority of India why the trolleys were not procured properly etc. Later on, there were high-level meetings in the Ministry and the Chairman was told to work out a system to improve the trolleys. Then the Chairman has appointed a Committee of these senior officers to go into the entire system, and to work it out comprehensively. What has been recorded is this. If a single agency supplies the trolleys, then does the advertisement, retrieval and maintenance, then one agency would be responsible for everything. That was the approach in which they have gone through. But, whether they are wrong or right, that is a different issue. Whatever the justification is there, they said okay they want to go and have a single agency. Here is the way in which the decision is taken. There is no cost to the Airports Authority of India. It is a free supply of trolleys, and 12,500 trolleys – it has been recorded – have come free to the Airports Authority of India, then the advertisement rights should go to them. Then trolleys will be procured – as far as its quality is concerned – as per the sample, which has been given. What the Committee has done is this. They have imported one trolley and it was shown to various senior officers of the Airports Authority, of the Ministry and others. It was said this is a very good sample. Let us go and get the trolleys etc. Then, the trolley was shown to the various people, which had been listed there. Then, from there, the Committee has gone and they have given a presentation to the Committee. They have relied expressly on the quality of the trolley. That was recorded. Why did not they go for tender? That is a question, which is still not answered. But, the justification recorded is that it is a good proposal and it has been gone through. That is how it is there.”

13. The Committee desired to know the norms followed as per the present system in awarding the contract in such cases. The representative of the Ministry stated as follows:-

“The present system is that there is open tender for procurement of trolleys. Then, even for advertisement, retrieval and maintenance also, there is open tender”.

14. On being asked whether open tender was invited in the instant case, the representative of the Ministry stated as follows: -

“Open tenders were not invited.”

15. The Committee desired to know as to which Authority has laid down these rules, regulations and procedures. The representative of the Ministry stated “we get the approval of the Board of Airports Authority of India”.

16. In this context during evidence the representative of the Ministry of Civil Aviation further stated that:-

“Sir, So far as the rules and regulations are concerned according to the Airports Authority of India Act, these are approved by the Government. Rules and Regulations are notified as per the procedure which are also laid on the table of the two Houses in the Parliament. So far as the commercial policy, procurement, engineering and all works manual are concerned, these are prepared by the Airports Authority of India. Their entire policy is a public document prepared by the Board. Their entire policy is a public document prepared by the Board. Generally, these remain unchanged unless and until the Board remodel them”.

17. The Committee then desired to know whether in the instant case the approval of the Board was taken. In reply, it was stated that the approval was taken from Chairman and not from the Board and the matter was not placed before the Board.

18. On being asked about the present position of the officers who were Members of the Committee, the representative of the Ministry submitted that:-

“ Shri T. Tekchandani, was Member (OPS). Then he became Senior ED (OPS). He is now CMD of Cement Corporation of India. He has got a lien with the Airports

Authority of India. Shri M.A. Khan is in service. His retirement has not reached. Shri Das is going to retire next month. Then, Shri Sudhi Kumar is again left with more than one year's service. Shri Sunil Kumar Arora is also serving. They are all in service with the Airports Authority of India.. Shri H.M. Sahul,, the then Chairman, has retired.”

19. Asked to state as to how and when the Ministry came to know of the alleged scam, the Committee were informed by the Ministry that the alleged irregularities came into notice on 27 March 2002 when a copy of CBI's FIR dated 26 March 2002 was received by them.

20. On being asked whether the Ministry/AAI have taken any disciplinary action against the erring officials, it was replied that the Ministry/AAI would take action after receiving the report from CBI.

VI. VIGILANCE DEPARTMENT OF THE MINISTRY

21. The Committee have been informed by AAI that as per the norms laid down for Public Sector Undertakings, the Vigilance Department has to perform various types of duties like investigation of complaints, surprise/regular checkings of Airports as a proactive measure, intensive examination of projects under implementation with CTE/CVC and independently vetting/drafting articles of charges/imputations in disciplinary cases, training, Vigilance Awareness Programmes and deposition in disciplinary cases etc. The Vigilance Department functions under the guidelines of CVC and conducts investigation of complaints. Whenever irregularities are noticed during investigation the Vigilance Department takes initiative for issue of Circulars/Guidelines to plug loopholes for overall system improvement. The Vigilance Department of AAI came to know of the alleged scam when a copy of the FIR in the instant case was received on 27 March 2002. The case was registered directly by CBI based on their own source of information.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS

The Committee note that based on a news item in a leading national daily about an alleged scam involving advertisement rights and a loss of Rs. 21.6 crore thereon, and USQ (6850) was raised in Lok Sabha on 13.05.2002. In reply, it was stated that a case had been registered by CBI and details were being ascertained from CBI. The assurance still remains unfulfilled.

2. From the facts available, the Committee find that four companies/agencies submitted their proposals for supply of trolleys in lieu of advertising rights. The offer of one included free supply of trolleys including their retrieval and maintenance, the offer of the second included free supply of 12,250 trolleys, but without retrieval and maintenance, the offer of the third included supply of 19,500 trolleys and also a payment of Rs.3.50 crore to Airports Authority of India (AAI) as license fee while the offer of the fourth included free supply of trolleys. Thus it can be seen that the first agency apart from free supply of trolleys was willing to take retrieval and maintenance responsibility also. Similarly the third was ready to pay a licence fee of Rs.3.50 crore in addition to supply of 19,500 trolleys at much less expenditure, but their proposals were rejected and the apparent unfavourable proposal of the second was accepted.

3. The Committee further note that advertisement rights are given by AAI after calling tenders for a definite period as per the terms of the contract by following procedures laid down in commercial Manual approved by AAI Board, but in the instant case no advertisement inviting tenders was issued.

Moreover, a Committee of the officers was constituted and the contract was awarded to the company/agency in question for a period of seven years without approval of the Board even though any proposal beyond five years required the approval of the Board, thereby flouting the policy of the AAI for awarding of such rights. This allegedly caused a wrongful gain of Rs of 21.5 crore to the company/agency in question and corresponding loss to AAI.

4. What has astonished the Committee is that AAI was not even aware of the loss, which it apparently suffered, until CBI filed the FIR. This clearly shows the totally unsatisfactory state of affairs prevalent in the AAI. The Committee, therefore, recommend that concrete and conclusive steps should be taken by the AAI immediately to stop recurrence of such unfortunate events in future. The Committee also recommend that AAI should ensure that the procedures laid down are scrupulously followed by all concerned and that cases of deviation and defaults are dealt with sternly.

5. The Committee further note with dismay that the Vigilance Department could not trace the alleged irregularities, which was being plotted in AAI. The Vigilance Department of AAI came to know of the alleged scam only when a copy of the FIR in the instant case was received on 27 March 2002. The Committee are of the view that the Vigilance Department of AAI utterly failed in performing its functions and duties. The Committee are of the opinion that there is an urgent need for streamlining the functioning of the Vigilance Department with a view to improving the quality of vigilance exercises.

6. The Committee urge the CBI to conclude the investigation of the alleged scam expeditiously so that the culprits can be booked and also to meet the

ends of justice. The Committee also urge the Ministry of Civil Aviation/AAI to act promptly once the report of the investigation is made available to it by CBI and apprise the Committee accordingly.

NEW DELHI;
23 November 2005

2 Agrahayana 1927 (Saka)

HARIN PATHAK
CHAIRMAN
COMMITTEE ON GOVERNMENT ASSURANCES

Appendix-I

CONFIDENTIAL

MINUTES
SIXTH SITTING

Minutes of the Sitting of Committee on Government Assurances held on 30th December, 2004 at 1500 hours in Committee Room No.'C' Parliament House Annexe, New Delhi.

The Committee sat from 1500 hours to 1600 hours on Thursday, 30th December, 2004.

PRESENT

Shri Harin Pathak

-

Chairman

MEMBERS

2. Shri Anandrao Vithoba Adsul
3. Shri J.M. Aaroon Rashid
4. Shri Sunil Khan
5. Shri Kailash Meghwal
6. Shri A. Venkatesh Naik
7. Shri M. Shivanna
8. Shri Mohan Jena

SECRETARIAT

1. Shri S.K. Sharma - Joint Secretary
2. Shri K. Chakraborty - Director
3. Shri K. Jena - Assistant Director

MINISTRY OF CIVIL AVIATION

1. Shri P.K. Mishra, Additional Secretary & Finance Advisor
2. Shri Raghu Menon, Joint Secretary
3. Dr. Nasim Zaidi, Joint Secretary

AIRPORT AUTHORITY OF INDIA

1. Shri K. Ramalingam, Chairman
2. Shri V.D.V. Prasad Rao, Member (Finance)

2. At the outset, the Committee expressed their deep sorrow over the death of thousands of people because of Tsunami waves in India and the adjoining countries and stood in silence for two minutes as a mark of respect to the departed souls. Thereafter, the Committee took oral evidence of the representatives of the Ministry of Civil Aviation and Airport Authority of India in connection with an assurance given in reply to USQ No.6850 dated 13.05.2002 regarding 'Investigation of advertising rights scam in A.A.I'.
3. The Committee were of the view that CBI enquiry may be awaited. In the meantime, the assurance may be kept pending. If need be, CBI may also be called to clarify the position further.
4. A verbatim record of the sitting has been kept.

The Committee then adjourned.