

**NON-RECOVERY OF GUARANTEE  
FEE FROM AIR INDIA AND  
INDIAN AIRLINES**

**MINISTRY OF CIVIL AVIATION**

**PUBLIC ACCOUNTS  
COMMITTEE  
2007-2008**

**FIFTY-SIXTH REPORT**

**FOURTEENTH LOK SABHA**



**LOK SABHA SECRETARIAT  
NEW DELHI**

FIFTY-SIXTH REPORT

PUBLIC ACCOUNTS COMMITTEE  
(2007-2008)

(FOURTEENTH LOK SABHA)

NON-RECOVERY OF GUARANTEE FEE  
FROM AIR INDIA AND INDIAN AIRLINES

MINISTRY OF CIVIL AVIATION

*[Action Taken on 30th Report of Public Accounts Committee (14th Lok Sabha)]*



*Presented to Lok Sabha on 21 August, 2007  
Laid in Rajya Sabha on 21 August, 2007*

LOK SABHA SECRETARIAT  
NEW DELHI

*August, 2007/Sravana, 1929 (Saka)*

**PAC No. 1842**

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE  
(2007-2008)

Prof Vijay Kumar Malhotra — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Kirip Chaliha
3. Shri Khagen Das
4. Shri P.S. Gadhavi
5. Shri R.L. Jalappa
6. Shri Raghunath Jha
7. Shri Bhartruhari Mahtab
8. Dr. Rajesh Mishra
9. Shri Brajesh Pathak
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12. Shri Mohan Singh
13. Shri Rajiv Ranjan 'Lalan' Singh
14. Shri Kharabela Swain
15. Shri Tarit Baran Topdar

*Rajya Sabha*

16. Shri V. Narayanasamy
17. Prof. P.J. Kurien
18. Shri Janardhana Poojary
19. Shri Suresh Bhardwaj
20. Shri Prasanta Chatterjee
21. Dr. K. Malaisamy
22. Shri Ravula Chandra Sekar Reddy

SECRETARIAT

- |                               |   |                             |
|-------------------------------|---|-----------------------------|
| 1. Shri S.K. Sharma           | — | <i>Additional Secretary</i> |
| 2. Shri A. Mukhopadhyay       | — | <i>Joint Secretary</i>      |
| 3. Shri Brahm Dutt            | — | <i>Director</i>             |
| 4. Shri M.K. Madhusudhan      | — | <i>Deputy Secretary-II</i>  |
| 5. Shri S. Lakshmikanta Singh | — | <i>Committee Officer</i>    |

## INTRODUCTION

I, the Chairman, Public Accounts Committee, as authorised by the Committee, do present this Fifty-Sixth Report on Action Taken by Government on the Observations and Recommendations of the Public Accounts Committee contained in their 30th Report (14th Lok Sabha) on “Non-recovery of Guarantee Fee from Air India and Indian Airlines.”

2. This Report was considered and adopted by the Public Accounts Committee at their sitting held on 7th August, 2007. Minutes of the sitting form Part II of the Report.

3. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

4. The Committee also place on record their appreciation for the invaluable assistance rendered to them by the officials of Lok Sabha Secretariat attached with the Committee.

NEW DELHI;  
16 August, 2007  
25 Sravana, 1929 (Saka)

PROF. VIJAY KUMAR MALHOTRA,  
*Chairman,*  
*Public Accounts Committee.*

## CHAPTER I

### REPORT

This Report of the Committee deals with action taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their Thirtieth Report (14th Lok Sabha) on Paragraph 2.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March, 2004 (No. 2 of 2005), Union Government (Transaction Audit Observations) relating to "Non-recovery of guarantee fee from Air India and Indian Airlines".

2. The Thirtieth Report of the Public Accounts Committee, which was presented to Lok Sabha on 7th August, 2006, contained 9 Observations/Recommendations. The Action Taken Notes on all the Observations/Recommendations have been received from the Ministry of Civil Aviation and the Ministry of Finance (Department of Economic Affairs) and these have been categorized as under:—

(i) Observations/Recommendations, which have been accepted by Government: Sl. Nos. 1, 2, 3, 4, 5, 6, 7, 8 and 9

(ii) Observations/Recommendations, which the Committee do not desire to pursue in view of the replies received from Government:

-Nil-

(iii) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which require reiteration:

-Nil-

(iv) Observations/Recommendations in respect of which Government have furnished interim replies:

-Nil-

3. The Action Taken Notes as furnished by the Ministry of Civil Aviation and the Ministry of Finance (Department of Economic Affairs) have been reproduced in the Chapter II of this Report.

4. The Committee in their Thirtieth Report had brought out that the Ministries of Civil Aviation and Finance were at loggerheads in resolving the issues relating to payment of guarantee fee by Air India and Indian Airlines. On taking up the matter by the Committee, the issue was resolved. The Committee had asked the Ministry of Finance to sort out such matters with other Ministries in future.

5. The Committee deal with the Action Taken by the Government on some of their Recommendations made in the Thirtieth Report.

**Waiver of guarantee fee**

**(Recommendation Sl. Nos. 6, 7 & 9)**

6. The Committee in their Thirtieth Report on the subject had lamented over laxity and apathy shown by the Ministry of Civil Aviation and the rigidity displayed by the Ministry of Finance on the issue of payment of guarantee fee by Air India and Indian Airlines leading to a stalemate in recovery of guarantee fee for the period from January 1989 to March, 2004. No guarantee fee could be recovered from the two public sector airlines from 1993 till 2005. It was only after the Public Accounts Committee took up the subject for detailed examination in May 2005 that both the Ministries took initiative for resolving the issue of payment of guarantee fee.

7. The Committee had pointed out that levying of guarantee fee at the flat rate of 1.2 per cent per annum on the outstanding amounts in respect of all loans borrowed by Air India and Indian Airlines irrespective of stipulations made in the original sanctions issued by the Ministry of Finance at the time of extension of guarantees was not proper. Since guarantee fee at the normal rates had already been paid by the both PSUs and in view of the difficult financial conditions of these PSUs on account of fierce competition from the private airlines the Committee had felt that it would not perhaps be appropriate on the part of Ministry of Finance to insist on payment of guarantee fee at penal rates. They, therefore, had recommended that Government should treat this matter as closed and had desired that in future any such disputes should be expeditiously and amicably settled between the Ministry of Finance and the concerned administrative Ministry.

8. The Ministry of Civil Aviation in their Action Taken Note have, *inter-alia*, stated as under:—

"Ministry of Civil Aviation have taken up the matter with the Ministry of Finance for acceptance of guarantee fee paid by Air India and Indian Airlines at the normal rates for those cases where stipulations have been made in the sanction orders issued at the time of extension of guarantee. However, Air India and Indian Airlines have already deposited the guarantee fee in Government account in respect of those guarantees where there is a stipulation of Ministry of Finance for payment of guarantee fee. Ministry of Finance has also been requested not to insist upon payment of guarantee fee on all the sanctions issued from time to time and no penal rates of guarantee fee be imposed. As recommended by the Public Accounts Committee, in future, Ministry of Civil Aviation will settle any dispute of such kind in the shortest possible time."

9. In their Action Taken Note, the Ministry of Finance have, *inter-alia*, stated as under:—

"Ministry of Finance as accepted the recommendations of the Public Accounts Committee that the guarantee fee be waived in respect of all loan



agreements of Air India and Indian Airlines, prior to 4.6.1993 where there is no stipulation of the same in the original sanction since guarantee fee at normal rates have already been paid by both PSUs where stipulated. Accordingly, Ministry of Civil Aviation need to work out the quantum of guarantee fee (including penalty thereof) to be waived and get the accounting adjustments relating to such waiver approved by the Parliament in the First batch of Supplementary Demands for Grants, 2007-08. However, in future, Ministry of Finance shall insist on the payment of guarantee fee according to the stipulations made from time-to-time, and shall ensure that the Ministry of Civil Aviation enforce these stipulations strictly."

**10. The Committee are satisfied to note that the Ministries of Civil Aviation and Finance have accepted all the Recommendations made by the Committee in their Thirtieth Report. The Committee are also happy to note that the contentious issue of payment of guarantee fee by Air India and Indian Airlines for the period from January 1989 to March 2004 has been amicably resolved by the two Ministries. The Committee expect that in future National Airlines(s) will take necessary steps for prompt and timely payment of guarantee fee to the Ministry of Finance as per the stipulation laid down under the agreements so that there are no occasions for disputes between the two Departments of the Government. The Committee recommend that an institutional coordination mechanism may be set up by the Ministry of Finance and other administrative Ministries for resolving outstanding issues relating to inter-Ministerial payments/adjustments.**

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## **CHAPTER II**

### **OBSERVATIONS/RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT**

#### **Observation/Recommendation**

Under Article 292 of the Constitution of India, the Union Government has been empowered to give guarantees upon the security of the Consolidated Fund of India in respect of loans (both internal and external) raised by various organizations within such limits as may be fixed from time-to-time by an Act of Parliament, for which Guarantee Fee is levied in consideration of the contingent liability undertaken by the Government. The Government charges guarantee fee on such guarantees at the rates prescribed from time-to-time which forms part of non-tax revenue of the Government. The Government guarantees facilitates the borrower organizations to procure loans from lending institutions at softer terms with lower rates of interest than what the borrower can procure on the strength of its own credit rating.

[Sl. No. 1, Appendix II, Para 48 of 30th Report of PAC  
(14th Lok Sabha)]

#### **Action Taken by the Ministry of Civil Aviation**

Facts of the case, hence no comments are required.

#### **Action Taken by the Ministry of Finance (Department of Economic Affairs)**

Statement of facts, hence no comments.

#### **Observation/Recommendation**

Initially, the question of levy of guarantee fee on the borrowings/loans raised by Public Sector Undertakings/Enterprises was examined by the concerned Administrative Ministry and the rate of guarantee fee was to be determined on case-to-case basis. In April, 1992 instructions were issued by the Ministry of Finance, fixing guarantee fee @ 1 per cent annum in respect of internal borrowings. In respect of guarantee fee for external borrowings, it was decided that it will be determined on case-to-case basis. They further decided that since the proposals for guarantee amounted to undertaking a contingent liability, all cases of extending Government guarantees should be referred to the Ministry of Finance by the Administrative Ministries before taking a final decision.

[Sl.No. 2, Appendix II, Para 49 of 30th Report of PAC  
(14th Lok Sabha)]

**Action Taken by the Ministry of Civil Aviation**

Facts of the case, hence no comments are required.

**Action Taken by the Ministry of Finance (Department of Economic Affairs)**

Statement of facts, hence no comments.

**Observation/Recommendation**

The Committee note that Air India and Indian Airlines have been financing their aircraft acquisition projects through External Commercial Borrowings (ECBs). The Government guarantees issued by the Ministry of Finance to Air India and Indian Airlines in pre-1993 period in connection with external commercial borrowings did not carry stipulations for payment of any guarantee fee. It was only in 1993 that Ministry of Finance issued instructions for charging guarantee fee at the flat rate of 1.2 per cent per annum on the outstanding amount of principal plus interest in respect of external borrowings. As per these instructions, the guarantee fee was to be levied in respect of guarantee already issued but still partially outstanding. The instructions further stipulated that where the guarantee fee was not paid on due dates, fee should be charged at double the normal rates for the period of default.

[Sl.No. 3, Appendix II, Para 50 of 30th Report of PAC  
(14th Lok Sabha)]

**Action Taken by the Ministry of Civil Aviation**

Facts of the case, hence no comments are required.

**Action Taken by the Ministry of Finance (Department of Economic Affairs)**

Statement of facts, hence no comments.

**Observation/Recommendation**

As per Audit calculation the Air India and Indian Airlines had outstanding loans and interest thereon amounting to Rs. 24171 crore and Rs. 18392 crore respectively as on March, 2004 and the guarantee fee payable by these PSUs for the period from January, 1989 to March, 2004 amounted to Rs. 290.05 crore and Rs. 220.70 crore respectively at normal rates and Rs. 580.10 crore and Rs. 441.40 crore at double the normal rate in case of default. However, according to the Ministry of Civil Aviation, as on 31st March, 2004, the total outstanding loan on Air India for aircraft purchase was Rs. 921.77 crore, out of which only Rs. 391.24 crore was guaranteed by the Government of India. In the case of Indian Airlines, an amount of USD 64.20 million (Rs. 283.90 crore) was outstanding towards foreign currency loans as on 31st March, 2004. The Committee were informed by Ministry of Civil Aviation that while calculating the amount of guarantee fee due on Air India, they had excluded one loan which had been refinanced by the Ministry of Finance, wherein there was a specific mention in the sanction order stating guarantee fee would not be payable in respect of earlier loan being refinanced. The Ministry of Civil Aviation further clarified that the guarantee fee payable in respect of cases prior to 1989 for both Air India and Indian Airlines was not

calculated since they had represented to the Ministry of Finance for not charging the guarantee fee in those cases where there was no stipulation requiring payment of the same had been made at the time of giving the guarantee.

[Sl. No. 4, Appendix II, Para 51 of 30th Report of PAC  
(14th Lok Sabha)]

**Action Taken by the Ministry of Civil Aviation**

Facts of the case, hence no comments are required.

**Action Taken by the Ministry of Finance (Department of Economic Affairs)**

Statement of facts, hence no comments.

**Observation/Recommendation**

The Committee have been informed that both Air India and Indian Airlines did not accept the stipulation made by Ministry of Finance for payment of guarantee fee at the rate of 1.2 per cent in all cases of external borrowing extended on or after 1.1.1989 irrespective of stipulation made in the sanction issued by the Ministry of Finance at the time of extension of guarantees. Citing their difficult financial position, Air India and Indian Airlines also expressed their inability to pay the guarantee fee to the Government even in those cases, where stipulations requiring payment of the guarantee fee were made by the Ministry of Finance at the time of extending guarantees. In view of the dispute raised by the two PSUs, the guarantee fee could not be recovered.

[Sl.No. 5, Appendix II, Para 52 of 30th Report of PAC  
(14th Lok Sabha)]

**Action Taken by the Ministry of Civil Aviation**

Facts of the case, hence no comments are required.

**Action Taken by the Ministry of Finance (Department of Economic Affairs)**

Statement of facts, hence no comments.

**Observation/Recommendation**

The Committee feel that the issuance of conditions in the Ministry of Finance O.M. in June, 1993 that all Government guarantees in respect of external borrowings would be subject to guarantee fee of 1.2 per cent per annum on the outstanding amount of principle plus interest was perhaps not correct as the terms and conditions of the contracts cannot be changed retrospectively. What is surprising is the fact that Ministry of Civil Aviation took more than five years to represent to the Ministry of Finance, *i.e.* on 20.10.1998, for clarification with regards to liability of Air India and Indian Airlines to pay guarantee fee in those cases which did not carrying any stipulation requiring payment of guarantee fee in the sanctions issued by Ministry of Finance at the time of giving the guarantee. The Committee are constrained to point out that the Ministry of Civil Aviation failed to adduce convincing reasons in support of their

request from the very beginning. In the letter dated 9.8.1999 addressed to the Ministry of Finance (Department of Expenditure), the Secretary, Ministry of Civil Aviation projected Contradictory views. While on the one hand, it was contended that the stand taken by the Ministry of Finance was illogical on the plea that the sanctions accorded by the Government at the time of extending guarantees were in the nature of agreement and the terms of the agreement should not be changed at a later date to the disadvantage of the concerned Public Sector Undertakings. On the other hand, it was emphasized that in case of guarantees given on or after 1.1.1989, there was no reason for the concerned PSUs to withhold payment of guarantee fees at that stage as that was a committed liability and they were being advised to make payment of guarantee fees in accordance with the instructions of the Government on the subject. The response of Ministry of Finance dated 28.9.1999 was further disquieting as they took an uncompromising stand that guarantee fee could not be waived merely because it was not part of the initial agreement, as the levy of guarantee fee was a subsequent policy dispensation and both the undertakings had an opportunity at the time of such dispensation to opt out of the guarantee cover if they felt the guarantee fee would adversely affect their financial health. The Committee feel that the approach adopted by the Ministry of Finance is somewhat rigid and uncompromising and had apparently led to a stalemate. The Ministry of Finance are fully aware that Indian Airlines and Air India approached them through their administrative Ministry for guarantee because they could not manage the credit themselves. At this stage, the Air India and the Indian Airlines had no option but to continue with the loans/guarantees and Ministry of Finance had only to re-examine or settle the issue. The Committee feel that sincere efforts were not made by both the Ministries to come to an amicable solution.

[Sl. No. 6, Appendix II, Para 53 of 30th Report of PAC  
(14th Lok Sabha)]

#### **Action Taken by the Ministry of Civil Aviation**

With regard to the observations to the Committee regarding period of 5 years taken by Ministry of Civil Aviation to represent to the Ministry of Finance, it is stated that Ministry of Civil Aviation immediately brought to the notice of Air India and Indian Airlines on receipt of instructions from Ministry of Finance. In this connection, an exercise to assess the amount of guarantee fee payable by Air India and Indian Airlines in terms of guidelines of the Ministry of Finance was also initiated and thereafter Airlines were accordingly advised to take necessary steps for payment of the guarantee fee in accordance with the instructions of the Ministry of Finance. However, both the Airlines did not accept the stipulation made by the Ministry of Finance for extending of guarantee fee on all the guarantees irrespective of the stipulations made in the sanctions issued by them at the time of extension of guarantee. Air India and Indian Airlines also expressed their difficult financial position due to which they were not in a position to pay the guarantee fee as desired by Ministry of Finance.

#### **Action Taken by the Ministry of Finance (Department of Economic Affairs)**

The stand taken by Ministry of Finance has been consistent with the policy instructions on the issue of levy of guarantee fee. However, the entire issue of waiving

off of guarantee fee has not been re-examined and the Ministry of Finance has accepted the recommendation of the Public Accounts Committee that the guarantee fee in respect of all loan agreements prior to 4.6.1993 should be waived.

#### **Observation/Recommendation**

From the foregoing the Committee are inclined to conclude that the matter continued to shuttle between the Ministries of Civil Aviation and Finance for years and no amount of guarantee fee could be recovered from Air India and Indian Airlines till mid-2005 as the two Ministries could not reach at a mutually acceptable solution. Whatever steps have now been initiated were taken by the Ministry of Civil Aviation only after the Public Accounts Committee took up the subject for detailed examination in May 2005. Air India paid Rs. 24.91 crore during July-August, 2005 and Indian Airlines began payment of Rs. 8.50 crore in August, 2005 as guarantee fee. The Ministry of Finance on 5.8.2005 and subsequently on 1.9.2005, for waiver of guarantee fees in those cases where a clear stipulation had not been made at the time of sanction of guarantees as well as for waiver of penalty, with the submission that recovery of guarantee fee from Air India and Indian Airlines would be regulated in accordance with the final decision of the Ministry of Finance. The Committee are surprised to note that the matter had been lingering on for several years and both the Ministries could not arrive at a consensus on this issue from 1993 till 2005 *i.e.* even after the lapse of 12 years. They feel that the two Ministries could and should have reached at a mutually acceptable solution, had there been sustained and concerted efforts on their part to resolve the matter. That this was not done is nothing but regrettable.

[Sl. No. 7, Appendix II, Para 54 of 30th Report of PAC  
(14th Lok Sabha)]

#### **Action Taken by the Ministry of Civil Aviation**

Observation have been noted for future compliance.

#### **Action Taken by the Ministry of Finance (Department of Economic Affairs)**

The stand taken by Ministry of Finance has been consistent with the policy instruction on the issue of levy of guarantee fee. However, as already explained in Action Taken to Para 53 Ministry of Finance has already taken a decision to waive off the guarantee fee together with penalty thereof in respect of those guarantees, where there was no stipulation in the guarantee agreement for payment of guarantee fee.

#### **Observation/Recommendation**

The Committee has now been informed that Air India had since paid the entire amount of guarantee fee amounting to Rs. 24.91 crore calculated at normal rate and as per the original sanction of Ministry of Finance and similarly, the Indian Airlines had paid the total dues of Rs. 34.38 crores in instalments.

[Sl. No. 8, Appendix II, Para 55 of 30th Report of PAC  
(14th Lok Sabha)]

**Action Taken by the Ministry of Civil Aviation**

Facts of the case, hence no comments are required.

**Action Taken by the Ministry of Finance (Department of Economic Affairs)**

Statement of facts, hence no comments.

**Observation/Recommendation**

The Committee are of the view that the levying of guarantee fee at the flat rate of 1.2 per cent per annum on the outstanding amounts in respect of all loans borrowed by the Indian Airlines and the Air India irrespective of stipulations made in the original sanctions issued by the Ministry of Finance at the time of extension of guarantees was not proper. Since guarantee fee at the normal rates have already been paid by the both PSUs and in view of the difficult financial conditions of these PSUs on accounts of fierce competition from the private airlines the Committee feel that it would not perhaps be appropriate on the part of Ministry of Finance to insist on payment of guarantee fee at penal rates. They, therefore, recommend that Government should treat this matter as closed. That this issue could not be settled in an amicable manner and allowed to linger on for years together till Public Accounts Committee were seized of the matter speaks volumes about the laxity, apathy and rigidity on the part of both Departments is nothing but regrettable. The Committee hope that in future any such disputes would be expeditiously and amicably settled between the Ministry of Finance and the concerned administrative Ministry.

[Sl. No. 9, Appendix II, Para 56 of 30th Report of PAC  
(14th Lok Sabha)]

**Action Taken by the Ministry of Civil Aviation**

Ministry of Civil Aviation have taken up the matter with the Ministry of Finance for acceptance of guarantee fee paid by Air India and Indian Airlines at the normal rates for those cases where stipulations have been made in the sanction orders issued at the time of extension of guarantee. However, Air India and Indian Airlines have already deposited the guarantee fee in Government account in respect of those guarantees where there is a stipulation of Ministry of Finance for payment of guarantee fee. Ministry of Finance has also been requested not to insist upon payment of guarantee fee on all the sanctions issued from time-to-time and no penal rates of guarantee fee be imposed. As recommended by the PAC, in future, Ministry of Civil Aviation will settle any dispute of such kind in the shortest possible time.

This note has been vetted by Audit *vide* their PDA, E&SM, U.O. No. AMG-I/Rep.I-14(2)/ATN/M/OCA/PAC/2007-08/19-21 dated 20th April, 2007.

Sd/-

(RAGHU MENON)

ADDL. SECRETARY & FINANCIAL ADVISER

Ministry of Civil Aviation,  
O.M. No. 12/3/2006-F.I. dated 28th April, 2007.

**Action taken by the Ministry of Finance (Department of Economic Affairs)**

Ministry of Finance has accepted the recommendations of the Public Accounts Committee that the guarantee fee be waived in respect of all loan agreements of Air India and Indian Airlines, prior to 4.6.1993 where there is no stipulation of the same in the original sanction since guarantee fee at normal rates have already been paid by both PSUs where stipulated. Accordingly, Ministry of Civil Aviation need to work out the quantum of guarantee fee (including penalty thereof) to be waived and get the accounting adjustments relating to such waiver approved by the Parliament in the First batch of Supplementary Demands for Grants, 2007-08. However, in future, Ministry of Finance shall insist on the payment of guarantee fee according to the stipulations made from time to time, and shall ensure that the Ministry of Civil Aviation enforce these stipulations strictly.

This note has been vetted by Audit *vide* their U.O. No. AMG-I/Rep. 1-14(2)/ATN/M/o CA/PAC/2007-08/22-24 dated 20th April, 2007.

Sd/-  
(L.M. VAS)  
Joint Secretary

Ministry of Finance, Department of Economic Affairs,  
(Budget Division),  
O.M. No. F. 12(29)-B(SD)/2005 dated 4th May, 2007



**CHAPTER III**

OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE  
DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES  
RECEIVED FROM GOVERNMENT

—NIL—

**CHAPTER IV**

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF  
GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND  
WHICH REQUIRE REITERATION

—NIL—

**CHAPTER V**  
OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH  
GOVERNMENT HAVE FURNISHED INTERIM REPLIES

—NIL—

NEW DELHI;  
16 August, 2007  
25 Sravana, 1929 (Saka)

PROF. VIJAY KUMAR MALHOTRA,  
*Chairman,*  
*Public Accounts Committee.*

## PART II

### MINUTES OF THE NINTH SITTING OF PUBLIC ACCOUNTS COMMITTEE (2007-2008) HELD ON 7TH AUGUST, 2007

The Committee sat from 1100 hrs. to 1130 hrs. on 7th August, 2007 in Room No. 51 (Chairman's Chamber), Parliament House, New Delhi.

#### PRESENT

Prof. Vijay Kumar Malhotra — *Chairman*

#### *Lok Sabha*

2. Shri Raghunath Jha
3. Shri Bhartruhari Mahtab
4. Dr. Rajesh Mishra
5. Shri Mohan Singh
6. Shri Kharabela Swain
7. Shri Tarit Baran Topdar

#### *Rajya Sabha*

8. Shri V. Narayanasamy
9. Prof. P.J. Kurien
10. Shri Janardhana Poojary
11. Dr. K. Malaisamy

#### SECRETARIAT

1. Shri Brahm Dutt — *Director*
2. Shri M.K. Madhusudhan — *Deputy Secretary-II*
3. Shri Ramkumar Suryanarayanan — *Under Secretary*
4. Shri N.K. Jha — *Under Secretary*

#### **Representative of the Office of the Comptroller and Auditor General of India**

Shri P.K. Kataria — Pr. Director (RC)

2. At the outset, the Chairman, PAC welcomed the Members and Audit Officers to the sitting of the Committee. Thereafter, the Committee took up for consideration and adoption the following draft Reports:

- (i) Draft Report on "**Excesses Over Voted Grants and Charged Appropriations (2005-2006)**";

- (ii) Draft Report on "**Development of Land by the Delhi Development Authority**"; and
- (iii) Draft Report on Action Taken on the 30th Report of PAC (14th Lok Sabha) relating to "**Non-recovery of Guarantee Fee from Air India and Indian Airlines**".

3. After some deliberations, the Committee adopted these draft Reports without any amendments/modifications and authorized the Chairman to finalize and present the same to Parliament in the light of factual verification, if any, done by the Audit.

*The Committee then adjourned.*

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## APPENDIX

### STATEMENT OF CONCLUSIONS/RECOMMENDATIONS

Sl. No.	Para No.	Ministry/ Department	Conclusions/Recommendations
1.	10	Ministries of Civil Aviation and Finance (Department of Economic Affairs)	The Committee are satisfied to note that the Ministries of Civil Aviation and Finance have accepted all the recommendations made by the Committee in their Thirtieth Report. The Committee are also happy to note that the contentious issue of payment of guarantee fee by Air India and Indian Airlines for the period from January 1989 to March 2004 has been amicably resolved by the two Ministries. The Committee expect that in future national Airline(s) will take necessary steps for prompt and timely payment of guarantee fee to the Ministry of Finance as per the stipulation laid down under the agreements so that there are no occasions for disputes between the two Departments of the Government. The Committee recommend that an institutional coordination mechanism may be set up by the Ministry of Finance and other administrative Ministries for resolving outstanding issues relating to inter-Ministerial payments/adjustments.