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TWENTY FIRST REPORT
COMMITTEE ON PUBLIC UNDERTAKINGS

(2007-2008)

(FOURTEENTH LOK SABHA)

"AIRPORTS AUTHORITY OF INDIA-REVIEW OF INFRASTRUCTURE AND
OPERATIONAL FACILITIES"

MINISTRY OF CIVIL AVIATION

**(Based on the Audit Report No. 17 of 2007 (Performance Audit) of C&AG of
India-Union Government (Commercial) on Review of Infrastructure and
Operational Facilities)**



Presented to Lok Sabha on 28.11.2007

Laid in Rajya Sabha on 28.11.2007

LOK SABHA SECRETARIAT

NEW DELHI

November 2007/ Agrahayana 1929 (S)

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COMPOSITION OF
THE COMMITTEE ON PUBLIC UNDERTAKINGS
(2007-2008)

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6. Ms. Malvika Sharma - Senior Executive Assistant

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorized by the Committee to submit the Report on their behalf, present this Twenty First Report on Airports Authority of India - Review of Infrastructure and operational facilities.

2. The Committee's examination of the subject was based on the Report of the Comptroller & Auditor General of India-Union Government No. 17 (Commercial) of 2007.

3. The Committee had a technical briefing by the officials of C&AG on 5th June, 2007. The Committee took oral evidence of the representatives of Airports Authority of India on 19th June, 2007 and on 13th July, 2007 and Ministry of Civil Aviation on 29th August, 2007.

4. The Committee on Public Undertakings (2007-08) considered and adopted this Report at their sitting held on 26th November, 2007.

5. The Committee wish to express their thanks to the representatives of the Airports Authority of India and Ministry of Civil Aviation for placing before them the desired material and information in connection with the examination of the subject. The Committee also place on record their appreciation for the assistance rendered by the Officials of the Comptroller and Auditor General of India. They would also like to place on record their appreciation for the invaluable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

6. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in Part-B of the Report.

New Delhi:
Pal
26th November 2007
Chairman,
05 Agrahayana 1929(Saka)
Undertakings

Rupchand

Committee on Public

LIST OF ABBREVIATIONS

Sl. No.	Abbreviation	Full form
1.	AAI	Authority Airports Authority of India
2.	ADS	Automatic Dependent Surveillance
3.	AFFRV	Air Field Fire fighting and Rescue Vehicle
4.	ARSR	Air Route Surveillance Radar
5.	ASR	Airport Surveillance Radar
6.	ASFT	Airport Surface Friction Tester
7.	ATC	Air Traffic Control
8.	ATM	Air Traffic Management
9.	ATS	Air Traffic Services
10.	CFT	Crash Fire Tender
11.	CISF	Central Industrial Security Force
12.	CNS-P	Communication, Navigational and Surveillance - Planning
13.	CVC	Central Vigilance Commission
14.	DGCA	Director General of Civil Aviation
15.	DME	Distance Measuring Equipment
16.	DSCN	Dedicated Satellite Communication Network
17.	DVOR	Doppler Very High Frequency Omni Range
18.	FANS	Future Air Navigation System
19.	FDPS	Flight Data Processing System
20.	GAGAN	GPS And Geo Augmented Navigation
21.	GPS	Global Positioning System
22.	GBP	Great Britain Pound
23.	IAD	International Airports Division
24.	ICAO	International Civil Aviation Organisation
25.	ILS	Instrument Landing System
26.	IRR	Internal Rate of Return
27.	ISRO	Indian Space Research Organisation
28.	MOCA	Ministry of Civil Aviation
29.	MoU	Memorandum of Understanding
30.	MSSR	Monopulse Secondary Surveillance Radar
31.	NAD	National Airports Division
32.	NIT	Notice Inviting Tenders
33.	NOTAM	Notice to Airmen
34.	PCN	Pavement Classification Number
35.	RDPS	Radar Data Processing System
36.	UHF	Ultra High Frequency
37.	VCS	Voice Communication System
38.	X-BIS	X-Ray Baggage Inspection System

GLOSSARY OF TECHNICAL TERMS

SL. No.	Item	Description
1.	Aerobridge	An aerobridge is a movable bridge normally enclosed which extends from an airport terminal allowing the passengers to board an airplane without having to go outside.
2.	Apron	A defined area in an airport intended to accommodate aircraft for purposes of loading or unloading passengers or cargo, fuelling, parking or maintenance.
3.	Approach funnel	A specified airspace around an approach path within which an aircraft approaching to land is considered to be making a normal approach.
4.	CAT I, II, III A, B, C	An instrument runway served by ILS and visual aids intended for operation with different runway visual ranges.
5.	DVOR	DVOR or Doppler Very High Frequency Omni Range provides electronic navigation to an aircraft. The DVOR gives accurate, specific directional information enabling pilots to determine their relative direction to or from a station.
6.	ILS	A ground based precision approach system that provides course and vertical guidance to landing aircraft.
7.	NOTAM	A notice containing information, the timely knowledge of which is essential to personnel concerned with flight operations.
8.	PCN	A number representing the bearing strength of a pavement for unrestricted operations by an aircraft.
9.	Radar	A radio detection device, which provides information on range and elevation of objects.
10.	Rapid exit taxiway	A taxiway connected to a runway at an acute angle and designed to allow landing aircraft to turn off at higher speeds than are achieved on other exit taxiways thereby minimizing runway occupancy times.
11.	RESA	An area symmetrical about the extended runway centre line and adjacent to the end of the strip primarily intended to reduce the risk of damage to an aircraft undershooting or overrunning the runway.
12.	Runway	A defined rectangular area in an airport prepared for the landing and take-off of aircraft.
13.	Runway Friction	Condition of the runway surface determining aeroplane braking performance.
14.	Shoulders	An area adjacent to the edge of a pavement so prepared as to provide a transition between the pavement and the adjacent surface.
15.	Taxiways	A defined path in an airport established for the taxing of aircraft and intended to provide a link between one part of the airport from another.
16.	X- BIS machine	X ray Baggage Inspection machine for screening baggage

Chapter I

Introduction

1.1 The Audit Report of the Comptroller & Auditor General of India-Union Govt. (Commercial)-No. 17 of 2007 examined the creation, augmentation and adequacy of infrastructure and operational facilities by the Airports Authority of India (the Authority). The main functions of the Authority are designing, construction and maintenance of airports including operational and terminal facilities, providing communication and navigational aids and providing passenger facilitation and information systems. The report was based on test check of records of 40 airports out of total of 127 airports and discussions held with the management of AAI. The selection of airports was made on the basis of geographical location, expenditure incurred, criticality of the project and physical progress of work.

1.2 The salient features of the Audit Report are as follows:-

a) During the period 2000-01 to 2005-06, the Authority spent Rs.3161.94 crore for creation of infrastructure facilities at the airports. There was shortfall in actual expenditure compared to the plan outlay in all the years, which ranged between 1.82 *per cent* (2005-06) and 58.35 *per cent* (2000-01). These were due to delays in finalisation of schemes and tenders, midway alteration and delays by contractors during execution of work etc. In respect of Delhi and Mumbai, due to the proposed restructuring of the airports, no major infrastructure project was taken up in the four years ending 2005-06.

b) The 84 airports, which had meager/no commercial operations, continued to incur revenue expenditure and in the four years upto 2005-06, 20 such airports ended with cash loss of Rs.50.38 crore. The share of non-traffic revenue in the Authority, which is above 50 per cent internationally, was woefully short at around 11 to 14 *per cent*. The Authority did not finalise a land/ space lease policy for commercial exploitation of land to increase the share of non-traffic revenue.

c) The Authority did not standardise its procedures and contract documents. The International Airports Division (IAD) and the National Airports Division (NAD) were following different Works Manuals and procedures with attendant inconsistencies. The infirmities in the contract conditions led to contractual

complications, overpayments, delays and loss of revenue. Projects were taken up without any commitment from the users. These projects yielded only negative return.

d) Several works were foreclosed due to non-availability of work sites/disputes leading to wasteful expenditure, cost and time overrun. Encroachments were not removed in time. 702 acres of land were still under encroachment in different airports depriving the Authority of land required for infrastructure development. Land acquisition problems with State Governments and Defence authorities were not resolved in time. Project monitoring and quality assurances were inadequate as these did not meet the standard requirements.

e) Installation and commissioning of Communication and Navigational equipment were inordinately delayed due to delays in finalisation of orders, non-availability of sites, non-synchronisation of allied activities etc. Terminal facilities at 11 out of 18 airports test checked were saturated. Customer satisfaction level in a number of airports was below 70 *per cent* in respect of general comfort, toilet facilities, flight information system and trolley availability. The Authority did not meet the International Civil Aviation Organisation (ICAO) recommendations on safety standards fully.

A copy of the Highlights of the Audit Report is given at **Annexure-I**. The various acts of omissions revealed by the Audit in the above Report have been dealt with by the Committee in detail in the succeeding chapters.

Chapter II

Origin, Historical Background and Functions of the Authority

2.1 The Airports Authority of India 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. The five international airports at Delhi, Mumbai, Chennai, Kolkata and Thiruvananthapuram are managed by the Authority's International Airports Division (IAD) and the other airports by the National Airports Division (NAD).

2.2 Giving an outline of their origin and functions, AAI in their written reply stated as under:-

“Airports Authority of India (AAI) was formed on 1st April, 1995 by merging erstwhile International Airports Authority of India (IAAI) and National Airports Authority (NAA), through an act of Parliament (Airports Authority of India Act 1994). AAI controls and manages Indian Air Space extending beyond the territorial limits of the country as designated by International Civil Aviation Organisation (ICAO). The functions of AAI are as under:

- (i) To manage the airports, the civil enclaves and the aeronautical communication stations efficiently.
- (ii) To provide air traffic services and air transport services at any airport and civil enclaves.
- (iii) To plan, develop, construct and maintain runways, taxiways, aprons and terminals and ancillary buildings at the airports and civil enclaves.
- (iv) To plan, procure, install and maintain navigational aids, communication equipment, beacons and ground aids at the airports and at such locations as may be considered necessary for safe navigation and operation of aircrafts.
- (v) To provide air safety services and search and rescue, facilities in co-ordination with other agencies.
- (vi) To establish schools or institutions or centres for the training of its officers and employees in regard to any matter connected with the purposes of this Act.
- (vii) To establish warehouses and cargo complexes at the airports for the storage or processing of goods.
- (viii) To make appropriate arrangements for watch and ward at the airports and civil enclaves.
- (ix) To develop and provide consultancy, construction or management services, and undertake operations in India and abroad in relation to airports, air-navigation services, ground aids and safety services or any facilities thereat.
- (x) To perform any other function considered necessary or desirable by the Central Government for ensuring the safe and efficient operation of aircraft to, from and across the air space of India.”

2.3 The Authority were asked by the Committee to give in chronological order, their development activities since inception including inter-alia, the aims and objectives, and problems coming in the way of achievement of objectives. In their written reply, they stated:-

“The major development activities taken place since inception are enumerated below:

- Action initiated for modernization of the Air Traffic Services (ATS) for Delhi and Mumbai airports during the year 1995-96.
- State of Art Center for Perishable Export Cargo commissioned at IGI Airport, New Delhi during the year 1997-98.
- Integrated Cargo Terminal with facilities for processing Domestic, International and Courier/Express Cargo commissioned at Nagpur Airport during the year 1997-98.
- In March 1998, the Delhi system of the modernization of the ATS was taken over from M/s. Raytheon.
- The Cat. II ILS equipment at Runway 28 at IGI Airport was replaced with a new Cat. III compliant system and commissioned as Cat.II in February 1999.
- Terminal Building was commissioned in June, 1999 at Silchar Airport.
- N.T. Rama Rao Domestic Terminal Building was commissioned in June, 1999 at Hyderabad Airport.
- New Terminal Building was constructed and commissioned in July, 1999 at Imphal Airport.
- Modification and expansion of existing Terminal Building was completed and commissioned in December, 1999 at Vijayawada airport.
- AAI initiated action in the year 2000 for restructuring of the Metro Airports at Delhi, Mumbai, Kolkata and Chennai.
- Airports Authority of India has been awarded Certificate of Approval under ISO 9001 for the Chhatrapati Shivaji International Airport, Mumbai and Chennai International Airport, Chennai during the year 2001-02. Also Jaipur airport has been certified to ISO-9002 standards in respect of Air Traffic Services and Terminal Facilities with associated infrastructure during the same period.
- During the year 2002-03, AAI initiated plan for development of 35 Non-Metro Airports in the country.
- In the year 2003, the AAI took over the Airport at Surat in Gujarat from the Government of Gujarat for development and modernization.
- In the year 2003 AAI has initiated a plan for implementation of a Satellite Based Augmentation System (SBAS) as a part of the Global Navigation Satellite System (GNSS) programme of International Civil Aviation Organisation (ICAO). The system is being jointly developed by AAI and ISRO under Memorandum of Understanding (MOU) signed between the two organizations. This will be one of the very few systems under development worldwide and will have the capability to provide satellite navigation services far beyond Indian air space.
- A new modern passenger Terminal Building with all passenger facilities was commissioned at Bhuj in August 2003. This Terminal Building was built after the earlier building was devastated during the earthquake.

- AAI was awarded merits certificate by Hon'ble Vice President of India for Excellence in the Achievement of MOU Targets for the year 2003-2004 on 10th January 2006.
- In order to enhance Quality Management System (QMS), AAI has undertaken plans for ISO 9001-2000 Certification of airports in a phased manner, which also forms part of MoU signed with the Ministry of Civil Aviation. A total of 21 Airports / Offices / Units have been certified for QMS before 31.03.05. During the current Financial Year 2005-06, ISO 9001-2000 Certification of Nagpur, Trivandrum, Lucknow, Amritsar, Calicut, Indore, Trichy and New ATS Complex, Delhi has been obtained.
- On 4th April, 2006, AAI signed the Operations, Maintenance and Development Agreement (OMDA), Shareholders' Agreement (SHA) and Land Lease Agreement and CNS-ATM Agreement with the two Joint Venture Companies namely Delhi International Airport Private Limited (DIAPL) and Mumbai International Airport Private Limited (MIAPL). As per the mandatory Clause contained in the OMDA, these two airports namely Delhi and Mumbai were handed over to the respective JVCs namely DIAPL and MIAPL on 3.5.2006 for operation and management of these two airports on thirty year long term lease basis. After the three months transition period which ended on 3.8.2006, the management of these two airports have been vested with the respective Joint Venture Companies namely DIAPL and MIAPL.
- Center for Perishable Cargo (CPC) at Amritsar airport in association with State Government of Punjab has been commissioned on 28.7.2006.
- Phase I of Integrated Cargo Terminal at Kolkata Airport for export operation has been commissioned on 31.7.2006."

2.4 On being asked by the Committee as to how many of the total number of airports are non-operational/ closed and the reasons therefor, the Authority stated: -

"AAI is managing 133 airports (including airports which are not owned by AAI but AAI is providing CNS/ATM facilities)...Out of 133 airports, 33 domestic airports belonging to AAI are non-operational and 7 Civil Enclaves are non-operational. These airports are non-operational due to no firm commitment from airlines for scheduled commercial operations."

2.5 On being asked what is the expenditure incurred annually in maintaining these airports and whether any initiative has been taken to make them operative, AAI stated that: -

"The expenditure incurred for the year 2005-06 in maintaining these airports is about Rs.212 lakhs.... These airports have remained non-operational mainly due to lack of commitment from the airlines for operation of scheduled flights. Apart from giving financial incentives to the airlines viz. exemption of aircraft upto 80 seater capacity from payment of landing and parking charges, AAI has also taken up with the various State Governments the development of some of the unused airstrips. AAI has since entered into MoUs with some of the State Governments viz. Karnataka, Andhra Pradesh and Pondicherry to make unused airstrips operational. AAI is also taking up with other State Governments to develop the non-operational airstrips in the respective States."

Chapter-III

Performance

A. Delay in Finalisation of Corporate Plan

3.1 As per Audit in Para 2.1, the Authority did not have any Corporate Plan. An unsuccessful attempt was made in January 2004 for finalising such a Plan. The attempt was revived again in May 2005 when the Indian Institute of Technology, Delhi was appointed (at a cost of Rs. three lakh) to prepare a Corporate Plan for the Authority. The draft report was received in February 2006 but was yet to be approved. The Management stated (August 2006) that a Corporate Plan was under consideration.

3.2 In this connection, when asked by the Committee as to what were the reasons due to which the attempt made in January, 2004 for having Corporate Plan did not fructify, the Authority in their written reply submitted as under: -

“The Corporate Plan document was prepared by AAI in 2004, however, at the approval stage, it was considered appropriate by the management to get it reviewed by some outside expert. Followed by this decision, the services of DMS, IIT Delhi were engaged for review and finalization of the document.”

3.3 On being asked whether there were any directives from Government to the Authority to prepare such a plan, the Authority stated that: -

“As such there was no directive from the Government to prepare the Corporate Plan. However, while the attempt was being made for preparation of Corporate Plan, the matter came up for discussion during the MOU Negotiation meeting with the Task Force for the year 2004-05 and ‘Preparation of Corporate Plan’ was adopted as one of the parameters under MOU 2004-05 & MOU 2005-06 signed with MOCA.”

3.4 To a question as to why it was considered appropriate at the final approval stage to get the Corporate Plan reviewed by an outside expert, AAI stated: -

“Corporate Plan document was prepared by AAI with in-house efforts in the year 2004. The decision for review of document from outside expert was taken keeping in view that an independent person who is also a management expert may see the things in a different perspective and may add values to the work already done especially at a very crucial stage when the aviation industry was/is at a transition stage experiencing very high growth of traffic and various challenges like privatization of airports and the emerging economic scenario in the country.”

3.5 Further, when the Committee enquired about the latest position regarding the Corporate Plan, the AAI in their written reply stated that: -

“...The Corporate Plan has since been finalized and approved by AAI Board.”

B. Financial Outlay on Infrastructure/Capital Projects

3.6 According to Audit in Para 2.2, the year wise plan outlay and actual expenditure on capital works executed by the Authority in the six year period upto 2005-06 covered by Audit were as below:

(Rupees in crore)

Year	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Original Plan Outlay	835.53	573.71	996.05	800.00	795.08	892.30
Actual Expenditure	348.00	319.49	445.66	566.22	606.49	876.08
Shortfall	487.53	254.22	550.39	233.78	188.59	16.22
Percentage of shortfall	58.35	44.31	55.26	29.22	23.72	1.82

The shortfall in expenditure that ranged from 1.82 per cent in 2005-06 to 58.35 per cent in 2000-01, was mainly due to delay in sanctioning of schemes, delay in finalisation of tenders, non availability of clear sites and modification and midway changes in scope of work. Some of the schemes relating to Delhi and Mumbai airports were kept in abeyance on account of the proposed restructuring of the airports. Consequently, the facilities planned were either not created or were completed after considerable time and cost overruns as discussed subsequently. The goal of creating capacity ahead of demand was thus not met fully.

3.7 In this regard, the Committee asked the Authority as to what is the mechanism in place in AAI to monitor the preparation, sanction of schemes/projects, release of funds and implementation of projects to ensure full utilization of funds. In reply AAI stated as under: -

“Respective Executive Directors of Engineering/Planning/CNS/ Equipment, etc. are directly involved in preparation of schemes / projects, release of funds and implementation of projects and monitoring including release of funds at appropriate intervals. The Schemes / Projects are sanctioned by the Competent Authority as per the Delegation of Powers. These are monitored by Member (Planning). In addition, Directorate of Project Monitoring & Quality Assurance monitors various activities in connection with the schemes/projects from pre-award stage to execution, completion and operationalisation. Finance personnel are posted at various projects/airports by Directorate of Finance to ensure timely and

uninterrupted flow of funds for proper progress of the work at site. Further, projects are reviewed periodically by the Chairman, Members of the Board and respective EDs to ensure maximum utilization of funds.”

3.8 Asked by the Committee as to what action/steps have been taken by the Authority to remove bottlenecks causing shortfall in actual expenditure as compared to planned resulting in denial of envisaged benefits of these schemes.

In reply AAI submitted as under: -

“Expenditure monitoring is done with due diligence periodically. There is a continuous improvement in expenditure against the budget provisions in respect of capital projects due to implementation of remedial steps based on AAI’s experience gained over the period of time, and analysis of problem areas. Timely actions are taken by the concerned Executive Directors to reduce the bottlenecks and hindrances in execution of work. The remedial actions are also taken by the Project-In-Charges at site through efficient scheduling of activities. Technical instructions are issued by the respective Executive Directors as guidelines for compliance to ensure transparency and efficient delivery mechanism in the tendering process and project execution at site. Member (Planning) interacts with other departments for coordination in the execution of the projects. Inter-departmental co-ordination is improved with the formation of dedicated department of Project Monitoring and Quality Assurance. Project review meetings are regularly organized at site and Headquarters to review progress and sort out critical issues affecting implementation of the project, so that cost intensive assets created are operationalised timely.”

3.9 On the above subject during oral evidence before the Committee, the Chairman, AAI, further stated that: -

“There is better coordination between the corporate headquarters and the project units at various airports. I would like to submit before the Committee that for each project we have created a separate project unit at various airports if it is beyond a certain amount, maybe Rs.50 crore and above. That has yielded good result. That is a self-contained unit so that the bills are passed. Also, with regard to the procedures in short-listing the contractors and agencies, we have brought in the pre-qualifications without violating or deviating from the CVC guidelines. We have been able to get good agencies because recently we have tightened the pre-qualification criteria. In the contract document also we have brought in the incentive clause and the penalty clause if the contracting or the executing agencies are not able to execute the contract. We have also been able to put in place a liquidate damage clause. This clause has been invoked in some cases. In recent couple of years wherever the work is not proceeding as per the schedule we have taken action to terminate the contract at risk and cost and then go to the new contractor. These are some of the actions which we have taken in the past couple of years.”

3.10 On being asked whether any assessment has been made about the loss of revenue or customer services affected due to non-utilisation of outlay and timely completion of schemes, the Authority replied:-

“No specific assessment has been made in AAI as regards loss of revenue due to non completion of schemes on time. However, it is ensured that passengers/customers are not put to any inconvenience by making alternate arrangements for passenger movement and towards facilitation at airports.”

3.11 Regarding details of the competent authority to sanction and monitor the projects, the AAI further elaborated:-

“The approval of schemes costing more than Rs.15 crores is vested with AAI Board, including overall budgetary allocation of works to be undertaken by AAI. The Chairman is empowered to accord approvals to the schemes costing upto Rs.15 crores.

The mechanism for monitoring the implementation of projects lies within the purview of Chairman AAI and the progress of schemes costing more than Rs.5 crores is also monitored at AAI Board’s level.

The delegation of powers of officials for sanction of schemes / projects, as per Delegation of Powers of AAI are as below:

Regional Executive Directors	-	Project Cost upto Rs. 5.00 crores
Board Members	-	Project Cost upto Rs. 10.00 Crores
Chairman AAI	-	Project Cost upto Rs. 15.00 crores
AAI Board	-	All projects more than Rs. 15.00 crores & up to Rs. 150 Crores. Over Rs.150 Crores with the approval of PIB”

3.12 When asked by the Committee as to what were the problem areas regarding planned and actual expenditure in respect of capital projects and what were the shortfalls that came to the Authority’s notice for which some measures had to be taken, AAI in their written reply stated that: -

“Common problem areas are the initial teething problems like identification of site for labour camp, entry point to the airport area, site for hot mix plant, concrete batching plan, identification of aggregate queries and job mix formula from Recognized Engineering Colleges. Project implementation in operational area including terminal building also suffers due operational, security and safety reasons. With better communication and co-ordination, the above problems have now been minimized to a great extent.

The maximum utilization of fund by AAI means incurring of capital expenditure on various scheme/projects towards upgradation and improvement of airports infrastructure in the country as per the approved

plan outlay for the year. The funds were utilized by AAI for the purpose as per approved plan.

The details of capital expenditure incurred by AAI as against approved plan during last five years are as under:

Year	BE	RE	Actual	% Actual of to be	% Actual of to be
2002-03	996.05	717.29	445.66	44.74	62.13
2003-04	800.00	685.00	566.22	70.78	82.66
2004-05	795.08	701.71	606.49	76.28	86.43
2005-06	892.30	951.83	876.08	98.18	92.04
2006-07	1506.44 #	1149.82	1040.17	69.05	90.46

Includes outlays for Delhi & Mumbai airports which have been subsequently handed over to JV company on 3rd May 2006. Further capital expenditure is incurred by JV companies.

The progress reports are indicative of problem's description given in the remarks column, submitted for review at appropriate levels from time to time.

The following major reasons / areas have been identified for shortfall in progress / expenditure on projects:

- i) Non-availability of complete site due to operational continuity in the airports, encroachments of land by outsiders, shifting of services / old structures like VOR / DVOR / old hangar etc. falling in the layout.
- ii) Delay in land acquisition wholly / partly from State Government / Defence. Diversion of roads, HT / LT lines etc. to be made by the State Government.
- iii) Lengthy and cumbersome tendering and contract management procedures.
- iv) Inadequate resource mobilization by the contractor.
- v) Insurgency, inclement weather conditions at airports in North-East and hard areas.
- vi) Unusual climatic changes and unseasonal rains which affects the progress badly.
- vii) Restricted working hours in the operational area of airports.
- viii) Delays also occur due to not getting environmental clearance in time.
- ix) Policy change of Govt. vis-à-vis natural resources i.e. ban on quarrying, installation of Hot Mix Plant within city limit due environmental reasons etc.
- x) Increase in cost of construction materials like cement, bitumen, steel etc. during the project execution phases.
- xi) Complaints forwarded by internal vigilance, CVC, Ministry of Civil Aviation during the process of evaluation of tender leading to cross-checking, furnishing of details etc.
- xii) Multiple agencies at airport – coordination.

The measures taken for improving the capital expenditure against the plan are:

- i) Parallel activities like prequalification for shortlisting of firms, tender processing along with the pending administrative approval initiated so that as soon as administrative approvals obtained the activity for award of work is also ready which has reduced from two to four months depending upon the magnitude of work.
- ii) Encouragement of new agencies to participate in tender procedures.
- iii) Remedial measures have been taken against the defaulting firms which has delayed the projects.
- iv) Introduction of online project monitoring....

Such evaluation is made only for those schemes where any revenue loss is suffered by AAI and action is taken in accordance with contract provisions of respective work.”

3.13 In this connection, the Chairman, AAI, during oral evidence further stated that: -

“...In the last few years we could see that our spending, that is the expenditure on capital work has improved. In 2002 when we started it was Rs.445 crore and in 2006-07 we are able to achieve Rs.1040 crores. The Planning Commission has reviewed the performance of the Civil Aviation Ministry recently and has said that over the years at least the Airports Authority has improved their project management and they are showing more than 90 per cent of their Budget spending in capital expenditure. This, of course, we take as a positive comment and it has given good motivation to my officers to do more work and take up challenging tasks.

In the current year, 2007-08 we have made a projection of Rs.2,000 crore and we are confident that we would be able to spend this money....We have a project management cell at the Headquarters headed by the Executive Director. That cell is constantly monitoring the work. In addition, at my level we are having quarterly meetings with the Regional Executive Directors and the Airports Directors. We will continue to have these meetings with the Regional Executive Directors to assess the performance. In addition to that we are also constantly interacting with the project-in-charges and monitoring the projects. We are confident that we will be able to achieve the targets which we have projected....”

3.14 The Committee wanted the view of the Ministry regarding the utilization of funds on capital expenditure by the Authority. The Secretary, Ministry of Civil Aviation during oral evidence stated the following: -

“The plan expenditure of the AAI has been increasing substantially in the recent past. As against the expenditure of Rs. 876.08 crore in 2005-2006 and Rs. 1040.17 crore in 2006-2007, the budgeted expenditure for the current financial year, that is, 2007-2008 is Rs. 1961.41 crore. In fact, during the 11th Plan Period, the AAI proposes to spend about Rs. 12,417.17 crore as against Rs. 3534.62 crore during the 10th Five-Year Plan period. This is an increase of almost 250 per cent.”

C. Non-Traffic Revenue

3.15 In Para 2.5 of the Audit Report, it is mentioned that the task force set up by the Planning Commission suggested in its 'Integrated Transport Policy' (October 2001), an increase in the share of airport revenue from non-aeronautical services for making the airports viable and for generating surplus for further expansion. Audit observed that the share of non-traffic revenue was more than 50 per cent at major international airports such as British Airports Authority, Toronto, Sydney, Houston, Heathrow, Kuala Lumpur, Los Angeles, Singapore, Paris and Zurich. In comparison, the share of non-traffic revenue of the Authority was only 11.90 per cent in 2001-02, which increased marginally to 14.04 per cent in 2005-06. A table showing the above is given below: -

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
Traffic Revenue (A)	1531.28	1656.74	1764.15	2080.15	2387.23
Non Traffic Revenue (B)	267.20	312.80	346.71	414.07	489.96
Cargo and other Revenue	446.36	414.95	519.73	505.44	613.27
Total Revenue (C)	2244.84	2384.49	2630.59	2999.66	3490.46
Percentage of (A) to (C)	68.21	69.48	67.06	69.35	68.39
Percentage of (B) to (C)	11.90	13.12	13.18	13.80	14.04

3.16 In this regard, when asked by the Committee what were the targets fixed for generation of non-traffic revenue and achievements made during the last 5 years, the Authority in their written reply submitted the following:-

“The targets fixed and the actual non-traffic revenue earned in the last five years are as follows:

<u>Year</u>	<u>BE</u> (Rs. Crores)	<u>Actual</u> (Rs. Crores)
2001-02	727.21	713.56
2002-03	709.21	727.75
2003-04	737.90	866.45
2004-05	799.70	917.26
2005-06	880.68	1103.23”

3.17 When asked as to what steps the Authority is taking to augment the share of non-traffic revenue and whether the Authority has taken help of any consultancy firm

or experts to plan, optimization of the non-traffic revenue, the Authority submitted that: -

“AAI is constantly endeavoring to achieve the non traffic revenue targets set each year, AAI has given encouragement in introducing innovative commercial venture at each airport thereby creating more potential for revenue generation and even smaller airports have started breaking even on the operating results.

Further, AAI has also identified development of 35 non-metro airports for commercial exploitation based on the reports submitted by global technical advisors and financial experts.

AAI has identified 24 non-metro airports primarily for development of non-traffic revenue through city-side development. Two consultants namely M/s. UTI Bank Limited and M/s. Capital Fortunes Ltd., have been appointed.

AAI at the time of working out designing and developing the terminal buildings, is laying emphasis at the planning stage itself to harness full commercial potential from these buildings.

In addition, AAI has also initiated action in respect of ground handling services to be provided to the airlines at various airports which also will augment the non traffic revenue.

AAI has also initiated action in developing flying schools at various airports which will help in increasing the number of pilots required for meeting the current requirement and also help AAI in generating more non traffic revenue.”

3.18 The Authority also further stated in their written reply that: -

“The following major heads of revenue have been identified and action has already been initiated in generating revenue:

- a) Allotment of land for aviation fuel station at 25 airports
- b) Through put charges from oil companies on supply of ATF.
- c) Providing ground handling services at airports.
- d) Setting up of flying schools”

3.19 When asked further by the Committee as to whether any collaboration or joint venture with some infrastructure companies has been considered to increase non-traffic revenue, in reply AAI stated as under:-

“Based on the report of global technical advisors appointed by AAI, action has been taken for generation of non traffic revenue by development on the city side at 35 non metro airports through public-private participation. The mode of such operation will be decided while carrying out the tendering process.”

3.20 Regarding the action taken for generation of non-traffic revenue at 35 non-metro airports, the Authority stated that:-

“For generation of non-traffic revenue, based on report of GTA / IFC, 24 airports are being taken up for city side development with private sector participation. These airports are: Ahmedabad, Amritsar, Guwahati, Jaipur, Udaipur, Trivandrum, Lucknow, Madurai, Mangalore, Aurangabad, Khajuraho, Rajkot, Vadodara, Bhopal, Agartala, Indore, Raipur, Vizag, Trichy, Bhubaneshwar, Varanasi, Dehradun, Ranchi and Dimapur.

M/s. Capital Fortunes Ltd., Hyderabad and UTI Bank Ltd., Mumbai have been awarded the consultancy to assist AAI in selection of Joint Venture Partner and Bid Process Management for these airports. The IMG Meeting is scheduled to be held shortly to finalise the modalities in this regard. MoU has been signed with MADC for development of Nagpur airport. At remaining 10 airports, which are either Defence operated or having limited land, the non-aeronautical generation will be done by land lease and revenue sharing option, as at present.”

3.21 On being asked by the Committee as to when the plan to modernize and develop non-metro airports was drawn up and the progress with regard to modernization and development of these airports, the Authority stated as under:-

“An Action plan was formulated for development of 35 non-metro airports with emphasis on the City Side Development to enhance non-aeronautical revenue. The proposal envisaged preparation of Techno Economic Feasibility Study to recommend development works including city side development by appointing GTA on global basis and IFC on national basis. GTA / IFC were appointed each for a group of 05 airports covering 25 non-metro airports. Reports for remaining 10 airports are being prepared in house out of which studied have been carried out for 07 airports and remaining 03 airports will be done very shortly. The GTA / IFC reports were received by March / April, 2005 for first 10 airports and October, 06 / January, 07 for next 15 airports.

The Terminal Building with associated infrastructure and Air Side Works comprising of Runway, Apron, Taxi tracks etc. have been finalised taking into account above reports. These works are in progress at some airports and at other airports they are nearing completion / awarded / process of sanction / process of detailed engineering etc.

As regards, city side development for land use plans identified by GTA and IFC, these are being undertaken with private sector participation at 24 identified airports. Two Consultants have been appointed to assist AAI in selection of Joint Venture Partners for City Side Development. The IMG Meetings are likely to take place shortly in finalizing the modalities.

The process for development of 35 non-metro airports including CNS / ATM infrastructure will be completed by March, 2010.”

3.22 Asked by the Committee about the progress made so far in augmenting the share of non traffic revenue, AAI in their written reply stated as under: -

- i) “AAI has called Expression of Interest (EOI) for providing ground handling services to the airlines at various airports. 18 parties have shown interest which is being scrutinized for inviting financial bids.

- ii) With regard to developing flight schools at various airports, EOI has been called by AAI for 31 airports and for Phase I parties have been short listed in respect of airports where non-schedule operations are not taking place and the financial bids are to be opened on 16th July, 07.
- iii) Based on tender process, the allotment of land for aviation fuel station at 25 airports have been completed.
- iv) Through put charges on supply of ATF have been finalized by tendering process and Indian Oil Corporation have been awarded at Chennai and Kolkata Airports respectively.”

3.23 Elaborating further regarding the progress made in augmenting the share of non-traffic revenue during the oral evidence, the Chairman, AAI, stated as under:-

“....About the non traffic revenue. We have improved from 10 per cent to 15 per cent. We have taken some action to increase the non-traffic revenue like ground handling. We will be able to increase the non traffic revenue in the years to come.”

3.24 Asked by the Committee as to whether Ministry of Civil Aviation had issued any directions to AAI for raising the non-traffic revenue commensurate to international airports. In reply, the Ministry, *inter-alia* stated as under: -

“.....AAI is managing 127 airports including 37 non-operational and 90 operational airports, of which only 12 airports are profit making and the remaining operational airports generate very meagre non-traffic revenue. Thus, the non-traffic revenue generation at Heathrow, Los Angeles and Paris airports is not an appropriate reference for the airports managed by the AAI. Government have taken following decisions for increasing the non-aeronautical traffic revenue of AAI:

- (i) City side development of select 24 airports out of 35 non-metro airports, undertaken for modernization, will be done through Public Private Participation (PPP) so as to maximize non-aeronautical revenue.
- (ii) Commercial management of terminal buildings constructed by AAI will be so organized as to optimize revenue generation as also user convenience.
- (iii) AAI has been advised to encourage comprehensive scope of commercial development at the stage of planning and design of terminal buildings so as to harness full commercial potential of these buildings.”

Chapter IV

Operational Area Infrastructure

A. Timely Completion of Projects

4.1 The Committee note that as per Paras 3.2.1 to 3.2.8 of the Audit Report, the Audit conducted a test check of major works executed by the Authority at Delhi, Mumbai, Kolkata, Chennai, Gaya, Agartala and Jaipur during the period 2001-2005 relating to runways, taxiways, aprons, hangars and parking bays. Cases of time overrun, idling of facilities, additional expenditure etc., were pointed out.

4.2 Further according to Para 3.2.9, Audit also test checked works undertaken by the Authority in 17 other airports (**Annexure-II**). Cases of time overrun upto 75 months due to reasons like absence of clear possession of land before taking up the work leading to delay and foreclosure of work, poor performance of the contractor leading to rescinding of the contract and subsequent re-award of work and cost overrun up to Rs.3.47 crore due to changes in scope of work leading to extra items of work were noticed.

4.3 In this regard, the Committee asked the Authority about the prevalent monitoring mechanism in AAI to monitor the timely completion of projects. In their written submission, they stated: -

“The Respective Executive Directors & the Project-in-Charges at site are monitoring the progress of work from inception to completion of the work/project. Day to day decisions pertaining to projects are taken by the Project In Charge at the station itself. The respective Executive Director at the Regional Level and Headquarters Level ensure the targeted progress of work, keeps control over the pace of work, and timely completion. In addition, a dedicated Project Monitoring and Quality Assurance Department is set up at CHQ, which reports to the Chief Executive, and monitors all the schemes from planning i.e. pre-award stage to award of scheme, timely execution and operationalisation thereon. Slippages, delays, shortfalls and hindrances noticed in implementation of envisaged schemes are examined and analyzed at every stage in an endeavour to sort out the issues in coordination with concerned Directorates in an integrated manner through review meetings. Chairman and the Members concerned are apprised from time to time. Project implementation is also reviewed at the level of Member (Plg.) and Chairman periodically.”

4.4 When asked what steps the Authority has taken to avoid time and cost overrun in future projects, the Authority replied: -

“To avoid time and cost overrun in future projects, AAI has taken following steps:

i) Timely actions are being taken for land acquisition so that as far as possible land is available at the time of award of work/installation of facility & equipment.

(ii) Advance and parallel actions are planned and implemented as regards diversion of services, survey reporting and demolition of structures falling in the approved layout plan so that clear site free from encumbrances is made available for execution of main package of work.

iii) Prequalification criteria has been modified to enlist competitive response from resourceful contractors with adequate financial capacity and requisite experience. Possibility of introducing evaluation of bid capacity of tenderers is being explored.

iv) Selection criteria for contractors and consultants has been made performance based with introduction of Performance Evaluation Reports of the working contractors in major projects in AAI to weed out contractors whose performance is not satisfactory.

(v) Better coordination with State Government agencies for expediting clearances of schemes such as diversion of roads, HT/LT lines etc. is being ensured through periodic review meetings.

(vi) On-line Project Monitoring at CHQ to effectively review the progress at site is being introduced.

(vii) Review Meetings are being conducted at Hqrs. and at site for sorting out inter departmental issues affecting final completion of the work and its operationalisation thereon.”

4.5 Further, on being asked, whether any responsibility has been fixed for delays in completion of projects, the Authority replied that: -

“Since, airport projects are inter disciplinary in nature wherein not only different departments of the Authority, but also other Government/State Government Departments, Airline Operators etc. are involved, it is not fair to fix responsibility solely on one officer or department. However, performance of various contract agencies is evaluated and liquidated damages are levied on merit of the case wherever delays are solely attributed to the contractor. Agencies with unsatisfactory performance are forbidden from tendering process for future works/projects through the process of performance evaluation in respect of major projects. Actions are also taken for rescinding the contracts on account of non-performance. This aspect is being strengthened for initiating timely action(s) linked to performance and quantitative progress at site.”

4.6 When asked as to what shortcomings have come to notice of the Authority during such reviews and what remedial measures have been taken, the Authority replied: -

“Generally the common shortcomings noticed in planning stage are as below:

- (i) Land not available free from all encumbrances.
- (ii) Delay in sanction of major projects requiring approval of higher statutory authorities like PIB / Planning Commission etc.

The shortcomings noticed in execution stage are generally as below:

- i) Delay in finalizing site for labour camp
- ii) Delay in security clearances for workforce.
- iii) Delay in issue of NOTAM

Project implementation in operational area including terminal building also suffers due operational, security and safety reasons.

In addition to above, decisions are taken during the review meetings at various levels on the issues which are held up and measures are taken to expedite the work.... The review meetings to expedite the progress of works are conducted at various levels like regional level, Executive Director (Engg.) level, Member (Planning) and Chairman AAI at site as well as at Corporate Headquarters and remedial measures are taken / suggested to expedite the progress.”

4.7 When the Committee asked in how many such cases liquidated damages were levied on contractors, the Authority submitted as under: -

“The cases where liquidity damages has been imposed on the contractor are given as below:

- i) Strengthening & Extension of Runway at Hyderabad Airport
- ii) Construction of visual simulator at CATC, Allahabad
- iii) Construction of Boundary wall at CA Keshod
- iv) Construction of Boundary wall at Kandla Airport
- v) Modernization of Air Traffic Services at Chennai Airport.”

4.8 On being asked by the Committee to give details of cases wherein contracts have been terminated, the Authority stated that: -

“The contracts which have been terminated due to bad performance are as below:

- i) Strengthening & Extension of Runway at Hyderabad Airport
- ii) Construction of New Terminal Building at Porbandar Airport
- iii) Extension & Strengthening of Runway at Trichy
- iv) Extension of apron i/c taxi-track at Agartala Airport
- v) Strengthening of existing runway, apron, taxi-track etc. at Gaya Airport.”

4.9 During oral evidence of the representatives of the Authority, the Chairman, AAI further elaborated as under:-

“I would like to submit before the Committee that while certain delays have taken place in the execution of the projects which have been highlighted in the last meeting, of course, we have taken up a number of measures in the last couple of years to cut down the delays in the completion and

execution of the major projects. Works Manual have been approved and is in place of International Airports Authority of India and the National Airports Authority.

The two organizations were merged by an Act of Parliament in 1995. Subsequently, the two organizations have been functioning as two divisions; International Airport Division and the National Airport Division. In eighties both were following two different procedures. In the initial stages the merger itself was an issue which we were able to overcome in 1998 only and then the organizations started stabilizing. In the meantime the Government announced that four metro airports will be restructured and built as world-class airports. Again, there was some sort of uncertainty; as to what will happen, whether it will be corporatised. When we were about to settle it again the Government issued some direction saying that major capital works in these four airports should not be done. Later on it was said that only Delhi and Mumbai Airports will be restructured. These are some of the reasons in the past which could be taken into account while we have to analyse why it has happened, why the amount which was budgeted could not be spent. We have explained to the Audit some of the reasons which came in the way and also certain scope of work which got changed during its execution. We explained all this when various airports were inspected.

We have in the last couple of years taken a number of corrective steps which we want to place before the Committee. One is the works manual has been put in place. Second is better coordination within the Airports Authority and outside also because there are certain agencies outside also. There is better coordination between the corporate headquarters and the project units at various airports. I would like to submit before the Committee that for each project we have created a separate project unit at various airports if it is beyond a certain amount, maybe Rs.50 crore and above. That has yielded good result. That is a self-contained unit so that the bills are passed. Also, with regard to the procedures in short-listing the contractors and agencies, we have brought in the pre-qualifications without violating or deviating from the CVC guidelines. We have been able to get good agencies because recently we have tightened the pre-qualification criteria. In the contract document also we have brought in the incentive clause and the penalty clause if the contracting or the executing agencies are not able to execute the contract. We have also been able to put in place a liquidate damage clause. This clause has been invoked. In recent couple of years wherever the work is not proceeding as per the schedule we have taken action to terminate the contract at risk and cost and then go to the new contractor. These are some of the actions which we have taken in the past couple of years.....”

B. Problems in Land Acquisition and Encroachment on Airport Land

4.10 Audit in Para 3.3.1 of the Audit Report have brought many instances of the authority's efforts at Land acquisition were held up due to procedural delays and litigation (**Annexure-III**). Further, 702 acres of land were still under encroachment in 20 airports as on March 2006 depriving the Authority of land required for infrastructure development. At Mumbai, the encroachment was to the extent of 171 acres. During five years ending 2005, the Authority was able to remove encroachment from only 30 acres of land, incurring in the process an

expenditure of Rs.24.35 crore. Major encroachments were at Hyderabad (97 acres), Kolkata (76 acres) and Amritsar (83 acres) airports. The encroachment at the airports hampered expansion and upgradation of facilities. According to Audit, the management while accepting the fact stated (August 2006) that removal of encroachment at the airports was a Herculean task which required the assistance of the local police and the State Government. Besides socio political difficulties, legal hurdles were also required to be taken care of.

4.11 In this regard, the Authority were questioned by the Committee as to what steps have been taken to resolve the issue of land acquisition with State Governments. The Authority in their written submission replied that:-

“Land required by AAI for Airport expansion is deemed to be needed for public purposes and is acquired compulsorily under Land Acquisition Act, 1894 through the State Govt.

Requisition is made to State Govt. after approval of Competent Authority to acquire land and wherever land is required urgently, clause of “Urgency” is invoked.

However, due to procedural difficulties and resistance/ interference coupled with court verdicts, when acquisition proceedings are challenged, there has been delay in acquisition.

However, AAI has been making persistent efforts by holding discussions with the Senior officials of the State Govt. in cutting down the delay.”

4.12 The AAI in their written reply further elaborated as under:-

“...After AAI Board accords approval for acquisition of land required for the development / expansion of airport (s), formal requisition is made to State Govt. and the State Govt. thereafter undertake survey, notifies under Section 4 of Land Acquisition Act for acquisition of land; inviting of objections. Thereafter, the Land Acquisition Collector has to satisfy the objections either by over ruling or accepting or rejecting, issues notification under Section 6 of acquisition of land which is compulsory. Assessment is made by the Land Acquisition Collector of land, building structure on it, trees etc. for purpose of payment of compensation. There is time period prescribed. The land under acquisition is private and / or Govt. land, some times road services are also required to be shifted / diverted. In between there are interferences from the local peoples whose land is being acquired resisting acquisition; filing of Court cases etc.

To resolve the above, discussions are held with the Land Acquisition Collector, District Collector, Secretary (Revenue) and Chief Secretary and Chief Minister’s level so that expeditious acquisition of land is undertaken.”

4.13 Asked to give details of cases wherein the issue of land acquisition with State Government was pending and for how long these cases were pending. In reply, AAI submitted as under: -

“The details of cases wherein the issue of Land acquisition with State Govt. is pending is given below:-

Sl. No.	Airport	State Govt.	Pending since (upto December, 2006)
1.	Varanasi	Uttar Pradesh	2004
2.	Amritsar	Punjab	2006
3.	Jaipur	Rajasthan	2005
4.	Udaipur	Rajasthan	2006
5.	Khajuraho	Madhya Pradesh	2006
6.	Jorhat	Assam	2005
7.	Dibrugarh	Assam	2006
8.	Ranchi	Jharkhand	2006
9.	Malda	West Bengal	2006
10.	Behala	West Bengal	2006
11.	Tirupathi	Andhra Pradesh	2006
12.	Belgaum	Karnataka	2006
13.	Hubli	Karnataka	2006
14.	Mysore	Karnataka	2005
15.	Aurangabad	Maharashtra	2003

4.14 On being asked about the causes of encroachments of land of AAI, what is the status of removal of encroachments on 702 acres of land in 20 airports and the period the land had been under encroachment at each of the airports, the Authority stated as under:-

- I. “Causes of encroachments are:-
 - (i) Absence of boundary wall / fencing at Airport boundary. Earlier due to lack of funds, boundary wall was constructed around Airport operational areas and not on the Airport boundary.
 - (ii) Due to influx / migration of population from villages to mega/ major cities.
 - (iii) Lackadaisical attitude / lack of support from Police and State Govt.
 - (iv) Courts interference / Stay granted by Courts.

As regards status of removal of encroachments, there is not much progress.

The land has been under encroachment at different airports for period ranging from 5 – 40 years.

- (i) Land belonging to Airport Authority of India is vested with AAI i.e. it belongs to Central Govt. provisions of Public Premises Eviction Act, 1971 are applicable and action under PPE Act is taken for removal of encroachments.

- (ii) Since laws relating to land are State subject, depending upon location where the land under encroachment is there, Airport Authority of India takes up with State Govt. for removal of encroachment. Depending upon policy of the State Govt. the removal and / or rehabilitation of encroachment or encroachers is undertaken.”

4.15 The Authority further clarified that:

“...AAI had taken up the process of rehabilitation at Mumbai and Hyderabad. At Mumbai Airport 2500 hutments were removed in Jari Mari area through process of rehabilitation under a tripartite agreement with State Rehabilitation Authority and Shivsahi Punarvikas Prakalp Ltd. AAI spent a sum of Rs.25 crores approx. At Hyderabad also AAI also paid Rs.1.25 crores to State Govt. for removal of encroachment but no encroachments have been removed.”

4.16 On being asked what steps have been taken to check further encroachment on its land, the Authority submitted that:-

“Airport Authority is constructing boundary wall / fencing at all its airports wherever land exists whether contiguous or on isolated pockets of land. Airport Directors have been advised for ensuring regular inspection of the land so that no further encroachment takes place. Areas which are prone to encroachment are guarded through deployment of security guards.”

4.17 The Authority further added that:-

“Out of 127 airports vested with AAI including Civil Enclaves, encroachments were in 20 airports and that too historical. The encroachments have been in airports in mega / big cities like Mumbai, Kolkata, Delhi, Hyderabad, Ahmedabad, Lucknow etc. In mega / big cities, encroachment is in the form of hutments / make shift shops, semi-kacha structure etc. In cities like Satna, Amritsar, Juhu and Gaya, the encroachment is in the form of unauthorized cultivation by ex-land owners etc. During last decade, there has not been any major encroachment in the form of hutment etc. due to construction of boundary, barbed wire fencing etc. and routine inspection.”

4.18 On the question of whether any assessment has been made by the Authority for future requirement of land for expansion of projects so that schemes/projects do not suffer due to non availability of land at site, the Authority stated that :-

“On request of different State Governments AAI is developing airports in respective States for which land has been requested to be provided free of cost and free from all encumbrances.

MOU has also been signed between AAI and State Govts. Further as per the directions of Ministry of Civil Aviation [Govt of India] 35 Non-Metro airports are being developed. Master Plans of the airports have been proposed. Projections for additional land for these airports are being made to the respective State Governments. Assessment for other airports will be projected on approval of the Master Plan by the AAI Board. Instructions

have already been issued not to award any work unless the land has been acquired/taken possession by AAI.”

4.19 The Committee sought to know in how many such cases, the State Government has been asked by the Authority for removal of encroachment and the State Government had not complied with because of their policy. The Authority in their written reply stated that:-

“At Hyderabad AAI paid Rs.1.25 crores to State Govt. for removal of encroachment but no encroachments have been removed.”

4.20 On being asked about details of cases where rehabilitation has been undertaken and completed, the Authority stated that: -

“Following rehabilitation process has been undertaken by AAI:

- i. Rehabilitation of 2500 hutments at Mumbai airport – Rehabilitation completed.
- ii. Resettlement of village Nangal Dewat at Delhi Airport– Resettlement under process / yet to be completed.
- iii. Rehabilitation of Gadaura village Lucknow Airport – yet to be initiated.”

4.21 The Committee wanted to know the role of the Ministry in matters relating to land encroachment. So the Committee asked the Ministry of Civil Aviation as to what steps have been initiated by them to help AAI in getting its land freed from encroachment. They submitted in their written reply that:-

“The AAI Act, 1994 was amended in 2004 to include a Chapter VA regarding ‘Eviction of Unauthorized Occupants, etc. of Airport Premises’. In terms of amendments, AAI has been empowered to take necessary action for eviction of encroachments on its own. Further, the removal of encroachments from airport land requires support from the State Governments. AAI have taken up the process of removal and rehabilitation at Mumbai and Hyderabad airports.”

Chapter V

Air Traffic Management, Communication, Navigation and Surveillance Facilities Infrastructure

A. Visual Simulator

5.1 The Committee note that according to Audit in Para 4.2, there was delay in commissioning of Visual Simulator procured for training of Air Traffic Control (ATC) staff at the Civil Aviation Training College, Allahabad, which not only resulted in blocking of funds amounting to Rs.7.14 crore over six months but also denied the benefit of visual simulation training facilities for the ATC staff.

5.2 The Authority were asked to explain the reasons for delay in commissioning of the Visual Simulator. In their written reply, the Authority submitted the following: -

“Reasons for delay:

The work order for construction of the building to house Visual Simulator was issued in March 2005 with schedule completion period of 3 months. The Visual Simulator equipment was received at Civil Aviation Training College (CATC) during July – September 2005. However, when the execution was taken up, few defects were observed in the design of the building and the rectification thereof took time and building was completed only in March 2006. It may, thus, be seen that though the execution of the building works were synchronized with the arrival of equipment, but due to defect in design the completion of building got delayed.

The installation of the equipment was completed in December 2006. The Site Acceptance Test was carried out in February 2007. Few defects were noticed and the same are now under rectification. A supplementary Site Acceptance Test for commissioning is being conducted again in June 2007....”

5.3 It was further supplemented that: -

“This was a special project only one of its kind and so the design of the building was required to be reviewed to meet specifications. This took long time and caused delay. Civil contractor was also defaulted and penalized for delay in construction of civil structure....Supplementary FAT was conducted on Aerodrome Visual Simulator from 19th to 22nd June 2007. Most of the requirements are fulfilled but the test was unsatisfactory with respect to some of the ATC simulation procedures. The supplier is expected to deliver software modifications by Aug 2007.”

B. Voice Communication System (VCS)

5.4 In Para 4.3, Audit has stated that there was delay in installation of Voice Communication System at three stations ranging from 6 months to 10 months and in one station, the installation was still pending (March 2006) which resulted in denial of improved communication interface between the airports.

5.5 The Authority on being asked to comment on this issue submitted:-

“Out of 8 systems, 4 systems were installed within the schedule date of installation. The 5th system at Guwahati was also installed though slightly beyond the normal installation time. Reasons for delay in installation of systems at Varanasi, Mumbai and Nagpur are as under:

i) Varanasi

The equipment initially allotted to CATC was shifted to Varanasi. The site preparation work at Varanasi, thus started late because decision to shift the equipment to Varanasi was taken at a later point of time....”

5.6 It was further clarified that: -

“Equipment was shifted from CATC to Varanasi due to operational requirement at Varanasi...”

ii) Mumbai

Due to the unprecedented rains, entire airport operations had come to a halt. Since all efforts were diverted for normalizing the operations, the site preparation got delayed.

iii) Nagpur

Because of local unique siting issues, due to Control Tower being away from the Radar Building (about 1.5 Kms.), solution to the connectivity issue took time, which resulted in delayed installation...”

5.7 It was further added by the Ministry that: -

“The existing cable was required to be replaced by new cable suitable for such a long distance communication. The requirement came through the site survey after placement of order.”

C. Dedicated Satellite Communication Network (DSCN)

5.8 As per Para 4.4 of the Audit Report, the Authority approved (December 1998) a proposal for providing a Dedicated Satellite Communication Network (DSCN) linking 80 airports with the objective of upgrading the existing low speed, less reliable and almost saturated telecom network to support high speed data and voice connectivity. DSCN infrastructure was considered essential for the world wide implementation of the new Communication, Navigation and Surveillance (CNS) /Air Traffic Management (ATM) systems. The complete network was planned to be commissioned in 24 months. But there was delay of

five years in providing Dedicated Satellite Communication Network which resulted in foregoing benefit of Rs.16 crore apart from failure in achieving upgradation of an efficient and fast telecom network.

5.9 On this subject, the Authority stated the following:-

“DSCN is a large network connecting 80 locations. The process of surveying for suitable site for antenna and equipment and then preparation of each site was quite a comprehensive task. In spite of best efforts by all concerned, this activity took more than expected time, primarily because of the volume of work involved. Further, delays occurred due to Government regulations for getting each approved from NOCC. Rate of inspection of installation by NOCC is not to our expectations, delaying the commissioning of installed equipments.

As on date physical installation of DSCN at 67 stations have been completed and NOCC testing at 30 sites has been completed.

We have been pursuing the matter with M/s Bharti on a regular basis and it is expected that the major part of the network will be commissioned by September 2007.”

5.10 It was further elaborated that: -

“AA&ES for Rs. 57.93 Crores was given by the Board in the year 1999 for providing a Dedicated Satellite Communication Network (DSCN) linking 80 airports. Tenders were invited in March 2000 and again in Aug. 2001, but these could not be finalized due to technology evolution and a general downward trend in prices of Electronic Equipments. After finalization of specifications tenders were finally invited in May 2003 and purchase order was placed to M/s Bharti Comtel Ltd. at a total cost of Rs.19.09 Crores in October 2004.

As on date physical equipment installation have been completed at 68 sites. As per Govt. regulations, antenna radiation pattern testing is required to be conducted by Network Operation and Control Centre(NOCC) before giving uplinking permission. The rate of inspection of installation by NOCC is not upto AAI expectations, delaying the commissioning of installed equipments. Till date NOCC testing has been completed at 35 sites. The matter have been pursued with M/s Bharti Comtel and NOCC on a regular basis and it is expected that the major part of the network will be commissioned by September 2007.”

D. UHF Links

5.11 According to Para 4.5 of the Audit Report, it has been observed that eight wireless communication links remained uninstalled for more than two years after their receipt. The failure to ensure site readiness before receipt of equipment resulted in delay of over two years in installation of the links depriving the authority of the benefits of superior technology and improved performance as well as savings in recurring revenue expenditure on lease rent for BSNL lines.

5.12 In this regard, the Authority in their written submission stated that :-

“Out of 40 links, 28 links were installed by January 2006. As of now, we have installed all links excepting one which is pending due to siting issues.

The delay in installation of links has been either due to non-clearance of required mast heights or non-availability of masts at some sites. Arranging the masts etc. took time. Also, some of the equipments were required to be diverted to some other stations due to non-feasibility at some location or due to operational needs.”

5.13 It was further clarified that: -

“Mast height requirement at some of the UHF link sites was beyond the permissible limits causing obstruction to aircraft operation as per Navigational and Aerodrome & Ground Aid criterion .Hence equipment of those sites was diverted to other suitable sites. Mast requirement at most of the sites was met by diverting dismantled/ spare masts available within AAI.”

5.14 As pointed out by Audit, the supplier also declined to impart necessary training as required in the purchase order. In this regard, AAI stated that:-

“Due to non availability of site clearance, site readiness & diversion of UHF links installation of only 19 links was completed by the supplier M/s Stratex Networks within the stipulated period of project. Due to pending site readiness and site clearance, extension of time was not granted by the competent authority and decision was taken to install remaining UHF links by AAI itself. In response the firm declined to impart necessary training. The rest of the UHF links were installed & commissioned by AAI itself and all the UHF links are maintained by AAI engineers since 2004. Over the period AAI officers have attained desired expertise for maintenance of UHF links.”

5.15 The Authority were asked to explain the failure to ensure site readiness before receipt of equipment resulting in delay of over 2 years in installation of masts. In reply they submitted that: -

“AAI has taken following actions to avoid/minimize idling of equipment:

1. Make all efforts to ensure availability of technically suitable site before placement of PO.
2. Coordinate with field stations for timely creation of infrastructure required for installation work.
3. Coordinate all related activities in order to complete installation as soon as equipment is received.”

E. Instrument Landing System (ILS) & Doppler Very High Frequency Omni Range (DVOR)

5.16 In Para 4.6 of Audit Report, it is mentioned that six Instrument Landing Systems (ILS) costing Rs.9.17 crore received between January 2002 and February 2003 were still to be installed/commissioned as on March 2006.

Further, Eight Doppler Very High frequency Omni Ranges (DVORs) costing Rs.9.24 crore received between May 2003 and September 2003 were yet to be installed as on March 2006.

5.17 When asked to clarify the position in this regard, the Authority submitted that:-

“The main reason for delay in commissioning / installation of ILS is either due to non-availability of sites due to land issues or delay in completion of Civil & Electrical Works.

The main reason for delay in commissioning / installation of DVORs is either due to non-availability of sites or delay in completion of Civil & Electrical Works.”

5.18 It was further added that: -

“Suitable site for installation of DVOR was identified outside airport premises as per DVOR siting criterion at few locations. The cause of delay in installation of DVOR was due to litigation by the owners of the identified land and delay in handing over the identified site by the State Govt at those locations....

There is no direct loss to AAI due to these delays as the earlier equipment continued to work at sites where these were for replacement and in case of new facilities, the procedures and other conditions applicable prior to the installation continued to be followed....

To avoid such delays in future a policy decision has been taken to place the purchase orders only in such cases where either the sites are readily available or likely to be available before receipt of equipment.”

5.19 When asked as to what steps have been undertaken by the Authority to avoid delays in installation and commissioning of equipment in future, the Authority stated as under: -

“1. To the extent possible, the purchase orders are placed only in such cases where either the sites are readily available or likely to be available before receipt of the equipment, also taking into account the lead time in procurement of these items. This will ensure that readiness of site can be synchronized with the receipt of the equipments.

2. Regular mechanism for monitoring progress of projects at pre-award and post-award stages has been established to ensure that the factors which could contribute to delay can be controlled at early stage.”

F. Infertuous Expenditure of Rs. 7.65 crore on Indigenous Manufacture of Radars

5.20 As per Audit in Para 4.10, the decision of the Authority to enter into an agreement with Bharat Electronics Limited (BEL) without assessing the latter's

capability to upgrade technology and produce radars at reasonable price resulted in Infructuous expenditure of Rs. 7.65 crore. There was a liability to pay an extra Rs. 3.79 crore to BEL.

5.21 The Authority were asked to clarify their position in this regard. The Authority submitted that: -

“In 1992 when AAI intended to procure ASR/MSSR, Department of Electronics advised that selected foreign vendor will transfer the technology to M/s BEL to meet future requirement of AAI.

With reference to liability to pay balance amount of Rs.3.79 Crores claimed by M/s BEL, the basis of arriving at the calculation has been asked from M/s BEL. The issue will be examined on receipt of required information from M/s BEL and settled appropriately.”

G. Idling of Flight Inspection System

5.22 As mentioned by Audit in Para 4.12, Radio navigational and surveillance aids available for use by aircraft are subject to periodic ground and flight tests. Flight inspection, i.e., calibration of navigation and surveillance systems verifies that certain technical Parameters remain within precisely defined tolerances as laid down in international guidelines. Flight Inspection System procured for Rs.19.50 crore in November 2004 had not been installed as the procurement of the aircraft in which it was to be fitted was delayed.

5.23 In this regard, it was asked why there was lack of synchronization in procurement in Flight Inspection System and the aircraft in which it was to be installed. The Authority in their written reply submitted that: -

“1. With a view to synchronize the availability of aircraft as well as Automated Flight Information System (AFIS), action for procurement of aircraft was initiated in November 2003 by call of tenders. It was expected that the period of 11-12 months will be sufficient for finalization of procurement and receipt of aircraft so that the installation of AFIS could be taken up on its receipt in India. However, keeping in view the complexity as well as the fact that the procurement of aircraft is different from the other procurements being carried out by Communication Planning Department and the task being taken up for the first time and also due to lack of proper expertise within the organization to evaluate the aircraft both technically and financially, the matter was deliberated at various levels. The process of involving experts from outside the department with a view to ensure that AAI finally gets an aircraft meeting its requirements and also that the procurement is cost effective over its life cycle, the process of evaluation took time.

2. Further delays occurred due to raising of evaluation related issues by one vendor after opening of price bids, the resolution of which took lot of time.”

5.24 It was further added that: -

“In the technical evaluation of the bid a sub committee was constituted in which expert from Indian Airlines and Director General of Civil Aviation were Members.”

5.25 Regarding the issues raised by the vender, the Authority explained that: -

“M/s AvCraft in its letter dated 5.1.2005 stated that though their offer was lowest but they were still to receive a confirmed order from AAI. The following issues were raised:

1. That the commercial bid did not contain any formula for evaluation of the economy of the aircrafts.

2. That though the clause No.1.8.4 of section C of the tender document seeks details of the cost of operating the aircraft @ 1000 hours per year, it does not specify that this would be a deciding factor for finalization of tender.

The matter was referred to the committee appointed by the Board for technical evaluation of bids, which in turned referred to Law Dte. of AAI. The matter was also referred to the Solicitor General of India. The Solicitor General opined that the issues raised by M/s AvCraft on the evaluation process are not tenable.”

5.26 The Ministry of Civil Aviation when asked to comment on all of the above mentioned issues, they stated that: -

“Ministry of Civil Aviation has already asked for the comments of AAI on the report of C&AG. Corrective action will be taken, wherever required, after receipt of comments from AAI.”

Chapter VI

Passenger Facilities Infrastructure

6.1 In Para 5.2, Audit has mentioned that one of the objectives of the Policy on Airport Infrastructure was to provide capacity ahead of demand in order to handle an increasing volume of air traffic and to garner maximum share of traffic in the region. The Authority was unable to achieve the objective in many of the airports. The Authority conducted surveys in selected airports during 2004-05 in areas like check-in, immigration, customs, security and baggage delivery. An analysis of the surveys revealed that the above facilities were either already saturated or inadequate for future passenger demands. In 11 out of the 18 airports surveyed both the departure and arrival capacity were already saturated. In the remaining seven airports these would be saturated between 2006-07 and 2018-19.

6.2 In this connection, the Authority were asked by the Committee to give the reasons due to which capacity commensurate to the demands could not be augmented at major airports and to give details of the monitoring mechanism of the Authority so as to plan capacity expansion of terminals and other infrastructure to synchronise with demand at saturating airports. In their written reply, the Authority stated that: -

- i. A traffic boom has been witnessed by Indian Aviation continuously for the last three years. The Passenger traffic has witnessed a record growth of 31.4%, 23.7% and 21.5% respectively during the years 2006-07, 2005-06 and 2004-05. And unprecedented growth of more than 20% has never been witnessed during the past except for the last three years.
- ii. Airports Authority of India is monitoring the capacity of the airports vis-à-vis demand through Normative Planning / Capacity Measurement Surveys and Short-Term, Medium-Term and Long-Term traffic forecast. With this mechanism, capacity is being augmented in advance before the saturation of the terminal building.”

6.3 On being asked as to what steps have been initiated to augment the capacity of saturated terminals, the Authority replied that: -

- (i) “Already Mumbai and Delhi Airports have been handed over to Joint Venture Companies under Institutional programme. The Greenfield airports at Bangalore and Hyderabad are being developed by Joint Venture Companies. The Green Field Airports

which are coming up at Bangalore and Hyderabad are likely to be put into operation during 2008.

- (ii) AAI have identified 54 airports including Chennai and Kolkata airports for upgradation/ expansion/ modernisation.
- (iii) In the mean time, to meet the short term demand, AAI is augmenting capacity at various airports....existing capacities available at all Indian airports taken together are 305.29 lakh passengers and 540.62 lakh passengers respectively at international and domestic terminal. 301.80 lakh and 601.05 lakh additional capacities are under construction respectively at international and domestic terminals of various airports to be commissioned in the next two to three years.”

6.4 During Oral Evidence of the representatives of AAI before the Committee, the Committee asked as to whether the Authority has any particular cell to conceptualize the level of modernity in terms of technology, better facilities as some of the metro airports would have a higher rate of growth and increasing number of international airlines would operate. In reply, Member, Planning, AAI stated the following:-

“I will start with the question which the hon. Chairman has put regarding availability of a cell for planning and looking into the modernization issues related to the development activities at the airports. I would like to answer here that we have a directorate which is involved in planning and there is a statistical wing in airports authority which collects the traffic data and then with the relevant models predicts and makes a forecast for the future growth in the passenger aircraft movement and the other related activities and relates it with the availability of the capacity at the various airports and draws a model plan and gives us recommendations for the activities which can be taken up at various airports.”

6.5 In view of the above, the Committee further sought to know as to whether any dedicated cell exists which would take into account the demand, growth and need in terms of a particular sector viz, international developments in the areas of technology, of airport management, passenger amenities, internet facilities, areas of safety and security etc. In reply, the Member, Planning, AAI further clarified as under:-

“Exclusive R&D is not there, but then the issues which you have mentioned are being addressed at the planning stage and the updatment is being done on a regular basis. For example, signages of the airports, toilette facilities and other additional facilities which are required, the team is examining these issues when we take modernization for a particular activity or any work related to that new element are in-built in that plan. But there is no specific R&D as you are asking for. It is not existing”.

A. Customer Satisfaction Levels

6.6 As per Audit Para 5.3, the Authority carried out customer surveys at 40 airports through the Agricultural Finance Corporation during 2004-06 on the facilities and services provided by the Authority, expectations of customers, feedback on introduction of new services and reasons for dissatisfaction. Audit examined the report of the second round of survey conducted during April-May 2005. The overall customer satisfaction index during the second round was 74 per cent against 75 per cent in the first round conducted during October-November 2004. Audit observed that in some of the services the ratings were even below 70 per cent in the second round in a number of airports.

6.7 In this regard, the Authority were asked by the Committee to explain the reasons for customer satisfaction level being as low as 70% in a number of airports. The Authority in their written reply explained that: -

“The results of latest Customer Satisfaction Survey Report (Feb-April) 2007 at top 40 airports which handles 98% of total traffic reveals that the Customer Satisfaction Level at Indian airports varies from 70% to 87% with an average of 75%. It may be mentioned that the world average of the Customer Satisfaction Level is 76%. However there may be variations in Customer Satisfaction Level from one service item to another service item. The Customer Satisfaction Level could further be improved. The congestion due to explosive growth in air traffic during last 3 years has caused downward pressure on the Customer Satisfaction Level. The Airports Authority of India has succeeded in neutralizing the downward pressure due to various steps taken to increase Customer Satisfaction Level.”

6.8 On being asked as to what steps have been taken to increase the Customer Satisfaction Level, the Authority stated that: -

“Besides improving the quality of existing infrastructure the steps have been taken to add a capacity of 301.80 lakhs for international 601.05 lakhs for domestic passenger terminals during next two to three years to overcome the infrastructure bottlenecks. A medium term plan has also been drawn to modernise non-metro airports by constructing more spacious terminals.”

6.9 AAI further added that: -

“AAI has institutionalized the system of conducting Customer Satisfaction Survey by an independent agency commissioned by AAI on half yearly basis at top 40 airports since 1995-96. The overall Customer Satisfaction

Level is witnessing increasing trend i.e. Customer Satisfaction Level has increased from 53% in 1995-96 to 75% in 2007. Improvements are carried out based on the feedback from the survey. The improvements are monitored at the highest level and reviewed by the top management in Quarterly Review Meetings taken by the Management.”

6.10 Supplementing further, AAI in their written reply stated as under:-

“The airports / regions which fall short of excellent rating on Customer Satisfaction Level were taken seriously and the letters were issued at the highest level (Mem (Plg.) / Mem (Ops.) advising them to ensure that all out efforts should be made to achieve the excellent rating in the next round of Customer Satisfaction Survey. The REDs / Airport Directors were also provided with the copy of the Report and Customer Satisfaction Level of each airport alongwith the target rating....AAI takes corrective action for the areas identified for improvement through the Customer Satisfaction Survey. The amenities and facilities are continuously improved / upgraded at the existing terminals and a proper care is taken that the shortcomings / bottlenecks as identified in the existing terminals are improved in the new coming up terminals. The capacity of the existing terminals is assessed continuously and addition of capacities are planned before hand to avoid excessive congestion in the terminals.”

6.11 During the oral evidence of the representatives of AAI before the Committee, the Chairman, AAI, added that: -

“....I would also mention to the Committee that customer satisfaction is one of the area which has been mentioned. We have to constantly improve the customer satisfaction. There are some of the weak areas like maintenance of toilets, trolleys and other things which have been pointed out by the Audit. We have addressed those issues and we have procured the trolleys and given them to various Airports. In the non-metro airports, all the toilets have been changed so that we will get the better and clean new terminals which are being built design of the toilets and the maintenance is minimal.”

6.12 The Committee during oral evidence also sought to know if consultative committees could be formed at airports consisting of local MPs, the stakeholders, different airline people, Airports Authority and the District Administration so that maximum local problems could be solved there. In reply, the Authority stated in their post-evidence note that:-

“Airport Advisory Committee has already been established at major 46 AAI airports. The purpose of this Committee is to make airports user friendly and encourage community participation in airport management. This Committee is chaired by Hon’ble Members of Parliament of the local airport area and is convened by Airport Director / Controller, AAI.

The Committee includes Member(s) of the Legislative Assembly from the airport constituency, incharge of APSU, representative (s) from local administration, collector, representative - (s) of Airlines Operators Committee, President of Hotel Federation, representative from Airline

Passenger Association, representative of Travel Agents and a number of Social Workers / Prominent citizens.

The Committee meets every 3 months and issues related to upgradation and improvements in the airport functioning including local problems are deliberated to improve standard of airport.”

Chapter VII Cargo Facilities Infrastructure

7.1 One of the major functions of the Authority as provided in Section 12 of the Airports Authority of India Act, 1994, is the establishment of warehouses and cargo complexes at the airports, for storage and processing of goods. There was 65.95 per cent growth in cargo operations from 8.46 lakh tonnes in 2000-01 to 14.04 lakh tonnes in 2005-06. Cargo operations generated revenue of Rs.369.90 crore and constituted 10.59 per cent of the total revenue of the Authority during 2005-06.

7.2 As per Para 6.2 of the Audit Report, the Amritsar cargo complex, which was completed in November 2004 at a cost of Rs. 2.93 crore, had not been commercially utilised till December 2006. Further, according to Para 6.3, the construction of integrated cargo complex at Kolkata had already suffered time overrun of more than one year.

7.3 In this regard, the Committee wanted to know as to why the new cargo complex at Amritsar airport could not be put to commercial operation despite lapse of more than two years since its completion. To this, the AAI in their written reply stated the following:-

“With the persistent efforts of AAI, the Customs have granted the Custodianship to AAI on 1.5.2006 at Amritsar Airport for handling perishable cargo. AAI has approved a Business Plan for development of domestic airports for handling International Cargo, whereby the AAI Board has approved the proposal for leasing the cargo facilities created by AAI as well as allotment of land/space at non-metro airports to agencies on commercial terms, following a uniform procedure for leasing the cargo facility on an open tender basis.

In June 2007, operation of the Cargo Complex at Amritsar has been awarded to a private operator as per the approved Business Plan.”

7.4 Regarding the latest position of commercial utilization of the cargo complex at Amritsar airport, the Authority stated: -

“The NIT has been invited for the project. The finalization of tender is in the advance stage for award of operation and management of the Cargo Terminal.”

7.5 The Authority were asked by the Committee as to what were the reasons due to which integrated Cargo Complex at Kolkata suffered time overrun of more

than one year and what is the position with regard to completion of integrated Cargo Complex at Kolkata. In their written submission, the Authority stated that:-

“The New Integrated Cargo Terminal (NICT) at Kolkata Airport was planned and designed with facility of Elevated Transport Vehicle in Export Wing and Automated Storage and Retrieval System (ASRS) in Import Wing. Orders have been placed for both the systems. However, both the systems have yet to be installed.

The Export operations have been started from NICT with effect from July 2006.

The Import operation is yet to commence. In this regard, there is a proposal for outsourcing of import functions through contract system.”

A. Implementation of Bar Code System

7.6 According to Audit in Para 6.4, a bar code system was planned in March 2004 to be installed for better monitoring and tracking of cargo at the Delhi, Mumbai, Kolkata and Chennai airports. The time allowed for completion of the work was 16 weeks in Delhi and 20 weeks for the other stations from the date of issue of award. However, till March 2006, an amount of Rs. 5.15 crore had already been spent but the system was yet to be commissioned. Further, even in August 2006, two years after the issue of work order, the implementation of the system was still in progress.

7.7 When asked by the Committee to give reasons for such a long delay, the Authority replied that: -

“Since the system was very new in the case of cargo operations there was a delay in the finalization of system requirement specifications (SRS) of application software.

The first message IGM (Import general manifest) has not been made available on on-line by customs department till date.”

7.8 Regarding the latest position of implementation of bar code system, the Authority in their written submission stated that: -

“At Delhi and Mumbai airports bar code system was commissioned without IGM message.

At Chennai airport system was tested on on-line mode and full operation will be carried out after the upgradation of ICMS database servers and also IGM message from customs is awaited.

At Kolkata Airport software was loaded and tested on off-line mode and could not made on-line due to shifting of the system hardware of main equipment room to the newly built Cargo Terminal which is under progress

by the Project department apart from this IGM message from Customs is awaited.”

7.9 On this issue, the Ministry of Civil Aviation in their post evidence reply to the Committee stated that:-

“AAI has implemented the Bar Code System as per the directives of the Export Promotion Board (EPB) in order to bring accuracy and efficiency in the cargo handling system of AAI to match the pace of international cargo growth.

AAI carried out the offline trial/testing in exports at IGI Airport. The system bugs reported during the trial/testing were informed to M/s CMC for rectification. The online trial/testing was completed at IGI Airport cargo terminal in a phased manner as per the revised SRS document submitted by M/s CMC. The Bar Code System interface with ICMC in export wing has been commissioned in January, 2007.

As regards import module of Bar Code System, the testing of the software has been completed by AAI. The system can be used subject to the required input from the Customs system.

New technologies like Automatic Storage Retrieval System (ASRS) and automation by way of Elevated Transport Vehicles (ETCs) are being introduced.”

Chapter VIII

No Uniformity between NAD and IAD Contracts

8.1 As per Para 9.2 of Audit report, the Authority did not have a works manual of its own. For the NAD projects, the division was adopting the NAD manual prepared earlier and for the IAD projects the CPWD manual was followed. This resulted in adoption of different procedures for escalation, penalty, security deposit, performance guarantee etc. for the same items of work in IAD and NAD projects.

8.2 Asked by the Committee to explain as to why a common uniform works manual has not been prepared despite lapse of more than ten years after merger of both the divisions. In reply, the Authority submitted that: -

“A common Works Manual was approved by AAI Board in March 2007 which is being adopted uniformly by both Divisions.”

8.3 It was further added that: -

“AAI was formed in April 1995 by merging NAA & IAAI. NAA was having its own Works Manual while IAAI was following CPWD Works Manual.

On stabilization of activities after merger, a committee was formed to formulate common Works Manual for AAI.

The team formed, studied Works Manual being followed by various organization including CPWD and 1st draft was framed. The draft document was forwarded to regions for review & comments. After review at regional level, the draft was discussed at HoD level at CHQ.

The suggestions / points raised were reviewed by the team and draft manual was revised & re-circulated.

In the draft Works Manual, the guidelines issued by Ministry of Finance, Govt. of India were also considered. After incorporating above, the draft Manual was forwarded for scrutiny / vetting of legal Directorate.

After vetting by law / Finance Directorate the manual was put to AAI Board. The Manual was deliberated in Board meeting and suggestions given by AAI Board were incorporated in the draft Works Manual. AAI Board finally approved the Works Manual in March 2007.

As the Draft Works Manual was reviewed at various levels in the field which are spread all over India, the receipt of comments suggestions from field units proved to be time consuming.

During period of formation of Works Manual the works were being executed as per existing Works Manual by AAI. Any changes required were being effected through issue of technical instructions / circulars by Competent Authority to facilitate smooth working.”

Chapter IX

Non-finalisation of Land/Space Lease Policy

9.1 According to Audit in Para 10.1.1, until April 1995, the erstwhile International Airports Authority (IAA) and National Airports Authority (NAA) were following separate bases for fixing rates of land leased and space allotted at airports under their control. Upon formation of the Authority by merger of IAA and NAA in April 1995, the practice of adhoc annual escalation of ten per cent per annum was followed pending finalisation of the land lease policy. Committees were formed in this respect in both IAD and NAD. The Committee reports were received by the Authority in July 1997 and September 1997 respectively. The policy was however not finalised and it was decided to appoint a consultant in the matter. The consultant, M/s Colliers Jardine gave its final report (June 1999) and recommended fixation of land/space rental on the basis of categorisation of airports into five categories based on traffic and escalation of licence fee annually by eight per cent instead of the prevalent ten per cent. The consultant also recommended revision of land lease policy and licence fee every six years. The licence fee/rental for land was worked out on the basis of 3.33 per cent return per annum on the total cost of land which included infrastructure development. The report was discussed by the Board (March 2000) but no uniform land lease policy was finalised. Pending finalisation of a uniform methodology, adhoc revisions were effected in lease rentals from time to time. Audit thus observed that despite a lapse of more than ten years from the formation of the Authority, it had not been able to firm up a uniform land/space lease policy. Different periods and rates of adhoc annual escalation were being applied by the IAD and the NAD resulting in non scientific fixation of lease rentals without

any relation to market rates, cost of land/space and potential of the airport depending upon the traffic handled.

9.2 In this regard, on being asked by the Committee as to why the land/space lease policy, for which action was initiated more than a decade ago, has not been finalized so far, the Authority in their written reply stated that:-

- “1. The policy for the leasing / licensing of land / space, duly approved by the Board of the AAI, is already in vogue.
2. The land at the airports for the aviation related activities as well as for other commercial activities is being allotted with the prior approval of the Board of AAI, for a maximum period of 30 years.
3. The built up space at the airports to the airlines is being licensed within the delegated powers of REDs / APDs (International Airports) for a maximum period of 3 years.
4. The space for all other commercial activities is being allotted through call of tenders.
5. However, AAI Board has observed that as there were significant variations in land and space rental rates, the same need to be rationalized and accordingly, a proposal to rationalize the land and space rentals at all the airports is under active consideration.
6. For this purpose, a consultant was appointed and based on the recommendation, a Committee has examined in detail and the matter is being placed for further consideration of the management.”

9.3 Elaborating on each of the above points, the Authority further stated that:-

“It is stated that Consultant appointed for submission of Land / Space Lease Policy has since submitted the report. The same is being put up to Commercial Advisory Board for its consideration and recommendation. Therefore, the same will be put up to AAI Board for its approval / adoption.

Basically, policy for price fixation with regard to lease rental / licence fee rates is to be adopted / fixed. Policy for leasing of land at airports exists and land is allotted for various aviation activities like hangar construction, Aviation Fuel Station, Ground Support Parking Equipments, Cargo warehouse; land for perishable cargo centre; Hotel: Motels : Flight Kitchen etc.

The policy basically pricing is expected to be finalized / implemented by end of this year....

30 years is maximum period prescribed under AAI Act for which AAI can lease the land. Land for hotels, Flight Kitchen, sorting office of P&T Deptt., Customs offices etc. where permanent buildings are required to be constructed are leased for 30 years. Similarly national carriers i.e. Indian Airlines, Air India and public sector oil companies for Aviation Fuel Station have been leased land for 30 years.

The built up space at airports to the airlines for a maximum period of 3 years. This being allotted as built up space as airlines / parties are not required to construct the same. The examples of three years allotment are airlines / agencies engaged in ground handling activities etc.

The criteria of licencing of land is based on first-come-first-served basis as per following:

- i. The first priority to scheduled operators.
- ii. The second priority to other operators.
- iii. The third priority to approved maintenance agencies including new agencies.

...The other commercial activities at the airport include duty free shops, advertisement rights, catering establishments, airport business centre, executive lounge, transport facilities, money exchange, management of car park, communication services, hotel reservation, tea/coffee / soft drinks / snacks vending machines, let luggage facility, airport entry tickets, information / cyber kiosks, health centre and all kinds of shops etc.....”

9.4 When asked as to whether any assessment has been made regarding losses incurred to the Authority due to non-finalisation of uniform land/space Lease Policy, AAI stated:-

“Since AAI has been regularly increasing the land / space licence fee at the rate of 7.5% compound per annum during the last 3 years (prior to that @ 10%), AAI has maintained its revenue generation and has not suffered any loss. The licence fee rate continues to be escalated. In fact various agencies have requested for lesser rates of escalation.”

9.5 On being queried by the Committee about the rationale behind the rate of 7.5 per cent compound per annum during the last three years as compared to 10 per cent earlier, the AAI explained in their written replies:-

- i) “At major airports the licence fee in respect of land / space allotted to airlines and other agencies has been escalated annually at a compounded rate of 10% w.e.f. 01.10.1994. The 10% escalation was found to be in order during the period 1993-1994, when the annual rate of inflation was in the range of 8.9% and 9.4%. After 1995, the annual rate of inflation has been falling and the rate during 2002-03 was only 5.1% and 4% for the calendar year 2003.
- ii) The wholesale price index and the consumer price index 1970 to 2000 also showed the same trend.
- iii) The airlines and other agencies were also protesting against the 10% annual escalation being applied by AAI and requested for review in the same and also for freezing the licence period at current level in view of the financial crisis in the airline industry prevailing at the time.
- iv) It was observed that the return on bank deposit during the year which was in the range of 11-12% during the period 1993-94 had

decreased to 6.7% on long term deposit and 3-4% on short term deposit.

- v) Further due to SARS / war in Iraq etc. (2002) many airlines were facing severe financial problems on account of which few airport operators had elected to freeze the airport charges and reduced space rentals.

Keeping in view above factors, AAI with due approval of the AAI Board, also considered reduction in the rate of escalation from 10% to 7.5% annually.”

9.6 When the Ministry of Civil Aviation were asked whether they were aware of this undue delay in finalization of the Land/Space Lease Policy and further what directions, if any, has the Ministry issued to the Authority to expedite the process of finalization of the Land/Space Lease Policy, the Ministry in their written reply stated as under:-

“

- (i) Erstwhile IAAI had different rates in respect of land and space licence fee from Mumbai & Delhi in one group and Kolkata, Chennai & Trivandrum Airports in other group. Similarly, based on policy guidelines circulated for fixing the rate for land/space in respect of domestic airports by the then NAAI, there was a wide variation in rates prevailing even within the same region and as well as within the states. Accordingly, as decided by the AAI Board, a Consultant was appointed for rationalizing the rates.
- (ii) The consultant so appointed submitted his final report in July 2006 and has broadly taken into consideration a relationship between the passenger traffic handled at each airport vis-à-vis the population of the city to work out rate of rentals for the top airports categorized under 6 groups.
- (iii) The report was examined by an internal sub-committee which observed that the rate of licence fee for land and space recommended by the Consultant were having wide fluctuations and were less than the existing rate of licence fee prevailing at majority of the airports.
- (iv) The sub-committee has accordingly reviewed the existing licence fee vis-à-vis the suggestion of the consultant and is in the process of submitting its revised report shortly to the Commercial Advisory Board (CAB) for a decision.
- (v) In view of the above, the delay has been basically on account of the process of rationalizing the different licence fee rates and has not caused any financial loss to AAI due to annual escalation being made applicable on the licensees.

As such the management is in the process of finalizing the land/space lease policy.”

PART-B

RECOMMENDATIONS/OBSERVATIONS OF THE COMMITTEE

Recommendation No. 1

Corporate Plan

The Airports Authority of India came into existence on 1st April, 1995 by merger of IAAI and NAI. As per Audit Report, the Authority did not have a Corporate Plan. An unsuccessful attempt was made in January 2004 for finalizing such a plan, which was revived again in May 2005 when the Indian Institute of Technology was appointed to prepare a Corporate Plan for the Authority who submitted their Report in February 2006. The Committee note that the Corporate Plan has now been finalized and approved by the AAI Board.

The Committee regret to note that AAI has taken more than a decade in preparing and finalizing a very important document like Corporate Plan which *inter alia* includes the vision of the organisation for the short-term as well as long-term perspectives. The Committee feel that by not having proper Corporate Plan in place, AAI had to resort to segmented approach to the issues arising from time to time rather than having holistic approach to such issues. The Committee are of the view that early preparation and implementation of Corporate Plan was imperative in view of unprecedented growth in aviation sector and to meet various challenges like modernization of airports in the wake of boom in civil aviation sector and also the emerging economic scenario in the country.

Now that the Corporate Plan has been finalized and approved, the Committee desire that concerted efforts should be made for its

implementation in a time bound manner. Therefore, the Committee would like to be apprised by the Authority about the follow-up action taken to implement the Corporate Plan, and its impact in handling the exponential increase in the aviation sector in a more systematic and organized manner.

Recommendation No. 2

Financial Outlay on Infrastructure / Projects

The Committee regret to note that in the year from 2000-01 to 2005-06, there was a shortfall in actual expenditure vis-à-vis plan outlay on capital works executed by Airports Authority of India which resulted in non-creation /completion of projects after considerable time and cost overrun. Thus, the goal of creating capacity ahead of demand was not fully met.

The Committee take note that the shortfall in expenditure was registered at an all-time high at 58.35 per cent in 2000-01 which later on came down to 23.72% in 2004-05. The situation regarding utilization of funds has improved only since last two years. The Committee note that during the year 2006-07, funds to the extent of 90.46% were utilized due to various measures taken for improving the capital expenditure. The Committee also note that AAI has set up a project management cell at the headquarters headed by Executive Director to assess the progress of projects. The Committee recommend that this cell should periodically assess the work of ongoing projects so as to ensure that there is no cost and time overrun in the implementation of projects and the intended objective of creating adequate infrastructure and capacity to meet future demand is fully achieved.

The Committee further note that during the 11th Five Year Plan period, the Airports Authority of India proposes to spend about Rs. 12,417.17 crore as compared to Rs. 3,534.62 crore during the 10th Five Year Plan period, an increase of almost 250 per cent. The Committee would like to emphasise that Airports Authority of India fully utilize the allocated funds by way of creation and augmentation

of infrastructure and operational facilities. Hence, the Committee recommend that the Authority should create an appropriate mechanism/framework through which full utilisation of funds is planned and ensured.

Recommendation No. 3

Non-Traffic Revenue

The Committee note that the Audit in their Report have observed that the share of non-traffic revenue out of the total revenue of the Airports Authority of India was only 11.90% in 2001-02 (Rs. 267.20 crores) increasing marginally to 14.04 % in 2005-06 (Rs. 489.96 crores). In view of the fact that out of 90 operational airports being managed by AAI, only 12 airports were profit making and the remaining operational airports generate very meagre non-traffic revenue, the Committee emphasize the need for taking adequate measures for augmenting the shares of non-traffic revenue of the airports to strengthen and augment the existing infrastructure at the airports.

The Committee are happy to note that AAI has identified the development of 35 non-metro airports for commercial exploitation based on the reports submitted by global technical advisors and financial experts which *inter alia* provide for creation of flying schools at various airports, ground handling services to be provided to airlines and development of non-traffic revenue through city side development. The Committee emphasize that the work of development for these non-metro airports should be completed within time bound programme. The Committee also desire that mechanism for commercial exploitation of other non-metro airports should be explored and steps be taken with due promptitude for augmentation of non-traffic revenue from these airports as well.

Recommendation No. 4

Operational Area Infrastructure- Timely Completion of Projects

The Committee note that Audit from a test check of major works executed by AAI during 2004-05 at many airports have found cases of time overrun up to 75 months due to reasons like absence of clear possession of land before taking the work leading to delay and foreclosure of work, poor performance of the contractor etc. Audit has also noticed cost overrun of Rs. 3.47 crore due to changes in scope of work.

As already pointed out by the Committee in their earlier recommendation, they would again emphasise the imperative need of timely execution of projects to strengthen the existing infrastructure which is woefully inadequate to meet the growing demand which has risen due to high growth in Civil Aviation Sector.

The Committee note that AAI has taken several steps to avoid time and cost overrun in future projects. The Committee desire that a strong mechanism should be put in place to ensure that all these steps are scrupulously adhered to, to obviate any chance of cost and time overrun in implementation of future projects.

Recommendation No. 5

Problems in Land Acquisition and Encroachment

As per Audit, as on March 2006, land under encroachment was 702 acres in 20 airports and during the five years ending 2005, the Authority was able to remove encroachment from only 30 acres of land while incurring an expenditure of Rs. 24.35 crore. The Committee also observe that the land has been under encroachment at different airports for periods ranging from 5 years to 40 years and there is not much progress as regards status of removal of encroachments. The Committee also take note of Audit observation that AAI's efforts to resolve land acquisition issues were held up due to procedural delays and litigation.

In view of the fact that land is a key resource for Airports Authority of India to implement its programme of expansion, modernization and augmentation of facilities, the Committee need hardly emphasize that the issues of land acquisition and encroachment need to be addressed on top priority.

The Committee note that though AAI Act 1994 was amended in 2004 to include Chapter 5A empowering them to take necessary action for eviction of encroachments on their land, yet it has not helped in achieving the intended objectives. It is true that AAI is fully empowered and competent to deal with issues of land acquisition and removal of encroachments on its land but the Committee feel that these are very sensitive issues involving various agencies and State Governments. The Committee are, therefore, of the opinion that the Ministry should not abdicate themselves of their responsibility and provide all necessary support to AAI to resolve all such contentious issues.

The Committee, therefore, recommend that in order to resolve this vexatious problem, an institutional mechanism consisting of senior officials from AAI and the Ministry of Civil

Aviation be formed to periodically liaise with concerned agencies and State Governments so that the problems can be addressed in a far more pragmatic manner. The Committee also desire that a nodal officer should also be appointed in the Authority to pursue these issues.

Recommendation No. 6

Air Traffic Management, Communication, Navigation and Surveillance Facilities Infrastructure

The Committee note that undue delays occurred in procurement/commissioning of various equipments viz Visual Simulator, Voice Communication System, Dedicated Satellite Communication Network, UHF links, Instrument Landing System (ILS) and Doppler Very High Frequency Omni Range (DVOR) at various airports. This not only resulted in blocking of huge funds but also led to denial of improved communication interface between the airports.

The Committee further note that AAI incurred avoidable expenditure to the tune of Rs. 7.65 crore by deciding to enter into an agreement with BEL (Bharat Electronics Limited) without assessing their capability to upgrade technology and produce Radars at a reasonable price. Also, Flight Inspection System produced for Rs. 19.50 crore in November 2004 had not been installed as the procurement of the aircraft in which it was to be fitted was delayed.

The Committee highly deprecate lack of perspective planning on the part of AAI in foreseeing procedural problems such as delayed decision in procuring equipment, non-synchronisation of allied activities and poor contract management. The Committee view these aspects very seriously and would like to hold Airports Authority of India responsible for non-synchronisation of the various above-quoted activities.

The Committee recommend that the Authority should develop more expertise in planning and synchronizing its

**various activities so as to avoid losses on account of delay
in procurement and installation of various systems.**

Recommendation No. 7

Passenger Facilities Infrastructure

In view of the fact that there has been unprecedented growth of more than 20% in passenger traffic ranging from 21.5% in 2004-05 and 23.7% in 2005-06 to 31.4% in 2006-07, the Committee note that the Airports Authority of India has failed in achieving the objective of providing capacity ahead of demand at airports with regard to services such as check-in, immigration, security, customs and baggage delivery etc.

The Audit have also observed that the overall customer satisfaction index has hovered around 74-75% and in some cases, the ratings went below 70%. As per latest customer satisfaction survey report from February to April 2007 at top 40 airports, which handles 98% of total traffic, shows that the Customer Satisfaction Level at Indian airports varied from 70% to 87% with an average of 75%. The Committee, therefore, observe that infrastructure created at the airports is not commensurate with the growth in passenger traffic thereby resulting in lower customer satisfaction level.

The Committee take note of umpteen number of measures taken by AAI to improve its facilities. In view of the fact that Passenger traffic is expected to grow at a compound annual growth rate (CAGR) of 12% from 96.4 million now to 280 million in 2020 and cargo traffic would grow at a CAGR of 14% per annum to 9 million tones, the Committee would like to emphasise that AAI need to gear up its functioning for achieving the twin objectives of providing capacity ahead of demand and improving customer satisfaction index.

The Committee recommend that a dedicated in-house cell be created by the Airports Authority of India which would make a realistic assessment of the rate of growth of passengers and the need of passenger facilities on a holistic basis over the next 20-40 years based on which requisite infrastructure should be created in terms of technology, passenger facilities, airport management, areas of safety and security etc. The Committee further desire that this cell may study the international and domestic airports in other countries for more efficient management of Indian airports.

The Committee note that to make airports user-friendly, Airport Advisory Committees have been constituted by AAI at 46 major airports. The Committee desire that these committees should meet at regular intervals as they can play a crucial role in improving facilities at airports for passengers.

Recommendation No. 8

Cargo Facilities Infrastructure

The Committee note that Audit in their Report have pointed out that a new cargo complex was constructed at Amritsar despite a recommendation to the contrary by a Committee. The Committee regret to note that though the complex was completed in November, 2004 at a cost of Rs. 2.93 crore, yet it had not been commercially utilized till June 2007. Further, the construction of integrated cargo complex at Kolkata also suffered a time overrun of more than a year. Now that New Cargo Complex have been constructed, it is imperative that they are commercially exploited so as to augment the revenues of the AAI.

Beside above, a Bar Code System to be implemented at the airports for better monitoring and tracking of cargo was not operational even after two years of the issue of the work order leading to non-utilisation of investment to the tune of Rs. 5.15 crore. The Committee strongly deplore the inaction on the part of AAI to activate an important system like Bar Code.

The Committee recommend that in future before taking a decision for construction of new facilities, an assessment regarding gainful utilization of existing facilities should be invariably done. The Committee further recommend that the Bar Code System be implemented at the earliest as it is crucial to have a sound system of monitoring and tracking cargo.

Recommendation No. 9

No Uniformity between NAD and IAD Contracts

The Committee note that though the Airports Authority of India was created by merging the erstwhile International Airports Authority of India with the National Airports Authority in 1995, a common works manual for both the IAD and the NAD was finalized after more than a decade of the merger of the two divisions. The Audit have pointed out in their report that this delay has led to lack of uniformity resulting in different procedures for same items of work reflecting poorly in the functioning of the Authority.

The Committee note with satisfaction that a uniform policy for the functioning of the two divisions has now been put into place and hope that the same would be followed scrupulously by both the divisions. Further, the Committee desire that the Authority should conduct a review so as to standardize all procedures and systems in the Airports Authority of India to minimize any difference with regard to procedure and practice on issues like tendering, bidding, award of contracts and commercial aspects related to the functioning of the Authority.

Recommendation No. 10

Non-Finalisation of Land/Space Lease Policy

The Committee note that since formation of Airports Authority of India after merger of IAA and NAA in April 1995, the AAI has been resorting to adhoc annual escalation of ten per cent per annum for land leased and space allotted. The Committee also note that many committees and consultants appointed in the past have submitted their Reports and still no land/space lease policy has been put in place so far. The Committee are of the view that the present practice of adhoc annual escalation is unscientific and does not reflect the prevalent market rates, cost of land/space and potential of the traffic handled at the airports. Hence, there is an imperative need to finalize and adopt a uniform and standardized policy of lease rental and license fee rates. The Committee, therefore, recommend that AAI should finalise a policy on land/space lease rates without further delay and apprise the Committee on the steps taken in this regard.

New Delhi:
26th November 2007
05 Agrahayana 1929(Saka)

Rupchand Pal
Chairman
Committee on Public Undertakings

Annexure-I

CREATION AND AUGMENTATION OF INFRASTRUCTURE AND OPERATIONAL FACILITIES BY AIRPORTS AUTHORITY OF INDIA

HIGHLIGHTS

- The Authority did not prepare a Corporate Plan.

(Para 2.1)

- There was shortfall in actual expenditure compared to plan outlay in all the years examined in audit. The shortfall was mainly due to delay in finalisation of schemes, tenders, midway alteration in the scope of the work etc.

(Para 2.2)

- Audit noticed that there were instances where the Authority could not recover cost of works carried out on behalf of State Governments which resulted in blocking of funds of Rs.15.83 crore.

(Paras 2.4.1 and 2.4.2)

- Non-Traffic revenue constituted less than 15 *per cent* of the revenue of the Authority whereas internationally such revenue was more than 50 *per cent*.

(Para 2.5.1)

- The Authority had to incur extra expenditure of Rs.86.22 lakh in rectification of defective work executed at Agartala airport.

(Para 3.2.7)

- Cases of time overrun ranging upto 75 months and cost overrun upto Rs.3.47 crore were noticed in works undertaken at 17 airports.

(Para 3.2.9)

- Problem of encroachment continued unabated. 702 acres of land was under encroachment in 20 airports.

(Para 3.3.1)

- Delay in installation of Voice Communication system at three airports resulted in denial of improved communication interface between the airports.

(Para 4.3)

- Delay of five years in providing Dedicated Satellite Communication Network resulted in foregoing benefit of Rs.16 crore.

(Para 4.4)

- Eight wireless communication links remained uninstalled for more than one year after their receipt.

(Para 4.5)

- The decision of the Authority to enter into an agreement with Bharat Electronics Limited (BEL) without assessing the latter's capability to upgrade technology and produce radars at reasonable price resulted in infructuous expenditure of Rs.7.65 crore. There was a liability to pay an extra Rs.3.79 crore to BEL.

(Para 4.10)

- Delay in completion of the Flight Data Processing System project due to its nonintegration with the existing radar system resulted in the Authority not being able to derive the benefits of an integrated system.

(Para 4.11)

- Flight Inspection System procured for Rs.19.50 crore in November 2004 had not been installed as the procurement of the aircraft in which it was to be fitted was delayed.

(Para 4.12)

- Out of 18 passenger terminals test checked, the capacity for customer services in 11 terminals was already saturated by 2004-05. Customer satisfaction level was less than 70 *per cent* in a number of airports. There was delay of more than two years in commissioning of Flight Information Display system at seven airports.

(Paras 5.2, 5.3 and 5.4)

- Terminal II-B of Mumbai airport remained idle from September 1999 to June 2005.

(Para 5.5.2)

- New domestic departure building was completed at Ahmedabad with a time overrun of 20 months. Non synchronisation of procurement of aerobridges with construction of the building kept the related facilities created at a cost of Rs.3.67 crore idle. Upgradation of Amritsar airport registered delay of three years. Time overrun of one year to three years was observed in completion of Phase I and II of the terminal building at Agartala due to delayed decisions and delay in handing over of the site.

(Paras 5.5.3, 5.5.4 and 5.5.6)

- The Amritsar cargo complex had not been commercially utilised till December 2006. The construction of integrated cargo complex at Kolkata had already suffered time overrun of more than one year.

(Paras 6.2 and 6.3)

- A bar code system for better monitoring and tracking of cargo at Delhi, Mumbai, Kolkata and Chennai airports, planned at a cost of Rs.5.81 crore could not be completed as the required software connectivity was not achieved.

(Para 6.4)

- The delay in taking decision either for procurement of new crash fire tenders or for the refurbishment of the existing ones for over four years resulted in many airports being left only with old fire tenders.

(Para 7.2.1)

- Airport Surface Friction Tester valuing Rs.61.91 lakh positioned at Guwahati airport remained unserviceable most of the time. New tester valuing Rs.80 lakh was purchased for Imphal even while the existing one was underutilized and even this equipment was lying unutilised at Guwahati.

(Para 7.5)

- There was no uniform Works Manual for both the divisions of the Authority resulting in adoption of different procedures by the two divisions.

(Para 9.2)

- No land/space lease policy had been finalised by the Authority.

(Para.10.1.1)

Cases of Problems in Acquisition of Land Needed for Development Purposes

Airport	Purpose of requirement	Reasons for non/delayed acquisition	Infrastructure facility denied
1. Chennai	Development of airport	23.89 acres of land already in possession of the Authority since 1980 was not legally acquired. The State Government issued notification in August 2000 for land acquisition and the Authority made initial payment of Rs. 1.10 crore in March 2002. Award for the balance amount of Rs. 1.78 crore was passed in September 2002, which is being contested (March 2006).	The perimeter wall around the airport was constructed without clearly acquiring possession of the entire area encircled.
2. Coimbatore	Wire transmitting station and navigational equipment	Land required for runway extension was acquired in 1994. However, land where the wire transmitting and navigational facilities were installed is yet to be acquired.	The installation of CAT-I lighting system is still pending
3. Jammu	Extension of runway	Land was acquired in 2000-01 at a cost of Rs. 2.75 crore for extension of runway. However a portion of land in between the existing runway and the land acquired for extension could not be acquired (March 2006).	Proposed extension of runway by 1,300 feet had not been taken up and the land already acquired could not be utilised.
4. Kolkata	Extension of secondary runway	Due to presence of public road in the south and religious place of worship in the north, extension of runway is not possible. The project approved in June 2003 is yet to be taken up.	Bigger aircraft cannot be operated in the present secondary runway.
5. Lucknow	Construction of boundary wall	Due to lack of clear possession, the work only partially completed in the site handed over. Further work was held up due to dispute over land.	Incomplete boundary wall around the airport.
6. Mangalore	Land for construction of control tower, fire station, link taxiway etc.	Exact requirement of land for development of airport was not decided initially and the requirement was changed many times and land acquisition being a lengthy process, the delay in finalisation of requirement delayed acquisition of additional land.	A-300 type of aircraft could not be operated from the airport due to limited length of runway and terminal capacity.
7. Madurai	Extension of runway length from 5990 feet to 7500 feet	State Government handed over only part of land required. The balance land required is yet to be transferred (March 2006).	Delay in extension of runway. The installation of ILS and DME equipment was pending for want of extended runway.
8. Mumbai	Land required for expansion	13927 sqm of land within Mumbai airport was given on lease to Indian Airlines in 1959 for use as a playground. The Authority requested for vacation of land in May 1993 for expansion purposes. The land is yet (March 2006) to be handed over.	The land required for expansion of Mumbai airport is not available.
9. Pune	Expansion of apron and additional taxiway	7276.20 sqm of defence land acquired with conditional no objection from the defence authorities.	Since the area is restricted, creation of the operational facilities are hampered.

MINUTES OF THE 3rd SITTING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 19th JUNE, 2007

The Committee sat from 1130 hours to 1315 hours.

PRESENT

Chairman

Shri Rupchand Pal

Members, Lok Sabha

2. Shri Francis K. George
3. Shri Vallabhbai Kathiria
4. Shri Shriniwas Patil
5. Kunwar Jitin Prasada
6. Shri Kashiram Rana
7. Shri Mohan Rawale
8. Shri Ramjilal Suman
9. Shri Ram Kripal Yadav

Members, Rajya Sabha

10. Shri R.K. Dhawan
11. Shri Ajay Maroo
12. Shri Pyarimohan Mohapatra
13. Shri K. Chandran Pillai
14. Shri Dinesh Trivedi

Secretariat

- | | | |
|----|------------------|----------------------|
| 1. | Shri S.K. Sharma | Additional Secretary |
| 2. | Smt. Anita Jain | Director |
| 3. | Shri N.C. Gupta | Deputy Secretary |
| 4. | Shri Ajay Kumar | Deputy Secretary-II |

Office of the Comptroller & Auditor General of India

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|----|-------------------|---------------------------------|
| 1. | Shri A.K. Awasthi | Director General (Commercial) |
| 2. | Shri J. Wilson | Principal Director (Commercial) |

Representatives of Airports Authority of India

- | | | |
|----|---------------------|---------------------|
| 1. | Shri P. Seth | Member (Operations) |
| 2. | Shri H. S. Bains | Member (P&A) |
| 3. | Shri S. C. Chhatwal | Member (Finance) |
| 4. | Shri V. P. Agrawal | Member (Planning) |

2. The Committee took oral evidence of the representatives of Airports Authority of India (AAI) in connection with examination of C&AG's Report No. 17 (Commercial) of 2007 (Performance Audit) regarding review of infrastructure and operational facilities provided by Airports Authority of India.

3. At the outset, the Chairman welcomed the representatives of AAI and also drew their attention to direction 58 of the Directions by the Speaker relating to evidence before the Parliamentary Committee. Thereafter, the representatives of AAI made an audio-visual presentation on the infrastructural and operational facilities being developed by the Authority. After the audio-visual presentation, Members raised queries on various aspects pertaining to the subject and the explanations/clarifications on the same were made by the representatives of AAI. Information on some of the points raised by the Committee was not readily available with the representatives of AAI. It was, however, promised by them that the same would be furnished to the Committee Secretariat in due course.

4. The Chairman then thanked the representatives of AAI for providing all the material/information on the subject matter as desired by the Committee.

5. A copy of the verbatim proceedings has been kept on record separately.

6. The witnesses then withdrew.

7. The Committee then adjourned.

MINUTES OF THE 5th SITTING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 13th JULY, 2007

The Committee sat from 1130 hours to 1320 hours.

PRESENT

Chairman

Shri Rupchand Pal

Members, Lok Sabha

2. Shri Ramdas Bandu Athawale
3. Shri Ramesh Bais
4. Shri Gurudas Dasgupta
5. Shri Francis K. George
6. Shri Shrinivas Patil
7. Shri Kashiram Rana
8. Shri Ramjilal Suman

Members, Rajya Sabha

9. Shri Ajay Maroo
10. Shri Dinesh Trivedi

Secretariat

- | | | |
|----|------------------|---------------------|
| 1. | Shri J.P. Sharma | Joint Secretary |
| 2. | Smt. Anita Jain | Director |
| 3. | Shri N.C. Gupta | Deputy Secretary |
| 4. | Shri Ajay Kumar | Deputy Secretary-II |

Representatives of Airports Authority of India

- | | | |
|----|---------------------|---------------------|
| 1. | Dr. K. Ramalingam | Chairman |
| 2. | Shri P. Seth | Member (Operations) |
| 3. | Shri H. S. Bains | Member (P&A) |
| 4. | Shri S. C. Chhatwal | Member (Finance) |
| 5. | Shri V. P. Agrawal | Member (Planning) |
| 6. | Shri M.C. Kishore | ED(CA) & CS |

2. The Committee took further oral evidence of the representatives of Airports Authority of India (AAI) in connection with examination of C&AG's Report No. 17 (Commercial) of 2007 (Performance Audit) regarding review of infrastructure and operational facilities provided by Airports Authority of India.

3. At the outset, the Chairman welcomed the representatives of AAI and also drew their attention to direction 58 of the Directions by the Speaker relating to evidence before the Parliamentary Committee. Thereafter, the representatives of AAI made an audio-visual presentation on the infrastructural and operational facilities being developed by the Authority. After the audio-visual presentation, Members raised queries on various aspects pertaining to the subject and the explanations/clarifications on the same were made by the representatives of AAI. Information on some of the points raised by the Committee was not readily available with the representatives of AAI. It was, however, promised by them that the same would be furnished to the Committee Secretariat in due course.

4. In the course of the deliberation on AAI, some members raised the issue of safety and security of airports and suggested that Committee should take up the subject of safety and security of airports under AAI for examination. The Committee have therefore decided to select the subject "Airports Authority of India – Safety and Security Aspects" for examination during the current term.

5. The Chairman then thanked the representatives of AAI for providing all the material/information on the subject matter as desired by the Committee.

6. A copy of the verbatim proceedings has been kept on record separately.

7. The witnesses then withdrew.

8. The Committee then adjourned.

MINUTES OF THE 7th SITTING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 29th AUGUST, 2007

The Committee sat from 1530 hours to 1645 hours.

PRESENT

Chairman

Shri Rupchand Pal

Members, Lok Sabha

2. Ch. Lal Singh
3. Dr. Rameshwar Oraon
4. Shri Shrinivas Patil
5. Shri Kashiram Rana
6. Shri Mohan Rawale

Members, Rajya Sabha

7. Shri Mahendra Mohan
8. Shri Ajay Maroo
9. Shri K. Chandran Pillai
10. Shri Dinesh Trivedi

Secretariat

- | | | |
|----|------------------|---------------------|
| 1. | Shri J.P. Sharma | Joint Secretary |
| 2. | Smt. Anita Jain | Director |
| 3. | Shri N.C. Gupta | Deputy Secretary |
| 4. | Shri Ajay Kumar | Deputy Secretary-II |

Office of the Comptroller & Auditor General of India

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|----|-------------------|-------------------------------|
| 3. | Ms. Bharti Prasad | Chairperson, Audit Board |
| 4. | Shri A.K. Awasthi | Director General (Commercial) |

Representatives of Ministry of Civil Aviation

- | | | |
|----|-----------------------|--|
| 1. | Shri Ashok Chawla | Secretary |
| 2. | Shri Raghu Menon | Additional Secretary & Financial Adviser |
| 3. | Shri K.N. Shrivastava | Joint Secretary |
| 4. | Shri Sandeep Prakash | Director |

Representatives of Airports Authority of India

- | | | |
|----|--------------------|-----------------------|
| 1. | Dr. K. Ramalingam | Chairman |
| 2. | Shri S.C. Chhatwal | Member (Finance) |
| 3. | Shri P. Seth | Member (Operations) |
| 4. | Shri V.P. Agrawal | Member (Planning) |
| 5. | Shri M.C. Kishore | CS&ED (Corp. Affairs) |

2. The Committee took oral evidence of the representatives of Ministry of Civil Aviation in connection with examination of C&AG's Report No. 17 (Commercial) of 2007

(Performance Audit) regarding review of infrastructure and operational facilities - Airports Authority of India.

3. At the outset, the Chairman welcomed the representatives of M/o Civil Aviation and drew their attention to direction 58 of the Directions by the Speaker relating to evidence before the Parliamentary Committee. Thereafter, Members raised queries on various aspects pertaining to the subject and the explanations/ clarifications on the same were made by the representatives of Ministry. Information on some of the points raised by the Committee was not readily available with the representatives of Ministry. It was, however, promised by them that the same would be furnished to the Committee Secretariat in due course.

5. The Chairman then thanked the representatives of Ministry of Civil Aviation for providing all the material/information on the subject matter as desired by the Committee.

6. The witnesses then withdrew.

7. The Committee then adjourned.

8. A copy of the verbatim proceedings has been kept on record separately.

MINUTES OF THE 12th SITTING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 26th NOVEMBER, 2007

The Committee sat from 1600 hours to 1620 hours.

PRESENT

Chairman

Shri Rupchand Pal

Members, Lok Sabha

- 2 Shri Ramdas Bandu Athawale
- 3 Smt. Sangeeta Kumari Singh Deo
- 4 Shri Francis K. George
- 5 Dr. Vallabhbhai Kathiria
- 6 Ch. Lal Singh
- 7 Shri Shriniwas Patil
- 8 Shri Kashiram Rana

Members, Rajya Sabha

- 9 Shri Ajay Maroo
- 10 Shri Pyarimohan Mohapatra
- 11 Shri K. Chandran Pillai

Secretariat

- | | | |
|---|------------------|----------------------|
| 1 | Shri S.K. Sharma | Additional Secretary |
| 2 | Shri J.P. Sharma | Joint Secretary |
| 3 | Smt. Anita Jain | Director |
| 4 | Shri N.C. Gupta | Deputy Secretary |
| 5 | Shri Ajay Kumar | Deputy Secretary-II |

Office of the Comptroller & Auditor General of India

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|----|-------------------|---------------------------------|
| 1. | Shri A.K. Awasthi | Director General (Commercial) |
| 2. | Shri Naveen Kumar | Principal Director (Commercial) |

2. The Committee took up for consideration the draft Report on Airports Authority of India based on C&AG (Commercial) Report No. 17 of 2007. The Committee adopted the Report without any changes.

3. Then, the Committee took up for consideration the draft Action Taken Report on the recommendations contained in the 17th Report of the Committee on Public Undertakings pertaining to GAIL(India) Limited. The Committee adopted the Report without any changes.

4. Thereafter, the Committee took up for consideration the draft Action Taken Report on the recommendations contained in the 16th Report of the Committee on Public Undertakings pertaining to Special Contingency Policies on Mobile Handsets by Insurance Companies. The Committee adopted the Report without any changes.

5. The Committee authorized the Chairman to finalize the Reports for presentation.

6. The Committee then adjourned.
