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8

EIGHTH REPORT

COMMITTEE ON PUBLIC UNDERTAKINGS

(2005-2006)

(FOURTEENTH LOK SABHA)

**AIRPORTS AUTHORITY OF INDIA – LOSS OF REVENUE
DUE TO DELAY IN AWARD OF LICENCES TO OPERATE
MONEY EXCHANGE COUNTERS**

MINISTRY OF CIVIL AVIATION



Presented to Lok Sabha on 25.8.2005

Laid in Rajya Sabha on 25.8.2005

**LOK SABHA SECRETARIAT
NEW DELHI**

August 2005 / Bhadrapada 1927 (S)

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COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS
(2005-06)

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Shri Rupchand Pal

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3. Shri Gurudas Dasgupta
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1. Shri S. Bal Shekar - Joint Secretary
2. Shri J.P. Sharma - Director
3. Shri Ajay Kumar - Assistant Director
4. Shri H. Ram Prakash - Committee Officer

(iii)

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Eighth Report on Airports Authority of India – Loss of Revenue Due to Delay in Award of Licences to Operate Money Exchange Counters at Airports.

2. The Committee's examination of the subject was based on Audit Paragraph 3.3.1 contained in the Report on Union Government (Commercial) of the Comptroller & Auditor General (No. 3 of 2005) of India.

3. The Committee took evidence of the representatives of Airports Authority of India and Ministry of Civil Aviation on 20th June, 2005.

4. The Committee on Public Undertakings (2005-06) considered and adopted the Report at their sitting held on 23rd August, 2005.

5. The Committee wish to express their thanks to Airports Authority of India and the Ministry of Civil Aviation for placing before them the material and information they wanted in connection with examination of the subject. They also wish to thank in particular the representatives of Airports Authority of India and the Ministry of Civil Aviation, who appeared for evidence and assisted the Committee by placing their considered views before the Committee.

6. The Committee also place on record their appreciation for the assistance rendered by the Comptroller & Auditor General of India.

7. 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.

New Delhi
23rd August, 2005
1 Bhadrapada, 1927 (S)

RUPCHAND PAL
CHAIRMAN
COMMITTEE ON PUBLIC UNDERTAKINGS
(v)

PART-1

REPORT

A. Background

1. The Audit Report of the Comptroller & Auditor General of India – Union Government (Commercial) – No. 3 of 2005 contained an audit observation in Para No. 3.3.1 relating to Airports Authority of India in awarding of licences to set up Money Exchange Counters at the major Airports. As per audit the company incurred a loss of revenue of Rs. 18.11 crore on account of royalty and licence fee due to arbitrarily fixing eligibility conditions leading to unnecessary litigation which delayed award of licences for Money Exchange Counters at various Airports.

2. The main observations made by Audit in the para can be summarized as under:-

(a) The Airports Authority of India (AAI) issued instructions in July 1999 to float open tenders for award of licences for setting up money exchange counters to reputed authorised money exchange agencies, nationalised banks and foreign banks at the international airports as per the commercial policy in vogue. Accordingly, tenders were invited from agencies to quote a royalty to the Authority as a percentage on their gross turnover (GTO) in addition to space rent payable. Deviating from the commercial policy in vogue, the eligibility conditions for participation in the tender were changed as given below which were impractical and discriminatory.

(i) The prospective agencies/banks should possess minimum experience of five years of operating Money Exchange Counters at ports/railways/airports and should possess valid licence from Reserve Bank of India to conduct money exchange business at the airport.

(ii) The tenderer should possess minimum experience of 15 branches including branches in India and abroad.

(iii) The tenderer participating in the tenders for International Airports viz. Delhi / Mumbai / Chennai / Kolkata / Thiruvananthapuram Airports should also have minimum annual turnover of Rs.50 crore during the last financial year.

- (b) These eligibility conditions precluded most of the Indian firms as they were not having overseas branches and could not fulfill requirement of five years experience as these counters were introduced recently at railway stations /sea ports.
- (c) Some of the aggrieved firms challenged the eligibility conditions in Mumbai High Court in August 1999 and in Kolkata High Court in October 1999. While admitting the petitions, the Mumbai High Court observed that the eligibility conditions were totally irrational, unreasonable and illegal. Similar petitions were filed at Bangalore, Chennai, Delhi, Hyderabad and Thiruvananthapuram High Courts in September 1999 and October 1999. Despite multiple litigations at various High Courts, the AAI did not re-examine the eligibility conditions in October 1999 itself but modified it only in September 2001, which led to final award of exchange counters at Mumbai and Kolkata after a delay of 30 to 34 months respectively causing loss of royalty of Rs.12.67 crore. At Bangalore, Chennai, Thiruvananthapuram, Delhi and Hyderabad, the delay ranged between 6 to 37 months with consequential royalty loss of Rs.1.45 crore.
- (d) As no time frame was prescribed, airports at Ahmedabad, Amritsar, Goa and Jaipur did not follow the instructions at all, which delayed the award of licenses between 18 to 44 months causing a loss of royalty of Rs.27.78 lakh.
- (e) In addition to royalty loss of Rs.14.40 crore, the Authority also lost Rs.3.71 crore towards space rent in respect of all the above airports due to delay in award.
- (f) The Ministry stated in October 2004 that the response to the call of tender with pre-qualified specification did not unilaterally result in litigation all over India. The Ministry's reply is not factual since cases were filed at all International Airports challenging the inclusion of restrictive conditions.
- (g) Legal consultation and expeditious modification in eligibility conditions would have avoided litigation at the airports. The consequent delay in invitation of fresh tenders and their finalisation deprived the Authority of earning revenue amounting to Rs.18.11 crore.

3. A copy of the Audit Para as contained in the C&AG's report is given at Annexure –1. The sequence of activities pertaining to the Audit Para as brought but during the examination by the Committee have been discussed in the succeeding paragraphs.

B. Tendering

4. Traditionally, the Money Exchange Counters at the International Airports were operated by the nationalised banks in accordance with the directives issued by the Ministry of Tourism and Civil Aviation vide letter No. AV-24017/10/76 – AA dated 18.9.1978. In addition M/s R.N. Dutta and M/s Pheorze Framroze were also operating Money Exchange Counters at Calcutta and Mumbai Airports respectively. Further, the Ministry of Finance vide letter no. FA/8/11/BC/92 dated 15.4.1994 permitted AAI to allot Money exchange counters at airports to M/s Thomas Cook and later on M/s T.T. Travels were also permitted to operate the money exchange counter at Chennai Airport. Subsequently, Ministry of Finance, Govt. of India liberalized the policy on the subject and issued licenses to several agencies for money exchange business. These parties started approaching AAI for allotment of space at the airports for operating money exchange counters.

5. According to Audit, the Airports Authority of India decided in April 1999 to invite open tenders from reputed authorised money exchange agencies, nationalized banks and foreign banks for setting up money exchange counters at the international airports as per the commercial policy in vogue. The Authority issued instructions to float open tenders in July 1999 for award of licences and tenderers were asked to quote a royalty payable to the Authority as a percentage on their gross turnover (GTO) in addition to space rent payable @ Rs. 3,500 (domestic)/ Rs. 6,000 (international) per square meter per month.

6 The Committee enquired whether Airports Authority of India had taken approval from the AAI Board before issuing of tender, AAI stated in a written reply that:-

After obtaining due clearances from the Ministry of Finance vide letter dated 19.1.1998 and Ministry of Civil Aviation, vide letter dated 27.10.1997, the AAI Board accorded in principle approval for inviting open tenders from reputed authorized money exchange agencies, nationalised banks and foreign banks for setting up of money exchange counters at the airports.

7. The Committee wanted to know whether the Ministry's approval was taken by AAI before the issue of tender. The Ministry of Civil Aviation in a written reply informed the Committee as under:-

During the 37th Board Meeting of AAI, Member (Finance) of AAI explained that as per Ministry of Finances guidelines, no approval or clearance from any other authority is required for giving space for Money Exchange Counters as long as these agencies have a licence issued by RBI. As such, no approval of this Ministry was required.

8 On being enquired about the nature of services rendered by Money Exchange Counters at the Airports, AAI in written reply stated that:-

Money Exchange Counters render services in foreign exchange transactions at both international and domestic airports. Money Exchange Counters at some locations in international airports were also catering to the collection of customs duty in addition to the exchange transactions.

9 When the Committee asked how the nationalized banks and private agencies were operating the money exchange counters prior to April 1999 and under what terms and conditions, AAI in a written reply has stated as under:-

Prior to 1999, Money Exchange Counters (MECs) at airports were allotted to nationalized banks and private agencies and were charged for the space allotted at the respective airports as below:

a) IGI, Delhi/Mumbai Airports : Rs. 5200/- per Sqm. per month

b) Trivandrum/Chennai/ Calcutta Airports: Rs. 3500/- per Sqm. per month

10. Explaining the rationale for issuing of this tender for setting up money exchange counters, the Chairman, AAI during oral evidence submitted as under:-

“We have to go through the tendering process for the money exchange counters because the traffic at the airports has been increasing on a regular basis. Secondly, the Ministry of Finance also said that it could be opened up and given to other agencies also because of liberalization. If we look at the old system, we had the system of collecting only the rentals. Here we have said that we will have a percentage of the royalty on the gross turnover, and it could be one of the conditions in it. As a result of this measure the Airports Authority can get some additional revenue. We have been getting some non-traffic revenues, and we felt that it would be one of the avenues for getting revenues for the Airports Authority. This is another thinking of the Airports Authority on this issue.”

11. On being asked by the Committee about the guidelines given by the Board of AAI in finalizing the setting up of these money exchange counters, AAI, in a written note replied as under:-

The Board had suggested that AAI should restrict itself only to Indian and foreign banks and not to other agencies. It was also suggested that AAI may draw up suitable criteria wherein the minimum gross turnover and experience in the field may be stipulated as one of the conditions of the tender documents which may help in attracting reputed agencies for operation of such Money Exchange Counters at airports.

C. Eligibility Conditions

12. As per Audit, Airports Authority of India by deviating from the commercial policy in vogue, the eligibility conditions for participation in the tender were changed as given below which were impractical and discriminatory.

- (i) The prospective agencies/banks should possess minimum experience of five years of operating ;money exchange counters at ports/railways/airports and should possess valid licence from the Reserve Bank of India to conduct money exchange business at the airport.
- (ii) The tenderer should possess minimum experience of 15 branches including branches in India and abroad.

- (iii) The tenderer participating in the tenders for International airports viz. Delhi/Mumbai/Chennai/Kolkata/Thiruvananthapuram Airports should also have minimum annual turnover of Rs. 50 crore during the last financial year.

13. When asked whether the new eligibility conditions included in the tender were part of the commercial policy that was being followed by the AAI, the Committee were informed by AAI in a written reply that:-

The revenue from Money Exchange Counters operated at the airports before calling the tenders, was only from the space rent applicable on the allotted area for operations of such counters. It has been the consistent endeavour of AAI to optimize its revenue including the non-traffic revenue. Corrective actions are also taken from time to time to improve the procedures to enhance the revenue. The new eligibility conditions were thus introduced to improve non-traffic revenue of the AAI.

14. On being enquired about how the minimum experience of 5 years of operating money exchange counters at ports /railways/airports was arrived at as these facilities are of a new kind of business in India and few parties/agencies would have the requisite experience, the Committee were informed that :-

Indian Railways has specified the experience criteria as 10 years while inviting the tenders and AAI had taken into consideration the experience criteria as 5 years, keeping in mind the AAI Board's observations in providing quick and efficient services by inducting reputed nationalized/foreign banks/ private agencies. The response to the tenders invited by AAI at all the international airports have been very encouraging, except for few agencies who went for litigation.

Further, in terms of Section 11 of the AAI Act 1994, the Authority is empowered to take all such steps and to formulate Rules and Regulations as are necessary and are confined for discharging all its functions conferred by the Act and the uniform applicability of tenders norms for all the airports are acceptable under law.

15. When the Committee wanted to know why AAI restricted itself to Railways / State Bank of India for collecting data in connection with finalisation of a eligibility conditions, the Committee were informed that:-

While AAI laid emphasis on the turnover generated by M/s SBI from the Money Exchange business, inquiries were also made from other major operators like M/s Thomas Cook India Private Ltd. and accordingly fixed the eligibility criteria taking the turnover as Rs. 50 crores per annum.

16. When asked whether any other Public Sector Banks /agencies were involved in the money exchange business other than State Bank of India, the AAI in a written reply sent after evidence informed the Committee that:-

It is brought out that in addition to M/s State Bank of India, there are other nationalized banks like; M/s Indian Overseas Bank, M/s Bank of Baroda, M/s Punjab National Bank having branches both in India and abroad.

17. The Committee wanted to know as to why the State Bank of India/Railways were approached for finalizing the eligibility conditions in the tender as AAI were having enough experience in awarding money exchange counters at airports. The Chairman, AAI during the oral evidence informed the Committee that:-

“We have been doing this for the first time. Previously, on the directions of the Ministry, we used to allot the counters. Since we were doing it for the first time and since everybody was new, that is, the officer and the member who were dealing with it, we wanted to go by certain established procedure available within our country. Therefore, we took it from the Railways. For deciding the turnover criteria, we turned to the State Bank of India, which has its branches at the airports. When we asked them about turnover, they informed us through correspondence that their turnover was around Rs. 60 crore. Keeping in view the growing number of passengers and the growth that would take place in the coming years, these contracts are given for a period of five years. Therefore, our commercial judgment was that our turnover at the international airports could be around Rs. 50 crore.”

18. The Committee desired to know why did AAI fix an unrealistic amount of Rs.50 crore / year as eligibility condition for participation in the tender keeping in view that as SBI being the largest PSU bank was able to do money exchange turnover of only Rs.60 crore per year. The Committee were informed by AAI in a written reply as under:-

Since State Bank of India was operating the Money Exchange counters at all the international airports and at some domestic airports which were

declared international, the turnover criteria of Rs. 50 crores per year was based on the turnover achieved by M/s State Bank of India. However, keeping the Board directives to ensure induction of quality service providing reputed parties, the turnover figures as indicated by M/s SBI as well as some private agencies like M/s Thomas Cook were taken into consideration in forming the eligibility criteria.

19. The Committee wanted to know about the modifications which were made subsequently in the year 2001 in the eligibility conditions after which most of the court cases were either closed or withdrawn. The AAI have stated in a written reply that:-

The modifications made after Mumbai High Court order in November 2001 was that the eligibility criteria was modified to "tenderer should possess minimum experience of operating 15 branches / counters or a combination of both in India and/or aboard."

20. When the Committee wanted to know whether the modified eligibility conditions were approved by the AAI Board, the Chairman AAI in his oral evidence before the Committee stated that:-

"Actually, if you see the various records and other things, it was brought before the Commercial Advisory Board. Earlier, NIT conditions were not put up to the Board. It was taken at the level of the Member in charge and then every time it was going to the Commercial Advisory Board. The Commercial Advisory Board has been doing it."

21. When asked who are the Members of the Commercial Advisory Board, the AAI Chairman during oral evidence stated as under:-

"Functional Members of the Board and Chairman."

22. When asked about the views of the Ministry on whether the modified eligibility conditions were to be approved by AAI Board, Secretary, Ministry of Civil Aviation during oral evidence replied that:-

"As a matter of abundant precaution, my own personal view was that this matter should have come to the Board. You have also referred to the responsibility of the Ministry or Government Directors on the Board of AAI. Here, I may submit to you that in the first meeting where the in-principle decision was taken, the Government Directors actively participated and made suggestions, etc. And their role is free from any blame or

responsibility in the sense that they exercised due caution and suggested certain checks, etc. to be introduced in the scheme.”

23. According to the information furnished by the Ministry of Civil Aviation, in response to the tender called at IGI Airport Delhi, Punjab National Bank and State Bank of India participated alongwith M/s Thomas Cook and M/s American Express. The bids of SBI and PNB could not be considered due to non-fulfillment of the requirements of technical bid. In this regard the Committee asked the AAI to give details of the deficiencies observed in the bids of SBI and PNB which led to their non-fulfillment of certain technical requirements and rejection of their tender, keeping in view the fact that both of them are reputed public sector banks. In a written reply, AAI informed the Committee that.

The General Terms and Conditions of the NIT included clause in relation to clearance of outstanding dues as well as submission of ITCC and copy of IT Return for the last financial year. However, SBI and PNB did not submit the ITCC at the time of opening the tenders and also had not settled the outstanding dues.

24. The Committee enquired whether the modified eligibility conditions were approved by AAI Board. In reply, AAI Chairman during oral evidence stated as under:-

“It was approved by the Member concerned and then the Commercial Advisory Board. Initially also, when the Board gave the directive, the tender conditions of the NIT did not go to the Board. The Member concerned had approved it. Subsequently when the corrections were to be made following of the judgement of the court, the Member who is in charge brought it to the Commercial Advisory Board where the Chairman and other functional Members of the Board were there.”

25. To a specific query as to whether the concurrence of the Board was obtained as the amendments were made, the Chairman, AAI during oral evidence informed the Committee that:-

“It did not go to the Board”

26. The Committee wanted to know why the modified eligibility conditions did not go to the Board and was it not the procedure followed in the Airports

Authority of India that every policy decision is taken to the Board. AAI Chairman during oral evidence stated that:-

“The Member in charge approves it and then it goes to the Commercial Advisory Board, not to the full Board. There is a Commercial Advisory Board which takes such commercial decisions.”

27. To a query by the Committee that these two criteria relating to experience and having overseas branches had been cleared by the Airports Authority of India Board, the AAI Chairman during evidence stated that:-

“No, it was not approved by the Board. In the first instance the Board only gave a guideline in principle. They said, you should have turnover criteria. Apart from turnover and experience, it said ‘reputed parties’. Three conditions were put. They gave in-principle approval for that. However, how much experience has to be put, etc., was done within the Airports Authority.”

28. On being asked whether it should have gone to the Board for concurrence, the AAI Chairman during oral evidence stated as under:-

“What made them do so at that time, I am not in a position to state. I am functioning now and if such a thing comes I would take it to the Board. There was one such case in the commercial and I have informed the Board.”

29. When the Committee wanted to know the view of the Secretary, Ministry of Civil Aviation on whether it would have been prudent to take the matter to Supreme Court in view of the contradictory High Court judgements in Mumbai & Chennai, the Secretary during oral evidence stated that:-

“Keeping in view one judgement of the Madras High Court that had already come in and also the interim stay given by the Bombay High Court. If I am allowed to express a personal opinion with the benefit of hindsight, yes, I think, that would have been a most prudent course, as a number of cases were pending in different High Courts. It is the normal practice in most cases to ask for a collective hearing on all these matters at the level of the Supreme Court itself. I would suggest and I would humbly submit that probably that would have been a much better course of action.”

D. Legal Challenges

30. According to the Audit, some of the aggrieved firms challenged the eligibility conditions in the Mumbai High Court in August 1999 and Kolkata High Courts in October 1999. The Mumbai High Court granted stay in August 1999 on the tender proceedings. While admitting the petitions in October 1999 the High Court observed that the eligibility conditions were totally irrational, unreasonable and illegal. The Kolkata High Court followed suit in October 1999. Petitions challenging the eligibility conditions were similarly filed at Bangalore, Chennai, Delhi, Hyderabad and Thiruvananthapuram High Courts (between September 1999 and October 1999) where the respective High Courts ordered that the award of licences was subject to result of petitions filed before them. But no stay orders were issued. In this regard, the Committee wanted to know from AAI who were the aggrieved parties who went to the Court against the eligibility conditions. AAI informed the Committee that :-

The details of the parties who went to court against the eligibility criteria is given in the table below. Since these parties were not meeting the eligibility criteria described in the NIT, they were not issued the tender forms.

NAME OF THE AIRPORT	NAME OF THE PARTIES
CHENNAI AIRPORT	LKP MERCHANTS FIN.LTD. NUCLEUS SECURITIES LTD.
TRIVANDRUM AIRPORT	LKP MERCHANTS FIN. LTD NUCLEUS SECURITIES LTD.
BANGLORE AIRPORT	N.L. FOREX LTD. LKP MERCHANT FIN. LTD
KOLKATA AIRPORT	LKP MERCHANT FIN. LTD. R.N. DUTTA & CO.
IGI AIRPORT	LKP MERCHANT FIN. LTD.
MUMBAI AIRPORT	NUCLEUS SECURITIES LTD. PHEROZE FRAMROZE CO. LTD. LKP MERCHANT FIN. LTD.

31. The Committee wanted to know what was the observations of various High Courts while admitting the petition challenging the eligibility conditions. AAI in its written reply stated that :-

Interim stay was granted initially at Mumbai, Trivandrum and Kolkata Airports. However, no stay was granted in respect of Chennai and Delhi Airports. AAI, in order to resolve the pending litigation proceedings agreed to make minor modifications for resolving the issue. On submission of AAI's views for making the modifications to Clause 3 (a) & 3 (b), the Mumbai High Court directed for withdrawal of writ petition and passed orders accordingly in Nov, 2001. Similarly, the Courts at Delhi and Kolkata also passed order disposing off the petitions in November 2002 and October 2002 in view of the stand taken by AAI for modifying the clauses as submitted in Mumbai High Court.

32. When the Committee enquired why Supreme Court was not approached for directions as Mumbai and Chennai High Courts had given contradictory orders on the same issue, the Executive Director (Law) AAI during oral evidence stated as under:-

"Most humbly, I wish to make my submission regarding the delay in litigation. The first court case against these conditions of contract, as was stipulated in our notice inviting tenders, came before the Chennai High Court. On 6.10.1999, two writ petitions that were filed by two parties were dismissed. They have held that the court cannot interfere with the jurisdiction of the respondents in fixing the terms and conditions, and the same was not open to judicial scrutiny. It was actually based on the Apex Court's decision that the High Court of Chennai dismissed their petitions. At the same time, when we got this order from Chennai High Court, the other courts in Delhi and Kolkata refused to grant any stay order in this regard. After the order of the Chennai High Court, we got an interim stay order from Mumbai High Court. Then, we informed the court that we would like to argue the matter so that we could get a favourable order on whether it was a right or wrong decision. Unfortunately, that took time. We filed several applications for early hearing, but the normal answer of the court was that when it would hear the case when the business of the court permits. After a long time, that is, on 16th August, 2001, they heard us. After hearing us, they told us that the conditions were such that many parties might not participate and it might be found discriminatory. After seeing the order of the Mumbai High Court, the Kerala High Court passed a stay order. We could not finalise the tenders because of these reasons. We felt that if we approach the Supreme Court, there would be further delays because we have several matters referred to the Supreme Court which takes a minimum of two years for disposing of even transfer petitions. Keeping this in mind, we thought that it would be better to accept

the suggestions of the Mumbai High Court as it would not hamper the interest of the Airports Authority in any way.”

33. On the above issue, the comments of the Executive Director (Law) AAI during oral evidence were as under:-

“It may be our misjudgment. We are admitting that it may be. But our Counsels have never said that to us. They told us that it is not a case we could fight. We had gone to them continuously. They told us that this is a good case when Chennai High Court judgement was there.”

34. The Committee enquired as to whether the Ministry of Civil Aviation was aware of the legal cases against the AAI and, if so, when and what was the advice given by them to AAI in this matter. In reply, the Ministry stated that the Ministry came to know about these legal proceedings against the AAI in various High Courts across the country relating to the eligibility conditions set out in the tenders for inviting bids to run money exchange counters on receipt of draft audit paras from the Office of C&AG. As regards the advice given by the Ministry, it was submitted that:-

AAI functions under AAI Act, 1994 and has delegation of powers as per MOU signed between Ministry of Civil Aviation and Airports Authority of India. Commercial decisions are approved by AAI Board / Commercial Advisory Board or any other AAI Official duly authorized. No advice was given by MCA for immediate modification of eligibility conditions.

35. On being asked by the Committee about the supervisory role of the Ministry of Civil Aviation in relation to the functioning of the AAI, the Ministry stated as under:-

The Ministry of Civil Aviation is responsible for the formulation of policies and programmes for development and regulation of civil aviation and for devising and implementing schemes leading to the orderly growth and expansion of civil air transport. Its functions also extend to overseeing the provision of airport facilities, air traffic services and carriage of passengers and goods by air.

36. On being asked how many officials of the Ministry are Members in the Board of Directors of AAI and what are their responsibilities in AAI, the Ministry of Civil Aviation in a written reply to the Committee stated as under:-

Two officers of the Ministry – Financial Advisor of the rank of Additional Secretary / Joint Secretary and the Joint Secretary on the Ministry looking after the work of AAI, are Members in the Board of Directors of AAI. As Members in the Board of Directors, these officers are required to oversee the performance of the AAI and take decisions with regard to various functions of the Authority on the basis of policies of the Government.

37. When enquired whether the Ministry was not informed about the various litigations by AAI, the Secretary Ministry of Civil Aviation, during oral evidence stated that:-

“Sir, I may also submit before this hon. Committee that strangely somehow neither was the Board of Airports Authority nor the Ministry of Civil Aviation, at any point of time, informed about the various litigations that were going on in various High Courts and the subsequent corrective actions that were required to be taken. The matter continued to be dealt in the Airports Authority. Finally, all the modifications also came from the Airports Authority.”

38. The Committee wanted to know the role of officials of Ministry of Civil Aviation present in the Board of Directors of AAI in this particular case. The AAI in a written reply informed the Committee as under:-

Since the finalization of the tender for the money exchange counters were well within the powers of the Airports Authority management viz the airports and the corporate Hqrs., the tenders were finalized with the approval of the Commercial Advisory Board, there was no role for the officials of Ministry of Civil Aviation who represent Ministry of Civil Aviation in AAI Board, as the matter did not require the approval of AAI Board.

E. Revenue Loss

39. The Audit have observed that the total loss of revenue due to delay in award of licences to operate Money Exchange Counters at various Airports amounted to Rs. 18.11 crore. The Committee enquired whether AAI estimated the loss of revenue arising out of delay in finalizing the awarding of licences for

operating the Money Exchange Counters at various Airports. The AAI in its written reply stated as under:-

Airports Authority of India had not viewed the delay as loss since the matter was sub-judice at some airports. Further at the 6 domestic airports which were declared international effective from 23rd June 2000, the airports were not fully geared up in setting up these facilities and some of the domestic airports which were declared international effective from 23rd June 2000 were having banking facilities run by State Bank of India but started the money exchange operations as and when the international operations had started.

40. On this issue, the Ministry of Civil Aviation in a written reply stated that:-

The delay is mainly attributable to the litigations filed in different courts of the country.

41. Asked to explain the reasons behind the delay in awarding the licences at Chennai and Delhi after the high Court allowed AAI to go ahead, the Chairman, AAI during the oral evidence stated that:-

“We have genuine reasons for the same. At the time of awarding the work in Chennai, some cases were referred to the CVO and CVC. The case was referred to the CVO and CVC, and their reply could come only after a delay of six months. We are ready to submit the relevant papers with regard to this issue if it is not available with the Committee. We were processing the case, but the matter was referred to the CVO and CVC because a single party was getting more number of counters in Chennai. In Delhi also the matter was referred to the CVO and CVC. It was referred to our Airports Authority CVO, and on the advice of our CVO it was referred to the CVC also. Therefore, this process caused some delay in Chennai and Delhi. We have already brought some of the papers related to this issue, and we are ready to submit them -- which mention about the reasons for the delay in Chennai and Delhi -- to the Committee. The court had not passed any order, but we knew that it would be in our favour both in Chennai and Delhi.”

42. On being asked whether any time frame was laid down for completion of various activities relating to the tendering process at its various Airports, the AAI in a written reply submitted that:-

Normally on the basis of instructions from Hqrs., airport should initiate tender action based on the prescribed specifications and time frame as per Commercial Manual. However, some of the airports took time in formulating the procedures and calling tenders after earmarking suitable space for the said facility. However, the facility was being provided to the passenger through the existing nationalized banks/private agencies operating at that point of time.

43. In response to the Audit observation that in the absence of a prescribed timeframe, four airports at Ahmedabad, Amritsar, Goa and Jaipur did not follow the instructions at all, the AAI in its written reply stated as under:-

Since these airports were newly declared as "International" w.e.f. 23rd June, 2000 and the operation of money exchange counters were also initially started by Nationalized Banks operating in these airports, the airports took time in formulating the procedures and sought clarifications on certain issues due to which there was some resultant delay. However, subsequently, tenders were called and finalized on the basis of space licence fee and royalty on turnover criteria. At some airports like Ahmedabad & Goa in spite of repeated tendering there was no bid received and finally after many attempts only, the contract could be awarded in September, 2003.

F. Remedial Measures

44. The Committee enquired the Ministry about the lessons learnt from the entire episode. The Ministry of Civil Aviation in a written reply stated as under:- Guidelines on issue of tenders etc. already exist and the procedure as laid down in AAI Commercial Manual. The Manual has been revised in 2003 to achieve improvement in better monitoring and administration of contracts. Ministry of Civil Aviation through its nominee in AAI Board ensures that these improvements are undertaken on regular basis.

Supplementing it during the evidence, the Secretary, Ministry of Civil Aviation submitted that:-

"We have, since then, very strictly asked the Airports Authority to be very vigilant and very careful in matters like this. We have told them that matters of this importance should immediately be brought before the Board of the Airports Authority, and wherever policy directions etc. are to be sought, also to the Ministry of Civil Aviation."

Part – II

Recommendations / Observations of the Committee

Recommendation No. 1

Tendering for Money Exchange Counters at the Airports.

The Committee note that prior to 1999, money exchange counters at some international airports were being operated by Public Sector Banks mainly the State Bank of India and some of its subsidiaries alongwith few other private agencies as per the directives issued by the Ministry of Civil Aviation and the Ministry of Finance. The space for running the counters was allotted by the AAI on rental basis. After liberalisation of the economic policies by the Government, many other agencies were permitted by the RBI to carry on the money exchange business. As a result, many such parties started approaching AAI for setting up money exchange counters at various international as well as domestic airports. In view of this and also to enhance the non-traffic revenue, the matter was considered in the Board's meeting of AAI which accorded in principle approval for inviting open tenders from reputed authorised money exchange agencies, nationalised banks and foreign banks for setting up of money exchange counters at various airports. AAI decided to float tenders to award licenses to operate money exchange counters on the basis of royalty on the gross turnover of these counters in addition to the fixed monthly rentals. Since the AAI was floating this kind of tender for the first time, it was thought appropriate by them to contact certain agencies doing this kind of business in order to fix the eligibility criteria for the tenders. Accordingly, AAI approached Railway Authorities who were also

inviting tenders for money exchange business and the State Bank of India who were already operating money exchange counters at all the international airports. Based on the inputs received from these two agencies, the AAI fixed the eligibility conditions for the tenders. However, the eligibility conditions so framed proved too harsh, as these had the effect of precluding most of the Indian firms from participation in the tender process, which subsequently led to litigation in various courts and resulted in delay in award of licenses and consequential revenue losses etc.

The Committee, feel that it was not proper on the part of AAI to approach only two agencies for taking consultation in setting out the eligibility conditions, particularly when there were many other Public Sector Banks and private agencies doing money exchange business. The Committee, therefore, are of the view that such agencies should also have been consulted for enabling the AAI for setting out realistic and reasonable conditions. Had that been the case, such a situation would not have arisen, where a very few parties alone were able to qualify for bidding their tenders, besides having an adverse impact on the concept of competitiveness. The Committee recommend that while undertaking such activities in future, the AAI, following prudent commercial practices, should undertake wider consultations, while framing eligibility conditions so that there is optimum participation and healthy competition.

Recommendation No. 2

Modification of eligibility conditions

The Committee have been apprised by AAI that of the three eligibility conditions, the condition prescribing gross turnover of Rs. 50 crore has been borrowed from State Bank of India, whereas the condition prescribing 5 years experience in the money exchange business and having 15 branches in India and abroad were based on inputs from Indian Railways . These conditions in general and the condition of 15 branches in India and abroad in particular, proved to be so harsh that most of the Indian firms got precluded from tendering. As a result, there was very poor response to the tenders, virtually leading to a monopolistic situation for a few firms who were able to grab most of money exchange counters (MECs) at major International airports. The glaring instance of such a monopolistic situation can be seen from the fact that at IGI Airport, Delhi, 14 out of 15 MECs got allotted to M/s Thomas Cook, while in Chennai, all the counters went to M/s T.T. Travels and in Kolkata all the MECs went to M/s Thomas Cook. Aggrieved by the stipulation of the condition of having 15 branches in India and abroad, some firms approached various high courts immediately after the Notice Inviting Tenders were issued, between August 1999 to October 1999. In October 1999, some High Courts termed these eligibility conditions as highly irrational, unrealistic and discriminatory. But the Airports Authority, after a lapse of 2 years, in September 2001, modified the eligibility conditions from '15 branches in India and abroad' to '15 branches in India and / or abroad'. After the modification, these firms got all the cases withdrawn / closed.

Keeping in view all the facts mentioned above, the Committee are of the view that the AAI should have promptly acted soon after the observation of

Mumbai High Court in October 1999 was received, without waiting for another 2 years to amend the eligibility conditions. By doing so, the Committee believe that the revenue losses could have certainly been minimized. The Committee recommend that responsibility should be fixed for the revenue loss and suitable action be taken in the matter.

This instance clearly reveals that the decision-making mechanism in AAI requires a serious review and the Committee recommend that a review in this regard should be carried out so that quick decisions are made in future in all matters having revenue implications.

Recommendation No. 3

Guidance of AAI Board in all important matters

Although the AAI Board had accorded in principle approval for inviting tenders from reputed money exchange agencies, unfortunately the Board was at no point of time apprised of the litigation cases in various High Courts against the eligibility conditions. It is true that the Commercial Advisory Board (CAB) headed by Chairman, AAI was competent to take decisions in commercial matters. But the Committee feel that such sensitive issues should have been placed before the Board and also the Ministry for their guidance.

The Committee therefore, recommend that the AAI should immediately lay down suitable guidelines in their Commercial Manual providing for seeking Board's directions in such crucial matters.

Recommendation No. 4

Need for proper handling of the litigations

The Committee note that in view of the stringent eligibility conditions, many Indian firms got straightaway precluded from tendering for the Money Exchange Counters. Such aggrieved parties challenged the eligibility conditions in various High Courts at Mumbai, Kolkata, Bangalore, Chennai, Delhi, Hyderabad and Thiruvanthapuram during August 1999 to October, 1999. While the Mumbai High Court and Kolkata High Court granted stay on tender proceedings, the other High Courts, though not issuing any stay orders, ordered that the award of licences was subjected to the result of petitions filed before them. Further, while admitting the petitions in October, 1999, the Mumbai High Court observed that the eligibility conditions were totally irrational, unreasonable and illegal. Similarly, the Kerala High Court, while setting aside the eligibility conditions in August, 2001, stated that the Notice Inviting Tender (NIT) was unreasonable, arbitrary and discriminatory. On the contrary, the Madras High Court dismissed the petition on the ground that the court cannot interfere with the jurisdiction of AAI in fixing the terms and conditions of the tender and as such it was not open to judicial scrutiny. The observation of the Delhi High Court was that though the eligibility conditions did not suffer any arbitrariness or irrationality, the same would have been happily worded and made more precise. The Committee further note that it was only in the year 2001 that the Airports Authority of India, for the sake of resolving the pending litigation proceedings, made required modifications in the eligibility conditions which ultimately resulted in withdrawal / closure of the court cases.

Keeping in view the fact that a large number of cases were filed in different High Courts of the country by various firms against the eligibility conditions and different types of observations were being given on these petitions, the Committee feel that the Authority had failed to effectively handle the situation due to lack of sound legal counselling. In the opinion of the Committee, the most prudent course for the Authority under such circumstances was to approach the Supreme Court for collective hearing on all these matters. The Secretary, MOCA as well as representatives of AAI during evidence before the Committee also subscribed to this view point. Unfortunately, the Authority did not pursue this course of action, as no such advice was given by their legal counsel. The Committee are not at all happy with such an inept handling of the litigations and therefore strongly recommend that AAI, should strengthen their legal machinery for handling such type of situations in future more effectively.

Recommendation No. 5

Delay in award of licences resulting in revenue loss.

The Committee note that the Authority issued instructions to various domestic/ international airports in July, 1999 to float open tenders for award of licenses. Although the airports were advised to make all out efforts for inviting, processing and finalizing the facility expeditiously, no time - frame within which the entire process was to be completed had been prescribed. In this regard, the Committee observe that on account of litigations in various High Courts, delays ranging from 30 to 34 months in the case of Mumbai and Kolkata airports, 6 to 37 months in the case of Bangalore, Chennai, Delhi & Hyderabad airports and delay of 25 months in the case of Thiruvanthapuram airport, took place in awarding of licenses. Further, in the absence of any prescribed time-frame, the airports at Ahemdabad, Amritsar, Goa and Jaipur did not follow the instructions at all and as a result, the award of licenses delayed which ranged between 18 and 44 months. According to the Audit, these delays have resulted in a loss of revenue of Rs. 18.11 crore to the Authority on account of royalty and the license fee.

The Committee further note that according to AAI, the delay in awarding the licences had occurred mainly on account of petitions filed in different courts challenging the eligibility conditions. The other reasons include, reference made to CVO/CVC in respect of awarding contracts at Delhi & Chennai airport, declaration of few airports as International only from 23.6.2000 and consequential revision of space license fee, delay in vacation of counters by State Bank of India at few airports; and repeated tender attempts due to technical deficiencies etc. The Committee are not

convinced by the reasoning put-forth by the Authority because the Authority itself is to be blamed for their inept handling of the litigations. The Committee find the other reasons as petty in nature which could have been taken care of if proper planning, coordination and follow – up was done by the AAI Headquarters.

The Committee strongly feel that appropriate legal consultations and carrying out of expeditious modifications in the eligibility conditions soon after the observation of the Mumbai High Court in October, 1999 would have definitely avoided loss of revenue to the Authority.

Another factor in the opinion of the Committee which has been attributed to the delay in awarding of tenders was that no time-frame was prescribed for completion of the whole process. In the absence of the said parameter, many airports did not follow the tendering instructions at all. The Committee find such approach highly casual and irregular keeping in view the fact that as per the Commercial Manual of the Authority, the tender instructions should clearly stipulate the time-frame for completion of the whole process. The Committee are dismayed to note that the Authority did not view the delay in awarding the licences as a revenue loss proposition. The Committee believe that had the Authority acted as a truly professional organization in promptly addressing the causes of delay, the revenue loss could have certainly been minimized. The Committee, therefore, recommend that in future, the procedure laid down in the Commercial Manual should be strictly adhered to so as to avoid recurrence of such lapses in future.

Recommendation No. 6

Need for strengthening the Monitoring Mechanism of the Ministry

The Committee are surprised to note that the Ministry came to know about the legal proceedings against the AAI in various High Courts relating to eligibility conditions set out in the tender for setting up Money Exchange Counters only through the draft audit paras from the C&AG.

The Ministry has stated that their representatives are the Members of AAI Board. Since the Commercial Advisory Board (CAB) of AAI who is competent to take decision with regard to commercial practices did not bring this issue to AAI Board, the Ministry's representatives or the Ministry were not aware of the litigations faced by AAI. This explanation is not acceptable to the Committee as the senior officers of the Ministry who deal with AAI, are completely accountable for the performance of AAI. Another important point which has come to the notice of the Committee is that on perusal of item No. 13 of AAI Commercial Manual of 1993 which was in vogue till 2001, it has been noted that Money Exchange Counters were also to be allotted as per directives issued by the Ministry of Civil Aviation from time to time. In view of this, the Ministry cannot be absolved of its responsibilities in regard to the controversies generated during the said allotment of Money Exchange Counters (MECs). This shows that there was poor coordination and lack of supervision of the Ministry over the AAI. The Committee, therefore, recommend that Ministry of Civil Aviation should strengthen its monitoring mechanism and conduct periodical reviews of the PSUs and provide suitable guidance to them.

New Delhi
23rd August, 2005
1 Bhadrapada, 1927 (S)

RUPCHAND PAL
CHAIRMAN
COMMITTEE ON PUBLIC UNDERTAKINGS

Audit Para No. 3.3.1 of C&AG Report No. 3 (Commercial) of 2005.
Loss of revenue due to delay in award of licences to operate money exchange counters.

Arbitrary fixing eligibility conditions for money exchange counters by Airports Authority of India led to unnecessary litigation, which delayed award of licences for money exchange counters at various airports. This resulted in loss of revenue of Rs. 18.11 crore on account of royalty and licence fee.

The money exchange counters of nationalized banks and private parties are in operation at major airports of the Airports Authority of India (Authority). The Authority decided in April 1999 to invite open tenders from reputed authorised money exchange agencies, nationalised banks and foreign banks for setting up money exchange counters at the international airports as per the commercial policy in vogue. The Authority issued instructions to float open tenders (July 1999) for award of licences and tenderers were asked to quote a royalty payable to the Authority as a percentage on their gross turnover (GTO) in addition to space rent payable @ Rs. 3,500 (domestic) Rs. 6,000 (international) per square meter per month. It further advised that the eleven airports make all out efforts for inviting, processing and finalizing the facility expeditiously. The Authority did not however, lay down anytime-frame within which the entire process was to be completed. Deviating from the commercial policy in vogue, the eligibility conditions for participation in the tender were changed as given below which were impractical and discriminatory.

- (i) The prospective agencies/banks should possess minimum experience of five years of operating money exchange counters at ports/railways/airports and should possess valid licence from the

Reserve Bank of India to conduct money exchange business at the airport.

- (ii) The tenderer should possess minimum experience of 15 branches including branches in India and abroad.

The tenderer participating in the tenders for International Airports viz. Delhi/Mumbai/Chennai/Kolkata/Thiruvananthapuram Airports should also have minimum annual turnover of Rs. 50 crore during the last financial year.

The eligibility conditions mentioned above straightaway precluded most of the Indian firms from tendering as they were not having overseas branches. The firms which were operating money exchange counters at seaports and railway stations could not fulfill the requirement of five years experience as these exchange counters had been introduced only recently at ports/railway stations in India.

Some of the aggrieved firms challenged the eligibility conditions in the Mumbai (August 1999) and Kolkata High Courts (October 1999). The Mumbai High Court granted stay (August 1999) on the tender proceedings. While admitting the petitions (October 1999) the High Court observed that the eligibility conditions were totally irrational, unreasonable and illegal. The Kolkata High Court followed suit (October 1999). Petitions challenging the eligibility conditions were similarly filed at Bangalore, Chennai, Delhi Hyderabad and Thiruvananthapuram High Courts (between September 1999 and October 1999) where the respective High Courts ordered that the award of licences was subject to result of petitions filed before them. But no stay orders were issued.

Keeping in view the multiple litigation at various High Courts, the Authority should have re-examined the eligibility conditions in October 1999 itself. The Authority decided as late as in September 2001 to modify the eligibility conditions and intimated this to all the airports after which the pending petitions were withdrawn/closed. The licences were finally awarded at Mumbai and Kolkata airports after a delay of 30 and 34 months respectively causing loss of royalty of Rs. 12.67 crore. At other airports (Bangalore, Chennai, Delhi and Hyderabad airports) the delay in issuing licences ranged between six and 37 months causing a loss of royalty of Rs. 1.03 crore. As regards the Thiruvananthapuram airport fresh tenders with modified conditions were called for (November 2001) and licence was awarded in February 2002. Thus, there was a delay of 25 months in award of licences causing a loss of loyalty of Rs. 41.90 lakh.

Meanwhile it was observed in Audit that in the absence of a prescribed timeframe, four airports at Ahmedabad, Amritsar, Goa and Jaipur did not follow the instructions at all.

These airports initiated the tender process only after repeated instructions by the Headquarters. The award of licences was delayed which ranged between 18 and 44 months causing a loss of royalty of Rs. 27.78 lakh to the Authority.

The total loss of Rs. 14.40 crore due to delay in award of licences could have been avoided had the Management drafted the eligibility conditions and time schedule with due care initially and completed the process by 31 December 1999. Besides, the Authority also lost Rs. 3.71 crore towards space rent (licence fee) in respect of these airports due to delay in award of

licence for money exchange counters. It could have, thus, started earning royalty and licence fee revenue from January 2000 itself, if timely action had been taken.

The Management in its reply (May 2003) relating to delay at Thiruvananthapuram airport stated that tenders were invited (September 1999) on the directives of Headquarters. As a result of the delay, the airport got a higher rate of royalty from the same party against the subsequent tender, which proved beneficial to the Authority.

The Ministry stated (October 2004) that the response to the call of tender with pre-modified specification did not unilaterally result in litigation all over India. Further, tender action was successful at Delhi and Chennai. Hence no need was felt to change the conditions at that stage.

The reply of the Management is not tenable as the Authority was well aware of adverse observations made by Mumbai High Court on discriminatory eligibility conditions at the admission stage itself (October 1999) but did not modify them till September 2001. The Kerala High Court, while setting aside the eligibility conditions, stated (August 2001) that the court was convinced that notice inviting tender was unreasonable, arbitrary and discriminatory. The modified eligibility conditions generated more competition and more number of tenderers participated, which made the tender process competitive leading to offers of higher percentage of royalty, thus, further substantiating Audit stand that enough care was not taken in drafting the tender conditions. The Ministry's reply that pre-modified specifications did not result in unilateral litigation all over India is not factual since cases were filed at all International Airports challenging the inclusion of restrictive conditions.

Legal consultation and expeditious modification in eligibility conditions would have avoided litigation at the airports. The consequent delay in invitation of fresh tenders and their finalisation deprived the Authority of revenue amounting to Rs. 18.11 crore.

Calendar of events

Subject:-	Airports Authority of India – Loss of revenue due to delay in award of licence to operate Money Exchange Counters (Audit Para No.3.3.1of C& AG Report No-3 (Commercial) of 2005).
18-9-1978	Directives issued by Ministry of Civil Aviation to operate money exchange counters.
15-4-1994	Min of Finance permitted AAI to allot MEC to M/S Thomas Cook and M/S T.T.Travels.
27-10-1997	Min of Civil Aviation gave clearance to AAI for issue of open tenders
19-1-1998	Min Of Finance gives clearance to AAI.
8, April 1999	AAI Board gave in principle approval to float tenders.
July 1999	AAI issued instructions to float open tenders.
12, August 1999	Aggrieved firms challenged eligibility conditions at Mumbai High Court. Granted stay.
September 1999 to October 1999	Petition filed at various High Courts in respect of tendering for Bangalore, Chennai, Delhi ,Hyderabad and Trivandrum Airports.
16, September 1999	Delhi High Court gave Permission to AAI to award the licence subject to Court decision.
October 1999	Aggrieved firms challenged eligibility conditions at Kolkata High Court. stay granted
11, October 1999	Chennai High Court gave clearance to AAI to award the tender.

28, Feb.2000	CVO. AAI referred the IGI Delhi, on monopolistic situation of M/s Thomas Cook matter to CVC.
5, May 2000	CVC replied back to AAI.
1, June 2000	AAI awarded 14 out of 15 counters at Delhi to M/s Thomas Cook.
23, June 2000	6 Airports namely Goa, Hyderabad, Bangalore, Ahemdabad, Amritsar and Guwahati declared international
16, August 2001	Kerala High Court set aside the eligibility conditions.
16, August 2001	Mumbai High Court asked the AAI to reconsider the specification.
7,September 2001	AAI decided to modify the eligibility conditions.

MINUTES OF THE 4th SITTING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 20 JUNE, 2005

The Committee sat from 1500 hrs to 1640 hrs.

CHAIRMAN

Shri Rupchand Pal

MEMBERS
LOK SABHA

2. Shri P. S. Gadhavi
3. Shri Sushil Kumar Modi
4. Shri Shriniwas Patil
5. Shri Mohan Rawale
6. Shri Rajiv Ranjan Singh
7. Shri Bagun Sumbrui
8. Shri Parasnath Yadav

MEMBERS
RAJYA SABHA

8. Shri Ajay Maroo
9. Shri Pyarimohan Mohapatra
10. Shri Jibon Roy
11. Shri Dinesh Trivedi

SECRETARIAT

- | | | |
|----|---------------------|----------------------|
| 1. | Shri John Joseph, | Additional Secretary |
| 2. | Shri S. Bal Shekar, | Joint Secretary |
| 3. | Shri J. P. Sharma, | Director |
| 4. | Shri Ajay Kumar, | Assistant Director |

REPRESENTATIVES OF THE OFFICE OF C&AG

- | | | |
|----|------------------------|----------------------|
| 1. | Shri T. G. Srinivasan, | Dy. CAG (Comml) |
| 2. | Ms. Vijaya Moorthy, | Pr. Director (Comml) |
| 3. | Ms. Sandhya Shukla, | Asstt. CAG (Comml) |

REPRESENTATIVES OF THE AIRPORTS AUTHORITY OF INDIA

- | | | |
|----|-----------------------|--------------------------|
| 1. | Shri K. Ramalingam, | Chairman |
| 2. | Shri J. M. Kharbanda, | Executive Director (F&A) |
| 3. | Dr. P. K. Ray, | Executive Director (Law) |
| 4. | Shri R. V. Narayana, | GM (Commercial) |

REPRESENTATIVES OF THE MINISTRY OF CIVIL AVIATION

1. Shri Ajay Prasad, Secretary
2. Shri Prashant Kumar Mishra, Addl. Secretary & FA
3. Dr. Nasim Zaidi, Joint Secretary

2. The Committee first took oral evidence of the representatives of Airports Authority of India (AAI) in connection with examination of Audit Para No.3.3.1 of C&AG Report No.3 of 2005 (Comml) regarding 'Airports Authority of India – Loss of revenue of Rs.18.11 crore due to delay in award of license to operate Money Exchange Counters'. To some of the queries raised by the Members, the representatives of AAI were asked to furnish written replies in 2 – 3 days time.

3. Thereafter, the Committee took oral evidence of the representatives of the Ministry of Civil Aviation on the above mentioned Audit Para.

4. XXXXX XXXXXX XXXXXX

5. Verbatim proceedings of the meeting has been kept on record separately.

The Committee then adjourned.

**MINUTES OF THE 7th SITTING OF THE COMMITTEE ON PUBLIC
UNDERTAKINGS HELD ON 23rd AUGUST, 2005**

The Committee sat from 1600 hrs to 1630 hrs.

CHAIRMAN

Shri Rupchand Pal

MEMBERS
LOK SABHA

2. Shri Gurudas Dasgupta
3. Shri P.S. Gadhavi
4. Dr. Vallabhabhai Kathiria
5. Smt. Preneet Kaur
6. Shri Sushil Kumar Modi
7. Shri Kashiram Rana
8. Shri Rajiv Ranjan Singh
9. Shri Bagun Sumbrui

MEMBERS
RAJYA SABHA

10. Prof. Ram Deo Bhandary
11. Shri Ajay Maroo
12. Shri Pyarimohan Mohapatra
13. Shri Dinesh Trivedi

SECRETARIAT

- | | | |
|----|---------------------|--------------------|
| 1. | Shri S. Bal Shekar, | Joint Secretary |
| 2. | Shri J. P.Sharma, | Director |
| 3. | Shri Ajay Kumar, | Assistant Director |

OFFICE OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA

- | | | |
|----|--------------------|---------------------------------|
| 1. | Ms. Vijaya Moorthy | Principal Director (Commercial) |
| 2. | Ms. Anjali Singh | Director (Audit), |

2. The Committee considered the Draft Report on Airports Authority of India based on Audit Para No. 3.3.1 of C&AG's Report No.3 (Commercial) of 2005 relating to ' Loss of revenue due to delay in award of licences to operate Money Exchange Counters at Airports' and adopted the same with minor modification.

3. The Committee also authorized the Chairman to finalise the Report for presentation.

The Committee then adjourned.