

## PRESS RELEASE

### OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

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#### CAG's AUDIT REPORT ON REGIONAL CONNECTIVITY SCHEME - UDAN PRESENTED

CAG's Compliance Audit Report No.22 of 2023 on "**Regional Connectivity Scheme- UDAN (Ude Desh Ka Aam Naagrik)**" was presented in Parliament here today.

National Civil Aviation Policy (NCAP), 2016 envisaged Regional Connectivity Scheme (RCS) to enhance regional air connectivity through fiscal support and infrastructure development. Accordingly, Ministry of Civil Aviation (MoCA) launched (October 2016) 'Regional Connectivity Scheme – UDAN'. The scheme aimed to promote affordability of regional air connectivity by (a) Reducing the cost of operations on regional routes by supporting airline operators and airport operators through concessions from Central and State Governments (b) Providing financial assistance through Viability Gap Funding to airline operators for their operations on RCS routes (c) Creation of Regional Air Connectivity Fund (RCF) to be funded by a levy or fee per departure on all domestic flights for providing concessions/ Viability Gap Funding for operations on regional routes (d) Providing budgetary support of ₹ 4,500 crore by Government of India for development/ revival of the airports/ heliports/ water aerodromes identified under the scheme. (e) Providing a demand driven mechanism for identification of RCS routes, followed by upgradation/ revival of the identified airports/ air strips.

As per the scheme, Airports Authority of India (AAI) was designated as the nodal agency for implementation of the scheme. The Scheme focuses on encouraging sustainability of operations under RCS in the long term so that the connectivity established is not dependent on VGF in perpetuity.

Under the Scheme Proposals to provide connectivity to underserved/ unserved airports under the scheme were called for from airlines (October 2016) for the first time. Up to March 2021, three rounds of bidding for UDAN 1, 2 and 3 were completed and the same are covered under the scope of this audit. 774 routes were awarded till UDAN-3 connecting 139 airports/heliports/water aerodromes. The operations commenced at 371 routes connecting 71 airports/heliports/water aerodromes. Out of 329 routes commenced till March 2021, 87 routes (26 *per cent*) and 35 airports/heliports/water aerodromes (27 airports, 5 heliports and 3 water aerodromes) were selected for audit.

The main audit findings are as under:

## Planning for the Scheme

- Upto UDAN-3, 52 *per cent* (403 out of 774 routes) of the awarded routes could not commence operations and from the 371 commenced routes, only 112 routes (30 *per cent*) completed the full concession period of three years. Further, out of these 112 routes, only 54 routes (i.e., 7 *per cent* of the 774 awarded routes) connecting 17 RCS Airports could sustain the operations beyond the concession period of three years, as of March 2023. **[Para 3.1.1]**
- There was no exercise carried out by MoCA/ AAI to identify eligible heliports on the basis of its potential. The majority of heliports identified for operations from the proposals submitted by helicopter operators, either remained un-utilised/under-utilised or RCS operations from such heliports were discontinued subsequently. **[Para 3.1.3]**

## Management of Regional Air Connectivity Fund and Viability Gap Funding disbursement

- MoCA did not frame any rules to regulate the collection and remittance mechanism of Regional Air Connectivity Fund levy. There was delay on the part of Regional Air Connectivity Fund Trust in raising RCF levy claims on the airline operators. There was also delay on the part of airlines operators in remitting the dues within the timelines as stipulated in the Draft Standard Operating Procedure. No penal clause was incorporated with regard to delays in realisation of RCF levy. **[Para 4.1.1 and Para 4.1.2]**
- The decision of Regional Connectivity Advisory Board to accept VGF claims by AAI on self-certification basis resulted in non-compliance to various provisions of the scheme. Consequently, instances of violation of RCS norms, viz., excess disbursement of VGF, violation of RCS fare cap, etc., were noticed by Audit. **[Para 4.2.1]**
- For accounting of transactions of Regional Air Connectivity Fund, Standard Operating Procedure as per laid down procedure of CAG of India was not formulated even after a lapse of more than five years. Further, the accounts of Regional Air Connectivity Fund Trust (since inception) were also not submitted for CAG audit. **[Para 4.3.1]**

## Implementation of the Scheme

- Significant delays were observed in revival/ development of identified RCS airports out of the budgetary support sanctioned by Cabinet Committee on Economic Affairs in March 2017. Out of the 116 airports/ heliports/ water aerodromes where expenditure was incurred, operations commenced at only 71(61 *per cent*) airports/ heliports/ water aerodromes. Operations could not be commenced or were discontinued at 83 airports/ heliports/ water aerodromes even after incurring an expenditure of ₹ 1,089 crore. **Para 5.1.1 (i)**
- For the helicopter operations, the airfare cap and VGF cap was based on flight duration. But while disbursing the VGF, instead of actual time of travel, the time as per letter of

award was considered. Consequently, airfare charged as well as VGF disbursed was higher than required to be charged/reimbursed considering the actual time of travel. **[Para 5.1.2]**

- The oversight mechanism needs substantial improvement. The independent audit of airlines was not conducted after 2017-18 to ensure the compliance to the provisions of scheme as well as Selected Airlines Operator Agreement. **[Para 6.3]**