Chapter - 7

Conclusion and Recommendations

Conclusion

PPPs are an appropriate way for airport development and modernization. From the point of view of development of infrastructure, Indira Gandhi International Airport can be considered as a success. The airport has been adjudged as the second best in the world in the category of 25-40 million passengers per annum.

More rigour was necessary in drafting of the transaction documents as it was noticed in audit that many of the provisions were more skewed in favour of the concessionaire. It was also noticed that Ministry of Civil Aviation and Airport Authority of India, on some occasions, violated the provisions of these transaction documents in the interest of the concessionaire.

Audit noted that provision of the concession period to be extended at the option of the concessionaire was detrimental to public interest. Similarly, the right of first refusal also unduly favours DIAL.

It was noted that the concept of upfront fee was used to lease out an additional land of 190.19 acres for a paltry one time payment of ₹ 6.19 crore. Other Government offices like Director General of Civil Aviation and Bureau of Aviation Security were given a much harsher treatment when 7.60 acres of land was leased out to them at a license fee of ₹ 2.41 crore per annum.

Ministry of Civil Aviation and later AERA allowed DIAL to collect Development Fees amounting to ₹ 3415.35 crore. The order of Ministry in February 2009 allowing that was in contravention of the OMDA, AAI Act and the AERA Act.

Contrary to the provisions of OMDA, DIAL was allowed to use the amount collected as Development Fees to meet the project costs. In fact, only 19 *per cent* of the project cost came from equity, approximately 42 *per cent* came from debt. The remaining project costs were met from security deposits and Development Fees.

Allowing these post contractual benefits violated the tendering process by which the JV partner was selected.

It was also noted that against an equity contribution of ₹ 2450 crore, the JV was allowed rights of commercial exploitation of 240 acres of land. The land was valued by AERA at ₹ 24000 crore. The potential revenue from this land in license fee for 58 years was calculated by DIAL itself at ₹ 163557 crore out of which DIAL's share would be ₹ 88337 crore.

As regards the Master Plan and major development plan, it was noticed that the floor area of terminal T3, as constructed by DIAL was 83708 square metres more than what was indicated in the major development plan. Ministry as also AAI did not take any action despite this being pointed out by the auditors appointed by AAI.

As regards land handed over to DIAL, it was noted that basic documents like *Khasra* were missing thereby making it impossible for Audit to check the land actually transferred.

Provisions of OMDA and SSA have a tilt towards the private operator i.e. DIAL in revenue sharing.

Many observations in the present report would indicate that whenever DIAL raised an issue regarding revenue to accrue to it or expenditure to be debited to Government in contravention of the provisions of OMDA, the Ministry and AAI interpreted the provisions always in favour of the operators and against the interest of the Government.

Recommendations:

1. In case of PPPs, it is recommended that all pre bid conditions are declared upfront and monetized value of all concessions including assets transferred is arrived at before bids are invited. Any post bid concessions, which are not contemplated earlier, amount to undue favour to the concessionaire. Government should investigate all cases of such post bid actions and fix responsibility. It is necessary to review the various provisions of OMDA and verify to the extent provisions could not be adhered to.

2. It is recommended that revenue earned by the Government from such arrangements is commensurate with the public asset transferred to the private entity. In case of revenue sharing agreements, adequate care should be taken to clearly list out the items to be included as shareable revenue. Its quantification, its verification by all the interested parties needs to be clearly defined.

3. It is recommended that all public private arrangements must be linked to certain basic triggers like traffic volume, tariff, return on investment, break-even period. A long concession period without any trigger may lead to undue financial benefit to the concessionaire.

4. The clauses such as Right of First Refusal should not be designed to thwart competition and create a monopolistic situation.

5. In terms of bid evaluation weightage allocation to higher non-aeronautical revenue share needs to be revisited for future bids.

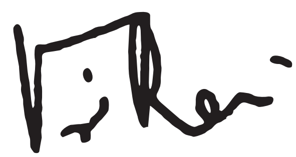
6. The land being the major input as Government share for PPP infrastructure projects, due care to be taken to monetize the value in public interest.

7. A proper survey through a Government Approved Surveyor/ valuer should be conducted to find the exact area of airport land, hospitality area, demised premises, carved out area including the land available with the AAI. AAI should obtain clear title deeds in respect of total area handed over to private airport operators to avoid future disputes.

New Delhi
Dated: 11th May, 2012

(A K PATNAIK)
Deputy Comptroller and Auditor General
and Chairman, Audit Board

Countersigned



New Delhi
Dated: 11th May, 2012

(VINOD RAI)
Comptroller and Auditor General of India