

CHAPTER III : MINISTRY OF CIVIL AVIATION

PSF (SC) Escrow Account of GMR Hyderabad International Airport Limited

3.1 Inadmissible expenditure out of PSF (SC) Fund Escrow Account

GHIAL incurred inadmissible expenditure of ₹ 100.40 crore out of PSF (SC) Fund Escrow Account.

In terms of rule 88 of the Aircraft Rules, 1937, the Airport operator is entitled to collect 'Passenger Service Fee' (PSF) from the embarking passengers. The PSF¹ so collected comprises a security component (65 per cent of PSF) and a facilitation component (35 per cent of PSF). In case of a Private Airport Operator, the facilitation component is retained by him while the security component is kept in an Escrow Account which is used to defray security related expenses as allowed by the Ministry of Civil Aviation (MoCA). Accordingly, GMR Hyderabad International Airport Limited (GHIAL) (Operator) has been operating an escrow account since June 2008.

The MOCA issued (January 2009) the Standard Operating Procedure (SOP) for regulating the PSF (SC) Escrow Account. The SOP details the purposes for which amounts in the Escrow Account could be utilized.

However, the operator charged the following inadmissible expenses to the PSF (SC) fund:

| Sl. No. | Item of expenditure | Year | Amount (₹ in crore) | Remarks |
|----------------------------|--|---------|---------------------|--|
| Revenue Expenditure | | | | |
| 1. | Administrative cost | 2008-09 | 1.46 | Not admissible as per para 6.2 of SOP. |
| | | 2009-10 | 0.85 | |
| 2. | Terrorism insurance premium | 2009-10 | 0.70 | As per para 6.7 of SOP, insurance paid to cover fixed assets created from PSF (SC) fund is admissible. Hence, this premium meant to cover the airport is not admissible. |
| | | 2010-11 | 0.33 | |
| | | 2011-12 | 0.57 ² | |
| 3. | Interest paid on funds borrowed for construction of quarters | 2008-09 | 4.53 | As per SOP and MOCA order of 9 May 2006, payments made to CISF only are admissible. The expenditure incurred on CISF |
| | | 2009-10 | 6.86 | |
| | | 2010-11 | 6.91 | |
| | | 2011-12 | 8.27 | |

¹ Fixed at ₹ 200 per passenger; 65 per cent of this, i.e., ₹ 130 is a security component.

² Includes ₹ 0.14 crore towards interest on Terrorism Insurance Premium.

| | | | | |
|---|-----------------------------------|---------|---------------|--|
| | | | | quarters is not payment made to CISF and hence not admissible. |
| 4. | Land registration charges | 2010-11 | 0.03 | Expenditure to be met out of project funding and not from PSF (SC) Escrow account. |
| Sub-total | | | 30.51 | |
| Capital Expenditure | | | | |
| 1. | Purchase of land | 2007-08 | 4.00 | Expenditure to be met out of project funding and not from PSF (SC) Escrow account. |
| 2. | Construction of quarters for CISF | 2008-09 | 65.89 | |
| Sub-Total | | | 69.89 | |
| Grand total of inadmissible expenditure out of PSF (SC) Fund | | | 100.40 | |

The issue of inadmissible expenditure from PSF (SC) fund by the operator was brought to the notice of MoCA by Audit during audit of accounts of PSF (SC) Escrow account for the years 2007-09, 2009-10 and 2010-11. MoCA, while drawing attention to audit comments, directed (July 2012) GHIAL to immediately reverse the aforesaid entire ineligible expenditure incurred up to 2010-11 and submit a compliance report. GHIAL had not withdrawn the ineligible expenditure as directed by MoCA but had booked additional inadmissible expenditure of ₹ 8.84 crore during 2011-12 as indicated above.

Thus, charging of inadmissible expenditure of ₹ 100.40 crore to PSF (SC) fund by the operator was irregular and needed to be reversed early.