

CHAPTER II : MINISTRY OF CIVIL AVIATION

2.1 Non-recovery of guarantee fee from Air India and Indian Airlines

Ministry of Civil Aviation failed to recover Guarantee Fee amounting to Rs. 1021.50 crore as of March 2004.

Article 292 of the Constitution empowers the Union Government to give guarantees in respect of loans raised within such limits as may be fixed from time to time by an Act of Parliament. The Government charges guarantee fee on such guarantees at the rates prescribed from time to time which forms part of non-tax revenue of the Government.

In June 1993, Ministry of Finance, Department of Economic Affairs, issued instructions that all Government guarantees in respect of external borrowings would be subject to a guarantee fee of 1.2 *per cent per annum* on the outstanding amount of principal plus interest thereon. The guarantee fee was to be levied on the date of guarantee and thereafter on 1 April every year. Such fees were also leviable in respect of guarantees already issued but still partially outstanding. In cases of non-payment of guarantee fee on due date, fee for the period of default was payable at double the normal rate.

Scrutiny of records in the Ministry of Civil Aviation revealed that Air India Ltd. and Indian Airlines Ltd. had outstanding loans and interest thereon amounting to Rs. 24171 crore and Rs. 18392 crore respectively as on March 2004. Ministry did not recover guarantee fee for the period from January 1989 to March 2004. The guarantee fee not recovered amounted to Rs. 290.05 crore and Rs. 220.70 crore respectively at normal rates and Rs. 580.10 crore and Rs. 441.40 crore at double the normal rate applicable in case of default, for Air India Ltd. and Indian Airlines Ltd, respectively.

The matter was brought to the notice of the Ministry in August 2004; their reply was awaited (December 2004).