# Report of the Comptroller and Auditor General of India on Implementation of Public Private Partnership Indira Gandhi International Airport, Delhi

for the year ended March 2012

**Union Government**
**Ministry of Civil Aviation**
**Report No 5 of 2012-13**
**(Performance Audit)**

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# Glossary

**AAI** - Airports Authority of India

**AERA** - Airports Economic Regulatory Authority of India

**APAO** - Association of Private Airport Operators

**ASC** - Airport Service Charge. It includes landing, parking, X-Ray Baggage and passenger service fee.

**ATC** - Air Traffic Control

**BCAS** - Bureau of Civil Aviation Security

**CISF** - Central Industrial Security Force

**Concessionaires** - party to the PPP Agreement in whose favor, the concession is granted.

**Consortium Members** - (i) GMR Infrastructure Ltd; (ii) GMR Energy Ltd; (iii) Fraport AG Frankfurt Airport Services Worldwide; (iv) Malaysia Airports (Mauritius) Private Limited; (v) GVL Investments Pvt Ltd; and (vi) India Development Fund.

**DF** - Airport Development Fee

**DGCA** - Director General of Civil Aviation

**EGoM** - Empowered Group of Ministers

**GOI** - Government of India

**IGIA** - Indira Gandhi International Airport Delhi, as located on the Airport Site.

**DIAL** - Delhi International Airport Limited

**MAF** - Monthly Annual Fee

**Major Development Plan** - a plan prepared for each major aeronautical or other development or groupings of development which sets out the detail of the proposed development which has been set out in broad terms in the Master Plan and will include functional specification, design, drawings, costs, financing plan, timetable for construction and capital budget.

**Mandatory Capital Projects**- the development project described in Schedule 7-8 of OMDA

**Master Plan** - master plan for the development of the Airport, evolved and prepared by the DIAL in the manner set forth in the State Support Agreement, which sets out the plans for the staged development of the full Airport area, covering Aeronautical Services and Non-Aeronautical Services, and which is for a twenty(20) year time horizon and which is updated and each such updation is subject to review/observations of and interaction with the GOI in the manner described in the State Support Agreement.

**Ministry** - Ministry of Civil Aviation

**MoCA** - Ministry of Civil Aviation

**OMDA** - Operation Management and Development Agreement

**PSF** - Passenger Service Fee chargeable at the Airport. It shall be inclusive of cost of security expenditure on the designated agency (65per cent of PSF) per embarking passenger i.e. "Security Component" and the facilitation component payable to the DIAL (35per cent of PSF) per embarking passenger i.e. "Facilitation Component".

**PID** - Perimeter Intrusion Detection Systems

**PLR** - Prime Lending Rate

**RFP** - Request for Proposal

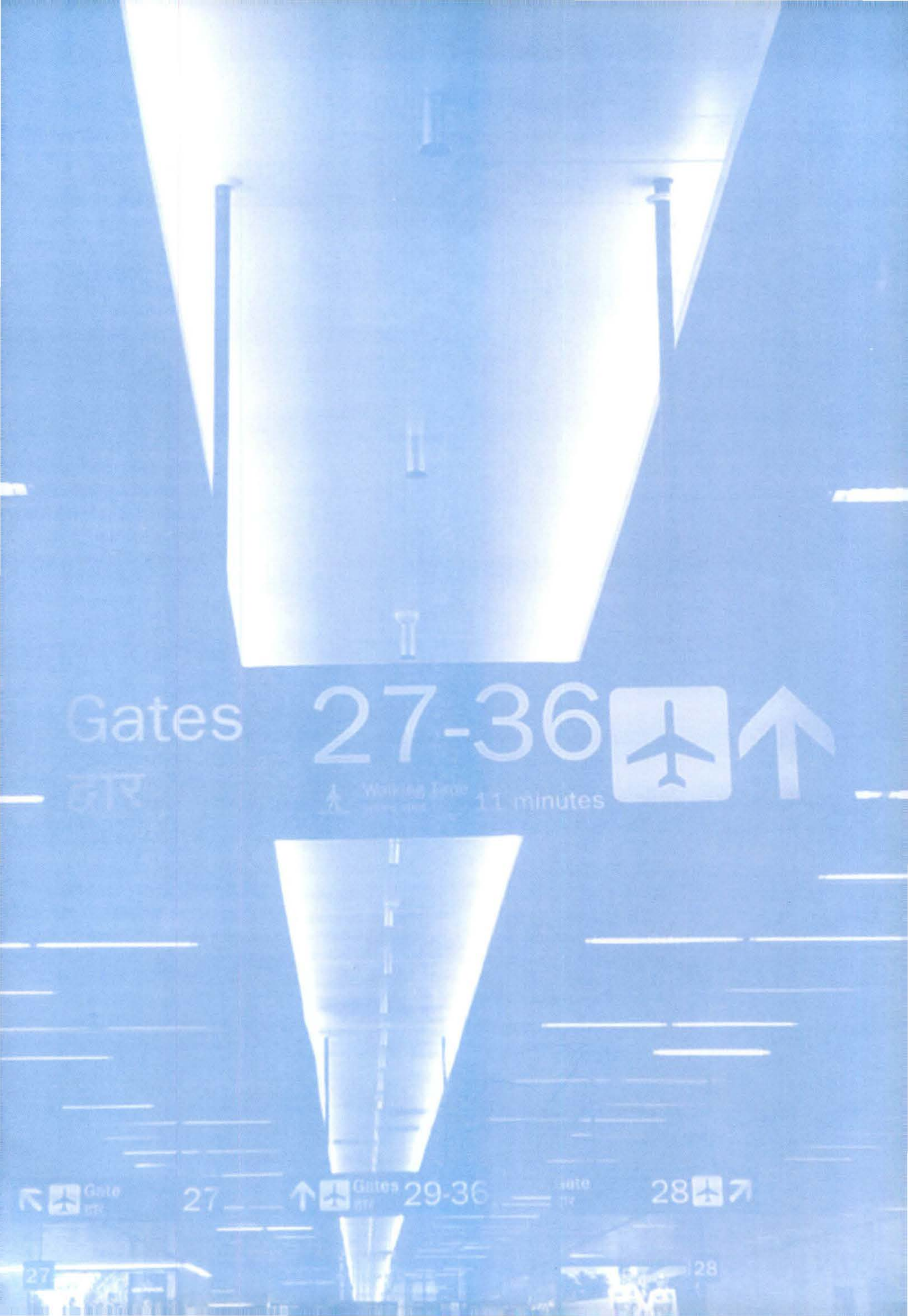
**SOP** - Standard Operating Procedure

# PREFACE

*This Report of the Comptroller and Auditor General of India contains the results of the Performance Audit of implementation of Public Private Partnership Project by Airports Authority of India at Indira Gandhi International Airport Delhi. The Audit covered the period from 2006 to 2012.*

*The Report emanates from the scrutiny of files and documents pertaining to the Ministry of Civil Aviation, Airports Authority of India, Airport Economic Regulatory Authority of India, Operation, Management and Development Agreement of 2006, Passenger Service Fee (Security Component) Escrow Account, etc.*

*The Report has been prepared for submission to the President of India under Article 151 of the Constitution.*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# Executive Summary

## 1. Background

With the opening of Indian airspace to private and international operators, the existing airport infrastructure in the country proved to be inadequate to cope with the unprecedented growth in traffic and cargo. The Ministry of Civil Aviation (MoCA) in 2006, projected a requirement of an additional ₹ 40,454 crore to augment and modernize existing airports as also to construct new greenfield airports. The revenue surplus generated by Airports Authority of India (AAI) was found to be grossly inadequate to meet this requirement.

In January 2000, the Cabinet approved the restructuring of airports through the long term leasing route. Later, however, in September 2003, the Cabinet approved the restructuring of Delhi and Mumbai airports through the Joint Venture mode. In pursuance of this decision, after selection of the JV partner, AAI incorporated a subsidiary company viz. M/S Delhi International Airport Pvt. Ltd (DIAL), and subsequently sold 74% of the shares of DIAL to the JV Consortium. On 4 April 2006, in the capacity of the state promoter, AAI signed an Operation Management Development Agreement (OMDA) with DIAL. The AAI handed over IGI airport, Delhi to DIAL on 3 May 2006 on 'as is where is' basis and granted DIAL the exclusive right to undertake functions of operations, maintenance, development, design, construction, modernization, finance and management of the Airport.

On 26 April 2006 Government of India signed another agreement with DIAL viz State Support Agreement (SSA). The agreement laid down conditions and nature of support to be provided by Government of India, along with the mutual responsibilities and obligations between Government and DIAL.

During the course of audit, Ministry of Civil Aviation informed Audit:

"The decision to restructure and modernize Delhi Airport is a policy decision of the highest body i.e. the Cabinet. The terms and conditions as well as the modalities of modernization/ restructuring as mentioned in the transaction documents were finalized and approved by the EGOM. It is further clarified that there has been no change in the finalized transaction documents. Several issues such as JV route, leasing of land /assets, Concession Period, Right of First Refusal (ROFR) etc. are policy decisions of the Cabinet based on expert inputs in formulation and inter-ministerial consultation. Hence these policy decisions should not be brought into question at this stage through audit observations."

Admittedly, the decision to adopt the joint venture route is a policy decision. Audit acknowledges the sole prerogative of the Government to take such policy decisions. This audit exercise, on the other hand, has been restricted to operationalization of the decision of the Joint Venture mode. The terms and conditions as agreed to in the transaction documents do not fall in the domain of the policies though they have been approved by the empowered group of ministers.

**It is acknowledged in this report that there have been significant improvements in services at the airport for the travelling public. The new terminal T3 was completed within time for the Commonwealth Games. The airport has been adjudged as the second best in the world in the category of 25-40 million passengers per annum by Airports Council International.**

**As per the agreement relating to revenue share with AAI, DIAL is to pay 45.99 *per cent* of its gross revenue. Accordingly, DIAL paid ₹ 271.98 crore in 2006-2007, ₹ 402.72 crore in 2007-08, ₹ 445.63 crore in 2008-09, ₹ 538.92 crore in 2009-10 and ₹ 577.26 crore in 2010-2011 to AAI.**

Our observations pertain to operationalization of the JV mode and implementation of the OMDA and SSA. In the course of audit, we have also tried to assess whether during the conceptualization and implementation phases, the interest of Government and the revenue accruing to it has been protected. The decision to enter into a joint venture to develop and manage Indira Gandhi International Airport is a first of its kind. The present audit report thus should be viewed in terms of lessons learnt for future guidance.

It is to be noted that at the time when OMDA and SSA were being considered and finalized, no regulator was in place. The SSA in fact records the intention of the Government to establish an independent Airport Economic Regulatory Authority (AERA). The AERA Act establishing such an authority was passed in December 2008. The Act came into force on 1 January 2009. The powers and functions of AERA, which are contained in Chapter III of the Act came into force on 1 September 2009.

## 2. Major highlights of the Report

### 2.1 Conflicts between OMDA and AERA Act in defining aeronautical and non aeronautical services

Audit noted conflicts between provisions in OMDA and SSA on one hand and the AERA Act on the other, which will have long term repercussions on the Regulator's role on tariff fixation in Delhi and Mumbai airports. In terms of Section 13(2) of the AERA Act, one of the important functions of the Authority was to determine the tariff for the aeronautical services. However, definitions of aeronautical services differ substantially between OMDA and the AERA Act. Ground Handling Service, for example is a non-aeronautical service in accordance with OMDA but it is an aeronautical service in terms of AERA Act. Similarly, Cargo Handling Services defined as non-aeronautical services in OMDA have been defined as aeronautical services in AERA Act. **According to AERA, these services are less capital intensive and more profitable.**

Treatment of services such as Ground handling, Cargo handling or parking as non aeronautical services in OMDA provided undue financial advantage to DIAL, as in terms of SSA, the Targeted Revenue for the purpose of tariff fixation takes into account only 30 per cent of the revenue generated from non-aeronautical services. **Following SSA, a significant part of the revenue generated by DIAL in the airport could not be included by AERA for determining the Targeted Revenue for the purpose of tariff fixation for IGI Airport.**

**(Para 2.2 and Chapter 4)**

## 2.2 Concession Period

In terms of Article 18.1(b), DIAL enjoys the unilateral right to extend the concession period for another 30 years "**on the identical terms and conditions**", provided no JVC event default had taken place during the $20^{th}$ and $25^{th}$ year of the first concession period.

The decision to adopt the joint venture route was taken based on the Cabinet Note of September 2003. While seeking approval for restructuring of the Delhi and Mumbai Airports, this Cabinet Note specifically envisaged an initial concession period of 30 years which could be extended by another 30 years **subject to "mutual agreement and negotiation of terms". However, in the draft OMDA which formed part of the bid documents, the important condition "subject to mutual agreement and negotiation of terms" was omitted. The OMDA, which was signed in April 2006, did not contain any provision of mutual agreement and fresh negotiations before extension of the concession period.** This is not only a violation of the commitment in the Cabinet Note but is also a unilateral and unfair advantage given to DIAL which is detrimental to Government interest as it does not provide the Government any scope for review of any of the conditions.

The four critical elements that determine a typical concessional agreement in any public private partnership of this type are: traffic volumes, tariffs, concession period and capital cost. In OMDA, the provisions of which regulate the development of the IGI airport, the concession period has no trigger indicating any linkage to any of the above four elements. Neither MOCA nor AAI could provide any evidence to indicate that these inputs were considered while fixing the concession period at 60 years.

**The possibility of any JVC event default in the small window of 5 years between $20^{th}$ and $25^{th}$ year is remote. Such a sweeping provision, without any scope of review at any time during the currency of the concession period, has effectively granted DIAL the sole right to operate the airport for a period of sixty years with the terms and conditions frozen in the OMDA.**

Audit could not find any infrastructure project, except Delhi and Mumbai Airports wherein the concession period is initially for 30 years and which can be extended for another 30 years at the sole option of the JVC and that too on identical terms and conditions.

According to the model concession agreement issued by the Committee on Infrastructure of Planning Commission, the concession period typically granted by Port Trusts are 30 years. Similarly, in the case of highways, the period is usually 20 years. In the case of Male airport and Istanbul airport, where GMR is a stakeholder, the concession period is 25 and 20 years respectively.

**(Para 2.3)**

## 2.3 Right of First Refusal in case of second airport

In addition to the unilateral right of DIAL to manage the IGIA for sixty years, the State Support Agreement (SSA) allows the Right of First Refusal (ROFR) to DIAL with regard to any second airport planned within 150 km radius of the IGIA. According to SSA, the second airport will be decided by following a competitive bidding process, in which DIAL can participate. In the event of DIAL being unsuccessful, it will be allowed to match its bid with the most competitive bid, if it is within 10 *per cent* of most competitive bid. This condition will be applicable for the first 30 years. The SSA does not elaborate on the competitive bidding process or the model that would be followed. This provision thwarts competition and provides DIAL with a natural advantage on the second airport.

**(Para 2.4)**

## 2.4 Misuse of the concept of Upfront Fee

Article 2.6.3 of OMDA states:

"with respect to land underlying the carved out assets,[1] the parties further agreed that if, at any time during the term, the JVC requires the said land for providing any aeronautical services or developing and/or constructing any aeronautical assets, the parties shall come together to negotiate ***in good faith*** the terms and conditions on which the AAI shall lease to the JVC and the JVC, shall take on lease from the AAI, the said land."

A onetime upfront fee of ₹ 150 crore was fixed for each of the Delhi and Mumbai Airports by MOCA. Upon an enquiry from Audit, MOCA explained that the amount in the concept of upfront fee has no relation to either the extent of land or the assets of the airport.

But when DIAL sought the lease of an additional 190.19 acres of land out of the carved out assets, to fix a lease rent for this land, AAI used the amount of upfront fee to arrive at a rate per acre and applied it to the additional land thereby fixing a onetime fee of ₹ 6.19 crore viz [(₹ 150 crore/4608.9 acres)*190.19 acres]

**It is to be noted that OMDA allows DIAL to use 5 per cent of demised land for commercial exploitation. The current value of 9.50 acres (5 per cent of 190.19 acres) as per AERA's communication to Audit amounted to ₹ 950 crore. The**

[1] Carved out asset is the land which remained with AAI after leasing out land to DIAL. The land leased out to DIAL is known as "demised premises".

**earning potential for 58 years from 9.50 acres based on DIAL's own projections (₹ 681.63 crore per acre) is ₹ 6475 crore viz [ ₹ 681.63 * 9.50 acres ].**

On the other hand, AAI leased out 7.60 acres of land to Director General of Civil Aviation and Bureau of Civil Aviation Security at a license fee of ₹ 2.41 crore **per annum**. Application of this licence fee with the same escalation clause for 190.19 acres of land would amount to ₹ 4534 crore for a period of 27 years.

Ministry has not been able to provide a convincing reply as to why a private operator should be levied a fee which is much lower than that fixed by Government as payable by its own departments.

(Para 2.5)

### 2.5 Commercial exploitation of land

Out of a total land area of 5106 acres of IGIA, AAI initially leased out 4608.9 acres for development of the airport. An additional 190.19 acres of land was leased to DIAL, thus bringing the total demised premises at 4799.09 acres. The demised premises were leased out at ₹ one hundred annually to DIAL. For 190.19 acres a one time fee of ₹ 6.19 crore was also levied on DIAL.

Article 2.2.4 of OMDA permits DIAL to utilize 5 per cent of the total land area of 4799.09 acres of demised premises for commercial exploitation. This would work out to 239.95 acres.

The projected earning capacity of this land in terms of license fee over the concession period of 58 years was indicated by DIAL itself as ₹ 681.63 crore per acre in a letter to the Joint Secretary, MOCA. Thus for the entire area of 239.95 acres, the potential earning from the land, according to the calculations worked out by DIAL itself, amounts to ₹ 1,63,557 crore. **Audit would like to draw attention to the fact that this area is part of the entire area of land that has been handed over to DIAL at the lease rent of ₹ 100 per annum.**

It has been ascertained from AERA that the current valuation of the land made by M/S Merrill Lynch in the report of 26th August, 2011 has been worked out at the rate of ₹ 100 crore per acre. **Thus even in terms of this conservative estimate, the total current value of the land available to DIAL for commercial exploitation, would amount to approximately ₹ 24,000 crore.**

Audit is constrained to observe that against the aforementioned calculations, MoCA allowed DIAL to use 239.95 acres of land for commercial exploitation at a consideration for one time payment of ₹ 31 lakh (5 percent of ₹ 6.19 crore) and an annual payment of ₹ One hundred only.

(Para 2.6)

## 2.6 Development Fees (DF)

Article 13.1 of OMDA specifically provides that the :

"JVC shall arrange the financing and/or meeting all financing requirements through suitable debt and equity contributions in order to comply with its obligations including development of airport pursuant to the master plan and the major development plans".

However, MOCA vide their order dated 9th February 2009, allowed DIAL to levy a development fee (DF) at Indira Gandhi International Airport for the purpose of funding or financing the cost of up-gradation, expansion or development of the Airport. This was clearly in contravention of the provisions of Article 13.1 of OMDA, provisions in the AAI Act and in AERA Act as later confirmed by Delhi High Court.

This decision to levy DF after the effective date, has vitiated the sanctity of the bidding process, as the draft OMDA, which was part of the bid documents, does not mention about funding of the project cost of the Airport through levy of development fees. In case the JV was to have been permitted to levy DF to finance the project after signing of the OMDA, this important condition should have been known upfront to all the bidders at the time of bidding.

Approval of Ministry and later of AERA for levy of DF by DIAL (to bridge the funding gap) was a post contractual benefit provided to DIAL which was neither envisaged in the RFP nor included under any provision of OMDA or in the SSA. This led to undue benefit to DIAL at the cost of passengers who were taxed for using Delhi Airport through levy of DF amounting to ₹ 3415.35 crore.

**(Para 2.7)**

## 2.7 Highly concessional lease rent

IGI airport has a total area of 5106 acres. As per provisions of OMDA, 4608.9 acres of land out of this (along with buildings, constructions or immovable assets) was leased to DIAL on "as is where is basis" as per the term of the agreement, on a highly concessional annual lease rent of ₹ 100 (Rupees One hundred only) for the entire stretch. If the rate applicable to DGCA and BCAS as shown in Para 2.4 had been made applicable, DIAL would have had to pay ₹ 1461 crore.

**(Para 2.9)**

## 2.8 Deficient Land records at IGI Airport.

As per the records of Directorate of Land of the AAI, as on 9 February 2011, the total land available at IGI Airport was 5106 acres of which 4799.09 acres was Demised Premises and 306.91 acres was Carved out Assets. Audit, however, was not able to verify the same as the details of khasara number, land award orders issued by Land Acquisition Collector etc. were not available with AAI. A proper physical survey should be conducted to earmark exact area of airport land, hospitality land, demised premises and carved out area so that future disputes are avoided.

**(Para 2.10)**

## 2.9 DIAL's financing of the project

Out of the total capital expenditure of ₹ 12857 crore (AERA has admitted ₹12502.86 crore for levy of DF), the promoter's equity has been ₹ 2450 crore out of which 26 per cent (i.e. ₹ 637 crore) was contributed by AAI and 74 per cent (i.e. ₹ 1813 crore) was contributed by the other JV partners. Out of the capital expenditure of ₹ 12502 crore as accepted by AERA, only 19 *per cent* has been promoters' contribution. ₹ 5266 crore (42 *per cent*) have come from loans and ₹ 1471 crore (12 *per cent*) has come from Security Deposits. While, only ₹ 50 Crore has come from internal accruals, ₹ 3415.35 crore (27 *per cent*) have come from Airport Development Fees charged on the passengers.

The internal accrual of ₹ 50 crore is in sharp contrast to Mumbai airport, where the internal accrual has been ₹ 1999 crore.

**Thus, with an equity contribution of ₹2450 crore out of which the private consortium's share was ₹ 1813 crore, DIAL has got a brownfield airport for sixty years and in addition, commercial rights of land valued at ₹ 24000 crore with a potential earning capacity, according to it's own estimates, of ₹ 163557 crore.**

(Para 2.8)

## 2.10 Change in Major Development Plan and increase in Ground Floor Area

Against the area of 470,179 square metres indicated in the Major Development Plans, DIAL actually constructed 553,887 square metres of area at IGI Airport, Delhi. Thus the actual built up ground floor area exceeded the Major Development Plan by nearly 83,708 square metres (17.80 *per cent*). The financial auditors (M/S KPMG Advisory Services Private Limited) appointed by AAI to verify the final project cost submitted by DIAL, reported (15 October 2010) that the ground floor area for peak hour passenger at T3 was higher than most of the leading airports in the Asia Pacific Region. M/S Engineers India Limited, the technical auditor, appointed by AAI also opined in August 2010 that "due to this increase in area, all other items of the project have increased proportionately."

Neither MOCA nor AAI took any action for such gross violation of the Master Plan and the consequent increase in the project cost.

(Para 3.1)

## 2.11 Actual Project Cost vis-a-vis Original Project Cost

As per the Business Plan, the original project cost approved by DIAL and communicated to AAI on 18 January 2008 was ₹ 8975 crore. Actual project cost as on 20 July 2010, as claimed by DIAL, was ₹ 12857 crore. However, the final project cost adopted by Airports Economic Regulatory Authority (AERA) for arriving at the Regulatory Asset Base (RAB) was ₹ 12502.86 crore[2] . The variation between the

[2] Including the ₹701 crore incurred after 31.03.2010 for ATC ₹350 crore, Delhi Jal Board ₹54 crore and Provision ₹297 crore

approved project cost and the final project cost was ₹ 3882 crore, i.e., 43.25 per *cent* higher than the original project cost.

As per the original estimates the entire funding was proposed to be through equity, debt, security deposits and internal accruals. However, this was reduced to 72.68 *per cent* of the total fund requirements of the actual project cost. This financial gap was mainly met by levy of DF which constitutes 27.32 *per cent* of the total capital outlay. **OMDA did not envisage the funding of project cost through levy of DF from passengers since the entire funding was to be through debt and equity only.**

(Para 3.2)

## 2.12 Mandatory Capital Projects (MCPs)

Audit noticed that out of 15 MCPs to be completed by 3 April 2008, 11 MCPs were delayed for periods ranging from 87 days to 236 days. As per the clause 1 of Schedule 6 of SSA, DIAL was not entitled for any incentive in respect of base airport charges as 11 MCPs were not completed as per schedule. However, MoCA approved (February 2009), 10 per *cent* increase in the aeronautical charges including landing, parking, passenger service fee (facilitation component only), X-Ray Baggage and Housing Charges at IGI Airport, New Delhi w.e.f 16 February 2009, as incentive to DIAL. Therefore, the permission to increase 10 *per cent* charges as incentive for base airport charges was against the provisions of SSA and was an undue favour to DIAL.

(Para 3.3)

## 2.13 Aeronautical/ non- aeronautical airport charges

As per existing airport business operations, there are two systems in vogue for levying of aeronautical and non-aeronautical charges termed as Single Till or Dual Till. Under Single Till system, all the revenue and cost are put together in respect of all aeronautical and non-aeronautical airport services and in case of Dual Till System, revenues are distributed between aeronautical and non-aeronautical services separately.

AERA has recorded that non-aeronautical services are less capital intensive and are considered to be more profitable. Using OMDA's provisions, DIAL has outsourced most of the non aeronautical services through the mechanism of JVs. While OMDA allowed DIAL to sub contract any service, this has an impact on the revenue to be shared with AAI.

The provision of Dual Till taking into account only 30 per cent of the revenue generated by non aeronautical services gives unfair advantage to the DIAL at the cost of the Government/passengers. Outsourcing of these services through JVs, has put additional burden on passengers in the form of DF on one hand and has deprived AAI of the revenue, on the other.

Many of these services outsourced were "non aeronautical" as per OMDA but as per AERA Act, these are aeronautical services.

(Para 4.1)

### 2.14 Sharing of revenue from existing leases with DIAL resulted in loss of ₹ 23.15 crore

Audit had pointed out a loss of ₹ 23.15 crore (March 2011) to AAI, due to lease rent in respect of existing leases being collected by DIAL in contravention of Article 2.6 of OMDA, read with Article 2. 1.1 of the Lease Deed with DIAL. According to the provisions of OMDA/Lease Deed, the lease rent from existing leases was receivable by AAI till the expiry of respective lease periods.

MoCA stated (March 2012) that as there was difference in the interpretation of the provisions of OMDA and Lease Deed, legal opinion of Ministry of Law has been sought on the treatment of Revenue accruing from existing leases at both MIAL and DIAL.

(Para 4.2)

### 2.15 Operation Support (Human Resource)

Audit had pointed out in 2010-11 that against a claim of ₹ 250.88 crore towards retirement compensation in terms of provisions of Chapter VI of OMDA, DIAL had paid only ₹ 80 crore. This resulted in loss of interest of ₹ 19.73 crore (June 2010) due to delay in payment of the balance amount of ₹170.88 crore towards Retirement Compensation. Release of the balance amount was delayed by DIAL on the plea that there was no specific provision in OMDA as to the timing of payment of Retirement Compensation to AAI.

MoCA directed AAI to recover the retirement compensation **without** penal interest from DIAL by March 2010. The MoCA also intimated (May 2010) that any payment due after 01 April 2010 automatically attracted the penal interest on State Bank of India Prime Lending Rate plus 10 *per cent*. **Against this, the AAI allowed DIAL to pay the said amount as monthly installments spread over a period of 10 years without any contractual obligations.**

Thus the decision of the AAI was against the directions of MoCA resulting in loss of interest amounting to ₹ 58.57 crore calculated at 8 *per cent* per annum.

(Para 5.1)

### 2.16 Funds diverted from PSF (Security Component) Escrow Account for purchase of Security Equipments by DIAL.

As per clause 3.3.5 of SSA, DIAL was to procure and maintain, **at its own cost,** all security systems and equipments. However, in contravention of the provisions of SSA, MoCA vide its order dated 16 April 2010, directed that the entire cost incurred on purchase of security equipments could be met from PSF (SC).

**This resulted in undue favour to DIAL which led to loss of ₹ 239.69 crore during 2006-11 to the public exchequer.**

In addition to the above, DIAL also debited ₹ 4.34 crore (up to the year 2009-11) towards insurance charges to PSF (SC) Account in accordance with Standard Operating Procedure issued (January 2009) by MoCA, which was otherwise to be borne by the DIAL as per Article 8.5.6 (i) of OMDA and SOP.

**(Para 6.1 and Para 6.3)**

### 2.17 Irregular withdrawal from PSF (SC) Escrow Account

MoCA clarified during January 2010 and April 2010 that the security related expenses permitted under PSF (SC) should not include expenditure on any other security staff or other administrative set-up created/ engaged by the airport operators. Subsequently, considering the request of The Association of Private Airport Operators (APAO), MoCA clarified (5 July 2010) that the guidelines dated 16 April 2010 have only prospective application. Accordingly, DIAL under the cover of this clarification, debited all the expenditure incurred during 2006-10 towards private security agencies including consultant fees to PSF (SC). This undue favour to the private operator i.e. DIAL, resulted in irregular withdrawal of ₹ 26.05 crore (up to March 2010) from PSF (SC) Escrow Account.

**(Para 6.2)**

**The observations contained in the paras 2.1, 2.4, 2.5, 2.6, 2.7, 2.12, 2.14, 2.16, 2.17 etc would indicate that whenever DIAL has 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 have always ruled in favour of the operators and against the interest of the Government.**

# Chapter 1
# Introduction

## 1.1 Growth of Aviation Sector

The Airports Authority of India (AAI) was and largely is the sole air traffic service provider for the air space in the country covering an area of 2.8 million square nautical miles of land mass and the adjoining oceanic area as recognized by International Civil Aviation Organization (ICAO). There are 115 airports in the country including 22 civil enclaves[1] of Defence airfields as on 31 March 2011.

With opening of Indian airspace to private as well as international operators, the air traffic in the country registered phenomenal increase. Between 2000 to 2006, passenger traffic increased from 4.20 crore to 7.33 crore, cargo movements increased from 8.46 lakh MT to 13.97 lakh MT and movement of aircrafts rose from 4.90 lakh to 8.38 lakh. In fact the growth commenced from 1996 and continues till today.

The existing airport infrastructure proved to be inadequate to cope with the unprecedented increase in traffic and cargo. It led to congestion at many airports and in particular airports in metros. The country required new airports as also expansion and modernization of existing ones to efficiently handle passengers, cargo and aircrafts. Ministry of Civil Aviation (MoCA), in a Conference of Chief Secretaries held on 20 May 2006 projected a requirement of an additional ₹ 40,454 crore to augment and modernize existing infrastructure and to construct Greenfield airports. The revenue surplus generated by AAI was found to be grossly inadequate to meet this requirement.

## 1.2 Background of the decision of Joint Venture

While approving the restructuring of airports of AAI in January 2000 through long term lease route, the Cabinet had also directed that after detailed plans were prepared for development of any airport, each such case for lease should be separately brought up for consideration of the Cabinet Committee on Economic Affairs.

Action was accordingly initiated by MoCA to restructure and upgrade Delhi, Mumbai, Chennai and Kolkata airports through the long leasing route. Financial and Legal consultants were appointed and work of due diligence and transaction structure started. During this exercise it was felt in the Ministry that the Joint Venture route had certain advantages over long term leasing route. The matter was again put up for consideration of the Cabinet in December 2002 seeking approval to the proposal of restructuring of Delhi, Mumbai, Chennai and Kolkata airports through Joint

[1] Civil enclaves are airports under the control of Navy / Defence

Venture route by formation of separate Joint Venture company for each of these airports with the respective selected bidder, in which AAI would have five *per cent* equity.

The Cabinet directed the MoCA to discuss the proposal further with Ministry of Finance and Ministry of Company Affairs and return to the Cabinet. In July 2003, Ministry of Finance opined that the proposal should be restricted to Delhi and Mumbai only.

Finally in September 2003, Cabinet approved the proposal of MoCA that restructuring of Delhi and Mumbai airports may be undertaken through JV route by formation of two separate companies between AAI and selected JV partners. It also approved formation of an Empowered Group of Ministers(EGOM) comprising Minister of Finance, Minister of Law and Justice, Minister of Disinvestment and Minister of Civil Aviation (in-charge) to decide on the detailed modalities including the design parameters, bid evaluation criteria etc. based on which the Joint Venture partner was to be selected. Later Minister of Defence became the Chairman of the EGOM.

The EGOM in February 2005 approved all the key principles of the Request for Proposal (RFP) document along with the draft transaction documents i.e. Operation, Management and Development Agreement (OMDA), State Support Agreement (SSA), Shareholders Agreement (SHA), Lease Deed Agreement, CNS-ATM[2] Agreement and State Government Support Agreement.

The EGOM after evaluation of the technical and financial bids recommended the Joint Venture Partners, which were submitted to the Cabinet for approval in a note dated 31 January 2006. The Cabinet approved the proposal on 1 February 2006.

For Indira Gandhi International Airport, the JV partner approved was M/S GMR Consortium. The consortium comprised six private entities namely (i) GMR Infrastructure Limited (ii) GMR Energy Limited (iii) Fraport AG Frankfurt Airport Services Worldwide and (iv) Malaysia Airports (Mauritius) Private Limited (v) GVL Investments Pvt. Limited and (vi) India Development Fund.

AAI incorporated on 1 March 2006 a subsidiary company namely M/s Delhi International Airport Private Limited (DIAL). After the OMDA was signed on 4 April 2006 with the JV partner, 74 *per cent* of the equity shares were sold to them in accordance with the Shareholders' Agreement. In terms of the agreement, issued share capital of ₹ 200 crore was jointly held by AAI (26 *per cent*), GMR Infrastructure Ltd (31.10 *per cent*), GMR Energy Limited (10 *per cent*), GVL Investments Ltd (9 *per cent*), Fraport AG Frankfurt Airport Services Worldwide (10 *per cent*), Malaysia Airports (Mauritius) Private Limited (10 *per cent*) and India Development Fund (3.90 *per cent*). Subsequently, shares of IDF were acquired by GMR group. The paid up equity capital of DIAL as on 31 March 2011 was ₹ 2450 crore with the share of AAI at 26 *per cent*.

[2] Communication, Navigation, Surveillance and Air Traffic Management

Indira Gandhi International Airport was handed over to M/s DIAL with effect from 3 May 2006.

**During the audit, MoCA informed (March 2012) Audit that "*the decision to the restructure and modernize Delhi Airport was a policy decision of the highest body i.e. Cabinet. The terms and conditions as well as the modalities of modernization/ restructuring as mentioned in the transaction documents were finalized and approved by the EGOM. It was further clarified that there has been no change in the finalized transaction documents. Several issues such as JV route, leasing of land /assets, Concession Period, Right of First Refusal (ROFR) etc. were policy decisions of the Cabinet based on expert inputs in formulation and inter-ministerial consultation. Hence these policy decisions should not be brought into question at this stage through audit observations.*"**

**Admittedly, the decision to adopt the Joint Venture route was a policy decision. Audit acknowledges the sole prerogative of the Government to take such policy decisions. This audit exercise, on the other hand, has been restricted to operationalization of the decision of the joint venture mode. The terms and conditions as agreed to in the transaction documents do not fall in the domain of the policies though these have been approved by the EGOM.**

**Our observations pertain to operationalization of the JV mode and implementation of the OMDA and SSA. In the course of audit, we have also tried to assess whether during the conceptualization and implementation phases, the interests of Government and its revenue have been protected. The decision to enter into a Joint Venture to develop and manage Indira Gandhi International Airport is first of its kind. The present Audit Report thus should be viewed in terms of lessons learnt for future guidance.**

**It is to be noted that at the time when OMDA and SSA were being considered and finalized, no Regulator was in place. The SSA recorded the intention of the Government to establish an independent Airport Economic Regulatory Authority (AERA). The AERA Act establishing such an Authority was passed in December 2008. The Act came into force on 1 January 2009. The powers and functions of AERA which are contained in Chapter III of the AERA Act, came into force on 1 September 2009.**

The steps in the public private partnership process are shown in the flow chart below:

**Formulation, Development and Design of PPP in AAI**

KEY PLAYER

### The Beginning

- A high level Task Force for infrastructure was set up on 30 October 1998 in pursuance of Prime Minister's declaration made on 24 October 1998 that world class international airports would be set up in the country.
- Ministry of Civil Aviation (MoCA) submitted a proposal to Cabinet on 5 January 1999 for corporatization of the existing Delhi and Mumbai Airports.
- The Cabinet approved this proposal in its meeting held on 20 January 1999.

### MoCA Advisors

- Inter Ministerial Group
- Evaluation Committee (EC) i.e. a composite team of Financial Consultant ,Global Technical Advisor and Legal Consultant.
- Government Review Committee(GRC) to review the evaluation by EC
- A Committee of Secretaries (CoS), to advice the EGoM
- CoS constituted a Group of Eminent Technical Expert (GETE) on 24th December, 2005

### The Cabinet

- approved (11 September 2003) restructuring of Delhi and Mumbai airports through Joint-Venture mode.
- constituted an Empowered Group of Ministers (EGoM) and also an Inter-Ministerial Group (IMG) to assist EGoM.
- reconstituted the EGOM, under the chairmanship of Defence Minister, in its meeting held on 15 June 2004.

### AAI Advisors

- M/S ABN AMRO- Financial Consultants
- M/S Airplan, Australia-Global Technical Advisor.
- M/S Amarchand & Mangaldas - Legal Consultant.

### EGoM

- finalized and approved the key principles of the Request for Proposal (RFP)
- concluded that at least four bidders for each Airport should be allowed to go forward to the next stage of the selection process

GMR Consortium and GVK Consortium were selected as the successful JV Partners for Delhi and Mumbai Airports, respectively.

### The Bidders

- 10 entities expressed an interest out of which 9 were shortlisted.
- Final version of RFP was issued to 8 bidders
- Out of 8 bidders, five bidders submitted their offer for Delhi Airport and six for Mumbai Airport.

## 1.3 PPP Projects of AAI

Presently, four airports in India have been allowed to be developed and run by private companies with equity participation from Airports Authority of India and respective State Governments. All these are based on revenue sharing model. The equity structure and revenue sharing model as approved by Government of India in respect of these four airports are as follows.

**Modernization and restructuring of IGI Airport at Delhi**

- 26 per cent equity by AAI
- 74 per cent equity by a strategic JV Partner
- 45.99 % Gross Revenue Share by AAI
- The airport being managed by Delhi International Airport Pvt. Ltd.

**Modernization and restructuring of CST Airport at Mumbai**

- 26 per cent equity particpation by AAI
- 74 per cent equity by a strategic JV Partner
- 38.7% Gross Revenue share by AAI
- The airport being managed by Mumbai Intenational Airport Pvt. Ltd.

**Greenfield Airport at Bangalore**

- 13 *per cent* equity participation by AAI
- 13 *per cent* equity partcipation by Government of Karnataka.
- 74 *per cent* equity by a strategic JV Partner ( a consortium of Siemens, Unique Zurich Airport and Larsen & Toubro)
- 4% share of Gross Revenue to be paid to GOI
- The airport being managed by Bangalore International Airport Pvt. Ltd.

**Greenfield Airport at Hyderabad**

- 13 *per cent* equity participation by AAI
- 13 *per cent* equity participation by Government of Andhra Pradesh
- 74 *per cent* held by strategic JV partners (GMR and Malaysia Airports Holdings Berhad)
- 4% share of Gross Revenue to be paid to GOI.
- The airport being managed by Hyderabad International Airport Pvt. Ltd.

## 1.4 Audit Objectives

The main objective of the performance audit was to assess whether;

- Crucial decisions for fixing of the concession period, Right of First Refusal, fixing of upfront fee and leasing of land for commercial exploitation reflected public interest and equity;
- Development of the airport was carried out as per Master Plan including funding of the project through debt and levy of development fee was as per the agreement;
- Whether transaction documents like OMDA, SSA etc were properly structured to support PPP project and adequate due diligence was carried out to safe guard public interest under PPP; and
- Receipt of revenue share of 45.99 *per cent* to AAI was as per OMDA including share of gross revenue generated from outsourced services.

## 1.5 Audit Criteria

The Performance Audit was carried out with reference to:

- The terms and conditions laid down in Request for Proposal (RFP) issued at pre-bid stage, OMDA and the supporting agreements relating to concession period, levy of DF, tariff determination, leasing of land, Master Plan, project cost etc.
- Guidelines/ directions issued by MoCA, AERA and AAI, the Board minutes and Agenda papers of AAI,
- Records maintained at the Co-ordination Cell of AAI, Independent Engineer's Reports, Independent Auditor's Reports, MIS Returns, and records and information maintained by AAI for calculation of revenue share of AAI.
- Agreements and other returns of DIAL.

## 1.6 Scope of Audit and Methodology

The audit was conducted on documents available with Ministry of Civil Aviation and Airports Authority of India. The audit covered mainly the period from 2006 to 2011. The audit methodology and objectives were discussed in the entry conference with the Executive Director (Internal Audit and Co-ordination), AAI in July 2011. During the audit, discussions with Management were also held whenever necessary. The draft Audit Report was issued to the AAI/MoCA on 15 February 2012 and the reply of the MoCA was received on 12 March, 2012. Audit findings were discussed during the exit conference on 16 March, 2012 in which Chairman AERA, Secretary MoCA and other senior officers of MoCA, AAI, AERA and DIAL were present.

**There have been significant improvements in services at Indira Gandhi International airport for the travelling public. The new terminal T3 was completed within time for the Commonwealth Games 2010. The Airports Council International has adjudged the airport as the second best in the world in the category of 25-40 million passengers per annum.**

**As per the agreement relating to revenue share with AAI, DIAL is to pay 45.99 *per cent* of its gross revenue. Accordingly, DIAL paid ₹ 271.98 crore in 2006-2007, ₹402.72 crore in 2007-08, ₹ 445.63 crore in 2008-09, ₹ 538.92 crore in 2009-10 and ₹577.26 crore in 2010-2011 to AAI.**

## 1.7 Acknowledgement

Audit acknowledges the co-operation and assistance extended by the Chairman AERA, Secretary, MoCA, Chairman AAI, Senior Officers and the staff of Ministry , Executive Directors of AAI and staff at all levels for providing assistance during the Performance Audit.

# Chapter 2
# Transaction Documents and their impact and compliance

## 2.1 Descriptions of the Transaction Documents

Consequent on the decision to hand over the Indira Gandhi International Airport to the Joint Venture Company and before physically handing over the airport to the latter, a number of agreements were signed among the concerned parties. These documents individually and collectively determine the terms and conditions of the handing over including economic benefits accruing to the parties. It is to be noted that when these agreements were signed, the Regulator, namely Airport Economic Regulatory Authority (AERA) was not in existence. Some of these documents contain provisions relating to areas like tariff fixation for aeronautical services, which later, with the establishment of AERA came under the Regulator's domain of decision making.

### Operation, Maintenance and Development Agreement (OMDA)

Together with the State Support Agreement, this agreement is the most important document and forms the soul of the Public Private Partnership in Indira Gandhi International airport. Signed between Airport Authority of India and DIAL, this comprehensive agreement lays down the obligations and responsibilities of both the parties, the terms of revenue sharing and duration of the concession, conditions of assets transfers at present and in future, terms and conditions of land transfers etc. The agreement was signed on 4 April 2006.

OMDA in Schedules 5 and 6 defines aeronautical services and non-aeronautical services. While DIAL was free to fix tariff for non-aeronautical services, responsibilities of fixation of tariff for aeronautical services was with the Government of India and later with its establishment, the Regulator, AERA. OMDA also allowed DIAL to outsource any services.

### State Support Agreement (SSA)

Complementary to the OMDA, the State Support Agreement was signed between Government of India and DIAL on 26 April 2006. It lays down the responsibilities and obligations of the Government of India and DIAL in their respective domain and to each other. It lays down in Schedule 1, the principles of tariff fixation for aeronautical services.

### State Government Support Agreement

State Government Support Agreement (SGSA) was signed on 26 April 2006 between the Government of National Capital Territory of Delhi and DIAL to provide support services to the project. The agreement provided that the State Government will provide support to DIAL in matters relating to removal of encroachment, procurement of additional land for development of airport, removal of obstruction outside the airport boundary to ensure safe and efficient air traffic movement, improve the surface area access to the airport and to provide all the utilities on payment basis to DIAL. The SGSA also provided for assistance in procuring various clearances which are required by applicable law for undertaking and implementing the project as mentioned in OMDA.

### Lease Deed Agreement

The Lease Deed agreement was signed on 25 April 2006 between AAI and DIAL to lease the demised premises on "as is where is basis" on an annual lease rent of ₹ 100/- (₹ One hundred only) initially for a period of 30 years extendable for another 30 years by virtue of extension of concession period. The demised premises include all the buildings, construction or immovable assets, if any on the premises as described in the agreement with the liberty to construct, erect, renovate, alter or otherwise deal with the leased Premises.

### Communication, Navigation and Surveillance (CNS)/Air Traffic Management (ATM) Agreement

The agreement was signed on 25 April 2006 between AAI and DIAL to provide air traffic services support at the airport since only AAI is authorized to provide necessary air traffic services within Indian air space and at all civil airports in India.

### Shareholders Agreement

Signed on 4 April 2006 by and between AAI and DIAL and other participants, Shareholders Agreement recorded the terms and conditions to govern the relationships in their mutual capacity as the shareholders of the JVC.

### Airport Operator Agreement

As per Schedule 8 of OMDA, DIAL is required to enter into an Airport Operator Agreement with the Airport Operator (AO) who is a member of the consortium (nominated if more than one AO are in the consortium). The agreement contractually set out the role, responsibilities, accountabilities and financial arrangements between the AO and DIAL. Accordingly, an agreement was signed on 1 May 2006 between DIAL and Fraport AG Frankfurt Services Worldwide to provide airport services.

## 2.2 Operation, Management and Development Agreement and State Support Agreement

Government of India adopted Joint Venture mode to facilitate involvement of private sector to participate aggressively in infrastructure projects being taken up for modernization. Two most important agreements- OMDA and SSA- determined the terms and conditions of transfer of Indira Gandhi International Airport to DIAL.

## Conflicts between OMDA and AERA Act in defining aeronautical and non-aeronautical services

Clause 3.1 of the State Support Agreement(SSA) recognized Government of India's intention to establish an independent Airport Economic Regulatory Authority (AERA) which would be responsible for certain aspects of regulations (including regulation of aeronautical charges). Despite the above intention, provisions of OMDA or SSA were not subjected to review by the Regulator. The AERA Act establishing such an Authority, was passed in December 2008. The Act came into force on 1 January 2009. The powers and functions of AERA which are contained in Chapter III of the Act came into force on 1 September 2009.

Audit noted conflicts between provisions in OMDA and SSA on one hand and the AERA Act on the other, which will have long term repercussions on the Regulator's role on tariff fixation in Indira Gandhi International Airport. Section 13(1)(a) of the AERA Act states that one of the functions of the Authority is to determine the tariff for the aeronautical services. However, definitions of aeronautical and non-aeronautical services differ substantially between OMDA and the AERA Act, thus affecting the calculation of targeted revenue for the purpose of tariff fixation for aeronautical services at the airport. Schedule 5 and 6 of OMDA define aeronautical and non-aeronautical services. Cargo Handling Service, for example is a non-aeronautical service in accordance with OMDA but it is aeronautical service in terms of AERA Act. Similarly, Ground Handling services which have been included as non-aeronautical services in OMDA are aeronautical services in AERA Act.

Treating these as non-aeronautical services in OMDA also provides undue financial advantage as in terms of SSA, the Targeted Revenue for the purpose of Tariff fixation takes into account only 30 *per cent* of the revenue generated from non-aeronautical services.

AERA follows single till[3] system in all other major airports. In the case of Delhi and Mumbai airports, however, AERA is constrained to follow the dual till system due to provisions contained in SSA, where, tariff fixation for aeronautical services is to be done as per dual till formula given in SSA which takes into account only 30 *per cent* of the gross revenue generated by DIAL from the revenue share assets. In fact the tariff fixed by the AERA according to the formula provided in the SSA did not take into account full amount of revenue generated by profitable services[4] like cargo handling and car parking. Since OMDA and SSA are static documents without any trigger for review either by Government or by AERA at any point of time, fixation of tariff for aeronautical services for IGIA remain outside the effective jurisdiction of the Regulator.

Apart from Dual Till method, as per SSA, the target revenue does not include revenue generated from non-transfer assets- in case of IGIA- the rights of

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[3] Single Till method is the tariff fixation method which takes into account revenue generated both from aeronautical and non-aeronautical services.

[4] Some of the non-aeronautical services like cargo handling and ground handling have been stated by AERA as less capital intensive and more profitable than aeronautical services.

commercial exploitation of 239.95 acres of land. Thus revenue so generated does not even form part of 30 *per cent* of the gross revenue as mentioned in the preceding paragraph. This is now confirmed by AERA order dated 20 April 2012 wherein it is mentioned that "the Authority decided to exclude the gross revenue from non-transfer assets towards cross subsidization of aeronautical cost while determining the target revenue."

Audit noticed that several other provisions of OMDA and SSA favoured DIAL to the detriment of the financial interests of Government / AAI/public. These are discussed below:

## 2.3 Concession Period

### Important condition in Note to Cabinet absent in the agreement

**While seeking approval of Cabinet to adopt Joint Venture route for restructuring of Delhi and Mumbai airports by formation of separate companies between AAI and selected JV Partner, the Note to the Cabinet dated 1 September 2003 envisaged concession initially for 30 years which could be extended by another 30 years subject to mutual agreement and negotiation of terms. However, as per the final bid documents, the "subject to mutual agreement and negotiation of terms" was left out. The OMDA which was signed in April 2006 did not contain any provision of mutual agreement and fresh negotiations before extension of the concession period and thus was a violation of what was proposed in the Cabinet Note. It gives DIAL the right to extend the term for another 30 years.**

**This is not only a violation of the commitment in the initial Cabinet Note but also unilateral and unfair advantage given to DIAL which is detrimental to Government interest as it does not provide the Government any scope for review of any of the conditions in OMDA and SSA.**

The four critical elements that determine such types of concession agreements in a public private partnership are traffic volumes, tariffs, concession period and capital costs. In case of OMDA, the concession period had no trigger indicating any linkage to any of the above four elements.

The initial concession period fixed as per the agreement is 30 years from the effective date. Article 18.1 (b) Chapter XVIII of OMDA provides that:

***"Prior to the expiry of 30 years from the Effective Date, JVC shall have the right to extend the Term hereof by a written notice for an additional term of 30 years on the same terms and conditions[5] provided no JVC Event of Default had taken place during the preceding five years of the 25$^{th}$ year from the Effective date. Such right of extension shall be exercised prior to the 25$^{th}$ anniversary from the Effective date but not earlier than six months from the 25$^{th}$ anniversary from the Effective date."***

[5] Emphasis added by audit.

Thus DIAL enjoys the unilateral right to extend the concession period for another 30 years, unless they default during 20th to 25th year. OMDA and resultantly all other agreements including SSA gain validity of 30 plus 30 years without any trigger or scope for review except an event of default by DIAL in the small window of five years between 20th and 25th year. Effectively, DIAL as a result has been granted rights to operate the airport for a period of sixty years with the terms and conditions frozen in the OMDA.

In case of any infrastructure project, financial prudence entails systematic evaluation of benchmarks with reference to internal rate of return, return on investments, expected break even period, traffic trends which would include passenger and cargo movements before fixing the duration of concession period. In this case, neither MoCA nor AAI provided to Audit any evidence which would indicate that these inputs were considered while fixing concession period of 30 plus 30 years. No trigger of any kind has been included either in OMDA or in the SSA. The basis for fixation of 30 plus 30 years as concession period though called for but was not provided to Audit(December 2011).

The MoCA stated (March 2012) that a financial consultant was appointed and as per the advice, a period of 30 years was reasonable for the investors to recoup their investment. Claiming that concession period of 30 years is similar to other infrastructure projects in India, MoCA further stated that in case of the Delhi and Mumbai airports, the concession period and the traffic projections were not the bidding criteria. In fact, the sole bidding criterion was the revenue share. Leasing out the airports and provision for extension of the lease period was a policy decision taken by the Union Cabinet and this was known to all the bidders as it was finalized before issuing the Request for Proposal to the Pre-Qualified Bidders (PQBs).

The reply of the Ministry that the concession period of 30 years is similar to other infrastructure projects in India i.e. Ports, Highways etc. is factually incorrect. According to the model concession agreement issued by the Committee on Infrastructure of Planning Commission, the concession period typically granted by Port Trusts is 30 years. Similarly, in the case of highways, the period is usually 20 years. In the case of Male airport and Istanbul airport, where GMR is a stakeholder, the concession period is 25 and 20 years, respectively.

Audit could not find any infrastructure project except in case of Delhi and Mumbai Airports wherein the concession period is initially for 30 years which can be further extended for another 30 years at the option of the concessionaire on the same terms and conditions.

## 2.4 Right of First Refusal

In addition to the unilateral right of DIAL to manage the IGIA for sixty years, the State Support Agreement (SSA) for 30 years allows the Right of First Refusal (ROFR) to DIAL with regard to any second airport if planned within 150 km radius of the IGIA. State Support Agreement (SSA) provides that the Right of First Refusal with regard to any second airport being planned within a 150 km radius of Indira Gandhi International

Airport will be given to DIAL by following a competitive bidding process, in which DIAL could participate. In the event of DIAL being unsuccessful in the bidding, it would be allowed to match the most competitive bid, if its bid is within the range of 10 *per cent* of most competitive bid. This condition will be applicable for the first 30 years.

Allowing such right of first refusal in relation to second airport without triggers like saturation point of existing airport, traffic census, rate of return on capital and expected break-even period amounts to an undue favour to DIAL. This provision also thwarts competition and provides DIAL with a natural advantage on the second airport.

The MoCA replied (March 2012) that ROFR was considered imperative and it was a policy decision taken by the EGoM before issuing the RFP in order to protect the JVC against risks in investments if the traffic were to be diverted to a competitive airport in the vicinity after heavy investments had been made.

## 2.5 Misuse of the concept of Upfront fee to transfer 190.19 acres of land to DIAL at a paltry amount of ₹ 6.19 crore

As per Article 11.1.1 of OMDA, DIAL paid an upfront fee of ₹ 150 crore to the AAI on 29 April 2006. The upfront fee fixed for Delhi and Mumbai airports as per bid document was ₹ 150 crore. The basis for fixing of the onetime upfront fee amounting to ₹ 150 crore paid to AAI were called for by Audit, however, it was not made available.

As regards the nature of the upfront fee, Ministry informed (March 2012) Audit that *"after discussions it was decided by the EGOM that one time upfront fee of ₹ 150 crore will be paid by the JVC to AAI. It was also decided that only revenue sharing will be the single financial evaluation criterion and OMDA fee will not be pass through for fixation of aeronautical tariff. The EGOM also considered that a payment of upfront fee to AAI would provide some form of insurance to AAI between the effective date of OMDA and date of transfer post completion of the transition plan, since cash flow during the period will accrue to JVC only, it was further considered that the upfront fee would provide AAI with immediate funding for its 26 per cent equity contribution in the JVC. Therefore the quantum of upfront fee (₹ 150 crore) had no relation with the extent of land and asset at an airport and it was only a part of the OMDA fee."*

Article 2.6.3 of OMDA states that *"with respect to land underlying the carved out assets, the parties further agreed that if, at any time during the term, the JVC requires the said land for providing any aeronautical services or developing and/or constructing any aeronautical assets, the parties shall come together to negotiate **in good faith**[6] the terms and conditions on which the AAI shall lease to the JVC and the JVC, shall take on lease from the AAI, the said land."*

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[6] Emphasis by Audit.

When handing over the airport to DIAL, the land area transferred to DIAL by AAI was 4608.9 acres. This land is termed as "demised premises". AAI kept to itself land area of 497.10 acres. This is termed as "carved-out assets".

The Board of the AAI decided in its 129 meeting on 6 March 2009 to lease out an additional 190.19 acres of land from the carved out assets to DIAL for aeronautical purpose as per Article 2.6.3 of OMDA.

No negotiations in good faith as enjoined by the OMDA took place. It would be seen that the upfront fee was used as base to calculate the price for the additional land provided by AAI to DIAL. **This allowed AAI to lease out an additional 190.19 acres at a meager amount of ₹ 6.19 crore.**

**It is to be noted that OMDA allows DIAL to use 5 per cent of demised land for commercial exploitation. The current value of 9.50 acres (5 per cent of 190.19 acres) as per AERA's communication to Audit amounted to ₹ 950 crore. The earning potential for 58 years from 9.50 acres based on DIAL's own projections is ₹ 6475 crore viz [ ₹ 681.63 * 9.50 acres ].**

The above is confirmed by the following document.

STATEMENT SHOWING WORKSHEET FOR CALCULATION OF UPFRONT MONEY FOR ADDITIONAL LEASE OF 77 HECTARES ( 190 ACRES APPROX.) OF LAND TO M/S. DIAL AT IGI AIRPORT OUT OF CARVED OUT ASSETS.

| EARLIER PROCESSED | AS PER ACTUAL |
|---|---|
| 5000 ACRES | 5106.43 ACRES |
| (-) 250 ACRES | (-) 250.00 ACRES |
| ========== | ========== |
| 4750 ACRES | 4856.43 ACRES |
| (-) 250 ACRES | (-) 247.10 ACRES |
| ========== | ========== |
| 4500 ACRES | 4609.33 ACRES |
| ========== | ========== |
| UPFRONT MONEY PER ACRE = 150.00/4500 = 3.34 LAKHS | UPFRONT MONEY PER ACRE = 150.00/4609.33 = 3.254LAKHS |
| COST OF 190 ACRES = 3.34 X 190 = 634.60 LAKHS | COST OF 190 ACRES = 3.254 X 190.267=6,19,12,882 |

REPRESENTATIVE OF M/S. DIAL

REPRESENTATIVE OF AAI

This decision of AAI was in sharp contrast with the decision of the Board of AAI in March 2011 to lease out 7.60 acres of land out of the carved out assets to Director General of Civil Aviation and Bureau of Civil Aviation Security. These offices were charged annual license fee at a concessional rate of 50 *per cent* applicable to Government Departments amounting to ₹ 2.41 crore per annum with annual escalation clause. Application of the same concessional licence fee with the same escalation clause for 190.19 acres of land would amount to ₹ 4534 crore for a period of 27 years. Contrasting this, the land has been leased to DIAL effectively for sixty years against a onetime payment of ₹ 6.19 crore.

MoCA stated (March 2012) that 190.19 acres of additional land leased out was purely aeronautical area and cannot be used for any construction or commercial usage. The reply was silent on the violation of Article 2.6.3 of OMDA which enjoins the parties to negotiate in good faith for any further lease of any further land out of the carved assets. Ministry's contention on upfront fee even after the issue being pointed out in Audit was in contradiction with the stand taken by AAI while valuing the land on the basis of upfront fee. This would indicate that the Ministry decided to silently ignore the violation of OMDA by AAI.

Ministry has not been able to provide a convincing reply as to why a private operator should be levied a fee which is much lower than that fixed by Government for its own departments.

## 2.6 Commercial exploitation of 239.95 acres valued at ₹ 100 crore per acre

In terms of Article 2.2.4 of OMDA, DIAL can utilize five *per cent* of the total demised premises of 4799.09 acres of land for provision of non-transfer assets. This amounts to 239.95 acres of land. Non-transfer assets are defined as such assets required to provide Non-Aeronautical Services as listed in Part II of Schedule 6 of OMDA. This in effect means that such land is available for commercial exploitation. This land is commonly known as hospitality land.

AERA in a communication to Audit has informed ( March 2012) that value of 195[7] acres of hospitality land has been worked out at the rate of ₹ 100 crore per acre. The valuation was made by M/s Merill Lynch in their Report of 26 August 2011. It was stated that since the remaining 45 acres had already been monetized through lease rentals, AERA did not work out the value of the 45 acres. It is felt in audit that It would be reasonable to assume that for the remaining 45 acres also, the valuation would be the same. Based on this valuation, the current value of the hospitality land would amount to ₹ 24000 crore.

DIAL in a letter dated 27 September 2007 (Annexure-I) to the Joint Secretary, MoCA worked out the earning potential of 45 acres of this area at ₹ 681.63 crore per acre. This was in addition to one time security deposit of ₹ 71.45 crore per acre.

[7] Remaining 45 acres was already leased out by DIAL.

As of March 2012 DIAL has leased out only 45 acres of land. As against the projection of ₹ 1.92 crore per acre for 2012-2013, DIAL has actually reached a lease rental of ₹ 1.96 crore per acre for the year. DIAL has also received a security deposit of ₹ 1471 crore. While lease rental is shared by AAI, the security deposit is not.

Using DIAL's own projection for earning potential of ₹ 681.63 crore per acre, the same amounts to ₹ 163557 crore for 240 acres of land for 58 years. 45.99 *per cent* of the same amounting to ₹ 75220 crore would be AAI's share. The net present value at a discount rate of 10 per cent amounts to ₹ 3566 crore. The share of DIAL would amount to ₹ 88337 crore, net present value of which is ₹ 4187 crore.

**Audit would like to draw attention to the fact that this area is part of the entire area of land that has been handed over to DIAL at the lease rent of ₹ 100 per annum except for ₹6.19 crore paid one time for 190.19 acres of land.**

The gross revenue arising out of this asset being non-transfer asset, is not included in the target revenue for the purpose of determining the aeronautical charges in terms of State Support Agreement. Thus revenue so generated does not form part even of 30 *per cent* of the gross revenue utilized for cross subsidization of aeronautical costs. This fact was also confirmed by AERA order dated 20 April 2012 wherein it has stated that *"the Authority decided to exclude the gross revenue from non-transfer assets towards cross subsidization of aeronautical cost while determining the target revenue."*

MoCA stated (March 2012) that market value was never the basic criteria for privatization of airport business at Delhi. Further the revenue that will accrue to DIAL would also be shared with AAI.

## 2.7 Airport Development Fee

Article 13.1 of OMDA states:

*"**It is expressly understood that the JVC shall arrange for financing and /or meeting all financing requirements through suitable debt and equity contributions in order to comply with its obligations hereunder including development of the airport pursuant to the Master Plan and the major development plans.**"*

In contradiction to the above provisions, in reality, 27.32 *per cent* of the project funding came from Airport Development Fee levied on the travelling public. As would be apparent from the various provisions of the concerned Acts and as later confirmed by the Courts, approval of the Ministry vide its order in February 2009 to the levy and collection of Airport Development Fee by DIAL was wrong. It also amounted to extension of undue advantage to DIAL.

Ministry of Civil Aviation vide their order No AV 24011/002/2008-AD dated 9 February 2009 conveyed the approval of the Central Government under Section 22A of the AAI Act 1994 as amended in 2003, for levy of Development Fee by DIAL at IGI Airport. Section 22A of the said Act reads as follows:

*"Section 22A: The Authority[8] may, after the previous approval of the Central Government in this behalf, levy on, and collect from, the embarking passengers at an airport, the development fees at the rate as may be prescribed and such fees shall be credited to the Authority and shall be regulated and utilized in the prescribed manner, for the purposes of*

*(a) Funding or financing the costs of upgradation, expansion or development of the airport at which the fee is collected; or*

*(b) Establishment or development of a new airport in lieu of the airport referred to in clause (a); or*

(c) *Investment in the equity in respect of shares to be subscribed by the authority in companies engaged in establishing, owning, developing, operating or maintaining a private airport in lieu of the airport referred to in clause (a) or advancement of loans to such companies or other persons engaged in such activities."*

As would be clear, the section did not authorise the Central Government to allow DIAL to levy and collect such development fees to meet the project cost for upgradation of the Indira Gandhi International Airport.

**More importantly, allowing DIAL to levy and use the development fees violates one of the basic provisions of OMDA, which was part of the bid documents.**

Request for Proposal (RFP)/OMDA did not mention about funding the project cost of the airport through levy of DF. In case DF was to be levied after OMDA, this decision should have been known to all the bidders at the time of bidding to ensure that all the bidders submit their bids with prior knowledge of this fact. The decision to levy DF after the effective date amounts to contractual deviation and amounts to funding of the project cost through DF collected from the passengers. **The action of the Ministry of Civil Aviation was also in contravention of the provisions in OMDA and thus vitiated the bidding process.**

DF constituted 27.32 *per cent* of the Capital Expenditure compared to 19 *per cent* equity contribution by the shareholders in DIAL. DF emerges as a significant component of project cost, as it is two and a half times of the security deposits collected by DIAL and one and a half times of the equity contribution by the shareholders of DIAL.

Further, approval of AERA for levy of DF by DIAL in exercise of the powers conferred by Section 13(1)(b) of AERA Act 2008 read with section 22 A of AAI Act 1994 to bridge the funding gap was a post contractual benefit provided to DIAL which was neither envisaged in the Request For Proposal nor included under any provision of OMDA or in the SSA. This has led to undue benefit to DIAL of ₹ 3415.35 crore collected or to be collected from passengers using Indira Gandhi International Airport.

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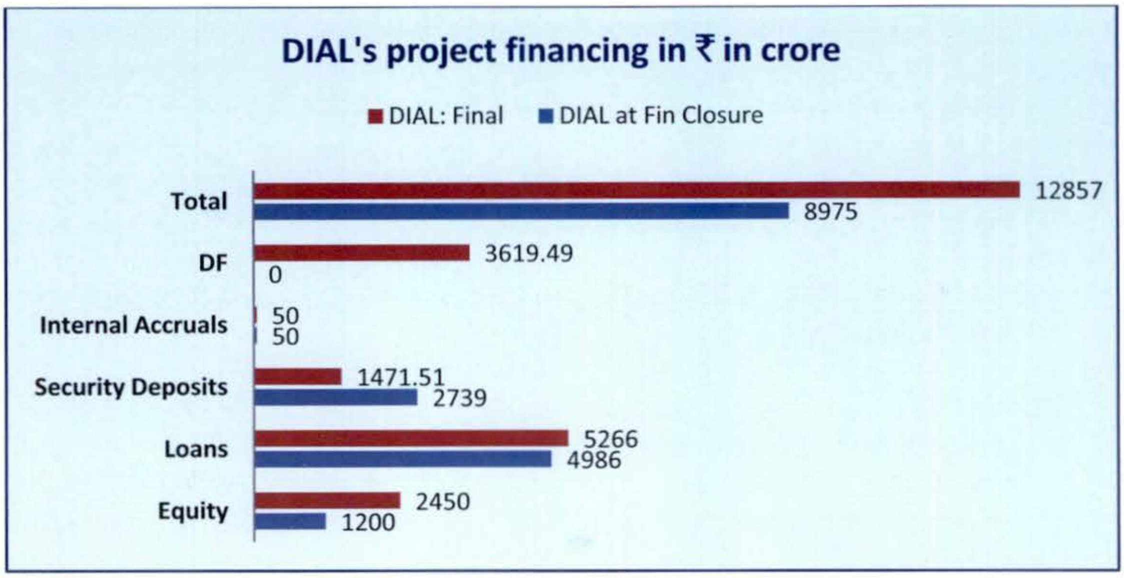
[8] Refers to Airports Authority of India

## 2.8 DIAL's financing of the Project




**Out of the total capital expenditure of ₹ 12857 crore claimed by DIAL, AERA has admitted ₹ 12502.86 crore as the total project cost. The funding gap to the tune of ₹ 3415.35 crore was permitted by AERA to be collected from the passengers through levy of DF which was not envisaged in OMDA and SSA.**

As would be seen from the above, out of the total capital expenditure of ₹ 12857 crore, the promoter's equity has been ₹ 2450 crore out of which 26 *per cent* is contributed by AAI. 74 *per cent* of the equity capital of ₹ 2450 crore is ₹ 1813 crore.

Out of the capital expenditure of ₹ 12857 crore, only 19 *per cent* of the capital expenditure has been promoters' contribution. ₹ 5266 crore have come from loans and ₹ 1471 crore has come from Security Deposits. While only ₹ 50 crore has come from internal accruals, ₹ 3415.35[9] crore have come from Airport Development Fees.

It was also noted in audit that in case of Indira Gandhi International Airport, the contribution of internal accruals has been the barest minimum. It was only ₹ 50 crore. In case of Mumbai airport, internal accrual was ₹ 1999 crore.

**Thus, with a owner's equity contribution of ₹ 2450 crore out of which 26 per cent is AAI's contribution, DIAL have got an airport in the capital of India for thirty plus thirty years and in addition commercial rights of land valued at ₹ 24000 crore. Other substantial benefits have also accrued to DIAL. The equity contribution of the private partner is ₹ 1813 crore.**

[9] The amount allowed by AERA to be collected from the passengers as Development Fees

## 2.9 Additional issues relating to Land

As per Article 2.6.1 of OMDA, AAI agreed to lease out land as Demised[10] Premises to DIAL, along with the existing buildings, described and delineated, as per schedule 25 of OMDA, other than land along with buildings under existing leases and carved out assets as per schedule 28 and 27 respectively of OMDA, on 'as is where is' basis. Accordingly, AAI initially leased to DIAL 4608.9 acres of land out of total 5106 acres of land at IGI Airport along with buildings, constructions or immovable assets, from the effective date. This land was leased on a highly concessional annual lease rent of ₹ 100 per annum for total land, payable in advance on 1 of April of every year. Later another 190.19 acres of land were also leased out.

## 2.10 Lack of Land records at IGI Airport.

As per the records of Directorate of Land of the AAI, total land available on effective date at IGI Airport was 5106 acres of which 4799.09 acres was demised premises and 306.91 acres was carved out asset as on 9 February 2011. However, Audit was not able to verify the same as the details of khasara number, land award orders issued by Land Acquisition Collector were not available with AAI.

Absence of clear title deeds in respect of land at IGI Airport Delhi was also pointed out by Audit earlier while finalizing the Annual Accounts of AAI during 2005-06. MoCA stated (March 2012) that the Indira Gandhi International Airport belongs to Civil Aviation Department prior to independence and the land was subsequently transferred to AAI through AAI Act 1971 on 'as is where is' basis. It was also stated that due to the absence of any claimants to the land handed over, the land is clear of title.

It was noticed that before the public land was transferred to DIAL, no joint physical survey was conducted. Considering the commercial potential of the public land transferred to private parties, it is necessary that a survey is undertaken and physical markings are erected to identify the demised land and carved out assets for future. This is all the more important as five *per cent* of the land is allowed for commercial exploitation by DIAL.

[10] Demised premises means the land handed over to DIAL on lease for development of the IGI airport

Chapter - 3

# Project Management

## 3.1 Change in Major Development Plan and increase in Ground Floor Area

Article 8.3 of OMDA required DIAL to prepare a Master Plan for the airport setting out the proposed development for the entire Airport over a 20 year horizon aligned with the traffic forecasts. It was required to provide for identifiable traffic triggers for undertaking specific capital expenditure projects. Clause 3.5 of the State Support Agreement provided that the Master Plan so prepared should be submitted to the Government of India. Within 30 days of the submission, the GOI was to provide in writing to the JVC its comments or suggested changes. If no comments were provided within the prescribed time limit, it was to be deemed that Government had no comments or changes to suggest and the submitted Master Plan was to be treated as the final Master Plan. Ministry of Civil Aviation did not suggest any changes to or provide any comment when the Master Plan was submitted by DIAL.

As per Article 8.3.7 of OMDA, DIAL was to develop the airport in accordance with the applicable Master Plan. Further Article 8.4.2 required DIAL to submit the Major Development Plans relating to the design, development and construction of terminal buildings and parallel runways at the airport.

As per the Major Development Plans prepared by M/S Mott MacDonald, consultant, the ground floor area of the Terminal T3 was estimated to be 451644 square metres, which was revised and the estimated area at the time of financial closure in January 2008 was 470179 square metres. Eventually, the area constructed by DIAL was 553887 square metres. Thus the actual built up ground floor area for T3 Terminal at IGI airport exceeded the major development plan by nearly 83,708 square metres (17.80 *per cent*).

In response to the audit observations, MOCA sought comments from DIAL and forwarded the same to Audit. *"DIAL commented that the finalized Major Development Plan provided that:*

*(i)* *A "theoretical floor area schedule" methodology was to be used*

*(ii)* *An approximate gross floor area was to be calculated*

*(iii)* *Upon amalgamation of individual areas, there will be a requirement for further floor area*

*(iv)* *The finalized floor area will be evident at the stage of actual floor layout plans*

(v) *The detailed space requirement upon conclusion of stakeholder consultation process will have to be taken into account."*

It would be noted that Ministry neither did offer any comments on the Plans that were submitted to them by DIAL, nor did they offer comments when the above deviation was brought to their notice by Audit. They forwarded the comments of DIAL to Audit.

The financial auditors (M/S KPMG Advisory Services Private Limited) appointed by AAI to verify the final project cost submitted by DIAL, reported that the ground floor area for peak hour passenger at T3 was higher than most of the leading airports in the Asia Pacific region. M/S Engineers India Limited, the technical auditor appointed by AAI also opined in August 2010 that *"due to this increase in area, all other items of the project have increased proportionately."* Neither MOCA nor AAI took any action for such gross violation of the Master Plan and the consequent increase in the project cost.

MoCA replied (March 2012) that the increased area has generated additional revenue for DIAL which has also benefited AAI.

The reply missed the point that the additional floor area was in violation of the Master Plan and hence in violation of OMDA and SSA. Apart from the fact that this violated the bidding process, the financial arrangements would also indicate that such additions also increased the project cost of the airport and had to be financed through Development Fees charged on the passengers.

## 3.2 Actual Project Cost vis-a-vis Original Project Cost increased by ₹ 3882 crore

As per the Business Plan the original project cost approved by DIAL and communicated to AAI on 18 January 2008 was ₹ 8975 crore. Actual project cost as on 20 July 2010 as claimed by DIAL was ₹ 12857 crore. The final project cost adopted by Airports Economic Regulatory Authority (AERA) for arriving at the Regulatory Asset Base (RAB) was ₹ 12502.86 crore. The variation between the approved project cost and the final project cost was ₹ 3882 crore, i.e., 43.25 *per cent* higher than the original project cost.

It was noted in audit that at the time of financial closure in January 2008 levy of Development Fee was not contemplated. Large part of the enhanced project cost was subsequently recovered by DIAL from the passengers using the airport through levy of DF.

The following table will indicate the cost estimates at the time of financial closure of the project and the actual cost and the source of funding of the project:

**Table 1 - The components adopted by DIAL to finance the project cost**

**(₹ crore)**

| Funding (1) | Cost as per estimates in January 2008 (2) | | Final cost in March 2010 adopted by AERA (3) | | Cost Escalation ( Percentage) 3(b) -2(b) |
|---|---|---|---|---|---|
| | Amount (a) | % of total cost (b) | Amount (a) | % of total cost (b) | |
| Equity | 1202 | 13.39 | 2300 | 18.40 | 5.01 |
| Loans | 4986 | 55.55 | 5266 | 42.11 | (-) 13.44 |
| Security deposits | 2738 | 30.51 | 1471.51 | 11.77 | (-) 18.74 |
| Internal accruals | 49 | 0.55 | 50 | 0.40 | (-) 0.15 |
| DF | Not Envisaged | Not Envisaged | 3415.35 | 27.32 | 27.32 |
| Total | 8975 | 100 | 12502.86 | 100 | |

From the above it is clear that as per the original estimates the entire funding was to be through equity, debt, security deposits and internal accruals. However, as is seen above, this was reduced to 72.68 *per cent* of the total fund requirements of the actual project cost. This financial gap was mainly filled by levy of DF which constituted 27.32 *per cent* of the total capital outlay. OMDA did not envisage the funding of project cost through levy of DF from passengers since the entire funding was to be through debt and equity only. Thus the inability of the shareholders of DIAL to bring in additional funds to the project through additional debt from financial institutions led to levy of DF on passengers.

MoCA replied (March 2012) that "*under none of the transaction document, the value of the contract was contemplated. The OMDA only provides that JVC would set up world class infrastructure to cater to traffic requirement and revise its Master Plan from time to time.*"

Ministry further stated that DIAL had initially submitted the original project cost of ₹ 8975 crore and that was an estimate based on provisional drawings. It was also stated that since the initial cost was not based on finalized drawings, ₹ 12857[11]crore is not an escalation in the project cost but a finalization of the project cost post award of contracts. The AERA after due consideration has approved the final project cost of ₹ 12502.86 crore. The increase in cost was not only due to increase in area

[11] The actual project cost submitted by DIAL for consideration of levy of DF

but also due to price variation, increase in scope of work, new ATC tower, payment to Delhi Jal Board etc.

The reply of the Ministry was misleading. None of the transaction documents provided for levy of development fees for meeting the project expenditure. **Though the airport at Delhi was visualized as a world class airport, yet the total project cost involved was not approved and monitored by any government agencies. However, DF was levied to finance the funding gap on account of increased project cost.**

The Ministry also replied that the increase in project cost was on account of increase in scope of work like new ATC tower, rehabilitation of runway 10/28, payment to Delhi Jal Board etc. These were significant additions to the airport not envisaged in the plans proposed by DIAL for review and comments of MoCA/AAI.

### Transfer Assets on expiry of OMDA

As per Article 19.6 of OMDA, in the event of AAI acquiring the transfer / non-transfer assets of DIAL while terminating the contract, the same shall be valued by a valuer appointed by AAI to ascertain the fair market value. Transfer assets include aeronautical and non-aeronautical assets existing as on the date of transfer.

All the assets categorized as transfer assets shall necessarily be acquired by AAI on the expiry of the term of OMDA. These will include assets created by the Development Fees as well. In other words, it would mean that AAI and indirectly Government of India will have to pay for the assets created with the money collected from the travelling public as development fees.

MoCA stated (March 2012) that the provisions of Article 19.6 of OMDA are procedural in nature, the rights of parties upon termination by AAI are covered in Article 17.3.1 of OMDA and DF is utilized only for creation of transfer assets and not in relation to non-transfer assets. The amount was subtracted from total admissible CAPEX and, therefore, does not confer any pecuniary benefit to the airport operator.

The reply of the Ministry was incorrect as Article 17.3.1 was not relevant here as it provides for valuation of assets at the time of termination of contract in the event of default by DIAL. However, the relevant Article 19.6 of OMDA clearly provides valuation of transfer/non-transfer assets in the event of cessation of contract. Audit observed that the assets created using DF would be valued at fair value to be paid by AAI to DIAL in the event of cessation of agreement.

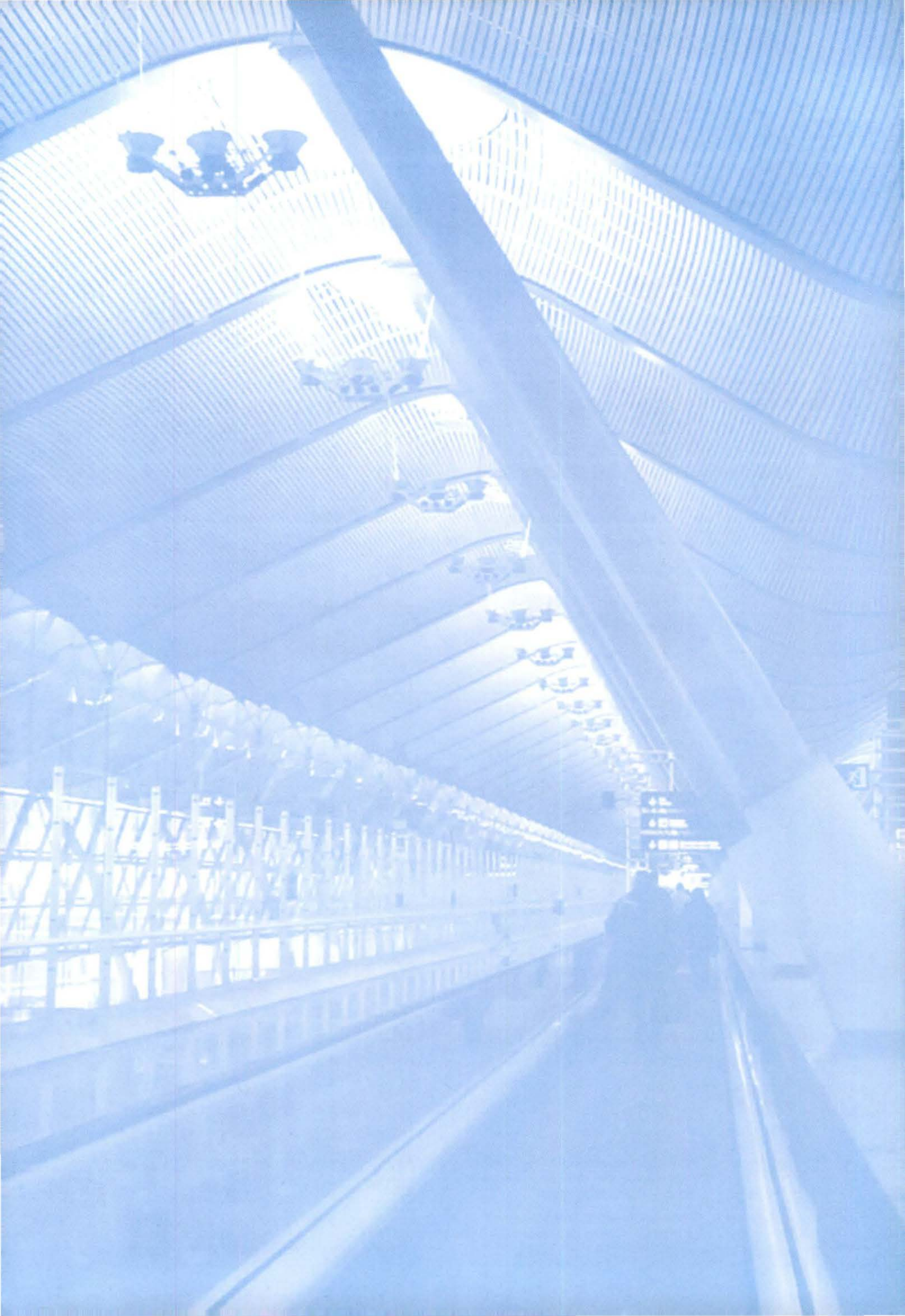
## 3.3 Mandatory Capital Projects

As per the Article 8.2 of Chapter VIII of OMDA, DIAL shall commence, carry out and complete the Mandatory Capital Projects (MCPs), latest by 31 March 2010, as set out under schedule 7 of OMDA. In terms of OMDA and the schedule, DIAL was required to complete all 33 MCPs by 31 March 2010 out of which 15 MCPs were to be completed within a period of 24 months of signing of OMDA i.e. by 3 April 2008. Out of these 15 MCPs to be completed by 3 April 2008, 11 MCPs were delayed for the period ranging from 87 days to 236 days.

As per the clause 1 of Schedule 6 of SSA on determination of aeronautical charges, a nominal increase of ten (10) *per cent* over the base airport charges was to be allowed for calculating aeronautical charges for the third year after the effective date as an "Incentive" provided DIAL duly completed and commissioned the MCPs required to be completed during the first two years from the effective date.

In terms of the above mentioned provisions of SSA, DIAL was not entitled for any incentive in respect of base airport charges as 11 MCPs were not completed as per schedule. However, MoCA approved (February 2009) 10 *per cent* increase in the aeronautical charges including landing, parking, passenger service fee (facilitation component only), X-Ray Baggage and Housing Charges at IGI airport, New Delhi w.e.f 16 February 2009 as an incentive to DIAL.

MoCA replied (March 2012) that the delay in completion of MCPs was attributable to circumstances and situations beyond the control of DIAL since the works being carried out in an operational airport involved the co-ordination with various external agencies such as airlines, security, immigration etc.



Chapter - 4

# Revenue Sharing

The sole bidding criterion for financial bid to select of the JVC partner was the revenue share of JV Company with AAI. GMR led consortium was the highest bidder offering 45.99 *per cent* of gross revenue to AAI.

## 4.1 Aeronautical/ Non-Aeronautical Airport Charges

As per existing airport business operations, there are two systems in vogue for determination of aeronautical and non-aeronautical charges termed as Single Till and Dual Till. Non-aeronautical services are less capital intensive and are considered to be more profitable.[12] Using OMDA's provisions, DIAL has outsourced most of the non-aeronautical services through the mechanism of JVs.

Under Single Till system all the revenue and costs are put together in respect of all aeronautical and non-aeronautical services and in case of Dual Till System revenues are distributed between aeronautical and non-aeronautical services separately.

AERA vide its order no 13 dated 12 January 2011 decided to adopt Single Till mechanism ensuring a fair return on equity (consistent with risk profile) and at the same time, keeping the interest of the passengers in focus. AERA also informed Audit that any moderation of charges through Single Till directly benefits the passengers. However, it was further informed that AERA would follow Single Till in respect of all the airports excepting Delhi and Mumbai.

**The provision of Dual Till taking into account only 30 *per cent* of the revenue generated by non-aeronautical services gives advantage to DIAL at the cost of the passengers.** Diversion of non-aeronautical revenue aided and abetted by the contractual arrangements as also through outsourcing of these services through JVs has put additional burden on passengers in the form of development fee on one hand and has deprived AAI of the revenue, on the other.

### Adverse impact on revenue sharing by AAI on outsourcing of non-aeronautical services by DIAL

Article 2.1.2(iv) of OMDA recognized the exclusive right of DIAL to contract and/or sub-contract with third parties all the functions to be undertaken by DIAL. It was noticed that many of the services to be provided by airport operator like DIAL had been outsourced to as many as 11 Joint Venture companies. DIAL has equity share in these companies ranging from 26 *per cent* to 50 *per cent*. The revenue share of DIAL in these companies ranges from 10 *per cent* to 61 *per cent*. DIAL has also collected ₹ 503 crore from these ventures as security deposits, which do not form part of the

[12] Authority: AERA

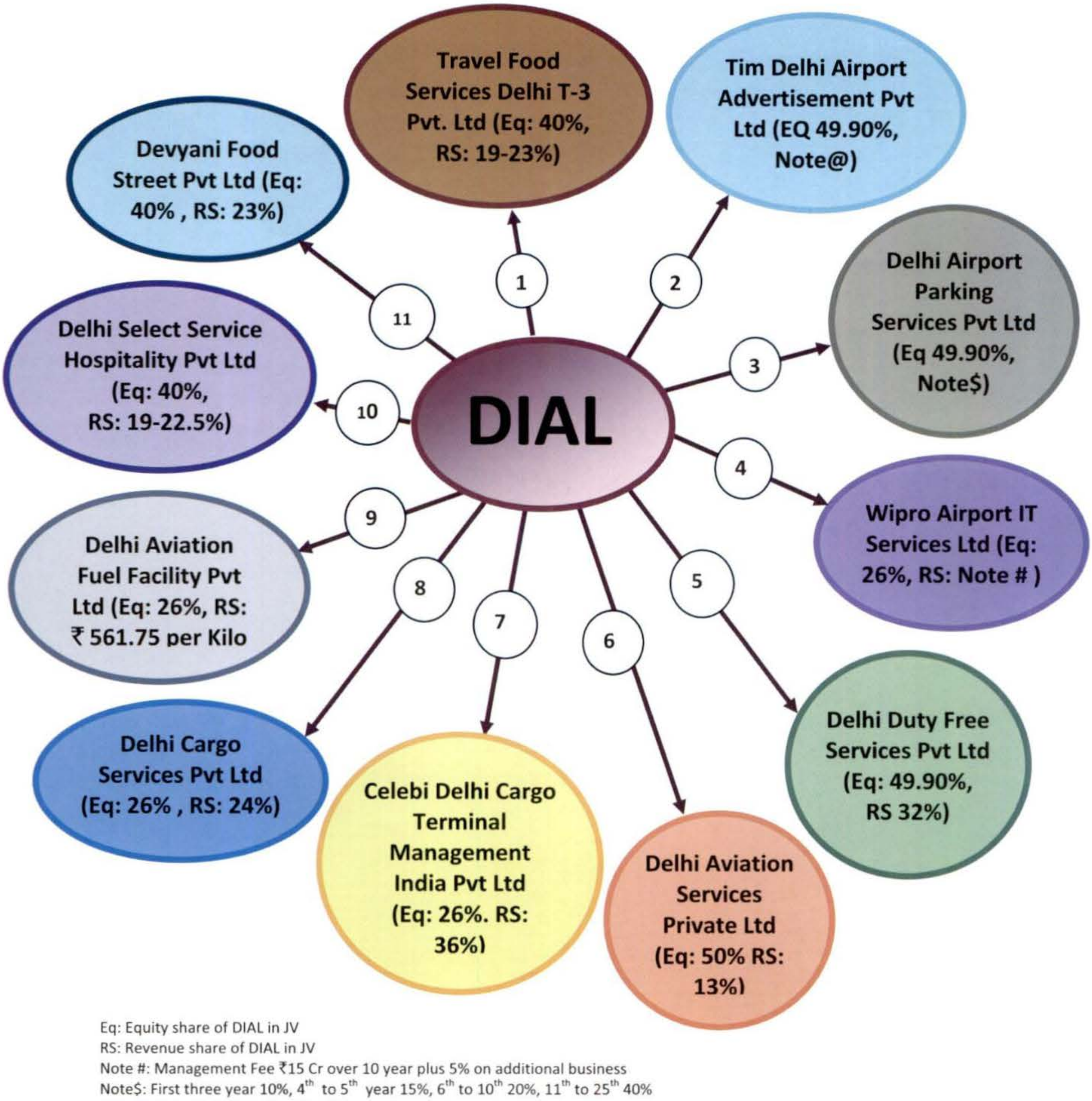
revenue of DIAL sharable with AAI and is reflected in the financial statements of DIAL as unsecured loans.

It was noted that OMDA does not debar DIAL to contract or sub contract any function relating to the management of the airport. DIAL thus can outsource both aeronautical and non-aeronautical services, though so far it has outsourced only non-aeronautical services. Outsourcing of all the services in future cannot be overruled at this stage which would significantly affect the revenue share adversely in long run.

**Such JVs are in violation of terms and conditions in OMDA**

Further Article 8.5.7 (d) states that every such contract entered into by the JVC shall be on an arms length basis. An arms length transaction is defined by Institute of Chartered Accountants of India (ICAI) as "transaction between parties that do not have a particular or special relationship that makes prices of transactions uncharacteristic of market conditions. The transaction is presumed to be between unrelated parties each acting independently."

Equity participation of DIAL in these JVs makes these contracts not on arms length. Since neither the Government nor the AAI has exercised any access to the books of accounts of these JVs, it can never be ascertained whether the revenue passed on as share of DIAL is indeed correct.




Eq: Equity share of DIAL in JV
RS: Revenue share of DIAL in JV
Note #: Management Fee ₹15 Cr over 10 year plus 5% on additional business
Note$: First three year 10%, 4th to 5th year 15%, 6th to 10th 20%, 11th to 25th 40%
Note@: 0 to 15; 55%, 16 to 20: 61%

The position is further complicated by the fact that many of these services are "non-aeronautical" as per OMDA but as per the AERA Act, these are aeronautical services. As per OMDA, therefore, DIAL would be competent to determine tariffs for these services but as per AERA Act, AERA would be competent to determine tariffs for these services. In a case of determining tariff for X ray baggage charges, DIAL did not furnish comments sought by AERA on a consultancy paper. In fact, the legal confusion would be apparent from the following extracts of AERA's order No AERA/20011/DIAL-C/2010-11 dated 10 December 2010:

*"It is an admitted position of DIAL that as per Section 2(a)(v) of the AERA Act 2008, services provided for cargo facility (which includes X-Ray screening) at an airport is an aeronautical service. However, with reference to a concession agreement, they have claimed that cargo handling and services (which includes X-ray ) is a non-aeronautical service and requested for compliance with the concession agreement. "*

In order to ensure revenue share as per OMDA to AAI, OMDA provides for appointment of an Independent Auditor by AAI in consultation with DIAL to certify the applicable revenue used for final verification / reconciliation of the annual fee. The Independent Auditor however does not have access to any books of accounts of the sub contracting JVs which would establish veracity of the share of revenue earned by DIAL from these companies.

In this connection, reference is invited to Para 2.3.1.1 of CAG's Report No. 3, Union Government (Commercial) for the year 2011-12 wherein Audit commented on only three JVs dealing with cargo and car parking operationalised during 2009-10. Audit observed that there was substantial reduction in revenue share of ₹ 103.29 crore to AAI for the period December 2009 to December 2010 on account of transfer of cargo and car parking business to JVs.

The MoCA stated (June 2011 and March 2012) that the matter regarding recognition of entire revenue of concessionaires/ JV companies should be added to the revenue of DIAL or not has been referred to the Ministry of Law and Justice for their opinion, which is still under examination. MoCA further stated (March 2012) that the financial statements of the Joint Ventures formed by DIAL for various non-aeronautical services already forms part of Independent Audit Report for each quarter and have been made available at the time of audit.

The financial statements of JVs stated to have been part of independent Audit Report for each quarter were not made available to Audit.

## 4.2 Sharing of revenue from existing leases with DIAL resulted in a loss of ₹ 23.15 crore

As on effective date, AAI had valid leases with airlines/ allied agencies, oil and gas companies, Government agencies, private agencies and hotels/ caterers. As per Article 2.6 of OMDA, read with Article 2. 1.1 of the lease deeds executed with existing lessees (continuing as on effective date), the lease rent thereof was receivable by AAI till the expiry of respective lease period. This was not shareable with DIAL. However the lease rent in respect of existing leases is being collected by DIAL and 45.99 *per cent* revenue is shared with the AAI resulting into a loss of ₹ 23.15 crore as of March 2011.

MoCA stated (March 2012) that as there was difference in the interpretation of the provisions of OMDA and lease deed, legal opinion of Ministry of Law has been sought on the treatment of revenue accruing from existing leases at both MIAL and DIAL.

# Chapter - 5
# Operation Support (Human Resource)

## 5.1 Delayed Payment of Retirement Compensation by DIAL

As per Chapter VI of OMDA, AAI was to provide the necessary Operation Support (OS) to DIAL through employees of AAI deployed at the Indira Gandhi International Airport for a period of three years termed as Operation Support Period (OSP) commencing from effective date. OMDA further provided that at least 60 *per cent* of the employees[13] of AAI under the service of DIAL would be offered employment by DIAL. In case of non-acceptance of offer of employment, retirement compensation would be paid by DIAL in respect of 60 *per cent* of the employees, reduced by the number of employees absorbed in AAI/retired/expired/transferred during operation support period.

2338[14] employees of AAI were deployed at Indira Gandhi International Airport on the effective date, of which 251[15] retired/ expired/ were transferred/ resigned by 2 May 2009. As per the agreement DIAL was to give offer of appointment by 2 February 2009 i.e. three months prior to expiry of the support period. However, it was noticed by Audit that though all the AAI employees working at Indira Gandhi International Airport as on 31 December 2006 were offered employment by DIAL, only 141 employees accepted the offer. DIAL was required to pay retirement compensation to the AAI only in case of 1111 (60 *per cent* of the general employees of 2087) who did not join DIAL after the Operation Support period. AAI raised a claim of ₹ 250.88 crore towards retirement compensation on 9 March 2010, of which DIAL made payment of only ₹ 80 crore and the balance amount of ₹ 170.88 crore was to be paid by DIAL( March 2010).

MoCA observed (November 2009) that the schedule for payment of retirement compensation from DIAL became due immediately after the Operation Support Period (OSP) i.e. 2 May 2009. However, a lenient view was taken with the approval of Minister of State of Civil Aviation (Independent Charge), and accordingly MoCA directed AAI to recover the retirement compensation without penal interest from DIAL by March 2010. The MoCA also intimated (May 2010) that any payment due

[13] minus employees' retired/expired/transferred

[14] Earlier management has indicated this figure as 2394 and the same was adopted in paragraph 2.3.2.2 of CAG's report No. 3 of 2011-12

[15] Similarly management earlier indicated this figure as 173 and the same was adopted in paragraph 2.3.2.2 of CAG's report No. 3 of 2011-12

after 1 April 2010 automatically attracted the penal interest on State Bank of India Prime Lending Rate plus 10 *per cent*.

Against this, the AAI allowed DIAL to pay the said amount as monthly installments spread over a period of 10 years without any contractual obligations in violation of the directive of the Ministry. Audit calculated the consequent loss of interest at ₹ 58.57 crore calculated at eight 8 *per cent* per annum.

Chapter - 6
# Passenger Service Fee (Security Component) – Escrow Account

The passenger service fee (PSF) is an amount collected from each embarking passenger at the airports by the airlines. The PSF has two components viz security component (SC) which constitutes 65 *per cent* and facilitation component (FC) which is 35 *per cent* of the total charge. OMDA provides that the concerned airlines shall collect the entire PSF from embarking passengers and would remit the amount in two groups – 65 *per cent* as SC to AAI and 35 *per cent* as FC to DIAL directly.

As per Clause 3.1.A.4 of SSA, Government of India, throughout the term of the State Support Agreement (SSA), shall control some reserved activities which would include Customs and Immigration control, Quarantine, Health, Meteorological and Security Service etc. as mentioned in Para 3.3.1 of SSA. The facilitation component payable to DIAL could be revised under the provisions contained in OMDA by DIAL while the security component payable to AAI can be revised as and when directed by GOI.

Thereafter MoCA issued instructions[16] from time to time for collection and utilization of PSF by airport operators. Broadly, these instructions were:

(i) PSF at airports would be collected from various airlines by the respective airport operator, which could be either AAI/ DIAL or any private operator.

(ii) A separate Escrow Account would be operated by the airport operator in fiduciary capacity.

(iii) In all ₹ 130 were collected as PSF (SC) per passenger to be deposited in the escrow account, within 15 days of the next calendar month of collection, for meeting the expenses relating to the CISF.

(iv) PSF (SC) collected at an airport operated by DIAL or a private operator would be utilised at the airport concerned only to meet the security related expenses at that airport. However, AAI would be considered as a single licensee in respect of all its airports across the country for this purpose with liberty to pool the PSF (SC) collections from any airport and use the same for meeting the security related expenses at any other airports.

(v) The escrow account would be subject to audit by Comptroller and Auditor General of India.

[16] May 2006, June 2007, April 2010 and July 2010 and Standard Operating Procedure in January 2009

## 6.1 Funds diverted from PSF (Security Component) Escrow Account for purchase of Security Equipments by DIAL.

As per the clause 3.3.5 of SSA, the JVC i.e. DIAL shall be responsible for procuring and maintaining at its own cost all security systems and equipments (except arms and ammunition) as required by GOI or the Bureau of Civil Aviation Security or its designated nominee(s)/ representative(s) from time to time. MoCA's order No. AV-13028/001/2009-AS dated 16 April 2010, stated that the entire cost incurred on security equipments purchased could be met from PSF (SC). DIAL included the cost of security equipments like Perimeter Intrusion Detection System (PIDS) installed over the perimeter wall of airports, patrolling tracks, etc. in the PSF (SC) account.

Thus, the order of the MoCA permitting the same to be met from the PSF (SC), overriding the provisions of Clause 3.3.5 of the SSA, resulted in granting financial benefit of ₹ 239.69 crore to DIAL.

MoCA replied (March 2012) that a need was felt by the Government to upgrade the security equipment available at the airports to the best available internationally. Security being the sovereign responsibility of the state, it was considered by the Government that the expenditure on the security equipment be made out of PSF Escrow Account.

The reply of the Ministry was not acceptable since MoCA letter dated 16.04.2010 stated that in the case of new airports, the entire cost of the security equipments would be borne by the airport operator. However, in the case of Indira Gandhi International Airport, though DIAL was required to bear the cost of security equipments as per SSA, MoCA permitted the same to be met out of PSF (SC).

## 6.2 Irregular withdrawal from Escrow Account

MoCA clarified during January 2010 and April 2010 that the security related expenses permitted under PSF (SC) should not include expenditure on any other security staff or other administrative set-up created/ engaged by the airport operators. The Association of Private Airport Operators (APAO) represented to MoCA (9 April 2010) for clarifications regarding the applicability of the above guidelines. MoCA (5 July 2010) clarified that the guidelines dated 16 April 2010 may have only prospective application. Accordingly, DIAL under the cover of this clarification, debited all the expenditure incurred during 2006-10 towards private security agencies including consultant fees to PSF (SC) account.

Therefore, the clarifications issued by the MoCA regarding withdrawal of expenses made to private security agencies including consultant fees by the airport operators during 2006-10 led to irregular withdrawal of ₹ 26.05 crore from PSF (SC) Escrow Account by DIAL with consequent loss to the Government and undue favour to the private operator i.e. DIAL. MoCA (March 2012) has accepted the audit observation and has asked DIAL to reverse the entry on this account.

## 6.3 Insurance Premium debited to Passenger Security Fee (Security Component)

As per Para 8.5.6 (i) of OMDA, during the term, DIAL shall maintain at its own cost the insurances set out in Schedule 11. Meanwhile MoCA while issuing the "Standard Operating Procedure for Account/Audit of PSF (SC) by JVC/ Private Operators" specified that all fixed assets acquired through PSF (SC) shall be adequately insured by DIAL / Private Operator and insurance charges shall be paid from PSF (SC). DIAL charged ₹ 4.34 crore[17] in the PSF (SC) accounts for the year up to 2010-11 as insurance charges.

Therefore, the orders of MoCA were in contradiction of the provisions of OMDA regarding insurance charges to be borne by the airport operator which led to undue favour to the tune of ₹ 4.34 crore to the airport operator i.e. DIAL up to the year 2010-11. MoCA stated (March 2012) that once having decided to acquire this equipment out of PSF (Government funds), the Government is justified in getting the equipment insured through the PSF (SC).

As per OMDA the cost of security equipments as well as insurance was to be borne by the airport operator, the interpretation of the Ministry is incorrect. Further, the reply of the Ministry was against the above provision.

[17] ₹ 2.03 crore as standalone terrorism policy for the year 2010-11, ₹ 1.14 crore as insurance charge on Fixed Assets acquired through PSF (SC) and ₹ 1.05 crore as a standalone Terrorism Policy for the year 2009-10 and ₹ 0.12 crore for the year 2008-09

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.

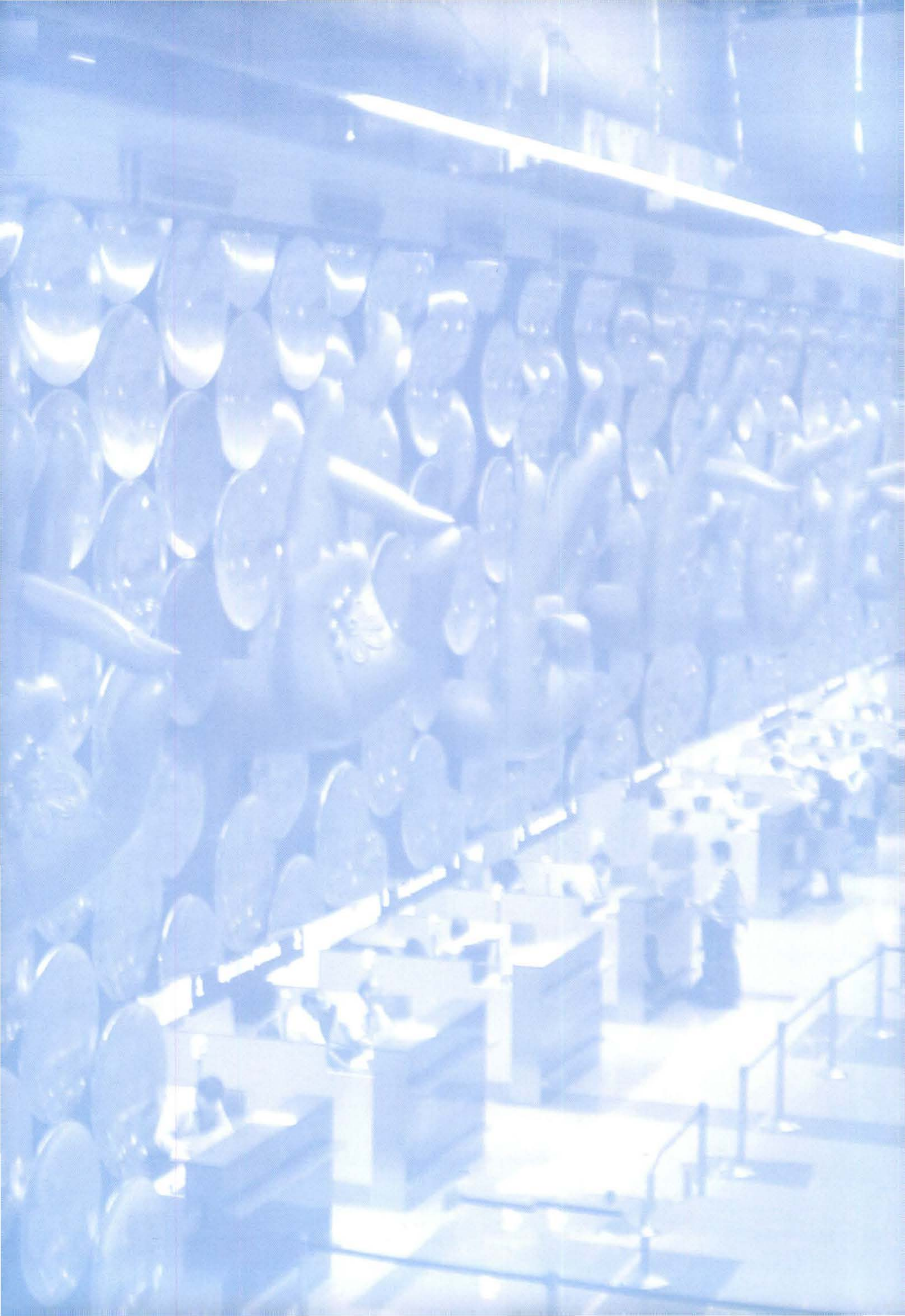
**New Delhi**
**Dated: 11th May, 2012**

**(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**



# ANNEXURE

# Annexure I

## GMR letter No. DIAL/CR/ Subsidiaries/ 2069 dated 27 September 2007 indicating calculation of income through lease rentals over the period of 57 years

(Referred to in Para 2.6)

Annexure - 8
4.0

Delhi International Airport (P) Limited
(A Joint Venture of GMR group, AAI, Fraport, MANSB and IDF)

GMR
Delhi International Airport (P) Lin

Ref: DIAL/CR/Subsidiaries/2069
September 27, 2007

Shri K. N. Shrivastava, IAS
Joint Secretary - Ministry of Civil Aviation
Rajiv Gandhi Bhawan
'B' Block, Safdarjung Airport
New Delhi

Dear Sir,

**Sub: Information about Refundable Security Deposits**

**Ref: Our letter no. DIAL/CR/Subsidiaries/1814 dated 06.09.2007**

In continuation of the correspondence resting on the above subject, we wish to furnish the following further information on the above subject matter:

We are in the process of finalizing the developers for the Hotel Projects coming up in the Hospitality District as a part of airport development through international competitive bidding process.

As per the bid document, we have stipulated that the refundable security deposits (per acre basis) should be in the following forms:-

- Airport development bond Rs. 35 crores
- Delhi Airport deposit Rs. 15 crores
- 3 years average licence fees to be adjusted in the last 3 years
- Security deposit 10% (on licence fees for the licence period + 3 years licence fee advance + development cost)

The details of exact amount of security deposit can be arrived once bids are finalized. Further based on a tentative indicative licence fee of Rs. 1.58 crore/acre/annum, the approximate total value of all the 4 components as refundable security deposit is working out to Rs. 71 crores/acre. This total amount is to be paid over a period of 24 months during the implementation of hotel projects in the hospitality district.

As you are kindly aware that we have been indicating in our earlier letters that the quantum of refundable security deposit is equivalent to 8 – 10% of total licence fees, payable by the developers over a total period of 58 years (28 years of initial period & 30 years of renewal period).

28/9

Registered Office:'Udaan Bhawan', Terminal 1B, Indira Gandhi International Airport (IGI Airport), New Delhi -110037
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www.newdelhiairport.in

GMR
Delhi International Airport (P) Limite

In our bid document, we have stipulated that developers should quote the annual licence fees / acre which should be increased with an escalation of 5% year on year compounding basis. We have also further stipulated that after completing the initial licence period of 28 years the licence fees should be increased by 50% from the beginning of renewal period in the 2nd block of 30 years with an escalation of 5% year on year on compounding basis. Taking an approximate indicative annual licence fees of Rs. 1.58 crores/acre in the first year, we have worked out the total licence fees over a period of 58 years which is working out of Rs. 682 crores/acre (Details as per the Model working sheet enclosed in Annexure 1).

During the course of road shows conducted in India and outside India, the developers have suggested that refundable security deposit should be in the form of security deposit as well as in the form of bonds. Therefore, taking into account the feedback received from the developers and based on our consultants advise, we have worked out a mixed components of refundable security deposit in the form of bonds as well as deposits, as explained above.

Thanking you,

Yours truly,
**For Delhi International Airport Pvt. Ltd.**

B. Srini

Srinivas Bommidala
Managing Director

Encl: a/a

CC: Mr. M.C. Kishore
ED (CA & CS)
AAI, Rajiv Gandhi Bhawan
New Delhi

**Annexure 1**

**Model Working Sheet**
**Per Acre Basis**

| Initial License Period of 28 years | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | |
| Annual License fee, Rs Crore / Acre | 1.58 | 1.66 | 1.75 | 1.83 | 1.92 | 2.02 | 2.12 | 2.23 | 2.34 | : |
| Year | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | |
| Annual License fee, Rs Crore / Acre | 2.58 | 2.71 | 2.84 | 2.99 | 3.14 | 3.29 | 3.46 | 3.63 | 3.81 | |
| Year | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | | |
| Annual License fee, Rs Crore / Acre | 4.20 | 4.41 | 4.63 | 4.86 | 5.11 | 5.36 | 5.63 | 5.91 | | |

| Renewal Period 30 years. | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | |
| Annual License fee, Rs Crore / Acre | 8.87 | 9.31 | 9.78 | 10.27 | 10.78 | 11.32 | 11.88 | 12.48 | 13.10 | 13. |
| Year | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | |
| Annual License fee ,Rs Crore / Acre | 14.44 | 15.17 | 15.92 | 16.72 | 17.56 | 18.44 | 19.36 | 20.32 | 21.34 | 22. |
| Year | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 5 |
| Annual License fee , Rs Crore / Acre | 23.53 | 24.70 | 25.94 | 27.24 | 28.60 | 30.03 | 31.53 | 33.11 | 34.76 | 36.5 |

| | |
|---|---|
| Sum of 58 years License Fees, Rs Cr/ Acre | 681.63 |

| | Rs. in cr |
|---|---|
| Particular | 58 yrs |
| | |
| Deposits | |
| Airport Development Bond | 35 |
| Delhi Airport Development Deposit | 15 |
| Security Deposit | 11.54 |
| 3 years average license fee | 9.91 |
| Total Deposit (per acre) | 71.45 |
| | |
| Total Licence Fees (per acre) | 681.63 |
| | |
| Deposit as % of licence fees | 10.48% |

Refundable Security Deposit is collected over a period of 24 months and licence period is collected over a period of 58 years (28 years + 30 years)