

सत्यमेव जयते

**Report of the
Comptroller and Auditor General of India
on
Regional Connectivity Scheme-UDAN
(Ude Desh Ka Aam Naagrik)**



SUPREME AUDIT INSTITUTION OF INDIA
लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest



**Union Government (Civil)
Ministry of Civil Aviation
No. 22 of 2023 (Compliance Audit)**

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Comptroller and Auditor General of India
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Laid on the table of Lok Sabha and Rajya Sabha on

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Preface

This Report of the Comptroller and Auditor General of India has been prepared for submission to the President of India under Article 151 of the Constitution of India. The Audit has been carried out in line with the Regulations on Audit and Accounts 2007 (amended in 2020) and Compliance Audit Guidelines, 2016 of the Comptroller and Auditor General of India.

This Report contains significant results of the compliance audit of Regional Connectivity Scheme-UDAN of Ministry of Civil Aviation launched in pursuance of the provisions of the National Civil Aviation Policy 2016. The instances mentioned in the Report are those which came to notice in the course of audit for the period from October 2016 to March 2021; figures relating to the period upto March 2023 have been updated, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Brief about the topic

National Civil Aviation Policy (NCAP), 2016 envisaged a Regional Connectivity Scheme (RCS) to enhance regional air connectivity through fiscal support and infrastructure development. Accordingly, Ministry of Civil Aviation (MoCA) launched (October 2016) the scheme - Regional Connectivity Scheme - UDAN (Ude Desh ka Aam Naagrik). The scheme aimed to promote affordability of regional air connectivity through a series of measures. These measures included:

- Reducing the cost of operations on regional routes by supporting airline operators and airport operators through concessions from Central and State Governments.
- Providing financial assistance through Viability Gap Funding (VGF) to airline operators for their operations on RCS routes.
- Creation of Regional Air Connectivity Fund (RCF) to be funded by a levy or fee per departure on all domestic flights for providing concessions/ Viability Gap Funding for operations on regional routes.
- Providing budgetary support of ₹ 4,500 crore by Government of India for development/ revival of the airports/ heliports/ water aerodromes identified under the scheme.
- Providing a demand driven mechanism for identification of RCS routes, followed by upgradation/ revival of the thus identified airports/ air strips.

As per the scheme, Airports Authority of India (AAI) was designated as the nodal agency for implementation of the scheme.

The Scheme focuses on encouraging sustainability of operations under RCS in the long term so that the connectivity established is not dependent on VGF in perpetuity.

Phases of Bidding/Progress under the Scheme

Proposals to provide connectivity to underserved/ unserved airports under the scheme were called for from airlines (October 2016) for the first time. Up to March 2021, three rounds of bidding for UDAN 1, 2 and 3 were completed and the same are covered under the scope of this audit.

Under first round of bidding, the proposals for 132 RCS routes were received and awarded connecting 45 underserved/ unserved airports. Under second round, 228 fixed wing routes and 83 heliports routes, connecting 30 unserved/underserved airports and 31 heliports were awarded. During third round of bidding, 305 fixed wing routes and 26 water

aerodrome routes connecting 23 underserved/ unserved airports and 10 water aerodromes were awarded.

Audit Objectives

The Compliance Audit has been carried out to assess the efficiency and effectiveness of planning and implementation of RCS scheme, soundness of the management of Regional Air Connectivity Fund & VGF disbursements and the adequacy and effectiveness of monitoring and internal control mechanisms of the Scheme.

Audit Methodology

An entry meeting was held on 20 October 2021 with MoCA, wherein the audit objectives, criteria, scope and audit methodology were explained. Subsequently, after completion of field audit and issuance (21 November 2022) of draft report to Ministry, an exit meeting was held with Secretary, MoCA on 20 December 2022. The responses of the MoCA during the exit meeting were duly considered while finalising the report.

Audit findings

The Scheme is a good initiative for increasing air connectivity as a faster, safer and affordable option of travel for common people, with eco-multiplier effect. The Scheme has potential to contribute towards economic development, tourism promotion, optimisation of natural resources and preparedness during emergencies for unserved areas. The response to the Scheme was positive as number of passengers travelled on RCS routes increased from 2.63 lakh in 2017-18 to 24.97 lakh in 2022-23. However, the implementation of RCS needs to be improved in the light of audit observations made in the Report, to fully leverage the benefits envisaged. Based on audit observations emerging from the audit scrutiny, Audit has made 16 recommendations which will help the Ministry in better implementation of the scheme in future. The significant audit findings and recommendations are given as below:

Significant Audit findings and recommendations on Planning for the Scheme

Upto UDAN-3, 52 *per cent* (403 out of 774 routes) of the awarded routes could not commence operations and from the 371 commenced routes, only 112 routes (30 *per cent*) completed the full concession period of three years. Further, out of these 112 routes, only 54 routes (i.e., 7 *per cent* of the awarded routes) connecting 17 RCS Airports could sustain the operations beyond the concession period of three years, as of March 2023.

[Para 3.1.1]

An appropriate mechanism may be devised to assess the feasibility of routes for achieving the sustainability of operations in the long run and for identification of unserved/underserved airports, considering the stage length, availability of alternate

mode of transportation, terrain, socio economic scenario and tourism potential, etc., on the basis of experience gained so far.

[Recommendation no. 1]

There was no exercise carried out by MoCA/ AAI to identify eligible heliports on the basis of its potential. The majority of heliports identified for operations from the proposals submitted by helicopter operators, either remained un-utilised/under-utilised or RCS operations from such heliports were discontinued subsequently.

[Para 3.1.3]

For identification of heliports under RCS, a mechanism needs to be devised based on feasibility of the operations and sustainability of the same in the long run, on the basis of experience gained so far.

[Recommendation no. 2]

Significant Audit findings and recommendations on Management of Regional Air Connectivity Fund and Viability Gap Funding disbursement

MoCA did not frame any rules to regulate the collection and remittance mechanism of Regional Air Connectivity Fund levy.

[Para 4.1.1]

Ministry should devise a mechanism to monitor the RCF levy collected by airlines and ensure that amount collected from the passengers is not more than the amount to be remitted to the Government and does not become a source of profit to the airlines.

[Recommendation no. 3]

There was delay on the part of Regional Air Connectivity Fund Trust in raising RCF levy claims on the airline operators. There was also delay on the part of airlines operators in remitting the dues within the timelines as stipulated in the Draft Standard Operating Procedure. No penal clause was incorporated with regard to delays in realisation of RCF levy.

[Para 4.1.2]

The RCF levy claims should be raised promptly as per draft Standard Operating Procedure and a penal clause may be incorporated for delay in realisation of dues from the airlines.

[Recommendation no. 4]

The decision of Regional Connectivity Advisory Board to accept VGF claims by AAI on self-certification basis resulted in non-compliance to various provisions of the scheme. Consequently, instances of violation of RCS norms, viz., excess disbursement of VGF, violation of RCS fare cap, etc., were noticed by Audit.

[Para 4.2.1]

A suitable mechanism should be devised to reconcile the VGF claims lodged by the airlines from the flight data available with Airport operators instead of disbursing the VGF on self-certification basis.

[Recommendation no. 5]

For accounting of transactions of Regional Air Connectivity Fund, Standard Operating Procedure (SoP) as per laid down procedure of CAG of India was not formulated even after a lapse of more than five years. Further, the accounts of Regional Air Connectivity Fund Trust (since inception) were also not submitted for CAG audit.

[Para 4.3.1]

Audit of Regional Air Connectivity Fund Trust accounts should be entrusted immediately to CAG of India and an accounting methodology needs to be devised to map the quantification of the concessions extended to airlines by various stakeholders under the scheme.

[Recommendation no. 8]

Significant Audit findings and recommendations on Implementation of the Scheme

Significant delays were observed in revival/ development of identified RCS airports out of the budgetary support sanctioned by Cabinet Committee on Economic Affairs in March 2017. Out of the 116 airports/ heliports/ water aerodromes where expenditure was incurred, operations commenced at only 71(61 *per cent*) airports/ heliports/ water aerodromes. Operations could not be commenced or were discontinued at 83 airports/heliports/water aerodromes even after incurring an expenditure of ₹ 1,089 crore.

[Para 5.1.1 (i)]

A better mechanism for identification of airports for revival/development should be devised for sustained operations based on feasibility study, in the light of experience gained. Budget estimates for RCS airports should be reviewed considering the ground realities and workable timelines.

[Recommendation no. 9]

For the helicopter operations, the airfare cap and VGF cap was based on flight duration. But while disbursing the VGF, instead of actual time of travel, the time as per letter of

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

[Para 5.1.2]

A suitable mechanism should be devised for helicopters operations to consider the actual time of travel for determining the maximum airfare cap as well as VGF requirement to make helicopter operations under RCS more affordable to the public.

[Recommendation no. 10]

Significant Audit findings and recommendations on monitoring mechanism and Internal Controls

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

[Para 6.3]

The performance of the Selected Airline Operators may be evaluated through Independent Auditors without any delay and prompt corrective action should be taken on the auditor's report.

[Recommendation no. 15]

CHAPTER I

Introduction



Chapter I

Introduction

1.1 Evolution and broad features of the scheme

The National Civil Aviation Policy was announced (June 2016) by Ministry of Civil Aviation (MoCA) with a vision to create an eco-system to make flying affordable for the masses. One of the major objectives of the National Civil Aviation Policy was to enhance regional connectivity through fiscal support and infrastructure development. Accordingly, it was envisaged in the National Civil Aviation Policy that the Regional Connectivity Scheme (RCS) (the scheme) would come into effect from second quarter of 2016-17. As envisaged in the National Civil Aviation Policy, RCS UDAN (Ude Desh Ka Aam Naagrik) was required to be implemented by:

- Revival of unserved¹ or underserved² airports/ routes
- Provision of concessions by different stakeholders
- Viability Gap Funding³ (VGF) to airline operators
- Cost effective security solutions by Bureau of Civil Aviation and Security and State Governments

In pursuance of the aforesaid provisions of the National Civil Aviation Policy 2016, MoCA, launched (October 2016) the RCS – UDAN to promote affordability of regional air connectivity by supporting airline operators through concessions by the Central Government, the State Governments and the airport operators to reduce the cost of airline operations on regional routes and financial support (Viability Gap Funding) to meet the gap, if any, between the cost of airline operations and expected revenues on such routes. RCS routes were to be discovered through market forces so that airlines themselves undertake the assessment of demand and nature of supply required on particular routes and lead the process.

1.2 Phases of the scheme

Proposals to provide connectivity to underserved/unserved airports were called for from airlines for the first-time in October 2016. Up to March 2021, three rounds of bidding were completed. Accordingly, three rounds, for which bidding was completed, were covered under this audit.

¹ *Unserved airport is defined as any airport at which there have been no scheduled commercial flight during the last two flight schedules approved by DGCA.*

² *Underserved airport is defined as any airport at which there were not more than seven scheduled commercial flight departures per week as per the latest flight schedule approved by DGCA.*

³ *Viability Gap Funding (VGF): VGF means the financial support for per RCS seat provided to the Selected Airline Operator for operation of RCS Flight(s) from the Regional Connectivity Fund pursuant to this Scheme.*

Under first round of bidding, 132 RCS routes connecting 45 underserved/unserved airports were awarded. Under second round of bidding, 228 fixed wing⁴ routes and 83 heliports routes connecting 30 unserved/underserved airports and 31 heliports were awarded. During third round of bidding, 305 fixed wing routes and 26 water aerodromes⁵ routes connecting 23 underserved/unserved airports and 10 water aerodromes were awarded.

1.3 Organisational Structure

Ministry of Civil Aviation is administratively headed by the Secretary, MoCA, who is assisted by the Joint Secretary in-charge of matters related to RCS, Dy. Secretary, Under Secretary and other officials.

As per the scheme, Airports Authority of India (AAI) was designated as the Implementing Agency. Responsibilities of the Implementing Agency included:

- a) Receiving proposals submitted by the applicants and taking necessary administrative actions for identification of Selected Airline Operators pursuant to the Scheme.
- b) In order to facilitate the collection and disbursement of funds under the Scheme, an escrow account was to be opened. The Implementing Agency was authorised to act as an escrow agent on behalf of MoCA with the authority to deposit funds into, and withdraw funds from, the bank account for disbursement of VGF to Selected Airline Operators in accordance with this Scheme.
- c) The Implementing Agency was responsible for managing accounts/statements relating to Regional Air Connectivity Fund⁶ collections, payment to Selected Airline Operators and reimbursement from State Governments (20 *per cent* for States other than North Eastern States and Union Territories of India, where the ratio will be 10 *per cent*).

In line with the above provisions of the scheme, AAI established (September 2016) a dedicated cell i.e., RCS Cell for implementation of the scheme and the Regional Air Connectivity Fund Trust was formed (April 2017) to manage the Regional Air Connectivity Fund.

The RCS Cell operates under the administrative control of MoCA. Executive Director (RCS Cell) who also holds the position of *ex-officio* Secretary Regional Air Connectivity Fund Trust reports to the Joint Secretary (Domestic Travel), MoCA for activities of the RCS Cell in relation to the scheme.

⁴ *Fixed wing means a type of aircraft, commonly referred to as an aeroplane, that generates lift through the use of forward motion of the aircraft and wings that do not revolve around a mast.*

⁵ *Water Aerodrome: A water aerodrome is an area of open water that can be used by seaplanes as well as amphibious aircrafts to land and take off.*

⁶ *Regional Air Connectivity Fund shall mean the fund / corpus created through application of a levy on all domestic flights other than the Category II / Category IIA routes, RCS Routes and flights using small aircraft below 80 passenger seats irrespective of routes.*

1.4 Funding of RCS

1.4.1 Regional Air Connectivity Fund Levy

To meet the requirements of VGF, MoCA notified (October 2016) an amendment to the Aircraft Rules 1937, which empowered MoCA to impose levy on scheduled flights operated in India at rates as specified by MoCA from time to time. With effect from September 2017, Regional Air Connectivity Fund Levy of ₹5,000 per flight is being applied on all domestic flights/routes other than category II/category IIA routes⁷, RCS routes and small aircrafts below 80 seats. The proceeds of such levy would be kept in a Charitable Trust viz., the Regional Air Connectivity Fund Trust to be used to provide VGF for three years to the Selected Airline Operators for their operations on RCS routes.

VGF was to be shared between MoCA and State Governments in the ratio of 80:20 (for North-Eastern States and Union Territories in the ratio of 90:10).

The year-wise financial position of Regional Air Connectivity Fund Trust indicating collection of Regional Air Connectivity fund levy, VGF contribution received from States/ Union Territories, as well as disbursement of VGF is summarised below:

Table 1.1: Financial Position of Regional Air Connectivity Fund Trust from 2017-18 to 2021-22

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Opening balance	0	359	1,045	978	924
Income					
Regional Air Connectivity Fund levy	205	375	375	171	241
VGF Reimbursement from State Governments/Union Territories	7	29	126	61	100
Interest earned	4	27	67	24	28
Any other item ⁸	0	1	46	30	114
Sub total	216	432	614	286	483
Diversion of dividend payable by AAI to Consolidated Fund of India ⁹	200	400	0	0	0
Total Income	416	1,191	1,659	1,264	1,407

⁷ *Category II Routes – those connecting stations in North-Eastern Region, Jammu and Kashmir, Himachal Pradesh, Uttarakhand, Andaman and Nicobar and Lakshadweep.*

Category IIA Routes – those within the North-Eastern Region, Jammu and Kashmir, Himachal Pradesh, Uttarakhand, Andaman and Nicobar and Lakshadweep and Cochin-Agatti-Cochin.

⁸ *Any other items of income include encashment of performance guarantee and recovery of excess airfare charged by Selected Airline Operators.*

⁹ *Department of Economic Affairs (Budget Division), Ministry of Finance approved (December 2017) diversion of ₹ 200 crore out of dividend payable by AAI for the year 2017-18 in line with the request of MoCA. A similar diversion of ₹ 400 crore was again approved by Ministry of Finance for the year 2018-19.*

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Expenditure					
VGF disbursements	42	138	681	326	626
Administrative & other expenses	15	8	-	14	11
Total Expenditure	57	146	681	340	637
Closing Balance	359	1,045	978	924	770

(Source: information gathered from RCS cell.)

1.4.2 Other Concessions

Apart from the financial support in the form of VGF, the following concessions were also extended by different stakeholders as stipulated in the scheme.

Concessions from Central Government

- Concessional rate of Excise duty at the rate of 2 *per cent* on Aviation Turbine Fuel drawn by Selected airline operators at RCS airports for RCS flights for a period of three years.
- Concessions on Goods and Service Tax on air fare to airline operators.

Concessions from States

- Reduction of Value Added Tax to 1 *per cent or less* on Aviation Turbine Fuel at RCS airports for a period of 10 years.
- Electricity, water and other utility services at concessional rates.
- Providing the minimum land, if required, free of cost and free from encumbrances for development of RCS airports.
- Fire and security services free of cost at RCS airports.
- Multi-modal hinterland connectivity to RCS airport.
- Provision of certain share (20 *per cent* for all States except North Eastern States and Union Territories wherein it was 10 *per cent*) towards VGF for respective RCS routes.

Concessions from Airport Operators

- Route Navigational and Facilitation Charges¹⁰ at the rate of 42.5 *per cent* of the normal rates on RCS flights.
- Non levy of Terminal Navigation Landing Charges¹¹ on RCS flights.
- Landing and Parking charges exemption and allowing Self-Ground Handling to Selected airlines operators.

¹⁰ *Route Navigation Facilities Charges means amounts charged by AAI to airlines and/or aircraft operators for the provision of Route Navigation Facilities.*

¹¹ *Terminal Navigation Landing Charges means amounts charged by AAI to airlines for the provision of Communication, Navigational Surveillance /Air Traffic Management Services.*

1.5 Budgetary Support for revival and development of Airport/Heliport infrastructure

Apart from the above, for revival and development of unserved and underserved air strips of State Governments, AAI, Civil Enclaves, Central Public Sector Undertakings, a budgetary support of ₹ 4,500 crore was approved (March 2017) by the Cabinet Committee on Economic Affairs. The revival of airports was to be ‘demand driven’, depending upon firm commitment from airline operators as well as from State Governments to provide the stipulated concessions. The development of Helipads/Heliports and water aerodromes was included as per the revised Cabinet Committee on Economic Affairs approval (March 2019) and M/s Pawan Hans Limited was appointed as Nodal Agency by MoCA for providing consultancy relating to development of all heliports covered under RCS. The details of sanctioned cost along with expenditure incurred (up to March 2023) for the different phases of the scheme are as follows: -

Table 1.2: Details of estimated cost and expenditure incurred for revival and development of Airports/Helipads/Heliports under RCS Scheme

Phase of Scheme	Unserved Airports	Under served Airports	Water Aerodromes	Heliports	Total	Estimated Cost as per Ninth Project Evaluation Committee (₹ in crore)	Expenditure incurred (up to March 2023) (₹ in crore)
UDAN- 1 (October 2016)	33	12	0	0	45	2,090	1,822 (87 per cent)
UDAN- 2 (September 2017)	25	5	0	31	61	1,406	1,168 (83 per cent)
UDAN-3 (October 2018)	20	3	10	0	33	750	361 (48 per cent)
Total	78	20	10	31	139	4,246¹²	3,351 (79 per cent)

(Source: information gathered from RCS cell)

In addition to the above budgetary support of ₹ 4,500 crore, various concessions as mentioned in the previous para were received from Central Government, State Government and Airport Operators. The monetary value of these concessions was not produced to Audit, though called for.

¹² ₹4,246 crore is the estimated expenditure for revival/development of unserved/underserved airports/heliports/water aerodrome up to UDAN-3 out of the total budgetary support of ₹ 4,500 crore. Remaining amount of ₹ 254 crore is estimated on the revival/development of unserved/underserved airports/heliports/water aerodromes taken up under subsequent versions of UDAN.

1.6 Key features of the scheme

1.6.1 Demand Driven

The Scheme envisaged a market-based mechanism for selection of airline operators to operate on RCS routes or network to be discovered through market mechanism. As per the tender issued for selection of routes and airline operators, a list of unserved and under-served airports was made available to the prospective bidders. Airline operators were required to formulate and propose their own routes or network of routes and submit the technical and financial proposals for the same in response to the tender issued. Technical proposal was to consist of aircraft type, its sitting capacity, stage length, VGF requirement and number of flights proposed to be operated each week whereas financial proposal was to be quoted on the bidding parameters comprising of VGF sought per seat and air fare cap for RCS seats.

All such proposals for routes/ network of routes received from airline operators were then to be placed for counter bidding¹³ by other airlines to submit their counter bids against the bidding parameters. The least per seat VGF claimed was the criterion for selection. The bidder submitting an initial proposal shall be given a 'Right to Match' against the respective preferred routes applicants if it was within a range of 10 *per cent* of its financial proposal. In the event that two or more bidders are determined as the preferred individual route applicants having quoted identical VGF per seat, further financial evaluation would be done on the basis of the lowest airfare cap for each RCS seat quoted. Accordingly, the details of initial proposals received, number of routes awarded, routes commenced and routes in operation are presented below:

Table 1.3: Progress of RCS routes awarded under UDAN 1, 2 and 3 as on March 2023

Particulars	UDAN-1 (March 2017)	UDAN-2 (January 2018)	UDAN-3 (February 2019)	Total
Total initial proposals received	132	387	434	953
Total number of routes awarded	132	311 ¹⁴	331 ¹⁵	774
Total number of routes commenced	56	152 ¹⁶	163 ¹⁷	371
Routes in operation (as on March 2023)	12	60	102	174

(Source: information gathered from RCS cell)

¹³ After receipt of initial proposals, the counter proposals were to be called for the routes/network for which proposals were received to rationalise the VGF claimed by the bidder. Where the counter proposals were not received, the initial offers received were to be considered to award the route/network.

¹⁴ 228 (Fixed Wings) +83 (Heliports)

¹⁵ 305 (Fixed Wings) + 26 (Water Aerodromes)

¹⁶ 118 (Fixed Wings) +34 (Heliports)

¹⁷ 161 (Fixed Wings) + 2 (Water Aerodromes)

Further, the Selected Airline Operator-wise details of routes awarded under UDAN-1, 2 and 3 scheme are given in the **Annexure-I**.

1.6.2 Sustainability

The Scheme focuses on encouraging sustainability of operations under RCS in the long term so that the connectivity established is not dependent on VGF in perpetuity. Accordingly, under RCS, VGF is proposed to be provided for a limited period to facilitate /stimulate regional air connectivity to unserved / underserved areas.

CHAPTER II

Mandate, Audit Scope and Methodology



Chapter II

Mandate, Audit Scope and Methodology

The Compliance Audit Report has been prepared under the provisions of Section 13 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The Audit has been carried out in line with the Regulations on Audit and Accounts 2007 (amended in 2020) and Compliance Audit Guidelines, 2016 of the Comptroller and Auditor General of India.

2.1 Audit Objectives

The objectives of the audit were to assess whether:

1. Objectives and measurable performance indicators of RCS were clearly spelt out and the identification of RCS routes and unserved/ underserved airports/ heliports, etc., was done after due diligence and in line with the stated objectives.
2. RCS, including development of airports/heliports, was implemented with prudence in a timely, efficient and transparent manner for enhancement of regional air connectivity in accordance with the framework prescribed.
3. Management of Regional Air Connectivity Fund and VGF disbursements was sound and in accordance with the approved criteria.
4. Adequate and effective monitoring and internal control mechanisms were in place to ensure timely implementation of the scheme for promptly assessing and achieving the stated objectives and outcomes.

2.2 Audit Scope

The scope of audit was to review the records maintained at MoCA as well at RCS cell, AAI and at various airports/ heliports/ water aerodromes owned by Airports Authority of India, State Governments, Defence, Public Sector Undertakings and private entities from the date of notification of the scheme (October 2016) up to March 2021 covering its various phases with respect to the following:

- Award and implementation of RCS routes up to UDAN-3 and UDAN International.
- Realisation of Regional Air Connectivity Fund levy from Airline operators, Disbursement of VGF to Selected Airline Operators as well as realisation of VGF share from State Governments till March 2021.
- Development/ redevelopment of airports/ heliports/ water Aerodromes till March 2022.

2.3 Sample Selection

Selection of Airports/ Heliports/ Water Aerodrome: Under the RCS scheme, three phases of UDAN (1, 2 and 3) have been completed till March 2021 and the same have been covered under the present audit. The Phase-wise number of airports, heliports and

water aerodromes identified for revival/development were 46 airports¹⁸ (UDAN-1), 24 airports¹⁹ and 31 heliports (UDAN-2) and 21 airports²⁰ and 10 water aerodromes (UDAN-3).

Based on the stratified random sampling, 25 per cent of RCS airports for which routes were awarded in each phase were taken up for test check on the basis of quantum of expenditure incurred. 60 per cent of the airports selected were those with high expenditure, 30 per cent airports with medium expenditure and 10 per cent airports with low levels of expenditure. However, in order to provide representation to each type of airport and each stratum (High, medium and low expenditure) under the respective phase of UDAN, two additional airports exceeding 25 per cent of sample size were also reviewed.

In case of heliports, two out of five operational heliports, and three out of 26 non-operational heliports were selected for review.

Accordingly, 27 out of 91 RCS airports, 5 out of 31 heliports and 3 out of 10 water aerodromes were reviewed during the audit. The details of the same are given in **Annexure II**.

Selection of RCS Routes: The total number of RCS routes commenced (till March 2021) by different Selected Airline Operators²¹ up to UDAN 3 were 329 (56 routes in UDAN-1, 134 routes in UDAN-2 and 139 routes in UDAN-3 up to March 2021). On the similar lines as proposed for determining the sample size in case of selection of RCS airports, 25 per cent of RCS routes commenced in each phase was selected for test check on the basis of per km VGF allowed. Accordingly, 87 routes (out of 329 routes), where operations commenced (Details given in **Annexure III**) during the three phases were reviewed during audit.

2.4 Audit Criteria

The audit criteria for evaluating the different aspects of the scheme were drawn from the following sources: -

- National Civil Aviation Policy 2016.
- Regional Connectivity Scheme framed by MoCA.
- Terms and conditions for allocation of RCS routes in line with the framed policy.
- Terms and conditions of agreements entered between Airports Authority of India and Selected Airline Operators under the Scheme.

¹⁸ Hosur Airport was later dropped out from the airport to be developed from budgetary support.

¹⁹ Six airports namely Passighat, Tezu, Tezpur, Jorhat, Lilabari and Kannur Airports to be developed from budgetary support under UDAN-2 were later on included.

²⁰ This exclude two airports namely Dimapur and Belgaum to be developed from budgetary support.

²¹ Name of Selected Airline Operators in UDAN-1: Alliance Air (17), Trujet (20), Spice Jet (11), Deccan Air (8) Name of Selected Airline Operators in UDAN-2: Alliance Air (16), Trujet (10), Spice Jet (26), Zoom Air (2), Jet Airways (10), Indigo (44), Heritage (10), Ghodawat (4) and Pawan Hans (12) Name of Selected Airline Operators in UDAN-3: Alliance Air (34), Trujet (12), Spice Jet (43), Zoom Air (4), Indigo (22) and Ghodawat (24).

- Laid down guidelines/ procedures issued by MoCA, RCS Cell, Regional Air Connectivity Fund Trust and other concerned Authorities from time to time.
- Memorandum of Understanding executed with the State Governments and other Stake holders.
- Agenda and minute of various committees formed in relation to implementation of RCS, revival and development of unserved and underserved airports, heliports, water aerodromes and meetings of Board of Trustees of Regional Air Connectivity Fund Trust.
- Norms for Regional Air Connectivity Fund levy by airline operators and VGF contribution by MoCA.
- RCS fare and air fare cap stipulated by MoCA for RCS routes.

2.5 Audit Methodology

An entry meeting was held on 20 October 2021 with MoCA/ Implementing agency wherein the audit objectives, criteria, scope and methodology were explained. Subsequently, field audit was commenced which included examination of records and discussions with MoCA/ AAI. On the basis of review and analysis of records/ information, preliminary audit observations were issued to the AAI management for obtaining their response. The Draft Audit Report was issued to MoCA on 8 September 2022. The MoCA furnished its replies on 13 October 2022. The Draft Audit Report was again issued to MoCA on 21 November 2022 after incorporating the responses of MoCA dated 13 October 2022. The Exit Conference was held with Secretary, MoCA on 20 December 2022, and further reply to some audit observations was furnished on 4 January 2023 and 09 February 2023. Besides this, Management also furnished (27 April 2023) the details of modification carried out in UDAN-5 on the basis of audit observations, which were also considered while finalising the report.

Based on audit observations emerging from the audit scrutiny, Audit has made 16 recommendations which will help the Ministry in better implementation of the scheme in future.

2.6 Acknowledgement

Audit acknowledges the co-operation received from the Ministry of Civil Aviation, the Airport Authority of India and the concerned offices of various airport owning agencies viz., State Governments and Ministry of Defence during the audit process.

CHAPTER III

Planning for the scheme



CHAPTER III

Planning for the scheme

3.1 Formulation of the Scheme

MoCA initiated (November 2015) the process of formulating the Regional Connectivity Scheme (RCS) based on the provisions envisaged in the Draft National Civil Aviation Policy-2015 published on MoCA's website. M/s Deloitte was appointed (January 2016) as a consultant to provide assistance in formulation of RCS. National Civil Aviation Policy was subsequently announced (June 2016) and RCS was notified (October 2016) by MoCA. Regarding formulation of RCS, observations of Audit are detailed in subsequent paragraphs:

3.1.1 Identification of Routes and Airports

The Scheme envisaged a market-based mechanism for selection of airline operators to operate on RCS routes or network to be discovered through market forces. As explained under paragraph 1.6.1 earlier in Chapter 1, MoCA/ AAI published a list of unserved/ underserved airports/ airstrips and allowed the airline operators to propose their own routes/ network²². Based on this, airports/ airstrips under the scheme were identified for development and operation. Further, the Scheme stressed on sustainability of operations under RCS in the long term so that the connectivity established was not dependent on VGF in perpetuity.

The Cabinet Committee on Economic affairs, while approving (March 2017) the budgetary support, directed that "appropriate mechanism may be set up for identification of airports/ airstrips." The details of the airports developed under RCS and status of their operations are mentioned in the table 3.1 as given below:

Table 3.1: Status of Airports/ Heliports/ Water aerodromes identified and developed. (As on March 2023)

Airports/ /Heliports/ Water Aerodromes	UDAN -1	Amount spent (₹ in crore)	UDAN -2	Amount spent (₹ in crore)	UDAN -3	Amount spent (₹ in crore)	Total	Total Amount spent (₹ in crore)
Awarded	45	1,822	61	1,168	33	361	139	3,351
Operations commenced	38 (84 per cent)	1,692 (93 per cent)	25 (41 per cent)	771 (66 per cent)	8 (24 per cent)	136 (38 per cent)	71 (51 per cent)	2,599 (78 per cent)

²² Network Proposal wherein it proposes to connect a minimum of three and up to a maximum of seven distinct airports, through a network, as part of the same proposal. A Network proposal shall have more than one route and can be a combination of RCS Routes and Non-RCS Routes so that at least one of such routes is an RCS Route.

Airports/ /Heliports/ Water Aerodromes	UDAN -1	Amount spent (₹ in crore)	UDAN -2	Amount spent (₹ in crore)	UDAN -3	Amount spent (₹ in crore)	Total	Total Amount spent (₹ in crore)
Operations not commenced	7 (16 per cent)	130 (7 per cent)	36 (59 per cent)	397 (34 per cent)	25 (76 per cent)	225 (62 per cent)	68 (49 per cent)	752 (22 per cent)
Operations discontinued subsequently	9 (20 per cent)	218 (12 per cent)	4 (7 per cent)	95 (8 per cent)	2 (6 per cent)	24 (7 per cent)	15 (11 per cent)	337 (10 per cent)
Operational as on March 2023	29 (64 per cent)	1,474 (81 per cent)	21 (34 per cent)	676 (58 per cent)	6 (18 per cent)	112 (31 per cent)	56 (40 per cent)	2,262 (68 per cent)

(Source: information gathered from RCS cell)

In this regard, Audit observed that:

1. Up to UDAN-3, out of the 139 airports/ heliports/ water aerodromes identified for revival/development, 83 airports/ heliports/ water aerodromes were unutilised/ under-utilised (as on March 2023) either due to dis-continuance of routes or non-commencement of operations as mentioned in the table 3.1 above.
2. As per the performance of the routes awarded as detailed in Table 3.2 given below, 52 per cent (403 out of 774 routes) of awarded routes could not commence operations and from the 371 commenced routes, only 112 routes completed the full concession period of three years. Further, out of these 112 routes, only 54 routes connecting 17 RCS Airports could sustain the operations as of March 2023.
Thus, out of the total 774 routes awarded upto UDAN 3, only 54 (7 per cent) proved to be sustainable in 3-5 years.

Table 3.2: Operational performance of RCS routes awarded under UDAN - 1, 2 and 3 upto March 2023

Particulars	UDAN-1 (Mar 2017)	UDAN-2 (Jan 2018)	UDAN-3 (Feb 2019)	Total
Total initial proposals received	132	387	434	953
Total number of routes awarded	132	311	331	774
Total number of routes commenced (In per cent)	56 (42.42 per cent)	152 (48.87 per cent)	163 (49.24 per cent)	371 (47.93 per cent)

Particulars	UDAN-1 (Mar 2017)	UDAN-2 (Jan 2018)	UDAN-3 (Feb 2019)	Total
No. of cases where operations were discontinued before three years	18	78	43	139
No. of cases where operations completed three years	36	36	40	112
No. of cases where operations were discontinued after three years	26	14	18	58
No. of Cases where operations continued after three years	10	22	22	54
Routes in operation (as on March 2023)	12	60	102	174
Percentage of operational routes to total routes commenced	21.43 per cent	39.47 per cent	62.58 per cent	46.90 per cent (174 out of 371)
Percentage of operational routes to total routes awarded	9.09 per cent	19.29 per cent	30.82 per cent	22.48 per cent (174 out of 774)

(Source: information gathered from RCS cell)

Thus, the sustainability of operations under RCS in the long term, as required under the Scheme, so that the connectivity established in not dependent on VGF, was achieved in the limited number of routes only.

- Out of 58 closed/discontinued routes after completion of three years concession period, in case of 16 routes, the passenger load factor was more than 70 per cent, in case of 22 routes, the passenger load factor was 50 per cent to 70 per cent and in remaining 20 routes, the passenger load factor was less than 50 per cent. Thus, in majority of closed routes, the passenger load factor was more than 50 per cent, but still the operations were discontinued by the Airline operators. Ministry intimated that Covid lockdown and post Covid travel restrictions adversely impacted the aviation sector as well as viability of routes.
- The year -wise details of passengers travelled on RCS routes are depicted from the year 2017-18 to 2022-23 as per Table 3.3 given below:

Table 3.3 Year-wise details of passengers travelled on RCS routes.

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Number of passengers travelled on RCS routes	2,63,166	12,40,896	29,91,337	14,98,066	32,99,861	24,97,361

The above table indicates that there was increasing trend in all the years except in the years 2020-21, wherein there was decline of 50 *per cent* in passengers on the RCS routes due to Covid and 2022-23, due to closure of operations by one airline i.e., Turbo Megha Airways having 42 operational routes .

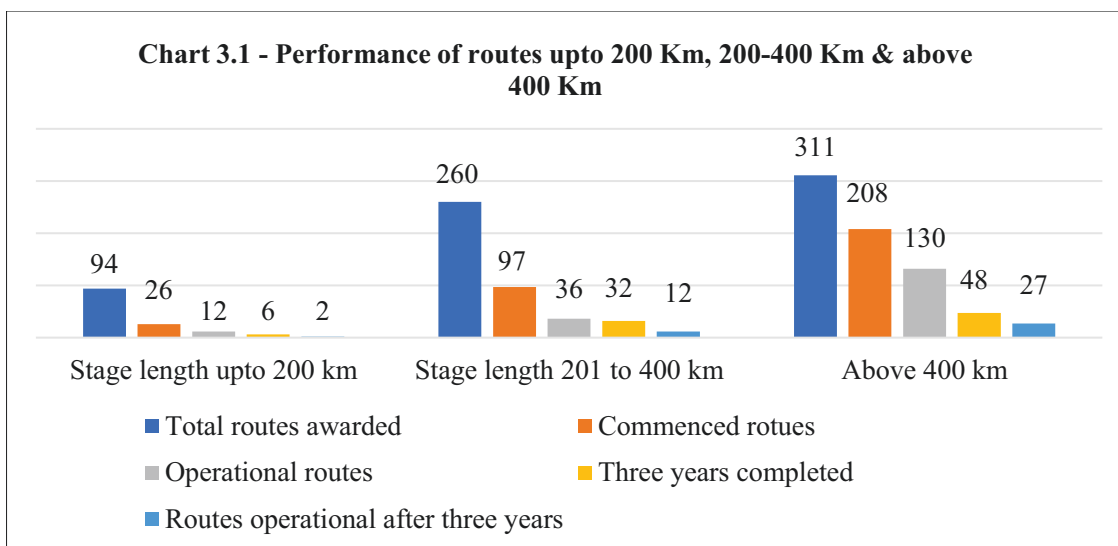
MoCA, in its reply (October 2022/January 2023), stated that the Aviation sector is emerging from the bad face of COVID-19 Pandemic and airlines have been trying hard to recommence air operations. Accordingly, the scheme has given an opportunity to airlines to start operation from unserved and underserved airports across the country. MoCA acknowledged that there could be improvements in the identification process of the aerodromes. Based upon an evaluation of the socio-economic conditions of the aerodromes and their catchment proposed by the airlines, a mechanism to finalise such locations for award may be developed.

The reply of MoCA is to be seen in light of the fact that out of the 112 routes that completed the three-year period, operations in 58 routes were discontinued after completion of concession period. Consequently, sustainability could not be achieved even after spending public money towards the development/ upgradation of RCS airports and providing VGF and other concessions to airlines for three years.

3.1.2 Consideration of stage length

Stage length, geographical conditions, availability of competing rail and/ or road infrastructure etc., were underscored by the Consultant, M/s Deloitte as the important parameters in choosing air travel as a mode of transport by individual passengers, in their report for ‘Study on Promotion of Regional and Remote Area Air Connectivity’, submitted to MoCA in 2013. Under National Civil Aviation Policy-2016, it was stipulated that the scheme would target an indicative airfare of ₹ 2,500 per passenger, for a distance (stage length) of 500 Km to 600 Km on RCS routes (equivalent to about one hour of flight).

Audit carried out an exercise for assessing the performance of routes in terms of Passenger Load Factor, commencement of routes, completion of stipulated period of three years and continuance of operations after three years (after stopping of VGF and other concessions) for RCS routes categorised into three broad categories viz., less than 200 Km, 200 Km to 400 Km and more than 400 Km is depicted in the chart no. 3.1 as below.



In this regard, Audit observed that:

1. In case of routes where stage length was less than 200 Km, operations commenced in 26 routes (28 per cent) out of 94 awarded routes and could attain the average Passenger Load Factor of 38 per cent. In case of routes having stage length between 200 km to 400 km, operations commenced in 97 routes (37 per cent) out of 260 awarded routes and could attain the average Passenger Load Factor of 51 per cent and where stage length was more than 400 Km, operations commenced in 208 routes (67 per cent) out of 311 awarded routes and could attain the average Passenger Load Factor of 64 per cent.
2. In case of routes having stage length of less than 200 Km, four out of six routes (67 per cent) which completed three years, could not sustain operations beyond the concession period of three years. In case of routes having the stage length between 200 Km to 400 Km, 20 out of 32 routes (63 per cent) which completed three years, could not sustain operations beyond the concession period of three years and for stage length more than 400 Km, 21 out of 48 routes (44 per cent) which completed three years, routes could not sustain operations beyond the concession period of three years.

Thus, stage length had a bearing on the Passenger Load Factor and for the sustainability of a route in the long run, the same needs to be considered while awarding of RCS routes during subsequent rounds of UDAN.

MoCA, in its reply (October 2022/January 2023) stated that while submitting a bid, some of the short distance routes may become essential to be included in the network formation, even if the expected Passenger Load Factor is low. MoCA also stated that these routes served as a feeder route for flights originating from the arrival destination.

MoCA, further stated that it would explore a mechanism to evaluate routes with shorter stage lengths considering the time that would be saved through air travel versus traditional forms of travel via road or rail.

In order to enable higher stage length operations, Ministry has now removed (April 2023) the maximum ceiling of 500 km stage length under the UDAN 5.0

Recommendation 1

An appropriate mechanism may be devised to assess the feasibility of routes for achieving the sustainability of operations in the long run and for identification of unserved/underserved airports, considering the stage length, availability of alternate mode of transportation, terrain, socio economic scenario and tourism potential, etc., on the basis of experience gained so far.

3.1.3 Identification of heliports

Review of the Regional Connectivity Scheme revealed that MoCA or its implementing agency did not identify/ include any list of heliports from where operations under the scheme were intended. Instead, the applicants interested to submit proposals for helicopter operations were required to ascertain eligible RCS Heliports from Directorate General of Civil Aviation.

In this regard, Audit observed that:

1. There was no system in place to ensure compliance of the above stipulation on the part of interested helicopter operators while submitting their bids for operations from a particular heliport. The Notice Inviting e-Proposal issued (August 2017) also did not contain/ identify the heliports which were to be covered under the scheme, as was done in the case of airports where a list of unserved/ underserved airports was included.
2. There was no exercise carried out by MoCA/ AAI to identify eligible heliports on the basis of its potential. Up to UDAN-3, out of the 83 heliport routes comprising of 31 heliports identified and awarded, operations could commence only on 34 routes (41 *per cent*) comprising of nine heliports, and subsequently operations were discontinued (as on March 2023) in 14 routes (41 *per cent*) out of 34 routes comprising of four heliports.

MoCA, in its reply (October 2022/January 2023), stated that the process of identification of heliports is similar to that of airports. Cabinet Committee on Economic Affairs in March 2019 accorded its approval for “Revival / development of more airports/ heliports to be identified through subsequent RCS bidding process till March 2022”. MoCA and the Implementing Agency are following this appropriate mechanism for identification of the aerodromes for development. MoCA further replied that the helicopter operations are carried out under Non-Schedule Operations category across the country. No heliport is licenced except Rohini Heliport in the country. Thus, heliports list was not attached with scheme document. The airline operator was free to take heliport from the list or any other helipad/heliport which it considers essential for viability of the proposed route.

The reply of MoCA that the process of identification of heliports is similar to that of airports is not factually correct as in case of airports, the names of the unserved, underserved airport were mentioned in the relevant Annexures 1A and 1B of the scheme but in case of Heliports, no such list was prepared and endorsed by MoCA. Instead, interested helicopter operators were required to ascertain eligible RCS Heliports from Directorate General of Civil Aviation, but there was no system in place to ensure

compliance of the same. The fact remains that there was no mechanism for identification of heliports to be developed under the UDAN scheme.

Ministry has now rectified the procedure and mentioned (April 2023) the list of the heliports from where operations under the scheme were intended in UDAN 5.0.

Recommendation 2

For identification of heliports under RCS, a mechanism needs to be devised based on feasibility of the operations and sustainability of the same in the long run, on the basis of experience gained so far.

3.2 Determination of VGF Cap

The normative VGF cap is the maximum permitted VGF for each seat in an RCS flight based on stage length (distance of operation). It was worked out by reducing the maximum RCS fare (recoverable) for specified RCS seats in a flight from the operating cost of an aircraft for a specific stage length. The cost of operations was affected by various factors such as type of aircraft, stage length, business model, fleet size and scale of operations of the respective airlines. Accordingly, MoCA considered it important to estimate the VGF amount upfront in the scheme to ensure transparent operation of a market-based mechanism.

While submitting the mechanism for calculating VGF, the consultant (M/s Deloitte) submitted that cost of aircraft operations varies significantly, across airline operators on account of factors such as their business models, fleet size, fleet utilisation and scale of operations and it is not possible to arrive at a single VGF support value accounting for all such variations. Accordingly, for estimating the VGF cap, a mechanism of considering the average cost of operations and revenue potential for airline operators for typical RCS routes and stage lengths was proposed.

An exercise conducted by Audit revealed that averaging the operating cost of all types of aircraft in same category in comparison of considering the highest cost of operation, would result in reduction of VGF cap minimum by ₹ 260 (stage length of 376-400 Km) and maximum by ₹ 650 (stage length of 226-250 Km). However, instead of considering the average cost of operation as proposed by the consultant, normative VGF cap was arrived at by MoCA considering the highest cost of operation under a defined category of aircrafts²³, ostensibly for inviting better participation by airlines.

Audit further observed that in 165 out of 331 fixed wing routes where operations were commenced, the VGF amount quoted by the Selected Airline Operators were higher than the minimum VGF cap derived consequent to averaging of assumed cost of operations.

MoCA, in its reply (October 2022/January 2023), stated that averaging the cost of

²³ *Different fixed wing aircraft, based on their seating capacity, have been classified into the four categories for the purpose of this Scheme: i. Category- 1A (<9 seats); ii. Category-1 (9 – 20 seats); iii. Category-2 (21 – 80 seats) and iv. Category-3 (> 80 seats).*

operations for each category of aircraft would result in diminished airline participation. MoCA further added that consideration of the most efficient plane for setting the cap for the cost of operation would *de-facto* eliminate certain airlines based on fleet selection decisions. Consequently, as far as VGF cap is considered, in case one type of aircraft is more efficient than the other, the VGF quoted by the airlines in the bidding would be reflective of this. MoCA agreed to evaluate the feasibility of revised VGF cap formulation.

MoCA's contention that averaging the cost of operations for each category of aircraft would result in diminished airline participation needs to be viewed in the light of facts that despite the existing mechanism of estimating the operating cost of aircraft, the benefit of VGF optimisation could not be achieved.

CHAPTER IV
Management of Regional
Air Connectivity Fund
and Viability Gap
Funding disbursement



Chapter IV

Management of Regional Air Connectivity Fund and Viability Gap Funding disbursement

4.1 Management of Regional Air Connectivity Fund claims and collection

Financial support in the form of Viability Gap Funding (VGF) was envisioned under the RCS scheme to meet the gap between the cost of airline operations and expected revenues from RCS operations on such routes. To disburse the VGF, creation of the Regional Air Connectivity Fund was provided in the scheme. The major source of funding for the Regional Air Connectivity Fund was collection of the Regional Air Connectivity Fund levy on schedule airlines in respect of their domestic operations²⁴. MoCA, vide its notifications (November 2016), imposed the Regional Air Connectivity Fund levy by amending the Aircraft Rules 1937 from 1 December 2016 on domestic operations for eligible schedule flights²⁵.

Although the Regional Air Connectivity Fund levy was imposed from 1 December 2016, majority of the airline operators were not found willing to pay the imposed RCF levy and took up the issue with MoCA. MoCA, after deliberations with the airline operators, revised²⁶ (August 2017) the RCF levy.

For management of receipts under Regional Connectivity Fund and disbursement thereof to Selected Airline Operators in terms of RCS, an escrow account²⁷ was opened (November 2016). Subsequently (April 2017), a trust viz., Regional Air Connectivity Fund Trust was formed to raise the RCF levy and to manage the Regional Connectivity Fund. It was decided to manage the trust fund through a Saving Bank Account.

Audit reviewed the process of imposition of the Regional Air Connectivity Fund levy, disbursement of VGF out of the Regional Connectivity Fund to Selected Airline Operators etc., as well as efficiency and effectiveness of managing the funds parked in the Regional Connectivity Fund and observed the following:

4.1.1 Mechanism to monitor collection and remittances of Regional Connectivity Fund levy

As per MoCA circular dated 9 November 2016, it was mentioned that RCF levy from the airlines operating within India shall be credited into Regional Air Connectivity Fund.

²⁴ *The following flights shall be exempted from the said levy:*

1. *Flights operated on Category II/ Category II A routes (flights connecting to North-Eastern regions , Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Andaman & Nicobar Island and Lakshdweep) as specified in the Routes Dispersal Guidelines issued under Rule 134 (1A).*

2. *Flights operated on RCS routes pursuant to the RCS scheme of the Central Government.*

3. *Flights operated with aircraft having maximum certified take off mass not exceeding 40,000 kg. @ ₹7,500 per flight with stage length up to 1,000 Km., @ ₹8,000 per flight for stage length of 1,000 to 1,500 Km and for stage length exceeding 1,500 km @ ₹ 8,500 per flight.*

²⁶ *The revised RCF levy was fixed @ ₹ 5,000 per flight from 1 September, 2017.*

²⁷ *An escrow is a contractual arrangement in which a third party receives and disburses money or property for the primary transacting parties, with the disbursement dependent on conditions agreed to by the transacting parties.*

However, the airlines did not start to remit the RCF levy from 1 December 2016 to 31 August 2017 in view of various issues raised by the airline operators. One of the major concerns was collection of the extra financial burden (RCF levy) from the passengers by the airline operators. During deliberations (August 2017) with MoCA, it was intimated by the airline operators that they would pass on this additional cost burden to their customers and after considering the same, it was decided by MoCA to impose RCF levy from 1 September 2017.

Audit observed that though it was made clear by the airlines that they would pass on this burden to their passengers, MoCA did not frame any rules to regulate the collection and remittance mechanism of RCF levy.

Audit carried out a data analysis²⁸ to ascertain the quantum of levy collected by the airlines from passengers and, in turn, remitted to Regional Air Connectivity Fund Trust. The test check in respect of six sample airlines²⁹ out of seven airlines³⁰ in operation in non-RCS routes indicated that during the last three years alone (2019-20 to 2021-22), these airlines had collected excess RCF levy of ₹ 71.98 crore (as summarised in Table 4.1 below) from the passengers, which was over and above what they remitted to Regional Air Connectivity Fund Trust. The airline wise break-up of collection of levy and remittance to Regional Air Connectivity Fund Trust are detailed in **Annexure IV**.

Table 4.1: Excess Regional Connectivity Fund collected by Airlines from the passengers

Year	Effective passengers (Source: AAI) (1)	Total RCF levy collected (In ₹) (2)=(1) x ₹ 70/50 (RCF levy charged by airlines)	Effective flights where levy was applicable (Source AAI) (3)	Total RCF levy remitted to RACFT during the year (4)=(3) x ₹5,000	Excess levy collected (in ₹) (5)=(2)-(4)	Excess RCF Collection (in per cent) (6) = (5)/(4) x 100
2019-20	3,01,22,801	1,57,57,50,290	2,21,522	1,10,76,10,000	46,81,40,290	42.27
2020-21	1,14,65,646	60,14,16,720	1,02,758	51,37,90,000	8,76,26,720	17.05
2021-22	1,72,62,389	90,83,51,730	1,48,873	74,43,65,000	16,39,86,730	22.03
Grand Total	5,88,50,836	3,08,55,18,740	4,73,153	2,36,57,65,000	71,97,53,740	30.42

(Source: Audit analysis based on the information received from AAI vide email dated 10 December 2022)

MoCA, in its reply (October 2022/January 2023), stated that the passenger numbers were not known in advance to the airlines, so they can't levy a fixed amount on each passenger, thus there was no alternative way to collect fixed ₹ 5,000 per flight other than to leave up to the airlines to devise their internal mechanism to spread the levy in order to recover this amount from the booked seats. This is an additional cost to the airline operator.

²⁸ The data relates to movement of flights from/to the airports which are owned by Airport Authority of India and does not include the movement of flight where arrival and departure airports both are under the ownership of private entity or are under PPP mode.

²⁹ Air India, Air Vistara, SpiceJet, Go Airlines, Indigo, Air India Express

³⁰ Air India, Air Vistara, SpiceJet, Go Airlines, Indigo, Air India Express and Air Asia

Airlines are free to pay the levy as per mechanism devised by them. Further airlines are free to charge reasonable air fares as per their operation viabilities subject to compliance of Sub Rule (1) of Rule 135 of the Aircraft Rules, 1937, according to which every air transport undertaking engaged in scheduled air services require to establish tariff having regard to all relevant factors, including cost of operation, characteristics of services, reasonable profit and the generally prevailing tariff. It was further mentioned that the order relating to imposing the levy does not specify the manner of collection of this levy.

The reply of the MoCA needs to be viewed in the light of the fact that though the number of passengers for each flight could not be known in advance, no suitable mechanism was devised by MoCA to ensure that the Regional Connectivity Fund levy collected on each eligible flight does not exceed the ₹ 5,000 per flight requirement or to ensure that the remittance of Regional Connectivity Fund levy to the Government is not less than that collected from the passengers. MoCA, in its reply, accepted that no mechanism to collect the RCF was laid down in the related order issued in this regard.

Further, the reply of MoCA did not address the main thrust of the Audit observation that airlines have collected excess Regional Connectivity Fund levy from passengers as compared to the remittance to the Government. As per Sub Rule (1) of Rule 135 of the Aircraft Rules, 1937, Regional Connectivity Fund levy is not a regular component of an air fare, but a levy imposed for a specific purpose and even if it had to be considered as a component of tariff, it should not result in a windfall gain/profit to the airline operators.

Ministry further replied (February 2023) that monitoring mechanism shall be put in place on the RCF levy imposed on the certain category of Scheduled flights operating in the country by March 2023.

Recommendation 3

Ministry should devise a mechanism to monitor the RCF levy collected by airlines and ensure that amount collected from the passengers is not more than the amount to be remitted to the Government and does not become a source of profit to the airlines.

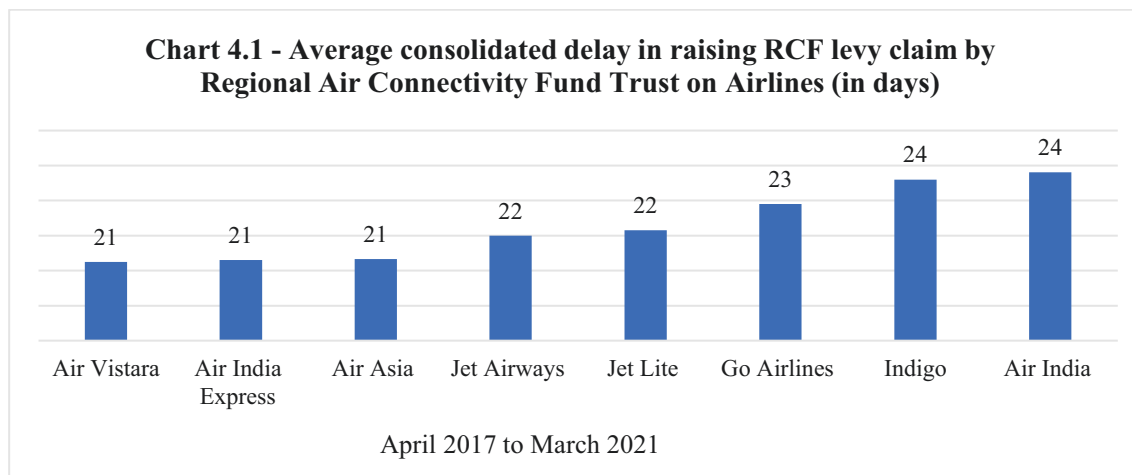
4.1.2 Realisation of Regional Connectivity Fund claims

As per the clause 3.2 of draft Standard Operating Procedure for Regional Air Connectivity Fund, the Regional Air Connectivity Fund Trust shall claim Regional Air Connectivity Fund levy at the specified rate from the respective airline operators at the end of every fortnight for all the eligible flights operated during the fortnight.

Audit observed that for the period from April 2017 to March 2021, there were delays³¹ on the part of Regional Air Connectivity Fund Trust in raising RCF levy claims on airline operators in 583 cases (i.e., 100 per cent of the cases). The delays in raising Regional Air Connectivity Fund levy claims ranged from 6 days (in a case of Air India Express Ltd.) to 109 days (in a case of M/s Indigo). The average delay for raising claims in respect of

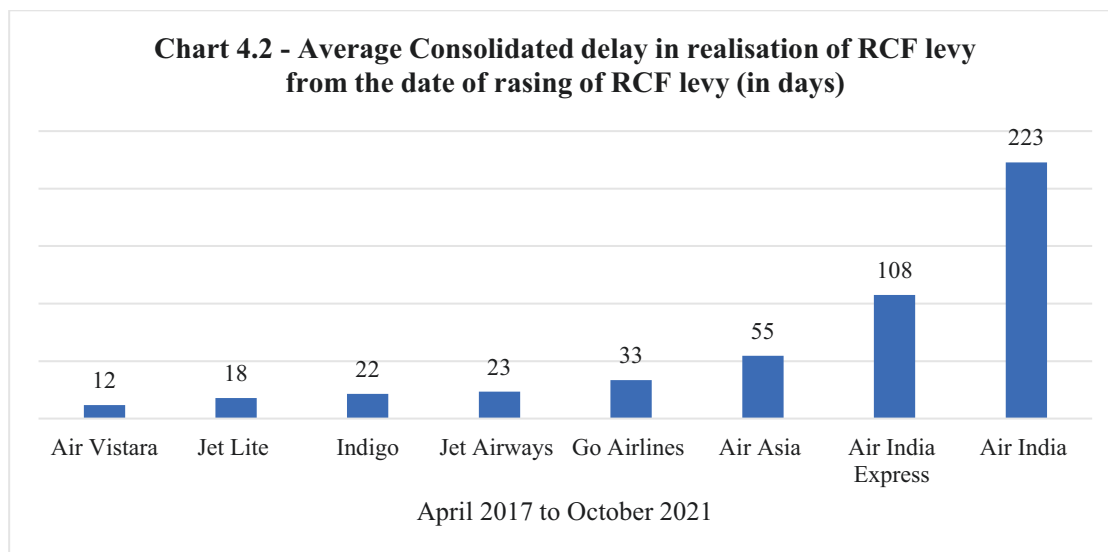
³¹ *The average delay in raising the RCF levy claim by Regional Air Connectivity Fund Trust was calculated after allowing one day from the end of every fortnight in line with the stipulation incorporated in the Draft SOP.*

all the claims lodged during the period from April 2017 to March 2021 was 22 days, indicating the lack of urgency on the part of Regional Air Connectivity Fund Trust in raising the claims. The Airline Operator-wise average delay beyond the stipulated time was from 21 days (Air Vistara, Air India Express and Air Asia) to 24 days (Indigo and Air India Ltd) as indicated in the following Chart no 4.1.



Further, as per the clause 3.2 of draft Standard Operating Procedure for Regional Air Connectivity Fund, the airline operators were required to remit payments for the RCF levy within a period of 14 days from the date of raising of the claim.

Audit observed that for the claims raised during the period April 2017 to March 2021, there were delays on the part of airlines in deposition of RCF levy claims in 56 per cent (i.e., 292 out of 525 cases) cases. The delays in realisation of Regional Connectivity Fund levy from the stipulated date ranged from one day (Air Vistara, Air Asia, Go Air) to 580 days (Air India Ltd). Further, in 58 cases, the payments were yet to be received as on March 2022. The average delay of realisation of Regional Connectivity Fund claims for all the cases of delays for the four-year period was 71 days. Further, the Airline Operator-wise average delays ranged from 12 days (Air Vistara) to 223 days (Air India) as depicted in the Chart 4.2 given below:



Audit further observed that no penal clause was incorporated with regard to delays in realisation of Regional Connectivity Fund levy from the airline operators. Thus, lack of any deterrent clause has contributed to delays in raising of RCF claims with airlines and in realisation of the claims from the airlines is in contravention of provisions of draft SOP.

MoCA, in its reply (October 2022/January 2023), did not furnish any reasons for the delay against the days as stipulated in the draft Standard Operating Procedure and stated that first of all AAI raises its revenue invoices (Route Navigational Facilities Charges, User Development Fee and landing -parking charges) on the airlines, thereafter RCS invoices are raised on airlines. AAI takes roughly 15 days in finalising the traffic revenue billing, thereafter, Regional Air Connectivity Fund Trust takes another 7 days to raise the levy bills.

MoCA further replied that the methodology of calculation of the average delay of realisation of claims does not include the cases where there was no delay which has led to overstatement of the average delay to 71 days instead of 56 days. It was also mentioned that no penal clauses were included as part of this holistic symbiotic relationship with State Government, Airport Operators and Airlines Operators. Ministry and AAI have been sensitising airlines to deposit dues and arrears timely from time to time.

The reply of the MoCA needs to be viewed in light of the fact that the RCF levy claims should be raised promptly as per provisions of draft Standard Operating Procedure formulated for this purpose. The delay in realisation of RCF levy dues was indicated in 56 *per cent* cases out of total population (wherein delays were noticed) till March 2021.

However, fact remains that absence of penal clause led to inordinate delay in clearing the dues on the part of airline operators.

Recommendation 4

The RCF levy claims should be raised promptly as per draft Standard Operating Procedure and a penal clause may be incorporated for delay in realisation of dues from the airlines.

4.2 VGF disbursement to Selected Airline Operators

4.2.1 VGF Disbursement on self-certification basis

Clause 3.20.2 of the Policy document of UDAN-1 (October 2016) and Selected Airlines Operator Agreement stipulated that for claiming the VGF amount respective Selected Airline Operators would be required to submit along with their invoice, the following information pertaining to RCS flights operated during a month:

- Flight Manifest³² as per Aeronautical Information Publication,
- Details related to flight number, type of aircraft, departure details, arrival details, seats sold, number of passengers carried, date of issuance of tickets, ticket number, air fare paid by the passengers, passenger name, ID proof, fare for RCS

³² *A flight manifest is a list of passengers and crew of an aircraft compiled before departure based on flight check-in information.*

seat and tickets cancelled.

- Operational details viz., flight number, type of aircraft, date and time of departure/ arrival, number of passengers carried duly authenticated by the Airport Director/Air Traffic Controller in Charge of the airport.

The above required information was crucial to ensure compliances to RCS requirements of each flight and consequent VGF sanction and disbursement. The provision of scrutiny of the same by AAI before disbursement of VGF was also stipulated in the scheme document (Clause 3.20.3 of UDAN-1).

However, the Regional Connectivity Advisory Board decided (June 2017) that Selected Airline Operators would submit the operational details authenticated by Airport Director/ Air Traffic Controller in charge and passengers' details on self-certification basis which would be accepted by the implementing agency. Subsequent to this decision, implementing agency has been disbursing VGF claims on the basis of operational details and passenger details (number of passengers carried, flight number, date and time of departure, RCS fare to be charged from passenger and number of RCS seats sold) on self-certification basis without exercising any checks.

Audit observed that in view of the decision taken in the above RCS Approval Committee meeting, Selected Airline Operators have not been furnishing the relevant passenger details viz., date of issuance of ticket, ticket number, air fare paid by the passenger, passenger name, ID proof and details of tickets cancelled while submitting their VGF claim, which were vital for cross verifying the VGF claims as per the provisions of the scheme.

Further, Audit observed that Regional Air Connectivity Advisory Board was not empowered to take the decision related to acceptance of passenger details from Selected Airline Operators on self-certification basis as the Regional Connectivity Advisory Board was delegated with power to deal only with the matters related to tenders in accordance with the Terms of Reference under the Institutional Mechanism issued by MoCA (November 2016). This decision by Regional Air Connectivity Advisory Board and consequent release of VGF claims by AAI on self-certification basis resulted in multiple instances of non-compliances to the letter and spirit of the scheme as detailed in para number 4.2.2. Non-compliances to the scheme and the Selected Airlines Operator Agreements provisions related to disbursement of VGF to Selected Airline Operators resulted in various discrepancies like excess disbursement of VGF amounting ₹1.70 crore³³, charging of higher airfare than the RCS fare cap by the airlines, selling of non-RCS seats prior to RCS seats etc., which were also suitably highlighted by the independent auditors³⁴ (for 2017-18). Despite this, the decision of the Regional Connectivity Advisory Board was not reviewed subsequently, and the Implementing Agency continued to disburse VGF claims based on self-certification by the Selected

³³ ₹ 1.04 crore- Alliance Air and ₹ 0.66 crore- Turbo Jet

³⁴ Clause 3.20.5 of UDAN-1 scheme stipulates that the implementing agency may undertake a review/ audit of the performance of a Selected Airline Operators from time to time through independent auditors.

Airline Operators.

MoCA, in its reply (October 2022/January 2023), stated that during the implementation of UDAN-1, it was seen that the Passenger details to be provided as per Table 2 of Schedule B was very voluminous. Selected Airline Operators had difficulty in giving the details and simultaneously AAI as an Implementing Agency was not in position to check and verify the details provided therein. Further, from UDAN-2 onwards, the Table 2 of Schedule B has been deleted and Selected Airline Operators are required to submit their claims on self-certification basis. The decision to seek self-certification was taken with the due approval of the Competent Authority of MoCA. It was further stated that the submission of claims on self-certification basis seemed reasonable in view of fiduciary duty of each stakeholder towards the scheme. Further, in line with the decision taken (December 2016), the Regional Air Connectivity Advisory Board was authorised to take implementation related decisions and there was no need to send such proposals to MoCA. Apart from that, it was also assured that in future five *per cent* of all the routes of RCS operations will be test checked by the RCS Cell internally.

The reply needs to be viewed in light of the fact that Airports Authority of India, being an Implementing Agency, cannot absolve itself from the responsibility to check and verify the details on the ground of voluminous data, as the same was required to be ensured in line with the provisions of scheme and Selected Airlines Operator Agreement. In spite of dispensing with the requirement to submit and scrutinise the required information, an alternate mechanism was not devised to ensure the compliances before disbursement of VGF to Selected Airline Operators. Audit itself carried out an examination of data of Alliance Airlines for the four years and observed non compliances to provisions of the scheme and agreement, as highlighted in the subsequent para no. 4.2.2. Further, the reply of MoCA that from UDAN-2 onwards, the Table 2 of Schedule B has been deleted and Selected Airline Operators are required to submit their claims on self-certification basis is not factually correct as the scheme document for UDAN-2 also had the same provisions (refer 3.19-Reporting obligation of Selected Airline Operator) as mentioned in the UDAN-1. Further, the authorisation (December 2016) of the Secretary, MoCA was a singular case of granting permission to AAI to include a few clauses in the Notice inviting e-proposals and did not confer the power to the Regional Connectivity Advisory Board to deviate from the provisions of the Scheme. Even as per the revised delegation (January 2021 – modifying the earlier order dated 10 November 2016), the Regional Connectivity Advisory Board was required to forward to MoCA, its recommendations on matters relating to deviation to the provisions of the scheme for decision.

Ministry had now included (April 2023) the provisions of providing the relevant passenger details by the airline operators while submitting their VGF claims in UDAN 5.0.

Recommendation 5

A suitable mechanism should be devised to reconcile the VGF claims lodged by the airlines from the flight data available with Airport operators instead of disbursing the VGF on self-certification basis.

4.2.2 Fallouts of release of VGF on self-certification basis

Clause 3.3.1.1 of UDAN-1-Regional Connectivity Scheme (RCS) stipulates that “a Selected Airline Operator shall be required to provide 50 per cent of RCS Flight Capacity as RCS Seats, capped at 40 passenger seats, the minimum number of RCS Seats shall not be less than nine”. Further, as per clause 3.20.5 of the UDAN-1 scheme “the incentives/support provided under the Scheme is based on the premise that a Selected Airline Operator shall sell RCS Seats first before selling Non-RCS Seats on an RCS Flight.”

As per clause 3.2 of the agreement, the Selected Airline Operators were to first offer and sell RCS seats on each flight and only after selling all the RCS seats on the relevant RCS flight, would sell any non-RCS seats on such RCS flight. For example, in a flight with seating capacity of 72 passengers, 36 RCS seat should be sold first within the RCS fare cap and only after selling 36 RCS seats, remaining seats would be permitted to be sold at market price.

Audit observed that by accepting VGF claims on self-certification basis and in the absence of the required passenger ticketing details, AAI failed to verify compliance as to whether the Selected Airline Operators has sold the prescribed number of RCS seats before selling seats at market price. In the test check of data of three airlines³⁵ violations of condition set out in clause 3.3.1.1(UDAN-1) i.e., selling of non-RCS seats without selling prescribed number of RCS seats were noticed. Data in respect of all the Selected Airline Operators (except Alliance Air) for 2017-18 to 2021-22 was called for by Audit, however, the same was not furnished despite repeated reminders to AAI/MoCA. The instances observed are detailed in the subsequent paragraph.

(i) Selling of Non-RCS seats prior to selling of RCS seats

(a) On the basis of information/data received from M/s Alliance Air with respect to flight-wise ticketing details for the period 2018-19 to 2021-22, Audit worked out the excess fare charged by offering Non-RCS seats prior to sale of RCS seats and VGF claimed by the airlines against the same. In this regard, it was observed that an amount ₹ 8.80 crore was collected in excess by selling of 87,702 non-RCS tickets at market price prior to RCS seats at RCS fare and VGF amounting to ₹ 30.98 crore against the above seats was claimed by the airlines as detailed below in Table No. 4.2:

³⁵ Alliance Air (2018-19 to 2021-22), Ghodawat (15 days-1 route) and Spice Jet (4 Months-4 routes).

Table No: 4.2 Details of excess fare charged and VGF claimed by Alliance Air

Period	Total no. of RCS flights ³⁶	Total no. of tickets sold in RCS flights	Total no. of tickets sold in Non-RCS category instead of prescribed RCS seats	Excess fare charged (Difference between fare charged by Airlines and RCS fare Cap) (₹ in crore)	Excess VGF claimed (₹ in crore)
2018-19	1,762	76,086	9,734	2.00	3.91
2019-20	2,552	1,08,235	12,290	1.73	4.86
2020-21	2,646	95,995	28,276	2.32	9.02
2021-22	4,057	1,49,968	37,402	2.75	13.19
Total	11,017	4,30,284	87,702	8.80	30.98

(Source: Data received from M/s Alliance Air and processed through R software by Audit)

The analysis of above table reveals that out of 4,30,284 tickets sold in 11,017 RCS flights, a total of 87,702 Non-RCS seats were sold prior to selling prescribed RCS seats in violation of clause 3.3.1.1 and clause 3.20.5 of the Scheme. Resultantly, M/s Alliance Air, on one hand collected excess fare of ₹ 8.80 crore from the passengers, on the other hand claimed excess VGF of ₹ 30.98 crore.

- (b) Apart from the above, M/s Indigo also violated the same stipulation during the months August 2019, November 2020 and March 2021. M/s Indigo, in 77 instances in respect of 4 routes³⁷, sold non-RCS seats before selling the required number of RCS seats.

MoCA, in its reply (October 2022/January 2023), stated that it has been made mandatory for the airlines to sell the tickets within fare caps as mentioned in the scheme document on priority basis i.e., first come first serve basis. However, the business model of airlines allows cancellation of tickets at various stages and it may happen that some of the non-UDAN seats get sold before cancellation of UDAN tickets. This anomaly is addressed by the airlines through their internal mechanism. It was further mentioned that Implementing Agency used to take an undertaking from Selected Airline Operator during the submission of their invoices for payment of VGF. Apart from above, AAI has its own internal audit department, which is in process of appointing auditors, who would be tasked to examine the books of airlines prior to 31 March 2022.

The reply needs to be reviewed in light of the fact that AAI was required to scrutinise the information received from the Selected Airline Operator for RCS operations prior to disbursement of VGF claim in line with provision 3.20.3 of the UDAN-1 scheme document. Further, though the business model of airlines allows cancellation of tickets at various stages, it was found that some of the non-RCS seats were sold before cancellation of UDAN tickets. In line with clause 3.20.5.1 of the UDAN-1 scheme, it is the obligation of the Selected Airline Operator to provide the details of such cancellations to AAI. In the absence of such details and reliance on self-certification by airlines, RCS cell was unable

³⁶ Total number of flights wherein total seats booked prior to prescribed RCS seats.

³⁷ Hyderabad-Kolhapur, Kolhapur-Tirupati, Tirupati-Kolhapur, Kolhapur-Hyderabad

to authenticate whether non-RCS seats were sold before cancellation of RCS seats or otherwise. MoCA agreed for appointment of independent auditor to conduct concurrent audit for transaction related to review and monitor the sale of RCS seats.

MoCA further replied (February 2023) that an independent auditor is being appointed to conduct concurrent audit for transaction related to sale of RCS seats by Selected Airline Operators.

Ministry has now introduced (April 2023) the penal clause i.e., to levy a penalty of ₹25,000 per seat for committing a default (a) for selling of non RCS seats before selling of RCS seats, (b) In offering a cancelled RCS seat subsequently also at RCS rates, (c) in charging of higher fare on RCS seats than maximum fare as specified in the agreement under UDAN 5.0.

Recommendation 6

The system of booking of seats on RCS routes needs to be revamped to ensure that airline operators do not charge air fare more than the air fare cap as stipulated in the Scheme. MoCA should institutionalise the mechanism to monitor the compliance of the same.

(ii) Review of ticketing system of Airline Operators

As per clause 3.2 of the agreement, the Selected Airline Operator shall first offer and sell RCS seats on each flight and only after selling all the RCS seats on the relevant RCS flight, shall sell any non-RCS seats on such RCS flight. Audit examined the ticketing system of three airlines namely Spice Jet, Indigo and Ghodawat airlines.

Audit observed that the availability of seats under RCS was not disclosed separately on the website of airlines. Further, the airlines have been categorising its tickets into three different categories³⁸ with different fares (for the same date and flight) and none of them mentioned RCS fare category and the fares given were also not matching with the RCS fares of the concerned route. Thus, there was no system available with airlines to disclose the passengers/ customers about the status of availability of RCS seats and RCS fare while booking the tickets.

Further, Audit also observed that the system of all the three airlines allowed booking of higher fare category before booking in low fare category (RCS).

Evidently, Selected Airline Operators were not making any distinction between RCS and non-RCS tickets at the point of booking of the tickets by passengers. There was no transparency about whether a ticket booked by a passenger pertains to RCS and the tariff applied was within the RCS air fare cap for the route. Further, there was no mechanism available with AAI/MoCA to either monitor or review the authenticity of RCS ticket booking system of Selected Airline Operators. This is a critical gap in implementation of the scheme posing concerns on the effectiveness and transparency of the scheme.

Thus, AAI failed to ensure the compliance of the provisions of Selected Airline Operators

³⁸ *Spice jet (Spice saver, Spice flex, Spice max), Indigo (Saver, Flexi Plus, Super 6E), Ghodawat (Star Regular, Star Comfort, Star Flexi)*

Agreement, which depicted a weak internal control mechanism.

MoCA, in its reply (October 2022/January 2023), stated that the only difference between the tickets bought in the lowest and higher fare category is the provision of bundled ancillary value added services and there is not any inherent difference in the airfare. The passengers have complete flexibility to choose either of the available choices and are under no compulsion to purchase tickets with these bundled services. It was also mentioned that certain routes which have completed their tenure were also considered by Audit in its sample. The difference between ticket prices is the inclusion of bundled services at an additional charge over the base RCS fare and not the selling of Non-RCS seats before RCS seats. The airline operators have also shown their inability to display RCS details on tickets/boarding cards due to software limitations. Therefore, there is no failure on behalf of AAI to ensure the compliance of the provisions of Selected Airline Operators Agreement. It was further mentioned that in a meeting (28 December 2022) chaired by Secretary, MoCA airline operators were asked to submit ticketing details for a total 5 per cent of all the routes under RCS operations to verify the compliances of the provisions of the scheme, the outcome of the same would be intimated to audit.

The reply of MoCA needs to be viewed in the light of the fact that the Bundled Services mentioned should be provided at the additional cost over the RCS fare while selling the RCS seats, which are required to be sold out prior to non-RCS seats. But, it was observed that instead of selling out the RCS seats, non-RCS tickets with bundled services were also made available on the portal. Further, Audit considered the routes where RCS operations were existing and not the routes which have completed their tenure under RCS operations. Also, in absence of required details or outcome of the decision as taken in the referred meeting, the compliances to the stipulations of scheme document could not be verified in audit.

Recommendation 7

A robust and transparent system of booking seats on RCS flights should be developed by airline operators and regularly monitored by MoCA /AAI to ensure selling of RCS seats prior to selling non-RCS seats.

4.3 Oversight mechanism for Regional Air Connectivity Fund Trust

4.3.1 Finalisation of Standard Operating Procedure and submission of Accounts

Under the Institutional Mechanism framed (November 2016) by MoCA, it was required that for accounting procedures, AAI would prepare the Standard Operating Procedure as per laid down procedure of CAG for accounting and forward the same to MoCA for getting the same vetted by the CAG. Although the Regional Connectivity Fund levy was imposed from December 2016, Regional Air Connectivity Fund Trust was formed in April 2017 and RCS operations also commenced in April 2017, the required Standard Operating Procedure for accounting procedures was not formulated even after lapse of more than five years (till March 2022).

Audit observed that as per MoCA order (November 2016), Regional Connectivity Fund

was subject to audit by the CAG. Similarly, in line with the Trust deed of Regional Air Connectivity Fund Trust entered during April 2017, the accounts of the Regional Air Connectivity Fund Trust were subject to audit by CAG. Despite the above provisions, the audit of annual accounts of Regional Air Connectivity Fund Trust was not entrusted to CAG as per Trust deed of Regional Air Connectivity Fund Trust.

Audit further observed (refer para 1.4) that apart from direct financial support (VGF) to airlines operators, various concessions were also extended by different stakeholders (Central Government, State Government and Airport Operators) as mentioned in the scheme. However, there was no mechanism devised by MoCA to capture and record the amount of concessions extended to airlines by various stakeholders under the Scheme. Further, the details of these concessions extended to airlines were not produced to Audit, though called for.

MoCA, in its reply, concurred (October 2022/January 2023) that the process of finalisation of Standard Operating Procedure was initiated in July 2017 and not finalised yet. MoCA further replied that the annual accounts for FY 2017-18, 2018-19, 2019-20 and 2020-21 were submitted by Regional Air Connectivity Fund Trust to MoCA for onward submission to CAG and on the receipt of formal request from CAG, the submission of Accounts will be considered by MoCA/AAI.

The reply of MoCA needs to be seen in light of the fact that neither the entrustment of accounts nor the accounts of the Trust had been received for audit till date (January 2023).

Recommendation 8

Audit of Regional Air Connectivity Fund Trust accounts should be entrusted immediately to CAG of India and an accounting methodology needs to be devised to map the quantification of the concessions extended to airlines by various stakeholders under the scheme.

4.3.2 Formulation of Fund Management Committee

As per institutional mechanism framed (November 2016) by MoCA, it was stipulated that a Fund Management Committee shall be constituted. The composition of this committee as per the order was Member (Finance) of AAI as Chairman and the Chief Financial Controller (CFC), Finance Division of MoCA as Member.

Audit observed that the envisaged Fund Management Committee was not constituted as of 31 March 2022.

MoCA in its reply (October 2022/January 2023) accepted that the Fund Management Committee was not formed and subsequently the role of Fund Management Committee was taken over by the Regional Air Connectivity Fund Trust Board as per minutes of Steering Committee meeting dated 21 September 2022. It was further mentioned that all the investment decisions were taken by the Board of Trustees of RACFT since April 2017

The fact remains that Fund Management Committee as envisaged under the institutional mechanism framework (November 2016) was never constituted. Further, the referred role was entrusted to Regional Air Connectivity Fund Trust Board only in September 2022

i.e., after a period of almost six years from the issuance of order (November 2016).

4.4 Idling of funds amounting to ₹600 crore in Regional Air Connectivity Fund Trust bank account

In anticipation of higher outgo of VGF during the years 2017-18 and 2018-19 amounting to ₹1,450 crore more than the estimated collection of Regional Connectivity Fund levy, MoCA explored two options either to increase the RCF levy from ₹5,000 per flight to ₹20,000 per flight or to request the Government of India to grant budgetary support of ₹1,450 crore. MoCA requested (20 December 2017) Ministry of Finance either to grant budgetary support or approve diversion of funds out of the dividend to be paid by AAI considering the same as an urgent requirement.

Accordingly, Ministry of Finance approved (26 December 2017) an amount of ₹200 crore and ₹400 crore in January 2019 towards VGF under RCS out of the total dividend to be paid by AAI to the Government of India. As the dividend paid would have formed a part of the Consolidated Fund of India, any appropriation of such amount should also have the same stipulations as are included while sanctioning any grant out of the Consolidated Fund of India viz., submission of the utilisation certificate, providing grants just in time when required, refund of unutilised amount, refund of interests earned on such unutilised grants etc., as per provisions of General Financial Rules 2017. However, such stipulations were not included by Ministry of Finance while approving the diversion of funds out of the dividend for VGF requirements of MoCA.

Audit observed that the VGF outgo for the year 2017-18 and 2018-19 was less than the Regional Connectivity Fund levy collection for the same period. Consequently, the ground on which the fund requirement was estimated by MoCA was not found to be realistic. Audit further observed that the diverted amount could not be utilised till March 2022. In the absence of any stipulation, neither the utilisation certificate was furnished nor was the unutilised amount refunded to the Government.

MoCA, in its reply (October 2022/January 2023), accepted the fact that the funds lying in the subsequent years in Regional Air Connectivity Fund Trust account (up to March 2022) were more than ₹600 crore. MoCA further stated the funds allocated to the Regional Air Connectivity Fund Trust was not a grant and due procedure has been followed.

The reply of the MoCA needs to be seen in the light of the fact that there was no real requirement of the funds as demanded. Further, related conditions while sanctioning any amount out of Consolidated Fund of India should have been made applicable for this diverted fund also. Had the stipulations been included while sanctioning the fund, the fund would have been refunded to Consolidated Fund of India instead of lying idle in the Regional Air Connectivity Fund Trust account.

4.5 Disbursement of VGF to Airline Operators

Clause 2.1.1.2(c) of the Regional Connectivity Scheme stipulates that every Selected Airline Operator would get their eligible VGF reimbursed from the Regional Connectivity Fund. Selected Airline Operators were required to claim VGF for their respective RCS

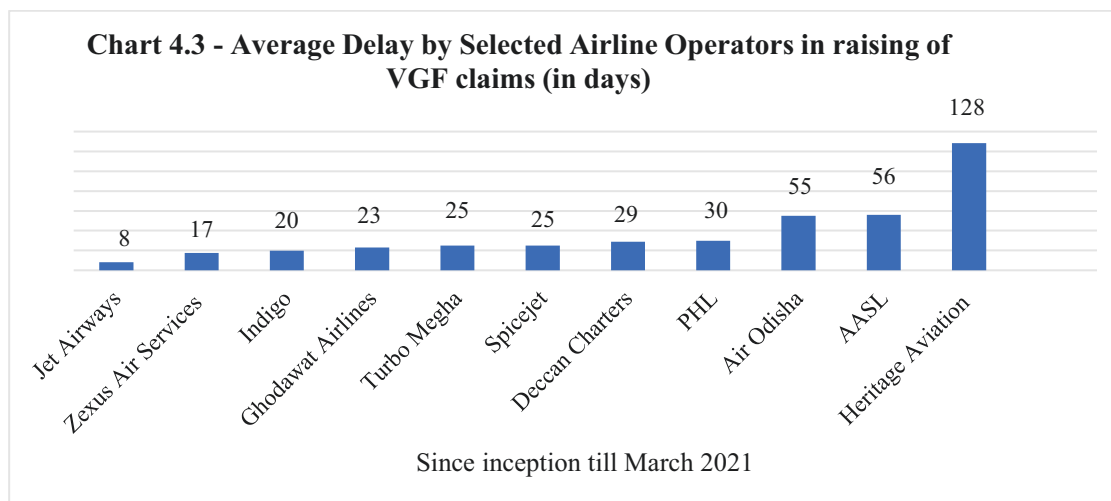
routes' operations at the stipulated rates and the number of RCS seats as mentioned in the Letter of Award. Regional Air Connectivity Fund Trust was required to reimburse the VGF based on claims received from Selected Airline Operators after verifying the authenticity of the data furnished by the Selected Airline Operators.

Audit observed that Regional Air Connectivity Fund Trust did not exercise adequate checks and did not follow due procedures required to be followed while disbursing the VGF claims as per provisions stipulated in the scheme. A review of the system of raising of VGF claims by the Selected Airline Operators and reimbursement of the same revealed the following:

4.5.1 Raising of VGF claims by Selected Airline Operators³⁹ and reimbursement of VGF claims by Regional Air Connectivity Fund Trust

Selected Airline Operators were required to submit to Regional Air Connectivity Fund Trust, their claims in respect of their operations in the previous month, by the 7th day of the subsequent month. Accordingly, a period of seven days was considered as the period for raising claims after completion of a month.

Scrutiny of the data by Audit since inception to March 2021 revealed that out of the total 1882 cases of VGF claims raised by Selected Airline Operators on Regional Air Connectivity Fund Trust, there were delays in submitting the claims in 909 cases (48.30 per cent) on the part of Selected Airline Operators. The delays in individual claims ranged from one day (Indigo and Jet Airways) to 563 days (Alliance Air). The average delay for all claims raised during the period was 35 days. The Selected Airline Operator wise average delay was from eight days (Jet Airways) to 128 days (Heritage Aviation Ltd) as indicated in the Chart 4.3 below.

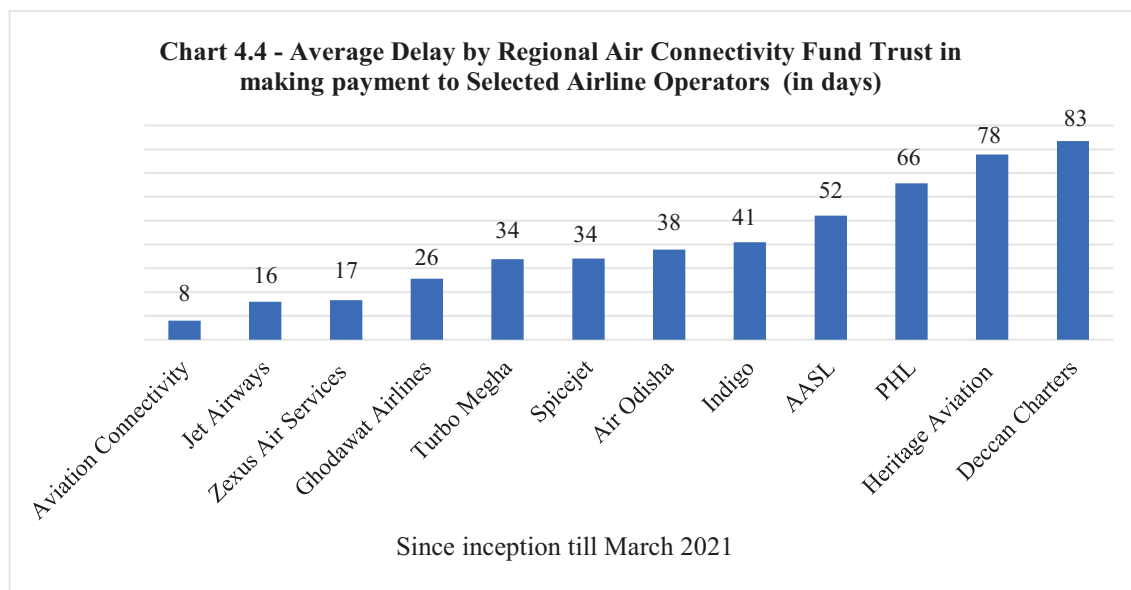


Similarly, the Selected Airlines Operator Agreement entered with the respective airline stipulates that the Regional Air Connectivity Fund Trust would disburse the VGF due and payable to the Selected Airline Operators not later than 21st day of every month.

Scrutiny of the data by Audit since inception to March 2021 revealed that there were

³⁹ *Selected Airline Operators means the airline operator selected pursuant to the mechanism specified under the Scheme for operation of an RCS flight.*

delays in disbursement of VGF by Regional Air Connectivity Fund Trust in 1,710 cases (90.86 per cent) out of the total 1,882 cases. The delay, as observed in individual VGF claim settlement ranged from one day (M/s Turbo Megha, M/s Spicejet, Indigo and Ghodawat Airlines) to 549 days (M/s AASL). The average delay in settlement of all VGF claims for the period was 42 days after considering a period of 21 days from the date of receipt of VGF claim from the respective Selected Airline Operators. The average delay in disbursing VGF to the respective Selected Airline Operators is depicted in the Chart 4.4 below:



The delays reflect the inefficiency on the part of Regional Air Connectivity Fund Trust in settling the claims as well as on the part of Selected Airline Operators in lodging the claims as per prescribed timeline.

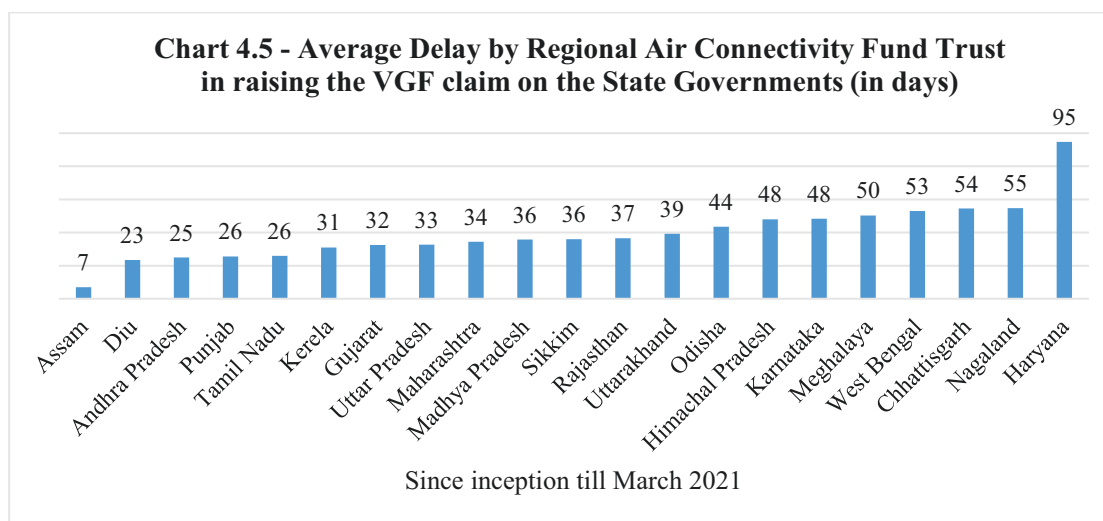
MoCA, in its reply (October 2022/January 2023), stated that the delay on part of Selected Airline Operators in raising the invoices has been noted by the Regional Air Connectivity Fund Trust. The Regional Air Connectivity Fund Trust will follow-up with the airlines for the timely submission of their VGF invoices. Selected Airline Operators have been reminded to submit their VGF claims within a given time frame. MoCA further stated that all the stakeholders required to be proactive in equal measure to make the system work and only Implementing Agency cannot be held responsible for the subjective so-called delays. The Implementing Agency has introduced the online billing module for VGF claims. MoCA further stated that Regional Air Connectivity Fund Trust ensured timely settlement of bills, but sometimes Selected Airline Operators did not submit all the required details accordingly they had to re-submit the bills with desired details and in some cases, deliberations involved prior to processing of bills.

The reply of MoCA regarding delays in disbursement of VGF needs to be viewed against the fact that no detailed analysis of the reasons for delay has been provided by MoCA along with reply. Further non-adherence to obligations by other stakeholders cannot be claimed as justification by the implementing agency in delaying its obligations as provided in the Standard Operating Procedure.

4.5.2 Delays in raising of VGF claims by Regional Air Connectivity Fund Trust and realisation of VGF claims from State Governments

As per clause 2.1.1.2 of the scheme, after payment of VGF to the Selected Airline Operators from the Regional Connectivity Fund, respective State Governments would be required to reimburse their applicable share⁴⁰ towards the VGF paid for RCS operations in the respective State(s). Regional Air Connectivity Fund Trust was required to raise the claims on the State Governments/ UTs for their applicable contribution of VGF within a period of seven days from the date of disbursement of VGF to the respective Selected Airline Operators. Further, as per clause 2.3 of the Draft Standard Operating Procedure, “the State Governments/ Union Territories shall reimburse its VGF share within 3 months of the date of the claim raised by Regional Air Connectivity Fund Trust.

Audit observed that there were delays in 1,698 cases (90.22 per cent) out of the total 1,882 cases (since inception to March 2021) in raising VGF claims from State Governments/ Union Territories by Regional Air Connectivity Fund Trust. The delays in raising individual claims ranged from one day (Uttar Pradesh, Maharashtra, Chhattisgarh, Himachal Pradesh) to 142 days (Punjab). The average delay in raising VGF share claims from the various State Governments/ UTs was 38 days. The average State-wise delay in raising VGF claims ranged between seven days in case of Assam to 95 days in case of Haryana as depicted in the Chart 4.5 below:

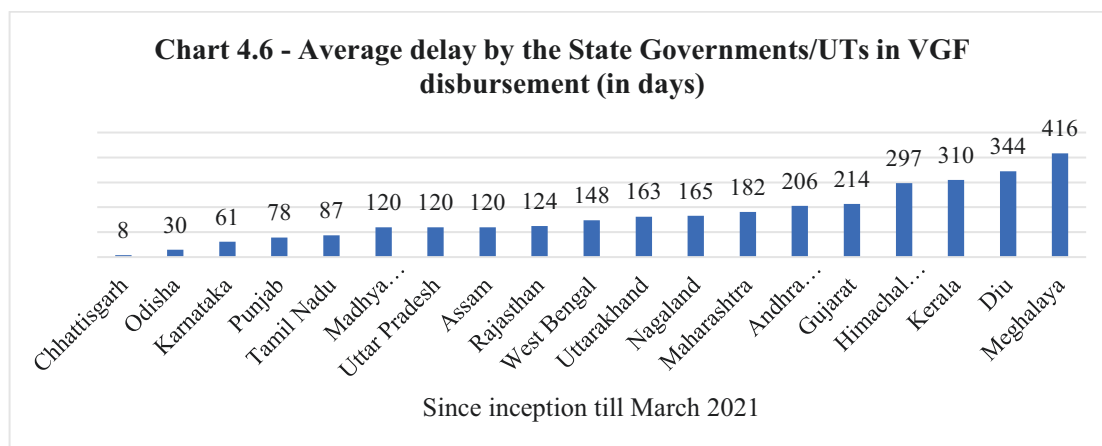


With regard to reimbursement of VGF claims by the State Governments/ Union Territories, Audit observed that there were delays⁴¹ in 224 cases (68.29 per cent) out of the total 328 cases for the period April 2017 to March 2021 on the part of the State Governments/ Union Territories in clearing their dues. The delays in individual cases ranged from one day (Karnataka) to 830 days (Gujarat). The average delay in settlement of all VGF share claims by the various State Governments/ Union Territories for the period was 149 days. The average State-wise delay in reimbursing the VGF share claim ranged between eight days in case of Chhattisgarh to 416 days in case of Meghalaya as

⁴⁰ 10 per cent for the North-Eastern States/UTs and 20 per cent for other States.

⁴¹ First In First Out method has been used to calculate the average delay by the State Government in reimbursing its VGF claims.

depicted in the Chart 4.6 below:



Audit further observed that no penal clause was incorporated for delays in claiming/lodging VGF share claim with respective State Governments/ Union Territories by Regional Air Connectivity Fund Trust and reimbursing the VGF share claims by the respective State Governments/ Union Territories to the Regional Air Connectivity Fund Trust.

MoCA, in its reply (October 2022/January 2023), stated that the audit observation relating to delays in raising of VGF claims by Regional Air Connectivity Fund Trust and realisation of VGF claims from State Governments has been noted for future guidelines. Sincere efforts will be made to raise the claims on the respective State Governments /Union Territories within stipulated time. Further, major reasons for delay is in submission of invoices by the Selected Airline Operators. All the stakeholders are required to be proactive in equal measure to make the system work and only the implementing agency cannot be held responsible for the subjective so-called delays. That the implementing agency has introduced the online billing module for VGF claims.

MoCA further stated that no penal clauses were included as part of holistic symbiotic relationship between MoCA, State Governments, Airport operators etc. and MoCA has been following up with the State Governments for timely release of VGF claim.

Reply of MoCA needs to be seen in light of the fact that timely lodging of claims on State Governments and remitting the share by respective State Governments/ Union Territories is obligatory as per draft Standard Operating Procedure. Further, the issue is relating to settling of VGF claims received. Also, non-adherence of obligations by other stakeholders cannot be claimed as justification by the implementing agency in delaying its obligations as provided in the Standard Operating Procedure. MoCA has assured to raise the claims within stipulated time period.

4.6 Regional Connectivity Fund Allocation cap for Airline operators

Clause 2.6.3.1 of the scheme stipulates that “To limit the large systematic exposure to any single airline operator, the total VGF approved for a particular airline operator under the Scheme will be capped to an annual limit.” Further, Clause 2.6.3.2 of the Scheme stipulates that “the total VGF approved for a particular airline operator under the Scheme

will be capped to an annual limit corresponding to 30 *per cent* of the estimated annual inflows in the Regional Connectivity Fund”.

During the year 2019-20 and 2020-21, the total Regional Connectivity Fund inflow was ₹ 613.15 crore and ₹285.76 crore respectively. As per the stipulations, no airline was eligible to get an amount exceeding 30 *per cent* of Regional Connectivity Fund inflow during the years i.e., ₹183.95 crore and ₹85.73 crore respectively. However, during these years, an amount of ₹ 188.17 crore and ₹105.78 crore was disbursed to M/s Airline Allied Services Ltd towards payment of VGF which was in excess by ₹4.22 crore for 2019-20 and ₹20.05 crore for 2020-21 than the cap as stipulated.

MoCA, in its reply (October 2022/January 2023), stated that the routes awarded from 2017-19 were got operationalised in 2019-20, consequently the VGF outflow increased. With regard to year 2020-21, it was indicated that due to COVID-19 Pandemic, VGF collection got affected.

The reply of MoCA needs to be seen in the light of the fact that the routes were awarded to Selected Airline Operators with the assumptions that it will be operationalised timely and VGF has to be paid for the term of three years. Accordingly, the provision of the scheme should have been kept in the mind. Further, COVID impacted both inflow in the Regional Connectivity Fund as well as disbursement of VGF to Selected Airline Operators.

Fact remains that the disbursement was made to Selected Airline Operators disregarding the scheme guidelines⁴².

4.7 Prompt investment of Surplus funds

Initially, the number of RCS operations were less, consequently the Regional Air Connectivity Fund levy collected was higher than the amount paid out as VGF to the Selected Airline Operators. Hence, substantial funds were accumulated in the Regional Air Connectivity Fund Trust account. Considering this, the Board of Trustees of Regional Air Connectivity Fund Trust, in its 3rd Meeting, directed (April 2018) Regional Air Connectivity Fund Trust to call quotations for investment of surplus funds lying with Regional Air Connectivity Fund Trust bank account from the empanelled Banks of AAI and invest surplus funds with bank which offers highest rate of interest. In this regard, Department of Public Enterprises guidelines also stipulates (May 2017) that surplus funds should be managed to prevent the funds from lying idle and instead, generate returns. Accordingly, the efforts were required to be made to fetch the returns.

Audit observed that the funds amounting to ₹316 crore were lying in the Regional Air Connectivity Fund Trust account as on 31 March 2018. Though Board of Trustees directed (April 2018) to invest the surplus funds through call of quotations from the Banks, the process to explore this option was initiated only after nine months (i.e., during January 2019) and during this period the amount remained placed in a savings bank

⁴² *Ministry has since modified (April 2023) the ceiling of 30 per cent to 40 per cent in the scheme document of UDAN-5.0.*

account. However, due to procedural delays, the process could be completed in May 2019 and ₹900 crore were invested (May 2019) at 6.70 per cent to 8.11 per cent per annum for a period of one year. Thus, there was delay of 13 months (from April 2018 to May 2019) in investing the surplus funds.

Subsequently again, instead of investing the available funds timely to fetch better returns, it was observed that the next proposal for investment of remaining surplus funds was moved only in June 2020 to invest another ₹700 crore. But final decision in this regard was taken only in the month of March 2021 (i.e., after a delay of more than nine months) owing to procedural delays. Thus, the delay on the part of Regional Air Connectivity Fund Trust resulted in loss of opportunity to fetch returns amounting to ₹11.28 crore⁴³ on surplus funds lying in saving account.

MoCA, in its reply (October 2022/January 2023) explained the procedural delays by stating that as AAI was in the process of revising its exposure limit for investment of surplus fund and subsequent to that investment process was abandoned due to non-availability of Board of Trustees during the Bid validity period.

The reply needs to be seen in light of the fact that in the absence of revised exposure limits, the funds should have been invested with the pre-revised limits. Further, the availability of the Board Members or quorum is required to be ensured by Regional Air Connectivity Fund Trust / MoCA.

⁴³ *The interest earned on ₹316 crore under flexi deposits was @ 6.80 per cent whereas by investing in Fixed Deposit Receipts, interest @ 7.15 per cent (i.e., rate of interest earned by AAI in FDRs placed during the same period) could be fetched. Accordingly, the difference of 0.35 per cent was considered for calculating the interest loss for the period April 2018 to May 2019. Similarly, Trust has earned interest @ 5.5 per cent under flexi deposit on ₹700 crore, whereas interest @ 7.42 per cent (i.e rate of interest at which existing FDRs of ₹900 crore was invested by Trust)could have been fetched during the period June 2020 till March 2021.*

CHAPTER V

Implementation of the Scheme



যোৰহাট বিমান কোঠ

জোরহাট হवाई অন্ড্ৰা

JORHAT AIRPORT

IndiGo
Reservations/Ticketing

প্রস্থান
মুঠান
Departure



IndiGo

Reservations/Ticketing

IndiGo

Reservations/Ticketing

IndiGo

Reservations/Ticketing

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Chapter V

Implementation of the Scheme

During the evolution of Regional Connectivity Scheme (RCS), a need was felt to take up revival of airstrips/ airports of AAI and civil enclaves which were unserved and under-served with Central Budgetary Support, as there might be demands from airlines to operate RCS flights from these places also. Accordingly, under the National Civil Aviation Policy 2016 approved by the Cabinet, it was envisaged that the RCS would be implemented by revival of underserved and unserved airports.

Cabinet Committee on Economic Affairs (CCEA) accorded (March 2017) approval for one-time budgetary support of ₹4,500 crore (for revival/ upgradation of 50 unserved/ underserved airports/ airstrips) to MoCA with the stipulation to revive/ develop such airports by December 2018. While granting the approval, CCEA directed that an appropriate mechanism may be set up for identification of these airports/ airstrips and for ensuring their time bound implementation.

The responsibility of implementing the RCS scheme was assigned to Airports Authority of India (AAI) by MoCA. For smooth implementation of the scheme and carrying out necessary functions⁴⁴ required for execution of the scheme, AAI established (September 2016) a dedicated RCS Cell which was placed under the administrative control of MoCA. RCS cell invited proposals for routes through open bidding process. The bids were evaluated by the Evaluation Committee⁴⁵ and forwarded to the RCS Approval Committee⁴⁶ for final approval. After approval, the routes were awarded to Selected Airline Operators. A total of 774 routes were awarded by the implementing agency (i.e., AAI) through four⁴⁷ rounds of bidding under UDAN -1, 2 and 3.

Audit reviewed the process of obtaining approvals from CCEA, utilisation of budgetary support as sanctioned by CCEA, implementation of the scheme and the respective roles of MoCA, AAI and Selected Airline Operators. The observations of Audit are detailed in the subsequent paragraphs:

5.1 Infrastructure Development

5.1.1 Revival of RCS Airport

(i) Planning and implementation of the projects

As per the approval accorded (March 2017) by Cabinet Committee on Economic Affairs

⁴⁴ *Calling of Expression of Interest, receiving of application from prospective bidders, prepare tender document, process tender for approval, evaluation of bids, award of work, management of Regional Connectivity Fund, disbursement of VGF and monitoring of scheme*

⁴⁵ *Evaluation Committee consists of Executive Director (RCS Cell), AAI, Director (Domestic Transport), MoCA, Executive Director (Finance), AAI and Executive Director (Air Traffic Management), AAI*

⁴⁶ *RCS Approval Committee consists of Chairman – AAI, Joint Secretary (Domestic Transport), MoCA, Representative of Director General of Civil Aviation (DGCA), An additional representative from Airlines/ Transport Wing of DGCA, Member (Finance), AAI and One representative from Finance Division of MoCA*

⁴⁷ *1st round of bidding was invited in October 2016, 2nd round in August 2017, 3rd round in October 2018 and 4th round in February 2019)*

(CCEA), the revival/ development of 50 airports/ airstrips was to be carried out by December 2018. This was based on weighted average cost of ₹90 crore per airport. However, till December 2018, only 27 airports out of the 50 airports as envisaged in CCEA note, could be developed/ revived at the cost of ₹ 219.41 crore as against the sanction of ₹4,500 crore for 50 airports. Later on, the total expenditure incurred till March 2023 was ₹ 3,351 crore (79 per cent) against the estimated amount of ₹4,246 crore up to UDAN-3.

MoCA moved another Cabinet note (February 2019) to seek CCEA approval to take up revival of more airports, over and above 50 airports previously approved, within the approved budgetary support of ₹4,500 crore. Further, extension of time till end of March 2022 was also sought to utilise the funds on the ground that development of the airports/airstrips had a long gestation period, which require a time of around 2-3 years. CCEA accorded (March 2019) the approval for:

- Inclusion of development of all helipads/heliports/water aerodromes in addition to revival of unserved/underserved airports/airstrips.
- Revival/Development of more airports/airstrips/helipads/heliports to be identified through subsequent RCS bidding process till March 2022.
- Extension of time to utilise funds in respect of identified airports/heliports during 1st and 2nd rounds of RCS bidding done till end of March 2020 instead of 2018 as approved earlier; and
- Inclusion of cost of security and fire equipment etc., under the overall budgetary outlay of ₹4,500 crore.

The status of the development of airports and their performance in terms of operations commenced and continued for RCS flights was as shown in the Table 3.1 in Chapter 3.

Audit further observed the following:

- (a) Out of the 139 airports/ heliports/ water aerodromes identified till March 2023 for revival/ development, total expenditure incurred till that date was ₹ 3,351 crore (79 per cent) against the estimated amount of ₹4,246 crore up to UDAN-3 (March 2023), out of budgetary support of ₹4,500 crore.
- (b) As of March 2023, work could commence in 116 airports/ heliports⁴⁸ only, out of which works have been completed and operations commenced in 71 airports/ heliports at the cost of ₹ 2,599 crore.
- (c) The work relating to revival/ development of 68 airports/ heliports/ water aerodromes could not be completed even by March 2023. MoCA again sought (March 2022) extension of time to complete the work by March 2024 and the same was accorded (April 2022) by Ministry of Finance.

⁴⁸ 116=139-23 i.e., out of 139 Airports/Heliports/Water Aerodromes upto UDAN-3, no expenditure was incurred in 23 Airports/Heliports/Water Aerodromes till March 2023.

- (d) Execution in remaining 45 airports/ heliports was still in progress at different stages of completion, after incurring an expenditure of ₹ 752 crore.
- (e) Further, out of 71 airports where operations commenced, flight operations got discontinued in 15 airports/ heliports revived at a cost of ₹ 337 crore.

Thus, only 56 airports/ heliports/ water aerodromes upgraded at ₹ 2,262 crore were operational at the end of March 2023.

MoCA replied (October 2022/January 2023) that 34 airports were operationalised by December 2018. The development/ licensing of these airports was under process and development of airports have long gestation period. Various factors including Covid-19 pandemic and procurement /installation of fire and security equipment at RCS airports further delay the development work. The decision to identify the airports for development is based on the demand as per Para 4d of National Civil Aviation Policy 2016 and the CCEA approval in March 2019. Interested airline after due diligence and taking with commercial viability submit bids at the time of bidding under UDAN. Thus, mechanism for awarded airports under UDAN scheme is justifiable.

The reply of MoCA needs to be viewed in light of the fact that out of the 50 airports as envisaged in CCEA note for development, only 27 were operationalised upto December 2018 i.e., deadline mentioned in CCEA note, whereas 34 airports referred by MoCA also includes airports added later and operationalised till December 2018. There were delays in developing the remaining 73 airports even after a period of more than three years from CCEA approval in March 2019.

Further, for identification of airports, inputs from the State Governments as provided under para 4 (d) of National Civil Aviation Policy were not taken while identifying airports for development.

(ii) Identification of Airports to be developed

During review of records relating to formulation of Scheme, audit observed that the policy of reviving 50 airports/ heliports assuming outlay of ₹90 crore per airport was framed without any cost analysis. As of March 2023, average sanctioned cost for 139 airports/airstrips was ₹ 30.55 crore per airport/ airstrip i.e., much lower than sanctioned cost of ₹ 90 crore per airport/ airstrip. Thus, the estimation of financial outlay of ₹4,500 crore for revival of the airports/ airstrips was not based on firm cost analysis. Audit observed that airports/ heliports/ aerodromes subsequently added to the scope of revival/ development were also planned without firm cost estimates.

Thus, gaps in planning on the part of MoCA in terms of the number of airports/heliports/ water aerodromes to be developed, budgetary resources required for development of airports/heliports/ water aerodromes and time required for completion is evident.

MoCA replied (October 2022/January 2023) that financial outlay of ₹4,500 crore for the scheme was based on the indicative cost as mentioned in the para 4d of the National Civil Aviation Policy. At the time of execution, utmost economy was exercised and only the essential items required for operationalisation were sanctioned. The development of 34 heliports and 13 water aerodromes are not as cost intensive as the airports. The decision

to enlarge the scope of the scheme has been done as per the laid down norms and principles. The extension of time was sought in view of long gestation period involved in development/ upgradation of the airports. It was also mentioned that the scope was further increased to accommodate additional 100 airports based on routes awarded for the airports under UDAN. Further, various reasons for delay in execution i.e., remote location of the airports under UDAN, delays in availability/ acquisition of land, delays in obtaining statutory clearances etc., were also mentioned.

MoCA accepted that the initial outlay of ₹90 crore was only an indicative cost, thus it was not estimated on realistic grounds. The reply of the management that utmost economy was exercised and only essential items were sanctioned is to be viewed considering that for RCS operations, only no frill airports⁴⁹/ airstrips were required to be developed. Further, the inability to develop the respective airports even after a period of more than four years as of March 2023 indicated delays on the part of the implementing agency beside the long gestation period claimed. A period of two years was considered by MoCA as the gestation period and based on the same clause 3.15.4.3 relating to additional performance guarantee was included in the scheme. Further, the inflated estimation allowed MoCA to consider a greater number of Airports to be developed subsequently within the same budgetary provision. The cost of equipment was also included in the cost of the project subsequently i.e., in March 2019. Regarding delay in execution, the reply of MoCA may be seen against the fact that even among the airports identified under UDAN-1 (March 2017), the operations could not commence at seven airports till March 2023 (i.e., after more than six years).

Recommendation 9

A better mechanism for identification of airports for revival/development should be devised for sustained operations based on feasibility study, in the light of experience gained. Budget estimates for RCS airports should be reviewed considering the ground realities and workable timelines.

(iii) Utilisation of Kushinagar RCS airport

Kushinagar airport was identified as an RCS airport under UDAN-3 and subsequently the route was awarded (March 2019) to M/s Turbo Aviation Private Limited. After awarding of route, an administrative approval for ₹7.45 crore for development of Kushinagar airport for RCS operation was accorded on 25 November 2019.

Accordingly, the work relating to modification/ alternation of existing terminal building of Kushinagar Airport was awarded (February 2020) and completed (October 2020) after incurring ₹5.19 crore.

Audit observed that the terminal building could not be used after modification/ alteration even for a single day from 31 October 2020 to March 2022. Meanwhile, the work of construction of new interim terminal building was awarded (August 2020) and completed

⁴⁹ *No frill airport defined as providing essential services at airport needed to operationalise the airport, without compromising safety and security measures.*

(March 2021) at cost of ₹17.34 crore from RCS budgetary support as there was plan to develop Kushinagar airport as an international airport. Subsequently, the operations from Kushinagar airport new interim terminal building were commenced in November 2021.

Evidently, an amount ₹5.19 crore from RCS budgetary support incurred on the existing terminal building, which could not be utilised for RCS operations and was lying unutilised since its completion.

MoCA replied (October 2022/January 2023) that initially, it was planned to convert the existing old terminal building for domestic flight operation under RCS. However, when the work relating to renovation and modification of existing old terminal building was in progress, it was decided by the MoCA to start international flights from Kushinagar airport. Accordingly, interim terminal building with facilities to accommodate international flights like Immigration, Customs, Conveyor Belt, and International SHA etc., was planned and constructed. International flights from this interim terminal building commenced in October 2021. The old terminal building will be used for aviation related purposes.

MoCA confirmed that an amount ₹5.19 crore incurred on infrastructure (i.e old terminal building) created from RCS budgetary support had not been utilised for RCS operations.

Thus, the fact remains that the assets created after incurring ₹5.19 crore from budgetary resources remains unutilised due to deficiency in planning.

(iv) Expenditure incurred from budgetary support

As per para 3.7 of Cabinet Committee on Economic Affairs Note (14 February 2017), the respective airport owner will continue to undertake operation and maintenance of the airport along with other airports and non-airport activities through its own resources. Consequent to the award of route with respect to Pantnagar Airport during UDAN-1, an amount of ₹ 9.55 crore was utilised (till March 2021) for development of the airport from the budgetary support for RCS UDAN.

Audit observed that the out of ₹ 9.55 crore, an amount ₹0.45 crore was incurred on Annual Repair Maintenance and Operations of electrical and mechanical installation, Annual Comprehensive Maintenance of Air conditioners, water coolers, UPS, Fire detection and Alarm System, DG sets. Since the above expenditure was to be incurred by the airport owner as per Cabinet approval, the action of implementing agency to allow the above expenditure under RCS is in violation of the provisions of Cabinet Committee on Economic Affairs approval.

MoCA replied (October 2022/January 2023) that the one-time expenditure was allowed towards the upgradation/ revival of RCS airports (inclusive of equipment). If any expenditure which is erroneously booked in the repair and maintenance head, shall be remitted to the allocated funds of ₹ 4,500 crore.

Reply of the Ministry needs to be viewed in the light of the fact that the expenditures related to operations and annual repair maintenance were recurring in nature and not related to upgradation/ revival of equipment for facilitating the RCS operations.

5.1.2 Revival of RCS Heliports

Under the RCS, operationalisation of heliport routes through revival and development of Heliports was also envisaged to provide connectivity to far flung and remote areas. Considering the duration of the helicopter flight, the normative Viability Gap Funding (VGF) cap was determined for various durations and included in the scheme document. Under the UDAN-1 (October 2016), no response to commence operations from the Helicopter operators was received. Accordingly, revised and enhanced VGF cap for Helicopter operations was included in UDAN-2 (August 2017). Consequently, based on responses received, 83 helicopter routes connecting 31 helipads/ heliports were awarded (upto March 2023) to four⁵⁰ helicopter operators. During audit, identification of heliports, award of routes and revival/ development of heliports was reviewed, and the following was observed:

(i) Delays in preparation of Detailed Project Reports

As most of the helipads/ heliports were not ready to commence operations or were not fulfilling the requirements for Directorate General of Civil Aviation licensing, MoCA appointed (February 2018) Pawan Hans Limited, a Central Government Public Sector Undertaking, as the Nodal Agency for development of all Helipads covered under RCS-UDAN-2 to facilitate their compliance with the regulatory requirements covering licensing and security aspects.

Pawan Hans Limited estimated (May 2018) an amount of ₹325 crore for development of the 31 heliports. Subsequently, Pawan Hans Limited awarded (May 2018) the contract to M/s RITES Ltd for ₹8.25 crore for preparation of Detailed Project Reports and Project Management & Consultancy services for development of heliports in five states viz., Himachal Pradesh, Arunachal Pradesh, Assam, Uttarakhand and Manipur under RCS UDAN-2 on nomination basis i.e., without calling of tenders citing 'urgency of work' in view of implementation of RCS scheme notified by MoCA. The stipulated date of start of work was 31 May 2018 while stipulated date of completion of the work was 15 August 2018.

Audit observed that not a single Detailed Project Report was prepared by M/s RITES Limited/ Pawan Hans Limited up to November 2018. Thus, the delay in execution of work defeated the very purpose for the work which was awarded on nomination basis. The reasons for delays in preparation of Detailed Project Reports were found to be both on the part of M/s RITES as well as due to non-availability of the site. Detailed Project Reports in respect of 30 helipads/ heliports could be prepared only during December 2018 to February 2023 i.e., with delay of four to 54 months.

Audit further observed that M/s Pawan Hans Limited paid to M/s RITES for preparation of Detailed Project Reports of helipads/ heliports at the rate of ₹27.50 lakh per heliport/ helipad whereas, in turn, Pawan Hans Limited charged a sum of ₹40 lakh per heliport/ helipad from the AAI. Thus, Pawan Hans Limited was found to be charging an extra

⁵⁰ (i) Pawan Hans Limited, (ii) M/s Heritage Aviation Pvt. Ltd. (iii) M/s Skyone Pvt. Ltd. and (iv) Heligo Charter Pvt. Ltd.

amount of ₹12.50 lakh i.e., 45.45 per cent over and above the amount paid to M/s RITES. The consultancy charges being levied by Pawan Hans Limited was abnormally high especially in reference to the MoCA order dated 15 November 2016 that allowed only 5 per cent⁵¹ administrative charges to the implementing agency i.e., AAI.

Pawan Hans Limited, in its reply (February 2022) stated that consultancy charges were projected in the budget forwarded to MoCA and subsequently Pawan Hans Limited was getting the amount, as claimed, reimbursed from MoCA/implementing agency. However, the fact remains that the Nodal agency for Heliports i.e., Pawan Hans Limited was charging exorbitantly high consultancy charges. Further, though the work was awarded on nomination basis considering the urgency of work but still even a single Detailed Project Report was not prepared within the stipulated time frame as indicated in the award letter.

MoCA replied (October 2022/January 2023) that due to Pawan Hans Limited's in-house capacity and the urgency involved in the project, the work for preparation of Detailed Project Reports was awarded to M/s RITES on nomination basis as very limited domain expertise is available in the country in this particular field and M/s RITES is one of the prestigious Central Public Sector Enterprises dealing in the consultancy field in the transportation sector in the country. It was accepted in the reply that the preparation of Detailed Project Reports took more time than estimated but the reasons for delay in preparation of Detailed Project Reports were fully justified and beyond the control of M/s RITES. Apart from that, various reasons for delay in preparation of Detailed Project Reports (non-finalisation/availability of sites, heavy rainfall, landslides during rainy seasons and change in proposed sites) were beyond the control of M/s RITES. As regards the payment of ₹27.50 Lakh plus Goods and Service Tax for each location to M/s RITES and claiming of ₹40 lakh by Pawan Hans Limited for each location from MoCA, it was submitted that lot of efforts and expenditure was made by Pawan Hans Limited as well in proper finalisation of the Detailed Project Reports including site visits of Pawan Hans Limited officials during the Detailed Project Report preparation process.

The reply of the MoCA may be seen in the light of the fact that although 13 sites out of 31 were available at the time of award (May 2018) of work to M/s RITES, but not a single Detailed Project Report could be prepared till August 2018 (stipulated date of completion).

There were delays the part of M/s RITES and Pawan Hans Limited besides other reasons as stated by MoCA and abnormally high consultancy charges were charged by the Nodal agency i.e., M/s Pawan Hans Limited.

(ii) Award of routes without readiness of heliports

Based on responses received against the Notice Inviting e-Proposal issued, Letter of Award for 83 routes connecting 31 helipads/ heliports were awarded to the four helicopter operators (Pawan Hans Limited, Heritage, Heligo and Sky one) in January 2018. As per

⁵¹ *MoCA decided to fix five per cent of the total Regional Connectivity Fund amount collected per month as administrative charges to implementing agency i.e AAI for RCS UDAN.*

the Letter of Award, operations were required to commence on the routes within six months from the date of issue of Letter of Award or readiness including licensing of RCS heliports by Directorate General of Civil Aviation, whichever is later, for operationalisation of heliports in line with the Directorate General of Civil Aviation's Civil Aviation Requirement⁵² requirements. Considering the delay involved in development of heliports and getting the licence from Directorate General of Civil Aviation, after deliberations with regulators, States and stakeholders, MoCA allowed (November 2019) the commencement of non-Scheduled helicopter operations on routes awarded under RCS UDAN-2 for an interim period of six months, subsequently the same was extended upto September 2023 as the required license from Directorate General of Civil Aviation was not available with the respective heliports.

Audit observed that:

- a) The helipads/ heliports for which the routes were awarded were not ready to commence operations and/ or did not fulfil the requirements for Directorate General of Civil Aviation licensing even after relaxation provided by MoCA (November 2019) to commence RCS operations under Non-Scheduled Operations. Further, till March 2023, operations only at nine helipads connecting 34 routes could commence.
- b) In case of Dharchula (Uttarakhand) and Manali (Himachal Pradesh), the required permission or clearance from the agencies owning the proposed site was not obtained. Consequently, the development work could not be taken up till March 2023.
- c) In case of two heliports namely Rampur and Nathpajakhri located in the State of Himachal Pradesh were in close proximity, therefore, Nathpajakhri heliport was dropped from the list of 31 heliports.
- d) Out of the remaining⁵³ 19 heliports, the development work was completed at only four heliports namely Shimla, Walong, Baddi and Ziro and in case of the remaining 15 heliports, either the development work was not commenced or was under progress.

Thus, the number of heliports to be developed remained 30 instead of 31. Out of these, only nine heliports connecting 34 routes could be operationalised upto March 2023 under Non-Scheduled Operations after waiving off the licencing requirements from Directorate General of Civil Aviation. Hence, it can be concluded that the helicopter routes were awarded by MoCA without undertaking the basic task of ascertaining the extent of preparedness of the heliports. Consequently, even after a lapse of five years, most of the heliports (70 per cent) awarded under the RCS scheme could not be operationalised.

MoCA replied (October 2022/January 2023) that most of the helicopter operators

⁵² *Civil Aviation Requirement lays down the minimum safety requirements for helicopters operating to/from helicopter landing areas within the Indian Territory outside and licensed aerodrome/ heliports and procedures to be followed by Helicopter operators for such operations.*

⁵³ *Total number of heliports identified (after excluding Nathpajakhri) were 30. Out of these, 9 were operational under Non-Scheduled Operations arrangement, in case of 2 heliports clearance/permission from the agencies owning the proposed site was not obtained. Thus, the remaining heliports were 19 (as on March 2023).*

including Pawan Hans Limited are operating under Non-Scheduled Operations and are not in possession of Schedule Commercial Operation. All operators are approaching Directorate General of Civil Aviation for issuance of Schedule Commercial Operation permit and these operators are yet to receive Schedule Commercial Operation permit. MoCA also stated that the reasons for delay in completion of work are involvement of time in acquiring/ identifying the land, obtaining the statutory clearance, working in remote area, Covid-19 pandemic etc.

However, the fact remains that revival/ upgradation of these 21 heliports out of 30 heliports involving expenditure to the tune of ₹ 62 crore could not be completed even after lapse of 4 years 9 months after stipulated completion date of July 2018.

(iii) Return of Performance Bank Guarantee

Clause 17 of the Selected Airline Operator agreement provided that the AAI shall be entitled to appropriate the Performance Guarantee partly or fully on any breach by the Selected Airline Operator including event of default under the agreement. The review of compliances in this regard revealed the following:

(a) “Dibrugarh-Lilabari-Itanagar” route was awarded to M/s Sky one on 24 January 2018. As per the stipulations of the Letter of Award, operations were to be commenced on the routes within six months from the date of issue of Letter of Award or readiness i.e., licensing of RCS heliport by Directorate General of Civil Aviation, whichever is later. The Selected Airline Operator was not able to commence the operation by October 2020 and it was informed (6 August 2021) to the AAI that due to certain administrative and technical issues they would not be able to acquire the helicopters required. Apart from that it was also informed that Itanagar Heliport was not ready/ fit to commence helicopter operations.

Audit observed that Itanagar heliport was owned by the Government of Arunachal Pradesh and Non-Scheduled Operations were being carried out from this heliport. Thus, the contention of the Selected Airline Operator that heliport is not ready/ fit was not correct, but still considering the same, AAI refunded (October 2021) the Performance Bank Guarantee amounting to ₹31.20 lakh to the Selected Airline Operator instead of forfeiting the same, though the Selected Airline Operator was in default.

MoCA, in its reply stated (October 2022/January 2023) that Performance Bank Guarantee has been returned to Selected Airline Operator because the UDAN-2 Scheme allows Scheduled Commercial Operations, and unless any other orders by MoCA/ AAI have been put into place, Selected Airline Operators cannot be expected/ required to commence operations under Non-Scheduled Operations and therefore, cannot be penalised for not doing so. MoCA further stated that imposing penalty on an airline after changing the allowed conditions post the award of routes to mandate the Selected Airline Operator to operate the route, may not be a fair practice.

The reply of the MoCA is not acceptable as MoCA, vide its communication (November 2019), allowed the RCS operation under Non-Scheduled Operations for the routes awarded under RCS-UDAN-2 by relaxing the conditions for operations of helicopters

whereas, request of the Selected Airline Operator to cancel the route was received later during October 2020. The fact that Non-Scheduled Operations were being carried out from this heliport despite non-obtaining of license from Directorate General of Civil Aviation was also not refuted. The operations could not commence as M/s Sky one was not able to acquire the required helicopters.

(b) M/s Heritage (Selected Airline Operator) entered (August 2018) into agreements with AAI for Chinyalisaur–Sahastradhara, Gaucher-Sahastradhara and Sahastradhara–Gaucher routes after furnishing the Performance Bank Guarantee amounting to ₹10.22 lakh, ₹46.45 lakh and ₹24.78 lakh respectively. The Selected Airline Operator commenced operations on these three routes on 8 February 2020 and discontinued RCS operations on 16 March 2020 due to the Covid pandemic situation. M/s Heritage requested (18 February 2021) to surrender the routes stating that heliports were not ready for operations under Scheduled Commercial Operations. AAI considered the request of M/s Heritage and terminated/cancelled the routes on 26 March 2021 and decided to refund the Performance Bank Guarantee amounting to ₹81.45 lakh.

Audit observed that as the Selected Airline Operator had already commenced operations on the above-mentioned RCS routes in the month of February 2020 as Non-Scheduled operator for helicopters and continued up to March 2020, the contention of the Selected Airline Operator that heliports were not ready for operation and accepting the same and thereby refunding the Performance Bank Guarantees by the implementing agency was found to be not in order.

MoCA, in its reply (October 2022/January 2023), stated that Selected Airline Operator commenced the Non-Scheduled Operations on these networks from 8 February 2020 to 16 March 2020. The operations were discontinued on 16 March 2020 due to COVID-19 lockdown and subsequently Selected Airline Operator (M/s Heritage) requested AAI to surrender the route stating that the required spare parts were not available from abroad. The routes were terminated with the approval of competent Authority. MoCA further stated that imposing penalty on an airline after changing the allowed conditions post the award of routes to mandate the Selected Airline Operator to operate the route may not be a fair practice. Though the Selected Airline Operator in good faith tried to operate under Non-Scheduled Operations, it does not mean it has to mandatorily keep doing so.

The reply of the MoCA may be viewed in light of the fact that the Selected Airline Operator had quoted the reason as non-readiness of heliports for Scheduled Commuter Operator operations while requesting the return of Performance Bank Guarantee whereas the operations were carried out by the same Selected Airline Operator on the awarded route under Non-Scheduled Operations. Further, MoCA/implementing agency, from time to time, allowed (September 2020 and January 2021) operational relaxation/ Flexibility to Selected Airline Operator due to COVID pandemic. However, Selected Airline Operator, instead of availing the relaxations as allowed, requested to surrender the route and the same was accepted and its Performance Bank Guarantee amounting to ₹81.45 lakh was returned, which was in-contravention of clause 17 of Selected Airline Operator Agreement. Further, the condition of operation was relaxed instead of changing the same. In the instant

case, initially commencing of operations as per the relaxation extended and subsequently returning the Bank Guarantee on the ground that the relaxation extended is a change in the condition of award was not fair.

(iv) Consideration of truncated routes in lieu of Heliport routes

The RCS networks Shimla-Mandi-Dharamshala-Mandi-Shimla, Shimla-Mandi-Kullu-Manali-Kullu-Mandi-Shimla and Chandigarh-Kasauli/ Baddi-Shimla-Kasauli were awarded to M/s Pawan Hans Limited, a Central Public Sector Undertaking, in January 2018. However, as the heliports from which the operations were proposed to be commenced were not ready for operations, Pawan Hans Limited sought permission to operate on the following truncated routes:

1. Shimla-Dharamshala-Shimla in place of Shimla-Mandi-Dharamshala-Mandi-Shimla.
2. Shimla-Kullu-Shimla in place of Shimla-Mandi-Kullu-Manali-Kullu-Mandi-Shimla
3. Chandigarh-Shimla-Chandigarh in place of Chandigarh-Kasauli-Shimla-Kasauli

A similar proposal was also received from M/s Heritage to commence such operations on truncated routes in the state of Uttarakhand but the same was not approved by MoCA. However, the proposal received from M/s Pawan Hans Limited was approved (6 February 2019) by MoCA.

Later on, the above-mentioned routes were also awarded (March 2019) to M/s Heritage Aviation for fixed wing operations under UDAN-3. The difference of Viability Gap Funding paid on truncated heliport routes and fixed wing operations are mentioned in Table 5.1 as given below:

Table 5.1
Difference of VGF paid on truncated heliport routes and fixed wing operations routes

Sl. No.	Truncated route permitted/ fixed wing route awarded	VGF Cap for Helicopter operations (in ₹)	VGF Cap for Fixed Wing Operations (in ₹)	Difference (in ₹)
1.	Chandigarh-Shimla	7,380	1,300	6,080
2.	Shimla-Kullu	8,520	1,745	6,775
3.	Shimla -Dharamshala	9,700	2,615	7,085

(Source: RCS Cell)

It is evidenced from the above table that the quantum of VGF to be paid at heliport routes was much higher than fixed wing routes. As per approval by MoCA, the permission for operations on truncated routes was for a period of six months only. However, this arrangement was extended up to a period of three years from the date of commencement of operations on such routes.

Thus, MoCA permitted to commence helicopter operations by allowing substantially higher VGF rates applicable for helicopters on such truncated routes that were actually

fixed wing routes. The substantially higher VGF was paid out from Regional Air Connectivity Fund which is primarily funded out of Regional Connectivity Fund levy on other domestic passengers.

MoCA, in its reply (October 2022/January 2023) stated that the reasons for non-commencement of helicopter operations were non-obtaining of Schedule Commuter Operation permit, non-certification/authorisation of heliport by Director General of Civil Aviation. It was further mentioned that there was demand from State Governments for early commencement of Helicopter operations. Few State Governments also requested to commence heliport operations on truncated routes even if certain heliports are not ready or not certified/authorised by Director General of Civil Aviation. Thereafter, the operations on truncated routes were allowed by MoCA and it is wrong to say that routes were not RCS routes. MoCA further replied that for M/s Heritage Aviation Pvt. Ltd, proposal was not approved by MoCA and it was decided that meeting was to be convened between State Government and the Helicopter operators to finalise the timeline for operations availability of infrastructure and availability of Helicopters etc., to reconsider the proposal.

The reply of the MoCA needs to be seen in light of the fact-that the route allowed were not in line with the network as awarded to the Selected Airline Operator. Further in line with clause 1.4.1.16 of the scheme document for treating a route as “RCS route” (heliport route), at least one of the originating or destination point should either be RCS route or RCS heliport. But in the instant case, neither of the destination and terminating points was a heliport. The Airfare cap as well as VGF cap for operations through helicopters was substantially higher than fixed wings operations. Though the operations were not carried out from the RCS heliport as stipulated in the Scheme, still the VGF as well as Air fare cap was allowed for Heliport operations. Thus, in line with the provisions of the scheme, the same was not a RCS route (heliport route) and hence was not eligible for VGF for helicopter operations.

(v) Performance of Helicopter routes operated by M/s Pawan Hans Limited and M/s Heritage Ltd.

Out of the 56 routes awarded to Pawan Hans Limited, it could commence operations on 30 routes (54 *per cent*) only, whereas M/s Heritage was awarded eight routes, out of which it could commence operations at four routes (50 *per cent*) only till March 2023.

Clause 3.3.1.3 of the scheme document provided that “for helicopters with passenger seating capacity of less than or equal to 13 seats, a Selected Airline Operator shall be required to provide 100 *per cent* of RCS Flight Capacity as RCS Seats. Accordingly, the Selected Airline Operator was eligible to get VGF reimbursement on its full capacity irrespective of the number of actual passengers travelled.

During audit, the performance of routes where operations had commenced was evaluated for the period January 2020-March 2023 and it was observed that:

Pawan Hans Limited

- i) The total number of helicopter flights on 30 routes by M/s Pawan Hans Limited (PHL)

were 4,313 during the period January 2020 to March 2023. The maximum sitting capacity of the deployed helicopters was 11 passengers and accordingly AAI had paid a total VGF of ₹30.48 crore to M/s PHL for the operations carried out during this period.

- ii) As against the total of 47,323 seats⁵⁴ for which VGF had been paid to M/s Pawan Hans Limited, the actual passengers travelled during this period were only 9,656. Thus, against the available seats, the occupancy (load factor) was only around 20 *per cent*.
- iii) It was further noticed that in absence of any deterrent clause in the agreement, there were several instances where no passenger actually flew on a particular route to and fro but still the Selected Airline Operator had operated empty flights on that route. Out of 4,313 flights, during January 2020 to March 2023 the total number of such 'zero-passenger' to and fro flights/journeys was 780 i.e., 18 *per cent* of all the flights. The VGF paid for such flights i.e., without any passengers amounted to ₹ 5.31 crore, which was wasteful expenditure.

M/s Heritage Limited

- i) The total operations on the four routes by M/s Heritage Ltd during the period January 2020 to March 2023 was 238. The maximum sitting capacity of the deployed helicopters was six passengers. Accordingly, AAI had paid VGF amounting to ₹1.17 crore to M/s Heritage Limited for the operations carried out during this period.
- ii) Against the total number of 1,428 seats for which VGF had been paid, the actual passengers travelled during this period were 639 only. Thus, the occupancy (load factor) was nearly 45 per cent.
- iii) Out of the 238 flights, the total no. of 'zero-passenger' to and fro flights/trips were four during the period from January 2020 to March 2023.

MoCA, in its reply (October 2022/January 2023), stated that VGF would be continued to be disbursed and admissible irrespective of the occupancy to make sure that regularity and certainty of air operations is maintained. Further, the Selected Airline Operator is to achieve 70 *per cent* operational performance as per schedule. The inability of the Selected Airline Operators to do so without any valid reasons, would be construed as an event of default and could attract forfeiture of performance bank guarantee. For Pawan Hans Limited, MoCA further stated that other possibilities of implementation with regard to operations without passengers were explored and found to be highly susceptible to fraud by operators. These above provisions have been laid down in the scheme with the aim of making operation on the routes financially viable for the Selected Airline Operators and to ensures that the Selected Airline Operators are guaranteed of the stability and continuity of VGF flow during the agreement period.

MoCA, in its reply, admitted that the VGF was paid for flights with "Zero Passengers" in line with the provisions of the scheme.

⁵⁴ 4,313 (i.e., Number of helicopter flights) X (maximum seat capacity i.e., 11 /6)

MoCA should have devised a suitable mechanism whereby without the need to actually fly, such zero passenger flights could have been counted towards performance of the Selected Airlines Operators while also avoiding unwarranted disbursement of VGF to airlines.

Moreover, operating these zero passenger flights may also attract environmental hazards.

(vi) Non-Consideration of actual time of flight duration

For the fixed wings operations, the Airfare cap and Viability Gap Funding (VGF) cap was linked with the stage length but for the heliport operations, the airfare cap and VGF cap was based on the flight duration (in minutes). AAI awarded (January 2018) two routes i.e., from Sahastradhara to Chinyalisaur and Gauchar to Sahastradhara to M/s Heritage Aviation Pvt Limited (Selected Airline Operator) under RCS/UDAN-2. The total flight duration as per Letter of Award was 36 minutes and 46 minutes respectively. However, as per the flying detail records furnished by Selected Airline Operator to Uttarakhand Civil Aviation Development Authority, the average time for the heliport operations at the respective route was 13.93 minutes and 29.48 minutes respectively during the month of March 2020. Audit observed that:

- i) As per average duration of time, the maximum airfare cap should have been of ₹2,480 in both the cases against the stipulated airfare cap of ₹3,320 and ₹4,120 for Sahastradhara to Chinyalisaur and Gauchar to Sahastradhara respectively. Thus, the all-inclusive air fare cap was higher by ₹840 and ₹1,640 per RCS seat respectively.
- ii) Similarly, VGF per seat as per average duration of time should have been ₹1,470 and ₹6,200 instead of ₹8,520 and ₹9,700 respectively. Thus, excess VGF of ₹7,050 and ₹3,500 per RCS seat was disbursed to Selected Airline Operators for Sahastradhara to Chinyalisaur and Gauchar to Sahastradhara helicopters operations respectively.

MoCA replied (October 2022/January 2023) that the source of information received by audit team is from Uttarakhand Civil Aviation Development Authority which may not be considered as a technical source for flight duration and in no way qualified to provide inputs on such matters, regardless of their presence at the heliport. These helicopter operations are restricted to priority areas only which are difficult terrain and more helicopter operators are not participating due to higher operational cost than VGF. Flight time was finalised by the flight path plan expert and submitted by Airline during bidding. On basis of Flight Path Plan, time duration of the said helicopter routes, is finalised by the Air Traffic Management, Air Space Management, Directorate of AAI and Directorate General of Civil Aviation being expert in such kind of task. It was also mentioned that when the direct route was not available, the operations were carried out through valley route where the time consumed was more.

The reply of MoCA needs to be viewed in light of the fact that the heliport is owned by the State Government and Uttarakhand Civil Aviation Development Authority, being the related Government owned agency, was managing the helicopter operations at the heliports. Audit has considered the journey period data furnished by Selected Airline Operator to Uttarakhand Civil Aviation Development Authority available at the heliport. The MoCA did not provide/attach any documentary evidence regarding flight path plan

along with reply. Thus, the contention of the MoCA that Uttarakhand Civil Aviation Development Authority is not qualified to provide inputs is not tenable.

The assertion of MoCA that operations through valley route in case of unavailability of direct route consume more time indicates that the actual time taken may be less in ordinary/ normal circumstances.

Recommendation 10

A suitable mechanism should be devised for helicopters operations to consider the actual time of travel for determining maximum air fare cap as well as VGF requirement to make helicopter operations under RCS more affordable to the public.

5.2 Concessions/ support from the State Governments to implement the scheme in the respective States

As per clause 2.1.2.3 of the scheme, State Governments were required to provide certain concessions like Value Added Tax on Aviation Turbine Fuel at reduced rate of one *per cent* or less to Selected Airline Operator, electricity and water at concessional rates, hinterland connectivity to RCS airport, providing the minimum required encumbrance free land for development of RCS airports free of cost, Security and Fire services at airports free of cost at RCS Airports within jurisdiction of the State. The review of concessions/ supports extended at the respective RCS airports by the concerned State Governments revealed the following:

5.2.1 Provision of security and fire services at airports free of cost

Clause 2.1.2.3 (d) of the scheme stipulates that it is the obligation of the respective State Governments to provide security and fire services free of cost at RCS Airports through appropriately trained personnel and appropriate equipment as per applicable standards and guidelines by relevant agencies. A Memorandum of Understanding (MoU) was accordingly entered with each State Government, where the RCS operations were commenced. As per the stipulation of the MoU, State is required to bear the cost of security and fire services at its own.

Audit observed that out of 35 airports/ water aerodromes/ heliports test checked , the airport owning agencies at 14 airports (**Annexure-V**) were bearing the cost of provision of security and fire services instead of the respective State Governments. In this regard, an expenditure amounting to ₹45.28 crore was incurred by airport owning agencies (up to March 2022) and was not reimbursed by the respective State Governments as required under the MoU entered with the respective States.

MoCA, in its reply, accepted (October 2022/January 2023) the observation and stated that the matter is being followed up with respective State Governments to get the reimbursements.

5.2.2 Provision of electricity and water at concessional rates

Clause 2.1.2.3 (e) of the scheme stipulates that the State Governments will provide electricity, water and other utility services at substantially concessional rates at RCS

Airports. Accordingly, compliance by the State Governments in providing the concession as stipulated in the scheme as well as the Memorandum of Understandings entered were reviewed by Audit at 35 test checked airports/ heliports/ water aerodromes and it was observed that at nine airports (**Annexure-VI**), electricity and water were not provided at concessional rates by the respective State Governments. As a result, airport owning agencies were paying electricity and water charges at regular rates. The total amount paid towards the water and electricity charges at these airports by the airport owing agencies worked out to ₹10.46 crore for the period from April 2017 to March 2022, against which no concessions were extended by the concerned State Governments.

MoCA, in its reply (October 2022), accepted that States were supposed to provide electricity, water and other utility services at concessional rates for the RCS airports and stated that AAI's Airport Directors at the respective airports were following the matter with the State Governments for adhering to the terms of Memorandum of Understanding and not charge full amount on account of these services to the RCS Airports.

(ii) Audit further observed that for the development related works executed by the State Government of Haryana, a payment of ₹8.75 crore was released by Implementing Agency in July 2020. Later, a payment of ₹14.83 crore was again released by the Implementing Agency to State Government of Haryana. Audit observed that ₹14.83 crore also included the civil items costing to ₹2.94 crore for which payment was already made while releasing the payment of ₹8.75 crore in July 2020.

MoCA, vide its reply (January 2023), stated that on reconciliation, if it is found that any excess amount was paid to the State Government of Haryana with reference to MoU/Scope of work, the State Government will be asked to refund the excess amount.

5.3 Compliance to the Tender Document

Notice Inviting e-Proposal stipulated that an applicant shall not be eligible to submit a proposal and may be disqualified if it had previously committed a default under a Selected Airline Operator Agreement. Further, as per the event of default prescribed in Selected Airline Operator Agreement, if airline failed to operate at least 70 *per cent* of the flights for a period of three months or for an aggregate period of four months within a continuous period of six months shall be considered as event of default.

Audit observed that:

- i) Without the eligibility of two bidders namely, Air Odisha and Deccan Charter and poor performance of one bidder M/s Zoom Airlines, who failed to commence the operations in previous awarded three⁵⁵ routes within six months from the issuance of Letter of Award and stoppage of operations in one⁵⁶ route, these airlines were declared as L-1 bidders in 54 routes out of 108 routes as test checked in audit upto UDAN-3. Out of three airlines, one airline i.e., M/s Zoom Airlines/ZEXUS was awarded 34 routes. However, another 20 routes were not awarded to remaining

⁵⁵ Kolkata- Jorhat-Pasighat-jorhat-Kolkata, Kolkata-Jorhat-Tezu-Jorhat-Kolkata and Lucknow-Allahabad-Kolkata

⁵⁶ Kolkata-Tejpur-Kolkata

two ineligible airlines considering the past performance of the bidders.

- ii) Further, out of 34 routes awarded to a bidder i.e., M/s Zoom Airlines (against whom the notice of non-performance was initiated before the commencement of bidding process), operations could commence only on four routes, which were also subsequently discontinued (after completing the mandatory one-year period⁵⁷).

MoCA replied (October 2022/January 2023) that most of the Selected Airline Operators were new entrants to the aviation industry and as such faced a lot of challenges in seeking statutory clearances to start the operations. The delay in commencement of operations by the Selected Airline Operators were due to certain logistic issues such as availability of aircraft, crew and others, that were not under reasonable control of the airlines apart from non-readiness of airports. It was further mentioned that Steering Committee meeting held on 25 August 2021 and 2 March 2022 and RCS Approval Committee meeting held on 10 September 2018 had recognised all these issues and have condoned all such delays. MoCA further added that M/s Deccan Charter Pvt. Ltd. and M/s Air Odisha Aviation Pvt. Ltd. did not participate in UDAN-3 commenced in the month of October 2018 and till commencement of bidding under UDAN-3, M/s Zoom Air was not declared defaulter.

The reply of the MoCA needs to be viewed in light of the fact that Notice Inviting e-Proposal for UDAN-3 was issued in October 2018 and in the referred Regional Connectivity Advisory Board meeting (10 September 2018), it was recommended to terminate the networks awarded to M/s Air Odisha and Deccan Charter and to issue notice to M/s ZEXUS in view of their non-performance. Since the notice of non-performance was already initiated before the commencement of bidding process, cognisance of the same should have been taken while considering the bid of the bidder.

Further, two airlines i.e., M/s Deccan Charter Pvt. Ltd. and M/s Air Odisha Aviation were found to be ineligible in September 2018. But, both the airlines participated under UDAN-3.1 which was an extension of UDAN-3 and under the scope of audit, the whole process inclusive of extension of UDAN-3 was covered. The decision of Steering Committee was not relevant as these were taken subsequent to the completion of bidding process in February 2019. The fact remains that out of 108 routes test checked, 34 routes were awarded to non-performer bidder, wherein operations could commence only on four routes which were also subsequently discontinued after completing the mandatory one-year period.

5.4 Compliance of Selected Airline Operator Agreement

Selected Airline Operators were required to enter into Selected Airline Operator Agreements within the stipulated time frame of 15 days from Letter of Award under UDAN-1, which was subsequently revised to 30 days under UDAN 2. Performance Bank

⁵⁷ *One year mandatory period is the period after which a Selected Airline Operator may cease RCS Flight operations after commencing the operation citing any reason. Such cessation of operations would not be considered as default on the part of Selected Airline Operator.*

Guarantee, Additional Performance Bank Guarantee⁵⁸ were required to be furnished before execution of Selected Airlines Operator Agreement. The Selected Airline Operators were supposed to commence operations on the awarded routes within six months from the date of issue of Letter of Award. Deficiencies observed by Audit in this regard are detailed in the subsequent paragraphs:

5.4.1 Commencement of operations prior to execution of Selected Airlines Operator Agreement

As per conditions of Letter of Award, selected airline operators were required to execute the Selected Airlines Operator Agreement within 15/30 days from the issue of Letter of Award. Audit observed that in 86 routes (24 *per cent*) out of 357 routes, the operations were commenced even prior to execution of the Selected Airlines Operator Agreement. In the absence of Selected Airlines Operator Agreement, the legal obligations (*viz.*, selling of RCS seats prior to non-RCS seats, adherence to airfare cap and flight schedules etc., as mentioned in Selected Airlines Operator Agreement) on the part of Selected Airline Operators were not enforceable by AAI. The Agreements between AAI and Selected Airlines Operators were signed with a delay ranging from 1- 282 days from the date of commencement of RCS operation on the 86 routes.

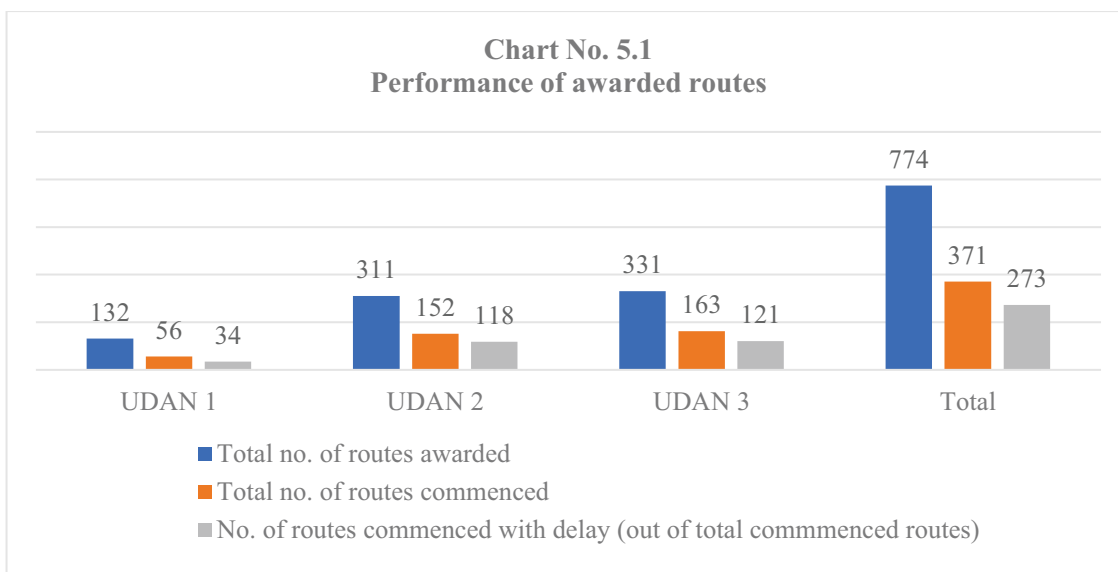
MoCA, in its reply (October 2022/January 2023), accepted the fact that in certain cases, the operations were commenced prior to execution of Selected Airlines Operator Agreement due to unavoidable circumstances and to expeditiously commence the RCS operations to provide air connectivity to unserved and underserved areas of the country. It was further mentioned that the legal obligations are enforceable as per the clause of Notice Inviting e-proposal and scheme documents provided to the Selected Airline Operator at the time of bidding. The legal provisions are in place with the issue of the Letter of Award based on the offer of the Selected Airline Operator and Selected Airlines Operator Agreement is a mere formality.

MoCA, in its reply, accepted that operations were commenced prior to signing of Selected Airlines Operator Agreements. The Notice Inviting e- Proposal is an offer given by the implementing agency to prospective bidders, which can not be treated as legal document until signing of an agreement by both the parties. The legal provisions are enforceable after the consent of both the parties on the related terms and conditions in the form of execution of the agreement.

5.4.2 Commencement of operations on the awarded routes

As per clause 5 (a) of Letter of Award, the Selected Airline Operators were required to commence operations within six months from the date of issuance of Letter of Award or readiness including licensing of RCS airport by Directorate General of Civil Aviation, whichever is later.

⁵⁸ *In the event that RCS airport is non-operational and/or requires investment of ₹ 5 crore or more for rehabilitation/upgradation of infrastructure by the respective airport owner.*



Audit observed that out of total 774 routes awarded, operations on only 371 routes (48 per cent) could be commenced. Further, out of 371 commenced routes, 273 routes commenced with average delays of 379 days. The details of routes commenced *vis-a-vis* routes commenced with delay under the various phases of scheme are given in the chart no 5.1 given as above.

Audit further observed that out of remaining 403 routes, the operations at 70 routes could not be commenced in absence of readiness of respective airports/heliports/water aerodromes. In case of the remaining 333 routes, the reasons for non-commencement of operations were attributable to the Selected Airline Operators.

MoCA, in its reply (October 2022/January 2023), stated that with the award of route, the Selected Airline Operator takes action for procuring the aircraft, recruitment of additional manpower and various statutory approvals from a plethora of government agencies. These regulatory requirements are also very arduous and most of the Selected Airline Operators, who are new entrants have faced a lot of unforeseen challenges. It has so happened that when the infrastructure got ready, the Selected Airline Operators were not able to start the operations. Further, the impact of Covid and its various lockdown/restrictions, can not be understated on both, the Selected Airline Operator own cash flows and operational plans. Cognisant of this impact, the Steering Committee (August 2021) condoned all the past cases in operationalisation of commencement of operations beyond stipulated date. MoCA further stated that the observation of Audit has been noted and will be considered at appropriate level.

MoCA, in its reply has accepted that there were delays in commencement of operations. Further, Selected Airline Operators were aware of all the requirements prior to submission of bids and a period of six months to commence operations was allowed considering all these aspects. The cases considered in the audit were routes awarded up to February 2019 whereas the decision referred was taken in August 2021. Reply of MoCA indicates that instead of taking a decision timely, the delays were *ex-post facto* got condoned. MoCA, being the administrative ministry concerning Civil Aviation in the country, instead of

taking shield behind the “various statutory approvals from a plethora of government agencies” that an airline is required to obtain before commencement of operations, should have taken the lead and ensured ease of doing business in the sector by preferably adopting a single window system.

Recommendation 11

A mechanism should be devised to facilitate the Selected Airline Operators in obtaining the approvals/clearances timely. Further, the stipulations of the Selected Airline Operator Agreement should also be adhered.

5.4.3 Collecting Additional Performance Bank Guarantee

Clause 3.15.3 of the Regional Connectivity Scheme (UDAN-1 and 2) stipulated that in the event an RCS Airport is non-operational and/ or requires investment of ₹5 crore or more for rehabilitation/ upgradation of airport infrastructure by the respective airport owner/ operator to make such RCS airport operational for a proposed RCS flight operation, the Selected Airline Operator shall be required to submit an additional performance guarantee for an amount of ₹1 crore to the Implementing agency within a period of 30 days from the date of issuance of letter of award. In case the Selected Airline Operator failed to commence RCS flight operations on or prior to the deadline for commencement of operations (Clause 22.3 of Notice Inviting E-proposal), the proposal security as well as additional performance guarantee were liable to be forfeited by the implementing agency i.e., AAI.

The limit of investment for making the RCS Airport operational was further enhanced to ₹50 crore from in subsequent version of RCS (UDAN-3) for submission of additional performance guarantee of ₹1 crore by the Selected Airline Operators. Similar provisions were also included in the clause 14.5 of Notice Inviting e-proposals, while inviting bids for the routes.

Audit observed that:

1. Relevant provisions for obtaining the additional performance guarantee was not included in the Selected Airlines Operator Agreement executed with Selected Airline Operators. Non-obtaining the additional performance guarantee would enhance the financial risk of the implementing agency, where Selected Airline Operators did not commence operations even after completion of the required works at the airports.
2. Out of the 87 test checked routes where operations were commenced, there were 18 cases where the expenditure of more than ₹5 crore/ ₹50 crore (as applicable) was incurred but the additional performance guarantee was not furnished by the Selected Airline Operators in all the 18 cases.
3. In case of four routes, where the additional performance guarantee of ₹4 crore was not furnished by the Selected Airline Operators, the operations were discontinued even before completion of one year.

MoCA, in its reply (October 2022/January 2023) stated that the intent of having additional performance guarantee was to bind the airlines to operate on the RCS airports which were developed with a significant investment due to their bids connecting such airports. Many of the airports were operational airports and did not require an initial investment of more than ₹ 5/ 50 crore to start the operations. Hence the additional performance guarantee was not collected from the airlines. It was also mentioned that certain AAI airports (Allahabad, Jharsuguda, Shimla, Bhatinda, Kandla, Kolhapur, Ludhiana, Adampur, Pantnagar, Kishangarh and Bikaner) were already in operation as AAI had already invested through its own resources in development.

Reply of the MoCA needs to be seen in the context that additional performance guarantee was invariably required in the event an RCS airport was non-operational and /or required investment of ₹ 5/ 50 crore or more. Further, the statement of MoCA that certain AAI airports were developed through investment of AAI resources is not correct as, in all the cases, the expenditure incurred was out of the budgetary support towards the development of these airports and was more than ₹5/ 50 crore.

Recommendation 12

To bind the airlines to operate from RCS airports, the stipulation to obtain additional performance guarantee should be adhered in true spirit.

5.4.4 Submission of Performance Guarantee and inclusion of penal interest clause in agreements

Rule 171 of General Financial Rules 2017 provides that to ensure performance of the contract, performance security is to be obtained from the successful bidder. Further, clause 6.1.6.3 of AAI Manual for Procurement of Goods and Services 2018 provides that in case contractor fails to submit the performance bank guarantee within the stipulated period, interest at 12 *per cent* per annum on performance bank guarantee⁵⁹ would be levied (non-refundable) for the period.

As per the Notice Inviting e-Proposal as well as the Letters of Awards issued, Selected Airline Operators were required to submit Performance Guarantees⁶⁰ to the implementing agency within a stipulated time frame of 15/30 days under UDAN-1 and 2.

Audit observed that no penal interest clause was incorporated in the Notice Inviting e-proposal, Letter of Award or Selected Airlines Operator Agreement for ensuring timely submission of performance guarantee by the Selected Airline Operators. Further, a review of compliance in this regard revealed that in 55 out of 87 routes test checked in audit, performance guarantee were submitted to AAI with the delay ranging from seven to 832

⁵⁹ *Performance Guarantee shall mean a security in the form of an unconditional and irrevocable bank guarantee to be submitted by the Selected Airline Operator to the Implementing Agency*

⁶⁰ *As per clause 3.15.2 of the scheme document, at the time of signing the Selected Airline Operator Agreement, the Selected Airline Operator will be required to submit a Performance Guarantee to the Implementing Agency for an amount equivalent to five per cent of the total VGF amount to be provided to such Selected Airline Operator in the first year of its operations, subject to a minimum of ₹ Five lakh per RCS Route.*

days.

MoCA, in its reply (October 2022/January 2023), stated that the commencement of operations, execution of Selected Airlines Operator Agreement and submission of performance guarantees are part of an interconnected process. The delay in commencement and execution of Selected Airlines Operator Agreement had also delayed submission of performance guarantee by Selected Airline Operator. The Steering Committee (August 2021) had condoned all the past cases of commencement of operations beyond the stipulated date. MoCA further stated that the provision of Penalty was not kept as the same could adversely affect the scheme.

MoCA's response is silent about non-incorporation of penal clause in line with the AAI manual.

Ministry has now introduced (April 2023) penal clause i.e., forfeiture of Proposal Security, if the Selected Airline Operators fail to furnish the Performance Guarantee, within the specified time limit, in UDAN 5.0.

5.5 Procurement of Airfield Crash Fire Tenders

Clause 2.1.2.3 (d) of UDAN Scheme stipulates that the provision of Fire and Security services at free of cost at RCS airports is the obligation of the State Governments. MoCA decided (February 2018) to procure Airfield Crash Fire Tenders out of budgetary support and to deploy the same at RCS airports. AAI accorded (March 2018) approval for initiation of procurement of 49 Airfield Crash Fire Tenders. Accordingly, Global e-Tender was issued (18 April 2018) with closing date for submission of bids up to 17 May 2018 for procurement of 49 Airfield Crash Fire Tenders of 6000 Liters water capacity at an estimated cost of ₹253.07 crore.

The single bidder i.e., M/S Rosenbauer International AG had quoted (September 2018) ₹ 295.98 crore for 49 Airfield Crash Fire Tenders. However, after reverse auction⁶¹ and two rounds of negotiation, the vendor finally offered to supply 49 Airfield Crash Fire Tenders at ₹241.97 crore i.e., ₹493.82 lakh for each Airfield Crash Fire Tender.

Audit noticed that a similar type of tender for procurement of 31 Airfield Crash Fire Tenders was initiated in June 2017 and finalised in March 2018 i.e., just one month before initiation of tendering process of 49 Airfield Crash Fire Tenders, wherein out of four bidders (including M/S Rosenbauer International AG) L-1 bidder, M/s National Fire Fighting Manufacturing FZCO, quoted ₹ 451.35 lakh for each Airfield Crash Fire Tender. The purchase order was placed (March 2018) on M/s National Fire Fighting Manufacturing FZCO, Dubai at ₹139.92 crore.

Audit observed that as the number of airports under RCS operations were already finalised from March 2017 to January 2018 and one Airfield Crash Fire Tender at each

⁶¹ *Reverse Auction means an online real-time purchasing technique utilised by the procuring entity to select the successful bid, which involves presentation by bidders of successively more favourable bids during a scheduled period of time and automatic evaluation of bids*

airport was bare minimum requirement as per fire safety requirement to commence RCS operations. Had the implementing agency i.e., AAI assessed the total requirement at one go instead of procurement in different lots, it could have saved of ₹ 20.81 crores⁶² incurred on procurement of second lot of Airfield Crash Fire Tender. Further, as per variation clause (i.e., increase in quantity of Airfield Crash Fire Tender upto 50 per cent at awarded cost during contract period of 12 months) mentioned in the purchase order dated 5 March 2018 for procurement of 31 Airfield Crash Fire Tenders, AAI had an option to procure 15 Airfield Crash Fire Tender at ₹ 451.35 lakh instead of ₹ 493.82 lakh. By not enforcing the same clause, AAI had incurred extra expenditure of ₹ 6.37 crore (₹ 42.47 lakh x 15).

MoCA replied (October 2022) that the decision to procure 49 Airfield Crash Fire Tenders through call of tenders was taken after the approval of the competent authority.

The reply of MoCA is to be seen in light of the fact that the Audit is commenting on non-assessing the quantity of Airfield Crash Fire Tender on the basis of available information and procuring the same in one go, besides, not exercising the option of placing the repeat order.

Recommendation 13

The implementing agency should assess the requirement of equipment realistically before commencement of procurement process and also exercise the option of repeat order judiciously.

5.6 UDAN International

National Civil Aviation Policy 2016 envisaged increasing the international ticketing to 20 crores by 2027. UDAN International Scheme was launched (October 2018) for enhancing air connectivity between Indian States and International destinations. The objective of the scheme was to stimulate international air connectivity by providing financial support to airline operators to meet the gap, if any, between the cost of operations and expected revenue on such routes.

As per the scheme, operation of UDAN International was proposed through a State Government led mechanism. Accordingly, it was envisaged that the State Governments will identify the list of routes to be connected, airline operators will assess demand on the identified routes, submit proposals for operating/ providing connectivity on such routes; seek financial assistance, if any, while committing to certain minimum operating conditions.

Audit observed that bids under UDAN-International-1 were called for (October 2018) to provide connectivity to Guwahati airport with six international destinations namely Dhaka, Bangkok, Singapore, Kuala Lumpur, Yangon and Kathmandu. Based on the responses received two routes⁶³ were awarded (February 2019) to M/s Spice Jet (i.e Selected Airline Operator). One of the awarded routes (Guwahati-Dhaka-Guwahati)

⁶² ₹20.81 crore = ₹42.47 lakh (i.e, difference between ₹ 493.82 lakh and ₹ 451.35 lakh) X 49

⁶³ Guwahati- Dhaka and Guwahati-Bangkok

commenced (July 2019) operations and that too without entering into an Selected Airline Agreement with AAI. However, the flight operations on this route were withdrawn in September 2019 quoting low demand and non-viability issues by M/s Spice Jet. No VGF was claimed by the Selected Airline Operator in this regard.

Despite the lukewarm response on remaining routes, on the request of Government of Assam (June 2019) and as per directives of MoCA, UDAN-International-2 was launched (July 2019) by MoCA without any changes in the modalities of the earlier version. A single bid for one route (Guwahati-Kathmandu) was received from M/s Spice Jet, which was later withdrawn (5 September 2019) quoting that the route was not commercially viable. Thus, no flights could commence operations in any of the routes under UDAN International 2 and it also remained as unsuccessful as UDAN International 1.

After the failure of UDAN-International-1 and 2, on the basis of consultation with Airlines, State Governments⁶⁴ and stakeholders, UDAN-International-3 was launched (February 2020) by MoCA for enhancing Air Connectivity between Indian States and nine International destinations through 10 routes⁶⁵. Bids were called for the 10 routes in February 2020 with the last date of submission of bids being 25 March 2020. However, in view of spur of Covid cases, the last date of submission of bids were extended up to September 2020. However, no response was received for any of the 10 routes and the tender process was closed/scrapped. Thus, despite three attempts by MoCA/ AAI to operationalise UDAN international routes, the same could not take off.

MoCA replied (October 2022/January 2023) that AAI tried its best by calling the e-bids for UDAN International for three rounds of bidding on the request of State Governments of Manipur, Assam and Odisha in the best interest of society. Further, on the State Governments insistence, UDAN International-4 was launched and on the basis of participation received, two routes have already awarded.

Thus, the fact remains that even after four years from the launch of UDAN-International, till date not much progress could be achieved and even the two routes awarded as stated by MoCA in its reply are yet to become operational.

5.7 Environmental issues

The National Civil Aviation Policy 2016 announced by the MoCA, includes a chapter on Sustainable Aviation. Under this Chapter, MoCA outlined certain areas (i.e., energy conservation, sustainable practices, improvements in emission measurement etc.) where efforts were required to be made by the related stake holders (MoCA/ Airports owning agencies/ Airline operators) to develop a sustainable Indian Aviation Industry. Accordingly, for inclusive and sustainable growth of civil Aviation sector in the country, a white paper on National Green Aviation Policy was developed and placed (March 2019)

⁶⁴ *Assam, Manipur and Odisha*

⁶⁵ *(1) Guwahati-Bangkok-Guwahati, (2) Bhubaneswar-Bangkok-Bhubaneswar, (3) Bhubaneswar-Singapur-Bhubaneswar, (4) Bhubaneswar-Abu Dhabi- Bhubaneswar, (5) Imphal-Mandalay-Imphal, (6) Guwahati-Dhaka-Guwahati, (7) Guwahati-Hanoi-Guwahati, (8) Guwahati-Yangon-Guwahati, (9) Guwahati-Kuala Lumpur-Guwahati, (10) Guwahati-Kathmandu-Guwahati*

on its official website for comments/ inputs from the Stakeholders. However, despite lapse of considerable time till date (October 2022), the Policy on National Green Aviation could not be finalized. Consequently, the provisions as contained in the proposed National Green Aviation policy could not be enforced to develop the sustainable growth of Indian Aviation Industry.

Apart from the provision as mentioned in the National Civil Aviation Policy 2016, compliances to the guidelines as issued by various Central/ State agencies were required to be adhered to while developing/ upgrading a RCS airport under the Regional Connectivity Scheme. Accordingly, compliances to the guidelines issued by the Central/ State regulatory authorities and provisions as contained in National Civil Aviation Policy 2016 were reviewed during audit at the sample selected airports/ heliports/aerodromes⁶⁶ and instances of non-compliance as observed at the respective airports/ heliports/ aerodromes were as follows:

5.7.1 Consent to Establish and Consent to Operate

All new intending project proponents were required to obtain 'No Objection Certificate'⁶⁷ (NOC) from the jurisdictional State Pollution Control Board in the form of 'Consent to Establish' prior to establishment of plant, Industry or process which were likely to discharge sewerage or trade effluent into the environment or may emit any air pollution into the atmosphere. Subsequent to establishment of a Plant, Industry or process, 'Consent to Operate' was required from the respective State Pollution Control Board for enabling commencement of the operations.

However, both 'Consent to Establish' and 'Consent to Operate' were not found to be obtained in case of four airports⁶⁸ and one heliport⁶⁹ out of 27 airports and five heliports. Further, 'Consent to Establish' also was not found to be obtained in case of one airport⁷⁰ and 'Consent to Operate' in case of two airports.⁷¹

MoCA, in its reply (December 2022/January 2023), confirmed that in case of four airports⁷², both 'Consent to Establish' as well as 'Consent to Operate' were not available and 'Consent to Establish' is under process for one airport i.e., Pakyong and 'Consent to Operate' is under process for two airports i.e., Kushinagar and Rourkela.

5.7.2 Energy Audit

As per Clause "h" of Para-22 of National Civil Aviation Policy 2016, all airports are required to undertake energy audits. However, in case of 13 airports⁷³ (48 per cent of

⁶⁶ *Total number of sample selected airports/heliports/water aerodromes were 35 in numbers (27 Airports +5 Heliports +3 Water Aerodromes). Out of these, the information relating to environment issues was received for 34 airports/heliports except Amravati airports.*

⁶⁷ *In accordance with the Water (Prevention and Control of Pollution) Act, 1974 and the Air (Prevention and Control of Pollution) Act, 1981 no person shall establish or operate without the consent of the respective State Pollution Control Board*

⁶⁸ *Jagdalpur, Jharsuguda, Pithoragarh and Kadapa Airports.*

⁶⁹ *Baddi heliport*

⁷⁰ *Pakyong*

⁷¹ *Kushinagar and Rourkela Airport*

⁷² *Jagdalpur, Jharsuguda, Pithoragarh and Kadapa Airports.*

⁷³ *Jaisalmer, Bhatinda, Hisar, Gwalior, Rupsi, Pakyong, Kadapa, Pantnagar, Kushinagar, Allahabad,*

sample selection) and three heliports⁷⁴ (60 per cent of sample selection), no energy audit was found to be undertaken.

MoCA, in its reply (December 2022/January 2023), accepted that of Energy audit of 13 airports and two heliports (except Baddi) was not conducted as on date.

5.7.3 Waste Management Facilities

As per Clause “h” of Para-22 of National Civil Aviation Policy 2016, all airports should also have their own waste management facilities for solid and liquid waste. However, the required waste management facilities were not found to be available at the 10 airports⁷⁵ (37 per cent of sample selection) and in case of three⁷⁶ heliports (60 per cent of sample selection).

MoCA, in its reply (December 2022/January 2023), accepted that Waste Management facilities were not available at 10 airports and two heliports as on date.

5.7.4 Steps to limit the gaseous emissions

As per Para 22 of the National Civil Aviation Policy 2016, stake holders were required to assess, minimise and mitigate the Carbon Dioxide (CO₂) emission in Indian Aviation Industry. However, the required efforts to limit/ mitigate the emission levels were not found to be undertaken in respect of seven airports⁷⁷ (26 per cent of sample selection) and three heliports⁷⁸ (60 per cent of sample selection). Partial measures were found to have been undertaken at two airports⁷⁹.

MoCA, in its reply (December 2022/January 2023), confirmed that out of seven airports and three heliports, required steps to limit the gaseous emissions was not found to be taken in case of five airports⁸⁰ and two heliports⁸¹.

Thus, from the above, it could be concluded that while developing/ upgrading the RCS airports, the various applicable environmental norms/ requirements were not fully adhered to.

Recommendation 14

The National Green Aviation Policy proposed in March 2019 should be finalized and compliances to various environmental related guidelines issued by Statutory Authorities/Ministries, viz., consent to Establish and Operate, Energy audit, Waste management facilities, etc., should be adhered while upgrading/developing the RCS airports.

Jagdalpur Pithoragarh, Daman Airports

⁷⁴ *Sahashtadthara, Baddi and Chinyalisaur Heliports*

⁷⁵ *Bhatinda, Hissar, Gwalior, Pantnagar, Rupsi, Jharsuguda, Darbhanga, Pakyong, Kadapa, Daman Airports*

⁷⁶ *Sahashtadthara, Baddi and Chinyalisaur Heliports.*

⁷⁷ *Jaisalmer, Bhatinda, Pantnagar, Hubli, Kadapa, Mysore, Daman Airports*

⁷⁸ *Sahashtadthara, Baddi and Chinyalisaur Heliports.*

⁷⁹ *Pakyong and Jharsuguda Airport.*

⁸⁰ *Pantnagar, Kadapa, Daman, Mysore, Bhatinda Airports.*

⁸¹ *Sahashtadthara, and Chinyalisaur Heliports*

CHAPTER VI

Monitoring Mechanism and Internal Controls

KISHANGARH AIRPORT

किशंगरह एअरपोर्ट



Chapter VI

Monitoring mechanism and Internal Controls

Internal control mechanism comprises all the methods and procedures developed to be followed by an organisation while implementing a scheme to achieve the intended objectives timely, effectively and efficiently. Accordingly, certain checks and balances were incorporated in the scheme. MoCA devised certain measures to strengthen the Internal Control mechanism from time to time.

The envisaged internal control mechanisms comprised establishment of institutional mechanisms, formation of various committees at different levels etc. In addition to provisions incorporated in the scheme and the Selected Airline Operators Agreements regarding submission of certain information/ documents by the Selected Airline Operators for verification of their VGF claims with respect to compliance of the scheme provisions like selling of the required number of RCS seats within the fare ceiling, appointment of Independent Auditors, uploading of data in the Government of India's Prayas portal etc. Further, Cabinet Committee on Economic Affairs, while approving the budgetary support of ₹4,500 crore for revival of airports, directed (March 2017) MoCA that an appropriate mechanism may be setup for identification of Airports/ Airstrips for ensuring time bound implementation of the Scheme.

Audit analysed the system of internal controls with reference to the directions issued by MoCA, provisions of schemes and clauses of Selected Airlines Operator Agreement and efficacy of monitoring tools for collection of Regional Air Connectivity Fund levy etc. The deficiencies observed therein are detailed in subsequent paragraphs:

6.1 Review of Institutional Mechanism

MoCA decided to constitute four committees⁸² viz., (1) RCS Approval Committee (Regional Connectivity Advisory Board) (2) Evaluation Committee (3) Fund Management Committee and (4) Steering Committee. In addition, a Project Evaluation Committee was also formed to provide strategic guidance and monitor projects of unserved and underserved Airports/ Airstrips revival with ₹4,500 crore approved by the Cabinet Committee on Economic Affairs. The related observations are detailed below:

6.1.1 Regional Connectivity Advisory Board (RCAB)

Regional Connectivity Advisory Board (also called as RCS Approval Committee) was constituted (November 2016) under the chairmanship of Chairman, AAI and included

⁸² *RCS Approval Committee: To finalise the bidding process for awarding of routes.
Evaluation Committee: To open and evaluate the financial proposals received and submit it to the RCS Approval Committee.
Fund Management Committee: To deals with the financial matters relating to the scheme
Steering Committee: To take appropriate steps in unforeseen situations and to resolve the disputes under RCS as and when referred to the Committee.*

Joint Secretary (Domestic Transport Division), MoCA along with three other members⁸³ for finalisation of the bidding process as per the scheme. Subsequently, in view of the experience gained during implementation of RCS scheme, MoCA authorised (January 2021) the Approval Committee to consider the issues relating to the implementation of the scheme and deviations from the scheme. Further, the Committee was instructed to submit their recommendations on the above issues to MoCA for decision.

Audit noticed that Regional Connectivity Advisory Board took (June 2017) the decision of accepting VGF claims of Selected Airline Operators on self-certification basis going beyond their terms of reference. No documentary evidence in respect of seeking approval of MoCA was furnished to Audit. Thus, taking a crucial decision beyond their terms of reference⁸⁴ had significant impact on the implementation of the scheme as described in para number 4.2.2.

MoCA, in its reply (October 2022), stated that the decision taken by the Approval Committee were in line with the approval/ authorisation of the Secretary MoCA letter dated 6 December 2016 to handle all implementation related matters. There is no irregularity in pre-bidding and post bidding dealt by RCS Approval Committee for respective RCS Scheme.

The reply of the MoCA is not acceptable because Regional Connectivity Advisory Board was not the authorised committee under the Institutional Mechanism (10 November 2016) to take decisions relating to deviation to the provisions of the scheme; the appropriate authority was the Steering Committee headed by Secretary, MoCA. Further, the authorisation (6 December 2016) of the Secretary, MoCA was on a specific case of granting permission to AAI to include a few clauses in the Notice inviting e-proposals and does not confer the power on the Regional Connectivity Advisory Board to deviate from the provisions of the Scheme. Even as per the revised delegation (January 2021), the Regional Connectivity Advisory Board was required to forward to MoCA, its recommendations on matters relating to deviation to the provisions of the scheme for decision.

6.1.2 Fund Management Committee

As per the Institutional Mechanism framework, a Fund Management Committee comprising Member (Finance), AAI as the Chairman and Chief Finance Controller, Finance division of MoCA was to be constituted. Audit observed that the Fund Management Committee was never constituted [detailed in chapter 4 (para 4.3.2)] till March 2022.

MoCA, in its reply (October 2022/ January 2023), accepted the fact that Fund Management Committee was not constituted as envisaged under the Institutional

⁸³ *(i) Representative of Directorate of General Civil Aviation, (ii) Member (Finance), AAI and (iii) Representative from Finance Division of MoCA*

⁸⁴ *As per terms of reference Regional Connectivity Advisory Board was responsible for bidding related decisions for finalisation of bidding process as per the scheme.*

Mechanism framework constituted by MoCA. It was further mentioned that the role of Fund Management Committee was taken over (September 2022) by the Regional Air Connectivity Fund Trust Board. However, the same was done only after being pointed out by Audit in February 2022.

6.1.3 Functioning of Steering and Project Evaluation Committee

A High-Level Steering Committee under the chairmanship of Secretary, MoCA was formed (November 2016) to review the implementation of Scheme and to take corrective measures as envisaged under the Institutional Mechanism. On the other hand, the Project Evaluation Committee was constituted (March 2017) in line with recommendations of Expenditure Finance Committee (July 2016) for providing strategic guidance on project implementation under the chairmanship of Secretary, MoCA. The Steering Committee was required to meet at least twice in a calendar year, whereas Project Evaluation Committee was required to meet once in a quarter.

In case of Steering Committee, till 2021 against the 10 stipulated meetings (two meetings in a year), only six meetings were conducted (no meeting held in year 2017 and one meeting each was held during the year 2018 and 2021). In case of Project Evaluation Committee, only one meeting was conducted in the years 2017, 2018 and 2021 each and two meetings were conducted in the years 2019 and 2020 each respectively.

MoCA, in its reply (October 2022/January 2023), stated that the Steering Committee meetings were held from time to time as per the requirement for effective implementation. It was also mentioned that observation of Audit is noted for future compliance.

However, the fact remains that the prescribed schedule of holding meetings of the High-Level Steering Committee was not adhered to.

6.2 Monitoring on PRAYAS Portal

RCS scheme was being monitored through the PRAYAS portal of Government of India. To assess the progress made, the Portal depicts the total number of routes commenced and number of airports where operations commenced. However, other important parameters such as the number of routes and airports where operations were discontinued subsequent to commencement of operations were not found to be indicated at the portal to evaluate the real progress achieved till a specific date as indicated in Table 6.1 below.

Table 6.1:

Analysis of progress made with regard to award and operationalisation of routes

As on	No. of Total routes awarded (cumulative)	No. of routes commenced as reported on PRAYAS portal (cumulative)	No. of routes Actually Operational (cumulative) as provided by RCS cell email dated 06 May 2022
31 March 2020	774	270	133
31 March 2021	866	349	196
31 March 2022	1,034	415	266

(Source: RCS Cell and Prayas portal)

From the above table, it could be concluded that the actually operational routes were comparatively less (36 per cent) than the total routes where the operations commenced. Thus, the data uploaded by MoCA on the Prayas portal fails to portray the complete picture of the performance of RCS-UDAN scheme.

MoCA, in its reply (October 2022/January 2023), stated that RCS Cell was uploading the data on the Prayas portal as per the template finalised by NITI Aayog. However, MoCA agreed to the suggestion of Audit to approach NITI Aayog to include the additional parameters to present better and true picture of the progress made.

6.3 Appointment of independent auditors

Clause 3.20.5 of UDAN-1 scheme stipulates that the implementing agency may undertake a review/ audit of the performance of a Selected Airline Operator from time to time through independent auditors. In this regard, AAI had arranged/ outsourced the independent audit of four Selected Airline Operators namely Alliance Air, Air Odisha, Spice Jet and Turbo Megha Airways/Tru Jet for reviewing their performance during the year 2017-18.

Though, discrepancies were brought to the notice of the management by the independent auditors (details in **Annexure VII**) like excess disbursement of VGF amounting ₹1.70 crore⁸⁵ to Alliance Air and Tru Jet, charging of higher airfare than the RCS fare cap by Alliance Air and Spice Jet, selling of non-RCS seats prior to RCS seats by Alliance Air, Tru Jet and Spice Jet, no action in respect of the airlines for violations was found taken. Further, MoCA/ AAI did not take any measures to plug the loopholes and ensure compliance to the scheme provisions and the acceptance of Selected Airline Operators' VGF claims on self-certification basis continued without any review despite evident vulnerabilities in the process of disbursing VGF claims.

Audit noticed the continuation of the same type of discrepancies as explained in para number 4.2.2.

⁸⁵ ₹ 1.04 crore- Alliance Air and ₹ 0.66 crore-True Jet

Further, despite being aware of the deficiencies on the part of Selected Airline Operators, no further independent audits of airlines operating RCS routes/ networks was ever conducted. Non-conduct of internal audits coupled with no action on violations highlighted by independent auditors for 2017-18 depicted weak internal controls.

MoCA, in its reply (October 2022/ January 2023), stated that audit report in respect of Air Odisha and Spice Jet has been accepted by the Competent Authority. The audit report in respect of M/s Alliance Air is under review and the appointment of Independent Auditors for compliance audit of Selected Airline Operators for FY 2018-19, 2019-20, 2020-21 and 2021-22 is under consideration.

The reply of the MoCA needs to be viewed in the light of the fact till date no recovery has been made from Air Odisha and recovery of Rs 1.34 lakh from M/s Spice Jet was affected only in September 2022 i.e., after highlighting of the issue by Audit. In case of M/s Alliance Air and Turbo Megha no action has been taken yet. The fact that Independent Auditors for compliance audit of Selected Airline Operators for FY 2018-19, 2019-20, 2020-21 and 2021-22 have not been appointed yet was also accepted by MoCA.

Recommendation No. 15

The performance of the Selected Airline Operators may be evaluated through Independent Auditors without any delay and prompt corrective action should be taken on the auditor's report.

6.4 Adherence to the Government guidelines regarding monitoring of high value projects

As per the guidelines issued by Ministry of Statistics and Programme Implementation (MoSPI), MoSPI was required to monitor projects costing ₹150 crore and above, whereas, for projects costing less than ₹150 crore, the concerned Ministry (i.e., MoCA in this case) was required to monitor.

Audit observed that six projects (Prayagraj, Jharsuguda, Pakyong, Kanpur, Kolhapur and Ayodhya) undertaken under RCS UDAN had values more than ₹150 crore, but information of such projects was not shared with MoSPI, and thereby MoSPI could not perform their role in monitoring all such projects.

MoCA, in its reply (October 2022/ January 2023) stated that all projects were more than ₹150 crore (except Kanpur) and implementing agency clarified in respect of Jharsuguda and Pakyong airport that all individual works at these airports were less than ₹150 crore and hence, did not fall under the Ministry of Statistic and Programme Implementation report category. It was further informed that report for Kolhapur and Ayodhya airport was submitted to MoSPI for the month of October 2022 and for remaining airport projects,

letter is being written to the Engineering Directorate for compliance in this regard.

The reply of MoCA that in case of the three airports viz., Jharsuguda (₹222.24 crore), Pakyong (₹265.67 crore) and Kanpur (₹153 crore), the individual works at these airports were less than ₹ 150 crore is not acceptable since the development of an airport is a single project and all the works relating to the development of the airport should be considered as the part of the project only and not as separate work-wise projects. For Prayagraj, management admitted the audit observation.

Recommendation No. 16

MoCA may review all the ongoing and future contracts in various airports/ heliports/ water aerodromes and strengthen the monitoring mechanism by ensuring that wherever the total project cost exceeds the threshold limit of ₹150 crore, the same is shared with MoSPI for due monitoring.




(R. G. Viswanathan)

**Deputy Comptroller and Auditor General
(Commercial) and Chairman, Audit Board**

**New Delhi
Dated: 25 July 2023**

Countersigned



**(Girish Chandra Murmu)
Comptroller and Auditor General of India**

**New Delhi
Dated: 25 July 2023**

ANNEXURES

Annexure-I (Refer Para No. 1.6.1)**(Selected Airline Operators wise details of routes awarded under phase - 1, 2 & 3 of UDAN)**

Selected Airline Operator	UDAN-1 routes awarded *	UDAN-2 routes awarded *	UDAN-3 routes awarded*	Total routes awarded *	No. of routes operational (as on March 2023)
M/s Ahmedabad Aviation & Aeronautics Limited (AAA aviation)	0	6(0)	0(0)	6(0)	0
M/s Air Odisha Aviation Private Limited	50(0)	0(0)	0(0)	50(0)	0
M/s Airline Allied Service Limited	17(17)	26(16)	52(40)	95(73)	30
M/s Andaman Airways Private Limited	0(0)	0(0)	6(0)	6(0)	0
M/s Aviation Connectivity	0(0)	0(0)	4(0)	4(0)	0
M/s Deccan Charters Private Limited	34(8)	0(0)	0(0)	34(8)	0
M/s Ghodawat Enterprises Private Limited	0(0)	6(4)	40(34)	46(38)	28
Ms Heligo Charters Private Limited	0(0)	1(0)	0(0)	1(0)	0
M/s Heritage Aviation Private Limited	0(0)	14(10)	24(0)	38(10)	0
M/s Interglobe Aviation Limited (Indigo)	0(0)	56(44)	30(26)	86(70)	58
M/s Jet Airways Limited	0(0)	14(10)	16(0)	30(10)	0
M/s Maritime Energy Heli Air Services Private Limited (MEHAIR)	0(0)	2(0)	0(0)	2(0)	0
M/s Pawan Hans Limited	0(0)	56(30)	0(0)	56(30)	20
M/s Pinnacle Air Private Limited	0(0)	2(0)	0(0)	2(0)	0
M/s Skyone Airways Private Limited	0(0)	18(0)	0(0)	18(0)	0
M/s Spice Jet Limited	11(11)	48(26)	77(47)	136(84)	38
M/s Turbo Megha Airways Private Limited (Trujet)	20(20)	20(10)	12(12)	52(42)	0
M/s Turbo Aviation Private Limited	0(0)	28(0)	36(0)	64(0)	0
M/s Zexus Air Service Private (Zoom Air)	0(0)	14(2)	34(4)	48(6)	0
Total	132(56)	311(152)	331(163)	774(371)	174

*(Source: Data furnished by Regional Connectivity Scheme Cell, Airports Authority of India.***Figures in brackets indicate total number of routes commenced*

Annexure-II (Refer Para No. 2.3)**List of 35 Airports, Heliports and Water Aerodromes under UDAN-1, 2 & 3 selected for audit****(₹ in crore)**

Sl. No.	Scheme	Name of Region	Name of Airport	State	Airports/ Water Aerodrome/ Heliports	Owner Agency	Unserved/ Underserved Airports and non-operational/ operational Heliports	Total Expenditure
1	UDAN-1	Eastern Region	Jharsuguda	Odisha	Airport	AAI	Unserved	181
2	UDAN-1	Western Region	Kolhapur	Maharashtra	Airport	AAI	Unserved	168
3	UDAN-1	Northern Region	Prayagraj	Uttar Pradesh	Airport	AAI	Unserved	167
4	UDAN-1	Andhra Pradesh/ Telangana	Kadappa	Andhra Pradesh	Airport	AAI	Underserved	84
5	UDAN-1	Northern Region	Pantnagar	Uttarakhand	Airport	AAI	Underserved	12
6	UDAN-1	Southern Region	Mysore	Karnataka	Airport	AAI	Unserved	10
7	UDAN-1	Northern Region	Bhatinda	Punjab	Airport	AAI	Unserved	1
8	UDAN-1	Northern Region	Jaisalmer	Rajasthan	Airport	AAI	Unserved	1
9	UDAN-1	Western Region	Mithapur	Gujrat	Airport	Private	Unserved	15
10	UDAN-1	Southern Region	Hosur	Tamil Nadu	Airport	Private	Unserved	6
11	UDAN-1	Eastern Region	Rourkela	Odisha	Airport	PSU	Unserved	26
12	UDAN-1	Eastern Region	Jagdalpur	Chhattisgarh	Airport	State Govt.	Unserved	56
13	UDAN-1	Northern Region	Gwalior	Madhya Pradesh	Airport	Defence	Underserved	4
14	UDAN-2	Northern Region	Hissar	Haryana	Airport	State Govt.	Unserved	29
15	UDAN-2	Northern Region	Aligarh	Uttar Pradesh	Airport	State Govt.	Unserved	21
16	UDAN-2	Northern Region	Pithoragarh	Uttarakhand	Airport	State Govt.	Unserved	9
17	UDAN-2	Eastern Region	Darbhanga	Bihar	Airport	Defence	Unserved	78
18	UDAN-2	Southern Region	Tanjore	Tamil Nadu	Airport	Defence	Unserved	0
19	UDAN-2	Eastern Region	Pakyong	Sikkim	Airport	AAI	Unserved	127
20	UDAN-2	North Eastern	Rupsi	Assam	Airport	AAI	Unserved	82

Sl. No.	Scheme	Name of Region	Name of Airport	State	Airports/ Water Aerodrome/ Heliports	Owner Agency	Unserved/ Underserved Airports and non-operational/ operational Heliports	Total Expenditure
21	UDAN-2	Southern Region	Hubli	Karnataka	Airport	AAI	Underserved	10
22	UDAN-2	Northern Region	Sahastradhara	Uttarakhand	Heliport	State Govt.	Operationalized	0
23	UDAN-2	Northern Region	Chinyalisaur	Uttarakhand	Heliport	State Govt.	Operationalized	0
24	UDAN-2	Northern Region	Mussoorie	Uttarakhand	Heliport	State Govt.	Non-Operationalized	0
25	UDAN-2	Northern Region	Kasauli	Himachal Pradesh	Heliport	Defence	Non-Operationalized	0
26	UDAN-2	Northern Region	Manali	Himachal Pradesh	Heliport	Defence	Non-Operationalized	0
27	UDAN-3	Northern Region	Sarsawa (Saharanpur)	Uttar Pradesh	Airport	Defence	Unserved	0
28	UDAN-3	Southern Region	Ramnad	Tamil Nadu	Airport	Defence	Unserved	0
29	UDAN-3	Northern Region	Kasis (Kushinagar)	Uttar Pradesh	Airport	State Govt.	Unserved	23
30	UDAN-3	Northern Region	Meerut	Uttar Pradesh	Airport	State Govt.	Unserved	0
31	UDAN-3	Western Region	Daman	Daman & Diu	Airport	AAI	Unserved	0
32	UDAN-3	Western Region	Amravati	Maharashtra	Airport	PSU	Unserved	0
33	UDAN-3	North Eastern Region	Umarangso Reservoir	Assam	Water Aerodrome	State Govt.	Unserved	4
34	UDAN-3	Western Region	Shatrunjay	Gujrat	Water Aerodrome	State Govt.	Unserved	4
35	UDAN-3	Eastern Region	Havlock	Andaman & Nicobar	Water Aerodrome	Defence	Unserved	0

Annexure-III (Refer Para No. 2.3)**List of 87 RCS Routes under UDAN-1, 2 & 3 selected for audit**

Sl. No	Scheme	Departure Airport (State)	Arrival Airport (State)	Operator	Date of Comment	Stage Length (In Km)	VGF per RCS seat sought (In ₹)	Maximum Air Fare (In ₹)	Total VGF per Week (In ₹)	Flights per week	Per Day VGF (In ₹)	Per Km. VGF per flight allowed (In ₹)
1	UDAN-1	Chennai (Tamil Nadu)	Kadapa (Andhra Pradesh)	Trujet	16.11.2017	228	3,059	1,670	7,71,120	7	1,10,160	483
2	UDAN-1	Agra (UP)	Jaipur (Rajasthan)	Alliance Air	8.12.2017	215	2,840	1,580	3,97,600	4	99,400	462
3	UDAN-1	Jaipur (Rajasthan)	Agra (UP)	Alliance Air	8.12.2017	215	2,840	1,580	3,97,600	4	99,400	462
4	UDAN-1	Kadapa (Andhra Pradesh)	Chennai (Tamil Nadu)	Trujet	16.11.2017	260	3,249	1,750	8,18,748	7	1,16,964	450
5	UDAN-1	Nanded (Maharashtra)	Hyderabad (Telangana)	Trujet	27.04.2017	246	3,060	1,670	7,71,120	7	1,10,160	448
6	UDAN-1	Chennai (Tamil Nadu)	Salem (Tamil Nadu)	Trujet	25.03.2018	304	3,060	1,920	7,71,120	7	1,10,160	362
7	UDAN-1	Delhi	Bikaner (Rajasthan)	Alliance Air	26.09.2017	404	3,790	2,250	9,28,550	7	1,32,650	328
8	UDAN-1	Bangalore (Karnataka)	Bidar (Karnataka)	Trujet	7.02.2020	520	4,140	2,500	10,43,280	7	1,49,040	287
9	UDAN-1	Ahmedabad (Gujarat)	Bhavnagar (Gujarat)	Deccan Air	1.05.2018	154	2,347	1,420	1,47,861	7	21,123	137
10	UDAN-1	Jamnagar (Gujarat)	Ahmedabad (Gujarat)	Deccan Air	17.02.2018	272	3,306	1,750	2,08,278	7	29,754	109
11	UDAN-1	Shimla (HP)	Delhi	Alliance Air	27.04.2017	313	3,440	1,920	2,16,720	7	30,960	99
12	UDAN-1	Kandla (Gujarat)	Mumbai (Maharashtra)	Spice Jet	10.07.2017	550	0	2,500	0	7	0	0

Sl. No	Scheme	Departure Airport (State)	Arrival Airport (State)	Operator	Date of Comment	Stage Length (In Km)	VGF per RCS seat sought (In ₹)	Maximum Air Fare (In ₹)	Total VGF per Week (In ₹)	Flights per week	Per Day VGF (In ₹)	Per Km. VGF per flight allowed (In ₹)
13	UDAN-1	Mumbai (Maharashtra)	Kandla (Gujarat)	Spice Jet	10.07.2017	533	0	2,500	0	7	0	0
14	UDAN-1	Delhi	Adampur (Punjab)	Spice jet	1.05.2018	413	0	1,900	0	7	0	0
15	UDAN-2	Goa	Hubli (Karnataka)	IndiGo	28.06.2018	137	1,990	1,299	5,15,410	7	73,630	537
16	UDAN-2	Hubli (Karnataka)	Goa	IndiGo	28.06.2018	137	1,990	1,299	5,15,410	7	73,630	537
17	UDAN-2	Gorakhpur (Uttar Pradesh)	Prayagraj (Uttar Pradesh)	IndiGo	10.01.2020	233	3,040	1,499	7,87,360	7	1,12,480	483
18	UDAN-2	Prayagraj (Uttar Pradesh)	Gorakhpur (Uttar Pradesh)	IndiGo	10.01.2020	233	3,040	1,499	7,87,360	7	1,12,480	483
19	UDAN-2	Cochin (Kerala)	Kannur (Kerala)	IndiGo	31.03.2019	217	2,830	1,399	7,32,970	7	1,04,710	483
20	UDAN-2	Kannur (Kerala)	Cochin (Kerala)	IndiGo	31.03.2019	217	2,830	1,399	7,32,970	7	1,04,710	483
21	UDAN-2	Ahmedabad (Gujarat)	Kandla (Gujarat)	Trujet	15.05.2019	267	3,420	1,740	8,61,840	7	1,23,120	461
22	UDAN-2	Kandla (Gujarat)	Ahmedabad (Gujarat)	Alliance Air	18.11.2019	267	3,420	1,740	8,37,900	7	1,19,700	448
23	UDAN-2	Ahmedabad (Gujarat)	Kandla (Gujarat)	Alliance Air	18.11.2019	267	3,420	1,740	8,37,900	7	1,19,700	448
24	UDAN-2	Prayagraj (Uttar Pradesh)	Lucknow (Uttar Pradesh)	Jet Airways	14.06.2018	169	1,969	1,330	2,12,652	3	70,884	419
25	UDAN-2	Jaisalmer	Ahmedabad	Spice Jet	31.10.2018	461	4,150	2,199	13,24,050	7	1,89,150	410

Sl. No	Scheme	Departure Airport (State)	Arrival Airport (State)	Operator	Date of Comment	Stage Length (In Km)	VGF per RCS seat sought (In ₹)	Maximum Air Fare (In ₹)	Total VGF per Week (In ₹)	Flights per week	Per Day VGF (In ₹)	Per Km. VGF per flight allowed (In ₹)
		(Rajasthan)	(Gujarat)									
26	UDAN-2	Bhatinda (Punjab)	Jammu (J&K)	Alliance Air	27.02.2018	332	3,700	1,980	9,06,500	7	1,29,500	390
27	UDAN-2	Jaisalmer (Rajasthan)	Ahmedabad (Gujarat)	Trujet	19.12.2018	461	3,950	2,400	11,93,990	7	1,70,570	370
28	UDAN-2	Ahmedabad (Gujarat)	Jaisalmer (Rajasthan)	Spice Jet	31.10.2018	461	4,150	2,199	11,32,950	7	1,61,850	351
29	UDAN-2	Kannur (Kerala)	Hubli (Karnataka)	IndiGo	25.01.2019	398	3,669	1,999	9,55,710	7	1,36,530	343
30	UDAN-2	Patna (Bihar)	Prayagraj (Uttar Pradesh)	Jet Airways	14.06.2018	343	2,949	1,875	3,18,492	3	1,06,164	310
31	UDAN-2	Raipur (Chhattisgarh)	Prayagraj (Uttar Pradesh)	IndiGo	28.06.2019	483	4,040	2,299	10,46,360	7	1,49,480	309
32	UDAN-2	Kolhapur (Maharashtra)	Bangalore (Karnataka)	Alliance Air	9.12.2018	543	4,060	2,570	11,04,950	7	1,57,850	291
33	UDAN-2	Surat (Gujarat)	Jaisalmer (Rajasthan)	Spice Jet	30.11.2018	687	5,030	3,110	13,73,190	7	1,96,170	286
34	UDAN-2	Jaisalmer (Rajasthan)	Surat (Gujarat)	Spice Jet	30.11.2018	706	5,120	3,200	13,97,760	7	1,99,680	283
35	UDAN-2	Prayagraj (Uttar Pradesh)	Indore (Madhya Pradesh)	Jet Airways	16.06.2018	678	4,014	2,945	4,33,512	3	1,44,504	213
36	UDAN-2	Hubli (Karnataka)	Tirupati (Andhra Pradesh)	Ghodawat	25.01.2019	533	4,510	2,570	7,89,250	7	1,12,750	212
37	UDAN-2	Kolkata (West Bengal)	Tezpur (Assam)	Zoom Air	26.04.2018	715	5,019	3,200	8,78,325	7	1,25,475	175
38	UDAN-2	Pantnagar (Uttarakhand)	Pithoragarh (Uttarakhand)	Heritage	17.01.2019	100	1,530	1,410	96,390	7	13,770	138

Sl. No	Scheme	Departure Airport (State)	Arrival Airport (State)	Operator	Date of Comment	Stage Length (In Km)	VGF per RCS seat sought (In ₹)	Maximum Air Fare (In ₹)	Total VGF per Week (In ₹)	Flights per week	Per Day VGF (In ₹)	Per Km. VGF per flight allowed (In ₹)
39	UDAN-2	Pithoragarh (Uttarakhand)	Dehradun (Uttarakhand)	Heritage	17.01.2019	206	3,110	1,570	3,91,860	14	27,990	136
40	UDAN-2	Dehradun (Uttarakhand)	New Tehri (Uttarakhand)	Pawan Hans	29.07.2020	-	4,410	2,480	1,45,530	3	48,510	4,410
41	UDAN-2	Dharamshala (Himachal Pradesh)	Shimla (Himachal Pradesh)	Pawan Hans	14.05.2019	-	9,700	4,120	3,20,100	3	1,06,700	9,700
42	UDAN-2	Gaucher (Uttarakhand)	Srinagar (Uttarakhand)	Pawan Hans	29.07.2020	-	4,410	2,480	1,45,530	3	48,510	4,410
43	UDAN-2	Gaucher (Uttarakhand) Heliport	Sahastradhara (Uttarakhand)- Heliport	Heritage	8.02.2020	-	9,700	4,120	9,50,600	14	67,900	9,700
44	UDAN-2	Ahmedabad (Gujarat)	Hubli (Karnataka)	IndiGo	1.07.2018	946	0	3,199	0	7	0	0
45	UDAN-2	Hubli (Karnataka)	Ahmedabad (Gujarat)	IndiGo	1.07.2018	985	0	3,199	0	7	0	0
46	UDAN-2	Chennai (Tamil Nadu)	Hubli (Karnataka)	IndiGo	1.07.2018	607	0	2,599	0	7	0	0
47	UDAN-2	Kolkata (West Bengal)	Lilabari (Assam)	Spice Jet	15.01.2019	867	0	3,470	0	7	0	0
48	UDAN-2	Lilabari (Assam)	Kolkata (West Bengal)	Spice Jet	15.01.2019	878	0	3,470	0	7	0	0
49	UDAN-2	Prayagraj (Uttar Pradesh)	Mumbai (Maharashtra)	IndiGo	20.04.2019	1206	0	3,199	0	7	0	0
50	UDAN-2	Hyderabad (Telangana)	Nasik (Maharashtra)	Spice Jet	20.11.2020	648	0	2,630	0	7	0	0
51	UDAN-3	Rajamundry (Andhra Pradesh)	Vishakhapatnam (Andhra Pradesh)	Indigo	15.09.2019	165	2,784	1,504	7,21,056	7	1,03,008	624

Sl. No	Scheme	Departure Airport (State)	Arrival Airport (State)	Operator	Date of Comment	Stage Length (In Km)	VGF per RCS seat sought (In ₹)	Maximum Air Fare (In ₹)	Total VGF per Week (In ₹)	Flights per week	Per Day VGF (In ₹)	Per Km. VGF per flight allowed (In ₹)
52	UDAN-3	Vishakhapatnam (Andhra Pradesh)	Rajamundry (Andhra Pradesh)	Indigo	15.09.2019	165	2,784	1,504	7,21,056	7	1,03,008	624
53	UDAN-3	Aizawl (Mizoram)	Agartala (Tripura)	Indigo	29.02.2020	165	2,784	1,504	7,21,056	7	1,03,008	624
54	UDAN-3	Mysore (Karnataka)	Bangalore (Karnataka)	Alliance Air	5.06.2019	159	2,784	1,504	6,82,080	7	97,440	613
55	UDAN-3	Bangalore (Karnataka)	Mysore (Karnataka)	Alliance Air	5.06.2019	180	3,060	1,589	7,50,435	7	1,07,205	596
56	UDAN-3	Chandigarh (Union Territory)	Dharamshala (Himachal Pradesh)	Alliance Air	16.11.2019	183	2,879	1,589	7,05,355	7	1,00,765	551
57	UDAN-3	Dharamshala (Himachal Pradesh)	Chandigarh (Union Territory)	Alliance Air	16.11.2019	183	2,879	1,589	7,05,355	7	1,00,765	551
58	UDAN-3	Jagdalpur (Chhatisgarh)	Raipur (Chhatisgarh)	Alliance Air	21.09.2020	235	3,601	1,771	8,82,245	7	1,26,035	536
59	UDAN-3	Varanasi (Uttar Pradesh)	Patna (Bihar)	Spice Jet	21.08.2020	225	3,000	1,675	8,19,000	7	1,17,000	520
60	UDAN-3	Jharsuguda (Odisha)	Bhubaneshwar (Odisha)	Alliance Air	5.06.2019	259	3,747	1,856	9,42,515	7	1,34,645	520
61	UDAN-3	Ahmedabad (Gujrat)	Udaipur (Rajasthan)	Spice Jet	25.03.2019	215	2,800	1,675	7,64,400	7	1,09,200	508
62	UDAN-3	Udaipur (Rajasthan)	Ahmedabad (Gujrat)	Spice Jet	25.03.2019	215	2,800	1,675	7,64,400	7	1,09,200	508
63	UDAN-3	Delhi	Agra (Uttar Pradesh)	Zoom Air	29.10.2019	182	3,063	1,589	3,06,300	4	76,575	421
64	UDAN-3	Bhopal (Madhya Pradesh)	Udaipur (Rajasthan)	Spice Jet	31.03.2019	384	3,700	2,293	10,10,100	7	1,44,300	376

Sl. No	Scheme	Departure Airport (State)	Arrival Airport (State)	Operator	Date of Comment	Stage Length (In Km)	VGF per RCS seat sought (In ₹)	Maximum Air Fare (In ₹)	Total VGF per Week (In ₹)	Flights per week	Per Day VGF (In ₹)	Per Km. VGF per flight allowed (In ₹)
65	UDAN-3	Udaipur (Rajasthan)	Bhopal (Madhya Pradesh)	Spice Jet	31.03.2019	384	3,700	2,293	10,10,100	7	1,44,300	376
66	UDAN-3	Hyderabad (Telangana)	Jagdapur (Chhatisgarh)	Alliance Air	21.09.2020	437	4,576	2,464	11,21,120	7	1,60,160	366
67	UDAN-3	Jagdapur (Chhatisgarh)	Hyderabad (Telangana)	Alliance Air	21.09.2020	437	4,576	2,464	11,21,120	7	1,60,160	366
68	UDAN-3	Mysore (Karnataka)	Goa	Alliance Air	19.07.2019	476	4,793	2,645	11,74,285	7	1,67,755	352
69	UDAN-3	Belgaum (Karnataka)	Hyderabad (Telangana)	Trujet	17.01.2020	442	3,000	2,464	10,08,000	7	1,44,000	326
70	UDAN-3	Hyderabad (Telangana)	Belgaum (Karnataka)	Trujet	17.01.2020	442	3,000	2,464	10,08,000	7	1,44,000	326
71	UDAN-3	Mysore (Karnataka)	Hyderabad (Telangana)	Alliance Air	19.07.2019	612	5,381	3,029	13,18,345	7	1,88,335	308
72	UDAN-3	Belgaum (Karnataka)	Hyderabad (Telangana)	Indigo	27.10.2019	442	3,613	2,464	9,35,767	7	1,33,681	302
73	UDAN-3	Mumbai (Maharashtra)	Belgaum (Karnataka)	Spice Jet	20.06.2019	418	3,000	2,378	8,19,000	7	1,17,000	280
74	UDAN-3	Jalgaon (Maharashtra)	Mumbai (Maharashtra)	Trujet	1.09.2019	404	3,100	2,378	7,81,200	7	1,11,600	276
75	UDAN-3	Mumbai (Maharashtra)	Belgaum (Karnataka)	Ghodawat	6.09.2019	418	3,000	2,378	4,47,300	4	1,11,825	268
76	UDAN-3	Belgaum (Karnataka)	Mumbai (Maharashtra)	Ghodawat	6.09.2019	418	3,000	2,378	4,47,300	4	1,11,825	268
77	UDAN-3	Jharsuguda (Odisha)	Hyderabad (Telangana)	Spice Jet	31.03.2019	811	5,500	3,701	15,01,500	7	2,14,500	264

Sl. No	Scheme	Departure Airport (State)	Arrival Airport (State)	Operator	Date of Comment	Stage Length (In Km)	VGF per RCS seat sought (In ₹)	Maximum Air Fare (In ₹)	Total VGF per Week (In ₹)	Flights per week	Per Day VGF (In ₹)	Per Km. VGF per flight allowed (In ₹)
78	UDAN-3	Kishangarh (Rajasthan)	Indore (Madhya Pradesh)	Ghodawat	16.03.2020	457	4,679	2,560	4,67,900	4	1,16,975	256
79	UDAN-3	Surat (Gujarat)	Kishangarh (Rajasthan)	Ghodawat	21.12.2020	676	5,679	3,317	5,67,900	4	1,41,975	210
80	UDAN-3	Kishangarh (Rajasthan)	Surat (Gujarat)	Ghodawat	21.12.2020	695	5,679	3,317	5,67,900	4	1,41,975	204
81	UDAN-3	Stature Of Unity (WA) (Gujarat)	Sabarmati River Front (WA) (Gujarat)	Spice Jet	31.10.2020	185	3,207	1,589	2,02,041	7	28,863	156
82	UDAN-3	Hyderabad (Telangana)	Kishangarh (Rajasthan)	Spice Jet	25.04.2019	1,122	4,000	3,701	11,20,000	7	1,60,000	143
83	UDAN-3	Kishangarh (Rajasthan)	Hyderabad (Telangana)	Spice Jet	25.04.2019	1,125	4,000	3,701	11,20,000	7	1,60,000	142
84	UDAN-3	Guwahati (Assam)	Lilabari (Assam)	Spice Jet	31.03.2019	330	1,200	1,931	3,27,600	7	46,800	142
85	UDAN-3	Kolkata (West Bengal)	Amritsar (Punjab)	Indigo	01.12.2019	1,748	5,462	3,701	15,29,360	7	2,18,480	125
86	UDAN-3	Jaipur (Rajasthan)	Adampur (Punjab)	Spice Jet	28.03.2021	676	2,000	3,317	5,46,000	7	78,000	115
87	UDAN-3	Hindan (Uttar Pradesh)	Kalaburgi (Karnataka)	Ghodawat	18.11.2020	1,353	6,069	3,701	10,62,075	7	1,51,725	112

(Source: Sample selection conducted on the basis of information received from Regional Connectivity Scheme-Cell, Airports Authority of India)

Annexure-IV (Refer Para No. 4.1.1)**Airline-wise details of Collection and payment of RCF levy by airlines (2019-20*)**

Airline	Air India	Air Vistara	Spice Jet	Go Airlines	Indigo	Total
Total Passenger flown	34,80,512	15,35,324	36,19,354	35,77,225	1,79,10,386	3,01,22,801
No. of flights during the year where RCF paid by Airlines	30,197	12,139	25,726	24,514	1,28,946	2,21,522
Rate of RCF collected per passenger (In ₹)	70	50	50	50	50	
Total RCF collected (In ₹)	24,36,35,840	7,67,66,200	18,09,67,700	17,88,61,250	89,55,19,300	157,57,50,290
Rate of RCF paid per flight to AAI (In ₹)	5,000	5,000	5,000	5,000	5,000	
Total RCF paid to AAI during the year (In ₹)	15,09,85,000	6,06,95,000	12,86,30,000	12,25,70,000	64,47,30,000	110,76,10,000
Excess RCF collected (In ₹)	9,26,50,840	1,60,71,200	5,23,37,700	5,62,91,250	25,07,89,300	46,81,40,290

* The data for the period 2019-20 is of 9 months (July 2019 to March 2020)

Airline-wise details of Collection and payment of RCF levy by airlines (2020-21)

Airline	Air India	Air Vistara	Spice Jet	Indigo	Total
Total Passenger flown	14,06,721	7,77,338	13,66,108	79,15,479	1,14,65,646
No. of flights during the year where RCF paid by Airlines	13,409	7,217	11,812	70,320	1,02,758
Rate of RCF collected per passenger (In ₹)	70	50	50	50	
Total RCF collected (In ₹)	9,84,70,470	3,88,66,900	6,83,05,400	39,57,73,950	60,14,16,720
Rate of RCF paid per flight to AAI (In ₹)	5,000	5,000	5,000	5,000	
Total RCF paid to AAI during the year (In ₹)	6,70,45,000	3,60,85,000	5,90,60,000	35,16,00,000	51,37,90,000
Excess RCF collected (In ₹)	3,14,25,470	27,81,900	92,45,400	4,41,73,950	8,76,26,720

Airline-wise details of Collection and payment of RCF levy by airlines (2021-22)

Airline	Air India	Air Vistara	Spice Jet	Go Airlines	Indigo	Air India Express	Total
Total Passenger flown	22,52,764	13,74,025	12,46,583	13,45,810	1,10,34,357	8,850	1,72,62,389
No. of flights during the year where RCF paid by Airlines	22,846	11,775	10,069	11,036	93,039	108	1,48,873

Airline	Air India	Air Vistara	Spice Jet	Go Airlines	Indigo	Air India Express	Total
Rate of RCF collected per passenger (In ₹)	70	50	50	50	50	70	
Total RCF collected (In ₹)	15,76,93,480	6,87,01,250	6,23,29,150	6,72,90,500	55,17,17,850	6,19,500	90,83,51,730
Rate of RCF paid per flight to AAI (In ₹)	5,000	5,000	5,000	5,000	5,000	5,000	
Total RCF paid to AAI during the year (In ₹)	11,42,30,000	5,88,75,000	5,03,45,000	5,51,80,000	46,51,95,000	5,40,000	74,43,65,000
Excess RCF collected (In ₹)	4,34,63,480	98,26,250	1,19,84,150	1,21,10,500	8,65,22,850	79,500	16,39,86,730

Excess RCF Levy collected by Airlines from the passenger

Year	Effective passengers	Total RCF collected (In ₹)	Effective flights	Total RCF paid to AAI during the year (In ₹)	Excess RCF collected (In ₹)
2019-20	3,01,22,801	1,57,57,50,290	2,21,522	1,10,76,10,000	46,81,40,290
2020-21	1,14,65,646	60,14,16,720	1,02,758	51,37,90,000	8,76,26,720
2021-22	1,72,62,389	90,83,51,730	1,48,873	74,43,65,000	16,39,86,730
Grand Total	5,88,50,836	3,08,55,18,740	4,73,153	2,36,57,65,000	71,97,53,740

(Source – Airports Authority of India)

Annexure-V (Refer Para No. 5.2.1)**Details of expenditure towards fire and security at RCS Airport**

Sl. No.	Name of Airport	State	Region	Amount (In ₹)
1	Darbhanga	Bihar	Eastern	59,61,060
2	Pakyong	Sikkim	Eastern	3,68,77,320
3	Prayagraj	Uttar Pradesh	Northern	51,32,831
4	Pantnagar	Uttarakhand	Northern	5,26,79,449
5	Pithoragarh	Uttarakhand	Northern	21,05,575
6	Jaisalmer	Rajasthan	Northern	2,38,04,244
7	Gwalior	Madhya Pradesh	Northern	5,62,53,540
8	Kolhapur	Maharashtra	Western	6,04,00,785
9	Kadapa	Andhra Pradesh	Hyderabad/ Telangana	9,96,57,375
10	Hubli	Karnataka	Southern	89,76,864
11	Mysore	Karnataka	Southern	58,70,764
12	Salem	Tamil Nādu	Southern	1,65,31,925
13	Puducherry	Puducherry	Southern	7,79,80,301
14	Aligarh	Uttar Pradesh	Northern	5,33,099
Total				45,27,65,132

(Source: Information gathered from airports owing agencies and Regional Connectivity Scheme- Cell, Airports Authority of India)

Annexure-VI (Refer Para No. 5.2.2)**Details of expenditure towards electricity and water at RCS Airports**

Sl. No.	Name of Airport	State	Region	Amount (In ₹)
1	Pakyong	Sikkim	Eastern	1,40,00,000
2	Rupsi	Assam	Eastern	32,79,236
3	Pantnagar	Uttrakhand	Northern	51,59,379
4	Jaisalmer	Rajasthan	Northern	89,75,593
5	Kushinagar	Uttar Pradesh	Northern	2,69,574
6	Prayagraj	Uttar Pradesh	Northern	50,40,000
7	Hubli	Karnataka	Southern	5,81,80,993
8	Bhatinda	Punjab	Northern	84,31,505
9	Mysore	Karnataka	Southern	12,25,554
Total				10,45,61,834

(Source: Information gathered from airports owing agencies and Regional Connectivity Scheme-Cell, Airports Authority of India)

Annexure-VII (Refer Para No. 6.3)
Issues observed in Internal Audit Reports of Selected Airline Operators

Sl. No.	Selected Airlines Operator	Independent Auditor	Independent Audit Observation	Action taken by AAI
1	M/s Airline Services Limited (Alliance Air)	M/s. Vinod Singhal & Co.	<ol style="list-style-type: none"> Alliance Air failed to reserve the prescribed number of RCS Seats which resulted in excess VGF claims of ₹ 54,85,060. Alliance Air charged extra fare on passengers on account of taxes which were inclusive the airfare cap as per the scheme/agreement. This resulted in excess fare charged amounting ₹ 48,56,020. The Selected Airline Operators sold non-RCS seats before allotment of RCS seats. This is in violation of RCS Scheme. In case of cancellation of tickets, Alliance Air sold non-RCS tickets instead of RCS. 	Action yet to be taken by AAI with respect to points one to four.
2	M/s Air Aviation Limited	M/s Chunder Khator & Associates	<ol style="list-style-type: none"> Excess claim amount to ₹ 19,604. 	Recovery proposed by AAI.
3	M/s. Spice Jet Limited	M/s Dharam Raj & Co.	<ol style="list-style-type: none"> Excess fare received from the passengers on RCS Routes. Booking of Non-RCS seats in case of cancellation of RCS seats resulted in excess claim of ₹ 94,118. 	Tier II committee recommended recovery of ₹ 40,062. However, no action taken.
4	M/s. Turbo Airways Limited (Trujet)	M/s A.R Krishnan & Associates, Puducherry	<ol style="list-style-type: none"> Flight having capacity of 70 was used instead of 72 as mentioned in the agreement, hence recovery of ₹ 60.53 lakh. Excess fare claimed amounting ₹ 5,85,100 as pointed out by Audit Committee Booking of Non-RCS seats before RCS seats. 	Action yet to be taken by AAI with respect to points 1 to 3.

(Source: Airports Authority of India)

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