

**DOUBTFUL RECOVERY OF OUTSTANDING DUES
BECAUSE OF FAILURE OF FIDUCIARY DUTY-
BANGALORE INTERNATIONAL AIRPORT LIMITED,
BANGALORE (BIAL)**

[Action Taken by the Government on the Observations/Recommendations of
the Committee contained in their Thirteenth Report (17th Lok Sabha)]

Ministry of Civil Aviation

**PUBLIC ACCOUNTS COMMITTEE
(2020-21)**

THIRTY-SEVENTH REPORT

SEVENTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

THIRTY-SEVENTH REPORT

PUBLIC ACCOUNTS COMMITTEE **(2020-21)**

(SEVENTEENTH LOK SABHA)

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DUES BECAUSE OF FAILURE OF FIDUCIARY
DUTY-BANGALORE INTERNATIONAL AIRPORT
LIMITED, BANGALORE (BIAL)**

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MINISTRY OF CIVIL AVIATION



Presented to Lok Sabha on:

Laid in Rajya Sabha on:

**LOK SABHA SECRETARIAT
NEW DELHI**

March, 2021/Chaitra, 1943 (Saka)

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2020-21)

Shri Adhir Ranjan Chowdhury - Chairperson

MEMBERS

LOK SABHA

2. Shri T. R. Baalu
3. Shri Subhash Chandra Baheria
4. Shri Sudheer Gupta
5. Smt. Darshana Vikram Jardosh
6. Shri Bhartruhari Mahtab
7. Shri Ajay (Teni) Misra
8. Shri Jagdambika Pal
9. Shri Vishnu Dayal Ram
10. Shri Rahul Ramesh Shewale
11. Shri Rajiv Ranjan Singh alias Lalan Singh
12. Dr. Satya Pal Singh
13. Shri Jayant Sinha
14. Shri Balashowry Vallabhaneni
15. Shri Ram Kripal Yadav

RAJYA SABHA

16. Shri Rajeev Chandrasekhar
17. Shri Naresh Gujral
18. Shri Bhubaneswar Kalita*
19. Shri Mallikarjun Kharge*
20. Shri C. M. Ramesh
21. Shri Sukhendu Sekhar Ray
22. Shri Bhupender Yadav

SECRETARIAT

1. Shri T. G. Chandrasekhar - Joint Secretary
2. Shri S.R. Mishra - Director
3. Smt. Bharti S. Tuteja - Additional Director
4. Smt. Malvika Mehta - Under Secretary

* Elected w.e.f. 11 February, 2021.

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2020-21), having been authorised by the Committee, do present this Thirty-seventh Report (Seventeenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Thirteenth Report (Seventeenth Lok Sabha) on '**Doubtful Recovery of Outstanding Dues because of Failure of Fiduciary Duty-Bangalore International Airport Limited, Bangalore (BIAL)**' relating to the Ministry of Civil Aviation.

2. The Thirteenth Report was presented to Lok Sabha/laid in Rajya Sabha on 18th March, 2020. Final Action Taken Replies of the Government to the Observations/Recommendations contained in the Report were received on 17.11.2020. The Committee considered the draft Report on the subject and adopted the Report at their Sitting held on 26th March, 2021. Minutes of the Sitting are given at Appendix-I.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in **bold** in the body of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Committee Secretariat and the office of the Comptroller and Auditor General of India.

5. An analysis of the Action Taken by the Government on the Observations/Recommendations contained in the Thirteenth Report (Seventeenth Lok Sabha) is given at Appendix-II.

NEW DELHI;
March, 2021
Chaitra, 1943 (Saka)

Adhir Ranjan Chowdhury
Chairperson,
Public Accounts Committee

CHAPTER – I

REPORT

This Report of the Public Accounts Committee deals with action taken by the Government on the Observations/Recommendations of the Committee contained in their Thirteenth Report (Seventeenth Lok Sabha) on “Doubtful Recovery of Outstanding Dues because of Failure of Fiduciary Duty-Bangalore International Airport Limited, Bangalore (BIAL)” relating to Ministry of Civil Aviation.

2. The Thirteenth Report (Seventeenth Lok Sabha) was presented to the Parliament on 18.03.2020. It contained eight Observations/Recommendations. Action Taken Notes have been received from the Ministry of Civil Aviation in respect of all the Observations/Recommendations and are broadly categorised as follows:-

- (i) Observation/Recommendations which have been accepted by the Government
Para Nos. 1-3, 5, 6 and 8.

Total:06
Chapter II

- (ii) Observation/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government
NIL

Total:Nil
Chapter III

- (iii) Observation/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration
Para No. 4

Total:01
Chapter IV

- (iv) Observation/Recommendations in respect of which the Government have furnished interim replies
Para No. 7

Total:01
Chapter V

3. The detailed examination of the subject by the Committee had revealed that the Ministry of Civil Aviation had signed a concession agreement with Bangalore International Airport Limited (BIAL) for the development, construction, operation and maintenance of the Bangalore International Airport. The

agreement included *inter-alia* levy of security fee as required under Rule 88A of the Aircraft Rules, 1937 from each departing passenger which was to be collected by BIAL through the various airlines operating from the airport. The payment so received from the airlines was to be deposited immediately in an escrow account with a scheduled nationalised bank in fiduciary capacity. The Committee had noted that the Standard Operating Procedure (SOP) required BIAL to ensure realization of dues from the airlines regularly and furnish MoCA with copies of its audited annual accounts. However, BIAL had failed to fulfill its fiduciary duty to promptly realise the security fees from the airlines and remit the same in the designated escrow account and as a result, outstanding dues against airlines accumulated and recovery of Rs.9.19 crore from Kingfisher Airlines was rendered doubtful.

4. The Committee had recommended various measures to be undertaken by Ministry of Civil Aviation such as concession agreement to contain a general penal clause for imposition of penalty, tighter monitoring by MOCA, imposition of penalty on airlines for withholding dues meant for security, recovery of Dues from Air India, broadening of the facilities extended to CISF personnel and cost of security to be equally borne by all users of airport apart from passengers etc.

5. The Action Taken Notes submitted by the Ministry on the Observations/Recommendations of the Committee contained in their Thirteenth Report (Seventeenth Lok Sabha) have been reproduced in the relevant Chapters of this Report in the succeeding paragraphs. The Committee will now deal with the Action Taken by the Government on some of their Observations/Recommendations made in the original Report which merit comments.

6. **The Committee desire the Ministry of Civil Aviation to furnish Action Taken Notes in respect of Observations/ Recommendations contained in Chapter I and chapter V within six months of the presentation of the Report to the House.**

Recommendation at Para No. 4- *Imposition of penalty on airlines for withholding dues meant for security*

7. *The Committee had observed that the Ministry was paying an incentive for timely payment of dues by airlines and was foregoing the said incentive in case the collections were not paid to the Passenger Services Fee (Security Component) PSF(SC) account on time. The Committee had further observed from the submission of the Ministry that, given an option, airlines were not willing to be involved in the process of collection of PSF(SC) as they were doing this fiduciary job for the Ministry and hence, imposing a penalty would be double jeopardy for them. The Committee had noted that taxation laws also provided for*

taxes to be collected and deposited by a party other than the party which was liable to pay the tax and the collecting party was further liable to pay interest/penalty in case of default. Accordingly, the Committee had opined that the airlines should not be allowed to withhold Government dues which they were supposed to collect and deposit in fiduciary capacity and had recommended that the Ministry may impose a provision of penalty in proportion to the delay in depositing of the passenger security fee in the trust fund along with interest for the period of delay.

8. The Ministry of Civil Aviation in their Action Taken Notes have submitted as under:

“In oral evidence, ministry has explained that there is a system of positive reinforcement i.e. incentives on timely deposit of fee, instead of punitive measures. As NASFT is now in place, close monitoring of ASF collection and management will be ensured.”

9. Audit in their vetting comments have stated the following:-

“There is no provision of penalty in proportion to delay in depositing Passenger Security Fee (PSF) in trust fund along with interest for the period of delay.”

10. The Ministry have submitted the following in response to Audit observations:-

“C&AG in its vetting comments has taken note that there is no provision of penalty in proportion to delay in depositing Passenger Security Fee (PSF) in trust fund along with interest for the period of delay provision.”

11. The Committee had noted that the Ministry were paying an incentive for timely payment of dues by airlines and was not providing the said incentive in case the collections were not paid to the Passenger Services Fee (Security Component) PSF (SC) account on time. The Committee had, in this regard opined that a provision of penalty in proportion to the delay in depositing of the passenger security fee in the trust fund along with interest for the period of delay may be imposed as was the practice under the taxation laws. The Committee, while once again noting from the reply of the Ministry that instead of punitive measures, there is a system of positive reinforcement such as incentives on timely deposit of fee reiterate that since security fee is collected from the passengers along with the passenger fare and is already available with the airlines, the same should

not be allowed to be withheld. The Committee are of the considered opinion that imposing penalty will act as a deterrent against delayed payments and will go a long way in ensuring financial probity. They, therefore, exhort upon the Ministry to impose a provision of penalty in proportion to the delay in depositing of the passenger security fee in the trust fund along with interest for the period of delay.

Recommendation at Para No. 5- Recovery of Dues from Air India

12. *The Committee had noted that an amount of ₹3.26 crore from Air India and ₹ 0.04 crore on account of Passenger Services Fee (Security Component) (PSF (SC) from other Airlines were still outstanding. Further, the Committee had noted from the submission made by the representative of the MoCA that in the cases of Air India and Alliance Air, the Ministry had been liberal and had given them leverage and, therefore, their payment was expected to be delayed. The Committee had been disappointed to note that despite being a Government owned airline, Air India had not been making its payments on time, although there was no deficit in collecting this amount as it was being collected from passengers. While opining that the conduct of the national carrier should be exemplary, the Committee had recommended that the Ministry of Civil Aviation may direct Air India to pay the outstanding dues immediately and henceforth, not to give the airline any leverage to pay the dues meant for security personnel guarding the airports.*

13. The Ministry of Civil Aviation in the Action Taken Notes have submitted as under:

"NASFT has been suitably advised."

14. Audit have given the following observations:-

"Audit observed that NASFT is in correspondence with Air India for outstanding Aviation Security Fee."

15. The Ministry have submitted the following in response to Audit observations:-

"NASFT and Ministry of Civil Aviation is continuously pursuing with Air India to pay outstanding dues towards Aviation Security Fee. C&AG in its vetting comments has taken note of the same."

16. The Committee had noted with disappointment that despite being a Government owned airline, Air India had not been making its payments on time. Accordingly, the Committee had recommended that the Ministry of

Civil Aviation may direct Air India to pay the outstanding dues immediately and not to give the airline any leverage to pay the dues meant for security personnel guarding the airports. The Committee, while noting from the reply of the Ministry that NASFT and MoCA are continuously pursuing with Air India to pay outstanding dues towards Aviation Security Fee, are dismayed to find that no information is given on the status of recovery made, so far. The Committee desire that the Ministry may actively engage with Air India to pay the outstanding amount and inform the Committee of the amount so recovered within one month of the presentation of this Report to the House.

Recommendation at Para No.6- National Aviation Security Fee Trust

17. *The Committee had observed that a National Aviation Security Fee Trust (NASFT) had been formed to collect the security fee through a centralized accounting system and for better management of Aviation Security Fee (ASF). The Committee had noted that the collection and disbursement of ASF would be done by the Trust instead of airport operators who would only help the Trust to raise the invoice and collect the money from the airlines. While noting that the appropriate SOPs for the airlines as well as the airport operators had been communicated, the Committee had desired that a comparative statement of the resultant improvement in collection of dues from airlines may be furnished within six months of presentation of the Report .*

18. The Ministry of Civil Aviation in their Action Taken Notes have submitted as under:

“National Aviation Security Fee Trust (NASFT) has been set up with the mandate to manage Aviation Security Fee. The recommendation of the Committee has been conveyed to NASFT to submit the comparative statement as sought by the Committee.”

19. Audit in this regard have given the following vetting comments:-

“Comparative Statement of the resultant improvement in collection of dues from airlines needs to be furnished by the Ministry within six months of presentation of the Report i.e by September 2020. Thus, no further comments.”

20. The Ministry of Civil Aviation in the Action Taken Notes have further submitted as under:

“As per vetting comment of C&AG, the comparative statement of the resultant improvement in collection of dues from airlines is as under:

1. To streamline the management of Aviation Security Fee, National Aviation Security Fee Trust (NASFT) has been created and started functioning w.e.f. 01/07/2019.

2. NASFT has been created with the objective to -

i. replace the earlier system of collection and expenditure of ASF airport-wise by a centralised mechanism

ii. bring in uniformity and standardisation in ASF collection and expenditure across the country and

iii. bring in transparency and accountability.

Hence, the objective of NASFT is to develop a centralized ASF management besides addressing the issue of shortfall in collection.

3. The comparative statement indicating ASF collection post NASFT creation till 28/02/2020 (i.e. during 01/07/2019 to 28/02/2020) and corresponding period previous year is as under:

(Rs in Crore)

Period	ASF billing	ASF Collection
01/07/2019 to 28/02/2020	2051	1956
01/07/2018 to 28/02/2019	1699	1671

21. Noting that a National Aviation Security Fee Trust (NASFT) was formed to collect security fee through a centralized accounting system, the Committee had desired that a comparative statement of the resultant improvement in collection of dues from airlines may be furnished. The Committee while noting that the objective of NASFT is to develop a centralized ASF management besides addressing the issue of shortfall in collection observe from the reply of the Ministry that from 1.7.2018 to 28.2.2019 (prior to creation of NASFT) the billed amount was Rs.1699 crore and the collection was Rs. 1671 crore and after the creation of NASFT i.e. from 1.7.2019 to 28.2.2019, the billed amount was Rs. 2051 crore and the collection was Rs. 1956 crore. The Committee do not find any visible improvement in billing or in collection amount after creation of NASFT. Keeping this in view, the Committee desire that the Ministry should keep a close watch on the expected gain and report back to the Committee in their next reply. The Committee desire to be apprised of the average dues that remain pending beyond the billing cycle, the steps taken to recover the same and the gap, if any, between the money collected by the Ministry

through imposition of this fee and the amount disbursed to the CISF for providing security at the airports.

Recommendation at Para No.8- Distribution of Passenger Security Fee amongst all beneficiaries

22. *The Committee had noted that aviation security is funded through PSF (SC)/ASF collections only and that PSF (SC)/ASF was levied on embarking passengers at Rs.150/- per domestic pax and USD 4.85 per international pax. The funds collected from this levy were used for funding aviation security. The Committee had noted that there was a huge gap between the money collected by the Ministry through imposition of this fee and the amount disbursed to the CISF for providing security at the airports. In order to handle this situation, the Ministry had decided to maintain a single escrow account, form a National Aviation Security Fee Trust (NASFT) and raise the amount of PSF(SC) to be collected from the passengers which was to be indexed to the Consumer Price Index(CPI). The Committee were of the considered view that since CISF was also providing security to the infrastructure created by the airport operators at airports, the equipment of airlines and their staff deployed on the airports as well as the commercial establishments set up at the airports, the burden of paying for security should be distributed amongst all the users and not just the passengers. As the CISF was deployed at 60 airports across the country, this would increase the corpus of the security fund, address the issue of acute deficit and enable provision of more amenities to CISF personnel as recommended by the Committee in their previous recommendation. The Committee had recommended that the Ministry may make a formula whereby the cost of security may be equally borne by all i.e. airport operators, airlines and vendors who have set up their shops at the airports, apart from passengers.*

23. The Ministry of Civil Aviation in their Action Taken Notes have submitted as under:

“The Rule 88A of Aircraft Rules 1937 provides for levying Aviation Security Fee from specified sources. Hence expanding the source of ASF, as recommended by the Committee, may not be agreed under the provisions under Rule 88A of Aircraft Rules 1937.”

24. Audit in this regard have given the following vetting comments:-

“Ministry submitted levying Aviation Security Fee from specified sources however, Ministry may explore suitable steps to follow the recommendation of PAC.”

25. The Ministry of Civil Aviation in the Action Taken Notes have further submitted as under:

“The issue of regulating Aviation Security Fee had been deliberated by a Committee under the Chairpersonship of Secretary (Expenditure) and NASFT is collecting ASF as per the recommendation of the Committee. General international practices also supports charging Aviation Security Fee from embarking passengers. However, the recommendation of the PAC is noted.”

26. The Committee had noted that aviation security is only funded through PSF (SC)/ASF (Aviation Security Fees) collections and that there was a huge gap between the money collected by the Ministry through imposition of this fee and the amount disbursed to the CISF for providing security at the airports. Opining that the burden of paying for security should be distributed amongst all the users and not just the passengers, the Committee had recommended that the Ministry may make a formula whereby the cost of security may be equally borne by all i.e. airport operators, airlines and vendors who have set up their shops at the airports, apart from passengers. The Committee observe from the reply of the Ministry that the issue of regulating Aviation Security Fee had been deliberated by a committee under the Chairpersonship of Secretary (Expenditure) and NASFT is collecting ASF as per its recommendation. According to the Ministry, general international practices support charging Aviation Security Fee from embarking passengers. However, in this regard, the Committee observe that the Council of International Civil Aviation Organization in their Policy on Security charges for airports (Seventh Edition- 2004) recommended *inter-alia* that the entities concerned may recover the costs of security measures at airports from the users in a fair and equitable manner, subject to consultation. Further, as per the Position Paper of the International Air Transport Association (IATA) (an association of the world's airlines) on ‘Security Charges’, the charges should be split between all users on an equitable basis. In view of the above, the Committee reiterate their view that since security is meant for all users of the airport including the embarking passengers, the cost of security should also be borne by all users/establishments inside the airport and desire that the same may be placed before the aforementioned ministerial committee for necessary action.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Observation/Recommendation

The Committee note that the Ministry of Civil Aviation signed a concession agreement with Bangalore International Airport Limited (BIAL) for the development, construction, operation and maintenance of the Bangalore International Airport. The agreement included *inter-alia* levy of security fee as required under Rule 88A of the Aircraft Rules, 1937 from each departing passenger which was to be collected by BIAL through the various airlines operating from the airport. The payment so received from the airlines was to be deposited immediately in an escrow account with a scheduled nationalised bank in fiduciary capacity. The Committee note that the Standard Operating Procedure (SOP) required BIAL to ensure realization of dues from the airlines regularly and furnish MoCA with copies of its audited annual accounts. However, BIAL failed to fulfill its fiduciary duty to promptly realise the security fees from the airlines and remit the same in the designated escrow account and as a result, outstanding dues against airlines accumulated and recovery of ₹9.19 crore from Kingfisher Airlines was rendered doubtful. The Committee's observations and recommendations based on the examination of audit findings and discussions with the representatives of the Ministry as well as written replies submitted by them are elucidated in the succeeding paragraphs.

[Para 1, Part – II, of 13th Report of Public Accounts Committee
(17th Lok Sabha)]

Action Taken

The above para is matter of record.

Audit's vetting comments on Ministry's ATN

NIL

Ministry's comments on Audit's observations

The above para is matter of record.

Observation/Recommendation

Failure of BIAL to act in accordance with SOP

The Committee note that the BIAL failed to exercise its fiduciary responsibility and airlines were allowed to accumulate dues. As of 31 March 2014, the amount outstanding from the Airlines was ₹16.77 crore out of which ₹9.64 crore was outstanding for a period of more than one year. The outstanding amount further increased to ₹17.44 crore as on 31 March 2016, out of which

₹10.12 crore was outstanding for a period of more than one year. Of this, ₹9.19 crore was due from Kingfisher Airlines that ceased operations in September 2012. The Committee observe that after Audit raised the issue of dues of Kingfisher Airlines in February, 2014, BIAL sought approval of the Ministry to write them off. However, the Ministry advised BIAL to consider legal action for recovery of ₹9.19 crore and, consequently, outstanding dues were recovered by invoking the corporate guarantee through Court. The Committee further note from the reply of the Ministry that as there was no certainty of revival of the airline and recovery of dues in normal course of action, as a matter of conservative accounting policy, BIAL had sought approval of the Ministry for writing off the PSF(SC)dues. The Committee observe that though BIAL had a deposit of 2 months billing of Kingfisher as security deposit i.e. an amount of ₹14 crore, it proposed writing off the dues which is indicative of an utter disregard for the fiduciary responsibility bestowed upon BIAL under the agreement. The Committee, while noting that the SOP neither provided for levy of penal interest for non-payment of dues by the Airlines on time nor imposed any penalties on the airport operators for not carrying out their duties, desire the Ministry to ensure, henceforth, that any concession agreement entered into by the Ministry and a private party may invariably contain a general penal clause for imposition of penalty in cases where the private party concerned fails to discharge its assigned duties.

[Para 2, Part – II, of 13th Report of Public Accounts Committee
(17th Lok Sabha)]

Action Taken

Recommendation of the Committee is noted for consideration while entering into concession agreements in future.

Audit's vetting comments on Ministry's ATN

The Ministry has noted the recommendation for future compliance. Further, agreements entered in future by the Ministry will be reviewed in upcoming Audit.

Ministry's comments on Audit's observations

Vetting comments of C&AG is in agreement with Action Taken. Recommendation of the Committee is noted for noted for consideration while entering into concession agreements in future.

Observation/Recommendation

Tighter monitoring by MOCA

The Committee note that Article 13.3 of the agreement provided for the consequences of a 'BIAL Default Event' stipulating payment of dues by BIAL within twenty-one days of a request from Government of India. In this regard, the Committee note the Audit's finding that though Ministry received periodic accounts from BIAL, it did not direct BIAL to collect and remit outstanding dues in the escrow account. The Ministry advised BIAL to explore actions for recovery

only after the matter was pointed out by Audit. The Committee are disappointed to note from the written submission of the Ministry that it does not have any mechanism of preparing a periodic record of dues recoverable from different airport/ airlines under different heads. As per the reply of the Ministry, the accounts are kept by the concerned airport operators which are periodically audited and when any discrepancy is brought to notice of the Ministry, action as required is initiated by it. The Committee are of the considered opinion that instead of waiting for audit to point out discrepancies, the Ministry should be proactive in its approach and call for periodic statements of dues outstanding beyond the prescribed period and action taken for their recovery from the airlines to ensure that the money already collected from the passengers is not withheld by them. In this regard, the Committee recommend that the Ministry may consider developing an online system that monitors compliance of all terms and conditions, particularly collection and payment of dues, periodically, say, on quarterly basis. The Committee further desire that the internal audit system in the Ministry may be strengthened to ensure that such defaults are brought to the notice of the Ministry at the earliest.

[Para 3, Part – II, of 13th Report of Public Accounts Committee
(17th Lok Sabha)]

Action Taken

National Aviation Security Fee Trust (NASFT) has been set up with the mandate to manage Aviation Security Fee. The concern of the Committee is shared with the NASFT for taking proactive actions. NASFT has floated tender for hiring services of professional firm for developing internal audit system.

Audit's vetting comments on Ministry's ATN

NASFT has been set up with the mandate to manage Aviation Security Fee (ASF). In this regard, it is observed that NASFT has an online system on ASF accounting in ERP SAP system. Audit observed that to strengthen the Internal audit system. Ministry floated a tender for hiring the services of professional firm. The same will be reviewed in next audit.

Ministry's comments on Audit's observations

C&AG in its vetting comments has taken note of the Action Taken by the ministry. As commented by them, the ASF accounting system will be submitted for review in next audit.

Observation/Recommendation

Recovery of Dues from Air India

The Committee note from the reply of the Ministry that an amount of ₹3.26 crore from Air India and ₹0.04 crore on account of Passenger Services Fee (Security Component) (PSF (SC) from other Airlines are still outstanding. Further, the Committee note from the submission made by the representative of the MoCA

that in the cases of Air India and Alliance Air, the Ministry has been liberal and has given them leverage and, therefore, their payment is expected to be delayed. The Committee are disappointed to note that despite being a Government owned airline, Air India has not been making its payments on time, although there is no deficit in collecting this amount as it is being collected from passengers. The Committee while opining that the conduct of the national carrier should be exemplary, recommend that the Ministry of Civil Aviation direct Air India to pay the outstanding dues immediately and henceforth, not to give the airline any leverage to pay the dues meant for security personnel guarding the airports.

[Para 5, Part – II, of 13th Report of Public Accounts Committee
(17th Lok Sabha)]

Action Taken

NASFT has been suitably advised.

Audit's vetting comments on Ministry's ATN

Audit observed that NASFT is in correspondence with Air India for outstanding Aviation Security Fee.

Ministry's comments on Audit's observations

NASFT and Ministry of Civil Aviation is continuously pursuing with Air India to pay outstanding dues towards Aviation Security Fee. C&AG in its vetting comments has taken note of the same.

Observation/Recommendation

National Aviation Security Fee Trust

The Committee observe from the written submission by the Ministry that a National Aviation Security Fee Trust (NASFT) has recently been formed to collect the security fee through a centralized accounting system and for better management of Aviation Security Fee (ASF). The Committee note that the collection and disbursal of ASF would now be done by the Trust instead of airport operators who would only help the Trust to raise the invoice and collect the money from the airlines. While noting that the appropriate SOPs for the airlines as well as the airport operators have been communicated, the Committee desire that a comparative statement of the resultant improvement in collection of dues from airlines may be furnished within six months of presentation of this Report .

[Para 6, Part – II, of 13th Report of Public Accounts Committee
(17th Lok Sabha)]

Action Taken

National Aviation Security Fee Trust (NASFT) has been set up with the mandate to manage Aviation Security Fee. The recommendation of the Committee has been conveyed to NASFT to submit the comparative statement as sought by the Committee.

Audit's vetting comments on Ministry's ATN

Comparative Statement of the resultant improvement in collection of dues from airlines needs to be furnished by the Ministry within six months of presentation of the Report i.e. by September 2020. Thus, no further comments.

Ministry's comments on Audit's observations

As per vetting comment of C&AG, the comparative statement of the resultant improvement in collection of dues from airlines is as under:

1. To streamline the management of Aviation Security Fee, National Aviation Security Fee Trust (NASFT) has been created and started functioning w.e.f. 01/07/2019.
2. NASFT has been created with the objective to -
 - i. replace the earlier system of collection and expenditure of ASF airport-wise by a centralised mechanism
 - ii. bring in uniformity and standardisation in ASF collection and expenditure across the country and
 - iii. bring in transparency and accountability.Hence, the objective of NASFT is to develop a centralized ASF management besides addressing the issue of shortfall in collection.
3. The comparative statement indicating ASF collection post NASFT creation till 28/02/2020 (i.e. during 01/07/2019 to 28/02/2020) and corresponding period previous year is as under:

(Rs in Crores)

Period	ASF billing	ASF Collection
01/07/2019 to 28/02/2020	2051	1956
01/07/2018 to 28/02/2019	1699	1671

Observation/Recommendation

Distribution of Passenger Security Fee amongst all beneficiaries

The Committee note that aviation security is funded through PSF (SC)/ASF collections only and that PSF (SC)/ASF is levied on embarking passengers at Rs.150/- per domestic pax and USD 4.85 per international pax. The funds collected from this levy are used for funding aviation security. The Committee note that there is a huge gap between the money collected by the Ministry through imposition of this fee and the amount disbursed to the CISF for providing security at the airports. In order to handle this situation, the Ministry has decided to maintain a single escrow account, form a National Aviation Security Fee Trust (NASFT) and raise the amount of PSF(SC) to be collected from the passengers

which is to be indexed to the Consumer Price Index(CPI). The Committee are of the considered view that since CISF also provides security to the infrastructure created by the airport operators at airports, the equipment of airlines and their staff deployed on the airports as well as the commercial establishments set up at the airports, the burden of paying for security should be distributed amongst all the users and not just the passengers. As the CISF is deployed at 60 airports across the country, this would increase the corpus of the security fund, address the issue of acute deficit and enable provision of more amenities to CISF personnel as recommended by the Committee in their previous recommendation. The Committee accordingly recommend that the Ministry may make a formula whereby the cost of security may be equally borne by all i.e. airport operators, airlines and vendors who have set up their shops at the airports, apart from passengers.

[Para 8, Part – II, of 13th Report of Public Accounts Committee
(17th Lok Sabha)]

Action Taken

The Rule 88A of Aircraft Rules 1937 provides for levying Aviation Security Fee from specified sources. Hence expanding the source of ASF, as recommended by the Committee, may not be agreed under the provisions under Rule 88A of Aircraft Rules 1937.

Audit's vetting comments on Ministry's ATN

Ministry submitted levying Aviation Security Fee from specified sources however, Ministry may explore suitable steps to follow the recommendation of PAC.

Ministry's comments on Audit's observations

The issue of regulating Aviation Security Fee had been deliberated by a Committee under the Chairpersonship of Secretary (Expenditure) and NASFT is collecting ASF as per the recommendation of the Committee. General international practices also supports charging Aviation Security Fee from embarking passengers. However, the recommendation of the PAC is noted.

CHAPTER III

OBSERVATION/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE
TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM THE GOVERNMENT

-NIL-

CHAPTER IV

OBSERVATION/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Observation/Recommendation

Imposition of penalty on airlines for withholding dues meant for security

The Committee observe that the Ministry pays an incentive for timely payment of dues by airlines and forego the said incentive in case the collections are not paid to the PSF(SC) account on time. The Committee further observe from the submission of the Ministry that, given an option, airlines are not willing to involve in process of collection of PSF(SC) as they are doing this fiduciary job for the Ministry and hence imposing a penalty would be double jeopardy for them. The Committee note that taxation laws also provide for taxes to be collected and deposited by a party other than the party which is liable to pay the tax and the collecting party is further liable to pay interest/penalty in case of default. Accordingly, the Committee opine that the airlines should not be allowed to withhold Government dues which they are supposed to collect and deposit in fiduciary capacity and recommend that the Ministry impose a provision of penalty in proportion to the delay in depositing of the passenger security fee in the trust fund along with interest for the period of delay.

[Para 4, Part – II, of 13th Report of Public Accounts Committee
(17th Lok Sabha)]

Action Taken

In oral evidence, Ministry has explained that there is a system of positive reinforcement i.e. incentives on timely deposit of fee, instead of punitive measures. As NASFT is now in place, close monitoring of ASF collection and management will be ensured.

Audit's vetting comments on Ministry's ATN

There is no provision of penalty in proportion to delay in depositing Passenger Security Fee(PSF) in trust fund along with interest for the period of delay.

Ministry's comments on Audit's observations

C&AG in its vetting comments has taken note that there is no provision of penalty in proportion to delay in depositing Passenger Security Fee(PSF) in trust fund along with interest for the period of delay provision.

CHAPTER V

OBSERVATION/RECOMMENDATIONS IN RESPECT OF WHICH THE GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Observation/Recommendation

Provision of amenities to CISF personnel

The Committee note from the oral submission of the representatives of the Ministry that the passenger fees that is collected by the airlines is used only for the purpose of aviation security which includes the cost of deployment of CISF personnel and other expenses such as medical expenses of the CISF personnel, barrack expenses and transportation expenses. The Committee also note that since CISF is a paramilitary force, the facilities/amenities extended to CISF are as per norms prescribed by Ministry of Home Affairs. The Committee observe that CISF has been providing security facilities professionally and have become a specialized aviation security force at airports. In view of the above, the Committee desire that with the setting up of National Aviation Security Trust, the Ministry should , in coordination with Ministry of Home Affairs, broaden the facilities extended to CISF personnel, for providing services round the clock at airports, including provision of accommodation for them and schools for their wards in the vicinity of the airports.

[Para 7, Part – II, of 13th Report of Public Accounts Committee
(17th Lok Sabha)]

Action Taken

Aviation Security Fee [earlier known as PSF (SC)] is levied under Rule 88A of Aircraft Rules 1937 wherein the purpose of ASF has been defined. It covers cost of deployment and other security related expenditures. Accordingly, National Aviation Security Fee Trust (NASFT) has been set up with the mandate to manage Aviation Security Fee and expenditure to be made as provided under Rule 88A of the Aircraft Rules 1937.

Audit's vetting comments on Ministry's ATN

Ministry may explore the possibilities to expand the amenities to CISF personnel, as recommended by PAC.

Ministry's comments on Audit's observations

Aviation Security Fee [earlier known as PSF (SC)] is levied under Rule 88A of Aircraft Rules 1937 wherein the purpose of ASF has been defined. ASF is used to cover the cost of deployment of security personnel payable to CISF directly and other security related expenditures met by airport operators. Cost of deployment covers education to wards besides other salary components. Other security related expenditures includes accommodation, medical, mobile (on operational requirement) for security personnel and creche facilities for children of working female security personnel. Moreover, in

consultation with MHA, a service level agreement/MoU, to be signed between CISF and NASFT, is under finalization which covers details of entitlements of security personnel to be provided under ASF.

NEW DELHI;
March, 2021
Chaitra, 1943 (Saka)

Adhir Ranjan Chowdhury
Chairperson,
Public Accounts Committee

MINUTES OF THE TWELFTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2020-21) HELD ON 26TH MARCH, 2021.

The Public Accounts Committee (2020-21) sat on Friday, the 26th March, 2021 from 1100 hrs to 1135 hrs in Committee Room No. 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri Adhir Ranjan Chowdhury

-Chairperson

Members

LOK SABHA

2. Shri Subhash Chandra Baheria
3. Shri Sudheer Gupta
4. Shri Bhartruhari Mahtab
5. Shri Ajay (Teni) Misra
6. Shri Rahul Ramesh Shewale
7. Shri Rajiv Ranjan Singh alias Lalan Singh

RAJYA SABHA

8. Shri Naresh Gujral

LOK SABHA SECRETARIAT

- | | | |
|---------------------------|---|---------------------|
| 1. Shri T.G.Chandrasekhar | - | Joint Secretary |
| 2. Shri M.L.K. Raja | - | Director |
| 3. Shri S.R.Mishra | - | Director |
| 4. Smt. Bharti S.Tuteja | - | Additional Director |

PART-I

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OFFICERS OF THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Ms. Kavita Prasad - Director General
2. Shri S. V. Singh - Principal Director

2. The Hon'ble Chairperson welcomed the Officers of C&AG of India to the sitting of the Committee. Thereafter, he invited suggestions of the Members on the following Draft Reports:-

- i. Draft Report on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Thirteenth Report (Seventeenth Lok Sabha) on "Doubtful Recovery of Outstanding Dues because of Failure of Fiduciary Duty-Bangalore International Airport Limited, Bangalore (BIAL)"; and
- ii. Draft Report on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Twelfth Report (Seventeenth Lok Sabha) on "Management of Funds".

3. After some deliberations, the Committee adopted the Draft Report on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Thirteenth Report (Seventeenth Lok Sabha) on "Doubtful Recovery of Outstanding Dues because of Failure of Fiduciary Duty-Bangalore International Airport Limited, Bangalore (BIAL)" without any modification and Draft Report on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Twelfth Report (Seventeenth Lok Sabha) on "Management of Funds" with minor modifications.

4. The Members authorised the Chairperson to finalise the Reports in the light of factual verification done by the Audit and desired that since the House had adjourned *sine-die* and the term of the Committee will end on 30th April, 2021, the Reports may be presented to the Hon'ble Speaker.

The Committee then adjourned.

APPENDIX-II
(Vide Paragraph 5 of Introduction)

**ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE
OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE
CONTAINED IN THEIR THIRTEENTH REPORT (SEVENTEENTH LOK SABHA)**

(i)	Total number of Observations/Recommendations	08
(ii)	Observations/Recommendations of the Committee which have been accepted by the Government: Para Nos. 1, 2, 3, 5, 6 and 8	Total : 06 Percentage: 75%
(iii)	Observations/Recommendations which the Committee do not desire to pursue in view of the reply of the Government: Para Nos. -Nil	Total : 0 Percentage: 0
(iv)	Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration: Para No. 4	Total : 1 Percentage: 12.5%
(v)	Observations/Recommendations in respect of which the Government have furnished interim replies: Para No. 7	Total : 1 Percentage: 12.5%

