

# CAG Performance Audit Summary

## Implementation of Public Private Partnership at Indira Gandhi International Airport, Delhi

- The Comptroller and Auditor General (CAG) released a performance audit of Implementation of Public Private Partnership at Indira Gandhi International Airport, Delhi on August 17, 2012. The Report pertains to the period between 2006 and 2012. The main findings and recommendations are highlighted below.
- In September 2003 the Union Cabinet approved the restructuring of Delhi and Mumbai airports by establishing joint ventures. The Airport Authority of India (AAI) incorporated Delhi International Airport Private Limited (DIAL) as its subsidiary. In 2006, AAI entered into an Operation Management Development Agreement (OMDA) with DIAL. DIAL was given the exclusive right to undertake among other functions the operation, maintenance and development of the Indira Gandhi International Airport for 30 years. Additionally the central government entered into a State Support Agreement (SSA) with DIAL. The SSA laid down the support that would be provided by the central government.
- The definition of aeronautical services under the OMDA and the Airport Economic Regulatory Authority Act, 2008 is different. Inclusion of certain services as non-aeronautical provided an undue advantage to DIAL as under the terms of the SSA only 30% of the revenue generated from non-aeronautical services could be used for determining the tariff to be levied at the airport.
- Under the OMDA, DIAL has been given the unilateral right to extend the concession period for another 30 years on identical terms and conditions. This was in variance with decision of the union cabinet in 2003. The cabinet note stated that the concession period could be extended by another 30 years only by mutual agreement.
- AAI initially leased out 4608.9 acres of land for the development of the airport. Subsequently, it leased out another 190.19 acres of land and thus the total land leased to DIAL was 4799.09 acres. DIAL has to pay Rs 100 per annum for the total leased land. Additionally it also paid a one time upfront fee of Rs 6.19 crore for the 190.19 acres of land.
- Under the terms of the OMDA, DIAL was allowed to utilize 5% of the total land (i.e. 239.95 acres ) for commercial purposes. The potential earning of the land is Rs 1,63,557 crore and the current value of the land is Rs 100 crore per acre. Therefore, according to the Report the total current value of the 239.95 acres of land amounts to Rs 24,000 crore. However, the Report notes that DIAL was permitted to use this land for commercial purposes at a one time upfront fee of Rs 31 lakh and an annual payment of Rs 100 only.
- The OMDA did not allow DIAL to levy a development fee. As per the terms of the OMDA, DIAL had to fund the entire project either through either debt or equity contributions. The Report notes that the sanction given by the civil aviation ministry and the AERA to DIAL to levy the development fee gave an undue advantage to DIAL.
- The total capital expenditure for the airport is Rs 12,857 crore. Out of this the promoter's equity has been Rs 2450 crore of which Rs 637 crore was contributed by AAI and the remaining Rs 1813 crore was contributed by the other JV partners. Thus with a contribution of Rs 1813 crore, DIAL has got an airport for 60 years which has a potential earning capacity is Rs 1,63,557 crore (according to DIAL's estimate).
- In contrast to the Mumbai Airport where the internal accrual has been Rs 1,999 crore, the internal accrual at the Delhi airport has been Rs 50 crore. The Report also states that 27% of the total capital expenditure has come from the development fee levied on the passengers
- The actual cost of the project was 43.25% higher than the original cost. According to the Report one of the reasons was that the actual built up floor area exceed the original estimate by 17.8%. This was in violation of the Master Development Plan.
- Under the terms of the SSA, all the security systems were to be procured by DIAL at its own cost. However, in 2010 the Civil Aviation Ministry permitted DIAL to utilize the security component of the passenger security fee (fee charged on the passengers at the airport). According to the Report this led to a loss of Rs 239.69 to the government crore during 2006-2011.

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