

## PERFORMANCE OF CIVIL AVIATION IN INDIA

[Action Taken by the Government on the Observations/ Recommendations of the Committee contained in their 93rd Report (15th Lok Sabha)]

### MINISTRY OF CIVIL AVIATION

PUBLIC ACCOUNTS COMMITTEE  
(2023-24)

ONE HUNDRED AND TWENTY NINTH REPORT

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SEVENTEENTH LOK SABHA



LOK SABHA SECRETARIAT  
NEW DELHI

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NINTH REPORT**

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**MINISTRY OF CIVIL AVIATION**



*Presented to Hon'ble Speaker, Lok Sabha on : 23.02.2024*

*Presented to Lok Sabha on :*

*Laid in Rajya Sabha on :*

**LOK SABHA SECRETARIAT  
NEW DELHI**

**February, 2024 /Phalguna, 1945 (Saka)**

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*\*Will be appended at the time of printing*

**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE**  
**(2023-24)**

Shri Adhir Ranjan Chowdhury - Chairperson

**MEMBERS**

**LOK SABHA**

2. Shri Subhash Chandra Baheria
3. Shri Thalikkottai Rajuthevar Baalu
4. Shri Bhartruhari Mahtab
5. Shri Jagdambika Pal
6. Shri Pratap Chandra Sarangi
7. Shri Vishnu Dayal Ram
8. Shri Rahul Ramesh Shewale
9. Shri Gowdar Mallikarjunappa Siddeshwara
10. Dr. Satya Pal Singh
11. Shri Brijendra Singh
12. Shri Rajiv Ranjan Singh alias Lalan Singh
13. Shri Jayant Sinha
14. Shri Balashowry Vallabhaneni
15. Shri Ram Kripal Yadav

**RAJYA SABHA**

16. Shri Shaktisinh Gohil
17. Dr. K Laxman
18. Shri Derek O'Brien<sup>1</sup>
19. Shri Tiruchi Siva
20. Dr. M. Thambidurai
21. Shri Ghanshyam Tiwari
22. Dr. Sudhanshu Trivedi

**SECRETARIAT**

1. Shri Sanjeev Sharma - Joint Secretary
2. Smt. Bharti Sanjeev Tuteja - Director
3. Ms. Malvika Mehta - Under Secretary

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<sup>1</sup> Elected w.e.f. 19.08.2023 consequent upon retirement of Shri Sukhendu Sekhar Ray, MP on 18.08.2023.

## INTRODUCTION

I, the Chairperson, Public Accounts Committee (2023-24) having been authorised by the Committee, do present this One Hundred and Twenty-ninth Report (Seventeenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their 93<sup>rd</sup> Report (15<sup>th</sup> Lok Sabha) on 'Performance of Civil Aviation in India' relating to Ministry of Civil Aviation.

2. The Ninety-third Report was presented to Lok Sabha/laid in Rajya Sabha on 06.02.2014. Replies of the Government to all the Observations/Recommendations contained in the Report were received. However, in view of the privatisation of Air India Ltd., the Committee feel that the recommendations of the Committee in the 93<sup>rd</sup> Report cannot be pursued further. The Committee have, accordingly, recorded their views in chapter-1 of the report. The Public Accounts Committee considered and adopted the One Hundred and Twenty-ninth Report at their sitting held on 9<sup>th</sup> February 2024. 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 also place in 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.

NEW DELHI;  
09 February, 2024  
20 Magha, 1945 (Saka)

ADHIR RANJAN CHOWDHURY  
Chairperson,  
Public Accounts Committee

## CHAPTER - I

### REPORT

This Report of the Public Accounts Committee deals with the Action Taken by the Government on the Observations and Recommendations of the Committee contained in their Ninety-third Report (Fifteenth Lok Sabha) on 'Performance of Civil Aviation in India' relating to the Ministry of Civil Aviation.

2. The Ninety-third Report (Fifteenth Lok Sabha), which was presented to Lok Sabha/laid in Rajya Sabha on 6th February, 2014, contained 34 Observations and Recommendations. The Ninety-third Report mainly focused on issues related to acquisition of aircraft by erstwhile Air India limited and erstwhile Indian Airlines Limited, their merger into National Aviation Company Limited (NACIL) (thereafter renamed Air India Ltd.), bilateral agreements on international entitlements as well as their operational and financial performances and turnaround plan of the merged entity. Action Taken Notes (ATNs) in respect of all the Observations and Recommendations were received from the Ministry of Civil Aviation. While the Committee was considering the action taken notes, the then NACIL was undergoing restructuring. Given the fast paced changes happening in the civil aviation sector in India where Air India was a major player, the Committee, based on the evidence held on the subject felt it prudent to wait for the final outcome of restructuring of the company before giving their comments on the Action Taken Replies received from the Ministry. However, in 2017, the Government of India approved the privatization proposal of Air India and finally in January 2022, the Company was officially handed over to a private company. A statement containing the analysis of the recommendations of the Committee in the 93rd Report is placed at Appendix-I. In view of the privatisation of Air India Ltd., the Committee feel that the recommendations of the Committee cannot be pursued further. The Committee, nevertheless, desire to be apprised of the resultant impact of privatization of Air India Ltd. on the civil aviation industry in the country.

NEW DELHI;  
09 February, 2024  
20 Magha, 1945 (Saka)

ADHIR RANJAN CHOWDHURY  
Chairperson,  
Public Accounts Committee

## APPENDIX-II

ANALYSIS OF OBSERVATIONS/ RECOMMENDATIONS OF 93<sup>RD</sup> REPORT OF PAC  
(15<sup>TH</sup> LS) ON "PERFORMANCE OF CIVIL AVIATION IN INDIA"

Obs/ Reco Sl. No.	Gist of Observation / Recommendation	Remarks	Analysis
1.	Introduction	--	-
2.	<p data-bbox="220 553 657 589"><u>Letter of Congressional Caucus</u></p> <p data-bbox="220 622 954 1352">The chronology of events leading to change in aircraft requirement of Air India Limited (AIL) revealed that a letter dated 22 October, 2003 signed by 43 members of the US Congress pressing for purchase of aircraft by AIL from Boeing Corporation was received by Prime Minister's Office (PMO) which was forwarded to MoCA in November 2003. PMO also forwarded two letters from Boeing (a letter of 17th November, 2003 to Secretary, MoCA and a letter of 2nd January, 2004 to PMO) to MoCA wherein Boeing had indicated that the economics of the acquisition project were strongly dependent on the number of aircraft chosen and that the technical evaluation could be easily influenced with the change in assumptions on number of aircraft to be purchased. In response to the contentions made by Boeing in these letters, AIL intimated MoCA that equal opportunity had been given to both suppliers and the number of long range aircraft had been reduced from 17 to 10 as it was not economically viable.</p> <p data-bbox="220 1352 954 1532">Highlighting the issues raised by AIL to MoCA, Director (S), MoCA stated that the AIL Board had recommended acquisition of only 10 aircraft of A340-300 variant as it was felt that acquisition of 17 long range aircraft would not be economically viable.</p> <p data-bbox="220 1532 954 1711"><u>The Committee noted that despite the reservations and concerns raised regarding the number of aircraft that were to be procured, the Government, as approved by the EGoM went ahead with the deal without having a long term perspective.</u></p>	Matter pertains to acquisition of aircraft by Air India.	Cannot be pursued further as Air India Ltd. has since been privatized.
3.	<p data-bbox="220 1742 954 1823"><u>Assurance to Cabinet Committee on Economic Affairs (CCEA) not fulfilled</u></p> <p data-bbox="220 1845 954 1883">On 30 December 2005, Government of India</p>	Matter pertains to acquisition of aircraft by Air India.	Cannot be pursued further as Air India Ltd. has since been privatized.

	<p>approved acquisition of 68 aircraft on firm basis on the basis of the terms and conditions negotiated by the Empowered Group of Ministers (EGoM). All along it was seen that the proposal for acquisition was premised on 35 aircraft on firm basis and 15 aircraft on option basis. Further, at the pre-Public Investment Board (PIB) meeting held in August 2005, the representatives of the Planning Commission and Department of Expenditure (DoE) had expressed serious concerns regarding the Project Report.</p> <p><u>When Department of Expenditure asked MoCA to clearly indicate in the final CCEA note the steps that were proposed to be taken for cost reduction and enhance productivity in AIL, the MoCA indicated in the CCEA note that a Committee would be set up by the Ministry to evaluate the cost structure and productivity. The MoCA need to explain whether such a Committee was set up and if so, what action was taken on its recommendations.</u></p>		
4.	<p><u>Advice of stakeholders overlooked</u></p> <p>The Committee sought to know the reasons for placing a firm order for all 50 aircraft ignoring the recommendations of the Public Investment Board, Planning Commission and Department of Expenditure, the Ministry submitted that 27 of 50 proposed aircraft were to only maintain the existing capacity, 8 were intended to cater to the growth factor and rest 15 were to be kept as an option for future growth. Thus, by the Ministry's own submission, the requirement was of 35 aircraft even after factoring in the needs arising out of growth. As originally envisaged, the 15 aircraft ought to have been kept on option basis. The second reason advanced was that 'the EGoM chose to place firm order of 50 aircraft on account of discounts made available by Boeing Company as also the other investments to be made by the Boeing Company in India'.</p> <p><u>The Committee desired to be apprised of the discounts made on such bulk purchase orders of aircraft and the investment made by the Boeing Company in India as assured.</u></p>	Matter pertains to acquisition of aircraft by Air India.	Cannot be pursued further as Air India Ltd. has since been privatized.



5.	<p><u>Delivery/deferment of aircraft</u></p> <p>Asked to explain why Air India (AI) deferred the acquisition of the last 3xB777—300 ER aircraft which were to be delivered in 2010-11 and 2011-12, the submission of the Ministry was that with the onset of economic recession in late 2008, traffic was on the decline and many airlines were adopting the strategy of reducing capacity and operations to reduce the impact of recession. It was claimed that Air India had undertaken restructuring of its existing operations including reduction of operations to curtail losses.</p> <p>The Committee opined that when the purchase agreement was concluded in December 2005, a desperate need for 50 aircraft was made out and in the next few years there had to be deferment in the delivery of aircraft to reduce the burden of loan repayments. <u>While taking note of the submission of the representatives of the MoCA that the aviation sector was completely market driven and dynamic, the Committee felt that the payment capacity of Air India for such a large fleet was not anticipated.</u></p>	Matter pertains to acquisition of aircraft by Air India.	Cannot be pursued further as Air India Ltd. has since been privatized.
6.	<p><u>Debt Funding</u></p> <p>The entire acquisition (for both AIL &amp; IAL) was to be funded through debt, to be repaid through revenue generation except for a relatively small equity infusion of Rs. 325 crore for IAL. The Committee observed that a Company (Boeing) was given business out of the money borrowed from an American Bank (Exim Bank) and to this the GOI had stood as a guarantor against the advice of the Ministry of Finance that 'a preferred option may be to encourage financing arrangements not involving government guarantee'. <u>The Committee desired to be apprised of the ground for such an arrangement.</u></p>	Matter pertains to acquisition of aircraft by Air India.	Cannot be pursued further as Air India Ltd. has since been privatized.
7.	<p><u>Avoidable Interest Burden</u></p> <p>Due to the delay in providing Gol guarantee, the Air India Limited (AIL) and Air India Charters Limited (AICL) had to pay additional interest to the extent of Rs. 199.37 crore and Rs. 21.34 crore respectively, a huge burden wholly avoidable. The speed and synergy with which the purchase agreement was concluded with Boeing was lacking while executing</p>	Matter pertains to acquisition of aircraft by Air India.	Cannot be pursued further as Air India Ltd. has since been privatized.

	<p>the agreement, more so when the financial implications were causing a wholly avoidable loss of Rs.220.71 cores to the public exchequer on account of additional interest burden alone.</p>		
8.	<p><u>Defective assumptions</u></p> <p>The Committee felt that many of the key assumptions underlying the revised Project Report for acquisition of 50 long range aircraft were unduly optimistic. The assumption that increase in capacity share would automatically lead to an increase in ALL's market share (projected increase from 10% to 30% by 2012-13) was not adequately validated. The concerns of the Planning Commission with regard to the assumptions made by AIL regarding traffic projections were that they were risky and the upgradation appeared to be very ambitious considering the past trends. Further, the statistics of the Director General of Civil Aviation (DGCA) did not suggest the kind of growth that was assumed in the Project Report. Notably, the Planning Commission had opined that it would tantamount to skating on thin ice since traffic growth was not guaranteed and internal rate of return with fuel cost at the prices prevalent then was only 6.2%. The Department of Expenditure had also stated that a purely supply side response would run into demand side risks and the high traffic growth projections needed careful consideration since project viability was highly sensitive to reduction in traffic yield. <u>The Committee desired to know whether reservations of all the stakeholders were placed before the EGoM.</u></p>	<p>Matter pertains to acquisition of aircraft by Air India.</p>	<p>Cannot be pursued further as Air India Ltd. has since been privatized.</p>
9.	<p><u>Lack of benchmarking and commercial intelligence.</u></p> <p>No benchmarks for the cost of the aircraft were set (either for the AIL acquisition or for the IAL acquisition) before negotiations were initiated with the manufacturers at various levels. <u>The Committee stressed that any such future purchases may be made after due assessment of commercial intelligence and the global air traffic scenario to arrive at a correct price.</u></p>	<p>Matter pertains to acquisition of aircraft by Air India.</p>	<p>Cannot be pursued further as Air India Ltd. has since been privatized.</p>
10.	<p><u>Irregular post-bid seat reconfiguration</u></p>	<p>Matter pertains to acquisition of</p>	<p>Cannot be pursued further as Air India</p>

	<p>The Committee found that during negotiation process, the configuration of seats was revised in November 2005. After finalization of the revised seat configurations in a high level ministerial meeting, and intimation of the same to Boeing by ALL, the matter was sent for the ALL Board's information only. The Committee were of the considered view that post-bid seat reconfiguration was irregular and that the Government should evaluate the financial implications and report to the Committee within three months of presentation of the Report. The Committee had also recommended that strong measures be taken so that such irregularities do not recur.</p>	aircraft by Air India.	Ltd. has since been privatized.
11.	<p><u>Liquidated damages for delayed delivery</u></p> <p>The Committee noted that against the 50 aircraft to be delivered by October 2011 as per contract, only 28 aircraft (8 B777-200LR, 12 B777-300ER and 8 B787-8) have been delivered as of September 2013. When specifically asked about the compensation for delayed delivery of the aircraft, the Ministry stated that as per the purchase agreement, the B787 were to be delivered from September 2008. The Committee were pained to note that the purchase contract was loaded against the buyer i.e. AI since despite the delay of more than three years in the delivery of these aircraft the purchase agreement provides for compensation only upto a maximum of 180 days. <u>The Committee therefore recommended that immediate steps be initiated for claiming liquidated damages as per the contract and action be taken to safeguard the interest of the airline in terms of the contract and to avoid such dereliction of duty in future.</u></p>	Matter pertains to acquisition of aircraft by Air India.	Cannot be pursued further as Air India Ltd. has since been privatized.
12.	<p><u>Compensation for grounding of dreamliner</u></p> <p>The Committee noted that as of March 2013, out of the 27 dreamliner aircraft that were to be received, only 6 were delivered to AI and all 6 of them had to be grounded following directives of US Federal Aviation Administration. The Committee desired to be apprised of the action taken to safeguard the interest of the airline in terms of the contract after defects were noticed.</p>	Matter pertains to acquisition of aircraft by Air India.	Cannot be pursued further as Air India Ltd. has since been privatized.

13.	<p><u>Faulty assumptions about market share and fleet strength</u></p> <p>The statistics regarding the increase in fleet strength and its bearing on IAL's market share did not support the Ministry's view that increase in fleet strength could bring commensurate increase in IAL's market share of traffic. The assumption that increase in fleet strength could bring commensurate increase in IAL's market share of traffic, was wholly unrealistic and based on specious claims which were challenged within the Government. <u>The Committee desired to be apprised of the IAL's market share of traffic after the induction of new aircraft month-wise beginning from the induction of first aircraft.</u></p>	Matter pertains to acquisition of aircraft by Air India.	Cannot be pursued further as Air India Ltd. has since been privatized.
14.	<p><u>Setting up of MRO</u></p> <p>Airbus had proposed to establish a training centre at an approx. investment of US\$ 75 million and a warehouse and it would assist the creation of Maintenance, Repair and Overhaul (MRO) facilities with an investment of US\$ 100 million. The commitment regarding creation of MRO and training facilities was open-ended as there was no timeframe laid for the creation of such facilities. With regard to AIL aircraft acquisition, similar commitments were obtained from Boeing. The only difference was that these commitments were included in AIL's purchase agreements but did not figure in IAL's purchase agreements.</p> <p>About the Commitment of Boeing with regard to MRO it was stated that Nagpur had been shortlisted and the work had begun. The target date for completion was July 2013. To a specific query of the Committee whether any study had been conducted by AI for establishing MRO at Nagpur, the Ministry's reply was in the negative. When asked if Nagpur had any aviation infrastructure for setting up the MRO there or AI had to start from scratch to build this MRO, the Ministry's reply was that MRO was being set up at Special Economic Zone (SEZ) area near Nagpur airport. <u>The reply being untenable, the Ministry was asked to explain the rationale for choosing Nagpur as the location for MRO and the</u></p>	Matter pertains to MRO facilities under Air India.	Cannot be pursued further as Air India Ltd. has since been privatized.

	<u>actual progress of the project and the time by which the project would be commissioned.</u>		
15.	<p><u>Expenditure on aircraft maintenance in foreign countries</u></p> <p>The Committee were apprised that AI had developed and was running its MRO facilities for the last several decades for maintenance of its aircraft. When specifically asked to furnish reasons for incurring expenditure on maintenance / repair / servicing of the aircraft in foreign countries inspite of in-house facilities, the Ministry submitted that though MRO facilities of AI were equipped with infrastructure and manpower for carrying out maintenance checks of the aircraft in AI's fleet in-house, AI had been leasing aircraft for its operations which were sent abroad for redelivery / major maintenance checks since the lease agreements stipulated that these checks could be accomplished at Federal Aviation Administration (FAA) / European Aviation Safety Agency (EASA) approved MRO facilities and AI MRO facilities were not FAA / EASA approved. <u>The Ministry were asked to explain to the Committee as to what measures it undertook to ensure that the lease agreements were unbiased and that the nation's interests were well safeguarded.</u></p>	Matter pertains to MRO facilities under Air India.	Cannot be pursued further as Air India Ltd. has since been privatized.
16.	<p><u>Faulty assumptions about merger</u></p> <p>Taking note of the global trend towards consolidation in the airline industry, the MOCA considered it imperative that the two National Carriers be merged as the merged entity would not only be able to compete effectively in the market but also find greater acceptability amongst the global alliances.</p> <p>There had been good progress regarding integration of network/schedules, cross utilisation of aircraft fleet, leveraging scale for joint procurement (fuel, insurance etc.) and harmonisation of booking offices/facilities. However disparities relating to HR issues were yet to be resolved.</p>	Merger of Air India with Indian Airlines.	Cannot be pursued further as Air India Ltd. has since been privatized.
17.	<p><u>Action on Dharmadhikari Committee Report</u></p> <p>Ministry of Civil Aviation constituted a Committee of</p>	Merger of Air India with Indian Airlines.	Cannot be pursued further as Air India Ltd. has since been

	<p>Experts under the Chairmanship of Justice (Retd.) D. M. Dharmadhikari to go into HR issues including contentious issues with regard to Performance linked Incentive (PLI) level mapping and cadre restructuring. <u>The Committee desired to be apprised of the recommendations and observations of the Dharmadhikari Committee and the implementation status thereof.</u></p>		privatized.
18.	<p><u>Status of merger/integration</u></p> <p>The Committee were dismayed that the actual merger of Indian airlines and Indian Airlines had still not been achieved. HR integration below the level of DGM had not taken place and this had significantly affected the completion of merger. <u>The Committee urged the Ministry to secure complete merger and consolidation in the interest of harmonious relations inter-se between the various stream of employees and the efficient functioning of AI.</u></p>	Merger of Air India with Indian Airlines.	Cannot be pursued further as Air India Ltd. has since been privatized.
19.	<p><u>Apprehensions of Employees' Associations/Unions</u></p> <p>To a specific query of the Committee as to whether the Ministry had held any consultations with the Unions / Associations about merger, the Ministry submitted that the Unions / Associations had been kept adequately briefed about the merger process and the scheme of amalgamation had addressed most of the issues raised by them. <u>The Committee urged the Ministry to ensure that HR integration was achieved without further delay so that the organisation functioned smoothly and efficiently.</u></p>	Merger of Air India with Indian Airlines.	Cannot be pursued further as Air India Ltd. has since been privatized.
20.	<p><u>Joining the Star Alliance</u></p> <p><u>The Committee desired to be apprised of the measures taken by the MOCA or AI to become member of the Star Alliance or to get the refund of the entry fee paid.</u></p>	Membership of Air India in Star Alliance.	Cannot be pursued further as Air India Ltd. has since been privatized.
21.	<p><u>Bilateral Agreements</u></p> <p>During 2003-04, bilateral entitlements were liberalised and foreign airlines were permitted to operate to "interior points" in India, i.e. beyond the major airports. The bilateral air traffic rights on</p>	Bilateral agreements of Air India.	Cannot be pursued further as Air India Ltd. has since been privatized.

	<p>international routes between India and other countries were decided on the basis of reciprocity. However, the Committee noted that the actual utilisation of available rights on international sectors was highly imbalanced. While Indian entitlements had remained grossly underutilised, there was a problem of inadequate capacity on most international routes from India, with passengers finding it difficult to obtain seats for nearly six months of the year.</p> <p><u>The Committee sought an explanation for such a skewed arrangement and the corrective measures taken to restore balance and mutuality of interest between the foreign airlines and the National Carrier.</u></p>		
22.	<p><u>India-Dubai Sector</u></p> <p><u>The Committee deplored that despite having accepted in principle to change the gauge article in the service agreement, Dubai had not accepted to implement the Article as of April 2013. In this regard, the Committee wished to be apprised of the reasons for non-implementation of the agreement and the adverse impact thereof on the revenues of AI.</u></p>	Revenue of AI due to service agreement	Cannot be pursued further as Air India Ltd. has since been privatized.
23.	<p><u>Want of level playing field to National Carrier</u></p> <p>To a pointed query whether the liberalised policy towards bilateral entitlements had provided a level playing field to AI, the Ministry submitted that due consideration was given to the operational plan of the National Carrier before allocating routes to other eligible schedule carriers. It was ensured that Air India had first right of refusal for allocation of traffic rights.</p> <p>The Gulf sector was AIL/IAL's most profitable international segment before the liberalised policy on bilateral entitlements. Despite AIL's reservations, MoCA went ahead with massive increases in entitlements from 2004-05 onwards to the detriment of AI. The Committee were shocked over the manner in which massive excess entitlements for most profitable gulf sector were granted to foreign airlines to the serious detriment of Air India. <u>The Committee therefore recommended that immediate corrective measures be taken to protect the</u></p>	Protection of commercial interest of AI	Cannot be pursued further as Air India Ltd. has since been privatized.

	<u>commercial interest of AI and the Committee apprised.</u>		
24.	<p><u>Uneconomic route thrust upon Air India</u></p> <p>The Committee observe that the erstwhile Air India Limited (AIL) during the period between 2005-06 and 2009-10 on most routes (North America, UK, SE Asia, etc.) was incurring losses, and only the Gulf / Middle East and Far East Asia routes were making profits till 2005-06. However, by 2009-10, all routes were turned into loss-making. Reasons attributed for this were lack of alliances, inadequate frequent flyer programme, few code shares only and connectivity, delayed deployment of Passenger Service System and the increased competition. Further, AI Management had stated that during the period between 2005-06 and 2009-10, access to the Indian market for foreign carriers had increased manifold on the one hand while Indian carriers (private) were given unrestricted rights to increase domestic capacities besides entry into the international markets. However, the Ministry termed the above claim of AI management as incorrect and also said that stamping out the competition with other carriers in the economic environment was not possible. However, the Committee noted that while revising the number of aircraft one of the reasons advanced was the requirement of Ultra Long Range aircraft for the India-USA operations. This was inspite of the fact that historically, India – USA sector was a loss making sector and a commercially unviable route. <u>The Committee therefore recommended that responsibility must be fixed for impinging on the autonomy of AI leading to loss of traffic to AI.</u></p>	Impinging on the autonomy of AI leading to loss of traffic to AI.	Cannot be pursued further as Air India Ltd. has since been privatized.
25.	<p><u>Joint Position Paper</u></p> <p>The position paper of February 2011 of the three leading international (as then) Indian international carriers – AI, Kingfisher and Jet Airways – brought out the serious problems with huge expansion of bilateral entitlements in respect of several countries (notably in the Gulf, SE Asia and Europe). <u>The Committee were surprised to note that the Ministry was not in the know of such a vital paper prepared by the official carrier which was accountable to the</u></p>	Joint Position Paper on Air India	Cannot be pursued further as Air India Ltd. has since been privatized.



	<u>Ministry.</u>		
26.	<p><u>Free seats and upgradation of seats of former employees of AI</u></p> <p>The Committee were startled to find that in March 2010, at a time when NACIL was going through a major financial crisis, MOCA issued an order, whereby the facility for upgradation of ticket for self and immediate family for travel to the highest class available by Air India / Indian Airlines, subject to availability of seats was extended to all former Secretaries of the Ministry of Civil Aviation.</p>	Facility for upgradation of ticket for self and immediate family for travel to the highest class available by Air India / Indian Airlines, extended to all former Secretaries of the Ministry of Civil Aviation.	Cannot be pursued further as Air India Ltd. has since been privatized.
27.	<p><u>Evaluation of performance indicators</u></p> <p>A scrutiny of the key performance indicators of AI during the period 2005-06 to 2010-11 revealed a significant deterioration in operational performance on most parameters such as passenger / cargo revenues, Available Seat Kilometers (ASKM), Available Tonne Kilometers (ATKM), Revenue per RPKM and Passenger Load Factor (PLF) for the two airlines (pre/post merger) between 2005-06 and 2009-10. The Ministry conceded that the competition between the two airlines (erstwhile AIL and IAL) resulted in lower yields, revenues and profitability to both the airlines. Further AI was serving these routes with wide body aircraft which produced inferior economics on these relatively short haul routes. <u>The Committee found the argument rather specious and recommended that all out efforts be made to revamp the operational performance of the National Carrier and to restore it to the pride of place that it held for long.</u></p>	Revamp of operational performance of Air India	Cannot be pursued further as Air India Ltd. has since been privatized.
28.	<p><u>Survey on customer perception and improvement of services</u></p> <p><u>The Committee recommended that urgent and essential measures may be taken to improve the services of AI to enable it to become an internationally preferred airline.</u></p>	Survey for improvement in services of Air India.	Cannot be pursued further as Air India Ltd. has since been privatized.
29.	<p><u>Defective lease agreement</u></p> <p>The Committee observed that as of March 2010, IAL</p>	Defective lease agreement for Air India	Cannot be pursued further as Air India Ltd. has since been

	<p>and its subsidiary Airline Allied Services Ltd. (AASL) had 37 leased aircraft. Of these 37 aircraft, 11. Six of these aircraft were to be returned between March 2008 and October 2009, after completing the extended lease period. As per the lease agreements, the leased aircraft were to be sent to a mutually acceptable MRO facility for completion of stipulated aircraft checks before return to the lessor. However, the lessor refused to accept the return of the aircraft, by raising disputes on their physical condition and documentation and raised claims of huge settlement amounts.</p> <p><u>The Committee cautioned the Ministry to draw suitable lesson from the incident and be careful to avoid such a recurrence and also fix responsibility for drafting the defective lease agreement which was apparently flawed and detrimental to the National Carrier.</u></p>		privatized.
30.	<p><u>Turn Around Plan</u></p> <p>The Committee were apprised that for the revival of the Airline, multiple versions of Turn Around Plan (TAP) were being considered from August 2009 onwards. These included, inter-alia, cost reduction and revenue enhancement targets.</p> <p><u>The Committee were informed that the Plan was however awaiting approval by the various lenders and their respective Boards. The Committee desired to be apprised of the Plan approved and the timelines for execution of the Turn Around Plan.</u></p>	Turnaround plan of Air India	Cannot be pursued further as Air India Ltd. has since been privatized.
31.	<p><u>Financial structuring and Revival Strategy</u></p> <p><u>The Committee felt that in order to bail out the Company, the infusion of further equity of Rs.30,231 crore was of paramount need and the equity infusion may be expedited.</u></p>	Financial Structuring and Revival Strategy Of Air India	Cannot be pursued further as Air India Ltd. has since been privatized.
32.	<p><u>Ground handling agreement with Air India</u></p> <p>The Committee noted that AI entered into a joint venture with Singapore Airport Terminal Services (SATS) for ground handling in Bangalore and Hyderabad. AI-SATS joint venture was 50-50 equity</p>	Joint venture of Air India with Singapore Airport Terminal Services.	Cannot be pursued further as Air India Ltd. has since been privatized.

	<p>partnership between AI and AISATS which initially operated as an Association of Persons (AOP) and was incorporated on 20<sup>th</sup> April 2010 into a company by the name of Air India SATS Airport Services Pvt. Ltd. Reason submitted for entering into this joint venture was that Air India on its own was not qualified to handle ground handling activities at Bangalore and Hyderabad and if they had not tied up with a JV partner, they would have lost the business to other foreign competitors who were authorised to do ground handling at these airports. <u>The Committee wished to be apprised of all aspects of the matter as also the benefits likely to accrue to the airlines from such an arrangement.</u></p>		
33.	<p><u>Rationale of a lopsided Joint Venture</u></p> <p>The other notable aspect of the joint venture was that AI SATS has to be paid for handling the flights of Air India. The Committee were apprised that with the depletion of the manpower strength at Hyderabad and Bangalore, it was not possible to handle the Air India flights on its own and Air India had deployed additional manpower either on its own pay roll or through subsidiary company to handle its flights and foreign airline flights. With the takeover of the ground handling activity by AISATS, the additional manpower in AIATSL was taken over by AISATS on their payroll whereas, it was noteworthy that prior to Joint Venture, Air India was not charging anything for handling its own flights as same was done in-house and AI was earning revenue from handling other carriers and Wide body flights before merger. After the JV (i.e. 2008-09, 2009-10, 2010-11), AI was paying for handling of AI flights to the JV company and the revenue which was earned from handling foreign airlines goes to the JV company, which on the other hand would have accrued in toto to the AI. <u>The Committee desired the Ministry to share the rationale of such a lopsided joint venture entered into by the AI which is apparently a losing proposition.</u></p>	Lopsided joint venture entered into by Air India	Cannot be pursued further as Air India Ltd. has since been privatized.
34.	<p><u>Conclusion</u></p> <p>To conclude, the Committee recognized that to make Air India to regain its past glory is a daunting task but nevertheless, it is in national interest that the National Carrier becomes self sustainable,</p>	Conclusion	Cannot be pursued further as Air India Ltd. has since been privatized.

	<p>vibrant and a pride of India in the globalized world. The Committee, therefore, exhort the Ministry of Civil Aviation and Air India to take note of their considered suggestions/recommendations, as highlighted in the preceding paragraphs and take suitable but urgent remedial and corrective action so that the National Carrier re-occupies its pre-eminent position.</p>		
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