14

MINISTRY OF CIVIL AVIATION

DEVELOPMENT AND REGULATION OF CIVIL AVIATION

COMMITTEE ON ESTIMATES (2011-2012)

FOURTEENTH REPORT

FIFTEENTH LOK SABHA

LOK SABHA SECRETARIAT
NEW DELHI

FOURTEENTH REPORT

COMMITTEE ON ESTIMATES
(2011-2012)

(FIFTEENTH LOK SABHA)

MINISTRY OF CIVIL AVIATION

'Development and Regulation of Civil Aviation'

Presented to Lok Sabha on 26th April, 2012

LOK SABHA SECRETARIAT
NEW DELHI

April, 2012 / Vaisakha, 1934 (S)

EC No._____

Price: ₹ _____

CONTENTS

	OBSERVATIONS / RECOMMENDATIONS	137-186
	APPENDICES	
(I)	Minutes of the Sitting of the Committee held on 01.07.2010	
(II)	Minutes of the Sitting of the Committee held on 12.10.2010	
(III)	Minutes of the Sitting of the Committee held on 20.12.2010	
(IV)	Minutes of the Sitting of the Committee held on 08.11.2011	
(V)	Minutes of the Sitting of the Committee held on 10.04.2012	

COMPOSITION OF THE COMMITTEE ON ESTIMATES (2011-12)

Shri Francisco Sardinha – Chairman

Members

2   Shri Raj Babbar
3   Smt. Harsimrat Kaur Badal
4   Shri E. T. Mohammed Basheer
5   Smt. Bijoya Chakravarty
6   Shri Bhakta Charan Das
7   Shri Dhruvanarayana
8   Shri T. K. S. Elangovan
9   Shri Ninong Ering
10   Shri Prahlad Venkatesh Joshi
11   Shri P. Karunakaran
12   Shri Bapi Raju Kanumuru
13   Shri Chandrakant Khaire
14   Shri M. Krishnaswamy
15   Shri Datta Meghe
16   Shri Prabodh Panda
17   Shri Jagdish Singh Rana
18   Shri Magunta Sreenivasulu Reddy
19   Smt. Yashodhara Raje Scindia
20   Shri S. Semmalai
21   Shri Arjun Charan Sethi
22   Shri M. I. Shanavas
23   Shri Brijbhushan Sharan Singh
24   Shri Ganesh Singh
25   Shri Ijyaraj Singh
26   Shri Jagada Nand Singh
27   Shri Radha Mohan Singh
28   Shri Sushil Kumar Singh
29   Smt. Annu Tandon
30   Shri Hukamdeo Narayan Yadav

SECRETARIAT

1.   Shri P.K Grover   -   Additional Secretary
2.   Shri S.C. Chaudhary   -   Director
3.   Smt. Anita B. Panda   -   Additional Director

INTRODUCTION

I, the Chairman of Committee on Estimates (2011-2012) having been authorized by the Committee to submit the Report on their behalf, present this Fourteenth Report (Fifteenth Lok Sabha) on 'Development and Regulation of Civil Aviation' pertaining to the Ministry of Civil Aviation.

2.   The subject was selected for detailed examination by the Committee on Estimates (2010-2011), taking into account the urgent need to overhaul the entire structure of the Indian Civil Aviation sector so as to bring radical changes/improvement in its overall financial and infrastructural health and make it more profitable and competitive sector in the entire arena of civil aviation of the world.

3.   The Committee held five sittings on the subject. The Committee have been briefed by the Ministry of Civil Aviation on 1st July, 2010 on the subject. The Committee took the oral evidence of the Ministry on 12th October, 2010, 20th December, 2010 and 8th November, 2011 respectively.

4.   The Report was considered & adopted by the Committee at their sitting held on 10th April, 2012.

5.   The Committee would like to express their deep appreciation of the valuable work done by the Committee on Estimates (2010-2011) in connection with the examination of the subject.

6.   The Committee wish to express their gratitude towards the representatives of the Ministry of Civil Aviation, who appeared before them and placed their views on the subject. The Committee also wish to thank them for furnishing the information required in connection with examination of the subject during the briefing and oral evidences.

7.   The Committee would also like to place on record their deep sense of appreciation for the invaluable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

8.   For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters at the end of the Report.

NEW DELHI;   **FRANCISCO SARDINHA,**
24th April, 2012   **CHAIRMAN,**
Vaisakha 04, 1934 (Saka)   **COMMITTEE ON ESTIMATES.**

CHAPTER – I

INTRODUCTORY

1.1   The aviation sector has come into prominence in the last two decades as an engine of growth and fast connectivity to all corners of the country with lot of impetus provided by the Government of India. Airports have facilitated the growth of exports and imports in the country tremendously and the aviation sector may provide the only mode of connectivity to remote areas otherwise inaccessible by other modes of transport in the near future. Despite rapid advances in infrastructure in the aviation sector, India still fares poorly when compared with developed countries of the World. It has so far been unable to emerge as a cargo and courier hub to other countries in the Asiatic region despite its geographical advantage. Besides, air travel still remains confined to a small percentage of the domestic population. The share of India in total world aviation traffic continues to remain miniscule. An efficient aviation sector is critical to the success of the tourism industry. A vibrant and thriving civil aviation sector is essential to our economy as well as security. Besides, a strong airlines system backed with a well-planned network of airports would be valuable in any national emergency to provide timely evacuation and relief measures to the needy.

1.2   It was in this backdrop that the Committee decided to select and examine in detail the subject 'Development & Regulation of Civil Aviation'.

HISTORICAL BACKGROUND

1.3   Civil aviation in India was born on 18th of February, 1911, when a French pilot Henri Piquet flew the first commercial plane in India between Allahabad and Naini, carrying mails covering a distance of about 10 km in as many minutes. The scheduled air services in India, in the real sense, began on October 15, 1932. It was on this day that J.R.D. Tata, the father of civil aviation in India and founder of Air India, took-off from Drigh Road Airport, Karachi, in a tiny, light single-engined de Havilland Puss Moth

aircraft on his flight to Mumbai (then known as Bombay) via Ahmedabad. At Mumbai, Neville Vintcent, a former RAF pilot who had come to India from Britain three years earlier on a brain-storming tour (during which he had surveyed a number of possible air routes) took over from J.R.D.Tata and flew the Puss Moth to Chennai (then Madras) via Bellary. At the time of independence, i.e, in 1947, the number of air transport companies, which were operating within and beyond the frontiers of the country, carrying both air cargo and passengers, was nine. It was reduced to eight, with Orient Airways shifting to Pakistan. These airlines were: Tata Airlines, Indian National Airways, Air service of India, Deccan Airways, Ambica Airways, Bharat Airways and Mistry Airways.

1.4   In early 1948, a joint sector company, Air India International Ltd., was established by the Government of India and Air India (earlier Tata Airline) with a capital of ₹ 2 crore and a fleet of three Lockheed constellation aircrafts. Its first flight took off on June 8, 1948 on the Mumbai (Bombay)-London air route. At the time of its nationalization in 1953, it was operating four weekly services between Mumbai-London and two weekly services between Mumbai and Nairobi. The joint venture was headed by J.R.D. Tata who ran it until its nationalization in 1953.

1.5   After World War-II the Airlines operating in the country went on an expansion spree, but the soaring prices of aviation fuel, mounting salary bills and disproportionately large fleets took a heavy toll of the airlines operating at that time. The financial health of companies declined despite liberal Government patronage, particularly from 1949, and an upward trend in air cargo and passenger traffic. The trend, however, was not in keeping with the expectations of these airlines which had gone on an expansion spree during the post-World War-II period, acquiring aircraft and spares.

1.6   The Government set up the Air Traffic Enquiry Committee in 1950 to look into the problems of the airline industry and eventually all airlines operating in the country were merged into either Indian Airlines or Air India by virtue of the Air Corporations Act, 1953.

The Government of India held a monopoly on the airlines Industry for the next forty years. The Directorate General of Civil Aviation controlled every aspect of flying including granting flying licenses, pilots, certifying aircrafts for flight and issuing all rules and procedures governing Indian airports and airspace. Finally, the Airports Authority of India was entrusted with the responsibility of managing all national and international airports and administering every aspect of air transport operation through the Air traffic Control.

1.7   It was in the Nineties that "Open Sky Policy" was mooted and the Air Corporation Act, 1953 was abolished to end the monopoly of the public sector and private airlines were reintroduced. The Indian Government introduced the Open Sky Policy for domestic players in 1991 and Partial Open Sky Policy for international players only in November 2004. Increasing liberalization and deregulation led to an increase in the number of players. The industry as on date comprises of three types of players - full cost carriers, low cost carriers (LCC) and many start-up airlines and chopper services that are making/planning an entry.

PRESENT SCENARIO

1.8   As per the Ministry's Annual Report (2010-11), the year 2011 was significant in the Indian Aviation Industry since it entered into the 100th year of its operation. The Indian Aviation sector is in the midst of a frenzied growth and consolidation phase. The apex body responsible for development and regulation of Civil Aviation is the Ministry of Civil Aviation along with its associate organizations overseeing various verticals of the industry. The Ministry has the following Organizations under its administrative control:

> **Attached Offices / Organisations**
> a) Directorate General of Civil Aviation (DGCA)
> b) Bureau of Civil Aviation Authority (BCAS)
> c) Airports Economic Regulatory Authority (AERA)
> d) Commission of Railway Safety (CRS)

Autonomous Body

e) Indira Gandhi Rashtriya UranAkademi (IGRUA)

Public Sector Undertakings

f) Airports Authority of India (AAI)

g) Air India Limited (AIL)

h) Pawan Hans Helicopters Limited (PHHL)

1.9   In addition to primary functions of framing of policies for the Aviation sector, the Ministry provides guidance to these Organizations in the implementation of policy guidelines, monitors and evaluates and also provides their interface with Parliament.

1.10   The Ministry informed the Committee in June 2010 about the phenomenal growth in all the aspects of the aviation sector over the last few years as follows.

> "In a very short time, India has become the 9th biggest aviation market in the world. India ranks 4th after USA, China and Japan in terms of domestic passenger volume. Aviation Sector has more than doubled in the last five years in terms of passengers, commercial fleet and international flights. Operational airports have been increased from 50 to 82 in last five years. The highly competitive Indian airline industry has encouraged many first time flyers and rail travellers to take the skies cutting down their travel time and freely access in economic activity. New airlines, budget travellers and the robust economy have complemented each other and fueled growth over the years. The sector has the potential to preserve 3 million jobs directly by 2020, which would be further supplemented in direct growth in the tourism and related industries."

1.11   The Committee were informed that the number of scheduled operators became 16 in 2009-10 in comparison of 05 scheduled operators in 2000-01 and total number of aircraft in the fleet of Scheduled Airlines have risen to 422 from 113. Besides, a new category of Scheduled Airlines i.e. Scheduled Air Transport (Regional) services has been introduced to enhance connectivity to smaller cities and within a region. The number of Non-scheduled operators became 117 in 2009-10 in comparison of 36 Non-

scheduled operator in 2000-01 and total number of aircrafts in the fleet of Non-Scheduled Airlines have risen to 331 from 106.   The total number of passengers carried by domestic airlines in 2010, were 50.2 million as against 16.75 million back in the year 2000 with 20% average annual growth between 2003-04 and 2008-09.

1.12   At present 82 stations across the Country are connected by Air as against 50 stations in the year 2000 and Four Indian Carriers operating 990 flights to 35 destinations in 25 countries are also connected with the country. There are 11 operational airports served by the Scheduled airlines in the North-East region (NER) of viz. Dibrugarh, Guwahati, North Lakhimpur, Imphal, Dimapur, Agartala, Shillong, Jorhat, Silchar, Tezpur & Lengpui.

1.13   In the last five years the number of flights per week being operated by Scheduled Airline to/from NER have been increased by 230% and become 286 from 87. In addition, Pawan Hans Helicopters Ltd (PHHL) is providing helicopter services under the aegis of the State Governments of Arunachal Pradesh, Nagaland, Meghalaya, Sikkim and Tripura. North East Shuttle is also providing Non-Scheduled Operations in NER.

1.14   The Ministry of Civil Aviation informed the Committee in February, 2012 that their organization, AAI has undertaken a programme for modernization of two metro airports (Chennai and Kolkata) and 62 non-metro airports during the Eleventh Five Year Plan period.

1.15   A background note from the Ministry in this regard further stated as under:-

"Development of new airports and opening of the skies for private sector participation has led to massive growth in air transport and enhanced connectivity to all parts of the country. The country has developed many international airports like Ahmedabad, Amritsar, Bangalore, Chennai, Cochin, Goa, Guwahati, Hyderabad, Kolkatta, Mumbai, New Delhi, Trivandrum etc and domestic airports in most of the State Capitals. Passengers carried by domestic airlines during Jan-Feb 2011 were 95.11 lakh as against 79.51 lakh during the corresponding period of previous year thereby registering a growth of + 19.6%. The country is very well

connected with all the capitals of the world and the international connectivity has grown in leaps and bounds over the course of 100 years of aviation in the country. Apart from airlines, Helicopter services in the Hilly regions of the country, specially the North-East have also developed over the years and augmented the overall growth of air services in the country. The Air-ambulance services, though in its nascent stage, are also active in all the metros as well as some capital cities of the country. The movement of cargo by air for domestic consumption as well as imports and exports has also become a major stream of revenue for airlines and freight operators over the years."

CHAPTER - II

GENERAL BUDGETARY SUPPORT

2.1   On being enquired by the Committee about the General Budgetary Support for the year 2010-11 and 2011-2012 and its utilization in the current financial year, the Ministry in a written reply furnished as under:

"(i)   Budgetary Allocation for <u>non-plan expenditure</u> during 2010-11 and 2011-12 (net of recoveries):-

(₹ in crore)

Sl. No.	Scheme	BE 2010-11	BE 2011-12
A.	**Non-Plan**		
1.	(i) Ministry of Civil Aviation – Sectt.	13.75	16.55
	(ii) Directorate General of Civil Aviation	41.60	52.59
	(iii) Bureau of Civil Aviation Security	9.84	11.13
	(iv) Commission of Railway Safety	6.79	7.59
2.	Payment of share of FTT to AAI	0.01	0.01
3.	Subsidy for operation of Haj Charters	800.00	600.00
4.	Grants-in-aid to IGRUA	5.00	0.00
5.	Airports Economic Regulatory Authority of India	8.00	6.00
6.	Grants-in-aid to State Govt.(Flying Subsidy)	0.05	0.05
	Total – Non Plan (Gross)	885.04	693.92
	Recoveries (-)	0.04	0.04
	Total - Non Plan (Net)	**885.00**	**693.88**

(ii)   The allocation for Non-Plan expenditure during 2011-12 includes establishment related expenditure of the Ministry (Sectt.), Directorate General of Civil Aviation, Bureau of Civil Aviation Security, Commission of Railway Safety, Airports Economic Regulatory Authority of India *etc.* as well as payment of subsidy to National Aviation Company of India Ltd.(now Air India Limited) for operation of Haj Charter flights.

(iii) The approved Annual Plan Outlay in respect of Ministry of Civil Aviation for 2010-11 is ₹ 9588.30 crore with a budgetary support component of ₹ 2000.00 crore. Organisation-wise details of the approved outlay as well as financing pattern thereof are as under:

(₹ in crore)

S. No.	Name of Organization	Budgetary Support	Internal & Extra Budgetary Resources	Total
	Annual Plan 2010-11 (BE)			
1.	Ministry of Civil Aviation (Sectt.)	8.85	-	8.85
2.	National Aviation Company of India Limited (now Air India)	1200.00	4434.80	5634.80
3.	Airports Authority of India	600.50	3009.50	3610.00
4.	Pawan Hans Helicopters Limited	40.00	109.00	149.00
5.	Hotel Corporation of India Ltd.	-	15.00	15.00
6.	Air India Charters Limited	-	20.00	20.00
7.	Indira Gandhi Rashtriya Uran Akademi	5.60	-	5.60
8.	Directorate General of Civil Aviation	86.00	-	86.00
9.	Aero Club of India	14.40	-	14.40
10.	Bureau of Civil Aviation Security	44.65	-	44.65
	Total	**2000.00**	**7588.30**	**9588.30**

(iv) The approved Annual Plan Outlay in respect of Ministry of Civil Aviation for 2011-12 is ₹ 9071.56 crore with a budgetary support component of ₹ 1700.00 crore. Organisation-wise details of the approved outlay as well as financing pattern thereof are as under:-

(₹ in crore)

S. No.	Name of Organization	Budgetary Support	Internal & Extra Budgetary Resources	Total
	Annual Plan 2011-12 (BE)			
1.	Ministry of Civil Aviation (Sectt.)	9.50	-	9.50
2.	National Aviation Company of India Limited (now Air India Ltd.)	1200.00	4549.36	5749.36
3.	Airports Authority of India	280.15	2494.00	2774.15
4.	Pawan Hans Helicopters Ltd.	3.00	293.20	296.20
5.	Hotel Corporation of India Ltd.	-	15.00	15.00
6.	Air India Charters Ltd.	-	20.00	20.00
7.	Indira Gandhi Rashtriya Uran	5.00	-	5.00

	Akademi			
8.	Directorate General of Civil Aviation	60.00	-	60.00
9.	Aero Club of India	6.00	-	6.00
10.	Bureau of Civil Aviation Security	136.35	-	136.35
	Total	**1700.00**	**7371.56**	**9071.56**

"

2.2   In reference to the utilization of the budgetary allocations for the year 2011-2012, the Ministry has furnished Scheme-wise details of plan outlay for itself as well as the associate organizations as under:-

(i)   MINISTRY OF CIVIL AVIATION (SECTT.)

(₹ in crore)

Serial No.	Schemes	Approved Outlay 2011-12
1.	Enhancing competitiveness of Indian carriers in international operations & aviation studies.	3.10
2.	Application of IT tools and capacity building in the aviation sector.	2.40
3.	Publicity and Consumer Awareness.	2.00
4.	Conferences & Seminars related to Aviation Sector.	2.00
	Total	**9.50**

**(ii)   NATIONAL AVIATION COMPANY OF INDIA LIMITED
           (NOW AIR INDIA LIMITED)**

(₹ in crore)

S.No.	Schemes	Approved Outlay 2011-12
A	**Aircraft Schemes**	
(i)	Existing A-320 project	0.50
(ii)	**New Aircraft Project**	
(a)	Advance payment to aircraft manufacturers	424.44
(b)	Delivery payments to aircraft manufacturers	2981.37

(c)	Supporting infrastructure for the new aircraft and payment for spare engines/workshop etc.	434.86
(d)	Interest to be capitalized on payments to aircraft manufacturers	208.19
B (i)	**Other capital expenditure** Other supporting facilities such as building projects, corporate computerization, booking offices, vehicles, GSE workshop equipment, plan & machinery and misc. assets *etc.*	500.00
(ii)	Equity	1200.00*
	Total	**5749.36**

 * **Budgetary support**

(iii)   AIRPORTS AUTHORITY OF INDIA

(₹ in crore)

S.No.	Discipline	Approved Outlay 2011-12
1.	**Non-Metro Airports** Aerodrome Works including Tech.	913.15
2.	**Metro Airports**	
a.	Kolkata	715.00
b.	Chennai	505.00
3.	Aeronautical Communication Services	461.00
4.	Information Technology	25.00
5.	Ground Safety Services	55.00
6.	Equity contribution in JV companies	100.00
	Total	**2774.15**

Budgetary support of ₹ 280.15 crore would be provided to Airports Authority of India during 2011-12 in connection with certain specific schemes as per details below:-

(₹ in crore)

S.No.	Allocation for	Budgetary Support
1.	Investment in NE Region	20.00
2.	Other crucial areas	6.00
		Budgetary support in the

		form of grants-in-aid
3.	Construction of Greenfield airport at Pakyong	72.00
4.	Construction of Greenfield airport at Itanagar	1.00
5.	Construction of Greenfield airport at Cheitu	0.48
6.	GPS Aided Geo Augmented Navigation (GAGAN) system over Indian airspace	105.00
7.	Construction of new terminal building at Leh	0.50
8.	Construction of new airport at Ajmer	0.50
9.	Upgradation of Agatti airport(Phase-II)	0.50
10.	Construction of new terminal building including new apron at Port Blair	1.00
11.	Construction of new terminal building at Tirupati airport.	15.00
12.	Construction of new terminal building including car park at Puducherry airport	4.00
13.	Construction of culvert across the extended runway at Puducherry airport	8.00
14.	Development of Jalgoan airport	5.00
15.	Expansion and modification of terminal building at Jammu	2.07
16.	Development of Gondia airport (Phase-II)	38.00
17.	Construction of terminal building of modular design, apron, car park, control tower, taxi track etc. at Jharsuguda.	0.05
18.	Development of Deoghar airport	0.05
19.	Procurement of electronic security equipments	1.00
	Total	**280.15**

(iv) PAWAN HANS HELICOPTERS LIMITED

(₹ in crore)

S.No.	Schemes	Approved Outlay 2011-12
1. a. b. c.	**Acquisition of new fleet** Twin Light Helicopters Medium Helicopters Heavy Helicopters	 40.00 128.09 96.97
2.	**Import of capital equipment** Various workshop equipments	 6.60
3. a.	**Building and other projects** Maintenance Centre/ Joint Venture with HAL	 5.00

b.	Creation of heliport at Rohini, New Delhi	7.00
c.	Acquisition of basic helicopter simulator	3.00*
d.	Juhu Residential Complex	0.92
e.	IT Plan	2.50
f.	Other civil/ electrical works etc.	6.12
	Total	**296.20**

*Budgetary Support

(v) HOTEL CORPORATION OF INDIA LIMITED

(₹ in crore)

S.No.	Schemes	Approved Outlay 2011-12
1.	Renovation of Centaur Hotel, Delhi Airport	7.00
2.	Renovation of Chefair Flight Catering, Delhi	5.00
3.	Renovation of Centaur Lake View Hotel, Srinagar	1.00
4.	Renovation of Chefair Flight Catering, Mumbai	2.00
	Total	**15.00**

The entire expenditure will be borne out of the internal and extra budgetary resources of the company.

(vi) AIR INDIA CHARTERS LIMITED

(₹ in crore)

S.No.	Schemes	Approved Outlay 2011-12
1.	Other capital expenditure	20.00
	Total	**20.00**

The entire expenditure will be borne out of the internal and extra budgetary resources of the company.

(vii) INDIRA GANDHI RASHTRIYA URAN AKADEMI

(₹ in crore)

S.No.	Schemes	Approved Outlay 2011-12
1.	Training aids and equipments.	0.75
2.	Construction of swimming pool.	1.50
3.	Construction of auditorium.	1.50

4.	Furniture and fixtures.	0.25
5.	Plant & Machinery/Tools & equipment.	0.25
6.	Information Technology.	0.25
7.	Acquisition of vehicles.	0.50
	Total	**5.00**

The entire outlay is to be funded by the Government in the form of grants-in-aid.

(viii) DIRECTORATE GENERAL OF CIVIL AVIATION

(₹ in crore)

S.No.	Schemes	Approved Outlay 2011-12
A.	**Capital**	
1.	Machinery & equipment	1.00
2.	Machinery & equipment (IT)	20.00
3. a. b. c. d.	**Civil Works** DGCA Bhavan Regional offices Creation of Training Academy Establishment of Helicopter Academy	30.00
B.	**Revenue**	
a. b. c. d. e.	Modernization Foreign training for DGCA officers Development projects and consultancy/studies Publicity Contribution to COSCAP project	9.00
	Total	**60.00**

The entire outlay is to be funded by the Government in the form of budgetary support.

(ix) BUREAU OF CIVIL AVIATION SECURITY

(₹ in crore)

S.No.	Schemes	Approved Outlay 2011-12
1.	Purchase of BDDS equipment/ PIC System	8.00
2.	Information Technology	5.00
3.	Setting up of Civil Aviation Security Training	10.00

	Academy	
4.	**Restructuring of Bureau of Civil Aviation Security and construction of Hqrs. building**	
a.	Construction of office accommodation at regional offices	9.00
b.	Construction of BCAS(HQ) building	12.00
c.	Salary and allowances	3.00
d.	Domestic travel expenses	0.50
e.	Office expenses	2.75
f.	Foreign travel expenses	0.50
g.	Other administrative expenses	3.20
h.	Professional services	2.00
i.	Rent, Rates & Taxes	0.20
j.	Training & capacity building	2.00
5.		
a.	Contribution for Co-operative Aviation Security Programme – Asia Pacific (CASP-AP) programme of ICAO	0.20
b.	Conference & Summits	2.00
6.	Advance Imaging Technology (Body Scanner)	5.00
7.	Radiological Detection Equipments	71.00
	Total	**136.35**

The entire outlay is to be funded by the Government in the form of budgetary support.

(x)   AERO CLUB OF INDIA

(₹ in crore)

S.No.	Schemes	Approved Outlay 2011-12
1.	Flying training and aerosports development	6.00
	Total	**6.00**

The entire outlay is to be funded by the Government in the form of grants-in-aid.

CHAPTER – III

POLICY FRAMEWORK

3.1   In order to provide best services at affordable prices and to curb the practice of oligopoly to the disadvantage of the customers, the Ministry of Civil Aviation, at the apex along with its subordinate organizations has the mandate to implement a level playing field for all stakeholders and facilitate the growth of the sector. The Ministry has the task to prescribe and enforce minimum standards of services for all agencies and to maintain a competitive civil aviation environment which ensures safety and security of consumers of the services as per international standards. The objectives of the Civil Aviation Ministry are to provide effective regulation of air transport in the country along with safe, efficient, reliable and widespread quality air transport services at affordable prices.

As per the Annual Report (2010-11) of the Ministry, following policies are followed to regulate the Civil Aviation sector:-

(a)   OPEN SKIES POLICY

3.2   A long standing demand of various stakeholders in the Indian aviation industry in order to augment passenger traffic and its positive impact on Travel & Tourism industry has been that India should move towards an 'Open Skies Policy'. The "Open skies policy" strictly speaking means unrestricted access by any carrier into the sovereign territory of a country without any written agreement specifying capacity, ports of call or schedule of services. In other words an Open Skies policy would allow the foreign airline of any country or ownership to land at any port on any number of occasions and with unlimited seat capacity. There would be no restriction on the type of aircraft use, no demand for certification, no regularity of service and no need to specify at which airports they would land. Such a policy is most common with countries that have no national carriers of their own and have only one or two airports. Looking at the global aviation sector it has been found that no sovereign country of any eminence practices

Open Skies policy, least of all the European Union, UK, USA, Japan, Australia or countries in South East Asia.

3.3   Even today, International travel is not yet liberalized and it is still regulated by bilateral agreements whereby two nations sign an agreement to allow civil aviation between their territories. The Bilateral agreements signed between two countries continue to restrict aspects such as the number of possible flights, the number and the identity of the carriers and the airports that can be served. Presently almost all the Members of the International Civil Aviation Organization (ICAO) follow the system of negotiated bilateral treaties determining the aviation relations between two sovereign contracting parties. The bilateral regulatory model is being followed to enforce sovereignty, discipline and regularity of air service.

3.4   During 01st April 2010 to 31st December, 2010, the Ministry of Civil Aviation had bilateral air talks with Brazil, Bosnia & Herzegovina, Zimbabwe, Malaysia, Indonesia and Iraq to review the existing bilateral arrangements. In addition, Indian delegation participated in the 3rd ICAO International Civil Aviation Conference (ICAN) held in Montego Bay (Jamaica) from 28th June to 2nd July, 2010, where talks were held with the representatives of 23 countries. The formal talks were held with the representatives of Bahrain, Burkina Faso, Canada, Dominican Republic, Ethiopia, Fiji, Hong Kong, Nigeria, Singapore, Spain, UAE, Uganda, USA, Trinidad & Tobago and informal talks were held with the representatives of Barbados, Jamaica, Namibia, Oman, Rwanda, Surinam and Switzerland.

3.5   Noting that India has bilateral relations with many countries but have air connectivity   with very few of those, the Committee desired to know the reasons thereof and also the measures being taken to start operations in these sectors. The Ministry in a written submission replied:

> "At present India has Bilateral Air Services Agreement with 108 countries. Out of these, 53 countries are connected through physical operations of Indian and/or foreign carriers or by way of code share arrangements between Indian and foreign carriers. Presently, we do not have air

connectivity with 55 such countries, with which we have bilateral Air Services Agreement. The primary reason for it is that actual air service operation by a designated airline of any country is guided by its commercial judgment, based on market demand, flow of traffic, viability of operations and fleet availability etc. Government does not interfere in such commercial matters of the airlines."

(b) PUBLIC PRIVATE PARTNERSHIP/ FOREIGN DIRECT INVESTMENT POLICY (AIRPORTS)

3.6   The Constitution of India refers to civil aviation as a subject in the Central List. Resultantly, the subject falls within the legislative competence of Parliament. The Aircraft Rules, 1937 permit airports other than Government airports to be owned by citizens of India or companies or corporations registered and having their principal place of business in India. Thus the legislative framework for privatization of airports already exists. In fact, some airports are already owned by State Governments, private companies and even individuals.

3.7   In view of the worldwide thrust towards corporatization and privatization of airports, what is needed is a strategy that permits utmost latitude in the patterns of ownership and management of airports in the country. Thus, airports may be owned by the Central Government, PSUs, State Governments, Urban local bodies, private companies and individuals, as also by joint ventures involving one or more of the above. Similarly, it would be best to keep all the options open in respect of the management of airports or parts of airports. These could be on Build-Own-Transfer (BOT), Build-Own-Lease-Transfer (BOLT), Build-Own-Operate (BOO), Lease-Develop-Operate (LDO), Joint venture, Management Contract or Wrap-around Addition basis. In each individual case, the exact pattern could be negotiated, depending on the circumstances.

3.8   In the case of high-cost projects involving international hubs, Government may seek international or bilateral cooperation with countries having the requisite expertise and financial strength. The actual implementation of the projects would be entrusted to

consortia interested in turnkey execution on a joint venture basis. Foreign equity participation in such ventures may be permitted upto 74% with automatic approvals, and upto 100% with special permission. Such participation could also be by foreign airport authorities. It may be clarified that the normal procedures of licensing of airports by the DGCA would continue to apply in accordance with the laid down regulations.

3.9   For both the purposes of bridging the yawning gap in resources as also to bring in greater efficiency in management of airports, the participation of private parties (including foreign ones) is a must. An Airport Restructuring Committee in the Ministry of Civil Aviation looks into existing airports, in respect of which private sector involvement for development and upgradation of infrastructure is desired. It also prepares a shelf of projects in respect of Greenfield airports. The pre-feasibility reports are made available to private investors.

3.10   The Airport Authority of India (AAI) creates separate profit centers for all individual airports and hives them off as subsidiary companies on a case to case basis, for the purpose of entering into commercial arrangements or joint ventures with private parties. Where airport operators desire private participation in their existing airports, all patterns of ownership and management would be open to them as elucidated in the preceding section. No Government approval would, however, be required.

3.11   In case of Greenfield projects, the Central Government, the AAI, a State Government private company or a group of individuals can act as the promoter. The promoter will be required to prepare a pre-feasibility study and submit the formal proposal to the concerned State Government. The State Government will add its comments to the proposal in respect of acquisition of land, supply of water and power, construction of access roads, etc. and forward the proposal to the Central Government. The Central Government will set up an independent statutory body called the Airport Approval Commission, having adequate technical and financial expertise to examine such proposals quickly and submit its recommendations on three aspects:

- Whether there is need for a Greenfield airport at the suggested place, taking into account the existing airports in the vicinity and projected increase in traffic;
- Which is the best site, which is technically feasible and economically viable;
- In case there is need for a Greenfield airport and it is found to be prima facie, feasible and viable, whether it should be executed in the public or private sector or be taken up as a joint venture.

3.12   On the receipt of the report of the Airport Approval Commission, the matter will be examined by the Central Government at the appropriate level for a decision. A decision once taken will normally not be subject to modification at a later stage.

3.13   Once the Central Government has cleared the project, the promoter, if it is a Government body, will follow the prescribed procedure for floating global tenders in order to select the best party capable of executing the project as also to obtain the best possible terms. The tendering procedure will be transparent. The selected party would then prepare a detailed feasibility report, which would be sent to the Central Government for final acceptance. Approvals once accorded would not normally be revoked. Fiscal incentives would be provided to those involved in infrastructure projects, as maybe decided by Government for time-to-time. Currently, the following incentives are available:

- Hundred per cent deduction in profits for purposes of Income Tax for the first five years.
- Thirty per cent deduction in profits for the same purpose for the next five years.
- Full deduction to run for continuous ten out of twenty fiscal years of the assesses choice.
- Forty per cent of the profit from infrastructure is also deductible for financial institutions providing long-term finance for infrastructure projects.

3.14 Such incentives should be made available not only to new companies investing in airport infrastructure but also to AAI and the existing agencies investing in up gradation of existing airport infrastructure. AAI may provide air traffic control services in private airports on terms and conditions mutually agreed upon. Alternatively, it may provide ATC staff on deputation and give advice on the specifications of the equipment to be compulsorily installed for communication, navigation and surveillance.

3.15 The Ministry of Civil Aviation in a written submission with regard to private and foreign investment in the civil aviation Sector submitted the following:

Existing Foreign Direct Investment (FDI) Norms in Civil Aviation Sector

i) Airports:-

Sl. No.	Sector/ Activity	FDI Cap/ Equity	Entry route	Other Conditions
1.	Greenfield Projects	100%	Automatic	Subject to Sectoral regulations notified by Ministry of Civil Aviation.
2.	Existing Projects	100%	FIPB beyond 74%	Subject to Sectoral regulations notified by Ministry of Civil Aviation

ii) Air Transport Services:-

Sl. No.	Sector/ Activity	FDI Cap/ Equity	Entry route	Other Conditions
1.	Domestic Scheduled passenger Airlines	49%, 100 % by NRI	Automatic route	Subject to no direct or indirect participation by any foreign airlines and sectoral regulations.
2.	Non-scheduled Airlines (a) Passenger/ Chartered (b) Cargo	74%, 100 % by NRI	Automatic route	Subject to sectoral regulations notified by Ministry of Civil Aviation No direct or indirect participation by

| | | | | any foreign airlines in Non-scheduled and chartered airlines. Foreign airlines are allowed to participate in the equity of companies operating Cargo airlines. |

iii)   Ground Handling Services and Other activities:-

Sl. No.	Sector/ Activity	FDI Cap/ Equity	Entry route	Other Conditions
1.	Ground handling Services	74%, 100 % by NRI	Automatic route	Subject to Sectoral regulations notified by Ministry of Civil Aviation and security clearance.
2.	Maintenance and Repair Organisation	100%	Automatic route	Subject to Sectoral regulations notified by Ministry of Civil Aviation
3.	Flying Training Institutes/ Technical Training Institutions	100%	Automatic route	Subject to Sectoral regulations notified by Ministry of Civil Aviation and approval of DGCA
4.	Helicopter Services/ Seaplane Services	100%	Automatic route	Subject to Sectoral regulations notified by Ministry of Civil Aviation and approval of DGCA. Foreign airlines are allowed to participate in the equity of companies operating Helicopter and Seaplane Services

Subsequently the Finance Minister, in his Budget Speech for the Financial Year 2012-13, made the following announcement:

"A proposal to allow foreign airlines to participate up to 49 percent in the equity of an air transport undertaking engaged in operation of scheduled and non-scheduled air transport services is under active consideration of the Government".

(C) **POLICY DEFINING THE ROLE OF THE CENTRAL AND STATE GOVERNMENTS**

3.16   The Ministry's website informs as under:-

The role and functions of the Central Government as contained in the various statutes and the preceding sections extend to the following matters:

- Investment in airport infrastructure
- Clearance of Greenfield airport projects
- Airspace management, safety and security of airports
- Bilateral air services agreements, including those involving international cooperation for modernization and up gradation of airports
- Licensing of airports and ATC personnel
- Environmental aspects and removal of obstructions around airports
- Approval of aeronautical charges

3.17   The Ministry of Civil Aviation will try to facilitate the speedy clearance of projects from different Ministries. The State Governments will deal with the following aspects:

- Acquisition of private land and allotment of Government land
- Supply of water and power, and provision of sanitation and sewage services
- Provision of surface access through multi-modal linkages
- Prevention of environmental pollution
- Maintenance of law and order
- Protection of airports from encroachments and vandalism.

3.18   In case Government land is allotted by a State Government for an airport owned by a private party, it may be made available at the same rate as is charged from other industrial ventures in the State. Government will ensure that legislative and administrative mechanisms for speedy acquisition of land are devised. The Ministry of Civil Aviation will liaise with the State Governments in order to ensure provision of all these essential services and basic facilities. The State Civil Aviation Secretaries will act as coordinating officers for single-point liaison with all the State-level departments and authorities.

(d) **DOMESTIC AIR TRANSPORT POLICY**

3.19   On 28th May 1953 - with the enactment of the Air Corporations Act, 1953 - Government of India nationalized the airline industry. In accordance with this Act, two air corporations, viz. Indian Airlines Corporation and Air India International, were established and the assets of all the then existing air companies were transferred to the two new Corporations. The operation of scheduled air transport services was made a monopoly of these two Corporations and the Act prohibited any other person or their associates from operating any scheduled air transport services from/ to / or across India. However, on March 1, 1994 the Air Corporation Act, 1953 was repealed thereby ending the monopoly of the Corporations on scheduled air transport services. While the domestic air transport services were liberalized and private operators were permitted to provide scheduled air transport services, the Government has laid down a policy framework to ensure safety and security of operations as well as the orderly growth of air transport services keeping in view the infrastructure constraints at a number of airports.

3.20   CATEGORIES OF AIR TRANSPORT SERVICES

   i)   Scheduled Air Transport Service:
   Scheduled Air Transport Service means an air transport service undertaken between two or more places and operated according to a published time table or with flights so regular or frequent that they constitute a recognizably systematic series, each flight being open to use by members of the public.

   ii)   Non-Scheduled Services:
   Non-Scheduled Operation means an air transport service other than scheduled air transport service and that may be on charter basis and/or non-scheduled basis. The operator is not permitted to publish time schedule and issue tickets to passengers.

iii)   Air Cargo Services:
An air cargo service means air transportation of cargo and mail. Passengers are not permitted to be on these operations. It may be on scheduled or non-scheduled basis. These operations are to destinations within India. For operations outside India, the operator has to take specific permission of DGCA demonstrating his capacity for conducting such operations.

3.21   FOREIGN EQUITY PARTICIPATION IN AIR TRANSPORT SERVICES

- Foreign equity up to 49% and NRI investment up to 100% is permissible in the domestic air transport services through the automatic route;
- Equity from foreign airlines is not allowed, directly or indirectly, in the domestic air transport services.

Sl. No.	Sector/ Activity	FDI Cap/ Equity	Entry route	Other Conditions
1.	Domestic Scheduled passenger Airlines	49%, 100 % by NRI	Automatic route	Subject to no direct or indirect participation by any foreign airlines and sectoral regulations.
2.	Non-scheduled Airlines Passenger/ Chartered Cargo	74%, 100 % by NRI	Automatic route	Subject to sectoral regulations notified by Ministry of Civil Aviation No direct or indirect participation by any foreign airlines in Non-scheduled and chartered airlines. Foreign airlines are allowed to participate in the equity of companies operating Cargo airlines.

3.22   The Ministry of Civil Aviation on their website has laid down the following procedure for starting scheduled/non-scheduled air transport services in the country:

"An Aircraft Acquisition Committee (AAC) considers proposals for grant of permission to operate scheduled/non-scheduled air transport services. The present composition of the Committee is:

- o Joint Secretary, Ministry of Civil Aviation - Convenor
- o Financial Advisor, Ministry of Civil Aviation - Member
- o Chairman, Airports Authority India - Member
- o Director General of Civil Aviation - Member
- o Commissioner of Civil Aviation Security, Bureau of Civil Aviation Security - Member

The three-stage clearance procedure laid down for starting Air Transport Services is as under:

(1)   Issue of NOC for Scheduled/ Non-Scheduled services - The competence and viability of the company to operate safe and reliable air transport service is considered at this stage.

(2)   Import permission for aircraft - The details of specific types of aircraft, their airworthiness, seating capacity, mode of acquisition and arrangements of security programme, training facilities for crew and engineers, Operations Manual, maintenance facilities, etc. are looked into by the Committee.

(3)   Issue of permit for Scheduled/Non-Scheduled air services - Permit is issued by DGCA after completion of all requirements laid down in the regulations/guidelines."

(e)   REGULATION OF MERGERS AND ACQUISITIONS

3.23   The aviation sector, after a very dynamic growth for the last two decades, witnessed the first round of consolidation in the aviation market   in 2007 with the acquisition of Air Deccan, a Low cost carrier by Kingfisher. It was followed by the merger of the two national entities Air India and Indian Airlines into one company, Air India and Jet airways, a private sector Airline, acquiring Sahara Airlines. The Indian

Aviation industry is poised for a second round of consolidation as per industry experts and media reports on the health of low cost carriers requiring significant capital and cash flow. The second round of consolidation is expected to be strategic in nature to leverage strengths rather than pursuing scale designed to restore profitability. The aviation sector is growing at a fast pace and the demand for skilled personnel such as pilots, crew, engineers has outstripped supply leading to sharp escalation in wages and operating costs of Airlines.

3.24   On being enquired by the Committee about the policy framework and regulatory mechanism for Mergers and Acquisitions in the Aviation Sector, the Ministry in a written reply had furnished the following information:

> "As per Civil Aviation Requirements (CAR), prior permission of DGCA/Ministry of Civil Aviation shall be required for takeover of the company by another company. While granting the permission of merger, it is ensured that the merged entity will   comply with the requirement of concerned CAR for becoming an airline operator."

3.25   Considering the overall financial health of the sector, the Government is aware of the possibility of consolidation in the airline industry. Accordingly, Ministry of Civil Aviation has formulated a policy to be followed regarding use of airport infrastructure in case of merger/take-over of airlines and sale/transfer of aircraft in May 2006. The policy is as under:

> "The airlines that takes over the aircraft pursuant to merger/take over or sale / transfer of the aircraft may be allowed to use of airport infrastructure like parking bays, landing slots etc., which is allotted by Airport Operator without any payment, Use of such rights may be allowed with the following conditions:
>
> (i)   Only the user rights over such infrastructure that are given to an airline on non-payment basis e.g. parking bays, landing slots etc. may be allowed to be used by the airline that takes over the aircraft.
>
> (ii)   User rights cannot be transferred by one airline to the other airlines in any event."

(F) CARTELIZATION AND REGULATION OF AIRFARES

3.26   The famous Scottish economist Adam Smith in his famous book "Wealth of Nations" in 1776 had said "People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public or in some contrivance to raise prices". The Oxford Dictionary defines `Cartel' as "An informal association of manufacturers or suppliers to maintain prices at a high level, and control production, marketing arrangements".

3.27   With the opening up of the Indian Aviation Sector for private players, the fear of cartelization by private entities for furthering profits proved true in 2010 during the peak holiday season in November.

3.28   When the Committee asked the Ministry about the exorbitant fares charged by the private Airlines, the Ministry in a written reply stated:

> "The airfares on domestic sector were on higher side in the week starting from 15th November 2010 probably due to high demand because of mid week holiday and extended weekend.
>
> Airfares are not being regulated by the Government. Domestic airlines are free to charge air fares as per the market forces.
>
> Directorate General of Civil Aviation (DGCA) has been given powers under rule 135 of the Aircraft Rules, 1937 to direct airlines to establish tariff having regard to all factors, publish the tariff on its website or two daily newspapers, maintain all records relating to tariff and produce on demand by DGCA for inspection, Director General may issue directors to the airlines in case airlines establish predatory or excessive tariff or engage in oligopolistic practice.
>
> In view of the recent reports of excessive tariff being charged by airlines on different routes, Director General has issued direction to airlines to furnish established tariff route-wise and fare category-wise on monthly basis and also to notify noticeable changes to DGCA within 24 hours of affecting such a change. The intention behind the above directions is to keep the passengers informed of pricing pattern of airlines. Further, DGCA has issued directions to the airlines to furnish details of route-wise tariff established by them across the network in various fare categories. A

Tariff Analysis Unit has been set up in DGCA to monitor tariff on regular basis. "

3.29 Further when the Committee posed the question again to the Ministry during evidence, the Secretary, Ministry of Civil Aviation stated as under:

"I would like to inform that a Civil Aviation Economic Advisory Council has been set up in the Ministry and met last week in wake of recent increase in air fares and this Committee will address economic issues of air transport with special focus on air fares. Further a working group has been set up under DGCA to formulate measures to enhance transparency and strengthening of monitoring mechanism and also to formulate international best practices in disclosure of air fares for the protection of consumers. Several consumer friendly regulations have been developed and are being implemented."

3.30 The Committee, while taking a larger view of the situation asked the Ministry about its policy to prevent Cartelization for the benefit of the consumers, the Ministry in a written note stated:

"The issue of cartelization falls within the purview of Competition Commission of India who ensures that markets work well for consumers' through effective competition and level playing fields.

However it is the Government's endeavor to ensure effective competition and level playing fields. The monopoly in air transport services had accordingly been removed and all the applicants comply with certain guidelines (CAR) has been allowed to operate aircrafts in the country so that more options can be made available to the consumers.

With regard to cartelization in airfares, it is to be mentioned that Airfares applicable for domestic passengers are determined by market forces and therefore are not fixed by Government. The framework for regulation of domestic Airfares in the Country is governed by Rule 135 of the Air Craft Rules 1937 which lays down broad principles including for maintaining transparency of tariff publication by the Airlines. In view of sudden surge in airfares for flights on various metro routes from 15th Nov., 2010 onwards compared to those prevalent a week before, without any increase in cost

of operation, all the schedule airlines were directed to charge tariff at a reasonable level."

3.31   With a view to maintaining transparency in tariff publication, Directorate General of Civil Aviation (DGCA) has taken following steps:

- Scheduled domestic airlines have been directed to display established tariff route-wise and fare category-wise in their respective websites on monthly basis and also to notify any significant and noticeable changes to DGCA within 24 hrs of effecting such a change.

- A Tariff Analysis Unit has been set up in DGCA to monitor tariff on regular basis.

A Working Group on Regulatory Framework to protect consumer interest including disclosure of tariffs and conditions of service by domestic airlines was set up on 20.12.2010 under the Chairmanship of DGCA. The Terms of Reference for the Working Group are as under:

(i)   The Group shall examine the existing system of passenger fare structuring by all the scheduled domestic airlines and the manner in which the passenger fares are disclosed to public in the context of the reported difficulties of consumers in making an informed choice.

(ii)   The Group shall identify areas where disclosure of tariffs and conditions of service by scheduled domestic airlines require further improvement in promoting transparency with a view to protect interest of consumers.

(iii)   The Group shall, based on its finding, recommend measures to enhance transparency in the disclosure of tariffs and conditions of service relating to scheduled domestic airlines.

(iv)   The Group shall also recommend improvements in the system of monitoring by DGCA so as to ensure transparency and disclosure of passenger air fares and conditions of service by scheduled domestic airlines.

(v)   The Group shall study International best practices in disclosure and transparency of prices by airlines.

(vi)   The Group shall recommend measures that may be required to be taken to raise consumer awareness towards passenger rights.

(g)   TAXES AND OTHER LEVIES

3.31   The Committee enquired during evidence about the deteriorating financial health of the national carrier, the then CMD, Air India stated as under:

> "I pay ₹1,200 crore sales tax a year. Out of my ₹ 8,000 crore, ₹ 1,200 crore goes to sales tax because I pay from 23 percent to 29 percent. But if it is made into a declared good, then it comes to four percent. So, my tax burden will come down from ₹ 1,200 crore to something like ₹ 400 crore and I will get a saving of ₹ 800 crore. We have made the representation from everybody to the Government of India. But the problem is that the State Governments would not agree to this. The Finance Minister has said that they are more interested to get the General Sales Tax (GST) first, which is there and all over the world it is there. That is what they want to do first."

3.32   Further more, the then CMD, Air India during evidence in his presentation furnished the following in relation to having a conducive fiscal regime:

- "Regulation / withdrawal of service tax applied on air fares which have been introduced for Economy class International passengers & for all classes of domestic passengers for travel effective 01July, 2010 and service tax on charter flights as such taxes serve to discourage air travel and increase air travel costs on corporate and individual travelers.

- Service Tax of 10.3% on labour charges, acts as a disincentive for third party business.
- VAT of 12.5% on material for Indian customers.
- Octroi (Mumbai) of 5.5% on engines and 0.1% on aircraft spares.

- Classification of Aviation as 'Infrastructure Sector'-Airline Industry is highly capital intensive, requiring large funds for renewal and expansion of fleet and related facilities. The combined debt of the aviation industry in India is in excess of ₹ 60,000 crore. Request classification as 'Infrastructure Sector' to have access to ECB borrowings for financing working capital requirements.
- Relaxations by RBI for classification of asset as NPA to provide flexibility to banks to refinance the loans at a lower cost or to convert into a term loan.
- Rationalization of Taxes on ATF.

- o High ATF Price is due to high taxes - Excise Duty (10%) & State Sales Tax (avg 25 %).
  - o Need to abolish/reduce Excise Duty and categorise ATF as 'Declared Goods' under Central Sales Tax Act to limit State Sales Tax on ATF to 4%.

- Airlines had to resort to large borrowings in foreign currency, therefore need exemption from Withholding tax on interest payments on External Commercial Borrowings (ECBs) under Income Tax Act 1961, as well as Reverse Service charges under Section 66A of the Service Tax provisions.

- Similarly, Airlines had to acquire aircraft and engines on lease. Currently, lease rental payments for aircraft / engines are subject to levy of Withholding Tax under Income Tax Act.
  - • Levy of Withholding Tax on leased aircraft / engines makes them highly expensive adversely impacting operating costs and competitiveness of Indian carriers vis-avis foreign carriers.
  - • Lease rentals on aircraft / engines were exempt from withholding tax under Section 10(15A) of Income Tax Act but the exemption withdrawn for lease on/after 1st April 2007.
  - • Need to exempt payment of interest on ECBs and lease rental on leased aircraft / engines from withholding tax.

- High Airport Charges and Levy of Royalty:
  - • Airports in India levy various charges for airport services and also require sharing of revenue from service providers at airports in the form of royalty at high rates, possibly amongst the highest compared to other airports worldwide.
  - • Need rationalization of charges and royalty payment on competitive basis.
  - • Miscellaneous service charges (fire hydrant, airport driving permit, etc.) inflated.
  - • Levy of user fee, UDF and other airport charges at prohibitively high rates unrelated to cost.

- Reverse Service Charges:
  - – The service tax department has issued show cause notices and proceedings against NACIL for demand on service tax on agency fees, commitment fees and other type of expenses incurred abroad on loans raised from international banks and financial institutions. Details of services rendered to NACIL from various agencies are also required to be furnished.
  - – NACIL has offices located in India as well as outside India. The offices located outside India are different premises and separate establishments as defined in section 66A of the Service Tax statute.

The offices located in India, are all registered under the single centralized registration at Mumbai for the erstwhile Air India and under regional registration for the erstwhile Indian Airlines.

– The offices outside India are locally registered in the country of their location and are subject to local taxes of that country. These offices receive the services in their own capacity and settle their accounts with the vendors locally. Such services are received abroad from the vendors located abroad and having their domicile in the foreign country. The privity of contract in such case is between the Vendors and the foreign branches.

– The services rendered abroad and consumed abroad should not be taxable under the provisions of service tax law".

In this connection, following announcement were made by the Finance Minister in his speech, while presenting the General Budget (2012-13):

"The airline industry is facing financial crisis. The high operating cost of the sector is largely attributable to the cost of Aviation Turbine Fuel (ATF). To reduce the cost of ATF, Government has permitted direct import of ATF by Indian Carriers, as actual users.

To address the immediate financing concerns of the Civil Aviation sector, I propose to permit ECB for working capital requirements of the airline industry for a period of one year, subject to a total ceiling of US Dollar 1 billion".

CHAPTER- IV

REGULATORY FRAMEWORK

(a)   DIRECTORATE GENERAL OF CIVIL AVIATION (DGCA)

4.1   The Directorate General of Civil Aviation (DGCA) is the principal regulatory body in the field of Civil Aviation. It is not only responsible for regulation of air transport services to / from / within India, formulation and enforcement of civil air regulations, air safety and airworthiness standards, but also co-ordinates all regulatory functions with International Civil Aviation Organization (ICAO). It is responsible for implementation and monitoring of applicable standards in all the 18 annexures of ICAO except annexure 17 that deals with aviation security. The DGCA has its Headquarters in New Delhi. This organization is headed by the Director General of Civil Aviation, who is assisted by Joint Directors General and Deputy Directors General.   The Director General has the following Directorates under him: -

i.	Directorate of Regulations & Information.
ii.	Directorate of Air Transport.
iii.	Directorate of Airworthiness.
iv.	Directorate of Air Safety.
v.	Directorate of Training & Licensing.
vi.	Directorate of Aerodrome Standards.
vii.	Directorate of Flying Training.
viii.	Directorate of Flight Inspection.
ix.	Directorate of Administration.
x.	Aircraft Engineering Division
xi.	Air Space & Air Navigation Services
xii.	Training Academy.
xiii.	Information Technology Division

4.2   The main function of the Directorate General of Civil Aviation (DGCA) is to regulate all civil aviation matters. Some of the salient functions are as under:-

(1)   Registration of civil aircraft.

(2)   Formulation of standards of airworthiness for civil aircraft registered in India and grant of certificates of airworthiness to such aircraft.

(3)   Licensing of pilots, aircraft maintenance engineers and flight engineers, and conducting examinations and checks for that purpose.

(4)   Licensing of air traffic controllers.

(5)   Certification of aerodromes and CNS/ATM facilities.

(6)   Maintaining of check on the proficiency of light crew, and also of other operational personnel such as flight dispatchers and cabin crew.

(7)   Granting of Air Operator's Certificates to Indian carriers and regulation of air transport services operating to/from/within/over India by Indian and foreign operators, including clearance of scheduled and non-scheduled flights of such operators.

(8)   Conducting investigation into accidents/incidents and taking accident prevention measures including formulation of implementation of Safety Aviation Management Programmes.

(9)   Carrying out amendments to the Aircraft Act, the Aircraft Rules and the Civil Aviation Requirements for complying with the amendments to ICAO Annexures, and initiating proposals for amendment to any other Act or for passing a new Act in order to give effect to an international Convention or amendment to an existing Convention.

(10)   Coordination of ICAO matters with all agencies and sending replies to State Letters, and taking all necessary action arising out of the Universal Safety Oversight Audit Programme (USOAP) of ICAO.

(11)   Supervision of the institutes/clubs/schools engaged in flying training including simulator training, AME training or any other training related with aviation, with a view to ensuring a high quality of training.

(12) Granting approval to aircraft maintenance, repair and manufacturing organizations and their continued oversight.

(13) To act as a nodal agency for implementing Annexure 9 provisions in India and for coordinating matters relating to facilitation at Indian airports including holding meetings of the National Facilitation Committee.

(14) Rendering advice to the Government on matters relating to air transport including bilateral air services agreements, on ICAO matters and generally on all technical matters relating to civil aviation, and to Act as an overall regulatory and developmental body for civil aviation in the country.

(15) Coordination at national level for flexi-use of air space by civil and military air traffic agencies and interaction with ICAO for provision of more air routes for civil use through Indian air space.

(16) Keeping a check on aircraft noise and engine emissions in accordance with ICAO Annexure 16 and collaborating with the environmental authorities in this matter, if required.

(17) Promoting indigenous design and manufacture of aircraft and aircraft components by acting as a catalytic agent.

(18) Approving training programmes of operators for carriage of dangerous goods, issuing authorizations for carriage of dangerous goods, etc.

(i) SAFETY

4.3 When the Committee, during briefing by the Ministry desired to know about the measures taken to enhance the safety of passengers, the Secretary stated as under:

"As far as regulation is concerned, this is again an important aspect given the fact that the aviation sector is truly global. We have to ensure that the best international practice mandated by the International Civil Aviation Authority and other international organizations are implemented on a fast-time basis. For this, we have now strengthened the DGCA considerably – over 600 posts have been sanctioned. One of the aspects of surveillance is the human resource augmentation. This is being done. A lot of technology has been introduced into the DGCA. A lot of reorganization

has gone on there. All this, we are sure will make the regulator much more effective."

The Secretary stated further:

"On the safety issues that have been raised, there are three aspects. One is the regulatory issues and the regulatory aspects, which the DGCA is looking after including the human resource augmentation, the kind of surveillance and safety issues, where the DGCA is working closely with the Airport authorities. The other aspect is the technology, equipment including the radar satellite systems and the ground management including the runway. This is also being given top priority by the Airport Authority in terms of what they are doing.

……Sir, we have also set up Civil Aviation Safety Advisory Council consisting of all the stakeholders from the Airport operators to the pilots. One meeting has already taken place where both the Minister and myself were present. A lot of suggestions had come for improvement in all these systems.

4.4   During evidence in October, 2010, the Secretary elaborated further as under:

"The sector is now poised for a very steady growth of about 21 percent and it is projected that the demand by 2015 would be whooping 180 million as compared to 75 million today in terms of passengers. This puts tremendous amount of pressure on the ground infrastructure as well as air infrastructure also in terms of regulatory issues, the air navigation issues and most important the manpower and the skill development that is required to meet and sustain this growth. The emphasis has been on safety, security, comfort and affordability keeping the passenger in mind. Towards this end, we have been working very closely to strengthen the DGCA, the main regulator. We are now having plan to set up Civil Aviation Authority as an umbrella organisation for the DGCA and the International Civil Aviation Authority has come up with a report on how we could set up this Civil Aviation Authority which would have a Board of Management with Chairman and Members. This would give it the needed financial and administrative autonomy and flexibility so that they work independently of the Ministry to meet the challenges in terms of regulatory surveillance and oversight issues.

A large number of steps have been taken in terms of safety and oversight by the DGCA and United States Federal Aviation Authority which has done an audit check has also complimented the work of the DGCA in this. They have also evolved a strategy to keep all the stakeholders in the loop and have set up Civil Aviation Regulation Group as well as Civil Safety Council in terms of operations, airworthiness, air navigation and aerodromes. So, these are some of the regulatory issues that we have addressed in the last four to five months. We have also strengthened the number of staff in the DGCA so that the safety and surveillance functions can be improved. In fact, from 144 technical officers in March 2009, this has been increased to 432 by September this year so that the oversight and surveillance are given the importance that they deserve."

4.5   In view of the tragic aircraft accident at Mangalore Airport, the Committee asked the DGCA/the Ministry about further steps taken to prevent such accidents in future, the Ministry in a written reply stated as under:

"The Director General Civil Aviation as a part of the re-assurance drive for the critical aerodromes had ordered inspection of critical airports to review thoroughly the system and facilities at these aerodromes.11 Airports were identified as Critical Airport from flight operations point of view i.e. Leh, Kullu, Simla, Port Blair, Agartala, Lengpui, Calicut, Mangalore, Jammu, Patna and Latur. Inspection of seven airports has been carried out by team of officials from Flight Operations and Aerodrome standards directorate, DGCA.

Some of the following steps have been initiated to enhance the safety of the aircraft operations at the aerodromes:

> Provision of Runway End Safety Area
> Ensure proper marking on runway
> Proper maintenance of Basic strip and ensuring Frangibility criteria
> Periodic calibration of Nav aids
> Maintenance of runway surface within appropriate Friction level
> Removal of Obstructions and proper marking and lighting of permissible obstacles
> Safety risk assessment in respect of non-compliances.

DGCA has carried out Safety Audit of Air India Express in the first week of July 2010. However, the report/findings of the DGCA are still awaited. A detailed review of Air India Express operations is being

conducted by our internal Quality Management Services. The review has commenced and will cover all aspects of the Organisation and Management, flight operations and training, flight safety, ground handling, cargo handling, flight dispatch, maintenance, engineering and security.

The review will also include documentation and implementation of policies and procedures. On completion of the review, necessary corrective action, where required, will be taken. An IOSA audit is also planned for next year."

4.6   During their briefing on the subject, the Committee observed that many air accidents occur during landings and takeoffs due to human errors and asked the Ministry whether any equipment/systems have been developed to assist the Pilots on the same. The Ministry in a written note furnished the following:

"Accidents happen during Take Off and Landings as that is when it is close to ground.

- There are several different type of automated system to assist pilots.
- DGCA with Flight Safety Foundation developed ALAR India Tool Kit (Approach & Landing Accident Risk Reduction).
- Automated landing system is useable by equipped aircraft at several airports in India.
- The equipments /systems to assist pilot in landing and for future air navigation system like GPS, GAGAN, ILS, MLS, RADAR etc.

To assist Pilots during landings, the aircraft and the airports need to be equipped with advanced systems. The Pilots also have to be appropriately qualified to carry out such landings. The entire NACIL A (B747-400, B777 & A310) and AICL (B737-800) fleet is equipped with CAT III Instrument Landing System which has built-in redundancies. NACIL has adequate number of qualified Pilots to carry out such landings."

4.7   After the Mangalore Accident the Ministry had constituted a Civil Aviation Safety Advisory Council (CASAC) under the DGCA. The Committee asked the Ministry about the suggestions and recommendations from CASAC. The Ministry, in a written note furnished to the Committee, stated as under:

"The following suggestions/recommendations have come from Civil Aviation Safety Advisory Council (CASAC):-

(i)   Need for more inspectors to cope up with the requirement of increasing traffic.

(ii)   The need for enhanced training and competency levels for its inspectors.

(iii)   The need for an interface between the regulator and the industry and public at large.

(iv)   DGCA should set up a public relations office to ward off irresponsible reporting by the press on some occasions.

(v)   The need for a strong interface between ATC and safety offices of the airlines.

(vi)   Need to have thrust on helicopter operations was felt and it was suggested that steps should be initiated to support and strengthen institutions like Aeronautical Society of India, Rotary Wing Society of India, whose expertise could be used.

(vii)   Setting up a CAA in India and an independent accident investigation Board.

(viii) To improve treatment of aircraft and fill up gaps in this area, ground staff should be trained for better ground handling of the aircraft.

(ix)   The gaps in implementation of SMS should be addressed, for which a systemic changes need to be brought about including a mechanism for allowing deviations, which will encourage the industry not to adopt shortcuts.

(x)   The need for the pilots to be more communicative in cockpit and more departments are required to be included in CRM was emphasized. The need for a partnership between the regulator and the airlines was also emphasized.

(xi) The need for regular interaction with stakeholders and make progress through a collaborative decision making process was stressed.

(xii) Considering the challenges that have to be faced in merging growth with safety, it was suggested that there was a need to evolve a concept of learning from accidents. The need for modification of legislation relating to areas around airports was emphasized. It was suggested that formation of working groups in order to translate recommendations into reality was needed.

(xiii) The need for better coordination between ATC, airport operators and the airlines was emphasised. Since there is no process in place for monitoring the NOC given by AAI for use of areas around the airport and expressed that a system of continuous monitoring should be evolved to ensure that once a NOC has been obtained, there are no violations. It stressed the need for reducing bird strikes by using legislative provisions against slaughter houses. It was also stated that better coordination with all regulatory authorities is needed in case of accidents and incidents.

(xiv) It was also recommended that a quality assurance policy and the policy on safety management systems is publicly displayed and softer aspects of safety culture must be developed. He also expressed the need for information exchange on a real-time basis.

(xv) It was also stressed that human factors issues should be given importance by all stakeholders.

(xvi) The need for health check of pilots and said oversight on medical standards checks for pilots is required to be strengthened. The industry response to safety initiatives was critical, and the industry has to ensure that a robust safety system is in place. Concerns over under-reporting of incidents / accidents in the past was also expressed.

(xvii) It was recommended to create a working group to bring in a highest safety performance.

(xviii) Concerns about the improvements required in ATM, which has so far remained a bottleneck was also expressed. It was also viewed that there should be pre-determined procedures and a well laid out plan to deal with emergencies and accidents such as passenger handling.

(xix)   Reforms are needed for ATCOs, while ATCOs should be licensed, the possibility of their moving over to Gulf or other countries should be looked into and addressed very fast. Since the airlines are experimenting with new routes, the need to plan the feeder routes was also felt.

(xx)   The importance of high standards of training of captains was highlighted. SMS implementation should be implemented on priority. Voluntary reporting needs to be encouraged and it should be non-punitive. FOQA programming should be closely overseen by CEOs.

(xxi)   The need to tackle the obstructions around Mumbai airport was emphasized. It was felt that there is no mechanism to monitor the construction once an NOC had been given to constructors. He said institutionalized mechanism is needed for action against those who violate the norms. The need for enforcing bird strike prevention measures was emphasized and it was recommended that the rules should be strictly implemented for slaying of animals around airport as per law.

(xxii) It was suggested that Rules are to be framed to facilitate growth and safety of helicopters. Regarding addressing the low level tracking of aircraft which was a difficult problem in the absence of radar coverage, it was suggested that repeater stations may be installed for communication to ensure uninterrupted communication. The search and rescue was a weak area, and agencies should be assigned specific roles and their work coordinated.

(xxiii) The need for handling the aircraft with care on the ground was felt for which training of staff and CRM is required. Since the new ground handling service providers   did not know the good practices of ground handling, and stringent ground and ramp safety norms are needed, it was also observed that oversight over dangerous goods needs to be stepped up as there are cases of such goods being carried without identification. Since the cost implications of bird strike damage is very high, this problem should be addressed on priority.

(xxiv) The revision of certain AICs which are very old and need amendment e.g., push back operations at Mumbai was highlighted.

(xxv)   It was suggested that analysis of critical airports should include number of flights operating, bird hits at the airport etc. All airlines should have SOPs for airports incorporating safety aspects.

(xxvi) Considering the fact that the biggest challenge faced by the maintenance organizations is the inadequate quality of the manpower coming from training institutes, the need to improve the quality of training and the need for practical maintenance training of high standard was emphasized.

(xxvii) It was suggested that an agreement can be made with FAA on sharing of safety critical information as FAA had made such agreements with some countries as this type of agreement will benefit operators".

4.8 The Committee desired to know the steps taken to avoid accidents during landing and taking of the planes while referring to everyday media reports that a crash was averted at the last minute. The Ministry in a written note stated as under:

"Standard Safety Guidelines are adhered to permit smooth landing and take off from the runways. Due to technical faults / snags or any other compelling reasons, the aeroplane is unable to take off even after take-off clearance is issued, the other aeroplane which is approaching to land on the same runway is required to discontinue its approach and go-around, for another approach. Such situations are as per the international norms being followed all over the world. Media Reports distort this and publish as 'crash averted at last minute' which is not correct. Airports Authority of India (AAI) has taken the following measures to avoid accident during landing and take off of aircraft:

- Safety Management System which is a proactive measure for removing system deficiencies has been implemented.

- Standard Operating Procedures (SOPs) and Coordination Procedure are reviewed at regular intervals and amended if required to rectify deficiencies as a proactive/resultant measure.

- Upgradation of ATC Automation system at Delhi and Mumbai has been completed.

- New ATC Automation system has been installed at Chennai, Nagpur, Ahmedabad, Varanasi, Mangalore, Trivandrum and Guwahati. The same will be installed at 38 airports all over the country.

- To augment the surveillance of Surface Movement Radar (ASMGCS) has been installed at six major airports (Delhi, Mumbai, Chennai, Kolkata, Hyderabad and Bengaluru).

  At Delhi airport during good visibility conditions, landing strips are visible from the control tower. Radar inputs are also available to the Tower controller as a substitute to visual sighting/reference.

4.9   When the Committee further asked the Ministry to explain the DGCA's policy concerning engagement of foreign pilots in Domestic carriers and the procedure to verify their credentials as several foreign pilots are currently flying planes in India, the Ministry in a written reply furnished the following:

> "Foreign Pilots are engaged by Domestic Airlines as per their requirements. The norms followed by NACIL for hiring expatriate Pilots are in accordance with CAR, Issue 1 of October 08, 1999 (Section 7 – Flight Crew Standards, Series 'G', Part II) issued by the DGCA and amended from time to time.
>
> Credentials of foreign pilots are verified in accordance with the provision stipulated in Civil Aviation Requirements Section 7 Series G, Part II"

(ii)   AIRPORT LICENSING

4.10   The Committee took a serious view of the media reports that a majority of Airport Authority of India -owned Airports are not having DGCA licenses and enquired from the Ministry as to how many airports had valid DGCA licenses as on date and how many had applied for fresh issue/renewal of licenses. The Ministry in a written reply furnished as under:

> "There are 14 Airports, used for scheduled flight operations which have valid license issued by DGCA, which are:
>> 1. Calicut
>> 2. Jaipur

3. Mangalore
4. Delhi
5. Bangalore (BIAL)

6. Jindal Vijayanagar   .
7. Jamshedpur
8. Coimbatore
9. Bhopal
10. Cochin
11. Mumbai
12. Hyderabad (HIAL)
13. Aizawl
14. Puttaparthy"

4.11   15 Airports, which have applied for issue/renewal of licenses are as per details listed below:

S. No	Name of Airport	Date of receipts Of application	Status
1.	Agartala Airport	19.08.2009	To be inspected by DGCA
2.	Bhubaneswar	01.05.2009	Under process in DGCA
3.	Dibrugarh	05.02.2009	To be inspected by DGCA
4.	Imphal	12.06.2009	Under process in DGCA
5.	Indore	22.04.2009	Under Process in DGCA
6.	Khajuraho	20.05.2009	Under process in DGCA
7.	Madurai	08.10.2009	To be inspected by DGCA
8.	Mysore	26.10.2009	Application received
9.	Patna	10.06.2009	Under process in DGCA
10.	Ranchi	20.04.2009	Under Process in DGCA
11.	Trichy	06.05.2009	Under process in DGCA
12.	Udaipur	26.05.2009	Under process in DGCA
13.	Vadodra	16.07.2009	Under process in DGCA
14.	Nanded	07.01.2010	Under process in DGCA
15	Latur	07.01.2010	Under process in DGCA

As on 6th July 2010, applications in respect of following 25 airports were to be received from AAI for issue of license:

1.	Agatti	14.	Aurangabad
2.	Belgaum	15.	Bhavnagar
3.	Dehradun	16.	Dharamshala
4.	Dimapur	17.	Hubli
5.	Jabalpur	18.	Juhu
6.	Kandla	19.	Lilabari
7.	Kullu	20	Pantnagar
8.	Ludhiana	21.	Raipur
9.	Porbandar	22.	Rajkot
10.	Rajamundry	23.	Shimla
11.	Shillong (Barapani)	24.	Tirupati
12.	Surat	25.	Vijayawada".
13.	Tuticorin		

4.12   The Committee further asked the Ministry about the validity of a DGCA license and penalties to be imposed on the Airport functioning without a DGCA license. The Committee also sought reasons for delay/laxity on the part of the AAI or the Ministry on the licensing issue. The Ministry in a written reply furnished, the following information:

"The aerodrome license is granted for period not exceeding 24 months. Schedule VI of the Aircraft Rules 1937, contains provision of imposing penalty of using aerodrome in violation of Rule 78 of the Aircraft Rules, which requires licensing of the aerodrome."

"The airports were earlier managed by the Central Govt. i.e. DGCA and were handed over to National Airports Authority in 1986 and subsequently to Airports Authority of India. These airports were constructed by the Central Govt. as per the requirement of the flights operating at that time. Hence in respect of current standards there are many non-compliances. These non-compliances are due to various reasons like land constraints, civil works to make the airport compliant with DGCA CAR. The Aerodrome Licensing also involves voluminous documentation, coordination with various internal & external agencies and

inspection/validation by the regulatory authority, therefore, it is a time consuming process.

Even though ICAO had laid down the Standards and recommended Practice, it was felt that there is a requirement for introducing a system for regulating this activity.   With this aim ICAO had introduced a standard for certification of aerodromes used for International air Transport Services in year 2003.   Accordingly regulation for licensing were revised by the Government and notified in year 2004.

There was delay in initiation of licensing procedure by AAI and the application was submitted by AAI in year 2006.   Even though applications were submitted but there was condition from AAI that they should be exempted from payment of   fees which was taken up by them with the Government.   The licenses were issued from 2007 onwards even though the matter of payment of license fees was pending with the Government.

Since, the licensing process was a new concept for existing operators including AAI   there was lack of understanding in the organization regarding the process even though it was laid down by DGCA in the Civil Aviation Requirements. Besides above there was lack of organizational structure and regional infrastructure set up in DGCA as well as with the aerodrome operators/ AAI for handling the licensing issues.   Manpower constraints are being addressed at DGCA by taking the manpower on secondment basis from Aerodrome Operators/ AAI as well as inducting the retired persons and experts from aviation industry on short term basis."

4.13   The Committee during evidence asked the Ministry/DGCA to explain a DGCA License. A representative of the Ministry of civil aviation stated as under:

"DGCA license in relation to an airport is a license which is a certification that the airport meets all the requirements for regular scheduled airline operation."

4.14   When the Committee further asked when this was notified, the Ministry stated as under:

> "In 2006, International Civil Aviation Organization, ICAO made it mandatory in 2003 and promulgated these standards. DGCA adopted this and issued regulations for licensing in 2006."

4.15   On being enquired further as to how many airports are yet to have this certification, how many are functioning without it and what is the fee, the Ministry replied as under:

> "43 airports are yet to get the license. DGCA has already drawn up a plan that by 31st December 2010 all the remaining 43 airports will be licensed. 15 of them have been given license. The fee depends upon the capacity of the airport. It is ₹ 15 Lakh for the new airport and ₹ 7.5 lakh for renewal."

(iii)   <u>LICENSES TO PILOTS AND ENGINEERS</u>

4.16 Central Examination Organisation (CEO) under DGCA conducts written examination for issue of licenses to Pilots and Engineers. In general, Pilot examination are conducted every month whereas the engineers examination is conducted three times a year in the months of February, June and October.

DGCA issues the following flight crew licenses under the provisions of <u>Rule 38</u> and <u>Schedule II</u> of the Aircraft Rules, 1937:-

- Pilot
- Flight Instructor or Assistant Flight Instructor
- Flight Navigator
- Flight Engineer
- Flight Radio Telephone Operator

Section 7 - Flight Crew Standards, Training and Licensing of the Civil Aviation Requirements gives the syllabus for the examination and procedure for issue/ extension for flight crew licenses.

AIRCRAFT MAINTENANCE ENGINEERS

Licenses to engineers for maintenance of aircraft / engines/ components are issued by DGCA under the provision of Rule 61 of the Aircraft Rules, 1937.

The procedure for issue of licenses has been given in Section 2 - Airworthiness (Series 'L') of the Civil Aviation Requirements.

DGCA also issues civil licenses (pilots and engineers) to Defense personnel - The licenses are issued in accordance with the Procedure given in Civil Aviation Requirements Section 1 - General Series 'A' Part I.

TRAINING SCHOOLS

DGCA requires approval of the training schools before they can undertake training of personnel for issue of pilot/ engineer licenses.

Flying Training School - Civil Aviation Requirements Section 7 Series 'D' Part I gives the procedure and the minimum requirements relating to infrastructure, procedures and manpower for grant of approval for undertaking flying training activities for pilots for issue of licenses.

AME Training School - Civil Aviation Requirements Section 2 Series 'E' Part VIII gives the procedure and the minimum requirements relating to infrastructure, procedures and manpower for grant of approval for undertaking training activities for engineers for issue of licenses.

4.17   In view of the media reports about fake pilots flying planes of private airlines and involvement of DGCA officials in the same, the Committee asked the Ministry about the

action initiated by them and the new measures required to prevent such malpractices. The Ministry in a written reply stated as under:

> "DGCA has taken stern action on the matter of fake pilot licences. All licences issued by DGCA are being scrutinized thoroughly. The matter has been handed over to the Delhi Police for investigation. Some persons including DGCA's officers have been detained by Delhi Police in this case.
>
> Vide order dated 29/3/2011, an Expert Committee has been set up to re-examine the entire system of examination/licencing and suggest improvements in the same. The Expert Committee will have following Terms of Reference:-
>
> i. To examine the current system of examination of pilots, engineers etc., and make recommendations to make examination system secure, credible and efficient and in line with modern and best practices;
>
> ii. To examine introduction of electronic technology, online examination and make recommendations;
>
> iii. To examine the current system of licensing, procedure and processes and make recommendations for improvement;
>
> iv. To examine and make recommendations for introduction of effective system of cross-verification of documents of licensing filed by candidates;
>
> v. Any other task assigned by the Ministry.
>
> The expert Committee is to submit report within 5 weeks of its constitution. The Committee has met twice so far."

(iv) **CIVIL AVIATION AUTHORITY**

4.18 The Ministry had undertaken a study for the formation of an umbrella organisation, the Civil Aviation Authority replacing the DGCA. The Committee asked the Ministry about the findings of the study. The Ministry in a written submission stated as under:

"DGCA, with the approval of MCA had commissioned Technical Cooperation Bureau of ICAO to conduct a study on establishment of a Civil Aviation Authority in October 2009. ICAO submitted the final report to DGCA on 8th April 2010, which was examined in DGCA. The comments of DGCA on the report were received on 14th July 2010. Subsequently, a Committee was constituted in the Ministry on 7th October 2010 to review the ICAO report. The Committee is headed by Joint Secretary, Ministry of Civil Aviation and comprises DG (or his representative), Chairman (AAI), Representatives of IATA and CAPA and Sh. H.S. Khola, former DGCA as members.

The Committee is mandated to suggest modalities of implementing the ICAO recommendations for restructuring the existing DGCA into an autonomous aviation safety regulatory organisation in line with international standards and practices and to meet the future demands of aviation industry in the light of rapid growth in air transport operations and changes taking place in the aviation industry; requirements of the aviation stake holders; safety and service requirements of the travelling public and other related aspects.

The ICAO report has 34 recommendations. DGCA is in agreement with all the recommendations except two.

> One of them pertains to levy of ₹ 12 on all departing passengers to cover the revenue gap (Recommendations No.20). DGCA is of the view that this amount does not seem to be adequate and may need to be revised, based on more accurate estimates.

> The other one relates to raising fees charged by DGCA by 20% (Recommendations No.19). DGCA states that there may be need to enhance the fees beyond 20% based on inflation levels and requirements of CAA for efficient discharge of safety oversight.

Salient features of the recommendations:-

(1)   A Civil Aviation Authority (CAA) be set up, which would have administrative and financial autonomy and which would take over the functions of DGCA.

(2)   CAA to comprise between 8 and 10 members, including Chairman.

(3)   At least 5 of the members of CAA should be full-time members, in addition to the Chairman.

(4)   The Chairman should be full-time and have powers of general superintendence and direction in the conduct of the affairs of the Authority.

(5)   The title of DGCA may be used as is the international practice.

(6)   Chairman be chosen from among persons who have special knowledge and experience in civil aviation safety, administration and financial matters. Majority of members should have special knowledge and experience in civil aviation safety matters.

(7)   Between 2 and 4 part-time members should be appointed.

(8)   At least 2 part-time members may be from the Ministry and upto 2 from other stakeholders.

(9)   Part-time members should not include officers, employees or Board members of air transport operators or large service providers.

(10)   Term of office of full-time members be 5 years and of part-time members 3 years.

(11)   Members of CAA (including Chairman) be selected by a Selection Committee and appointed by the Central Government. Composition of Selection Committee be decided by the Central Government along the lines of established practice.

(12)   CAA be entrusted with main functions, duties and powers presently carried out by DGCA by the relevant legislation and the CAA be adequately equipped to be able to discharge them. Consequent amendments to the Aircraft Act, 1934 and Aircraft Rules, 1937 should be provided for in the draft CAA of India Bill.

(13)   CAA be entrusted with following additional functions recommended by the Kaw Committee:-

- Carrying out economic analysis of traffic data and preparation of reports on the overall aviation scenario and make projections for international and domestic traffic, as well as projections for aircraft demand in the country to enable airlines to draw up their expansion plans.

- Functions relating to economic regulation of air transport, monitoring of user charges levied by airport operators and standards of service being provided by them and looking into complaints and grievances of all stakeholders including air passengers.

(14)   Include in draft Bill a comprehensive and broad mandate to provide safety oversight in the functions of DGCA.

(15)   Add in draft Bill a comprehensive mandate to draw up a State Safety Programme and provide for its implementation.

(16)   CAA be entrusted with aircraft accident prevention, including investigation of minor aircraft incidents, but not with responsibility for aircraft accident investigation. This should be separate from the safety regulator to be decided by the Central Government.

(17)   CAA should have the necessary powers to properly follow-up on passenger complaints, make appropriate inquiries, obtain data and information from air transport operators and service providers and measure service quality

(18)   CAA to work on not-for-profit principles.

(19)   CAA be allowed to retain revenues it generates.

(20)   All fixed and moveable assets presently with DGCA, including staff quarters but excluding Central Government general pool accommodation, be transferred to CAA free of cost, of 99yr lease on payment of ₹1 per annum.

(21)   Capital expenditure of CAA to be financed by Central Government.

(22)   Exemption from payment of income tax, wealth tax, service tax and gains tax.

(23)   Raise fees by 20%

(24)Gap in revenue and expenses of CAA be covered by levy of ₹ 12 on all departing passengers, to be collected be airline operators and remitted to CAA.

(25)   Periodic review of levies and fees to prevent undue deficit or surplus.

(26)   Efforts be made to set fees on a more rational basis. DGCA should commence maintaining proper records of revenue collected under different types of fees and charges. A system of costing of service may be introduced. Present system be examined to cover the cost of providing such service to the extent possible.

(27)   Conditions be put in place to ensure that CAA follows the principles of good governance.

(28)   CAA to ensure that conflict of interest situations are avoided.

(29)   Additional manpower sanctioned should be considered sufficient for meeting requirements upto 2012. Recruitment for these posts should be completed expeditiously.

(30)   Manpower requirement should be periodically reviewed every 3-4 years.

(31)   Setting up of Indian Aviation Academy fully endorsed. Training programmes should commence as early as possible.

(32)   Training needs of future CAA personnel be reviewed every 3 to 4 years.

(33)   DGCA officers may be given 1 year to exercise their option to continue on deputation and be governed by Government scales of pay, allowances and other benefits, or to be absorbed in the CAA and be governed by its regulations.

(34)   The standard procedure for complaints and appeals specified in Rule 3B of the Aircraft Rules may be applied to CAA also, wherein appeals against decisions of an officer should be first addressed to and decided by the next higher level officer and then, if redress is not obtained, further appeal can be lodged in the High Court.

(35)   Central Government to provide for amendment of Aircraft Rules to provide for delegation of powers to CAA, to take effect on the date of its establishment.

(36)   Provision for other relevant issues, like Central Government directions to the Authority, protection of actions taken in good faith, exemption from certain taxes and other related matters be kept as proposed in the draft Bill (Chapter VII).

(37)   A comprehensive review of the Aircraft Act and the Aircraft Rules be undertaken once the CAA is established, to modernize the provisions and ensure good functioning of CAA.

(38)   CAA should develop a distinctive logo to be used for all official documents, correspondence and communications and on the common seal of the Authority".

(b)   BUREAU OF CIVIL AVIATION SECURITY (BCAS)

4.19   The Annual Report (2010-11) of the Ministry provides the following information:-

The Bureau of Civil Aviation Security (BCAS) is an attached office of the Ministry of Civil Aviation. The Bureau is responsible for laying down the standards for pre-

embarkation security and anti-sabotage measures in respect of civil flights and ensuring their compliance through regular Inspections and security Audits. The aim of BCAS is to safeguard civil aviation operations against acts of unlawful interference. BCAS is headed by an IPS Officer of the rank of Director General of Police, designated as Commissioner of Security (Civil Aviation), who is the designated "Appropriate Authority" to ensure development, maintenance, updation and implementation of National Civil Aviation Security Programme for India and fulfill all international obligations in this context. The Bureau is the single regulatory authority for discharging all relevant national and international obligations in respect of training the personnel in Aviation Security responsibilities, testing and certification of screeners etc. The core responsibilities of Bureau include, inter-alia, the Planning and Coordination of all Aviation Security related activities, Operational Emergencies and Crisis Management. It has four Regional Offices at Delhi, Kolkata, Mumbai and Chennai, each under a Deputy Commissioner of Security (Civil Aviation), regulating, monitoring and conducting regular Security Inspections and Audits of the airports in Northern, Eastern, Western and Southern region, respectively.

4.20   This Bureau has four Bomb Detection and Disposal Squads (BDDS) positioned at International Airports of Delhi, Mumbai, Kolkata and Chennai with latest equipment. These squads have rendered safe some of the sophisticated Improvised Explosive Devices (IEDs) and assisted local police in investigations. Bureau has set broad targets for:

(i)   <u>Modernization</u>
        (a) Adopting IT and electronics equipment and Systems;
        (b) Redesigning and updation of BCAS website.

(iii)   <u>R&D Database development</u>
        For EDP on Security audits, incident investigations and feedback, reports, technology adopted / identified/ available for security related equipment and systems etc.

(iv)   <u>Initiatives to improve Airport Security</u>

by recommending various Security Procedures, Technology up-gradation and modernization of Security related equipment and Schemes.

(v) <u>Maintenance & Operation of Bomb Detection & Disposal and Dog Squads</u> For tackling Bomb threats and anti-sabotage requirements at the four Metro International Airports and potentially sensitive airports.

MODERNISATION

4.21 BCAS has formulated an IT Plan for modernization and automation of Office Procedures. Computerization work is in progress in the BCAS. All the staff members have been trained for basic operation. All documentation both in Hindi and English is being done on computer; leading to the development and administration of Database and Electronic Data Processing.

RF link from NIC Headquarters to Bureau is being utilized to enable quick and easy access to Internet and NICNET. E-mail facility has been extended to Senior Officers. Internet connectivity has been provided to enable access to international databases and various Websites of Aviation Security Organizations.

All officers of the BCAS have been provided with an official e-mail ID which is being utilized by them for all forms of correspondences. It has resulted in greater savings in terms of time and efforts. BCAS web-site has been made user friendly for traveling passengers by including relevant information for them.

Apart from the above, BCAS is installing Video Conferencing System for better interaction between the Hqrs and its regional offices.

STRUCTURING/STRENGTHENING OF BCAS

70 additional posts in various grades have been created. It has also been decided to set up four new Regional Offices at Amritsar, Guwahati, Hyderabad and Ahmedabad. Steps are being taken to fill up the posts and operationalising the new Regional Offices.

TRAINING

(a)   In-line Baggage System has been operationalised at Delhi, Mumbai, Hyderabad and Cochin Airports. Certification of screeners deployed at these airports is being conducted as per requirement projected by the concerned airport operators. Installation of the Inline Baggage System at Ahmadabad, Chennai, Calicut, and Srinagar is in progress. At these airports in-line screening system will be operated by Air India as per MOU between AAI and Air India. Certification test for Air India is being conducted for left out persons.

(b)   In accordance with guidelines contained in National Civil Aviation Security Training Programme (NCASTP), BCAS conducted Aviation Security (AVSEC) Training at its Hqrs. and various locations approved by the BCAS for the security and other personnel of government/private agencies functioning at the airports. These training courses included the courses planned in annual calendar and additional courses to meet escalating demand.

(c)   The NCASTP in vogue was approved by the Ministry of Civil Aviation in the year 2004 and revised in the year 2006. Now it is again being reviewed in the light of latest trends and requirements of AVSEC.

CONTINGENCY PLAN

(i)   The Bureau has a contingency Plan to deal with emergencies arising out of hijacking and other acts of unlawful interference to Civil Aviation operations. Among other things, it provides for the establishment of Aerodrome Committee at each airport.   Crisis Management Procedures are activated immediately on the occurrence of any emergency, like security threats to the Civil Aviation, Terrorism, hijacking, unlawful seizure of aircraft etc. Keeping in view the operational requirements, in the changing AVSEC scenario, the Contingency Plan has been suitably modified and issued to all concerned.

(ii)   AVSEC Manual on handling Aircraft Hijack Situation has been finalized and issued to all concerned.

(iii)   In order to test the efficacy of Contingency Plan and Operational preparedness of the concerned agencies, Mock exercises are being conducted regularly at the airports.

R&D DATABASE FOR AVSEC:

All officers of BCAS are maintaining details of Inspection Reports, follow-up action, feedback reports, Security Audit Reports, detailed documentation of Incident Investigations etc on the server through networked desk station. In due course of time, Bureau proposes to accumulate reliable database for Electronic Data Processing (EDP) and R&D purpose.

INITIATIVES TAKEN TO IMPROVE SECURITY AT AIRPORTS

(i)   After the attack on Colombo Airport on 24.7.2001, a team from India headed by Commissioner of Security(CA) visited the Colombo Airport in order to study the methodology adopted by Sri Lankan Terrorists. After detailed study of the incident, 'Quick Reaction Teams' have been positioned in all the metropolitan airports, major airports of Jammu & Kashmir and all airports manned by CISF to pre-empt any similar move at Indian Airports by Terrorists.

(ii)   In the aftermath of 11th September 2001 incident in USA, steps were taken to increase the number of flights in which Sky Marshals are deployed. Sky Marshals are now being deployed on all routes on random basis, including the private airlines.

(iii)   It has been decided to induct CISF in all airports in the country to bring in cohesion and uniformity in procedures and practices in regard to security at Airports. At 58 Airports in the country, CISF has already taken over the security duties. For the remaining airports, it will be done in a phased manner.

(iv)   A comprehensive schedule for the inspection Surprise checks, Dummy checks and Security audits for ensuring compliance of all AVSEC Orders, Acts & Instructions at all airports has been made to detect weakness in the security

system implementation and the same are being taken up for remedial action with concerned agencies.

(v) To ensure security Standards, the Security Programmes of all above categories are scrutinized and vetted by this Bureau. So far this year 32 Security Programmes have been cleared.

NEW AIRPORT ENTRY CARD SYSTEM

To ensure Secured access control to the Airport Premises, the Bureau scrutinizes and approves the applications for issue of Airport Permits (AEPs) through the AEP committees and issues airport entry permits to officials of various Government and Non Government organizations who are directly connected with the Civil Aviation Operations.

Bureau has renewed all the AEPs whose extended validity expired on 31-10-2010.

Bureau is in the process of introducing automated Smart Card system and Biometrics based Access control and Data base management system for all airports.

AUTOMATION OF AIRPORT ENTRY PASS

The Bureau is also in the process of installing a new user friendly automated system of issuing AEPs. It will enable online submission, process and status checking of applications and will reduce dependence on paper and also reduce processing time. Further, it will improve efficiency and bring about more transparency.

4.22 When, the Committee pointed out that a number of cases of thefts are reported from various airports and what mechanism/action being contemplated taken by BCAS to check it, the Ministry in a written note replied:

> "Manual & CCTV surveillance is kept over the activities of workers/loaders/staff working at the airports to check the cases of thefts.

Airport Entry pass/temporary AEPs are issued after due verification of character and antecedents of the applicant by the police. Re-verification is done at the time of renewal".

4.23   In the light of various new Greenfield airports being developed under the PPP model, the Committee wanted to know as to how will the safety and security be reconciled with the Operations of the new airport under a private player. The Ministry in a written reply furnished as under:

"Civil Aviation Security measures are in place to take care of airports operations. Moreover, the Aviation Security (AVSEC) functions, except In-line hold baggage screening, are carried out by Aircraft Operators and CISF/State Police.

All the rules and regulations pertaining to civil aviation operations are issued by
Govt. of India for implementation on ground by all entities connected with civil aviation operations. This is equally applicable to the Airport Operators i.e. private/Greenfield/brownfield airports operators. Limited security functions mentioned above are allocated to them which are to be carried out as per the National Civil Aviation Security Programmes, Contingency Plan to deal with hijacking/bomb threat and airport security programme. Moreover, the security measures are verified during periodical security audit and security inspections by BCAS officers."

4.24   The Committee while acknowledging the need for trained man-power for effective functioning of BCAS and other organizations of the Ministry of Civil Aviation, had asked whether the Ministry was facing man power shortage. The Ministry in a written reply furnished the following:

"In the case of the Bureau of Civil Aviation Security owing to the acute shortage of manpower faced by the Bureau, approval for restructuring/strengthening BCAS was approved by the Govt. as a result of which a total of 70 posts in various grades have been created."

4.25   When the Committee asked the Ministry about the Anti-Hijacking policy of the Government post-Kandahar and the role of BCAS in this regard, the Ministry in a written note stated as follows:-

"The Role of Bureau of Civil Aviation security is as under:-

(i)   In order to ensure the effective application of preventive security measures the level of threat is continually reviewed taking into account the domestic, regional and international situations.

(ii)   Contingency planning to promote coordinate and timely counter action to the level of threat

(iii)   Preparation of national contingency plan outlining the responsibilities and lines of command and communication from the highest level to the on site command and control.

(iv)   Laying down security measures and procedures commensurate with the threat assessment which may fluctuate due to various changing factors.

(v)   Carry out periodic security audit/inspections and security tests to find out the degree of compliance of laid down Civil Aviation Security norms and enforce remedial measures in case of any lapse in security.

(vi)   Imparting training to CISF/ASG and Airlines Security staff as per International standard.

An apex body i.e. Cabinet Committee on Security has been instituted for Crisis Management and to take major policy and strategic decisions."

(c) AIRPORTS AUTHORITY OF INDIA (AAI)

4.26   The Airports Authority of India (AAI), formed on 1st April 1995 by an Act of Parliament, is the mainstay of the civil aviation operations in the country. AAI manages 115 airports including 23 Civil Enclaves.   In addition, AAI also provides CNS-ATM Services at 11 other airports. These airports are Bangalore, Hyderabad, Cochin, Vidyanagar, Puttapurthy, Lengpui, Diu, Latur, Nanded, Mundra and Jamshedpur airports. About 2.8 million nautical square mile area of national air-space (covering Bay of Bengal and Arabian Sea) has been assigned to AAI for provision of Air Traffic Services. The main functions of the Airports Authority of India (AAI) are as under:-

(i)   Control and management of the Indian air space (excluding special user air space) extending beyond the territorial limits of the country as accepted by ICAO (International Civil Aviation Organization).

(ii)   Provision of Communication, Navigational and Surveillance Aids.

(iii)   Expansion and strengthening of operational areas *viz.* Runways, Aprons, Taxiways, *etc.* and provision of ground based landing and movement control aids for aircrafts & vehicular traffic in operational area.

(iv)   Design, development, operation and maintenance of passenger terminals.

(v)   Development and management of cargo terminals at international and domestic airports.

(vi)   Provision of passenger facilities and information systems in the passenger terminals.

4.27   While the Government is separately developing a policy framework for the entire civil aviation sector, a policy relates to use and development of airport infrastructure already exists. The Policy on Airport Infrastructure should always be read along with the National Policy on Civil Aviation.

The objectives of the policy are:

(1) To provide a boost to international trade and tourism and enhance the country's image in the comity of nations;

(2) To provide airport capacity ahead of demand, in order to handle an increasing volume of air traffic and to garner the maximum share of traffic in the region;

(3) To enhance airport facilities to make the airport user friendly and achieve higher level of customer satisfaction;

(4) To ensure total safety and security of aircraft operations by the introduction of state-of-art air traffic, security and related services;

(5) To provide multi-modal linkages;

(6) To provide a market orientation to the present structure, bridge the resource gap and encourage greater efficiency and enterprise in the operation of airports, through the introduction of private capital and management skills;

(7) To foster the development of a strong airport infrastructure, maintaining a balance between the need for economic viability and the objective of equitable regional dispersal of infrastructural facilities;

(8) In the achievement of the above objective, to lay special emphasis on the development of infrastructure for remote and inaccessible areas, especially the North East, the hilly and island regions; and

(9) To encourage transparency and clarity in the decision-making processes of Government and its public sector units. Policy has necessarily to change in response to a rapidly transforming global scenario, although the process of transformation has to be progressive, orderly and safeguarded. Looking at what

has been achieved in other countries, there is a wide gap which needs to be bridged first.

4.28 The details of aircraft movement, passengers handled and cargo for the period April 2010 to September 2010 and April 2009 to March 2010 and for the year April 2010 to March 2011 are given below:-

Traffic category	(April to March)2009-10	April to September 2010-11 (Actual)	(April to March) 2010-11
Aircraft Movements (in thousands)			
International	282.20	145.01	296.31
Domestic	1048.69	533.87	1122.10
Total	**1330.89**	**678.88**	**1418.41**
Passengers (in lakh)			
International	343.68	181.08	374.60
Domestic	893.87	496.01	1001.20
Total	**1237.55**	**677.09**	**1375.80**
Freight (in thousand tonnes)			
International	1270.71	750.12	1397.78
Domestic	690.90	422.37	794.54
Total	**1961.61**	**1172.49**	**2192.32**

The major task of AAI i.e. development of airports has been included in Chapter VI of this report.

(d) AIRPORT ECONOMIC REGULATORY AUTHORITY OF INDIA (AERA)

4.29 For economic regulation of the civil aviation sector, AERA has been set up. According to the Annual Report (2010-11) of the Ministry, the Parliament of India, enacted "The Airports Economic Regulatory Authority of India Act, 2008", inter-alia, to establish a statutory authority called the Airports Economic Regulatory Authority to regulate tariff for the aeronautical services, determine other airport charges for services rendered at major airports and to monitor the performance standards of such airports. The provisions of the said Act came in to force w.e.f. 1st January, 2009 (All provisions

except Chapter III and VI) and 1st September, 2009 (provisions of Chapter III and VI). AERA has its headquarters in New Delhi.The Statutory functions of the AERA in respect of major airports are specified in section 13 of the Act, as under:

(1) to determine the tariff for aeronautical service taking in to consideration-
    i. the capital expenditure incurred and timely investment in improvement of airport facilities;
    ii. the service provided, its quality and other relevant factors;
    iii. the cost for improving efficiency;
    iv. economic and viable operation of major airports;
    v. the concession offered by the Central Government in any agreement or memorandum of understanding or otherwise;
    vi. any other factor which may be relevant for the purpose of the Act.

(2) to determine the amount of the development fees including User Development Fee (UDF);

(3) to determine the amount of the passengers service fee levied under rule 88 of the Aircraft Rule, 1937 made under the Aircraft Act, 1934;

(4) to monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any authority authorized by it in this behalf;

(5) to call for any such information as may be necessary to determine the tariff for aeronautical services;

(6) Perform such other functions relating of tariff, as may be entrusted to it by the Central government or as may be necessary to carry out the provisions of the Act.

4.30 The Authority consists of a chairperson and two Members appointed by the Central Government. In terms of the provision Section 2(i) of the AERA Act, 2008 following airports have been notified by Government of India as major airports:-

1. Mumbai
2. Delhi
3. Chennai
4. Bangalore
5. Kolkata
6. Hyderabad
7. Cochin

8. Ahmedabad
9. Goa
10. Trivandrum
11. Pune
12. Calicut
13. Guwahati

4.31 In pursuant to its establishment, AERA has set in motion an open and transparent process, involving extensive stakeholder consultation, to establish its regulatory philosophy and approach as well as to evolve detailed procedures and systems for determination of tariff and monitoring of performance standards. AERA proposes to adopt interest of passengers and cargo facility users as the basis anchor in discharge of its functions and exercise of its powers and proposes to regulate aeronautical tariff and other charges for major airports on 'single till' basis thereby using 100% of the non-aeronautical revenue (including costs thereof) as a subsidy while fixing aeronautical tariff and passenger charges.

4.32 A Consultation Paper laying down the proposed approach of the Authority on various issues relating to regulation of Airports and Air Navigation Services (ANS) services was issued on 26.02.2010. AERA has classified its regulatory ambit in three broad categories and proposes to adopt following approach to economic regulation thereof:

S. No.	Aeronautical Services	Proposed approach
1.	Services provided by the airport operators	Price Cap regulation on 'single till' basis.
2.	Air navigation Services	Cost plus fair rate of return based regulation.
3.	Services provided by cargo facility operators, ground handling service providers and fuel farm form operators/fuel access providers.	(a) If service is not 'material'; or it is 'material' but provided on competitive basis – light touch regulation. (b) If service is 'material' but not provided on competitive basis – Price Cap regulation.

4.33 After extensive stakeholder consultation, AERA has finalized and laid down its approach in respect of (2) & (3) above. Detailed guidelines in this respect have been issued for stakeholder consultation.

4.34 In the meantime, AERA has tested its proposed systems and procedures, applying draft policy and approach, in the cases relating to determination of user development fee (UDF) at the international airports at Ahmedabad, Thiruvananthapuram and Hyderabad.

4.35 The Committee raised queries about the criterion for levying User Development Fee for some of the airports being developed under the PPP route. The Committee also enquired about the fee for Domestic and International travel and the total amount collected so far since its application at various airports. The Ministry in a written submission stated as under:

> **"**Rule 89 of the Aircraft Rules, 1937 prescribes:
>
> User Development Fee – The licensee may
>
> (a) Levy and collect at a major airport the User Development Fee at such rate as may be determined under clause (b) of sub-section (1) of section 13 of the Airports Economic Regulatory Authority of India Act, 2008;
> (b) levy and collect at any other airport the User Development Fees at such rate as the Central Government may specify.
>
> However, no methodology has been prescribed in the Aircraft Rules for determining the UDF.
>
> The Concession Agreements for Bangalore International Airport Ltd. and Hyderabad International Airport Ltd. provide for levy of UDF "from embarking domestic and international passengers, for the provision of passenger amenities, services and facilities" and for the UDF to be "used for the development, management, operation and expansion of the facilities at the Airport" and to meet the revenue gap, if any.

Draft guidelines for determination of UDF issued by the Ministry of Civil Aviation in the past for discussions had noted that levy of UDF was to be considered only in cases and years where the Target Revenue of a major airport was projected to fall short of the Admissible Expenditure. Hon'ble High Court of Kerala, in its judgment in the case of Commissioners of Central Excise Vs. Cochin International Airport Ltd., has noted that the purpose of UDF "is to augment revenue". Thus, UDF may be taken as a revenue enhancing measure to ensure economic viability of the airport operations.

Above indicates that broad intended coverage of UDF is analogous to other aeronautical charges. However, while the other aeronautical charges are levied on the airlines, UDF is recovered directly from the passengers.

Keeping in view the above, it is submitted that the rate of UDF, its incidence on domestic and international passengers and the tenure of levy are decided on case to case basis having regard to, inter alia, the capital expenditure, traffic projection, required rate of return, etc. to the airport operator.

Further, it is submitted that the information regarding total amount collected at the airports up to June, 2010 are as under:

Bengaluru International Airport, Devenahalli   -   ₹ 315.085 Crore;

Rajiv Gandhi International Airport, Shamshabad -   ₹ 301.59 crore and

Sanganer International Airport, Jaipur   –   ₹ 11.43 crore.

In addition to the above it is submitted as follows:-

.(i)   The levy of User Development Fee is independent of whether the airport is developed through PPP route or not. The UDF is levied at the airport to bridge the revenue gap of the airport. The UDF is charged at those airports where projected surplus during the life span of new assets are not sufficient to achieve the reasonable/regulated rate of return on the investments made at the airport.

(ii)   Depending upon the local socio economic factors and paying capacity of the passengers, UDF is quantified between Domestic and International passengers.

(iii)   The total UDF amounting to ₹ 13,08,79,160/- has been collected at Jaipur, Amritsar, Udaipur, Trichy & Vizag airports since its inception till 30th June, 2010.

(iv)   The UDF is levied at the airport to bridge the revenue gap for achieving the reasonable rate of return on the investments made and it is utilized for meeting expenditure on Operation & Maintenance of the airport as well as for new capital assets and is accordingly treated as part of revenue of respective airport.

Amount collected at Jaipur Airport for the period 01.01.2010 to 31.03.2010 is ₹ 5.52 Crore.

The period of levy for UDF in respect of AAI airports is indicated at table 'A'.

(A) – AAI AIRPORTS

[AMT. IN ₹]

S.No	Airport	UDF Amt.		Effective date/ Proposed Date	Period of Levy
		Dom.	Intl.		
1	Jaipur	150	1000	01.01.10	15 years
2	Amritsar	150	910	15.06.10	10 years
3	Udaipur	150	Nil	15.06.10	13 years & 8 months
4	Trichy	150	360	15.06.10	10 years
5	Vizag	150	Nil	15.06.10	15 years & 3 months
6	Ahmedabad	110	415	01.09.10*	10 years
7	Trivandrum	Nil	755	01.09.10*	10 years
8	Mangalore	150	825	01.09.10*	10 years

* Proposed date for levy of UDF

(B) - PRIVATE AIRPORTS

[AMT. IN ₹]

S.NO	AIRPORT	UDF		EFFECTIVE DATE
		DOM.	INTL.	
1	Bangalore	260	1070	Dom – 16.01.2009 Intl. - 24.05.2008

| 2 | Hyderabad | 375 | 1000 | Dom – 22.08.2008 Intl. - 23.04.2008 |

(C) PRIVATE AIRPORTS WHERE ADVANCE DEVELOPMENT FEE IS CHARGED

[AMT. IN ₹]

S.NO	AIRPORT	DOM.	INTL.	EFFECTIVE DATE
1	Delhi	200	1300	01.03.2009
2	Mumbai	100	600	01.04.2009

However, the amount of levy is subject to periodic review by the Regulatory Authority (AERA).

4.36   When, the Committee asked the ministry about the role of AERA in regulation of standard of services at Airports and the orders passed in this direction, the Ministry in a written submission inter alia stated as under:

"…AERA has proposed to adopt interest of passengers and cargo facility users as the basic anchor in discharge of its functions and exercise of its powers and accordingly, proposed to regulate aeronautical tariff and other charges for major airports. The Philosophy and approach for regulatory frameworks is under consideration of AERA in consultation with Government."

4.37   The Authority has since its establishment issued 10 Orders and 3 Directions under the provisions of the AERA Act, 2008. The details of the Orders passed by the Authority, in brief are as under:

S.No	Order/ Direction No.	Brief details of the Order
1	No.01/2009-10 dated 06.11.2009 - In the matter of levy of Development Fee (DF) at the IGI Airport, New Delhi, by Delhi International Airport Pvt Ltd.	The Authority extended the time line for submission of relevant information in terms of the Ministry of Civil Aviation's letter dated 09.02.2009 (vide which the ad hoc levy of DF was approved).

2	No.01/2010-11 dated 05.05.2010 - In the matter of proposal of Airports Authority of India (AAI) to levy User Development Fee (UDF) at Trivandrum International Airport.	The Authority after due consultation with the stakeholders approved the rate of UDF to be levied at the Trivandrum International Airport as ₹ 755/- per embarking international passenger (exclusive of any statutory levies), on ad-hoc basis, with effect from the date of commissioning the new international terminal building. This ad-hoc determination would be reviewed at the stage of tariff determination for the first cycle and thereafter at such intervals as the Authority may determine, from time to time.
3	No.02/2010-11 dated 18.05.2010 - In the matter of proposal of AAI to levy UDF at Sardar Vallabhbhai Patel International Airport.	The Authority after due consultation with the stakeholders approved the rate of UDF to be levied at the Airport as ₹ 110/- per embarking domestic passenger and ₹ 415/- per embarking international passenger (exclusive of any statutory levies), on ad-hoc basis, with effect from the date of commissioning the new international terminal building. This ad-hoc determination would be reviewed at the stage of tariff determination for the first cycle and thereafter at such intervals as the Authority may determine, from time to time.
4	No.03/2010-11 dated 21.05.2010 In the matter of 10% increase in Aeronautical charges requested by Delhi International Airport Pvt Ltd (DIAL) and Mumbai International Airport Pvt Ltd. (MIAL), w.e.f 03.05.2009.	The Authority after due consultation with the stakeholders rejected the requests made by DIAL and MIAL for a 10% increase in aeronautical charges w.e.f 03.05.2009.
5	No.04/2010-11 dated 30.06.2010 – In the matter of Economic Regulation of	The Authority after due consultation with the stakeholders laid down the approach and framework for

	Air navigation Services-Regulatory Philosophy and Approach.	economic regulation of Air Navigation Services.
6	No.05/2010-11 dated 02.08.2010 - In the matter of Regulatory Philosophy and Approach in Economic Regulation of the services provided for Cargo Facility, Ground Handling and Supply of Fuel to the aircraft at the major airports.	The Authority after due consultation with the stakeholders laid down the approach and framework for economic regulation of the services provided for the cargo facility, ground handling and supply of fuel to the aircraft by the independent service providers.
7	Direction No.01/2010-11 dated 13.09.2010 in the matter of suo -moto revision of fuel throughput charges by the Airport Opertaors w.e.f 01.04.2010.	The Authority noted that these are charges of aeronautical nature and have been levied without approval of the Authority as required under the Act. Hence, Authority issued Directions to MIAL, DIAL, CIAL and AAI to stop charging fuel throughput fees at rates suo-moto revised by them, at the respective major airports, with effect from 01.04.2010 until their request for approval for such revision is decided by the Authority.
8	Direction No.02/2010-11 dated 15.09.2010 in the matter of suo moto levy of Infrastructure charge by M/s.Delhi Aviation Fuel Facility Pvt Ltd (DAFFPL).	The Authority noted that these are charges of aeronautical nature and have been levied without approval of the Authority as required under the Act. Hence, Authority issued Directions to M/s. DAFFPL to stop charging the fuel facility infrastructure charges, suo-moto implemented by them at IGI Airport, New Delhi, with effect from 28.07.2010 until their request for approval of the charges is decided by the Authority.
9	Direction No.03/2010-11 dated 06.10.2010 in the matter of levy of Terminal, Storage and Processing (TSP) charges, Unitization and De-unitization charges	The Authority noted that these are charges of aeronautical nature and have been levied without approval of the Authority as required under the Act. Hence, Authority issued Directions to DCSC to stop charging

	by M/s Delhi Cargo Service Centre Pvt. Ltd (DCSC) and levy of X-Ray screening charges by DIAL at its newly created Common User Domestic Cargo Terminal at IGI, Airport, New Delhi.	the TSP charges, Unitization and De-unitization charges and M/s.DIAL to stop charging the X-Ray screening (certification) charges, suo-moto implemented by them, with effect from 01.05.2010, in respect of domestic cargo at the IGI Airport, New Delhi.
10	No.06/2010-11 dated 26.10.2010 -In the matter of revision of UDF at Rajiv Gandhi International Airport, Hyderabad	The Authority after due stakeholder consultation determined the revised rate of UDF leviable at the RGI Airport, Hyderabad as ₹ 430/- per embarking domestic passenger and ₹ 1700/- per embarking International passenger purely on adhoc basis w.e.f 01.11.2010. This adhoc determination would be reviewed at the stage of tariff determination for the 1st cycle and thereafter at such intervals as the Authority may determine, from time to time.
11	No.07/2010-11 dated 04.11.2010 - In the matter of suo-moto revision of Fuel Throughput Charges by Airport Operators	The Authority after due stakeholder consultation approved the fuel throughput charges at the 10 major airports with effect from 01.04.2010, purely on an ad-hoc basis.
12	No.08/2010-11 dated 11.11.2010– In the matter of Economic Regulation of Air navigation Services-Regulatory Philosophy and Approach.	The Authority, with the representation of the Ministry of Defence, decided that the approach laid down in Order No.04/2010-11 dated 30.06.2010 for economic regulation of air navigation services be adopted for the Civil Enclaves at Pune and Goa as well.
13	No.09/2010-11 dated 11.11.2010 - In the matter of Regulatory Philosophy and Approach in Economic Regulation of the services provided for Cargo Facility, Ground Handling and Supply of Fuel to the aircraft at the Civil Enclaves.	The Authority, with the representation of the Ministry of Defence, decided that the approach laid down in Order No.05/2010-11 dated 02.08.2010 for economic regulation of the services provided for Cargo Facility, Ground Handling and Supply of Fuel to the aircraft at the Civil Enclaves Civil of Pune and Goa as well.

CHAPTER – V

NATIONAL CARRIER – AIR INDIA & PAWAN HANS HELICOPTER LTD.

(a)   AIR INDIA LIMITED

(i)   Administrative legacy & other issues

5.1   The National Aviation Company of India limited (NACIL) was incorporated under the Companies Act 1956 on 30 March 2007. The Ministry of Civil Aviation, vide its letter No.AV.18013/01/2006-AI dated 15 September 2008 advised that the Government of India had decided that the name "National Aviation Company of India Limited" be changed to "Air India Limited". Accordingly, effective from 24 November 2010 the name has been changed from "National Aviation Company of India Limited" to "Air India Limited".

The integration of the erstwhile Air India and Indian Airlines businesses envisaged the creation of a unified network, common processes and a common IT system. Till date, progress has been made on the following integration initiatives:

> (a) Progressive integration of network/schedules,
>
> (b) Progressive cross-utilization of aircraft fleet,
>
> (c) Leveraging scale for joint procurement (fuel, insurance etc.), and
>
> (d) Initiation of PSS project (with the implementation of the system in March 2011, there will be a single code for the airline).

5.2   To facilitate completion of pending manpower integration activities, HR Transformation and Integration work plans have been approved by the Sub-Committee of the Board on HR and work on the same has been initiated. Implementation of PSS project and other key IT projects in the areas of Revenue Management, Hub Control, Flight Planning, Crew Management, MRO IT and ERP will benchmark the processes and systems of the Company with best-in-class Airlines and accelerate the process of integration.

5.3   The Committee, during evidence asked the Ministry/ Air India about Air India's aircraft to personnel ratio and how it compared with other air lines of the world, the then CMD, Air India Ltd stated as under:

> "The ratio in Air India Ltd. is about 226 personnel to an aircraft whereas the private airlines in India are working at around 100 to 110. So, we have about 32,000 employees. Plus, we have another 10,000 contract workers and 2,000 casual workers. So, it works out to be 44,000 employees who are with us."

He further added:

> "Today a low cost carrier like RAN Air, which is the best one in the world, has only about 40-45 personnel per aircraft and balance they outsource completely. They only have core employees with them whereas in Air India there is a legacy issue which has to be understood that wherever Air India had started the services, many a time it used to do even airport operators' work, for example, handling the terminal, handling the baggage, handling x-ray machine and handling everything else also.
>
> …. We have loaders in three categories. There are loaders of daily wages to whom we pay ₹ 150 under NACIL by Indian Airlines, ₹ 180 by Air India and then we have contract workers on our job and then we have fully paid employees also. So, in the case of loaders, we have got six grades of promotion for a loader in NACIL known as Loader Assistant, Loader-I, Loader-II, Senior Loader and a Chief Loader. The loader at the maximum level earns about ₹ 35,000 per month.
>
> The senior-most loader earns around ₹ 35,000 per month all put together whereas a contract loader gets around about ₹ 6,000-7,000 and the casual loader gets around about ₹ 4,000. If I increase and make payment to everybody completely, then I will have to be paying. So, there are lots of legacy issues."

5.4   The Committee asked the Ministry to explain as to why the losses were higher after the merger of Air India and Indian Airlines. The then CMD Air India stated as under:

> "… I would like to draw your attention to the fact that the year 2008 was the highest yield, which was available in the country as every airline was in a position of trying to make profits. Two things happened in 2008. Our

fuel costs about 40 percent of our total expenditure. I spent about ₹ 8,000 crore for fuel alone and 40 percent is my expenditure. The fuel price in those days was around $ 65 per barrel and it went up to $ 145 per barrel. The competition was tough and no carrier was able to increase its tariff and rates at all. As a result, Air India and Indian Airlines, both put together had an operating loss of about ₹ 7,700 crore. Kingfisher had a loss of about ₹ 4,000 and odd crore and Jet Airways also had a similar loss. These losses were on two accounts. One was on account of excessive fuel prices and we can give this information for the entire industry to you. We are making representation as Chairman of the Indian Airlines Association. We have been making representations to the Ministry of Finance and the Ministry of Civil Aviation

5.5   When the Committee further asked if the Airlines made profits when the oil prices were low, the then CMD Air India stated:

"Yes, Sir. We were making profits, but the profits were not very high. In the airlines business one will never get returns more than 4-5 percent. But the losses are something around ₹ 5,000 crore."

5.6   On being asked about the problems being faced by Air India, the then CMD, Air India, inter alia stated as under:

"…We are supposed to be full service carriers. On per-aircraft basis, Kingfisher and Jet Airways have only about 150 employees whereas mine goes to around 226 employees and if I take the contract labour etc into account, then the total employees with me is around 40,000 which works to about 300 odd employees per aircraft."

5.7   In this context, he further added:

"I have shortage in terms of pilots, cabin crew and engineers who are necessary for the aircraft to run but my employee are large in number in terms of ground handling, ground transport, back office issues etc. I pay ₹ 3,600 crore as salaries annually to all these 40,000 people but together whereas my competitor namely Jet Airways pay ₹ 1,800 crore. I have a

₹ 1,800 crore burden on me. I cannot retrench them and cannot send them home..."

5.8   The Committee asked the CMD, Air India about the justification for employing contract labour, as excess employees exist in the organization, the then CMD elaborated as under:

> "Today, if I have got a loader, he is of my age, that is, he is 50 years old, and my competitor is using a 25 year old Loader.
>
> He has to physically pick up the baggage. The productivity of my Loader is low. I have got six cadres in Loader, namely Loader I, Loader II, Loader III Senior Loader, Chief Loader and Loader Team Loader. We had no recruitment for them for the last 15-20 years. Hence, all the Loaders have come into the top category and they are taking the same salary. All of them will be taking ₹ 50,000 or so whereas I can get them at ₹ 12,000 in the market."

5.9   The Committee asked whether the loaders get ₹ 50,000 without overtime or with overtime, and if they have excess staff why overtime is being paid. To this, the then CMD, Air India clarified:

> It is with OT. The OT has been identified as a Union agreement that since we could not increase their salaries, we give the increase in salary in the name of OT, which is permanent."

5.10   The Committee asked the Ministry about the reasons for the integration of Air India and Indian Airlines, still being incomplete.   The then CMD Air India stated as under:

> "Air India is separate and Indian Airlines is separate. Air India salaries are different; designations are the same, but the salaries are different.   Air India promotional rules are separate, their timing are separate. Air India works for five days; Indian Airlines works for six days a week... These are all part of the agreements with the Unions. You change that to 28 hours or 48 hours or something like that. we have requested the Government to please give us the permission to renegotiate the agreements on hand."

5.11   On being pointed out by the Committee that due to lack of proper integration between Air India and Indian Airlines both the Airlines were suffering post merger, the then CMD, Air India stated as under:

> "That is precisely what I am trying to explain. The legacies and challenges before us are these: I have two cultures to merge into one culture. I would like to submit very clearly, with all the information which I have on hand, if the merger had not happened one of the Airlines would have died. There are no two opinions about it.
>
> The point is whatever projection was given at the time of the Budget was correct. But two things happened. One, the fuel prices went off like a rocket and the shareholders could not come out with his money into this. It allowed the Company to do what it wanted to do. What did the Company do? It borrowed money to meet the expenses. Now, it cannot even return the money. I cannot return ₹ 18,000 crore. Now, what has happened at other places, I want to just submit on those particular issues. When we did this merger and all that, if you remember, all of you have been travelling quite often and all that, you remember Pan Am aircraft of America and Trans World Airlines. These were two companies and they died. Now, in their place is Delta, American Airlines and Continental and now Jet Blue and others are coming. Worldwide over, whichever Airline had a very strong domestic presence, it has survived and those which are only international they have all died.
>
> Lufthansa, last year had suffered US 1.2 billion dollars loss for the first time, but they have a very strong presence in Europe. British Airways, earlier it was BOAC, and there was a British Eastern Airways, they had to merge together, Japan Airlines also, they had a domestic airlines and an international airlines; both of them had to merge. Three times they have given a package support to Japan Airlines. This time also, they have given them the same package again. They have given them about US 1.5 billion dollars infusion immediately."

5.12 When the Committee desired to be specifically apprised of the time lines for the completion of merger, the ministry in a written note submitted in February, 2012 as under:

> "The merger has been completed in many identified areas and the major milestones are being achieved albeit slowly due to the precarious financial position of the company. The major milestone of a Single AOP has been achieved and issued by DGCA. The cut over to the new PSS

system has also been completed and the Company has migrated to a Unicode system.

At the time of merger 226 critical activities had been identified and targeted for completion. Out of these 161 of the identified areas have since been completed. 58 items are in progress and 7 not initiated.

Performance dependency	Total	Completed	In-progress	Not initiated
Operational Integration	123	97	21	5
Contingent on management decisions	38	30	6	2
Contingent on IT readiness	35	24	11	0
Contingent on HR Integration decisions	30	10	20	0
Total	226	161	58	7
% Completed		71%	26%	3%

Ministry of Civil Aviation is constantly monitoring the process of merger. A meeting in this regard was held on 18th October, 2011 under the Chairmanship of the Secy., MCA."

5.13   When the Committee asked as to how Air India Ltd can be revived with so many issues, the then CMD, Air India, inter alia, stated as under:

"…I only want to submit that if some good support is given to us, then it is possible. I, as the Chairman of the Company, just cannot generate ₹ 10,000 crore in a year. It is not possible. What I can promise and I can commit here, you can take me to task on that one, as if our expenditure is ₹ 12,000 crore, and we earn ₹ 12,000 crore and show the operating profit as such and such, I can do that, but I cannot do anything with depreciation. The last problem which came on hand, which was not all

envisaged anywhere, my position today is such that we have ordered for 27 Boeing 787 aircraft.

We have made the presentation that it has got delayed. It should have come to us in 2008. If this 787 aircrafts had come, as per the projections, you have to ask for the grand plan of mergers and all that. In the Cabinet note when it had gone, we had asked that with the 787 coming in, we will have four per cent of Internal Rate of Return (IRR). But this aircraft is crucial and that aircraft never came. As a result, what has happened is that we used to have 21 flights to Malaysia from Delhi. We were dominant; we had 60 per cent market share in Malaysia. Today, I do not have one flight to Malaysia because of my competitor is using A-330 which is wide body aircraft required for Kuala Lumpur, so Malaysia has a wide body going into Kuala Lumpur; Thai Airways has got wide body coming from Delhi to Bangkok; Singapore has got a wide body from Delhi to Singapore; Emirates has a wide body from Delhi to Dubai. What am I offering? I am offering A-320, 25 year old aircraft, sometimes with all sorts of penalties on it. I can carry only 60 or 70 or 80 passengers. When you ask for the booking it is booked, but when you get into the aircraft it is half empty because of penalties. Why am I being asked to run with penalties?"

5.14 On being enquired further the Committee on penalties being imposed on Air India, the then CMD stated as under:

"What happens is we have the aircrafts like A-319 and they require a higher weight exemption. If we do not get the higher weight exemption, then the DGCA and everybody would not allow you to fly the aircraft accordingly they would reduce your weight. So, the pilot has to calculate the total weight he can take. So there is a load restriction. Therefore, if I am flying from Delhi to Kuala Lumpur in A-319, I can carry on 70 passengers when I am supposed to carry 140 passengers. But that is not the right aircraft. The right aircraft has still not come to me. I have lost 6000 crore in the last three years from the markets that are dominant. Who is going to pay me? So, what we have done is that we have written very clearly on the tag of Boeing. We took to the laws and we have said very clearly that we are not going to agree to any damages on delays and all that based upon the contract. We have given 1.1 billion dollar notice to the Boeing people."

5.15   When the Committee enquired as to why the right aircrafts could not be brought to service the market, instead of waiting for the 27 aircraft from Boeing, the CMD, Air India stated as under:

> **"**Being a Government organisation, hundreds of questions are being asked. Even to ask that I want ten airbuses A-330 to run this show, the Government will do a full scrutiny on this issue. In the last one and a half years, we have been doing the scrutiny and finally now the Board has now agreed and asked us to go for some lease of aircrafts. So, we will be taking some three or four A-330 but we are saying that the bill of that should be paid by the Boeing because it has not delivered us on time. We are trying to work out some arrangements to ensure that this particular thing happens. But if you recall from Madras to Delhi in earlier days we used to have A-300 airbus, wide body. That is no more there. But if I have to run it, I require the airbus body. We have just mentioned about the turbo aircraft. Now we have taken turbo aircrafts mostly for meeting the DONER requirements in the North-East. Beyond that, we have not taken any aircrafts much. But today the most profit making routes are all in the tier two cities, all in the turbo aircrafts, from Kolkata to Jamshedpur, Kolkata to Bhubaneswar, Kolkata to Bagdogra, Kolkata to Ranchi or to any other small airport like Raigarh or Raipur. These ATRs will make lot of money. When we prepared this, the first question that was asked to us was that you have got this burden of ₹ 24,000 crore on you head, you are unable to service your load, you have got ₹ 7,000 crore loss on hand, why do you want more aircrafts? Now this is the dilemma that I would like to present before you."

5.16   On further probing to explain the Plans to sustain the National Carrier among the stiff competition by several other Airlines, the Ministry, in a written reply, furnished detailed information as under:

(i)   <u>SUSTENANCE AMONG COMPETITION:</u>

For the sustenance of NACIL, the "Turnaround Plan 2010-2014" has been formulated & put into action. The highlights of the turn around plan are as under:

Turnaround Plan 2010-2014

(a) <u>Corporate Vision and Mission</u>

- Turnaround plan document envisages a corporate vision – to be the leader in Indian aviation and India's ambassador to the world;
- Corporate mission is to deliver the highest quality of service around the world and be the epitome of Indian hospitality;
- Be India's flag carrier and provide seamless travel within India and the world.

(b) <u>Financial Restructuring</u>

- Restructuring working capital loans through mix of bonds guaranteed by Government with longer tenor and bullet payment;
- Equity infusion by government to strengthen the balance sheet;
- Unlocking value, optimisation and rationalisation of assets to reduce costs;
- Appointed SBI caps as advisor for financial restructuring.

(c) <u>Operational Restructuring Goals</u>

- Goals to be achieved by 2015 - 25m domestic and 15m international passengers;
- On time punctuality 93 per cent;
- 75% load factor with target pax revenue of ₹ 35000 crore.
- Target non pax revenue of ₹ 6500 crore.
- Covering the market with different business models viz., local feeder services, LCC, high quality mainline operation and cargo;
- Providing non-stop/one stop connectivity;
- Moving to a hub carrier (Delhi and Mumbai hubs supported with smaller hubs within and outside India);
- Develop a strong feeder network.

(d) <u>Business Process and Organisation</u>

- Introduce best practices to support joining of alliance
- Strong its backbone to support business processes
- MRO and ground handling to be shifted to subsidiary companies
- Catering ,hospitality and independent training center to be separate business units
- New governance structure, comprising an already expanded board with independent directors and executive committee focusing sharply on operational turn-around.

(e) <u>Air India Express</u>

- Domestic and international low cost carrier with own brand
- Capture low cost market in India and compete with incoming LCC
- Handling of seasonal capacity for Haj flights, ad hoc charters etc

(ii)   ON TIME PERFORMANCE

Air India is making all out efforts to improve its "on-time performance" as also its aircraft utilization to increase its revenue generation.

(iii)   CATERING SERVICES

It is always NACIL's endeavour to rectify the shortcomings and upgrade the services to our esteemed passengers. A well thought and balanced menus formulated with regional delicacies/ specialties and ethnic cuisine. The menus are infused with seasonal flavours to derive the universally desirable menu. All the meal uplifts are catered from the reputed flight kitchens.

NACIL's quality of service offered to the passengers are at par with all other airlines and random checks are carried out on meal uplift by our qualified Officials' Airport Managers and Supervisors.

(iv)   AUGMENTATION OF FLEET:

NACIL - the merged entity - has inducted 80 aircraft out of the total combined order of 111 new aircraft. The details of the type-wise new aircraft inducted and the schedule of delivery of the balance aircraft are mentioned below. With this induction of new aircraft, phase out of old owned aircraft and the scheduled phase out of all the leased aircraft is concurrently being implemented. The fleet of NACIL, as on 01 July 2010, is mentioned below:

New Air Craft Inducted and Schedule of Balance Aircraft

	Aircraft ordered	Inducted till date	2010	2011	2012	2013	2014	Total
Aircraft Induction pattern for NACIL (A), NACIL (I) & AIE – 2010 till 2014 (Updated based on Revised Assumptions/Actual Deliveries – As on 1st June 2010)								
B777 – 200 LR	8	8	-	-	-	-	-	0
B777 – 300 LR	15	11	2	2	-	-	-	4
B787 – 8	27	0	-	7	8	5	7	27
A319	19	19	-	-	-	-	-	0
A320	04	04	-	-	-	-	-	0
A321	20	20	-	-	-	-	-	0
B737-800 (AIE)	18	18	-	-	-	-	-	0
Total	111	80	2	9	-	5	-	31

Current Fleet as on 01 July 2010

Aircraft Type		Owned	Leased	Total
Operational Fleet				
Wide Body				
B777-200 LR	NACIL (A)	8	0	8
B777-300 ER	NACIL (A)	11	0	11
B747-400	NACIL (A)	5*	0	5
A310-300	NACIL (A)	4**	0	4
A330-200	NACIL (I)	0	2	2
Wide Body Total		28	2	30
Narrow Body				
B737-800 (AIX)	NACIL (A)	17	4	21
A320	NACIL (I)	23***	5	28
A319	NACIL (I)	19	5	24
A321	NACIL (I)	20	0	20
CRJ-700	NACIL (I)	0	4	4
ATR 42	NACIL (I)	0	7	7
Narrow Body Total		79	25	104
Total Operational Fleet		107	27	134

Freighters				
A310-300%	NACIL (A)	3****	0	3
B737-200	NACIL (I)	6	0	6
Freighters Total		9	0	9
Non-Operational Aircraft				
A-320^*	NACIL (I)	10	0	10
A-320#	NACIL (I)	0	6	6
B737-800 (AIX)#	NACIL (A)	0	1	1
B777-200 ER#	NACIL (A)	0	3	3
B747-300 Combi^	NACIL (A)	1	0	1
B747-400 $	NACIL (A)	1	0	1
B737 -200^	NACIL (I)	5	0	5
DO-228^	NACIL (I)	2	0	2
Non-Operational Total		19	10	29
NACIL Total		**135**	**37**	**172**

Note:-

*	includes 3 under sale & lease back.
**	All under sale & lease back.
***	Includes 8 under sale & lease back and 11 more are under proposal for sale.
****	Includes 2 under sale & lease back.
#	Under return process to lessor.
^*	6 Aircraft are out of service and rest of the 4 aircraft are assumed to be out of service.
^	Aircraft out of service, pending disposal.
$	Regn No. ESM damaged and grounded.
%	Additional 1 A310 Freighters is leased out.

(v) MARKETING & SALES INITIATIVES:

NACIL is also taking initiative to improve its marketing and sales activities as per market dynamics as listed below:

1) Focused calling on Corporate / MNCs
2) Special Partnership Schemes for loyal Travel Agents.
3) Tapping the Source Markets for feeder traffic into Metro cities from where we have International flights.
4) GOI, MEA policy have been introduced to ensure maximum GOI high yield traffic on Air India.
5) Special fares / policy for the large group business on domestic and International sectors.
6) Close inventory control, to maximise revenues per flight.
7) Focus on servicing of high yield customers. Direct Product mailers to them.
8) Special schemes for Travel Portals - the biggest source of market of date.

9) Super Saver coupons in Economy and Executive Class for bulk purchase.
10) Constant price adjustment on International and Domestic sectors based on competitors.

(vi) **PRICING OF TICKETS & FLEXIBLE FARES:**

Fares offered by Air India are competitive and market driven and are based on market considerations such as fares offered by competitors, seasonality, extent of competition and product features like frequency, timings, direct / indirect operations etc.

Presently, due to system constraints, NACIL is able to offer 9 to 10 levels of fares on a particular sector in contrast to fares offered in as many as 20 to 23 fare levels by the competition on a given sector. Limited fare levels has restricted the fare spread to a smaller range as out of 10 fare levels two are for normal economy and executive class sector fare while two have been assigned for advance purchase bookings. Of the remaining six RBDs two are non-refundable and 4 are refundable fare levels.

The availability of a particular fare on the sector may vary from flight to flight and sector to sector as it is dependant on the demand and supply and consequent availability of seats in a particular fare level at the time of issuance of the ticket. Generally fares are high closer to departure as the lower fare levels gets sold out much in advance and may not be available nearer to departure.

Besides the market driven fares, NACIL offers special fare discounts to various market segments, which include Armed forces personnel, senior citizens, students etc.

To attract the leisure market special fares like Discover India, India Wonder fare and Youth fare are available for overseas travelers ,while for domestic passengers, special group fares and LTC fares (for Government employees) are offered.

With the migration to the new PSS system, NACIL with 26 fare levels would have better market penetration. Wider fare range would enable Air India to compete more effectively with the other carriers, both full service and LCC s .

The new RBD structure is also in line with the STAR Alliance requirements. As a member of STAR Alliance, NACIL would have a larger reach and priority status for booking on member Airlines and vice versa.

The shifting of hub to Delhi will see Air India realigning their Domestic and International arrival and departures, to ensure traffic movement from source markets.

Filing of competitive fares in the GDS from source markets and strengthening of Sales Teams at the source market is on the anvil.

Fares on all sectors and all classes are very closely monitored and adjusted, we follow a dynamic fare policy, keeping in mind inventory utilization and competitors offer.

To cater to the vast incentive and MICE market, the tour operators are constantly being tapped and competitive fares given to ensure travel on NACIL.

Charter – An effort is being made to strengthen charter operations and competitive rates.

(vii) <u>**ROUTE ADDITIONS**</u>**:**

As regards route network, the following steps were taken in the recent past (Summer 2010)

New links introduced

- <u>**By NACIL**</u>
  o Chennai-Coimbatore (reintroduced)
  o Delhi-Seoul (reintroduced)

- <u>**By Alliance Air**</u>
  o Delhi-Kozhikode / Coimbatore (non-stop)
  o Delhi- Mangalore
  o Delhi-Dehradun
  o Delhi-Amritsar (domestic flight)
  o Delhi-Ludhiana

NACIL continuously monitors market situation as well as carries out studies with the objective of introducing new services, subject to availability of resources and commercial viability of operations.

5.17　The Committee asked the Ministry if the Indian Airlines had withdrawn operations from a number of profitable routes resulting in profits for private carriers and loss for National Carrier. The Ministry in a written note replied as under:

> "NACIL (Air India) has not withdrawn services from any of the routes that have been profitable to the airline. Moreover, no routes were withdrawn with an objective to benefit the private airlines."

5.18　Referring to the fact that the Committee on Public Undertakings and Standing Committee on Transport, Tourism and Culture had made recommendations with regard to demerger, the Committee sought the Ministry's view.　The Ministry in a written reply stated as under:

> "The Committee observed that the merger of the erstwhile Indian Airlines Limited and Air India Limited was an ill-conceived and erroneous decision neither arrived at by the two Airlines on their own accord nor mutually considered by them to be in the best interest. "
>
> This Ministry is of the view that the merger of the two airlines will specifically provide the following benefits:-
>
> (i)　Provide an integrated international/domestic footprint, which will significantly enhance customer proposition and allow easy entry into one of the three global airline alliances;
>
> (ii)　Enable optimal utilization of existing resources through improvement in load factors and yields on commonly serviced routes as well as deploy 'freed up' aircraft capacity on alternate routes;
>
> (iii)　Provide an opportunity to fully leverage strong assets, capabilities and infrastructure;
>
> (iv)　Parking bays and landing slots in 'infrastructure constrained' environment;
>
> (v)　Potential to launch high growth & profitability businesses {Ground Handling services (GHS); Maintenance, Repair & Overhaul (MRO) etc}.
>
> (vi)　Potentially enable merged entity to command better valuation;

(vii)   Operate a combined fleet strength, which will be largest in India and comparable to other airlines in Asian Region (Emirates, Singapore, Malaysia).

(ix)   Provide maximum flexibility to achieve financial and capital restructuring through revaluation of assets and cleaning up of financial books.

(x)   Besides the above, a merged airline would be in a better position to serve and promote the airport hubs now being developed at the metro cities, pursuant to the airport restructuring and modernization programme approved by the Government, by providing seamless connectivity over domestic and international networks.

In view of the advantages of merging the two airlines, there is no proposal to demerge them.

ii)   MARKET POSITION

5.19   Perturbed with the downward trend in the overall market position of Air India, the Committee asked the Ministry about steps being taken by to improve its image as a viable option for travelling. The Ministry, in a written reply, stated as follows:

"Following are the steps taken by Air India for the winter schedule of 2010 to improve its schedule and provide enhanced connectivity to passengers:

1. Delhi hub

M/s.SH&E were contracted to develop the network of the combined entity on a "clean sheet" basis. This involved a complete re-look at the present operations of erstwhile Air India, erstwhile Indian Airlines & Air India Express and development of an integrated network for the merged entity.
SH&E analysis indicated viable opportunities for Air India in establishing hubs at Delhi and Mumbai. Their analysis showed that creating Delhi as a hub immediately would give maximum synergies to Air India and simultaneously minimize cost of operation.
Accordingly, Air India's international Operations shifted to Terminal-3 effective 28.7.2010 and the domestic operations from 31.10.2010.

Keeping in view that for the first time in Delhi an integrated terminal was being made available, Air India decided to make Delhi as its International Hub and had planned hub-and-spoke flights to/from Delhi.

Operation at T-3 would provide for a flawless integration of international and domestic operations so as to provide passengers with a seamless, integrated experience when they choose Air India over its competitors.

Air India has partnered with DIAL to provide an unmatched choice of destinations and schedules out of its Delhi hub. Also part of the plan is to introduce non-stop services from Delhi to Toronto and Chicago in addition to the existing non-stop services to New York.

- The Hyderabad-Mumbai-Frankfurt-Chicago services restructured to operate as Hyderabad-Delhi-Chicago, thus offering Delhi-Chicago non-stop
- The Ahmedabad-Frankfurt-Newark services restructured to operate as Ahmedabad-Mumbai-Newark, thus introducing non-stop service between Mumbai and Newark
- The 4 weekly services on Amritsar-London-Toronto and 3 weekly Delhi-London-Toronto services restructured to operate as daily on each of the Amritsar-Delhi-Toronto and Amritsar-Delhi-London routes, thus offering Delhi-Toronto non-stop.
- Services on Bangalore-Male route have been increased from 5/wk to daily (done from 1.10.2010)
- Services on Chennai-Goa-Kuwait route increased from 3/wk to 4 /wk & that on Chennai-Hyderabad-Ahmedabad-Kuwait increased from 2/wk to 3/wk
- Delhi-Goa non-stop daily (new flight) for the peak season
- Once weekly service on Gaya-Yangon route reintroduced to cater to winter traffic
- The launch of new services to Newark, Tokyo, Seoul, Singapore and Osaka has been widely advertised.
- The receipt of Reader's Digest and Brand Equity `Most Trusted Brands 2010' awards by Air India has also been widely advertised.

2.   **Other steps**

- The Mumbai-New York and Delhi-New York B777-200LR services restructured to operate as Mumbai-Delhi-New York with B777-300ER
- The Hyderabad-Mumbai-Frankfurt-Chicago services restructured to operate as Hyderabad-Delhi-Chicago, thus offering Delhi-Chicago non-stop
- The Ahmedabad-Frankfurt-Newark services restructured to operate as Ahmedabad-Mumbai-Newark, thus introducing non-stop service between Mumbai and Newark
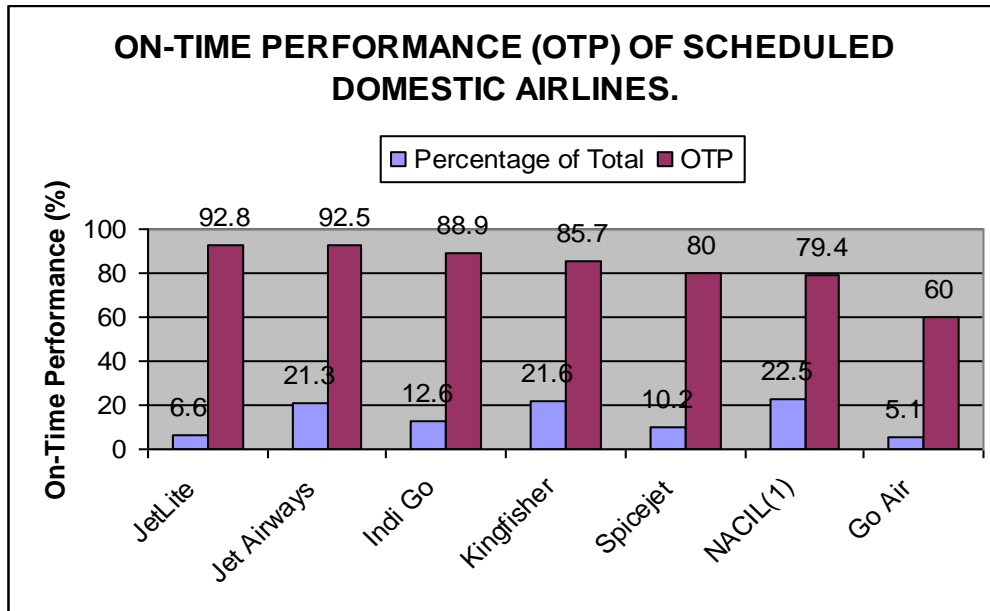
- The 4 weekly services on Amritsar-London-Toronto and 3 weekly Delhi-London-Toronto services restructured to operate as daily on each of the Amritsar-Delhi-Toronto and Amritsar-Delhi-London routes, thus offering Delhi-Toronto non-stop.
- Services on Bangalore-Male route have been increased from 5/wk to daily (done from 1.10.2010)
- Services on Chennai-Goa-Kuwait route increased from 3/wk to 4 /wk & that on Chennai-Hyderabad-Ahmedabad-Kuwait increased from 2/wk to 3/wk
- Delhi-Goa non-stop daily (new flight) for the peak season
- Once weekly service on Gaya-Yangon route reintroduced to cater to winter traffic
- The launch of new services to Newark, Tokyo, Seoul, Singapore and Osaka has been widely advertised.
- The receipt of Reader's Digest and Brand Equity Most Trusted Brands 2010' awards by Air India has also been widely advertised.

The above schedule improvements are being advertised through Print, TV Tickers, Web portals and Hoardings.Meetings are held every second month with apex Travel agents forums - TAAI/TAFI, as also various Corporates where presentations are made on the Air India product, network, new aircraft and cuisine, etc Mailers are sent to all Agents regularly conveying information on changes/improvements, etc. Hoardings are placed in Mumbai and other cities to highlight Air India's USPs.

5.20   The Ministry in a written reply sent later added that AI would develop Mumbai as AI's second primary Indian hub, as and when infrastructure is ready at Mumbai airport.

5.21   The Committee asked the Ministry about the "on time" punctuality percentage of Air India with respect to all other airlines operating in the country. The Ministry in a written note furnished as under:

"A comparative chart indicating overall On Time performance of various scheduled domestic airlines during October, 2010 is attached as below:-

ON-TIME PERFORMANCE (OTP) OF SCHEDULED DOMESTIC AIRLINES.

■ Percentage of Total ■ OTP

Airline	Percentage of Total	OTP
JetLite	6.6	92.8
Jet Airways	21.3	92.5
Indi Go	12.6	88.9
Kingfisher	21.6	85.7
Spicejet	10.2	80
NACIL(1)	22.5	79.4
Go Air	5.1	60

On-Time Performance (%) (Y-axis: 0, 20, 40, 60, 80, 100)

5.22   The Committee asked the Ministry about the share of Air India in domestic corporate travel market as well as whether it has entered into any agreements with Corporate, to enhance its revenue and market share, the Ministry in a written reply stated as under:

> "Corporate travel is an important segment. Air India has entered into more than 250 Corporate agreements in the Western Region with strong benefits/features to deliver a competitive edge to our Sales effort."

5.23   When the Committee desired to know as to whether the National carrier had conducted any survey to find ways to improve their on-board facilities to passengers, the Ministry in a written reply furnished as follows:

> "Suggestion cards are given out on board for the passengers for their feedback which are then forwarded to the concerned Departments for investigation/corrective action, if any.
>
> NACIL is also in the process of establishing a Customary Advisory forum covering all regions/stations for passenger feedback mechanism where customer involvement will also be sought.   This Customer Advisory Forum would also act as a think tank for generating ideas for improvement of our product & services and in the volume of business.

However, NACIL always attaches utmost importance to passenger comfort and well-being. NACIL's quality of service offered to the passengers is at par with all other airlines."

5.24   The Committee desired to know the plan of AI for maximum utilization of resources. They also desired as to whether AI has conducted any study on routes on which an aircraft can make double trips, as has been done by private operators. The Ministry in a written reply stated as under:

"Air India routinely monitors the market development and as carries out market studies with an objective to introduce new routes / increase number of services on existing routes / make modifications to existing schedules / adjust seats offered on a route with equipment change so as to match seats offered with the demand for seats / etc. AI subscribes to the market intelligence services offered by IATA which provides data relating to the estimated number of passengers travelling on various air routes. In respect of new routes AI also obtains data with regard to traffic potential from the local Sales and Marketing units who compile this information based on discussions held with local commercial houses, trade, tourism and travel bodies. As in the past, AI would endeavor to play a major role in the development of aviation market and to grab maximum share of the growth in market.

The number of services per day that is offered by AI is based on the estimated size of the market, feedback received from AI's Sales and Marketing teams and other reliable sources of data / feedback, cost-benefit analysis and feasibility in terms of resources. AI operates multiple flights per day on the metro sectors between Delhi / Mumbai and Kolkata / Bangalore / Hyderabad / Chennai. Additionally, AI currently operates more than one flight per day on many other routes..

It would be AI's endeavour to introduce double daily services on other potential sectors based on resource availability.

As a part of the proposed turnaround plan, the additional aircraft capacity would be inducted in a phased manner till financial year 2020. Air India has identified routes for deployment of the additional aircraft capacity till 2015 that include

- Some of the existing high density routes on both domestic and international markets for deployment of more number of frequencies / higher seating capacity aircraft

- New routes that AI does not serve currently due to various reasons
- New routes that would generate feeder traffic to other strategic services on AI's network

> The utilisation of aircraft is usually maximised by deploying the aircraft on quick round trips which is generally the strategy of low cost carriers who operate on point-to-point services. However, for a network carrier like AI, which provides services on a wider network covering many destinations, the aircraft utilisation and network development has to be balanced. Air India has developed Delhi airport as its hub – wherein the schedule offers "banks" of domestic arrivals and international departures – which provides connections from various domestic flights to every international departure. Such a network offers wider connections for intra-domestic and domestic-international flights – thereby offering connectivity to the passenger."

5.25 The Ministry in a written note further informed the Committee that the traffic demand is projected to increase to 419.81 million passengers by end of the year 2021-22, i.e. during next 10 years and the augmentation of capacities to handle the projected demand have been firmed up for the first five years(XII Plan period) and the Plan are under preparation for the next five years which will be firmed during formulation of XIII Five Year Plan as per policy. Air India is expected to grow its capacity in the next 2-3 years, by inducting the B787 aircraft. The first aircraft is expected to be delivered in early 2012. Air India & its subsidiaries currently operate regular services to 64 Indian cities and 33 international cities providing 126 international city pairs and 153 domestic city-pairs with more than 500 daily departures.

iii) FINANCIAL HEALTH

5.26 The then CMD, Air India, in their presentation to the Committee during evidence presented the following data about their financial position for Financial Year 2009-10:

Financial and Operational Highlights – FY 09 vs FY 10				(Rs. in crore)
	FY 09	**FY 10**	**Difference**	**Increase (+) / Decrease (-)**
Operating Revenue (₹ Crore)	13225	12694	531	-4%
Operating Cost (₹ Crore)	18897	16340	2557	-14%
Operating Loss (₹ Crore)	(5672)	(3646)	2026	-36%
Passenger load factors	59.5%	64.6%	5.1%	8.6%
Yield (₹ / RPKM)	3.57	3.12	0.45	-13%
ASKM (Millions)	43591	44726	1135	2.6%
RPKMs (Millions)	25950	28913	2963	11.4%

5.27   Further data furnished to the Committee in February, 2012 is as under :-

(Rs. in crore)

Particulars F.Y. ending	March 2011	March 2012
Operating Revenue	13,137	13,347
Revenue from JV/subsidiaries	429	463
Non-operating Revenue	398	399
Total Income	13.964	14,209

- Cost reduction initiatives lead to savings of ₹ 1087 crore, fall in ATF prices lead to a further reduction of ₹ 1470 crore.

- Operating loss reduced with marginal increase in capacity.

- Increased aircraft utilization led to unchanged capacity though old fleet was withdrawn.

- Number of routes not covering cash costs decreased from 183 flights to 131 flights, a reduction of 28%.

- Decrease in revenue due to fall in yield and reduced ground handling revenue.

Current Situation
- Critical Issues.

    – Air India Cash Strapped.

- Need to borrow to pay for day to day requirements (Current liabilities ~ ₹ 2,000 crore).
- Working Capital Borrowings increasing presently around ₹ 18,500 Cr
    – Negative Net Worth.

- Solution

    o Decrease Interest Costs.
    o Improve Financial Leverage - Debt/Equity Ratio.
    o Immediate need for Equity Infusion to the extent of ₹ 5000 Cr.
    o Positive balance sheet position to achieve healthy returns for the shareholders.

    o Unlock value by optimization and rationalization of assets to reduce costs.

5.28   When the Committee sought the Ministry's take to improve financial health of National carrier. The Secretary stated as under:

"The other issue that has been flagged is our national carrier, the Air India. As you know, it has been going through very difficult financial times. There is a Group of Ministers headed by the hon. Finance Minister, which has been meeting very regularly on this and we are all working towards improving the financial situation and the operational situation. In this connection, I am happy to inform you that just two weeks ago, we have appointed a Chief Operating Officer who will look after the entire operations of this national carrier so that very many of these issues on maintenance and other relating things are given tremendous amount of importance and priority.

    We are also looking at financial restructuring of the loans and other things. The Air India is going through very difficult times but there has been a tremendous focus from the Ministry of Civil Aviation on the Air

India issues both at my level and at the level of the CMD. We are confident that in the next two to three months, with the full cooperation of the employees and the unions, we would move forward. We have taken your point. We would like to work closely with the unions and others because this is something that requires all stakeholders to come onboard."

5.29   The Committee asked the CMD, Air India to explain the issues and reasons for the dwindling state of affairs of Air India, the CMD stated as under:

"Today, I have got a legacy on hand. I had made a presentation to the Prime Minister last year. In fact, the Government was very helpful for bringing it to the notice of the Prime Minister and the Cabinet. We said one thing very clearly that on the operating side I will make sure that we will not have a loss but I cannot do anything with ₹ 18,000 crore debt on my hand. If you remove my ₹ 1,800 crore of extra staff salary, if you remove my ₹ 2,000 crore of interest on hand and if you remove ₹ 1,500 crore of depreciation then I am better than Jet Airways as on today. But who is going to pay ₹ 1,800 crore? Who will give me ₹ 2,000 crore?"

5.30   The CMD, Air India further stated as under:

"I am operating 111 aircrafts now. But still, I have got 24 A-320 old aircrafts on hand. I have got 4 A-320 old aircrafts on hand, which are 29 years old. If I have to dispose them off, the total production of mine will come down. It means that I will have to start closing down routes. On one hand, I am asked not to close down the routes and maintain them. With 146 aircraft, the production we were giving in terms of number of flights, number of seats and number of kilometers, we continue to maintain that with 111 aircrafts. In the background, you would not know how come we are still running a Patna Flight when I have removed 33 aircrafts on hand. We have tried to increase the productivity to whatever possible level. We changed the network and put these people on hand.

…One thing is very clear, Sir, My Director (Finance) said that there was ₹ 24,000 crore debt and ₹ 18,000 crore debt, and the Company does something to clear the debt or some body else has to give it. If the Government is willing to take over the entire thing, I am happy to run with only 90 aircraft. I do not want even 111 aircraft. But if you are going to tell that 'no, the Government is not going to help you at all, and that they will only give your ₹ 800 crore, ₹ 200 crore or ₹ 100 crore', then I have no other option but to lease aircraft and run. I have to make more business

to have more profit to return the money. With lesser number of aircraft and lesser number of businesses, I cannot do it.

….Sir, Kingfisher had gone and raised ₹ 4,000 crore outside in the international market. I am not allowed to raise it. How do I run? I am submitting again, you can put anybody in this Company, that is, you bring Kingfisher CEO to Air India, or you bring the CEO of Jet Airways or anybody. He will only give you four percent or five percent. Today my revenue are ₹ 12,000 crore. If you want to turnaround and make profit on this Company and service this debt which is there on hand, you require a revenue of ₹ 35,000 crore. So, the question which came up last year was this. Will the Parliament, the Government, allow me to buy another 400 aircraft? You are going to say very clearly that I cannot service these 111 aircraft, and I want to buy 400 aircraft! But if I do not go to ₹ 35,000 crore turnover, I cannot give you ₹ 8,000 crore or ₹ 9,000 crore profit. That is the profit which is going to support this. If you are going to ask me to do ₹ 10,000 crore turnover and get ₹ 10,000 crore profit, I do not know from where we can do this."

5.31   The Committee asked the then CMD, Air India as to how it intended to reduce the operating losses by ₹ 2026 crore that is 36% as shown in the presentation for the Financial year 2010-2011, the CMD stated as under:

"Sir, first we had gone in for fuel efficiency. Both Air India and Indian Airlines do not have modern IT systems at all. So, we had to start placing orders for modern IT systems. We had engaged IATA consultants to look at fuel efficiency gains. We get about ₹ 300 crore savings out of that. Then we also closed down a number of offline offices in international sites. We withdrew a lot of offices from international sites and brought them into the domestic area. Where two officers were running, we closed down one and put everybody into that office. The process is still going on. What we are trying to do is that we are outsourcing the ground handling and such operations which we were doing ourselves, in order to bring in competition and reduce price. At the same time we were also lucky. A reduction of ₹ 1000 crore was coming because of reduction in the fuel price. From 145 dollars it came down to around 80 to 85 dollars. This year we are expecting that it will be touching around 100 dollars. So, that is the level at which we will have to operate.

Basically the issue is of increasing the productivity. If you are able to increase the productivity, you are able to get more result. If an aircraft is doing three flights per day, the same aircraft can do six flights a day. So, if I do six flights more, the next three flights I will be able to operate at a

much lesser cost. That is because anyway I am paying for the pilot, anyway I am paying for the aircraft, and anyway I am paying for the cabin crew and engineers and everything else. So, it is better to improve my productivity. With 146 aircraft we were giving a level of service. We reduced it to 111 and gave the same service. Therefore, what happens is the cost on the 35 aircraft, maintenance and other costs, will go down. This sort of work we have been doing continuously.

We have suggested from the management side also that airline business should be done by the airline people. The ground handling should be done separately. Maintenance, repair and engine workshop should be done separately. Training should be done separately. We have submitted to the Government that we be allowed to create subsidiaries for doing the engine workshop, etc.

In airline business the passengers will go up and down but the aircraft will remain there. So, in the entire country we have got about 400 aircraft. And we expect another 1000 aircraft to come in the next four to five years into the civil aviation business. The engineering company which is going to service the aircraft does not service the aircraft based upon the number of passengers in the aircraft. The aircraft will always be there. So, the engineering company can make a good amount of money. The catering people can make a good amount of money. The ground handling people can make a good amount of money. But if they all are brought under the airline business and paid airline salaries, perks, etc., none of them will be able to make profit. For example, Singapore Airlines have made a separate subsidiary known as Singapore Airlines Terminal Services. The MRO is separate. And they take business from everybody. So, in my own company with the number of engineers we have we can service 400 aircraft. But I only have 111 aircraft. So, there is a possibility to generate business to the extent of about 300 more aircraft, if we can do that one. That is why in the next year's budget, for the turn-around plan we are asking for a revenue of about ₹ 3000 crore.

I will mention cargo also. We used to have separate freighters and all that. We have stopped the entire thing because we were incurring losses. Some private company came up and said that they would take our aircraft on lease and run the cargo business. They tried it and they have closed it. So, if you want to do cargo business, you have to have new aircraft. Customer does not want an old aircraft. The moment he sees a 25 year old aircraft, he does not trust that his cargo and goods will anytime reach the destination. Even if they initially do it, later on they will have a problem. So, what we did is we removed the entire freighters service. We will losing about ₹ 20 lakh per flight. We closed it and said we should dispose it off, lease it off, or auction it off, but we should save the losses.

The people from those flights were shifted to other aircraft so that the shortages on the other aircraft are made good.

Coming to 747, we were running them on a large number of routes. When I run a 747 on a route annually, I lose about ₹ 115 crore. So, we stopped that. We said that we would dispose it off and reduce the losses on that count. We were trying to do it."

5.32 The Committee asked the Ministry to provide figures of the debt of Air India Ltd and its business plan to become a debt free company. The Ministry in a written reply stated as under:

"The breakup of aircraft and working capital loan as on December 01, 2010 is as follows:

	In crore
Aircraft Loan	21,350
Working Capital Loan	19,500
Total	40,850

Additionally Rs. 1004 crore working capital loan is taken for Aircraft Pre Delivery Payments. M/s. SBI Caps has been appointed as Consultants for the financial restructuring.

The various aspects of restructuring have been addressed in the letter dated Sept. 13, 2010 written by State Bank of India on behalf of the working capital lenders to RBI. The letter seeks dispensation from RBI to help in the turnaround plan of NACIL".

5.33 When asked about the per day loss for Air India and the percentage of salary component as expenditure in the cost structure, the Ministry in a written reply stated as under:

"The Operating loss of Air India for 2009/10 is ₹ 3472.05 crore and per day loss is ₹ 9.51 crore. The percentage of salary component as expenditure in the cost structure is given below:

	₹ in crore
Pay allowance (Salary + PLI) for 2009/10	2319.96
Crew Allowance for 2009/10	826.90
Total pay allowance	3146.86

Total expenditure for 2009/2010	19035.83
Percentage of Pay allowance/total expenses	16.53%

"

5.34 The Committee then sought information on the equity infusion into Air India and Indian Airlines since its nationalization and what has been the return on investment or dividend paid separately by Air India and Indian Airlines as well as after the merger. The Ministry in a written reply stated as under:

"The amounts infused by the Government of India as Equity Share Capital in erstwhile Air India and erstwhile Indian Airlines up to 2006/07 is as under:

Erstwhile Air India   -   ₹ 153.84 crore
Erstwhile Indian Airlines   -   ₹ 432.14 crore
Post-merger the equity of NACIL was fixed at ₹ 145 crore

In March 2010 an amount of ₹ 800 crore has been infused in the merged entity. An additional amount of ₹ 12000 crore has been infused in the merged entity taking the total equity to ₹ 2145 crore.

During the period 1953 to 2006/07, erstwhile Indian Airlines had declared only once during 1964-65 @ 5% and an amount of ₹ 0.55 crore was paid to the Govt. of India on this account. No dividend has been paid after merger."

5.35 The Committee later again asked the Ministry to update the figures on equity infusion over the last three years and the ministry in a written note stated as under:

"The Government has infused Rs 3200 crores in Air India in the last three years since merger as under

        2009-10   ₹   800 crores
        2010-11   ₹ 1200 crores
        2011-12   ₹ 1200 crores

As per the recommended Turnaround Plan accepted by the Group of Officers and GOM the total equity infusion over the next 10 years is in the range of Rs. 30,231 crores.

5.36   Enquired about the cumulative loss of Air India as on 30th September 2010, the Secretary, Ministry of Civil Aviation, during evidence, stated as under:

> "Sir, as on 31st March, 2010, the cumulative loss is approx. ₹ 5,500 crore and the projection of NACIL is that it is likely to exceed ₹ 13,000 at the close of the year 2010-11"

5.37   The Committee further asked the Ministry as to how it funds the gap between operating loss and cumulative loss of Air India Ltd. The CMD, Air India stated as under:

> "So far it was coming as irregular short term credit from the banks. That is where we raised about ₹ 18,000 crore and on that we are paying about ₹ 2000 crore interest every year."

5.38   A representative of the Ministry further explained as follows:

> "There has been a gap of ₹. 350-400 crore every month. This has been going on. It is still there. There have been improvements but this gap has been covered by taking from the working capital limit which has been progressively going up. On an operation scale, you have seen their Annual Report, it does not require ₹ 19,500 crore as the working capital. The dues as exist now are ₹ 19,500 crore. Out of ₹ 20,000 crore working capital limit of ₹ 19,500 crore has been fully drawn. There is ₹ 21,000 crore due on aircraft purchase. Altogether, the dues are about ₹ 40,000 crore. It is increasing because, roughly I am saying, the expenditure is about ₹ 1500 crore a month and the income is only about ₹. 1100 crore. There is ₹ 400 crore gap which is made up by taking from the working capital limit. I know it is a difficult situation. For the first time ₹ 800 crore has been advanced as an equity in March, as the hon. Member has pointed out. That also straightaway went into paying for the essential fuels and other things. Now, ₹ 1200 crore is also going in the same way. As you said, debt equity ratio truly does not make any commercial sense because whatever equity is coming is going for defraying other commitments. That is the situation."

5.39   The Committee asked the Ministry as to how it is planning to resolve the situation and handle a debt of ₹ 40,000/- crore of Air India, the Secretary stated as under:

 "Sir, in brief several meetings were held at the level of Prime Minister and the GoMs. It has been directed that all efforts must be made to revive Air India by evolving a turn around plan. They have now prepared the turn around plan which aims at capturing 40 per cent of the market share and then there are attendant commitments and obligations that they will have to fulfil. Based on the turn around plan there is a business plan that is being developed. There is also an issue of financial restructuring of the working capital of about ₹ 19,500 crore on which they are paying ₹ 2000 crore interest. All these three parts of the strategy to revive the NACIL are under detailed examination. I may inform the hon. Committee that one consortium of the bank was formed because the working capital had really swollen to a big extent. A consortium of the bank which had extended the working capital was formed.   They then came up with financial restructuring proposal which had certain components. It has gone to the RBI. The RBI is seeking certain support from the Government in terms of guarantee and comfort letter.   Those are being processed at the Government level. The plan that this consortium has evolved for financial restructuring is also being subjected to further evaluation by financial and management consortium M/s Delight which report we are expecting to receive this month. In the meantime, Sir, we are also approaching the CCA for infusion of additional ₹ 1200 crore equity, including the operationalisation of their subsidiary business units. Since the matter is now being considered by the Cabinet, may be subsequently a very detailed presentation can be made when we have all the components together."

5.40   When asked whether RBI was asking for a sovereign Guarantee from the Government of India to give the go ahead for restructuring of the working capital by the Consortium, the Secretary stated as under:

"Yes, Sir. The RBI is asking for these items. One is the Government guarantee and the Letter of Comfort to give green signal to the consortium of banks to proceed with the financial restructuring plan they have for the conversion of the working capital loan of ₹ 19500 crore into some kind of financial options like short term loan, long term loan, some kind of bonds, etc. Those are the options which are under examination."

5.41   The then CMD, Air India, further added:

".........this is precisely the Secretary had mentioned that we have gone to the banks. The banks will have to take a hair-cut of about ₹ 600 crore a year. They are not willing to take a hair-cut of ₹ 600 crore a year unless they are ensured that the Government is going to give us a equity support which is being asked for in the turnaround plan or the financial restructuring plan and secondly they want a guarantee which would allow them a short term loan to be converted into long term loan. I am paying on an average 10.50 per cent rate of return if it is made a long term loan, then it would come to 8 per cent and I would be saying four percent."

5.42   Enquired about the reasons for negative growth of Air India during 2009-10, the CMD Air India explained as under:

"Yes, there was a negative growth and that one year was drastic. My average yield per kilometre was around ₹ 3.50 paisa in the year 2008-09, in 2009-10, it came down to just ₹ 2.90 and this year currently with all the growth we have not reached the revenue requirement of 2008-09 at all. So not only for me but it is for all the airlines put together."

5.43   During final evidence held on 08.11.2011 the Secretary, Ministry of Civil Aviation explained the current state of affairs in Air India, as under:

"The National Carrier at present suffers from the liquidity stress which has arisen on account of previous two-three years cumulative repercussions starting from global economic recession, increase in aviation turbine fuel, increased competitive pressures including the heavy debt burden on account of aircraft purchases and including the working capital from banks on account of continued operating losses. All of these have contributed to the liquidity of Air India and it is under a stress condition. Just to illustrate my point, I would like to apprise the Committee that the Air India has a debt burden on account of aircraft acquisition to the tune of about ₹ 22,000 crore which is guaranteed by the Government of India and the borrowings have been made from domestic banks as well as foreign banks. The Air India has been suffering operating losses due to mismatch between its operating cost and operating revenue. This has been financed by the working capital raised from various banks. There are a total of 18 banks and there is a consortium of banks also. This amount is ₹ 22,000 crore

approximately. Besides, on account of liquidity crisis, Air India also has huge over dues payable to various oil companies, various vendors including various airports. This total amount comes to about ₹ 5,500 crore as on today. On a daily basis, Air India suffers a loss of about Rs. 21 crore and that translates into ₹ 600 crore per month. The cumulative loss of Air India as on 31st March, 2010 is to the tune of approximately ₹ 20,000 crore which is financed by the working capital to the tune of ₹ 2200 crore. So, that is the present state of affairs of Air India."

5.44 Further elaborating on the turnaround plan he stated:

"Keeping all these facts in mind, viz, the financial stress and operational problems of Air India, the Air India had prepared one turnaround plan, a financial restructuring plan, which was submitted to the Ministry in the month of June, 2011. This turnaround plan and financial restructuring plan was subjected to the review of the Group of Ministers chaired by the Finance Minister. The Group of Ministers then appointed a Group of Officers (GoO). The Group of Officers was required to give its report within six weeks. The report of the Group of Officers has been received and has been considered by the Group of Ministers on 28th October. The Group of Ministers has decided to seek the regulatory forbearance from the Reserve Bank of India. I have met the Reserve Bank of India on 1st November and the consortium of bankers has submitted an application to the RBI and we hope that in about a week's time, the RBI would be able to give its clearance. After that clearance, the banks proposal for restructuring of their ₹ 22,000 crore loans would be cleared. So, speaking very briefly, the turnaround plan envisaged three important government's support. Number one, when the aircraft were purchased by the Air India, its equity base was ₹ 145 crore only. In past two years, the Government of India has infused more than ₹ 3,000 crore as equity into Air India, but the turnaround plan which has been presented before the Government of India envisaged that the Government of India needs to infuse more equity so that the equity to debt ratio is as per the industry practice and according to that plan, the Government of India will be required to infuse ₹ 6,750 crore as affront equity to Air India. That is number one.

Number two, on account of its financial and operational problems, the company would remain in cash losses for next few years. So, it is also proposed that the Government of India will cover that cash losses for next few years.

Finally, the third component of the turnaround plan is that the company is not in a position to repay the aircraft debt. Therefore, it is proposed that the Government of India would also bear the burden of the aircraft acquisition. So, this is on the turnaround plan of the Air India

which will spread over a period of ten years. There is a plan prepared by a banker of consortium. This plan has also been vetted by the independent consultants and is now presently before the Reserve Bank of India as well as the Group of Ministers".

5.45   With regards to the financial restructuring, the Secretary, further submitted as under:

"On the financial restructuring side, as I mentioned, there is a working capital debt of about ₹ 22,000 crore. So, these ₹. 22,000 crore are proposed to be restructured. About ₹ 11,000 crore will be converted into long-term loan. That is where it will bring certain savings in terms of interest as well as certain moratorium period to Air India; and remaining ₹ 7,000 crore, the banks will pick up shares in Air India. The Government is committing that after 16 years, the Government can have the option of buy back and some ₹ 3,000 crore will be converted into some cash credit limit. So, this is under consideration of the RBI because there are certain relaxations required from the RBI because the RBI is equally concerned about the health of banks. But the RBI has assured us that they would give sympathetic consideration to the proposal and that is where we are as on today."

5.46   The Ministry in its presentation to the Committee on 8 November, 2011 presented the following facts regarding the liquidity position, outstanding, key performance indicators, financial performance and the modified growth scenario for the turnaround plan of Air India:

"**(A)   Air India's Current Liquidity Position**

- Outstanding unsecured short term working capital loans ~ ₹ 21545 crore
- Annual interest burden on working capital ~ ₹ 2600 crore (12-14%)
- Annual Interest on Aircraft Loans(Loan Balance ~₹ 22,000 crore) ~ ₹ 1000 crore
- Loans repaid till date on new aircraft acquisition - (USD 796 million) ₹ 3600 crore
- Overdue payments to oil companies, other vendors, etc. ~ ₹ 5451 crore
- After meeting fuel payments, salaries, aircraft loan and interest repayments, and credit hold vendor payments, insufficient liquidity to meet interest on working capital, aircraft spares and other operational costs

(B)   Outstanding as on 31st October, 2011

Particulars	₹ in Crore
INR Fuel Bills to OMCs*	2350
Foreign Fuel and Lease Payments	40
Outstanding to Airport Authorities	1125
Aug/ Sep/Oct 2011 - Working Capital Interest	628
PLI/ Allowances Payable in July / Aug/ Sep 2011	388
Other Vendors	350
TDS & Other Statutory Allowances of Salary of August & September	115
Service Tax	301
Aircraft Stores / Spares	154
Total :	**5451**

- Excludes interest and dues after 2nd Sep 2011 in view of 2 months credit

- In the last two months payments released for Salary up to Sep11 & PLI (₹ 316 cr),   Interest to Banks (₹703 cr), Aircraft Principal Loan repayments (₹ 267 cr),Spares Vendors (₹ 80 cr), Tax dues (₹ 42 cr) Other Vendors (₹ 243 cr)

(C)   Key Performance Indicators: Sep 11 vs. Sep 10

	Passenger Revenue (₹ Cr)	Capacity ASK (million)	Passengers (million)	PLF (%)	Yield/ RPK (₹)
International services					
Sep-10	538	3062	0.465	61.3	2.87
Sep-11	582	2961	0.489	65.6	2.99
Change %	8.1%	-3.3%	-3.3%	4.3 pts	4.4%
Domestic services					
Sep-10	287	862	0.576	67.6	4.93
Sep-11	299	869	0.589	70.7	4.87
Change %	4.1%	0.8%	2.3%	3.1 pts	-1.3%

Network					
Sep-10	826	3924	1.041	62.7	3.36
Sep-11	881	3830	1.078	66.8	3.44
Change %	6.7%	-2.4%	3.6%	4.1 pts	2.6%

- Passenger Revenue has gone up by 7% even after reduction in capacity by 2.4%
- PLF has gone up by 4.1 pts
- Yield has increased by 2.6%

(D) Financial Performance: April – September, 2011

₹ Crore	2010-11 (Prov.)	Apr/Sept 10	Apr/Sept 11 (Prov).	Variance
Operating Revenue	13918	6493	6796	4.67%
Operating Cost	17875	8563	9058	5.78%
Operating Loss	(3957)	(2070)	(2262)	9.28%
Total Revenue	14166	6702	6804	1.52%
Total Cost	21160	21160	10904	7.41%
Net Loss before Tax	(6994)	(3450)	(4100)	18.84%
Net Loss before Depreciation, Interest & Tax	(1963)	(995)	(1370)	37.69%
Depreciation	1746	866	885	2.19%
Interest	3285	1589	1845	16.11%

- Increasing fuel cost (₹ 767 crore) & higher interest burden (₹ 256 crore) offset revenue enhancement and cost reduction initiatives.

(E) Modified Growth Scenario – Increased PLF Scenario – Support from GoI

PLF of 73% by 2015 and 75% by 2020

Particular	(Figures in ₹ Cr)
Equity Support	**Total**
Upfront Equity Infusion by GoI in order to provide immediate relief*	**6,750**
Infusion of Equity to fund Cash Deficits till FY2021	**4,552**
Equity Infusion through funding of principal and interest repayments in respect of the Guaranteed Aircraft Loans (both present and future) upto FY2021 (incl. ₹ 1,786 Cr in FY 2012)	**18,929**
Total Equity Support	**30,231**
Buy back Guarantee for CRPS (FY2027 – FY2032)	**7,408**
*Includes ₹ 1,200 Cr provided in the Union Budget	

Y-o-Y Equity Infusion Required from GoI

(Figures in ₹ Cr)

Equity Support	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total	NPV
Upfront	6,750	-	-	-	-	-	-	-	-	-	6,750	6,750
For Cash Deficit[1]	-	1,539	1,055	921	858	156	24	-	-	-	**4,552**	**3,811**
GoI Guaranteed Loans[1]	1,786	1,787	1,802	1,817	1,833	2,157	1,861	1,896	2,611	1,378	**18,929**	**13,621**
Total Support	**8,536**	**3,326**	**2,857**	**2,738**	**2,691**	**2,313**	**1,884**	**1,896**	**2,611**	**1,378**	**30,231**	**24,183**
CRPS											**7,408**	**1,863**

[1] The NPV of net GoI's obligation after FY 2021 would be ₹ 1,560 Cr

5.47   The Committee asked further as to whether by increase of 46% PLR, AI will be in a position to revive itself and make up its loss, keeping in view that AI has to pay interest on the loan and other factors having impact on its revenue generation. The Committee also pointed out as to whether by issue of equity and waiver of loan by banks as proposed in their restructuring, AI will able to meet its loss. The Ministry in a written reply stated as under:

> "The increase in load factors is one of the several measures contemplated in the Turn Around Plan of the company. M/s SBI Caps who are the advisors to the preparation of the Financial Restructuring Plan have considered the various alternatives like increase in Operating Revenues from Passengers and Cargo, Monetisation of Assets, Equity infusion, restructuring of loans, moratorium on interest, etc while preparing the plan.
>
> M/s SBI Caps prepared eight possible scenarios of Turnaround Plan to the airline, keeping in view the assumptions of growth, PLF and fleet size. Of eight options, a scenario of Moderated Growth Scenario Option VII was recommended by the Group of Officers/Group of Ministers.
>
> Moderated Growth Scenario option VII has following features:-

- PLF of 73% by 2015 and 75% by 2020

- FRP – Loan restructuring as proposed by M/s SBI Caps with buy back guarantee for Cumulative Redeemable Preference Shares.
- Equity Infusion as per Moderated Growth Scenario (VII)
- Support of cash deficit & aircraft loan servicing as per MGS (VII)
- Hiving off of MRO/GH as separate business entities with equity support as part of Air India overall equity support
- Monetization of assets.
- Aircraft induction plan up to 2014-15 and review thereafter.
- No new induction without proper route profitability study.
- Review of HR Policy across AI including subsidiaries
- Rightsizing of staff with an appropriate VRS package.
- Customer oriented services

The GoO also recommended the following milestones :

a) Improvement of OTP to 90% from 71.7% within 2 years.
b) PLF reaching 73% by 2015 and moving on to 75% by 2020.
c) Yield to be benchmarked 5% less than the market leader
d) Fleet utilization also to be benchmarked 3% less than the market leader.

After taking into account all above recommendations/ suggestions given by M/s SBI Caps, Air India would be able to achieve positive EBITDA in FY 2013 and would start generating cash profits from FY 2018. The Tangible Networth of Air India would turn positive in FY 2020."

5.48   On being inquired by the Committee about the steps taken towards cost cutting measures including measures taken on reduction of cost in manpower, the Ministry in a written reply stated as under:

"Steps taken towards cost cutting measures are as under:

- Implementation of Fuel Efficiency Gap Analysis (FEGA) with the help of IATA   resulting in substantial saving on consumption of Fuel
- Complete route rationalization of erstwhile AI & IA routes and elimination of route network involving parallel operations;
- Rationalization of certain loss making routes;
- Phasing out of old fleet and consequential reduction in maintenance cost;
- Return of leased aircraft;
- Freezing of employment in non-operational areas;
- Redeployment of staff to curb in-fructuous expenditure;
- Grounding of ageing fleet including B747-400 which would be used mainly for operating VVIP flights;
- Relocation of EDs/IBOs from abroad to India;

- Closure of overseas offline offices at certain locations;
- Introduction of PSS(Passenger Service System) to have single code along-with SAP ERP based solutions throughout the organization;
- Dismantling of the Frankfurt hub and establishment of the Delhi hub resulting in substantial saving due to restructuring of routes;
- Establishment of Integrated Operations Control Centre;
- Plans to Operationalise Subsidiary Companies such as AIATSL & AIESL and transfer manpower and equipment to these subsidiary companies to hive off the Ground Handling and MRO activities;
- Induction of independent Directors on Board of AI and formation of Board Committees to monitor closely the financial and operating performance of the Company;
- Implementation of a Financial Restructuring Plan".

5.49 When the Committee pointed out that in the restructuring plan, there is only mention about restructuring towards financial side and no steps are taken to restructure the organization as a whole and thus desired to be apprised of the steps being taken to reduce operational expenditure and restructuring of the Department, the Ministry in a written reply stated as under:

"In order to bring down the staff size, the Company had introduced an open ended Voluntary Scheme for availing "Leave Without Pay" in the month of June 2009 which provides for grant of leave to an extent of two years at a time (extendable up to five years) to the employees desire to proceed on such leave. More than 300 employees are availing this scheme at present."

(II)   PAWAN HANS HELICOPTER LIMITED

5.50   Pawan Hans Helicopters Ltd. (PHHL), the national helicopter company of India was incorporated in 1985. Presently the shareholding of the Government of India in PHHL is 51% and Oil and Natural Gas Corporation is 49%. PHHL was incorporated with the primary objective of providing helicopter support services to the oil sector for its off-shore exploration operations, services in remote and hilly areas and charter services for promotion of tourism.

5.51   PHHL has emerged as one of Asia's largest helicopter operators having a well-balanced operational fleet.   The Company's operational fleet profile as on 31.12.2010 is as follows: -

Helicopter type	Passenger Seats	No. of helicopters
Dauphin SA365N	11	18
Dauphin AS365N-3	11	10
Bell-407	6	4
AS350B3	6	3
Bell 206L4	6	3
MI-172	26	2
Total		**40**

PHHL provides a variety of services making it the most trusted brand in the Indian Aviation Industry. PHHL has also deployed 2 Bell helicopters for regular passenger flights to Mata Vaishno Devi Shrine. During the pilgrimage season (May-June and Sept.-Oct.) the company also operates regular passenger flights to Shri Kedarnath Dham from Augustmuni and Phata in Uttarakhand. Recently PHHL has taken O & M contracts for Dhruv helicopters of MHA and ONGC.Some of these services offered by PHHL are:

- Off Shore Operations.
- Inter Island Transportation.
- Connecting Inaccessible Areas.
- Pipeline surveillance.
- Casualty and Rescue work.
- Charter Services.
- VIP Transportation.
- Film Shooting and Aerial Photography.
- Flower Dropping .
- Customised services.
- Offshore – Crew change and production tasks.
- Corporate and special charters.
- Pipeline inspections.
- Aerial surveillance.
- Hotline washing of insulators.

- Operation and Maintenance of helicopters – Dauphin series, Bell and Dhruv.
- Passenger services under the aegis of different state govts. in the North East and Lakshadweep & A&N Administrations.
- Heli pilgrimages – Mata Vaishno Devi srhine, Shri Kedarnath & Shri Badrinath Dhams.

Helicopter Service in the North Eastern Region

Pawan Hans operates flights from 39 destinations covering 64 sectors by 148 weekly flights under the aegis of the State Governments of Meghalaya, Tripura, Sikkim and Arunachal Pradesh.

Helicopter Industry Overview – Global

Total Helicopters – 32,747 (World)

Average Fleet Size – 15

Commercial Usage Pattern – Emergency Medical Services (30%), Oil & Gas Industry (27%) and Personnel Transport (15%) others (28%)

Helicopter Industry Overview – India

Helicopter Market Size: 268 Civil Helicopters.

PHHL 36 nos; PSU's/State Govts. 30 nos. and remaining with Private agencies.

Operators having five or more helicopters.

- PHHL 36
- Global Vectra 26
- Deccan Aviation 12
- United Helicharters 7
- Mesco 6

PHHL retains majority market share of commercial operations of helicopters deployed on long term basis.
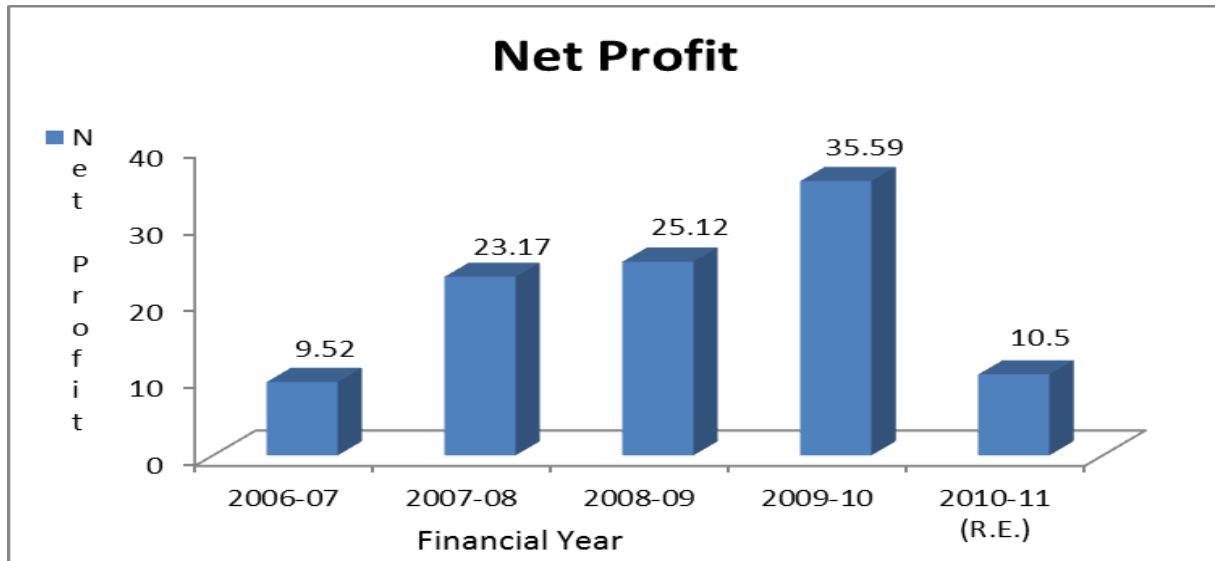
FINANCIAL PERFORMANCE

5.52   The Committee were informed that since the financial year 1991-92 Pawan Hans has been continuously making profit and paying dividend to the Government and ONGC. The financial performance during the period from 2006-07 to 2010-11 (R.E.) was provided as under: -

(Rs. in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11 (R.E)
A) Total Revenue	233.79	243.41	328.82	384.04	403.50
B) Expenditure i) Operating & non-Operating expenses	180.38	183.53	254.44	310.38	319.10
ii) Depreciation	25.67	30.36	36.20	38.21	48.40
Total	-------- 206.05	--------- 213.89	290.64	348.59	367.50
C) Profit before prior period/ extraordinary Adjustments	27.74	29.52	38.18	47.50	42.93
D) Prior Period/Extra-ordinary adjustment	(9.13)	0.65	9.77	7.64	9.40
E) Profit/(Loss) after Adjustments	18.61	30.17	47.95	55.14	52.33
F) Provision for Income Tax/ Deferred tax liability.	9.09	7.00	22.83	19.55	41.83
G) Net Profit after tax	9.52	23.17	25.12	35.59	10.50
H) Dividend	9.10	11.37	11.37		
Note: Net profit after tax in 2010-11 (R.E.) is lower due to significant provision required to be made of ₹ 31.40 crore towards deferred tax liability as per the requirements of Accounting Standard 22 of Institute of Chartered Accountants of India during Financial Year 2011-12 on account of large capital cost of the acquisition of new fleet.					

Net Profit

Financial Year	Net Profit
2006-07	9.52
2007-08	23.17
2008-09	25.12
2009-10	35.59
2010-11 (R.E.)	10.5

5.53   As regards the future of helicopter operations, the strategy plan 2010-2015 of the Ministry of Civil Aviation is as under:-

"Helicopters have a tremendous future in India. Given the ability of helicopters to fly in varied environments and also due to the fact that infrastructure for fixed wing aircrafts can expand only incrementally, it is but natural for helicopters to grow at an unprecedented pace. At present, India has only 210 helicopters in operation, which is minuscule in comparison to the international figure of 15,750. In order to achieve this objective the Government shall:-

(i) Create the right infrastructure for the rapid growth of helicopter operations. Heliports shall be set up in the four regions in the country – Delhi in North, Mumbai in the West, Kolkata in the East and Chennai/ Bangaluru in the South in the first phase.

(ii) These heliports shall be developed both in the public, private and joint sector. The responsibility of developing heliports shall primarily rest with the Airports Authority of India. However, this critical function can also be performed by the Pawan Hans Helicopters Ltd. and also by the private sector.

(iii) The Greenfield Airports Policy shall be suitably modified wherever necessary to adapt to helicopter operations' needs.

(iv) States would be encouraged to develop helipads and heliports through subsidy schemes like the Infrastructure Development Scheme of Tourism Department.

(v) The Government shall periodically review the need for helicopter corridors and update them according to changing needs of the industry. Air Space Management shall be done in a way to enable optimal growth of helicopters along-with fixed wings.

(vi) Tourism and Medical evacuation are going to be major drivers of helicopter growth in India in the years to come. Medical Evacuation would be triggered by the Government through the National Disaster Management Agency and NHAI.

(vii) Since medical evacuation for private people still continues to be an expensive proposition medical insurance companies would be encouraged to formulate appropriate packages to include the cost of such evacuation. In the case of Government Servants CGHS would act as a facilitating vehicle.

(viii) Coordinate with line Ministries to develop helipads in major and prestigious government and private hospitals.

(ix) In order to facilitate growth of helicopter operations in India a separate wing for helicopters shall be developed in the DGCA and AAI. The Regulatory regime for helicopters would be continuously upgraded to enable blossoming of the sector."

CHAPTER - VI

DEVELOPMENT OF AIRPORTS

6.1   Airports being nuclei of economic activity assume a significant role in the national economy. The quality of airport infrastructure, which is a vital component of the overall transportation network, contributes directly to a country's international competitiveness and the flow of foreign investment. While cargo carried by air in India weighs less than 1% of the total cargo exported, it accounts for 35% of the total value of exports. Better cargo handling facilities lead to enhanced levels of importation, especially of capital goods and high-value items. Likewise, 97% of the country's foreign tourists arrive by air and tourism is the nation's second largest foreign exchange earner.

6.2   AAI, the main organization dealing with construction and maintenance of airports, was granted Mini-Ratna Category - I PSE status in March 2009 by the Government of India. AAI has been making profits consistently since its inception. The Authority paid a dividend of ₹ 137.40 crore for 2008-09. The Authority incurred capital expenditure of ₹ 2742.54 crore against RE of ₹ 2822.50 crore during 2009-10 which is 97% of RE. AAI has made all efforts to utilize the capital expenditure allocated during the year fully.

6.3   The Committee were informed that in spite of recessionary conditions in the civil aviation sector, AAI continued with its plans for expansion of airport infrastructure at various airports. New Terminal Buildings have been constructed / commissioned at Dehradun, Jaipur, Kullu, Udaipur, Gaya, Cooch Behar, Dibrugarh, Lilabari, Ahmedabad (New Departure Block for Domestic Terminal Building), Aurangabad, Bhuj, Gondia, Porbandar, Mysore, Mangalore, Trichy, Vizag, Srinagar and Trivandrum. These Terminals have modern passenger facilities besides comfortable lounges / user friendly amenities and good ambience. State-of-the-art technology has been used in these Terminals.

6.4   New Terminal Buildings are under construction at Kolkata, Chennai, Chandigarh, Lucknow, Varanasi, Khajuraho, Ranchi, Bhubaneswar, Raipur Barapani (Shillong), Ahmedabad (New International Terminal Building, Ph-I & Ph-II), Bhopal, Goa, Indore, Rajamundary and Madurai airports. A Greenfield airport is under construction at Pakyong in Sikkim. Expansion and modification of Terminal Buildings at Pune and Coimbatore airports is also in progress.

6.5   Construction of new Terminal Buildings at Leh, Port Blair, Coimbatore, Puducherry and Tirupati airports have been proposed. A Greenfield airport has also been planned at Chiethu in Nagaland and Itanagar in Arunachal Pradesh.

A)   UPGRADATION OF OLD AIRPORTS (BROWN FIELD AIRPORTS)

6.6   As informed by Ministry of Civil Aviation , the Cabinet in its meeting, held on September 11, 2003, had decided to restructure Delhi and Mumbai airports through Joint Venture route by formation of separate companies between AAI and the selected Joint Venture partners. Pursuant to these decisions, an Empowered Group of Ministers (EGOM) consisting of Minister of Finance, Minister of Law and Justice, Minister of Disinvestments and Minister of State (Independent Charge) of the Ministry of Civil Aviation was set up to decide upon the detailed modalities including the design parameters, bid evaluation criteria, etc. based on which the Joint Venture partner was to be selected. Through a bidding process, the EGOM selected M/s GMR Consortium and M/s GVK Consortium as joint venture partner for modernization of IGI Airport, New Delhi and CSI Airport, Mumbai respectively and submitted the proposal for final approval of the Cabinet. On the basis of EGOM decisions, the Cabinet, in its meeting held on 01.02.2006, approved the proposals for selection of Joint Venture partners for modernization and development of Delhi and Mumbai airports. The Operations, Management and Development Agreement (OMDA) were signed between the individual JVs and AAI on 04.04.2006 and subsequently the JVs took over the Airports on 3rd May, 2006 and commenced development of these Airports. The lease of the

Airports to the JVCs is for an initial period of 30 years, which is extendable by another 30 years.

6.7   The Committee on Infrastructure (CoI), in its 14th and 15th meetings, decided that the development of Kolkata and Chennai airports would be undertaken through AAI. Two Inter-Ministerial Groups (IMGs) were constituted for finalizing the Action Plan in respect of Kolkata and Chennai airports. The following information was furnished to the Committee:-

Kolkata:

The main building work of this project was awarded in October, 2008 with probable date of completion as June, 2011. The total project cost of this project is ₹ 1942.51 crore. The period of completion of the project was originally envisaged as 30 months. However, taking into consideration assessed hindrance on account of rain during June-September, 2009, the date of completion of the project was revised to August, 2011.

Chennai:

The total project cost of this project is ₹ 1808.25 crore and development of the airport was expected to be completed by June, 2011.

Modernization of Non – Metro airports:

6.8   The Committee on Infrastructure in its 12th Meeting held on 8th June, 2006 had approved the modernization of 35 non-metro airports. Out of these 35 non-metro airports, the cost of development work on 30 airports is less than ₹ 150 crore. The development work on 11 such projects has already been completed and on 19 airport projects the work is either at planning stage or in progress. The cost of development work on the remaining 5 projects, out of 35, is more than ₹150 crore. The work on 1 such project namely Thiruvananthapuram has been completed and work is in progress

in the remaining 4 such airports. The Committee were informed in February, 2012 that the number of non-metro airports to be modernized had risen to 62.

6.9   The 62 non-metro airports where the modernization has been envisaged are - Ahmedabad, Agra, Agatti, Agartala, Amritsar, Aurangabad, Bhopal, Bhubaneswar, Chandigarh, Coimbatore, Dehradun, Dimapur, Goa, Guwahati, Imphal, Indore, Jaipur, Jammu, Khajuraho, Lucknow, Madurai, Mangalore, Nagpur, Patna, Port Blair, Pune, Raipur, Rajkot, Ranchi, Trichy, Thiruvananthapuram, Udaipur, Vadodara, Varanasi Vishakhapatnam, Tirupati, Bhatinda, Mysore, Bikaner, Kulu, Cooch Behar, Kadappa, Shillong, Rajamundary, Jaisalmaer, Jalgaon, Porbander, Gondia and Teju. In addition, AAI has also undertaken upgradation/development of the airports at Kadappa and Rajamundhry in Andhra Pradesh, Jaisalmer and Bikaner in Rajasthan, Jalgaon in Maharashtra, Puducherry (UT) and Bhatinda in Punjab. New Terminals have been commissioned at Madurai, Mysore, Trichy, Kulu, Rajamundary, Cooch Behar, Shillong and Gondia under the authority and responsibility of AAI.

6.10   The Committee raised certain issues concerning few airports and pointed out the congestion at Bhubaneshwar Airport and non-completion of its terminal. The Ministry in a written note furnished as under:

> "A new Terminal Building to handle 800 passengers is under construction at Bhubaneswar. The delay in the completion of this project is due to unseasonal rains. However, execution work of the project is being closely monitored by dedicated project team to ensure that bottlenecks in the execution of the project at site are removed and the work is expedited for early completion. The New Terminal is expected to be operationalised by June 2012."

6.11   The Committee pointed out that the Bhatinda Airport as per schedule was to be completed in March 2011, but as per the revised schedule, its completion was shifted

the next year. As per the monthly progress report it is further observed that the project is behind its schedule. The Ministry, in a written reply stated as under:

"AAI is developing a new Civil Enclave at Bhatinda airport in Punjab. The scope involved construction of a new Terminal Building & apron. Taxiway connecting the apron and runway falls within the IAF operational area. Hence, proper coordination needs to be carried out with IAF. The progress of Terminal Building is 45% and apron is 51%. The work of apron is proposed to be completed by March, 2012 and the Terminal Building and associated works are likely to be ready by June, 2012".

6.12   With regard to Tirupati airport, the Committee enquired whether the permission for taking off night flights at Tirupati would be provided from 1st January 2012 onward, as the facilities for the operation of night flight were already there, the Ministry in a written note stated as under:

"Tirupati airport has facility for night operations. However, at present no scheduled domestic airline is operating flights beyond 1645 hrs. It may be stated that time slots for operation of all flights are decided by the airlines themselves on the basis of commercial inputs and operational feasibility. The flight schedules are approved after receipt of slot clearance from the airport operator concerned, who examines the feasibility to handle the flights at that time."

6.13   The Operation, Management and Development Agreement (OMDA) was signed between M/s GVK Consortium & AAI on 04.04.2006 for modernisation of Mumbai airport. Asked about the present status of its construction, the Ministry in a written reply stated as under:

"OMDA stipulates completion of 32 Mandatory Capital Projects (MCPs) by M/s MIAL out of which 30 MCPs are already completed within timelines. The remaining two MCPs shall be completed by 31.12.2010 for which approval has been granted by Competent Authority. The major completed MCPs include new domestic terminal (t1C), Terminal 2B modifications,

domestic and international apron expansion, additional remote domestic parking bays, etc."

6.14   The Committee also enquired from the Ministry about the upgradation status of airports at Bhopal, Indore, Gaya and Patna.   The Chairman, Airports Authority of India(AAI) stated as under:

> "**........**about Bhopal and Indore Airports, were both constrained airports. Their length was less. So, the State Government has given us sufficient land for 12,000 feet of runway. For both the airports, we have exceeded the runway to 9,000 feet and we are also constructing integrated terminal building.   That means, it can handle the international operations, if required. That is under construction. There is some delay in completion. Hopefully, we will be able to complete both the buildings by September."

6.15   In a subsequent note, the Ministry informed that projects at Indore, Bhopal and Gaya had been completed. The Ministry in a written submission later also informed the progress of work at some of these airports as under:

> **"Patna Airport**
>
> Patna Airport is customs Airport and has Runway 07/25 of dimension 1954m X 45 m, with usable length of 1954m for take off and available landing distance of 1820mfor Runway 25 suitable for operation of AB-320 type of aircraft in all weather condition with load penalty.
>
> > Apron of dimension 271.8m X 81.3m is suitable for parking of 4 AB-320 and 1 ATR type of aircraft at a time with two link taxiway.
> >
> > Communication and Navigation services are available.
> >
> > Ground light facilities are available
> >
> > Due to obstructions in approach funnel and vicinity, the operational length is reduced for take-off & landing for safety of aircraft operations resulting in load restrictions. However, due to non-removal of identified obstructions in the

approach funnels by Govt of Bihar, the operational length of Runway is likely to reduce further for safety of aircraft, which may result into operation of only smaller aircraft of type ATR-72. Runway extension is not feasible due to obstructions and land constraints.

AAI has requested the Govt. of Bihar to provide additional land of 198 acres for establishing the Isolation bay, upgradation of fire services and modification & expansion of existing Terminal Building. The requisitioned land is yet to be made available to AAI by the Govt of Bihar."

6.16 When the Committee pointed out that flights have been increased from Patna Airport but no steps are taken to provide infrastructure on this airport, the Ministry in a written reply stated as under:

"It is true that flights have increased to Patna airport in the last few years. However, due to non-availability of land, AAI is not in a position to undertake expansion of the infrastructure at this airport, especially runway and terminal building. In addition, DGCA have declared this airport as "Critical Airport" due to presence of obstructions around the vicinity of the airport which are posing safety concerns.

AAI has done a study in September, 2009, in which AAI had recommended to the State Government for the development of Bihta as Civil Enclave. AAI also submitted a Report to the State Government for development of Nalanda as a Greenfield airport.

In response to 4800 acres of land suggested by AAI for development of Greenfield airport at Nalanda, State Government has recently offered 1200 acres of land which is inadequate for development. Apart from above, at Patna airport, a study for assessment of the diversion of the railway track on Runway 07 side by taking the Railway Track Underground is also being done by M/s. RITES on request of AAI.

AAI also plans to construct a new Integrated Terminal Building provided certain Government structure / hangars are relocated.

278 acres of land is also required to be acquired, for provision of 300 m basic strip and construction of fire station / isolation bay to be handed over to AAI free of cost and free from encumbrances by the State Government".

Hubli Airport

6.17   As on date, 487 acres of land has been taken over by AAI at Hubli Airport. 27 acres of land is yet to be handed over by the State Government to AAI. Estimates for development works at Hubli airport are under process. The financial feasibility of the airport is being examined.

Gwalior Airport

6.18   The Committee on Infrastructure had approved modernization of 35 non-metro airports in 2006. The airport of Gwalior, which also needs to be modernized, has been excluded from this list. Asked about the reasons there of, the Chairman AAI stated as under:

"About Gwalior, the building, which is presently existing is sufficient enough. There were certain modification, which were needed. We are taking up that. Unfortunately, there is not much traffic also at Gwalior right now. So, we are not able to do much at Gwalior. We are doing some air-conditioning and some relief jobs."

6.19   The Ministry in a written note later furnished as under:

"The 35 Non Metro Airports for development and modernization were selected based on certain parameters like State Capital, Land Availability for City Side Development, Traffic and Tourist Potential etc. Therefore, Gwalior airport could not be included in this list. However, development works based on requirements and traffic growth for airports other than 35 Non Metro Airports is also taken up from time to time, the infrastructure up- gradation being a continuous process."

B) GREEN FIELD AIRPORTS

6.20 On being enquired by the Committee about the policy regarding construction of a Greenfield Airport, the Ministry in a written submission stated as under:

> "Considering the phenomenal growth in aviation sector Government of India have approved a new policy for Greenfield airports in April, 2008. In accordance with the policy a Steering Committee under the Chairmanship of Secretary, Civil Aviation has been constituted to coordinate and monitor various clearances required for the Greenfield airport projects in a time bound manner. Its salient features are:
>
> (i) Terms and conditions of all the concerned agencies like DGCA, Security, Defence etc. would be prescribed up-front.
>
> (ii) DGCA can clear a proposal if it meets all the prescribed terms and conditions.
>
> (iii) If the proposal is to set up a new airport within an aerial distance of 150 kms from an existing airport, it would be considered by a Steering Committee of the Ministry of Civil Aviation on whose advice, the Ministry can clear it.
>
> (iv) In case the proposal seeks any exemption from any of the prescribed conditions, it would require approval of the Union Cabinet.
>
> (v) All reserved activities to be performed at the airport by central agencies like immigration, customs etc. would be on cost recovery basis.
>
> Further, no Greenfield airport will normally be allowed within an aerial distance of 150 kilometers of an existing airport. However, a Greenfield airport may be permitted where an existing airport is unable to meet the projected requirements of traffic or a new focal point of traffic emerges, with sufficient viability.
>
> The Government may, while permitting a Greenfield airport, decide whether it will be in the public or private sectors or be taken up as a joint venture.
>
> A Greenfield airport to be set up beyond 150 km of an existing airport, but seeks exemption / relaxation from any of the guidelines / rules and policies

would be considered by the steering committee constituted for the purpose.

A Greenfield airport to be set up within 150 km of an existing airport, the application shall be considered first by the steering committee. The decision of the Central Govt. for approval of the airport will be based on the recommendation of the steering committee."

6.21 According to a background note submitted by the Ministry, in Bengaluru and Hyderabad, there were constraints of expanding the capacity of the existing airports. To meet the need of growing traffic at these airports, the Government had approved setting up of new Greenfield airports and closure of the existing airports upon commissioning of the new Greenfield airports. Further, in order to improve connectivity to the North Eastern States, the Government later also approved the setting up of a new Greenfield airport at Pakyong in Sikkim. The approval for Greenfield Airports is given under the Greenfield Airports policy 2008. The other Greenfield airports for which the government of India has accorded in principle approval are Mopa(Goa), NaviMumbai, Sindhudurg (Maharshtra), Kannur(Kerala), Bijapur, Shimoga, Hassan, Gulbarga (Karnataka), Dabra (MadhyaPradesh), Saras(Rajasthan),Karaikal(Puducherry), Kushinagar (UttarPradesh).

6.19 AAI is to build three Green Field airports in North-east at Gangtok (Pakyong), Kohima (Chiethu) and Itanagar. The work in progress for Gangtok airport is at a cost of ₹ 309 crore with likely date of completion being January 2012. The DPR has been approved for Chiethu airport by State Government at an estimated cost of ₹ 954 cr. The Itanagar airport is to build at an estimated cost of ₹ 989 crore.

C)   AIR TRAFFIC MANAGEMENT SYSTEM

6.22 The entire Airspace of India has been divided into 4 Flight Information Regions (FIRs). Mumbai, Delhi, Kolkata (Guwahati as sub-FIR) and Chennai. There are 12 neighbouring FIRs which share common FIR boundary with Indian FIRs. These 12

FIRs are located in Pakistan, Oman, Yemen, Mogadishu, Seychelles, Mauritius, Male, Srilanka, Malaysia, Myanmar, Bangladesh and Nepal.

6.23   The Airport Authority of India has drawn up a plan for the augmentation of the Air Traffic Management system which was explained to the Committee in a Power Point presentation as under:

AUGMENTATION OF INFRASTRUCTURE

SHORT TERM	MID TERM	LONG TERM
Extended VHF, Data Link, DATIS, PDC, AIDC	• Airspace sectorisation • Route optimization • Radar network • Amalgamation of 11 ACCs into 4 Europe centres • Reduced separation application.	• Amalgamation of 4 Enroute centres to 2 centres • Transition Voice – Data Satellite navigation. • Harmonization with Global systems. • SWIM
DVOR/DME, ILS, GBAS, SBAS (GAGAN) PBN	Central ATFM	
Radar, ADS-C, ADS-B, ASMGCS	Transition to ATN	
Improved ATC Procedures	Transition AIS – AIM	
Integrated ATC Automation, Tower automation, Controller tools, Safety alerts, Arrival manager	Impl. of GAGAN GBAS	

6.24   The Committee asked the Ministry about the GAGAN project and its benefits to Air Traffic Management. The Ministry in a written note stated as under:

> **"**The GPS Aided Geo Augmented Navigation (GAGAN) system is planned implementation of a Satellite Based Navigation System being developed by Airports Authority of India (AAI) and Indian Space Research

Organization (ISRO), to deploy and certify an operational SBAS for the Indian Flight Information Region, with expansion capability to neighboring FIRs. GAGAN system provides correction signals to the GPS signals to meet the accuracy, integrity, availability and continuity requirements required for aviation.

The growth of aviation and the urgent need to reduce fuel consumption and emissions demands increased airspace and airport capacity and a focus on providing the preferred trajectory (route and altitude) to each airspace user. This in turn dictates improvements in communications, navigation and surveillance services, aircraft operator also require efficiency gains via approaches with the lowest possible minima and the significant safety benefits of vertical guidance. Global Navigation Satellite System (GNSS) of which GAGAN is a part provides a way to satisfy all of these requirements.

GAGAN also would provide tangible benefits to Non-Civil Aviation Sectors such as Railways, Marine Activities, Surveying, Scientific Research, Geodynamics, Natural Resource, Land Management and Agriculture.The total cost of the project is ₹ 774 Crore.

Airports Authority of India has so far spent an amount of ₹ 108 crore in phase I and in Phase II, AAI has spent a sum of ₹ 206 Crore."

6.25 Asked by the Committee about the modernization programmes initiated to upgrade the Air Traffic Control (ATC) and enhance its functioning across airports in the country, the Ministry in a written reply stated as under:

"Following ATC Modernization programmes at various airports in the country are in progress.

(i)   At present, Air Traffic Service facilities at IGI Airport, New Delhi and CSI Airport, Mumbai are provided with state of the art technology Air Traffic Automation System wherein air situation display has been provided in various ATC units such as Control Tower, Approach Control Centre and area Control Centre by integrating radar data and flight information data.

(ii)   Advanced Surface Movement Guidance and Control System (ADMGCS) has been provided at Delhi, Bangalore & Hyderabad Airports to monitor & control the movements of aircraft and vehicles on ground through

display in Control Tower to enhance the operational efficiency during near Zero visibility conditions.

(iii)   ASMGCS at Kolkata, Mumbai & Chennai Airports to under installation to monitor & Control the ground movements in Control Tower thereby enhancing the operational efficiency during poor visibility.

(iv)   ATC Tower Automation System at 38 airports are being installed to make provision of air situation display in various ATC units.

(v)   ATC Modernization at Chennai Airport is under progress to make provision of air situation display in various ATC facilities such as Control Tower, Approach Control and Area Control centre by integrating Radar data of regional radars, flight information data & ADS.

(vi)   ATS Data Link Network at 6 airports to facilitate airlines to get Met Information from these servers without manual intervention from ground personnel. 46 DATIS are under way for integration with these servers. Volmet broadcast is being automated at two (2) airports. Departure clearance by way of Data link is being implemented at (6) airports.

(vii)   Voice Communication & Control Systems at 30 airports are being installed to provide integrated communication panel to ATC Controllers wherein all VHF / Telephone / Hotlines / Direct Speed Circuits can be operated from same console thereby increasing operational efficiency.

(viii)   Performance Based Navigation (PBN)

   - Implemented at Mumbai, Delhi & Ahmadabad Airports since August, 2008.
   - ATC procedures for Chennai PBN implemented since October, 2009.
   - Procedures for Hyderabad under notification.
   - Deriving following benefits

a)   Structured flow of traffic in Terminal Control Area (TMA) – reducing need for frequent communication with ATC.

b)   De-conflicting of arrival and departure flow for enhanced safety and improved efficiency.

c)   30% reduction in Radio Telephony (RT) Communication – reducing controller workload.

(ix)   Central Flow Management System (CFMS) is being implemented over Indian air space to improve Air Traffic Management."

6.26   The Committee asked the AAI about steps being taken to improve the radar coverage to regulate and control air traffic in the country. The AAI in a written note stated as under:

"Airports Authority of India is installing 9 Number of MSSR (Monopulse Secondary Surveillance Radar) I at the following airports:-

1. Chennai
2. Bellary
3. Vishkhapatnam
4. Bhopal
5. Porbandar
6. Kolkata
7. Jharsuguda
8. Katihar
9. Jodhpur.

To provide Radar surveillance coverage in the entire Indian airspace.   In addition, eight Primary Surveillance Radar (PSR) co-located with MSSR are also being provided at following airports for catering overlapping Radar coverage and for airport approach surveillance:

Mumbai	-	2
Delhi	-	1
Cochin	-	1
Chennai	-	1
Kolkata	-	1
Amritsar	-	1
Thiruvananthapuram	-	1"

6.27   The Committee asked the Ministry about the airports having CAT I, CAT II & CAT III Instrument Landing System facilities in India. The Ministry in a written submission stated as under:

"There are 47 airports which have the facility of Instrument Landing System. Details are given below:

Sl. No.	Airports
1.	Agartala
2.	Ahmedabad
3	Amritsar
4	Aurangabad
5	Bangalore (HAL)
6.	Bangalore (BIAL)
7.	Bhavnagar
8	Bhopal
9.	Bhubneshwar
10.	Calicut
11.	Chennai
12.	Cochin
13.	Coimbatore
14.	Delhi (IGI)*
15.	Dibrugarh
16.	Dimapur
17.	Gaya
18.	Gondia@
19.	Guwahati
20.	Hyderabad (Begumpet)
21.	Hyderabad (HIAL)
22.	IGRUA
23.	Imphal
24.	Indore
25.	Jaipur
26.	Jammu
27.	Khajuraho
28.	Kolkata**
29.	Lengpui #
30.	Lucknow
31.	Madurai
32.	Mangalore
33.	Mumbai
34.	Nagpur
35.	Patna
36.	Port Blair
37.	Raipur
38.	Rajkot
39.	Ranchi
40.	Silchar
41.	Surat
42.	Trichy
43.	Trivandrum

44.	Udaipur
45.	Vadodara
46.	Varanasi
47.	Vizag

*   At Delhi, ILS facility is CAT IIIB.
@   Equipment installed & side preparation (earth work) is under way.
**   At Kolkata, ILS facility is CAT II.
\#   Facility installed and is under calibration.

At all other airports, CAT I ILS is available"

6.28   During winter (season in Delhi), delay is generally experienced in flight operations due to dense fog.   The Committee observed that though Instrument Landing System (ILS) had been installed at Delhi airport but still long delays are there.   Asked about the reasons thereof and the measures taken to overcome it at Delhi and other such airports, the Ministry in a written submission stated as under:

"IGI Airport, New Delhi has three operational runways i.e. Runway 29/11, 28/10, 27/09, Runway 11 and Runway 28 are equipped with CAT III B ILS.   Runway 10 and Runway 27 are equipped with CAT I ILS. Installation of CAT-I ILS is underway for Runway 09.   CAT II ILS is in operation at Kolkata.   Runways at Amritsar, Kanpur and Lucknow are operating in ILS Category I and are being equipped for CAT II ILS.

         Although ILS CAT-IIIB is installed at IGI Airport sometimes the visibility drops below the CAT IIIB compliant aircraft operating minima i.e. 50 meters.   As a result the aircraft has to wait for the improvement of visibility. In compliance with DGCA instructions during fog period [15th December to 15th February], airlines are required to deploy CAT-III trained pilots."

6.29   When the Committee asked the Ministry about systems in place where any error made by the Air Traffic Controllers can be corrected, the Ministry in a written submission stated as under:

"Following procedures/ system are in vogue to correct the errors made by ATCOs in India.

i)   **Ensuring correct read back of instructions issued to the pilots:**

The pilot shall read back to the controller safety related parts of ATC clearances and instructions which are transmitted by voice. The controller listens to the read back to ascertain that the clearances / instructions have been correctly acknowledged by the pilot and take immediate action to correct any discrepancies revealed by the read back.

ii)   **Predicted conflict alert:**

This is a computer generated tool in radar system which generates warning to air traffic controllers about the possibility of conflict between aircraft in air due to controller's or pilot's error. This is commonly called Short Term Conflict Alert (STCA) System.

iii)   **Minimum safe Altitude Warning:**

This is another computer generated warning which is activated if the aircraft descends below a safe altitude (less than thousand feet above terrain) due to wrong clearance issued by the controller or wrong descent initiated by pilot.

iv)   **Advanced Surface Movement Guidance Control System:**

In this system aircraft and vehicular movement on ground is presented to the controller on a situation display and warns the controller about possible conflict between aircraft or between aircraft and any vehicle. The system also warns the controller about runway incursion (unauthorized entry of aircraft or vehicle on the runway).

v)   **Airborne Collision Avoidance System (ACAS):**

This system is available in aircraft. The pilot receives a warning if another aircraft comes in close proximity to his aircraft due to incorrect clearance issued by the controller or wrong manoeuvre carried out by the pilot due to non compliance of ATC instructions."

CHAPTER – VII

HUMAN RESOURCE DEVELOPMENT

7.1   As per the Strategy Plan 2010-15 of the Ministry of Civil Aviation, the growth of the aviation industry in India will not happen without the availability of qualified personnel across every discipline, including pilots, cabin crew, engineers, air traffic controllers, ground staff and handlers, administration and management. Each one of these roles requires education and training. This impacts not only the airlines and airports, but every supplier across the value chain, as well as government regulators. Trained Indian personnel would also migrate to other countries where training facilities are yet undeveloped and this would lead to constant attrition and requirement for quick replacement. The Centre for Asia Pacific Aviation, a globally-known aviation research organisation foresees that the demand for pilots, engineers and cabin crew (operational staff) is likely to grow from the current nearly 32,000 to 90,000 by 2020. It can be safely deduced that nearly half this demand is likely to mature by 2015. This figure does not include airport employees, air traffic controllers, ground handlers, catering companies, retailers, security personnel etc. The direct and indirect impact of the aviation sector in India could be employment for over 2.6 million people by 2020.IATA and ICAO estimate that there is a multiplier of 5.8 direct and indirect jobs for every aviation industry employee. In the Indian market, this number may be higher.

7.2   The Strategy Plan further acknowledges that civil aviation Human Resource is largely globalised with training facilities mushrooming all over the globe. A large number of Indian students undergo training in foreign countries too and then acquire an Indian license. There is consequently a glut in the employment market with nearly 3500 pilots remaining unemployed as a result of the recent recession.

Accordingly, the plan proposes the following measures:

a) The Ministry shall develop better tools to assess market demand and calibrate supplies accordingly. This might require annual release of seats to the Training Institutions rather than a blanket freedom available at the moment.

b) The Government shall also lay down stricter standards for establishing Flying and Engineering Schools in order to ensure that only the best remain in the field.

c) In order to improve standards of performance, quality control measures would be modified, to include system of third party audits. IGRUA and NFTI would be used as a resource to complement the DGCA in the conduct of audits. Similarly the training institute of PHHL shall be used as a central resource for the audit of helicopter training institutions.

d) The Course-Curriculum for commercial pilots shall be reviewed periodically in order to match global standards. In the first stage the existing curriculum would be modified on basis of the Joint Airworthiness Regulation curriculum. Simulation would be made integral part of training to train the pilots in emergency situations.

e) It would be made compulsory for all institutions involved in training to acquire ISO certification by the end of 2013.

f) International norms for changeover from fixed wings licenses to rotary wings would be adopted to enable simpler transition from one to other.

g) National Institute of Aviation Management and Research (NIAMAR) at Delhi would be developed as a major resource for training of aviation related Managers and Personnel.

INDIRA GANDHI RASHTRIYA URAN AKADEMI (IGRUA)

7.3   Indira Gandhi Rashtriya Uran Akademi was set up at Fursatganj, Raebareli (Uttar Pradesh) to bring about a quantum improvement in the standards of flying and ground training of Commercial Pilots in the country. The Academy is equipped with most modern and sophisticated trainer aircraft, up-to-date audiovisual training aids and other facilities for effective ground training. It employs qualified flying and ground instructors, with long experience in the field of aviation and flying training. The aim at IGRUA is not only to train to make a pilot but also to make him an effective systems manager in aeronautics. The flying trainees of the Academy acquire the standards required for their transit with ease into the cockpits of the airlines.

7.4 According to the Annual Report (2010-11) of the Ministry, the process of infrastructure expansion of the Academy is still continuing. Notable achievements have been made to upgrade the institution to the level of present day global standards, such as Instillation of DA-42 Simulator, Procurement of two DA-42 Aircraft, Extension of Apron & re-surfacing of parallel taxi track, Up-gradation of Ground Light facilities & provision of simple approach light, Construction of plinth Protection Wall to prevent intrusion through fencing, Repair of Drains, Renovation of FOC.ATC Building, Constructing of new NDB Shelter & Installation of new NDB, Refurbishment of two old hangars, etc. at the airport area. In the Institutional/Residential area, construction of three type 'C' Residential Blocks, Renovation of existing Residential quarters, Old Boys Hostel, Institutional Block, digging of Bore well, Repair of Boundary Wall & Drains, etc. are the major expansion projects undertaken during the current year. IGRUA, the flagship flying training institution in the country has every hallmark of an institution of international standards.

7.5 IGRUA has entered into a Management Contract with Global Aviation Giant – CAE, Canada to scale up the standards at par with international Standards. CAE took over the management of IGRUA on 1st Mar 2008 as per management contract signed between Ministry of Civil Aviation and CAE, Canada.

7.6 The objective of the Academy is to conduct airline oriented flying training courses to the level of contemporary international standards. The courses offered are:

a) Ab-Initio to CPL Course on fixed wing aircraft.
b) Multi Engine Endorsement Course
c) Instrument Rating Renewal
d) Refresher Course for Certified Flying Instructors and Pilot Instructors of Flying Training Institutes.
e) Courses for Assistant Flight Instructor Rating (A) and Flight Instructor Rating A.
f) Skill Tests for renewal of Licence for Ex-students of IGRUA on requirement basis.
g) To provide Simulator training & checks and other facilities to outside aviation agencies for their Pilots Selection & Interview.

h)   WOMBAT Pilot Aptitude Test for beginners.
i)   Practical Training on aircraft to Diploma Holders in Aeronautical Engineering

7.7   Responding to a query from the Committee as to what action was taken by the Ministry in the area of development of training for pilots, ground crew and support staff and its regulation, the Ministry in a written submission stated as under:

> "The Indira Gandhi Rashtriya Uran Academy (IGRUA) is mandated to bring quantum improvement in the standards of flying and ground training of commercial pilots in the country. It is equipped with modern and sophisticated trainer equipments.   Currently 203 trainee pilots are undergoing training for Commercial Pilot License.
>
> Airports Authority of India in joint collaboration with CAE, Canada has set up National Flying Training Institute at Gondia in Maharashtra as Joint Venture Enterprise. The objective of setting up this Institute is to create qualified and well trained pilots.
>
> There are 17 Government flying training institutes and 23 private flying training institutes in the country engaging in training of pilots."

7.8   When the Committee asked whether Air India was suffering from shortage of staff especially pilots, the Ministry in a written note furnished as under:

> "There is no shortage of staff in Air India. The total number of employees as on 30.09.2011 on the rolls of the Company were 27738 out of which 1518 are Pilots".

RECOMMENDATIONS/OBSERVATIONS

1.   The civil aviation sector in India has come a long way in the last 100 years of its existence and growth. From a solely Government regulated area, it has transformed into a more open and liberalized sector with several prominent private players in the field. Currently India is considered among the largest aviation markets of the World. In this context, the Committee note that around 140 million passengers were handled by the Indian Airports in the year 2010, which may increase upto 420 million by the year 2020, thus becoming the third largest market in the world.

       Such growth prospects have posed several challenges too. The Committee note that the Ministry of Civil Aviation is striving to face these challenges as well as achieve the desired growth rate for the aviation sector in the coming years through various measures. Infrastructure development to meet the future growth in air traffic has been given priority with construction projects of 15 'Greenfield' airports. Modernization of 64 metro and non-

metro airports is currently being undertaken to augment capacity and facilities at these airports. Economic regulation of the sector as well as protection of consumers' interests has also emerged as an area of crucial importance.   Further, the Committee also note the steps taken by the Ministry in liberalizing capacity enhancement/ traffic rights by allowing domestic airlines to fly to international destinations and to have alliances with various foreign airlines to serve a bigger market.

However, despite these positive signals, the Committee find it extremely distressing that the National Carrier, Air India is fast losing its dominant market position and has accumulated huge outstanding debts amounting to over ₹ 40,850 crore, as in December 2010. The Committee further learnt during the course of the examination that the National Carrier has a negative net worth and is in deep financial trouble to the extent that it is unable to meet even its own expenditure and needs unprecedented Government support to remain afloat as an airline company.

As regards the functioning of other aviation related bodies, the Committee feel that the reports of fake pilots flying aircraft, unpaid pilots refusing to fly and near misses of air mishaps have severely dented the credibility of the Directorate General of Civil Aviation (DGCA), the aviation regulator. Even some of the leading private airlines have started facing financial crunch. Overall, the Indian aviation scenario seems quite bleak. In this backdrop, the Committee feel that there is an urgent need for finding practical solutions and deft handling of the Indian Aviation sector. It is high time that the aviation regulators improved their functioning too. The subsequent paragraphs deal with various issues associated with the subject and the Committee's observations and recommendations on the same.

2.   The Committee note from the deposition of the Ministry that the Government of India does not follow the open skies policy, which allows unrestricted access by any foreign carrier into the sovereign territory of a country without any written agreement specifying capacity, ports of call or schedule of service. Presently, the Government regulates international destination/travel through bilateral agreements, as is the practice followed by the European Union, UK, USA, Japan, Australia and countries in South Eastern Asia. The Committee do understand the demerits of allowing unrestricted access of any foreign carrier into the sovereign territory of our country particularly in the light of an increased threat of terrorist activities. At the same time, they are constrained to note that inspite of having bilateral agreements with 108 countries, India has air connectivity with just half the number, i.e. around 53 countries. The Ministry has attributed it to the commercial judgments based on market demand, viability of operations, flow of traffic etc. The Committee have learnt that the Ministry had formal and informal bilateral talks with 27 countries in the year 2010 on mutual aviation relations, which include countries

witnessing heavy air travel by Indians, for instance, Malaysia, HongKong, USA, Canada and Singapore. The Ministry, in their deposition before the Committee, had taken the stand that the Government does not interfere in commercial matters of airlines of any country. Still one cannot lose sight of the fact that air travel for business or leisure is gaining good momentum all over the world. The Committee, accordingly desire that the Ministry should work out the modalities of establishing air connectivity with the remaining 55 countries and improve connectivity at least in the profitable routes. The Committee feel that even if the routes/destinations cannot be serviced by the National Carrier at present, the same should be made available to scheduled carriers/foreign airlines judiciously in order to improve tourism, trade and other bilateral activities with foreign countries. In this connection, it is understood that recently the Government has decided that the 'right of first refusal' enjoyed by the National Carrier so far, will cease to exist for all foreign routes or bilateral agreements signed between India and other countries. As a result, now all domestic carriers will be allowed to use bilateral trade rights to fly to foreign countries. The Committee feel that

it is a step in the right direction and would impress upon the Ministry to utilize the Bilateral agreements to the optimum for overall benefit of the aviation sector and the subsequent impact on other sectors like tourism and industry. They would like to be apprised of the Government's decisions and plans during this fiscal with regard to establishing air connectivity with countries with whom formal negotiations are underway, and results thereof.

3.   Access to funds is a critical issue for the aviation industry, with most domestic airlines registering huge losses in 2011-12. The Committee note that Foreign Direct Investment (FDI) for airport development in Greenfield Projects and Brownfield Projects is 100 percent through the automatic and the FIPB (Foreign Investment Promotion Board) routes respectively. However, as regards FDI in domestic scheduled passenger Airlines, only foreign financial and non-airline investors can invest upto 49 percent in Indian Airlines, as on date. In this connection, the Committee note that while presenting Union Budget (2012-13) in the Parliament on 16th March 2012, the Finance Minister has announced that a proposal to allow foreign airlines to participate upto 49 percent in the equity of an air transport undertaking engaged in operation of scheduled and non-scheduled air transport services is under active consideration of the Government.

      The Committee do not see any valid reasons for maintaining a cap on the FDI in domestic scheduled passenger airlines sector to 49 percent by foreign investors and 100

percent by a Non-Resident Indian (NRI). The cap for FDI is 74 percent in passenger/chartered flights and cargo and 100 percent by NRIs with no direct or indirect participation by any foreign airlines in passenger/chartered airlines.

The Committee consider that such a cap is limiting the growth of aviation sector in India. The benefits of opening up the passenger airlines sector for investment by foreign airline companies are manifold. Apart from addressing the shortage of funds, this would help raise the level of services for the consumers and promote healthy competition. The Committee are of the opinion that in a business environment, healthy competition ensures optimum level of services for consumers. They, therefore, would like to be apprised of the final decision of the Government on the matter concerning the ceiling on FDI as the same has already been under active consideration of the Government this fiscal.   At the same time, the Committee would stress that FDI cannot be the sole solution to the Indian aviation sector's debt problems and a holistic approach is required not only to attract funds towards it but also bring down the colossal

losses being suffered by it year after year. No doubt, the problem needs immediate attention and the Committee would like to be apprised of the decisions taken in this regard at the earliest.

4. The Committee observe that there was a sudden surge in domestic airfares by various Airlines during the winter tourist season in the year 2010. Though domestic fares are determined by market forces and thus are not Government regulated, the Committee wish to emphasize the need to ensure that air-fares are not hiked in a sudden and unreasonable manner. They note from the Ministry's deposition in December 2010 that a Civil Aviation Economic Regulatory Council has already been set up in May 2009 to address economic issues of air transport with special focus on airfares. The Committee wish to point out that this is only a relatively recent development. In fact the DGCA is already empowered under Rule 135 of the Aircraft Rules, 1937 to direct Airlines to establish their tariffs according to certain broad principles for maintaining transparency and the Director-General of the DGCA is empowered to issue directives to the Airlines indulging in excessive/predatory pricing. However, the Committee have doubts about the DGCA taking any cautionary step on these lines otherwise the case of excessive air tariffs during 2010 would not have happened. The

Ministry had also referred to the DGCA's directive to all scheduled airlines to display route-wise tariffs and category-wise fares in their respective websites. But on visiting the various websites, it is found that very few scheduled Airlines are following the said directive. The DGCA is understood to have a Tariff Analysis Unit functioning under its purview also to monitor tariff on regular basis. While being dissatisfied with the current state of affairs despite several powers already available to the Government, the Committee recommend that the DGCA or the newly set up Civil Aviation Economic Regulatory Council should monitor this aspect with clarity and find out measures to ensure proper compliance of the directives issued to scheduled Airlines so as to prevent harassment of the consumers. The Committee would also like to be apprised about the concrete proposals devised by the Economic Regulatory Council in the last one year on airfares, since a scrutiny of the 10 orders passed by them revealed that they related to the User Development Fee and fuel charges only. As the DGCA has also reportedly set up a Working Group to protect consumer interests in 2010, the Committee would only hope that the two

regulatory setups work in-sync so that their respective recommendations complement each other. The Committee would like to know as to what perceptible difference has been achieved in the field of airfare regulation by the Government in the recent months.

5.   The Committee note with concern that the aviation industry is heavily burdened with taxes and levies like Sales Tax on Aviation Turbine Fuel (ATF), levy withholding tax on leased aircraft/engines, high airport charges and levy of royalty, service tax on agency fees, expenses incurred abroad on loans raised and also services rendered and consumed abroad etc. The hefty Sales Tax on Aviation Turbine Fuel has been causing an adverse effect on the growth of the aviation sector over a period of time. The sales tax on ATF charged by the State Governments ranges from 4 percent to around 30 percent. The tax on ATF forms nearly 35-40 percent of the cost component of the airlines. During their deposition, the representatives of the aviation industry underlined the need to declare ATF under 'Declared Goods' Category so that it attracts uniform sales tax of 4 percent across India, though it has not yet been conceded by the Govt. as the Ministry of Finance is more keen on establishing a GST (Goods & Services Tax) regime first.   The Government is currently considering this proposal. The Committee desire that an early decision in this regard should be taken in the interest of

domestic airlines. They are of the view that conducive tax regime is essential for the growth of the aviation sector and hence recommend that due consideration may be given to reduce sales tax on ATF and categorize it as 'Declared Goods' under Central Sales Tax Act, since the proposed GST regime is not likely to be in place very soon and thus, the Ministry of Finance should not defer a decision on this matter. The Committee desire that their suggestions may be conveyed to the Ministry of Finance. At the same time, the Committee appreciate the announcement made by the Finance Minister, while presenting Union Budget (2012-13), that to reduce the cost of ATF, Government has permitted direct import of ATF by Indian carriers, as actual users.

The Committee also were convinced by the Ministry's stand that classification of aviation as an "infrastructure sector" enables companies for external commercial borrowings (ECB) through the automatic route and since aviation is a capital intensive business, easy access to working capital at competitive rates is a must for the healthy growth of the sector.

In this connection, the Finance Minister, in his Budget Speech (2012-13) has proposed to permit ECB for working capital requirements of the airline industry for a period of one year, subject to a total ceiling of US Dollar one billion. The Committee hope that this would address the immediate financing concerns of the Civil Aviation sector and would like to be apprised of the factual position on the said proposal at the action taken stage.

Another instance which the Committee are concerned to point out is that out of a total fleet of 174 aircraft, NACIL (now renamed as Air India Limited) has leased around 37 aircraft, which is highly expensive, as lease rental payments for aircraft/engines are subject to levy of Withholding Tax under Income Tax Act. The Committee were informed that such payments were exempt from taxation under Section 10 (15A) of Income Tax Act but the exemption was subsequently withdrawn for lease on or after April 2007, which was a great blow to the already sagging financial health of the national carrier and the aviation industry as a whole.

Overall, the Committee are dismayed that the incidence of taxes on air fares is quite substantial thus adversely impacting competitiveness of Indian Carriers vis-à-vis foreign carriers. They urge the Ministry to take up the matter with the Ministry of Finance on priority basis and work towards simplification of the tax regime which is imperative for the growth of the aviation sector. The Committee hope that the Ministry of Finance would take a reasonable view on the matter as not only NACIL but also scheduled carriers are facing acute financial crunch of late and this would not augur well for the Indian Civil Aviation industry in the long run.

6.   The Committee note that the mandate to regulate flight operations, airworthiness, and air traffic control services lies with the Directorate General of Civil Aviation (DGCA). However, the Committee find it strange that such a significant regulatory body is headed by an officer holding additional charge in the Ministry.   Since in their view, this administrative dispensation would not allow DGCA to render requisite vigilance and regulation of civil aviation sector, the Committee desire that DGCA should be headed by an officer with exclusive charge.

In so far as safety issues are concerned, tragic incidents in Mangalore and Arunachal Pradesh, reports of aircrafts coming dangerously close to each other or hovering over the airports for a long time before landing, have led the Committee to believe that the DGCA needs to revisit their procedures and regulatory mechanism thoroughly. The Committee have been informed that the DGCA has now set up a Civil Aviation Safety Advisory Council to suggest ways to enhance the safety of the aircraft operations at the aerodromes, and has ordered the inspection of

critical airports in order to review the systems and facilities at these aerodromes. The Committee take serious view of the fact that 11 airports have been identified as critical airports from flight operation point of view. It simply means that these airports are potentially very dangerous for the fliers as well as the crew and the aircraft. The Committee strongly recommend that the DGCA must not lose any time in addressing all issues pertaining to flight operations at these 11 critical airports to avoid any more tragic incident in future. They would like to know the timelines fixed and the actual planning done by the Ministry to bring these airports in the safe category. The Committee also emphasize that there is need to review and streamline all existing mandatory procedures related to flight operations at all the airports in the country which also include controlling noise pollution at metro airports. The Committee suggest that surprise checks/inspections be carried out in flights, hangars, cargo areas, public areas in airports etc. at regular intervals to keep the system foolproof to the maximum extent possible.

The Committee are convinced that the safety of the passengers can be ensured by introducing latest technology and equipment such as radar satellite systems to minimize human errors as well as having alert, efficient, qualified and well-trained personnel to operate these equipment effectively. The Committee, therefore, desire that the suggestions made by Civil Aviation Safety Advisory Council (CASAC) for training of inspectors, ground staff, pilots etc. and the need to improve the quality of training imparted by training institutes should be implemented in letter and spirit.

An amount of ₹ 10 crore has been given as budgetary support during 2011-12 for setting up of Civil Aviation Security Training Academy. The Committee would like to know the progress made in this regard. Further they note from the data furnished by the Ministry that an amount of ₹ 84 crore was allocated to the Bureau of Civil Aviation Security (BCAS) for purchase of body scanners, radiological detection equipment and Bomb Detection & Disposal equipment. The Committee would like to be apprised of the purchases made so far in this

regard.   The Committee further feel that post-accident operations need to be undertaken in a speedier manner.   As suggested by Civil Aviation Safety Advisory Council (CASAC), an Independent Accident Investigation Board should also be set up without further delay.   The search & rescue operations, another weak area, should also be strengthened with adequate support from all concerned organisations/agencies and State Governments.

7. **The Committee are unhappy to note that several airports in the country are functioning without license as per the policy mandated by the International Civil Aviation Organisation (ICAO) in 2003 and adopted by the Ministry since 2007. Since these licenses are a certification of fulfilling all necessary requirements by an airport, the very absence of it may mean a compromise in terms of safety and standard of services at the airports which are functioning without it. As five years have already elapsed, the licensing procedure should no longer be viewed as a new concept. Thus, the Committee desire to know the reasons for allowing these airports running without license, which by any standards, is a substantial number, as well as the responsibility fixed in the matter. They would also like to be apprised of the remedial measures taken, if any, to grant licenses to the applicant airports and the results thereof as well as the revenue earned by the DGCA so far by granting licenses. The Committee strongly urge the Ministry to complete all certification/ licensing for all the Airports in the country at the earliest and ensure that no such lapse occurs in future.**

8.   The Committee note with alarm that some pilots who either did not possess a proper pilot's license or were unfit to fly aircraft, had been found to be flying planes of private airlines thus gravely endangering the lives of passengers. What is further distressing is that the involvement of DGCA personnel too had been suspected in the matter, as certain private flying training institutes, in possible connivance with some DGCA officials, had been found to be certifying unfit candidates as pilots. Further surprising is the fact that some fake pilots were also found to be among the kith & kin of DGCA officials, which perhaps, explains as to why this issue was never unearthed by DGCA. The Committee were informed later that apart from the investigation by Delhi Police, the DGCA had started scrutinizing all licenses issued by them, and that an Expert Committee had been set up in March 2011 to re-examine the entire system of examination as well as licensing. The report of the said Committee was submitted in July, 2011. The Committee desire to be apprised of the recommendations of the Expert Committee as well as the arrests and prosecutions made in the case following the internal

checking done by DGCA and the follow up action taken on the recommendations of the Expert Committee. The Committee are further appalled by the news reports of a fake flying school functioning in the national capital itself. Obviously such schools can not be established overnight. Besides, it is difficult to accept that DGCA was completely unaware of such developments. The laxity on the part of the regulatory body has shocked the Committee and they strongly recommend that the DGCA personnel involved in this whole episode be identified urgently. The Committee are deeply anguished to note that a premier regulator like DGCA is plagued with nepotism which raises a question mark on its role. The Committee strongly feel that the time is ripe for its complete overhauling. While the Ministry is working on restructuring of the existing DGCA into an autonomous aviation safety regulatory organisation named Civil Aviation Authority (CAA) in line with ICAO's recommendations and international standards and practices, the Committee recommend that vested interests must not be allowed to dilute its efficacy otherwise Indian aviation industry may continue to suffer setbacks and miss growth opportunities.

The Committee would also like to be informed about the restructuring of DGCA into Civil Aviation Authority, as soon as it is completed.

9.   The Committee have already commented on the serious issue of fake pilots and flying institutes in their earlier recommendation. They further find that at present, there are 23 private Flying Training Institutes and 17 Government Flying Training Institutes in the country for training of pilots. They note with concern that as the aviation sector is growing at an average rate of 15 percent, lack of skilled personnel should not restrain the growth of the sector. The demand for pilots, engineers and cabin crew is going to be three times than that of the current strength by 2020 as per certain studies. In this regard, concerns about the quality of human resource in Indian aviation sector are being openly expressed now. The Committee, therefore, would like to emphasize that it is absolutely necessary to augment the training capacity for pilots, cabin crew, engineers and ground staff to meet the demands of the aviation industry, while keeping a very strict vigil on the quality of such training. The Committee are of the opinion that any slackness on this issue can cost the country dear in the near future. The Committee also recommend that the Ministry should assess and upgrade the existing

infrastructure at various Government Training Institutes to stop the exodus of Indian citizens to foreign training institutes. Besides, the Ministry must carry out periodic audits/inspections as well as efficiency and aptitude tests on the trainers to find out the degree of compliance of laid out norms for imparting proper training and enforce remedial measures, in case any lapse is found.

The Committee also recommend that DGCA should tighten the norms set for Government recognized private flying training institutes and ensure that all such institutes meet the desired criteria.

10. **The Committee note that the Airports Economic Regulatory Authority (AERA) has been established to act as the economic regulator for all airports in the country to determine tariffs, other airport charges and development fees including the User Development Fee (UDF) for aeronautical services and also to monitor the performance standards of 13 major airports. With regard to UDF, the Committee note that the concerned licensee may levy and collect the same under the rules. However no methodology has been prescribed in the Aircraft Rules for determining the User Development Fee and is determined on case-to-case basis.**

The UDF is recovered directly from the passengers. In this connection, from the information furnished to them, the Committee noted that two airports at Udaipur and Vizag are not charging any UDF from international customers while charging it from domestic travellers. The Committee fail to comprehend the logic behind it, particularly for Udaipur, which is a favourite tourist destination of high-profile international travellers category on whom UDF ought to be levied. Besides, Delhi and

Mumbai Airports are reported to be charging 'advance development fee' albeit there is a huge variation in the fee being charged by both. The Committee would desire to be apprised of the reasons for charging an 'advance' fee from passengers. As the amount of levy is subject to periodic review by AERA, the Committee desire that AERA should review these issues and issue suitable directions with a view to streamlining the system. The Committee may also be apprised of the same.

11. The Committee are pained to note that the National Carrier has suffered irreparable damage due to multiple issues which inter-alia include incomplete merger of the erstwhile Air India and Indian Airlines businesses, surplus and unproductive aged contract staff, skyrocketing fuel prices, strong competitors, non-availability of the required number of Boeing 787 wide-bodied aircraft for its international operations etc. Consequently, the company has gone into a severe crisis and its performance is far from satisfactory. As all the Public Sector Undertakings are required to sign an MoU with the Government so that their performance could be monitored constantly, the Committee would like to be apprised about the MoU, if any, signed between the Air India Limited and the Government as well as steps taken by the Government to ensure that the overall expenditure of the company does not accumulate into such a gigantic debt burden. Further, the Committee are surprised to note the imbalance in its staff structure as on the one hand Air India has surplus staff in terms of ground handling, ground transport and back office functions as stated by the then CMD, Air India, on the other, it has shortage of skilled personnel in terms of pilots, cabin crew

and engineers. Out of 27,738 employees, only 1518 are pilots. The Committee have further been informed that the aircraft to personnel ratio of Air India is 1:226, which is three times as compared to the international standards. The Agreements with Employees Union are also understood to be affecting the efficiency of the National Carrier and obstructing its efforts to respond positively to the fast changing business environment. Besides, even after five years of the integration of Air India and Indian Airlines, their merger is still not complete due to which the issue of pay parity has not been resolved. As on date, only 71 percent of the merger is complete. As far as integration of HR is concerned, out of 30 critical activities, only 10 are completed and rest are in progress. The Committee are convinced that lack of foresight, initiative and proper planning by the Government is responsible for the dismal state of affairs in Air India. Before embarking upon the merger of the two separate business entities, the Government should have devised clear-cut ways to address the issues relating to employees of the two airlines and prepared a meticulous plan of action as well as a contingency plan on merging Airlines with two different

cultures by studying the merger of several Airlines the world over. The Committee are aware that recently the three member panel headed by Justice Dharmadhikari (appointed by the Ministry to streamline wages), has submitted its report to the Government. The Committee hope that their recommendations would be implemented expeditiously for settling the salary issue of employees. The Committee feel that grievances of the employees need to be settled fast to make them a motivated and productive workforce. The Committee also recommend that the Ministry should look at the structure of Air India, in terms of its aging employees and initiate a suitable voluntary retirement scheme for them. Considering the excess of manpower in the company, especially the ground support staff, the Committee suggest that some younger surplus employees can be given proper professional training to be redeployed in catering and hospitality subsidiaries also. Overall, the Committee urge the Ministry to act expeditiously on all legacy issues and help the airline gain the dominant position, it had enjoyed in the past, among all domestic Airlines.

In so far as availability of wide-bodied aircraft for augmentation of fleet of Air India is concerned, the Committee find that out of 27 B787 aircraft, which were expected to be received by the year 2008, only 7 were delivered till 2011. As the competitors in international routes offer better flight experience to the travellers with wider aircraft, Air India loses customers due to its aging and narrow-bodied aircraft. The Committee would like to be apprised of the reasons for such a long delay by the USA based Boeing Commercial Planes company in delivering the ordered aircraft to India and penalties/ compensation imposed on them. They would also like the Ministry to apprise them whether the Boeing Company, has actually paid the compensation to the Indian Government for the delay. The Committee would also like to know as to how many aircraft have been delivered out of the 8 expected this year so far.

12. The Committee are distressed to note that despite being in the industry for 60 years, Air India Ltd. has completely lost its dominant position to private airlines due to severe financial crisis. It has accumulated a working capital debt to the tune of ₹ 22,000 crore, as on November 2011. Further, the operating loss of Air India per day has been ₹ 21 crore. Apart from these staggering figures, the Committee also note that Air India was at an unenviable 6th position in terms of on-time performance among the scheduled airlines of the country in the year 2010 which in itself is enough to trigger its decline in terms of market share and profitability.

Furthermore, the Committee note that the debt equity ratio of Air India is more than 40:1 as compared to the industry standards of 5:1. They are very disappointed that the net worth of Air India is negative owing to its inability to even meet its daily expenses as well. The Committee have been informed that the yield per seat kilometer for the Financial year 2010 has decreased by 13 percent as compared to 2009 and that it has

exhausted the ₹ 20,000 crore working capital. The government of India has been constantly infusing fresh equities amounting to crores of rupees into Air India, latest being ₹ 3200 crore particularly for its salary component, yet it has not made much of a difference to the overall financial health of the company. An estimated ₹ 30,231 crore equity is still required in the next 10 years, as per the Turnaround Plan. The Committee fail to understand as to how the situation was allowed to deteriorate to this extent despite the fact that Air India was once a show piece PSU and a matter of pride for the Government. Appointing a new Chief Operating Officer for the National Carrier could not help the airline a bit. The Ministry had argued that several airlines of other countries have also experienced decline, nonetheless the Committee feel that the fall of Air India has been really steep.   The Committee cannot help but opine that unscrupulous and vested interests have worked overtime to suck the life out of this public enterprise. Failure to check its deterioration is nothing but utter callousness on the part of the Government too.

13. The Committee are utterly disappointed that a 'Turnaround Plan' prepared with much consultations initially failed to convince the lenders to convert 40 percent of Air India's total debt into equity and the situation came back to square one. They are aware that the Government has begun consultations all over again on a fresh loan restructuring plan alongwith SBI Caps, the advisor to Air India. In this connection, the Committee feel that the Banks should not have been forced to agree to a plan which was detrimental to their own growth particularly in present economic and financial scenario world wide. Besides, converting part of a loan into equity cannot rid Air India of its entire debt burden therefore the Committee feel that Air India should be given at least interest free loan to partially ease the situation.

The Committee, therefore, hope that the Ministry might have by now come up with a viable turnaround plan which is agreed to by the lenders. Besides, since the Government is solely responsible for the company's financial woes, it should not shy away from taking care of the interest liability on its loan,

and payments for acquiring new fleet, if the company is to stay afloat. Recently, a panel set up by the Group of Ministers on the issue has reportedly recommended the Government to consider selling a part of its stake in Air India to a strategic partner too, apart from infusing further equity into the ailing entity. Monetisation of some of the key assets/properties of Air India is also being considered. The Committee would like to be apprised of the final decisions taken on the issue. The Committee also suggest that all routes being serviced by Air India as a matter of policy and having lower load factors than required, be subsidized by Government of India to the extent of the operating cost of the flight to cut down Air India's losses. The Committee would like the Ministry to submit a detailed note to them on the financial restructuring exercise as well as the results achieved at the earliest.   As an Expert Committee has already been examining various options for financial revival of Air India Limited, the Committee desire that their views may be conveyed to them. The Committee hope that any financial restructuring exercise suggested by the said Committee would be strictly time-bound since much delay has already occurred resulting in

an unprecedented damage to the overall image and financial health of Air India. They also desired to be apprised of the recommendations made by the said Expert Committee in this regard.

The Committee also feel that Air India should revisit its expenses judiciously and weed out unnecessary expenditure to augment its financial condition till a decision on the debt restructuring is reached and the plan is implemented on ground. Though the company would still run in losses for few more years, yet the Ministry has expressed confidence that it would experience positive growth from the Financial Year 2018. The Committee have been apprised that using Delhi airport as a hub, acquiring Boeing 787 aircraft for its capacity enhancement, setting up of cargo infrastructure etc. are some of the significant steps taken by Air India to match the growth in aviation sector. They desire that the Government should give maximum attention to ensure that Air India performs better in the years to come.

14.   **The Committee are glad to note that Pawan Hans Helicopter Ltd. (PHHL) has been a profit making entity since 1991-92 and paying dividends to the Government of India and ONGC.   The Committee are, however, distressed to note that the safety record of PHHL is not satisfactory. The crash of two of its Bell choppers in the recent past have raised questions about the maintenance aspect and fleet adequacy.   The Committee recommend that the Ministry enquire into the mishaps and take corrective measures, without delay.**

The Committee appreciate that PHHL has been a frontrunner in providing connectivity to the hilly regions of the country, particularly for Arunachal Pradesh where helicopters are the sole means of transportation in certain inhospitable terrains and suggest that it should augment the fleet as part of transport, rescue and relief infrastructure by adding more helicopters to its fleet since a fleet of 40 helicopters is inadequate for the needs of such a vast country.

The Committee desire that the Government should explore the medical evacuation/air-ambulance segment vigorously and start its services at affordable prices at a national level as medical evacuation would be a major driver of helicopter growth in the country through the National Disaster Management Agency (NDMA) and National Highway Authority of India (NHAI) requirements. However, construction of helipads in major Government hospitals needs to be undertaken first, for which engagement with other Ministries is necessary. The Committee hope that the Ministry has initiated action in the matter. They would also like to know the progress of the heliports in four metros as on date, particularly in Delhi, for which ₹ 7 crore was allocated this fiscal. The Committee further note that the Strategy Plan 2010-2015 of the Ministry of Civil Aviation lays emphasis on increasing the fleet of helicopters and exploring new sectors where its services can be optimally utilized. While various important aspects have been identified in the said plan, the Committee find it surprising that there is no plan to increase the manpower, be it flight safety inspectors or helicopter pilots. Acquiring more helicopters and venturing into newer areas will

boomerang in the absence of qualified and trained inspectors and pilots. The Committee, therefore, strongly recommend for inclusion of these aspects in the said Strategy Plan of the Ministry.

15. **The Committee note that Airports Authority of India (AAI), a consistently profit-making organisation, has initiated the development of Airports in the country at a large scale either on its own or through the PPP mode. The Committee further note that 2 metro airports and 62 non-metro airports have been shortlisted for modernization and upgradation for which around ₹ 1500 crore was given as budgetary support during 2011-12. Apart from metro airports, several non-metro airports are experiencing a substantial rush of domestic and international travellers for tourism and business purposes. Therefore, the Committee desire the Ministry to ensure that all such projects are completed in a time bound manner. They would like to be apprised of the progress on a case-to-case basis.**

Further, the Committee are constrained to note that the upgradation of airport at Bhubaneswar has been delayed. They feel that not only the upgradation of the said airport needs to be speeded up but more cities in Orissa should be considered for creating airport infrastructure in view of the transit of the State.

Similarly the development of new Civil Enclave at Bhatinda Airport is delayed due to coordination required with the Indian Air Force as its taxiway and runway fall within the IAF operational area. The status of Patna airport is in limbo too due to non-availability of land. For Hubli airport, 27 acres of land is yet to be given by the State Government. Though Kota airport has not been included in the list of 62 non-metro airports to be modernized, the Committee are of the opinion that the city, which is third largest city in Rajasthan, needs a good aviation infrastructure for its growth, and thus, feel that the Ministry should consider including the city airport for modernization and diverting air traffic through it. In so far as Gwalior airport is concerned, the Committee are not convinced by the reasons cited by the Ministry for not including the same in the list of airports where modernization will be taken up and desire that the matter may be reconsidered. Another airport requiring AAI's attention is Nagpur, where the project of multi-modal hub airport has been delayed for the last three years. As regards, North-East, the Committee are disappointed to note that the Itanagar airport, which was envisaged in the special package, has so far

received a meagre sum of ₹ 1 crore only. Arunachal Pradesh, due to its sensitive location, needs special attention. Thus, the Committee recommend that the construction of Greenfield airport at Itanagar must be speeded up urgently. The Committee strongly urge the Ministry to look into all the above-stated matters and respond accordingly. Besides the Ministry must expedite the upgradation programme of all the 64 airports to prevent any cost escalations and time overruns, in consultation with the Airport Advisory Committees at various airports. In the meantime, the Committee desire to be apprised of the scheduled and actual date of commencement, cost estimates, progressive actual expenditure upto 31 March, 2012, delay, if any, along with reasons thereof and cost escalation of each of the 64 projects taken up by AAI. The Committee also desire that the responsibility may be fixed for delay and time-overruns in these projects.

As regards other smaller airports, the Committee feel that airports providing connectivity to certain world famous shrines like Tirupati and Shirdi not only have great potential in terms of

passenger load but are vital to promote religious tourism too. The Committee are happy that construction of terminal building for Shirdi airport has already commenced, while obtaining of land clearance for Tirupati Airport terminal building needs to be pursued further. The commencement of night landing facility at Tirupati with due commercial and operational assessments needs attention too. In this connection, the Committee appreciate to note that in response to the concern shown by them during their Study Visit in January 2012, all the requisite logistic and other related requirements for night landing facility have been put in place at Tirupati Airport in the recent past. Some of the chartered flights have already started operating. Regarding the scheduled flights, it has been informed that many of the airlines have shown their keenness to start their services for night landing very soon. The Committee desire that all necessary steps should be taken by the concern authorities so that the various airlines operate their night services at Tirupati Airport and the Committee be informed accordingly. Besides, in view of the great demand to connect Tirupati with Bangalore, which reportedly is not lucrative to the National carrier, the

Committee would like to suggest that the matter might be discussed with other scheduled airlines to explore a feasible solution.

In so far as the metro airports are concerned, the Committee note that availability of buggies at Terminal –III of the Delhi Airport to the needy travellers needs to be looked into, since many such passengers are unable to make use of the facility. The Committee would urge the Ministry to take up the matter with DIAL authorities and ensure compliance of Committee's suggestions. The noise pollution levels at all metro airports, particularly the Mumbai Airport, need to be brought down to the permissible limits too. The Committee desire that the matter be appropriately addressed and would like to have a comprehensive report on all the issues raised herein.

16. The Committee have been informed that the Ministry has initiated a programme for upgradation of infrastructure at the various airports in the country for Air Traffic Management. They further note that AAI has embarked upon the ambitious, ₹ 774 crore GAGAN (GPS aided Geo Augmented Navigation) project with ISRO, which will provide correction signals to the GPS signals to meet the accuracy, integrity, availability and continuity requirements of aviation sector. An amount of ₹ 313 crore is stated to have been spent on the project. The Committee would like to know the progress and timelines for completion of this project. The Committee further desire the Ministry to acquire all necessary modern technologies and equipment and streamline the procedure for air traffic management. In the light of airports being developed through the PPP route, the role of the ATC becomes even more critical in ensuring safe air traffic movement. Moreover, the Committee note with concern that Instrument Landing System (ILS) are of CAT - I level at most of the airports in the country and thus strongly urge the Ministry to upgrade the same at all the

airports. The Committee would like to point out that inspite of ILS CAT-III system installed at Delhi Airport, there are still long delays experienced during every winter season. The Committee, therefore, are of the opinion that the Ministry should work hard to improve their air traffic management system. They should also ensure that all airlines deploy CAT-III trained pilots, particularly during the fog period to ensure on time arrivals and departures.

17. The Committee note that the Strategic Plan prepared by the Ministry for the period 2010-15 has already identified inadequate trained manpower as a weakness in the Indian aviation sector while maintaining a view that the existing training infrastructure may not be adequate to support the sector's growth from the current nearly 32000 personnel to 90000 personnel by the year 2020. The said Plan has also identified the Indira Gandhi Rashtriya Udan Academy (IGRUA), Rae Bareli, the National Flying Training Institute, Gordia and the training institute of Pawan Hans Helicopters Ltd. as a combined resource to meet the required standards of performance of Human Resource (HR) in aviation. Further, the Committee have learnt that it has been proposed that the National Institute of Aviation Management and Research (NIAMR) at Delhi would be developed as a major resource for training of aviation related managers and personnel. The Committee are of the strong opinion that more Government Institutes need to be added to the 17 existing institutes so as to train adequate personnel as per the

requirements of the sector. The Committee desire to be apprised of the progress made in respect of each component of the Strategic Plan at the action taken stage.

From the Budgetary Outlays for the year 2011-12, the Committee note that an amount of nearly Rs. 50 crore has been approved for HR development and establishment of training academies during the Year. Out of the said Outlay, an amount of Rs. 30 crore is allotted to the DGCA for creation of a helicopter academy as well as a training academy and the IGRUA has also received Rs. 10 crore to establish a civil aviation training academy. An amount of Rs. 6 crore has also been approved for the Aero Club of India for the purpose of flying training. The Committee would like to know the status of utilization of the allotted outlay and the progress on establishing the training academies, as the aviation sector is facing an acute lack of suitably trained personnel. The Committee would also like to be apprised of further measures taken by the Ministry to meet the ever increasing demand for aircraft and helicopter pilots,

aeronautical engineers, cabin crew, aviation safety inspectors and air traffic controllers.

NEW DELHI;	**FRANCISCO SARDINHA,**
24th April, 2012	**CHAIRMAN,**
Vaisakha 04,1934 (Saka)	**COMMITTEE ON ESTIMATES.**

MINUTES OF FOURTH SITTING OF COMMITTEE ON ESTIMATES (2010-2011)

The Committee sat on Thursday, the 1st July, 2010 from 1515 hrs. to 1750 hrs.

Shri Francisco Sardinha – Chairman

MEMBERS

2	Smt. Harsimrat Kaur Badal
3	Shri T.K.S. Elangovan
4	Shri P. Karunakaran
5	Shri Chandrakant Khaire
6	Shri M. Krishnaswamy
7	Shri Ravindra Kumar Pandey
8	Shri Jagdish Singh Rana
9	Shri S. Semmalai
10	Shri Arjun Charan Sethi
11	Shri Brij Bhushan Sharan Singh
12	Shri Sushil Kumar Singh
13	Shri Lalji Tandon
14	Shri Manish Tewari
15	Shri K.C. Venugopal

SECRETARIAT

1.	Shri U.S. Saxena	-	Joint Secretary
2.	Smt. Anita B. Panda	-	Addl. Director
3.	Smt. Juby Amar	-	Under Secretary

WITNESSES

MINISTRY OF CIVIL AVIATION

1	Shri M. Madhavan Nambiar	Secretary
2	Shri Rohit Nandan	Joint Secretary
3	Shri Alok Sinha	Joint Secretary
4	Shri Prashant Narain Sukul	Joint Secretary
5	Dr. Nasim Zaidi	Director General, DGCA
6	Shri Yashwant Bhawe	Chairman, AERA
7	Shri. V.P. Agrawal	Chairman, AAI

8	Shri Arvind Jadhav	CMD, NACIL
9	Shri R.K.Tyagi	CMD, PHHL
10	Shri Sudhir Kumar	Commissioner of Railway Safety, CRS

2.   At the outset, the Chairman welcomed the Members of the Committee and representatives of the Ministry of Civil Aviation to the sitting of Committee.

3.   Thereafter, the representatives of the Ministry of Civil Aviation gave a PowerPoint presentation on the subject 'Development & Regulation of Civil Aviation'. The Members of the Committee sought clarification on various issues relating to the subject to which the officials of the Ministry responded. The Hon'ble Chairman requested the Secretary to furnish replies in writing to the questions for which answers were not readily available during the course of briefing.

4.   The Committee decided to have a PowerPoint presentation by National Aviation Company of India Ltd. (NACIL) in the next sitting of the Committee.

5.   A verbatim record of the proceedings has been kept.

<u>The Committee then adjourned.</u>

MINUTES OF FIFTEENTH SITTING OF COMMITTEE ON ESTIMATES (2010-2011)

The Committee sat on Tuesday, the 12th October, 2010 from 1500 hrs. to 1710 hrs. in Main Committee Room, Parliament House Annexe, New Delhi.

Shri Francisco Sardinha – Chairman

MEMBERS

2   Shri T.K.S Elangovan

3   Dr. Sanjay Jaiswal

4   Shri Ramesh Jigajinagi

5   Shri Chandrakant Khaire

6   Shri M. Krishnaswamy

7   Dr. Sanjeev Ganesh Naik

8   Shri Prabodh Panda

9   Shri M. Sreenivasulu Reddy

10   Shri S. Semmalai

11   Shri Arjun Charan Sethi

12   Shri Madanlal Sharma

13   Shri Brijbhushan Sharan Singh

14   Shri Sushil Kumar Singh

15   Shri Lalji Tandon

SECRETARIAT

1. Smt. Anita B. Panda   -   Additional Director
2. Smt. Juby Amar   -   Deputy Secretary

WITNESSES

MINISTRY OF CIVIL AVIATION AND NATIONAL AVIATION COMPANY OF INDIA LTD. (NACIL)

1.	Shri M. Madhavan Nambiar	Secretary
2.	Shri Rajrishi Bhattacharya	AS & FA
3.	Shri Alok Sinha	Joint Secretary
4.	Shri Prashant Narain Sukul	Joint Secretary
5.	Shri Syed Nasir Ali	Director
6.	Dr. Nasim Zaidi	Director General, DGCA
7.	Smt. Geeta Narayan	Director (F&A), DGCA
8.	Shri V.K. Verma	Director, IGRUA
9.	Shri V.P. Agrawal	Chairman, AAI
10.	Shri S.C. Chhatwal	Member (F), AAI
11.	Shri V. Somasundaram	Member (ANS), AAI
12.	Shri M.C. Kishore	ED & CS, AAI
13.	Shri Arvind Jadhav	CMD, NACIL
14.	Shri S. Chandrasekhar	Director – Finance, NACIL
15.	Shri Vijay Paul	Executive Director, Northern Region, NACIL
16.	Shri S. Rotkar	Executive Director (S&M), MRO SBU, NACIL
17.	Shri M.N. Rajgopal	Executive Director – Engg. II Pax SBU, NACIL
18.	Shri M.L. Sharma	Chief Manager, NACIL

2.   At the outset, the Chairman welcomed the Members and representatives of the Ministry of Civil Aviation and National Aviation Company of India Ltd. (NACIL) to the sitting of the Committee.

3. The representatives of NACIL gave a PowerPoint presentation on the subject 'Development & Regulation of Civil Aviation'. The Members of the Committee sought clarification on various issues relating to the subject to which the representatives of the Ministry and NACIL responded. The Hon'ble Chairman requested the Secretary to furnish

replies in writing to the questions for which answers were not readily available during the course of evidence.

4. A verbatim record of the proceedings has been kept.

The Committee then adjourned.

MINUTES OF TWENTIETH SITTING OF COMMITTEE ON ESTIMATES (2010-2011)

The Committee sat on Monday, the 20th December, 2010 from 1500 hrs. to 1735 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

Shri Francisco Sardinha – Chairman

MEMBERS

1. Shri Adhir Ranjan Chowdhury
2. Shri Bhakta Charan Das
3. Shri M. Krishnaswamy
4. Shri Prabodh Panda
5. Shri Ravindra Kumar Pandey
6. Shri Kabindra Purkayastha
7. Shri K. Jaya Surya Prakash Reddy
8. Shri M. Sreenivasulu Reddy
9. Smt. Yashodhara Raje Scindia
10. Shri S. Semmalai
11. Dr. Raghuvansh Prasad Singh
12. Shri Lalji Tandon
13. Shri Manish Tewari
14. Shri K.C. Venugopal

SECRETARIAT

1.	Shri U.S. Saxena	-	Joint Secretary
2.	Smt. Anita B. Panda	-	Additional Director
3.	Smt. Juby Amar	-	Deputy Secretary

WITNESSES

19.	Dr. Syed Nasim Ahmad Zaidi	-	Secretary
20.	Shri E.K. Bharat Bhushan	-	AS & FA, Ministry of Civil Aviation and Director General, DGCA
21.	Shri Rohit Nandan	-	Joint Secretary
22.	Shri Alok Sinha	-	Joint Secretary
23.	Shri Prashant Narain Sukul	-	Joint Secretary

24.	Shri A.K. Sharan	-	Joint Director General, DGCA
25.	Shri Alok Shekhar	-	Director
26.	Smt. Pragya Richa Srivastava	-	Director
27.	Smt. Shubha Thakur	-	Director
28.	Shri L. Raja Shekhar Reddy	-	Director
29.	Shri Syed Nasir Ali	-	Director
30.	Shri V.P. Agrawal	-	Chairman, Airports Authority of India
31.	Shri Arvind Jadhav	-	CMD, NACIL
32.	Shri Chandrashekhar	-	Director (Finance), NACIL
33.	Shri Vipin Kumar Sharma	-	SBU Head, E&C
34.	Shri K.M. Unni	-	SBU Head, Air France
35.	Shri S. Venkat	-	ED Finance & CS
36.	Shri V. Srikrishnan	-	ED (Hqrs)
37.	Shri Vijay Paul	-	Executive Director, Northern Region
38.	Shri S. Rotkar	-	ED (Sales & Marketing), SBU, MRO
39.	Shri M.N. Rajagopal	-	Executive Director (Engg)-II (O), Pax SBU
40.	Shri K. Shyamsundar	-	GM-Commercial
41.	Shri R.K. Tyagi	-	CMD, Pawan Hans Helicopters Limited
42.	Shri V.K. Verma	-	Director, IGRUA
43.	Shri R.N. Dhoke	-	Additional Commissioner
44.	Shri S. Raheja	-	Member (Plg.), AAI
45.	Shri S.C. Chhatwal	-	Member (Fin.), AAI
46.	Shri V. Somasundaram	-	Member (ANS), AAI
47.	Shri G.K. Chaukiyal	-	Member (Operations), AAI
48.	Shri Ajay Kapur	-	DGM (Comm.), AAI

2.   At the outset, the Chairman welcomed the Members and representatives of the Ministry of Civil Aviation, DGCA, AAI, IGRUA and NACIL to the sitting of the Committee.

3.   The representatives of AAI & DGCA gave PowerPoint presentations on the subject 'Development & Regulation of Civil Aviation'. The Members of the Committee sought clarifications on various issues relating to the subject to which the representatives of the Ministry and NACIL responded.   The Hon'ble Chairman

requested the Secretary to furnish replies in writing to the questions for which answers were not readily available during the course of evidence.

4.   A verbatim record of the proceedings has been kept.

<div align="center">**<u>The Committee then adjourned.</u>**</div>

MINUTES OF NINTH SITTING OF COMMITTEE ON ESTIMATES (2011-2012)

The Committee sat on Tuesday, the 08th November, 2011 from 1500 hrs. to 1725 hrs. in Room No. 53, Parliament House, New Delhi.

PRESENT

Shri Franscisco Sardinha - Chairman

Members
2. Smt. Harsimrat Kaur Badal
3. Shri E. T. Mohammed Basheer
4. Shri Dhruvanarayana
5. Shri Ninong Ering
6. Shri Prahlad Venkatesh Joshi
7. Shri P. Karunakaran
8. Shri Bapi Raju Kanumuru
9. Shri Chandrakant Khaire
10. Shri Jagdish Singh Rana
11. Shri Magunta Sreenivasulu Reddy
12. Shri S. Semmalai
13. Shri Arjun Charan Sethi
14. Shri Brijbhushan Sharan Singh
15. Shri Ijyaraj Singh
16. Shri Jagada Nand Singh
17. Shri Radha Mohan Singh
18. Shri Sushil Kumar Singh
19. Smt. Annu Tandon
20. Shri Hukamdeo Narayan Yadav

SECRETARIAT

1. Shri P. K. Grover   -   Additional Secretary
2. Shri S. C. Kaliraman   -   Director
3. Smt. Juby Amar   -   Deputy Secretary

WITNESSES

MINISTRY OF CIVIL AVIATION

1	Dr. Syed Nasim Ahmad Zaidi	Secretary
2	Shri E.K. Bharat Bhushan	Additional Secretary & FA
3	Shri Alok Sinha	Joint Secretary
4	Shri Prashant Narain Sukul	Joint Secretary
5	Shri Nasir Ali	Director
6	Shri A.K. Sharan	Joint DG, DGCA
7	Capt. Kapil Chaudhary	Secretary, AERA
8	Shri B.B. Dash	Joint Commissioner of Security, BCAS
9	Shri S.P. Singh	Deputy Commissioner of Security, BCAS
10	Air Marshal (Retd) V.K. Verma	Director, IGRUA
11	Shri V.P. Agarwal	Chairman, Airports Authority of India
12	Shri S. Raheja	Member, Planning
13	Shri V. Somasundaram	Member ANS & Finance
14	Shri G.K. Chaukiyal	Member (Ops.)
15	Shri M.C. Kishore	ED (CA) & (CS)
16	Shri Rohit Nandan	CMD, Air India Ltd.
17	Shri Vipin Kumar Sharma	SBU Head MRO (E&C), Air India Ltd.
18	Shri K.M. Unni	SBU Head MRO (Airframe)
19	Shri Deepak Brara	ED (HQRS), Air India Ltd.
20	Shri S. Venkat	ED Finance & Company Secretary, Air India Ltd.
21	Shri F. J. Vaz	ED (Commercial), Air India Ltd.
22	Shri Vijay Paul	ED (North), Air India Ltd.
23	Shri M.L. Sharma	Dy. G.M. (CA), Air India Ltd.
24	Shri R.K. Tyagi	CMD, PHHL
25	Shri Sanjeev Bahl	ED, PHHL

2.   At the outset, the Chairman welcomed the Members of the Committee and representatives of the Ministry of Civil Aviation to the sitting of Committee.

3.   The representatives of Air India Limited gave a Power Point presentation on the subject 'Development & Regulation of Civil Aviation'. The Members of the Committee

raised queries on various issues relating to the subject and the representatives of the Ministry of Civil Aviation as well as the CMD, Air India and Chairman, AAI responded to the same. Thereafter, the Chairman directed the Secretary, Ministry of Civil Aviation to furnish replies, in writing to the questions for which answers were not readily available during the course of evidence.

4.   A verbatim record of the proceedings has been kept.

The Committee then adjourned.

MINUTES OF ELEVENTH SITTING OF COMMITTEE ON ESTIMATES (2011-2012)

The Committee sat on Tuesday, the 10th April, 2012 from 1400 hrs. to 1530 hrs. in Committee Room B, Parliament House Annexe, New Delhi.

PRESENT

Shri Franscisco Sardinha – Chairman

Members

2. Shri Bhakta Charan Das

3. Shri Dhruvanarayana

4. Shri T. K. S. Elangovan

5. Shri Ninong Ering

6. Shri Bapi Raju Kanumuru

7. Shri M. Krishnaswamy

8. Shri Datta Meghe

9. Shri Prabodh Panda

10. Smt. Yashodhara Raje Scindia

11. Shri S. Semmalai

12. Shri Brijbhushan Sharan Singh

13. Shri Ijyaraj Singh

14. Shri Jagadanand Singh

15. Shri Radha Mohan Singh

16. Shri Sushil Kumar Singh

16. Shri Hukamdeo Narayan Yadav

SECRETARIAT

1. Shri P. K. Grover   -   Additional Secretary
2. Shri S. C. Chaudhary   -   Director
3. Smt. Anita B. Panda   -   Additional Director
4.   Dr. Yumnam Arun Kumar-   Deputy Secretary

2.   At the outset, the Chairman welcomed the Members to the sitting of the Committee.

3. The Committee then took up for consideration following Draft Reports for consideration and adoption:

(i)   'Development and Regulation of Civil Aviation' pertaining to the Ministry of Civil Aviation.

(ii)   *** *** *** *** *** *** *** *** *** *** *** *** *** *** *** *** *** *** *** *** *** ***

4.   The Committee adopted the draft Reports at (i) and *** above with some modifications suggested by the Members of the Committee as per **Annexure**.

5.   The Committee, then, authorized the Chairman to finalize the above Reports in the light of modifications suggested as well as other consequential changes arising out of the factual verifications, if any, by the concerned Ministries and present the same to the Parliament.

The Committee then adjourned.

Modifications carried out in the Recommendations portion of the Draft Report on the subject 'Development and Regulation of Civil Aviation'

1.   **On Recommendation No. 6:**   The Recommendation may be modified as under:-

(i)   After "**However,**" in the 3rd line (from the top) of the first paragraph, the 4th line may start with the following lines:-

"… … the Committee find it strange that such a significant regulatory body is headed by an officer holding additional charge in the Ministry. Since in their view, this administrative dispensation would not allow DGCA to render requisite vigilance and regulation to civil aviation sector, the Committee desire that DGCA should be headed by an officer with exclusive charge."

(ii)   At the start of the 1st line of the second paragraph, the following phrase may be added:-

"In so far as safety issues are concerned, … …"

2.   **On Recommendation No. 11:**   In the 9th line (from the top) of the first paragraph, after "**satisfactory.**", the following lines may be added:-

"… … As all the Public Sector Undertakings are required to sign an MoU with the Government so that their performance could be monitored constantly, the Committee would like to be apprised about the MoU, if any, signed between the Air India Limited and the Government as well as steps taken by the Government to ensure that the overall expenditure of the company does not accumulate into such a gigantic debt burden. Further, … …"

3.   **On Recommendation No. 13:**   The Recommendation may be modified as under:-

   (i)   In the existing first paragraph of Recommendation No. 13, the following lines may be added after the last line:-

   "… … Besides, converting part of a loan into equity cannot rid Air India of its entire debt burden, therefore, the Committee feel that Air India should be given at least interest free loan to partially ease the situation."

   (ii)   In the existing second paragraph, the following lines may be added after the last line:-

   "… … As an Expert Committee has already been examining various options for financial revival of Air India Limited, the Committee desire that their views may be conveyed to them. The Committee hope that any financial restructuring exercise suggested by the Committee would be strictly time-bound since much delay has already occurred resulting in an unprecedented damage to the overall image and financial health of Air India. They also desire to be apprised of the recommendations made by the said Expert Committee in this regard."

4.   **On Recommendation No. 14:**   After "**country,**" in the 3rd line of the second paragraph, the following lines may be added:-

   "… … particularly for Arunachal Pradesh where helicopters are the sole means of transportation in certain inhospitable terrains and suggest that it should augment the fleet as part of transport, … …"

5.   **On Recommendation No. 15:**   The Recommendation may be modified as under:-

   (i)   After "**delayed.**" in the 2nd line of the second paragraph, the following lines may be added:-

"… … They feel that not only the upgradation of the said airport needs to be speeded up but more cities in Orissa should be considered for creating airport infrastructure in view of the transit of the State … …"

(ii)   After "**Government.**" in the 8th line of the second paragraph, the following paragraph may be added:-

"… … Though Kota airport has not been included in the list of 62 non-metro airports to be modernized, the Committee are of the opinion that the city, which is third largest city in Rajasthan, needs a good aviation infrastructure for its growth, and thus, feel that the Ministry should consider including the city airport for modernization and diverting air traffic through it. In so far as Gwalior airport is concerned, the Committee are not convinced by the reasons cited by the Ministry for not including the same in the list of airports where modernization will be taken up and desire that the matter may be reconsidered. Another airport requiring AAI's attention is Nagpur, where the project of multi-modal hub airport has been delayed for the last three years. As regards North-East, the Committee are disappointed to note that the Itanagar airport, which was envisaged in the special package, has so far received a meager sum of ₹ 1 crore only. Arunachal Pradesh, due to its sensitive location, needs special attention. Thus, the Committee recommend that the construction of Greenfield airport at Itanagar must be speeded up urgently. The Committee strongly urge the Ministry to look into all the above-stated matters and respond accordingly. Besides, the Ministry must expedite the upgradation programme of all the 64 airports to prevent any cost escalations and time overruns, in consultation with the Airport Advisory Committees at various airports. In the meantime, the Committee desire to be apprised of the scheduled and actual date of commencement, cost estimates, progressive actual expenditure upto 31 March, 2012, delay, if any, along with reasons thereof and cost escalation of each of the 64 projects taken up by AAI. The

Committee also desire that the responsibility may be fixed for delay and time overruns in these projects."

6.   **On Recommendation No. 17:**   After "**personnel.**" in the 16th line of the first paragraph, the following lines may be added:-

"… … The Committee are of the strong opinion that more Government Institutes need to be added to the 17 existing institutes so as to train adequate personnel as per the requirements of the sector … …"