

**MINISTRY OF CIVIL AVIATION**  
**DEVELOPMENT AND REGULATION OF CIVIL AVIATION**

[Action taken by the Government on the recommendations contained in the Fourteenth Report (Fifteenth Lok Sabha) of the Committee on Estimates]

**COMMITTEE ON ESTIMATES**  
**(2012-2013)**

**TWENTY FOURTH REPORT**

---

**(FIFTEENTH LOK SABHA)**



**LOK SABHA SECRETARIAT**

**NEW DELHI**

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**COMMITTEE ON ESTIMATES**

**(2012-2013)**

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[Action taken by the Government on the recommendations contained in the Fourteenth Report (Fifteenth Lok Sabha) of the Committee on Estimates]

*Presented to Lok Sabha on 30 April, 2013*



**LOK SABHA SECRETARIAT**

**NEW DELHI**

**\_\_\_April, 2013/Vaisakha \_\_\_, 1935 (Saka)**

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**COMPOSITION OF THE COMMITTEE ON ESTIMATES (2012-13)**

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| 4. | Shri Mohit Rajan       | - | <i>Committee Officer</i>   |

(iv)

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<sup>1</sup> Expired on 24.01.2013

## INTRODUCTION

I, the Chairman of Committee on Estimates (2012-13) having been authorized by the Committee to present the Report on their behalf, present this Twenty Fourth Report on action taken by the Government on the recommendations contained in the Fourteenth Report of the Committee (Fifteenth Lok Sabha) on the subject 'Development and Regulation of Civil Aviation' pertaining to Ministry of Civil Aviation.

2. The Fourteenth Report was presented to Lok Sabha on 26 April, 2012. The Ministry of Civil Aviation furnished their action taken replies on the recommendations contained in the Fourteenth Report (Fifteenth Lok Sabha) on 21 January, 2013. Further, specific information regarding a number of points in the Recommendations was called for which was furnished by the Ministry of Civil Aviation on 16 April, 2013. The draft report was considered and adopted by the Committee at their sitting held on 26 April, 2013.

3. An analysis of action taken by the Government on the recommendations contained in the Fourteenth Report of Committee on Estimates (Fifteenth Lok Sabha) is given in Appendix XII.

NEW DELHI;  
29 April, 2013  
Baisakha 9,1935(S)

FRANCISCO SARDINHA  
CHAIRMAN  
COMMITTEE ON ESTIMATES



## CHAPTER - I REPORT

This Report of the Committee deals with the action taken by the Government on the Recommendations/ observations contained in the Fourteenth Report (Fifteenth Lok Sabha) on the subject ' Development and Regulation of Civil Aviation' pertaining to Ministry of Civil Aviation.

1.2. The Committee's Fourteenth Report (Fifteenth Lok Sabha) was presented to Lok Sabha on 26.04.2012. It contained 17 Recommendations/ Observations. Action Taken Notes in respect of all the Recommendations / Observations were received from the Ministry of Civil Aviation on 21.01.2013. It was however observed that no specific response was given by the Ministry to a number of points in the recommendations. The Ministry of Civil Aviation were, therefore, asked to give further information which was furnished on 16.04.2013.

1.3 Replies to the Recommendations / observations contained in the Report have broadly been categorized as under:

(i) Recommendations/Observations that have been accepted by the Government

Sl. No. 1, 2, 3, 10, 11, 12, 13, 14, & 16

(Total 9)

(Chapter-II)

(ii) Recommendation/Observation which the Committee do not desire to pursue in view of the Government's reply

Sl. No. 4

(Total 1)

(Chapter-III)

(iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee

Sl. No. Nil

(Total Nil)

(Chapter IV)

(iv) Recommendations/Observations in respect of which final replies of the Government are still awaited

Sl. No. 5, 6, 7, 8, 9, 15 &17

(Total 7)

(Chapter V)

**1.4 The Committee desire that final replies to the recommendations nos. 5, 6, 7, 8,9,15 & 17 and response to comments contained in Chapter-1 of this Report should be furnished expeditiously.**

1.5. The Committee will now deal with the action taken by the Government on some of their recommendations.

**A. Need to improve Safety of the aircraft operations and control noise pollution at airports**

**Recommendation / Observation (sl. no. 6)**

1.6 In the light of tragic aircraft incidents at Mangalore and Arunachal Pradesh, the Committee, emphasizing the need for improving the safety of operations at 11 airports identified as 'critical airports', *inter - alia* recommended that (i) 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, (ii) they be apprised of the timelines fixed and the actual planning done by the Ministry to bring the said airports in the safe category , (iii) there is a 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, and; (iv) 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.

1.7. The Ministry of Civil Aviation stated, *inter-alia*, in their reply dated 21.01.2013 that Inspection of all these 11 critical airports has been carried out by a team of officials from Directorate General of Civil Aviation. Their report is forwarded to the respective aerodrome operators for taking necessary action. The report broadly suggests the following measures:

- Providing of Runway End Safety Areas (RESAs)
- Ensuring proper marking on runways.
- Proper maintenance of basic strips and ensuring frangibility criteria.
- Periodic calibration of Nav Aids.
- Maintenance of Runway Surface within appropriate friction Levels.
- Removal of obstacles and proper marking and lighting of permissible obstacles
- Safety risk assessment in respect of non-compliances.

1.8. As the Ministry's reply was silent on remaining points in the recommendations, the Ministry were asked to furnish specific replies to the same. The Ministry *vide* their OM dated 16.04.2013 provided further information as under:

"11 Airports were identified as Critical airports from flight operations point of view. Inspection of these airports was carried out by the team of officials from Directorate General of Civil Aviation and reports were forwarded to the respective aerodrome operator for taking necessary action.

Various steps have been taken to enhance the safety at these aerodromes which included:

- Provision of Runway End Safety Areas (RESAs)
- Ensuring proper marking on runways
- Proper maintenance of basic strip and ensuring frangibility criteria.
- Periodic calibration of Nav Aids
- Maintenance of Runway Surface within appropriate friction Levels
- Removal of obstacles and proper marking and lighting of permissible obstacles and
- Safety risk assessment in respect of non-compliances.

(ii) All operators have been directed to carry out safety assessment of the aerodromes in accordance with Flight Standards Directorate circular no.02 of 2012 and depending upon the safety risk assessment, the operators shall define the training and qualification requirements for the flight crew operating to the said aerodrome. The circular also gives guidelines to categorize the aerodromes based on the safety assessment.

(iii) With regards to controlling noise pollution at metro airstrips, it is stated that as per the direction of Delhi High Court, DGCA has commissioned undertaken a pilot study for noise mapping & monitoring of Delhi Airport. The study is being carried out M/s NLR.

The recommendations of this study will be forwarded to the Central Pollution Control Board for developing permissible noise limits for the Airport. In a similar way, noise limits for other Airports will also be evolved.”

**1.9. The Committee note that subsequent to their observation regarding critical airports , DGCA has inspected the same , proposed measures to improve safety and forwarded the same to respective aerodrome operators . Besides DGCA has reportedly commissioned a pilot study for noise mapping and monitoring of Delhi Airport and the subsequent recommendations would be forwarded to Central Pollution Control Board (CPCB) . The Ministry have also committed to evolve noise limits for other airports in similar way. However, the Committee are constrained to note that the Ministry have not furnished information sought by them on the timelines fixed and the actual planning done to bring the 11 identified airports under safe category. The reply is also silent as to whether the suggestions of the Civil Aviation Safety Advisory Council (CASAC) for training of inspectors, ground staff and the need to improve the quality of training imparted by training institutes is implemented in letter and spirit. The Committee, in view of utmost importance attached to the safety of operations in all airports and training of the manpower being critical element in enabling and enhancing the safety of the operations reiterate their earlier recommendation and await specific replies on these aspects.**

## **B. Airport licensing**

### **Recommendation/ Observation (sl. no. 7)**

1.10 Unhappy to note that several airports in the country are allowed to operate without valid license which goes against the ICAO policy mandate adopted by the Ministry in 2007, the Committee desired that they be apprised of the reasons for allowing these airports running without license as well as the responsibility fixed in the matter ; and, (ii) 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 also urged 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.'

1.11 The Ministry of Civil Aviation vide their action taken reply stated as under:

“Presently, all the airports in the country except one are having a valid license issued by DGCA. License of Patna in Bihar is under process by DGCA”.

1.12 As the action taken reply furnished by the Ministry did not contain specific reply to the Committee's recommendation as to the reasons for allowing the substantial number of airports without license, the Ministry were asked to provide specific reply. The Ministry stated in response on 16.04.13 that all AAI airports where scheduled operations take place have been licensed except one namely Patna in Bihar which is operating as per provisions of Rule 78 of Aircraft Rule 1937. This provision permits the airport to operate till aerodrome operator obtains license from DGCA by the date notified by Central Government. The date notified as per SO 038 (E) dated 1<sup>st</sup> January 2013 is 30<sup>th</sup> June, 2013.'

**1.13 It is also not clear from the reply as to why the Patna Airport alone is allowed to operate under Rule 78 of the Aircraft Rules 1937 while other AAI airports are allowed to operate with license. The Ministry also have not indicated the revenue earned by DGCA by grant of licenses. The Committee would await information in this regard.**

### **C. Prevalence of fake Pilot licenses, fake flying schools and role of DGCA**

#### **Recommendation (sl. no. 8)**

1.14. Inviting the attention of the Ministry of Civil Aviation to the prevalence of fake pilot licenses & fake flying schools and the danger it poses to the safety of passengers, the Committee found it distressing 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. Besides certain fake pilots were found to be relatives of DGCA officials. 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 desired 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 Experts Committee. The Committee also expressed their concern over media reports of a fake flying school in the national capital. The overall laxity on the part of the regulatory body to check such developments shocked the Committee and they strongly recommended that the DGCA personnel involved in this whole episode be identified urgently. Deeply anguished to note that a premier regulator like DGCA was plagued with nepotism, the Committee strongly felt for a complete overhauling of DGCA. As the Ministry is reportedly working on restructuring of the existing DGCA into an autonomous aviation safety regulatory organization named Civil Aviation Authority (CAA) in line with ICAO's recommendations and international standards and practices, the Committee desired to be informed about the said restructuring as soon as it is completed.

1.15. The Ministry of Civil Aviation in its action taken reply stated that a public notice dated 18 July 2012 has been issued and the guidelines to the candidates applying for Pilot License Examination (Issued V, October, 2012) has been published on DGCA's website stating that attested copy of Verification Certificate issued by University/ Board

should be submitted at the time of allotment of computer No and original verification certificate is to be submitted at the time of applying for issuance of License. Besides, DGCA has examined the pilot licenses issued in the past and the examination history available in CEO records in respect of 1704 ATPL holders were scrutinized thus revealing that six candidates did not pass all the examination papers required for issue of ATPL and submitted fake mark sheets for these paper(s) for issue of ATPL. The ATPL licenses of the above pilots were stated to be placed under suspension and a case registered with the Delhi Crime Branch for investigating the matter.

Further, it was stated that the examination history in respect of 6331 CPL holders were scrutinized and it was observed that 11 candidates who did not pass the required examination papers had submitted fake mark sheets for these paper(s) for issue of CPL. These cases were reportedly handed over to Delhi Police Crime Branch.

As regards fake flying schools, the Ministry stated that cases of bogus entries in the flying log book of trainee pilots by Chief Flying Instructor of Rajasthan Flying School, Jaipur were reported by Anti Corruption Bureau (ACB), Rajasthan. On the basis of preliminary report received from them, licenses of the pilots were suspended by DGCA.

It was further informed that DGCA has started procedure for more detailed verification while issuing the licenses. For conversion of foreign licenses into Indian licenses, the licenses are being verified from the concerned regulatory authority of the respective countries. Verification of the recency flying is also being obtained from the flying training institute before processing the case.

1.16. As the Ministry had not furnished reply to the points regarding (i) identification of the DGCA personnel involved in issuing fake pilot licenses and (ii) informing the Committee of the restructuring of DGCA into Civil Aviation Authority (CAA), the Ministry were asked to furnish the same..

1.17. The Ministry *vide* OM dated 16.04.13 furnishing the reply regarding identification of the DGCA personnel involved in fake pilot licenses merely stated that the Ministry have taken note of the fact. However, no specific reply was provided regarding restructuring of DGCA into Civil Aviation Authority (CAA).

**1.18. Though the Ministry have taken action against certain fake pilots, they have not given information about (i) involvement of personnel of DGCA in issuing fake licenses to pilots some of whom reportedly found to be their kith and kin; and (ii) allowing the operations of a fake flying school in the capital right under their nose. The Ministry's reply is also silent on restructuring of DGCA into Civil Aviation Authority. The Committee, take serious note of the recalcitrant attitude of the Ministry in giving response to the Committee's recommendations and require them to furnish specific response to the points.**

#### **D. Need to augment Training infrastructure**

##### **Recommendation (sl. no. 9)**

1.19. The Committee, in their report, expressing concern over the existing mismatch between a fast growing aviation sector and a limited availability of skilled manpower emphasized 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 recommended 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. Further they urged the Ministry to 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 desired that DGCA should tighten the norms set for the Government recognized private flying training institutes.



1.20. The Ministry of Civil Aviation stated in response that DGCA grants approval to Flying Training Organizations on meeting the requirements i.e. manpower, infrastructure as per CAR Section 7 Series D Part I, and that as per CAR section 7 series D part II DGCA has a system for Safety Oversight and Surveillance of Flying training Institutes. Through this system DGCA is keeping strict vigil on the quality of training, human resources & infrastructure requirements.

1.21. When asked to indicate the action taken on assessing and upgrading the existing infrastructure at various Government Training Institutes to stop the exodus of Indian citizens to foreign training institute, the Ministry stated on 16.04.2013 that DGCA has started monitoring the training imparted abroad. Trainees who undergo such training abroad have to necessarily clear examinations in India before obtaining conversion of license.

**1.22. The Committee are constrained to point out that the Ministry have not indicated the steps / measures taken to augment the existing infrastructure for imparting training for civil aviation personnel such as pilots, cabin crew, engineers, and ground staff, thus ensuring that the civil aviation sector, which is growing at 15% per annum and whose requirement of skilled manpower is expected to be three times than that of the current strength by 2020 does not suffer from lack of availability of skilled manpower. The Committee, therefore, reiterate their earlier recommendation and require the Ministry to apprise them of the concrete steps taken or proposed to be taken to augment the training infrastructure to fulfill the skilled Personnel requirement for meeting the projected growth of civil aviation in the country. The Committee desire that the Ministry should furnish details of number of accredited/recognized Airline Transport and Commercial Pilots training institutes, training institutes operating without valid license and the fee charged by these institutes for training purposes. The Committee also desire that details of the training institutes operating without valid licenses be displayed on the website of the DGCA/Ministry of Civil Aviation.**

## **E. Helicopter services and Heliports**

### **Recommendation (sl. no. 14)**

1.23. Drawing attention on the issue of safety in helicopter services, the Committee endorsed the need for commencement of helicopter services for medical evacuation at affordable prices at national level and the consequent requirement for building helipads in major Government Hospitals and heliports in metro cities for the purpose. The Committee expressed hope that the Ministry has initiated action in the matter. Further they desired to know the progress of the heliports in four metros as on date, particularly in Delhi, for which Rs 7 Crore was allocated. The Committee further noted that while the Strategy Plan 2010-15 of the Ministry of Civil Aviation lays emphasis on increasing the fleet of helicopters and exploring new sectors, no plan to increase the skilled personnel to man helicopter services was in place. The Committee recommended for inclusion of the same in the Strategy plan of the Ministry.

1.24. The Ministry in their action taken reply stated *inter-alia*, that apart from 47 helicopters owned by Pawn Hans Helicopter Ltd, 22 new helicopters and 2 sea planes are planned to be acquired during XII plan period by the company. In addition, the plan outlay for capital asset creation by Central Ministries covered purchase of 249 helicopters and 10 seaplanes as well as creation of suitable infrastructure of city port, heliport and training centres for the same, at a total cost of 1030 crore . Relevant details pertaining to DoNER, M/o Tourism and M/o Home affairs were provided. The Ministry sated that the distribution of the proposed 249 Nos of helicopters adequately covers provision of services for Disaster Management/NDMA, Medivac (NHAI and others) etc.

**1.25. The Committee note that the Ministry have not given information as to whether or not the budgetary allocation of Rs. 7 crore made during FY 2011-12 was utilized for construction of heliport in Delhi. Further, there is nothing in the reply about inclusion of manpower augmentation to man helicopter services in their strategy plan (2012-17) recommended by the Committee. The Committee, therefore, reiterate**

**their earlier recommendation and expect the Ministry to furnish the information at the earliest.**

**F. Deployment of CAT III System  
Recommendation (sl. no. 16)**

1.26. Emphasizing the need for up gradation of infrastructure at various airports for better air traffic management, the Committee desired, *inter- alia*, to be apprised of the status of the implementation of ambitious, Rs 774 crore GAGAN (GPS aides Geo Augmented Navigation) project with ISRO. Further they urged the Ministry to acquire all necessary modern technologies and equipment and streamline the procedure for air traffic management. Pointing out that the Instrument Landing System (ILS) are of CAT-I level at most of the airports in the country they strongly urged the Ministry to upgrade the same at all the airports. The Committee further pointed out that in spite of ILS CAT-III system installed at Delhi Airport, there are still long delays experienced during every winter season. The Committee thus were convinced of the need to improve the air traffic management system. They recommended that the Ministry should also ensure that all airlines deploy CAT- III trained pilots, particularly during the fog period to ensure on time arrivals and departures.

1.27. The Ministry of Civil Aviation in its action taken reply dated 21.01.2013 to the above mentioned recommendations provided the status of GAGAN project and stated that when operational it will improve safety at these airports which are not equipped with ILS. It also stated that at present CAT II Instrument Landing System is available at Amritsar, Lucknow and Kolkata Airports and CAT III Instrument Landing System is available at IGI Airport, Delhi on RWY 11, RWY 28 & RWY 29.

**1.28. As the GAGAN Project is likely to be formally commissioned by June, 2013, the Committee desire to be apprised of the status of its aviation use in due course. However, the Ministry's reply is silent on the Committees' specific recommendation on deployment CAT- III trained pilots by all airlines particularly during the fog period, to ensure arrivals and departures on time. The Committee hope that**

necessary action has been taken in this regard. The Committee would like to be informed of the same.

## **CHAPTER – II**

### **RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT**

#### **Observation/Recommendation (Sl. No. 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 the 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 Carriers, Air India is fast losing its dominant market position and has accumulated huge outstanding debts amounting to over Rs.40,850 crore, as in December 2010. The committee further learnt during the course of the examination that the national Carrier has 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 regard the functioning of others 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.

### **Reply of the Government**

This is a statement of fact. The main reasons for the Air India losses are as under:

1. Unprecedented increase in fuel prices.
2. Increase in interest and depreciation cost due to the addition of new fleet
3. Increase in staff cost as a result of implementation of wage agreement.
4. Decrease in revenue on account of extreme competition and entry of Low Cost Carriers.
5. Global recession as a result of which reduced travel on both domestic and international sectors.

The aviation industry in general is under great financial stress on account of unprecedented increase in the fuel prices over the past few years. The aviation industry is capital intensive and the returns/margins on capital invested is very low. Hence any changes in the cost structure influence the industry to a substantial extent. In India the price of fuel is 70% more for domestic supplies than the neighbouring countries. This has an adverse impact on the operating economics of the airline.

The Government has approved a Turn Around Plan (TAP) and a Financial Restructuring Plan (FRP) of Air India which inter-alia envisage additional equity investment in Air India by Govt. of India over a period of 10 years. The equity infusion

would be incumbent AI achieving specific milestones in terms of load factors, yield and on time performance. With these measures Air India is likely to emerge EBITDA positive in 2012-13, cash positive in 2018 and PAT positive in 2020.

### **Observation/Recommendation (Sl. No. 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 carriers into the sovereign territory of our country particularly in the light of an increased threat of terrorist activities. At the same times, 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 with 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 connections, 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 result thereof.

### **Reply of the Government**

The Ministry grants traffic rights to the eligible Indian carriers based on their requests and availability of such rights. The Ministry has granted additional traffic rights to the Indian carriers on this basis for the Summer & Winter 2012, after giving due consideration to the operational plans of Air India up to summer 2013. This would increase the utilization of bilateral traffic rights by the Indian carriers and improve connectivity.

### **Subsequent reply of the Government dated 16.04.2013**

(i) Ministry of Civil Aviation requested Ministry of External Affairs (MEA) to forward copy of model Air Service Agreements (ASAs) to the countries with whom there was no Bilateral Agreement in air services matters. MEA has forwarded the ASA to the countries as per list below:

#### **COUNTRIES WHOM MEA HAS SENT ASA**

1. Argentina	2. Bahamas	3. Belize
4. Bolivia	5. Burundi	6. Guatemala
7. Costa Rica	8. Cuba	9. Haiti
10. El Salvador	11. Peru	12. Panama
13. Venezuela	14. Grenada	15. Uruguay
16. Paraguay	17. Guyana	18. Nicaragua



However, MEA does not favour signing of ASAs 'en masse' with the West African countries (list given below). MEA is of the view that even in countries in West Africa with which India has ASA, no aviation activity has been noticed. In their view, proceeding to sign such ASA should be done in cases which offer us potential value addition.

**COUNTRIES WHOM MEA HAS NOT SENT ASA**

1. Congo	2. Mali
3. Côte d'Ivoire	4. Mauritania
5. Equatorial Guinea	6. Guinea-Bissau
7. Liberia	8. Monaco
9. Niger	10. Angola
11. Sao Tome and Principe	12. Benin
13. Togo	14. Cape Verde
15. Somalia	16. Central African Republic
17. Chad	18. Gabon

(ii) Ministry of Civil Aviation has a planned Scheme viz. 'Enhancing competitiveness of Indian carriers in international operations & aviation studies'. During 2011-12, the Ministry has signed/initialled ASA with Indonesia, Brazil, Uganda, Jamaica, Korea, Dominical Republic, Trinidad and Tobago. Further, MoU were signed with Sri Lanka, Afghanistan, Slovenia, Singapore, Australia, Switzerland, Austria, Ethiopia, Finland, Uganda, Czech Republic, Korea, Kenya, Mozambique, Sri Lanka. Apart from above Agreed Minutes were signed with Sri Lanka, Italy, ASEAN, Canada, USA, Lao PDR, Nigeria, Botswana, Malaysia, and Macedonia.

**Observation/Recommendation (Sl. No. 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 (20012-13) 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 considers 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 consumer 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.

### **Reply of the Government**

Earlier FDI upto 49% in domestic scheduled passenger airlines was allowed by foreign investors by not by the foreign airlines. Despite friendly FDI framework for civil aviation sector, free flow of capital had not been witnessed due to lack of interest by non aviation private equity funds in a risky business like airlines. This was considered by the Government and now the, foreign airlines are also allowed to invest in the capital of Indian carriers operating scheduled and non-scheduled air transport services up to 49% of their paid up capital. Such investment would be subject to certain conditions. The purpose of removing the existing restriction on investment by foreign airlines is to bring in strategic investors. The prospective investors can now be from the civil aviation industry itself, who may derive benefits of synergy. It will be one of the tools available to ailing airlines to access capital from abroad.

Deptt. of Industrial Policy and Promotion has already issued Press Note No. 6 (2012 Series) on 20.9.2012 allowing investment by foreign airlines to invest in the capital of Indian carries, operating scheduled and non-scheduled air transport services, up to the limit 49% of their paid-up capital subject to certain conditions.

### **Observation/Recommendation (Sl. No. 10)**

The Committee note that the Airport 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 license 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 Airport 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 both 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.

### **Reply of the Government**

The power to levy and collect Development Fee (Airport Development Fee) is incorporated in section 22A of AAI Act, as per which the AAI may, -

".....

(ii) Levy on, and collect, from the embarking passengers at major airport referred to in clause (h) of section 2 of the Airports Economic Regulatory Authority of India Act, 2008 the development fees at the 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, and such fees shall be credited to the Authority and shall be regulated and utilized in the prescribed manner, for the purposes of -

(a) Funding or financing the costs of Upgradation, expansion or development of the airport at which the fees is collected; or

(b) Establishment or development of a new airport in lieu of the airport referred to in clause (a); or

(c) Investment in the equity in respect to shares to be subscribed by the Authority in companies engaged in establishing, owing, developing, operating or maintaining a private airport in lieu of the airport referred to in clause (a) or advancement of loans to such companies or other persons engaged in such activities."

Hence, AAI may levy and collect development fee embarking passengers at a major airport at the rates as may be determined by the Authority (Section 22A (ii) of the AAI Act.

As per AERA Act 2008, AERA is mandated to carry out certain functions, one of which is determination of Development fees under section 13 (1) (b) of the AERA Act with Section 22A of the AAI Act, 1994. However, the Development fees (referred to as Advance Development Fee by the Committee) is a capital receipt (which is colloquially called Airport Development Fee), and is a pre-financing measure, a measure of last resort and is permitted only if all available means of finance are inadequate to fund the project.

Regarding levy of DF at Delhi and Mumbai airports, it is stated that the Ministry of Civil Aviation (i.e., MoCA) determined the rate of airport development fee in respect of Delhi airport in February, 2009 vide letter no. AV.24011/002/2008-AD dated 09.02.2009, @ Rs. 200/- per departing domestic passenger and @ Rs.1300/- per departing international passengers. Further, vide letter no. AV.24011/001/2009-AD dated 27.02.2009, development fee in respect of Mumbai airport was determined by MoCA @ Rs. 100/- per departing domestic passenger and @ Rs. 600/- per departing international passenger. This was done by the Government as AERA had not become functional by then. However, this levy was challenged before various appellate fora and finally the Hon'ble Supreme Court vide order and judgment dated 26.4.2011 in the CA No. 3611 of 2011 (**copy enclosed as Annexure-I**) ordered MIAL to stop levy and collection of DF & held as under:

"(i) We hold that development fees could not be levied and collected by the lessees of the two major airport, namely, DIAL and MIAL, on the authority of the two letters dated 09.02.2009 and 27.02.2009 of the Central Government from the embarking passengers under the provisions of Section 22A of the 1994 Act.

(ii) We declare that with effect from 01.01.2009, no development fees could be levied or collected from the embarking passengers at major airports under Section 22A of the 1994 Act, unless the Airports Economic Regulatory Authority determines the rates of such development fee.

(iii) We direct that MIAL will henceforth no levy and collect any development fee at the major airport at Mumbai until an appropriate order is passed by the Airports Economic Regulatory Authority under Section 22A of the 1994 Act as amended by the 2008 Act.

(iv) We direct that DIAL and MIAL will account to the Airports authority the development fee collected pursuant to the two letters dated 09.02.2009 and 27.02.2009 of the Central Government and the Airports Authority will ensure that the development fees levied and collected by DIAL and MIAL have been utilized for the purposes mentioned in clause (a) of Section 22A of the 1994 Act.

Thus, as per the SC Order dated 26.4.2011, the levy of DF was upheld and it was ordered that no DF can be levied or collected the enabling passengers at major airports unless the AERA determines the rate of such DF. Subsequently, the levy of DF at Delhi airport was stayed by the Delhi High Court vide its order and judgment dated 1.06.2011 in the matter of WP No. 3889/2011 (**copy enclosed as Annexure-II**).

Thereafter, on an application from Delhi airport, AERA issued a Consultation Paper No.02/2011-12 dated 21.04.2011 for levy of DF at Delhi airport. The Authority also held a consultation meeting with the stakeholders. After considering the submissions of the Delhi airport as well as that of various stakeholders, the Authority decided that an amount of Rs. 3415.35 crores is required to be collected through DF to bridge the funding gap of the Delhi airport project. The rates of levy of DF were also determined @ Rs. 600/- per departing domestic passenger and Rs. 1300/- per departing international passenger (copy of the Order No. 28/2011-12 dated 14.11.2011 is annexed as (**Annexure - III**)).

In the case of Mumbai airport, upon receipt of application for determination of DF, the Authority, after due stakeholder consultation, determined an amount of Rs. 872 crores to be funded through in order to bridge the funding gap of the project. The rate of DF was also determined at Rs. 100/- per departing domestic passenger and Rs. 600/- per departing international passenger vide order no 02/2012-13 dated 18.04.2012 is annexed as **Annexure-IV**.

The rates of DF in respect of Delhi and Mumbai airports were kept at the same level as were earlier determined by MoCA as the Authority had observed that these rates had been successfully implemented at the two airports during the earlier currency of the levy. Further, as stated supra, as per AAI Act, 1994, DF can be levied and collected for the purposes of funding or financing the cost of development, upgradation, expansion etc. of an airport at which such development fee is collected. As there were funding gaps in the means of finance for Delhi and Mumbai airports, the Authority determined the amount of ADF to bridge this funding gap as a measure of last resort under section 13(1)(b) of the AERA Act read with section 22A of the AAI Act.

Regarding the non-levy of UDF on international passengers at Udaipur and Vizag airports, it is submitted that at the time of tariff fixation, these airports were not declared as international airports and hence the question of levy of DF on international passengers did not arise.

#### **Observation/Recommendation (Sl. No. 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 started 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 Carriers and obstructing its effecting the efficiency of the National Carriers 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 setting 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 profession 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 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.

### **Reply of the Government**

**MOU:**

The status of MoU between Air India and the Government is as under:

<u>Year</u>	<u>Remark</u>
2007-08	MOU signed with DPE on 18 April 2007 It contained only one line that merger of Air India and Indian Airlines into the new company shall be completed in 2007-08. The merger was completed in the year and National Aviation Company of India Ltd was formed in 2007 -08.
2008-09	MOU signed and submitted to DPE on 16th April 2009. Composite Score not finalized
2009-10	Draft MOU submitted by AI in September 2010 Composite Score not finalized
2010-11	Draft submitted to DPE on 28 <sup>th</sup> October 2010 Provisional Composite Score of FAIR submitted to DPE on 29 <sup>th</sup> September 2011

2011-12 Draft submitted to DPE on 29th Sep 2011

2012-13 Draft submitted to DPE on 22nd Sep 2012

The MoU targets are laid down after approval by the Board and sent to the Ministry. These are constantly monitored by the Ministry at frequent intervals through review of performance of Air India. Apart from this, under the TAP/FRP specific milestones have been given to Air India to be achieved over a period of time i.e. up to the year 2020. The achievement of these milestones is regularly monitored by the Oversight Committee consisting of representatives from Finance Ministry, Ministry of Civil Aviation, SBI Caps and Air India. The Government has also taken several other measures in order to contain cost viz. operationalisation of subsidiary companies, reduction in contractual employment, grounding and disposal of old fleet, induction of new fleet on domestic and international routes, providing equity infusion to reduce the debt content and so on.

#### MANPOWER:-

Consequent upon the merger of erstwhile Indian airlines and Air India, in order to examine the merger related issues like pay parity, level mapping and seniority integration of manpower at all levels, the Government had constituted a Committee under the Chairmanship of Retd. Justice D.M.Dharmadhikari. The Committee submitted its report on 31.01.2012 and the recommendations of the Committee have since been accepted by the Government.

The Committee has, inter alia, recommended a comprehensive assessment of manpower to determine the number of posts at various levels as per the requirements and the revised organogram for the merged entity to be put in place to avoid over-staffing and waste of manpower. For this purpose, Air India had constituted a Manpower Restructuring Committee which has since completed its deliberations and submitted its report. In the meantime, Air India has resorted to multi-skilling and redeployment of manpower from areas of surplus manpower to areas of critical shortages to take care of existing/additional workload with the existing strength.

The number of Pilots as on 30.09.2012 is 1496 out of a total strength of 25881 employees. The aircraft to employee ratio varies from airline to airline depending on the nature and extent of functions performed in-house as well as the operational network of the airline. While most of the airlines have outsourced majority of their non-core functions such as Aircraft Major Maintenance activities, Ground Handling activities, Vigilance, Transport, Medical, Civil Engineering, etc. and these functions are performed in-house by Air India. The private airlines also do not maintain manpower for dealing with Parliament matters, Raj Bhasha, Internal Audit, etc. for which Air India is required to have dedicated manpower.

Further, as per the Turn Around Plan and Financial Restructuring Plan of Air India, as approved by the Government, AI proposes to operationalise two subsidiaries, namely Air India Engineering Services Ltd. (AIESL) and Air India Air Transport Services Ltd. (AIATSL) and hive off MRO, Cargo and Ground Handling activities to them consequently about 15400 employees would get transferred to these subsidiaries. It would drastically bring down the number of employees of Air India and thus bring down the employee to aircraft ratio below 100.

**MERGER:-**

The integration update as on November 2012 is as under:-

<b>Performance dependency</b>	<b>total</b>	<b>Completed</b>	<b>progress</b>	<b>Not initiated</b>
<b>Operational Integration</b>	123	103	15	5
<b>Contingent on management decisions</b>	38	33	3	2
<b>Contingent on IT readiness</b>	35	27	8	0
<b>Contingent on HR Integration decisions</b>	30	11	29	0
<b>Total</b>	<b>228</b>	<b>174</b>	<b>45</b>	<b>7</b>
<b>% Completed</b>		<b>77%</b>	<b>20%</b>	<b>3%</b>

## JUSTICE DHARMADHIKARI COMMITTEE:

The Justice D.M.Dharmadhikari Committee constituted by the Government submitted its report to the Government on 31.01.2012 and has given its recommendations broadly in four areas, namely:

1. Level mapping:
  - a) Level mapping for employees of both the Companies has been recommended based on pay scales in the erstwhile companies.
  - b) The guiding principle of inter-se seniority with length of service in that grade in the erstwhile AI and IA except where the promotion is consequent upon passing requisite qualifying examination or attaining mandatory certification. In that case, the date of passing the examination or attaining the certificate shall be determining factor.
  - c) In fixing inter-se seniority, a member having longer period of service in either AI or IA has to be placed above the member in the same grade having lesser period of service.
  - d) The principle of fixation of inter-se seniority based on length of service in IA or AI shall be applied from the date of acquiring qualification or license wherever it is a mandatory requirement for career progression.
  
2. Career Progression:
  - a) The Committee has defined the career progression for all employees of the company in all departments.
  - b) The Committee has recommended a fair and comprehensive promotion policy through constitution of Departmental Promotion Committees (DPC) and each DPC will have a fair representative from both the erstwhile companies and will also include an outside expert.
  - c) The process of promotion will start after fixation of inter se seniority for all employees in all departments.

3. Wage and Salary structure:-

- a) Pay scales – the Committee has recommended that there will be uniform pay scales for the company for all employees. For the Executive cadre below Board level, pay scales will be as per the DPE guidelines and pay scales for below Executive cadre has been harmonized by the Committee.
- b) The pay scales will be effective from 01.04.2007 but no financial implication would be applicable retrospectively and the pay in the revised pay scales will be fixed from 01.01.2012.
- c) The Committee has recommended a formula for calculation of the Basic Pay in the revised pay scales taking into account the gross emoluments including part of PLI being paid by the company.
- d) The DPE pay scales as recommended by the Committee will be effective 01.01.2007. NACIL is viewed as a new Company, to whom the restrictions of profitability would not be made applicable and adopting the DPE pay scales would bring the company's pay scales in consonance with the DPE pay structure for which a Committee has been constituted.
- e) With the revision of pay and allowances in consonance with the DPE guidelines, the PLI for all categories will stand abolished. However, it will be subsumed in determination of basic pay to the extent admissible in the DPE guidelines. The Committee has also recommended profit related pay as per the DPE guidelines, which will be linked to the profit earned by the company and achievements of various targets.
- f) The Committee has recognized the need for certain allowances which are given to certain class of employees like Pilots, cabin crew and engineers to be as per the industry standard. However, they fall outside the scope of DPE guidelines. This would need an approval of the Union Cabinet before these are implemented at variance with DPE guidelines.

4. **Other related issues like VRS, Pension scheme, etc.**

The Committee has also recommended that the company put out an attractive Voluntary Retirement Scheme with a sizeable proportion of their benefits in the form of

Employment Stock Option scheme. Further, it has suggested that the company, in view of its severe financial constraints, may approach the Government for financial support.

The recommendations of the Committee have been accepted by the Government.

While seniority integration at the level of EDs and GMs has already been completed, the seniority of all levels as on 01.04.2007 has already been displayed. Further, Air India has constituted the following committees for carrying out implementation of the same in a smooth and transparent manner.

- i) Implementation & Anomaly Rectification Committee
- ii) Pay Fixation Committee for fixation of salary for each employee within the broad guidelines laid down by Justice Dharmadhikari Committee
- iii) Manpower Restructuring Committee for carrying out a fresh exercise for determining the number of posts at various levels as per the requirements of the fresh set up with revised hierarchy of posts in the merged entity.
- iv) Committee for supervising activities related to monetizing of properties as stipulated in the Turn Around Plan.

#### DELIVERY OF B787 AIRCRAFT:

Air India Ltd has signed purchase agreement for 27 B787 aircraft with M/s Boeing. The Purchase Agreement was signed on 30<sup>th</sup> December 2005.

The contracted delivery schedule of B787 aircraft were from September, 2008 to October, 2011.

The B787 aircraft deliveries have been delayed due to the production problems experienced by Boeing. The reasons for the delay are as under:

- Challenges in completing assembly of the first airplane
- Slower production rate than previously planned
- Mechanic Strike and fastener installation rework
- Due to need to reinforce an area within side of body section of aircraft etc.,

Air India Board had constituted an Overseeing Committee for negotiating with Boeing for B787 aircraft delay compensation. The Delay Settlement has been finalized by the Oversight Committee appointed by the Board and approved by GoM.

The revised B787 aircraft delivery schedule is as given below :

Year	No. of Acft
2012	6
2013	7
2014	5
2015	6
2016	3
Total	27

Now after a prolonged delay, the delivery of the first aircraft took place on 7<sup>th</sup> September, 2012. As on date, Air India has received three (3) B787-8 aircraft from M/s. Boeing.

#### Inflight Service:

In continuation with various steps taken to turn around the company, a Customer Focus Programme has been undertaken whereby the frontline staff/ Cabin Crew are being trained to deal with Customers and to develop a customer focused behavior that would result in better customer satisfaction and this training is being conducted by trained and experience personnel for both the Wide Body and Narrow Body Cabin Crew.

In order to serve the passengers better, Passenger Suggestion Cards are given out to passengers for their valuable comments and in case of passenger complaints, immediate corrective action is taken. The Passenger feedback provides insights into passenger expectations and helps to improve our own services and compete with services of other carriers.

Catering-wise both Narrow Body and Wide Body, serve the best food from reputed caterers. It is the USP for both Wide Body and Narrow Body over other airlines on international routes.

Inflight Entertainment content on B787 has been updated twice since inception and currently AI has the Maximum library of content ever achieved without any extra cost, due to the Holdover Content clause in the new contract. The total number of Movies in itself stands at 172 and the break up is provided below.

Movie-172

04 Latest Hollywood, 08 Classic Hollywood, 93 Hindi, 67 Regional

Short Subject Content - 74

50 English, 18 Hindi, 03 Cartoons, 03 Stories,

14 Hindi Music Videos, 95 Audio CD Albums, 20 Games Interactive.

Graphic User Interface (GUI) for the B787 is user friendly & bi-lingual - Hindi & English.

Hollywood Movies can be accessed on the Graphic User Interface in four languages - English, French, German & Japanese.

### **Observation/Recommendation (Sl. No. 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 Rs 22,000 crore, as on November 2011. Further, the operating loss of Air India per day has been Rs 21 crore. Apart from these staggering figures, the Committee also note that Air India was at an unenviable 6th position in terms of non-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 Rs 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 Rs 3200 crore particularly for its salary components, yet it has not made much of a difference to the overall financial health of the company . An estimated Rs 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.

### **Reply of the Government**

Gol has laid down several operational parameters/benchmark which the company has to achieve in terms of on time performance, load factors, yield and monetisation of properties. These parameters are likely to improve the operational performance of Air India considerably. AI's performance is being monitored by the Ministry very closely. As a result of this, the on-time performance of AI has become about 85%, which is next only to Indigo Airlines. The number of

passengers carried per day has also significantly improved. It crossed 50,000 on a particular day.

The debt equity ratio of the company was very high due to its abysmally low equity base of Rs.145 crores. However, with the infusion of additional equity in the last 3 years, by the Govt. of India, the paid-up capital of Air India is Rs.7345 crores (as of Nov. 10, 2012) and **as such, its debt equity ratio is now 4:1.**

As regards yield, Air India's current results show an improvement in yield for April/September 2012 as compared to same period last year as indicated below:-

	Apr/Sep. 2011 Prov.	Apr/Sep. 2012	% Variation
Yield per RPKM in Rs.	3.43	4.31	25.7

### **Observation/Recommendation (Sl. No. 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 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 year to come.

## **Reply of the Government**

The Financial Restructuring Plan of Air India has been approved by the lenders and the Government on 12<sup>th</sup> April 2012 and the salient features of the same are as under:

- On Time Performance moving from 71.7% to 75% to 85% to 90% within two years.
- Passenger Load factors reaching 73% by 2015 and moving to 75% by 2020.
- Yields steadily increasing from Rs. 3.41 per pkm to Rs. 3.86 per pkm by FY 2020 excluding increases due to fuel increase.
- Aircraft Utilization to be achieved as given in the TAP which is as per Industry benchmarks.
- PLI only after PBT is generated.
- MRO/GH to be hived off in current year.
- Asset Monetization to be planned and initiated.
- IT systems like PSS and Sabre to be totally functional.
- Routewise analysis and planning to be in position before induction of aircraft.
- VRS package to be worked out in 3 months.
- Professionalize CTE in Hyderabad within a year.
- Bring down cash losses on day to day basis.

Under the TAP, the lenders have agreed to convert Rs.10448 crores into long term working capital, Rs.3650 crores by way of cash credit arrangement and Rs.7400 crores to be repaid to different banks by issue of nonconvertible debentures. This will reduce the interest burden of Air India going forward and would also provide necessary relief to Air India in the repayment of its loans.

In the process of financial restructuring, banks have not suffered any major losses and they have only made marginal provisioning in their books as a result of the

restructuring. The Government has already been approached for infusion of equity in Air India so as to reduce the debt burden.

Monetisation of property:

It is true that monetisation of certain properties would bring in a financial resource which could be used for repayment of long term loans. The company has already appointed Property Consultants to review its properties in India and abroad and to suggest a road map for the monetisation of the same.

Route rationalization:

AI's capacities have been deployed on the routes that have the maximum traffic potential both in the domestic and international markets.

The routes that Air India operates are commercially viable. It may be added that Air India being the network carrier generates feeds on its flights from different points on its network. As such profitability of any one of the flights cannot be considered in isolation while deciding the commercial viability.

The airline industry in general and AI in particular has come under the onslaught of steep increase in ATF prices.

On the domestic front the revenues have been under pressure in view of increasing competition especially from the increasingly popular LCC services on domestic and regional international sectors which meant that AI had to match the low fares offered by the LCC airlines on these routes.

The combined impact of these pressures was declining profitability owing to increasing costs and declining revenues and yields.

AI's domestic network is also determined significantly by the socio-economic obligations placed on the airline owing to its Government ownership. Arising from this, AI's capacities tend to be thinly spread over on a more wide spread network. As such, the airline does deploy more capacity on remote and sensitive sectors to a much greater extent than mandated by the DGCA. For instance, AI's capacities on routes to North-East, J & K, Port Blair, etc are nearly double of what is mandated under the Route Dispersal Guidelines of the Ministry. ***These capacities could perhaps be more gainfully deployed elsewhere in the domestic market.***

With reference to **International operations** the revenue increases achieved by AI have not been quite adequate to cover the increase in the cost of operations which has gone up significantly mainly due to steep increases in the cost of ATF. There has been pressure on yields and the main reason for this has been recession in the global economy, competition from Indian and foreign carriers etc.

It may be mentioned that AI systematically monitors the performance of various routes through analysis of the following key parameters:

- load factors on each of the services & for the network
- sector-wise carriage & network carriage
- Average yields - city pair-wise & network
- Revenues - city pair-wise & network
- passenger market share – city pair-wise & market-wise
- competitors' activities
  - capacities – city pair-wise
  - future capacity induction & deployment plans
  - yields & PLF
  - cost structure
- Route Economics
- Costs flight-wise & network

Based on its analysis, the airline has initiated many scheduling/network related initiatives to improve its services, increase revenues & reduce costs by rationalizing operations on many routes, varying the capacity / frequency of services offered on some of the routes based on demand seasonality, restructuring / rescheduling & withdrawing services on some of the routes, changing type of aircraft deployed, introducing new services, etc in line with the AI's long term network strategy & pressures to improve profitability of operations in the short term.

A report showing the achievements of the company against the milestone set by the Government of India is enclosed at **Annexure 'V'**.

Expert Committee views/recommendations:

A Turn Around Plan (TAP)/ Financial Restructuring Plan (FRP) was presented by Air India/Ministry of Civil Aviation to the Group of Ministers (GoM) on June 22, 2012. The GoM decided the Group of Officers in the Finance Ministry would examine the TAP /FRP and furnish their recommendations/observations. The Group of Officers examined various scenario under which Air India could operate in future and came up with the set of recommendations/milestones which Air India should achieve over a period of time. A copy of the GoO report dated 28.10.2011 is enclosed at **Annexure 'VI'**. The report was later accepted by the GoM which in turn referred the same to CCEA for approval. The CCEA in its meeting on 12th October2011 approved the said report of the Group of Officers along with the TAP/FRP proposed for Air India.

The various expense heads of Air India are continuously being monitored by the Gol in order to rationalise the same. The Government has accepted the recommendation of the Dharmadhikari Committee to introduce rationalisation in the pay structure and abolition of PLI. The committee has looked into the salaries and allowances of the pilots, engineers and cabin crew and the revised pay package for them eliminating unnecessary allowances in the revised package, is under consideration. Since this involves payments over and above the DPE guidelines, special dispensation is being sought from Government. As a result of rationalisation measures as well as operationalisation of subsidiary companies, it is expected that the company's financial result would improve over a period of time. As regards induction of 787s, Air India has already taken delivery of 3 aircraft and it is expected that the induction of 27 aircraft would be completed by March 2016. These aircraft are fuel efficient and likely to replace the current capacity on various routes which are loss making. Besides, the company has also decided to sell five 777-200 from its fleet since the operation of these aircraft has been considered uneconomical. Due to the measures taken by the Government, it is expected that Air India's financial and operating performance would considerably improve going forward and company would be able to emerge into a profitable situation.

### **Subsequent reply of the Government dated 16.04.2013**

**(i)** As per part of the Financial Restructuring Plan (FRP) and Turn Around Plan(TAP) of Air India, the Govt. has approved by following:-

(i) Induction of upfront equity of Rs 6,750 Crore, including Rs 1,200 crore provided in the budget of 2011-12 and already released, in the Financial Year 2011-12.

(ii) Equity for Cash deficit support of Rs 4,552 crore from FY 2012-13 to FY 2017-18.

(iii) Equity for already guarantee aircraft loan of Rs 18,929 Crore till FY 2021.

(iv) GOI Guarantee for repayment of Principal amount and payment of Interest on the Non-Convertible Debentures (NCDs) of Rs 7400 crore to be issued by Air India Limited to the financial institution, Banks, LIC, EPFO, etc. In case of GOI guaranteed NCDs, Government outgo will be Rs 11, 951 crore towards interest and Rs 7400 crore towards principal with NPV of Rs 8,637 crore on both principal and interest (as on September 30, 2012 at a discount rate of 8 percent ).

(v) Till date the Government has infused equity to the extent of Rs.9,200 crores as under:

<b>Year</b>	<b>Rs. (in crore)</b>
2009-10	800.00
2010-11	1200.00
2011-12	1200.00
2012-13	6000.00

Government does not decide the domestic routes on which the scheduled airlines of India, including Air India, are to operate the flights. However, with a view to



achieve better regulation of air transport services, taking into account the need for air transport services of different regions of the country (including North East Region), Government has laid down Route Dispersal Guidelines and airlines are free to operate anywhere in the country subject to compliance of these Route Dispersal Guidelines.

2. Air India, being a commercial organization, is free to decide the routes on which it wants to operate. But being the National Carriers it sometimes operate flights to remote and inaccessible sectors, which are loss making. The North East Council was providing Viability Gap Funding (VGF) to Alliance Air, a wholly owned subsidiary of Air India, from 2003 to 2011 for operating flights to/in the North East Region (NER). But the VGF was stopped from 2012 and Alliance Air had to restructure its operations to/in NER from January 2013 to contain its losses. NEC has, however, been requested to provide the VGF for 2012 and beyond. Similarly, Alliance air provides connectivity between mainland and Lakshadweep Islands despite incurring losses. Ministry of Home Ministry and Lakshadweep Administration have been requested to provide the VGF to Alliance Air for these operations.

3. However, it is not possible to compensate Air India for every route on which it is incurring losses since these losses are not due to any Government intervention/policy.

#### **Observation/Recommendation (Sl. No. 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 Rs 7 Crore was allocated this fiscal. The Committee further note that the strategy Plan 2010-15 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 flights 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.

### **Reply of the Government**

Most respectfully the concerns regarding safety and maintenance aspect have been noted. It is informed that now, the investigation for the accidents is over and final investigation reports have been released to the public at [www.dgca.nic.in](http://www.dgca.nic.in). The following actions have been taken as a preventative measure to ensure greater safety:-

- a. Standard Operating Procedure are amended.
- b. Additional checks for doors have been incorporated.

- c. Check list has been revised and amended.
- d. Instructions would be issued to all crew members to follow Challenge and response procedure religiously.
- e. CVR to be monitored frequently to ensure all instructions are complied with.
- f. Engineering Dept. to ensure the serviceability check of CVR regularly.

Regarding inadequacy of fleet it is submitted that at present Pawan Hans has 47 helicopters of its own. Further, as per Pawan Hans IEBR – Proposed Fleet Acquisition and Estimated Cost Projections – 2012-17, 22 Nos helicopters of various capacities and 02 Nos seaplanes are planned to be acquired during the XII Plan Period.

It is also submitted that as per the concept paper submitted to MoCA, the Plan Outlay during the XII Five Year plan period (2012-2017) covering Capital Asset Creation by the Central Govt./Ministries such as acquisition of helicopters and creation of other infrastructure at a total cost of Rs 10030 Crores to be entirely funding through Central Govt. Budgetary Support consisting of:-

- Purchase of 249 helicopters in various categories/purposes.
- 10 seaplanes and creation of heliports/helipads and related infrastructure.

The above capacity addition, as it materializes, is expected to address the concerns that have been raised.

As brought out above, the distribution of the proposed 249 Nos of helicopters adequately covers provision of services for Disaster Management/NDMA, Medivac (NHAI and others) etc and details are as under:

Through GBS forming part of the XII Five Year Plan of other Ministries:-

**DoNER**

Acquisition of 21 Nos. Helicopters to enhance connectivity of the North East Region for running regular passenger services. These projections are based on the detailed deliberations with DoNER/NEC and studies carried out in North Eastern

States by Pawan Hans. The Report submitted by Pawan Hans has been in principle accepted. It is pertinent to mention that Pawan Hans was nominated as a Nodal Agency for carrying out this study to support enhanced connectivity in the North Eastern Region.

### **Ministry of Tourism**

Acquisition of 20 Nos. of helicopters for developing new tourist sectors which otherwise are not operational at present due to lack of connectivity & infrastructure at the important tourist destinations. The projections are based on studies & surveys carried out at important tourist destinations in West Bengal (incl. Sunderbans Region), Bihar (Buddhist Circuit), Gujarat, Jammu & Kashmir, Kerala etc.

### **Ministry of Home Affairs**

- Acquisition of 20 Nos. fully equipped medium helicopters for maintenance of law & order, anti naxal activities, coastal surveillance and for metro cities in India.
- Acquisition of helicopters to provide heli support to 618 districts in India by deploying initially upto 178 helicopters, equivalent to 30% of the total number of districts, ensuring wide coverage for Disaster Management, Emergency and primary medical care, medivac, Law enforcement etc.
- Further in line with the suggestion for infrastructure development, heliports and resource development, following has also been proposed:

### **Through GBS forming part of the XII Five Year Plan of Ministry of Civil Aviation**

- Create infrastructure like atleast 1 No. heliport in 8 North Eastern State Capitals and upto 1 or more helipads per district in all NE States totalling around 40 helipads overall as projected in the Study for improvement of connectivity at the NE Regions submitted to the DoNER.
- Create 3 Nos. Cityport/heliport projects/Extension of heliport in Metro locations (apart from Rohini, New Delhi) in India and therefore giving a fillip to helicopter usage to facilitate enhanced capacity for helicopter industry and other requirements such as Medivac, Disaster Management, law & order etc.
- Acquisition of 10 Nos. Seaplanes for inter-island connectivity at A&N Islands, Lakshadweep Islands and other coastal areas and connecting the islands to the

mainland for passenger services to the local people, medical evacuation and promotion of tourism etc. In this regard Pawan Hans has already carried out Feasibility Studies for seaplane operations in A&N Islands & Lakshadweep Islands.

- Create infrastructure at Hadapsar Pune like Training Centre for Pilots & Engineers, MRO, Simulators, Flight monitoring/Following Systems etc. for HR capacity building to produce skilled manpower to cater to growing demand of the Helicopter Industry
- Create infrastructure for Safety Training for the Aviation Industry.
- Development of Aero-sports offering model building/flying, motorized gliding, paragliding, parasailing, hot air ballooning activities to professionals as well as enthusiasts in order to generate awareness and interest in the Aviation Industry.

On the Committee's observations of pilots, it is submitted that Pawan Hans is meeting major requirements of pilots who retires from Defence Forces as well as from open market. For requirements of qualified inspector and pilots, the Govt. may also take up with the Flying Training Schools like IGRUA, National Flying Training Institute-Gondia, HAL Academy-Bangalore.

### **Comments of the Committee**

(Please see Paragraph No. 1.25 of Chapter – I)

### **Observation/Recommendation (Sl. No. 16)**

The Committee have been informed that the Ministry has initiated a programme for upgradation of infrastructure at the various airports in the country of Air Traffic Management. They further note that AAI has embarked upon the ambitious, Rs 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 Rs 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, thereof, 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.

### **Reply of the Government**

Status Of Gagan Project Is given below :

1. Airports Authority of India with ISRO has jointly launched the Satellite Based Augmentation System, namely GAGAN [GPS Aided Geo Augmented Navigation] which is currently in advance stage of implementation and is planned to be made operational after certification by DGCA in July'2013.
2. The GAGAN when operational will improve safety at such Airports/Runways not equipped presently with Instrument Landing System(ILS) as it will be able to provide vertical guidance as near to a precision approach provided by ILS. It will also provide service for the en-route cruise operations also.
3. GAGAN will provide seamless navigation across Indian skies for aircraft with high level of position accuracy, Integrity, Availability & Continuity with appropriate warnings/ alarms when position accuracy is beyond tolerance limits for specific periods of time as per standard laid down by ICAO (International Civil Aviation Organization).

### Physical Progress

1. 15 Ground stations called Indian Reference stations (INRES) have been installed and networked with 2 Indian Master Control Centres(INMCC) at Bangalore. The GAGAN complex at Kundalahalli, Bangalore also houses the 2 Indian Land Uplink stations (INLUS) that transmit GPS corrections to the users. 3rd INLUS is getting ready to add up geographical redundancies at Nangloi, Delhi. The signal-in space is available since 15th December 2011 through GSAT-8 and many organizations are making use of the same. However, for aviation purposes, the SIS is required to be certified by Director General of Civil Aviation.
2. Recent launch of GSAT-10 on 29th September 2012 has added redundancy in space segment which allows us to proceed for certification of GAGAN for aviation use. GAGAN signal is expected to be made available for aviation use from July 2013.
3. **GAGAN Final System Acceptance Test (FSAT)** was successfully conducted on 16th July 2012. It is a day of great significance to Indian Aviation as Airports Authority of India and ISRO who are jointly started the GAGAN Project during 2001.The objective of Final System Acceptance Test was to evaluate the system performance and its critical parameters in the integrated live environment using the satellite signals and ground based systems on integrity, accuracy, continuity and availability for aviation use.  
The successful completion of Final System Acceptance Test has boost pave way for further process of system certification by Regulatory authorities and formal commissioning by June 2013.

### Instrument Landing System:

AAI has provided CAT II and CAT III ILS at airports affected by Low Visibility. At present CAT II Instrument Landing System is available at Amritsar, Lucknow and Kolkata Airports. CAT III Instrument Landing System is available at IGI Airport, Delhi on RWY 28, RWY 29 and RWY 11.

ATS Automation system at 38 airports (ATC Centres):

The installation of Indra Aircon 2100 ATS Automation system has been completed at 38 airports spread across the country, including major ATC Centers such as Trivandrum, Nagpur, Ahmadabad, Varanasi, Mangalore, Guwahati, Cochin, Amritsar and smaller centers such as Bhubaneswar, Patna, Tirupati and Hubli. Bhubaneswar has been identified under the Kolkata Upper Airspace Harmonization program as a major Lower Area Control Center and its ATC Center shall be upgraded commensurately.

**Comments of the Committee**

(Please see Paragraph No. 1.28 of Chapter – I)



## CHAPTER – III

### RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT REPLY

#### Observation/Recommendation (Sl. No. 4)

The Committee observes that there was a sudden surge in domestic airfares by various Airlines during the winter tourist season in the year 2010. Through 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 board 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 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 on 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 preview 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 recommended 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.

### **Reply of the Government**

#### **Action Taken (A)**

Air fares are not fixed by the Government as they are determined by the interplay of market forces. Scheduled airlines offer different fare buckets for each flight and the airfares offered by the airlines in lower bucket are affordable. The airfare increases with the increase in demand for seat, as the lower fare buckets get sold out fast. This practice is followed the world over.

It may be stated that as per Rule 135 of the Aircraft Rule 1937, every carrier is required to indicate tariff showing fares, rates and charges for air transportation between the points served by them.

In order to prevent excessive charging and sudden surges in airfares and to promote transparency by scheduled domestic airlines, DGCA has issued Air Transport Circular 2 of 2010 wherein airlines are required to display on their respective websites the tariff sheet route-wise across their network in various fare categories and the manner it is offered in the market. The intention behind the above directions is to keep the passengers informed of pricing pattern of airlines.

DGCA has also set up a Tariff Monitoring Unit in 2010 that monitors airfares on certain routes on monthly basis to ensure that the airlines do not charge airfares outside the range declared by them. The analysis has shown that the airfares remained well within the fare bucket uploaded by the airlines on the respective websites.

All scheduled domestic airlines are reported to be displaying route-wise tariffs and category-wise fares in their respective websites with an intention to keep the

passengers informed of pricing pattern of airlines and providing them an opportunity to choose the flights as per their convenience.

The Civil Aviation Economic Advisory Council (CAEAC) has been mentioned as Civil Aviation Economic Regulatory Council (CAEAC) in the Estimate Committee report, which may please be corrected.

Further the orders of AERA on UDF/Fuel charges seem to have been inadvertently mentioned as issued by CAEAC. Here it is clarified that CAEAC is only an advisory body and does not pass any orders.

### **Action Taken (B)**

This observation refers to the sudden surge in domestic airfares by various airlines during the winter tourism season in the year 2010. It has, inter-alia, been stated 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".

It further states that "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".

It appears that the "Civil Aviation Economic Regulatory Council" - which has been statedly set up in May 2009 is referring to the Airports Economic Regulatory Authority of India (i.e., AERA) which was set up in May, 2009 under the AERA Act, 2008.

In this regard, it is submitted that Airports Economic Regulatory Authority (AERA) is entrusted with the following functions under section 13 of the AERA Act:

- (a) To determine the tariff for the aeronautical services taking into 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) Revenue received from services other than the aeronautical services;
- (vi) The concession offered by the Central Government in any agreement or memorandum of understanding or otherwise;
- (vii) Any other factor which may be relevant for the purposes of this Act
- (b) To determine the amount of the development fees in respect of major airports.
- (c) To determine the amount of the passengers' services fee levied under rule 88 of the Aircraft Rules, 1937 made under the Aircraft Act, 1934
- (d) To monitor the set performance standards relating to quality, continuity and reliability of services as may be specified by the Central Government or any authority authorized by it in this behalf.
- (e) To call for such information as may be necessary to determine the tariff under clause (a)
- (f) To perform such other functions relating to tariff, as may be entrusted to it by the Central Government or as may be necessary to carry out the provisions of this Act.

Thus, the Authority is mandated to determine the tariffs in respect of aeronautical services in respect of the major airports (currently 16 in no. – details are at **Annexure VII**). Further, the Authority is required to determine the amount of development fees, passenger service fee and to monitor the standard of quality of service at these airports. In discharge of its functions, the Authority has issued 61 orders (upto October, 2012) whereby the tariffs for various aeronautical services (as defined in section 2(a) of the AERA Act) have been determined.

It is apparent from the above, that fixation of the airfares is not within the regulatory ambit of the Authority. Hence, the issue of sudden increase in domestic airfares by airlines cannot be attributed to AERA.

**CHAPTER – IV**

**RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH THE  
GOVERNMENT'S REPLIES HAVE NOT BEEN ACCEPTED BY THE COMMITTEE**

**Observation/Recommendation**

**NIL**

## CHAPTER – V

### RECOMMENDATIONS/OBSERVATIONS OF WHICH FINAL REPLIES OF GOVERNMENT IS STILL AWAITED

#### Observation/Recommendation (Sl. No. 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 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 (15 A) 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 as 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.

### **Reply of the Government**

On the matter of rationalization of VAT on ATF, the Hon'ble Minister of Civil Aviation has written to the Chief Ministers of the States on 23.2.2012. In response, only the State Government Chhattisgarh has brought down VAT on ATF to 4% whereas the other State Governments have expressed their inability to do so.

The details of the leased aircraft in the present operating fleet of the Air India and its subsidiaries are given below:

<b>Aircraft type</b>	<b>Lease arrangement</b>	<b>No.</b>
A320	Sale and lease back	6
A319	Dry lease	5
B747-400	Sale and lease back	2
A330	Dry lease	2
B737-80	Dry lease	4
ATR-42	Dry lease	7
CRJ	Dry lease	4
Total		30

As per the revised guidelines from RBI, limit of USD 1 Billion is for the Aviation Sector and limit for each airline is USD 300 Million. Air India had uploaded a request for proposal on it's website for USD 300 Million in May 2012. Only M/s. Barclays bank had responded to Air India's Public Tender. M/s. Barclays Bank had recommended raising finance via US Dollar loan transaction and US Dollar Bonds which should be backed by a Guarantee of Government of India (GOI). The proposal received from M/s. Barclays Bank was forwarded to the Ministry of Civil Aviation (MoCA) and requested to process the GOI Guarantee with Ministry of Finance (MoF) so that USD Bonds issue can be launched.

Air India Limited had also received a suo motu offer from M/s. Chartered Bank Management LLC. The offer of M/s. Chartered Bank Management LLC is for financing done by Bank Muscat. As per their original offer, financing has to be done through a wholly owned SPV (Special Purpose Vehicle) or a GSA (General Sales Agent) of Air India Limited to be set up in Oman. We have been given to understand that this borrowing will fall outside the ambit of ECB rules as per RBI guidelines. Hence, we had discussions directly with M/s. Bank Muscat to give an alternate proposal. Recently, we have been advised by M/s. Bank Muscat that during their informal discussions with some banks in Oman, Banks have indicated an appetite for lending to



Air India Limited backed by an unconditional guarantee or stand by letter of credit from acceptable banks in India. The syndication size may be about USD 150 Million. Air India Limited has asked M/s. Bank Muscat for their clarification on their tie up with Banks/Institutions in Oman for the proposal of USD 150 Million. Air India has also requested them for completing formalities for the above financing.

Air India has also contacted Deutsche Bank who had shown an interest for ECB financing. The proposal for ECB financing was discussed in detail with them and they should revert with their proposal subject to internal credit approvals in M/s. Deutsche Bank.

Pending GOI letter for M/s. Barclays Bank and final proposals from M/s. Bank Muscat and M/s. Deutsche Bank, Air India was unable to raise ECB borrowing allowed by RBI. Air India has been regularly following up with concerned parties to avail financing under ECB borrowing within the RBI deadline of March 2013.

#### **Subsequent reply of the Government dated 16.04.2013**

- (i) The Ministry has taken the matter of ATF with the State Govts. and has requested them to align ATF with ' Declare Goods' status. Only Govts of Chhattisgarh and Jharkhand have reduced VAT on ATF to 4%
  
- (ii) Ministry has taken the issue of pricing of ATF and other related issues with M/o Finance and M/o Petroleum & Natural Gas. A meeting between Minister of Petroleum and Natural Gas and Minister of Civil Aviation was held on 4.12.2012 to discuss the issue of the pricing and tax regime governing ATF, wherein Minister of Petroleum and Natural Gas assured Minister of Civil Aviation that issues will be discussed with the Oil Marketing Companies for and appropriate decision in the matter.

#### **Observation/Recommendation (Sl. No. 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 officers 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 recommended 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 procedure 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 Rs 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 Rs 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 organizations/agencies and state Governments.

### **Reply of the Government**

#### **Action Taken (A)**

The amount of Rs. 10 Crores given as budgetary support during 2011-12, for setting up of Civil Aviation Security Training Academy, it is stated that a decision has been taken to set up a Joint Training Academy for BCAS, DGCA and AAI. In this regard an MoU has already been signed between BCAS, DGCA and AAI.

Regarding the utilization of an amount of Rs 84 Crores allocated to the BCAS for purchasing various security equipments including Radiological Detection Equipment (RDE), it is stated that the amount has not been utilized as the procurement process has not yet been completed.

#### **Action Taken (B)**

On the observations of the Committee regarding 11 critical airports, following actions have been taken:

- a. Inspection of all these 11 critical airports has been carried out by a team of officials from Directorate General of Civil Aviation. Their report is forwarded to the

respective aerodrome operators for taking necessary action. The report broadly suggests the following measures:-

- Providing of Runway End Safety Areas (RESAs)
- Ensuring proper marking on runways.
- Proper maintenance of basic strips and ensuring frangibility criteria.
- Periodic calibration of Nav Aids.
- Maintenance of Runway Surface within appropriate friction Levels.
- Removal of obstacles and proper marking and lighting of permissible obstacles
- Safety risk assessment in respect of non-compliances.

b. The suggestion of the Committee to carry out surprise checks/inspections of flights, hangers, cargo areas, public areas at airports etc. at regular intervals, it is submitted that it is being done through planned surveillance, regulatory audits and spot checks.

c. The aircraft (Investigation of Accidents & Incidents) Rules 2012 has been notified in the Gazette of India on 5<sup>th</sup> July 2012. The notification is available on website of AAIB. An independent Aircraft Accident Investigation bureau (AAIB) has been set up under the Ministry of Civil Aviation vide Ministry of Civil Aviation notification no AV. 11012/01/2011-DG dated 30<sup>th</sup> July 2012. The Search and Rescue Service in India is dealt in Manual of Air Traffic Services of Airports Authority of India.

d. It is to inform that rules for licensing of ATCOs have been incorporated in The Aircraft Rules 1937 vide GSR 64(E) dated 3<sup>rd</sup> February, 2012, which stipulate the necessary training requirements for ATCOs for obtaining and maintaining ATC license.

#### **Subsequent reply of the Government dated 16.04.2013**

(i) A regular officer has been posted as DGCA since July, 2012.

11 Airports were identified as Critical airports from flight operations point of view. Inspection of these airports were carried out by the team of officials from Directorate

General of Civil Aviation and reports were forwarded to the respective aerodrome operator for taking necessary action.

Various steps have been taken to enhance the safety at these aerodromes which included:

- Provision of Runway End Safety Areas (RESAs)
- Ensuring proper marking on runways
- Proper maintenance of basic strip and Ensuring frangibility criteria.
- Periodic calibration of Nav Aids
- Maintenance of Runway Surface within appropriate friction Levels
- Removal of obstacles and proper marking and lighting of permissible obstacles and Safety risk assessment in respect of non-compliances.

(ii) All operators have been directed to carry out safety assessment of the aerodromes in accordance with Flight Standards Directorate circular no.02 of 2012 and depending upon the safety risk assessment, the operators shall define the training and qualification requirements for the flight crew operating to the said aerodrome. The circular also gives guidelines to categorize the aerodromes based on the safety assessment.

(iii) With regards to controlling noise pollution at metro airstrips, it is stated that as per the direction of Delhi High Court, DGCA has commissioned undertaken a pilot study for noise mapping & monitoring of Delhi Airport. The study is being carried out M/s NLR.T The recommendations of this study will be forwarded to the Central Pollution Control Board for developing permissible noise limits for the Airport. In a similar way, noise limits for other Airports will also be evolved.

### **Comments of the Committee**

(Please see Paragraph No. 1.9 of Chapter – I)

### **Observation/Recommendation (Sl. No. 7)**

The Committee are unhappy to note that several airport in the country are functioning without license as per the policy mandated by the International Civil Aviation Organization (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 airport 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 the following 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.

### **Reply of the Government**

Presently, all the airports in the country except one are having a valid license issued by DGCA. License of Patna in Bihar is under process by DGCA.

### **Subsequent reply of the Government dated 16.04.2013**

All the AAI airports where scheduled operations take place have been licensed except one namely Patna in Bihar which is operating as per provisions of Rule 78 of Aircraft Rule 1937. This provision permits the airport to operate till aerodrome operator obtains license from DGCA by the date notified by Central Government. The date notified as per SO 038 (E) dated 1<sup>st</sup> January 2013 is 30<sup>th</sup> June, 2013.

### **Comments of the Committee**

(Please see Paragraph No. 1.13 of Chapter – I)

### **Observation/Recommendation (Sl. No. 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 or 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 facts 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 Experts Committee. The Committee are further appalled by the news reports of a fake flying school functioning in the national capital itself. Obviously such schools cannot be established overnight. Besides, it is Difficult to accept the 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 organization 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.

### **Reply of the Government**

A public notice dated 18 July 2012 have been issued and the guidelines to the candidates applying for Pilot License Examination (Issued V, October, 2012) has been published on DGCA's website stating that attested copy of Verification Certificate issued by University/ Board should be submitted at the time of allotment of computer No and original verification certificate is to be submitted at the time of applying for issuance of License.

DGCA has examined the pilot licenses issued in the past and to establish a procedure for detailed verification while issuing such licenses. The examination history available in CEO records in respect of 1704 ATPL holders were scrutinized and it was observed that the six candidates have not passed all the examination papers required for issue of ATPL and have submitted fake mark sheet for these paper(s) for issue of ATPL .

The ATPL licenses of the above pilots have been placed under suspension and a case has been registered with the Delhi Crime Branch who is investigating in the matter. Details of such pilots are at Para 'A' of the **Annexure - VIII**.

The examination history in respect of 6331 CPL holders were scrutinized and it was observed that 11 candidates have not passed the required examination papers and have submitted fake mark sheet for these paper(s) for issue of CPL. These cases have also been handed over to Delhi Police Crime Branch. The details are at Para 'B' of the **Annexure - VIII**.

Cases of bogus entries in the flying log book of trainee pilots by Chief Flying Instructor of Rajasthan Flying School Jaipur were reported by anti corruption Bureau (ACB), Rajasthan. On the basis of preliminary report received from anti Corruption Bureau Rajasthan, licences of the pilots were suspended by DGCA. Details are at Para 'C' of the **Annexure -VIII**.

Subsequent to above, DGCA has started procedure for more detailed verification while issuing the licences. The result submitted by the candidate for his



passing the examination is verified from the result folder provided by CEO. For conversion of foreign licenses into Indian licenses, the licenses are being verified from the concerned regulatory authority of the respective countries. Verification of the recency flying is also being obtained from the flying training institute before processing the case.

### **Subsequent reply of the Government dated 16.04.2013**

8(i) Recommendations of the Expert Committee on Examination and Licensing have been spelt out in detail in para 8(ii) below.

(8) (ii) As a follow –up to the statement made by the Minister of Overseas Indian Affairs and Civil Aviation on 15.3.2011 in the Rajya Sabha regarding Issue of Licenses, Ministry of Civil Aviation constituted an Expert Committee to look into the current System of Examination and Licensing of Pilots and recommended to make the system secure, credible and efficient and in tune with modern and best practices. The Terms of Reference of the Committee include the following:

- 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 field by candidates;
- v) Any other task assigned by the Ministry.

The Expert Committee carried out a review of the existing Examination System of pilots and engineers including the licensing system in DGCA and made 12 recommendations. While, action on most of recommendations has been taken, action

on recommendation (3) relating to comprehensive licensing system, merging of examination date with licensing data, gathering of flying data is being taken up in the e-Governance project of DGCA.

**The completed actions include:**

- i) Verification of basic qualification of a candidate.
- ii) Computerization of all the activities related to the examination included online registration for examination, allotment of roll number, scheduling of examination dates, conduct of online/ computer-based examination, processing.
- iii) Making available the list study material for the students including the syllabus.
- iv) Enhancement of question bank.

8 (iii) This fact has been taken note of Ministry of Civil Aviation

**Comments of the Committee**

(Please see Paragraph No. 1.18 of Chapter – I)

**Observation/Recommendation (Sl. No. 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 regards, 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 recommends that the Ministry should assess and upgrade the existing infrastructure at various Government Training Institutes to stop the exodus of Indian citizen 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 recommends that DGCA should tighten the norms set for the Government recognized private flying training institutes and ensures that all such institutes meet the desired criteria.

### **Reply of the Government**

DGCA grants approval to Flying Training Organizations on meeting the requirements i.e. manpower, infrastructure as per CAR Section 7 Series D Part I.

As per CAR section 7 series D part II DGCA has a system for Safety Oversight and Surveillance of Flying training Institutes. Through this system DGCA is keeping strict vigil on the quality of training, human resources & infrastructure requirements.

### **Subsequent reply of the Government dated 16.04.2013**

(i) DGCA has started monitoring the training imparted abroad. Trainees who undergo such training abroad have to necessarily clear examinations in India before obtaining conversion of license.

(ii) DGCA carries out surveillance of Flying Training Organisation (FTO) as per Civil Aviation Requirement Section 7, Series D, Part II on such institutes. The validity of FTO approval is one year and the approval is renewed on annual basis after inspection is carried out by the DGCA.

## **Comments of the Committee**

(Please see Paragraph No. 1.22 of Chapter – I)

### **Observation/Recommendation (Sl. No. 15)**

The Committee note that Airports Authority of India (AAI), a consistently profit-making organization, 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 given by the State Government. Through 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 Rs 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 permission 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.

### **Reply of the Government**

#### **Action Taken (A)**

#### **Status of various airport projects:**

##### **(i) Bhubaneswar:**

Upgradation of the Airport is in progress. Works for strengthening and expansion of apron, taxiway and construction of additional taxiway has been completed at a cost of Rs.15 Crores. Construction of new domestic terminal building is nearing completion and is likely to be commissioned by December, 2012. After completion of the new Domestic Terminal Building, the operation shall be shifted from the existing Terminal Building, which shall be renovated and modified to cater to international flight operations and is expected to be completed by April, 2013.

##### **(ii) Bhatinda:**

After necessary co-ordination with IAF, development of new Civil Enclave at Bhatinda Airport is completed. Pre-commissioning activities including obtaining of regulatory approvals is in progress. The new Civil Enclave shall be commissioned in the near future. Details are being sent to airline operators for attracting civil flight operations.

**(iii) Patna:**

The existing Airport is constrained due to non-availability of land and presence of obstacles in both directions of the Runway, such as Railway Track and Highway towards the West and Botanical Garden & Government Building in the East. Need for an alternate to Patna Airport has been emphasised upon the State Government. The State Government has to finalise a new location for construction of a new Airport at Patna. AAI has given comparative analysis for two sites i.e. (1) Nalanda Greenfield Airport and (2) Bihta Airport (Civil Enclave only, being a Defence Airport). AAI has also conveyed to the State Government to consider development of Greenfield

**(iv) Hubli**

State Government of Karnataka has handed over the balance 27 Acres of land to AAI for development of the Airport. Action is initiated to provide a boundary wall around the acquired land to protect the land from encroachments. Further upgradation and development of Hubli Airport is at planning stage.

**(v) Kota:**

The existing Airport is constrained for further development due to urbanisation around the airport. To facilitate operationalisation of the Airport for scheduled operation of ATR type of aircrafts, the State Government has been requested to transfer 14 Acres of land and undertake removal of identified obstacles. Response from the State Government is awaited.

**(vi) Gwalior (Civil Enclave):**

Upgradation of Civil Enclave has been planned and proposed at an estimated cost of Rs.30 Crores. Request has been sent to the Planning Commission through MoCA for Grant-in-Aid from the Government.

**(vii) Nagpur:**

As per the information furnished by MIHAN India Limited, the Joint Venture Company that is executing this project, the project of Multi-Modal Hub at Nagpur

continues to be stalled owing to the issue of vacation of land in the airport premises by Indian Air Force (IAF). The matter is under consideration of a joint committee of officers from Ministry of Civil Aviation and Ministry of Defence.

**(viii) Itanagar:**

In view of the technical and operational suitability, the State Government of Arunachal Pradesh has given its acceptance of the new proposed site at Holongi in lieu of the earlier preferred site at Banderdeva. AAI has prepared the draft Master Plan for development of the Airport at Holongi. It is noted that the terrain at Holongi site permits operationalization both directions of the runway, as compared to Banderdeva site, which allowed unidirectional operation. AAI has requested the State Government to acquire 320 Hectares of land for development of new Greenfield Airport at Holongi. Pre-feasibility Study Report for the project has been submitted to MoCA and proposal also sent for DGCA and Defence clearances.

**(ix) Tirupati:**

The State Government has made available 293 Acres of land out of the projected land requirement of 718 Acres. In the land made available, AAI has planned to construct a new integrated terminal building of capacity to handle 500 domestic passengers and 200 international passengers at a time & construction of new apron. An amount of Rs.174 Crores has been sanctioned towards the above works. AAI has completed the work for construction of new apron of size 330m X 140m with six parking bays at a cost of Rs. 13 Crores. The work for construction of new terminal building was awarded, but the contract for the same had to be terminated on account of non-performance of the Contract Agency. Action for recall of tender has been initiated and the work is expected to be awarded by January, 2013. Further action for extension of runway, provision of approach lights & other facilities shall be taken up on balance land of 425 acres being made available to AAI. The State Government has also to take action for diversion of Telugu Ganga Water Pipelines, Road, HT & Lines, Pylon Masts, etc, from the land to be acquired.



Details of the works completed and works-in progress indicating projects wherein revised cost has been obtained are enclosed as **Annexure-IX & X**. It is further to inform that compensation for the unjustified period of delay directly attributable to the Contract Agencies is levied on the Contract Agencies, as per the provisions of the agreement.

**Noise pollution levels at airports** - At Mumbai airport, noise abatement procedures have already been implemented for departing aircraft. These noise abatement procedures restrict aircraft sound dispersion on ground in the take-off direction only. Implementation of Continuous descent operations are being implemented at major airport in order to reduce noise impact on ground and promote emission reduction also.

#### **Action Taken (B)**

Delhi International Airport (P) Ltd. (DIAL) has positioned 32 buggies at Terminal-3 to assist PRMs (Passengers with Reduced Mobility), Senior Citizens, Expected mothers and Infants. This Service is provided free of cost at all the times both at Arrival & Departure levels. Prominent & Conspicuous Signage's are placed on these buggies to enable passengers identify and avail the services.

#### **Observation/Recommendation (Sl. No. 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 currently 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 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.

### **Reply of the Government**

#### **Action Taken (A)**

IGRUA had received Rs.446.95 Lacs for up-gradation/creation of assets in the financial year 2011-12 as under:-

**1. Construction of Swimming Pool and conversion of existing Simulator Hall to Auditorium-Rs. 297.50 lacs.**

As IGRUA not have any expertise in the field of civil works, the project has been awarded to Airports Authority of India as a deposit work for execution and is in progress

**2. Projectors and Computers for Simulators- Rs. 18.00 lacs**

Orders were issued to the venders and the material under supply

**3. Computer for Online Exam-Rs.37.00 lacs**

Order were issued to the venders and the material under supply

**4. Aircraft Engines- 46.50 lacs**

Order issued and engines are under supply.

**5. Furniture & Fixtures- Rs. 22.95 lacs**

Procurement of furniture is completed.

**Action Taken (B)**

Indian Aviation Academy was set up in the year 2010 with DGCA, AAI & BCAS as its three wings to cater to the training requirements of the staff of its member organizations. It is an off-shoot of NIAMAR society, registered under the Societies Registration act (1860) of the Govt. of India. Affairs of the NIAMAR Society are being managed by an apex body called Governing Council. Chairperson, AAI is the President and DGCA is one of the Members. The Governing Council is assisted by the Governing Body which deals with administrative issues of NIAMAR Society

A training directorate in DGCA with 19 Posts has been approved. A list of posts sanctioned is enclosed. The process of recruitment for the different directorates is still going on. Once that is completed, the required number of officers from the directorates will be posted to the Training Directorate

During the financial year 2011-2012, an amount of Rs.30.00 crore was allocated under the head "major works" and no money was released towards establishment of Training Academy of DGCA. In this SFC meeting held on 24.04.2012, clearance has been given for investment of Rs. 43.54 crores for creating requisite infrastructure for the Academy.

**NEW DELHI;**

**29 April, 2013**

**Vaisakha 9, 1935(S)**

**FRANCISCO SARDINHA,**

**CHAIRMAN,**

**COMMITTEE ON ESTIMATES.**

**MINUTES OF THE TWENTY SECOND SITTING OF COMMITTEE ON ESTIMATES**  
**(2012-13)**

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The Committee sat on Wednesday, the 26<sup>th</sup> April, 2013 from 1000 to 1100 hrs in Chairman's Chamber (52 B), Parliament House, New Delhi.

**PRESENT**

**Shri Francisco Sardinha - Chairman**

**MEMBERS**

2. Dr. Sanjay Jaiswal
3. Dr. Thokchom Meinya
4. Dr. Sanjeev Ganesh Naik
5. Shri Mukul Balkrishna Wasnik
6. Shri Prabodh Panda
7. Smt. Yashodhara Raje Scindia
8. Shri S. Semmalai
9. Shri Neeraj Shekhar
10. Shri Ijyaraj Singh
  
11. Smt. Annu Tandon

**SECRETARIAT**

1. Smt. Anita B. Panda- Director
2. Shri Srinivasulu Gunda – Additional Director
3. Dr. Yumnam Arun Kumar – Deputy Secretary

2. At the outset the Chairman welcomed the members to the sitting of the Committee.

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3. The Committee, thereafter, took up for consideration the draft report on the Action Taken by the Government on the recommendations contained in the Fourteenth Report (Fifteenth Lok Sabha) on the subject 'Development and Regulation of Civil Aviation' pertaining to the Ministry of Civil Aviation and adopted the same subject to following addition to para number 1.22 of Chapter-I of the draft Report:-

“The Committee desire that the Ministry should furnish details of number of accredited/recognized Airline Transport and Commercial Pilots training institutes, training institutes operating without valid license and the fee charged by these institutes for training purposes. The Committee also desire that details of the training institutes operating without valid licenses be displayed on the website of the DGCA/Ministry of Civil Aviation”.

4. The Committee then authorized the Chairman to finalize the report

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5. As the Committee's term will end on 30.04.2013 and this being the last sitting of Committee on Estimates (2012-13), the Chairman thanked to Members for extending their full cooperation in smooth functioning of the Committee placed on record, his appreciation for their valuable contribution to the work of the Committee.

*The Committee then adjourned*

## APPENDIX -II

### ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE FOURTEENTH REPORT OF THE COMMITTEE ON ESTIMATES (FIFTEENTH LOK SABHA)

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(i)	Total number of recommendations/observations	17
(ii)	Recommendations/observation which have been accepted by the Government (Sl. Nos. 1, 2, 3, 10, 11, 12, 13, 14 &16)	9
	Percentage of total recommendations	52.94%
(iii)	Recommendation/observation which the Committee do not desire to pursue in view of Government's reply (Sl. No. 4)	1
	Percentage of total recommendations	5.88%
(iv)	Recommendations/observations in respect of which Government's replies have not been accepted by the Committee (Sl. No. Nil)	0
	Percentage of total recommendations	0%
(v)	Recommendation/Observation in respect of which final replies of Government are still awaited. (Sl. Nos. 5, 6, 7, 8, 9, 15 & 17)	7
	Percentage of total recommendations	41.18%