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C.P.U. No. 955

TWENTY SECOND REPORT

COMMITTEE ON PUBLIC UNDERTAKINGS
(2012-2013)

(FIFTEENTH LOK SABHA)

NATIONAL AVIATION COMPANY OF INDIA LIMITED- *MERGED ENTITY OF ERSTWHILE AIR INDIA AND INDIAN AIRLINES*

MINISTRY OF CIVIL AVIATION

(Action Taken by the Government on the recommendations contained in the Fourth Report of the Committee on Public Undertakings (Fifteenth Lok Sabha) on National Aviation Company of India Limited – Merged Entity of Erstwhile Air India and Indian Airlines)

सत्यमेव जयते

Presented to Lok Sabha on 30 April, 2013

Laid on the Table of Rajya Sabha on 30 April, 2013

LOK SABHA SECRETARIAT

NEW DELHI

April, 2013 / Vaisakha, 1935 (S)

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Shri Jagdambika Pal -- Chairman

MEMBERS

Lok Sabha

2. Shri Hansaraj Gangaram Ahir
3. Vacant*
4. Shri Bansa Gopal Chowdhury
5. Dr. Mahesh Joshi
6. Shri Shailendra Kumar
7. Dr. (Smt) Botcha Jhansi Lakshmi
8. Shri Vilasrao Baburaoji Muttemwar
9. Shri Adhalrao Shivaji Patil
10. Shri Ponnam Prabhakar
11. Shri Rajendrasinh Rana
12. Shri Nama Nageswara Rao
13. Shri Uday Singh
14. Dr. Prabha Kishor Taviad
15. Shri Bhisma Shankar alias Kushal Tiwari

Rajya Sabha

16. Shri Anil Desai
17. Shri Janardan Dwivedi
18. Shri Naresh Gujral
19. Dr. V. Maitreyan
20. Shri Mukhtar Abbas Naqvi
21. Shri T.M. Selvaganapathi
22. Dr. Janardhan Waghmare

SECRETARIAT

1. Shri A. Louis Martin — Joint Secretary
2. Shri G. C. Prasad — Deputy Secretary

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* Vacancy caused due to passing away of Shri Ambica Banerjee, M.P. on 25 April, 2013.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorized by the Committee to submit the Report on their behalf, present this Twenty-second Report on Action Taken by the Government on the recommendations contained in the Fourth Report of the Committee on Public Undertakings (15th Lok Sabha) on National Aviation Company of India Limited – Merged Entity of Erstwhile Air India and Indian Airlines.

2. The Fourth Report of the Committee on Public Undertakings (2009-2010) was presented to Lok Sabha and laid on the Table of Rajya Sabha on 12 March 2010. The Action taken replies to all the 18 recommendations contained in the Report were received from the Government in September 2010 and subsequently the updated replies were received in June 2011, August 2011 and January 2012. The Committee took oral evidence of the Secretary, Ministry of Civil Aviation and CMD, Air India on 22 June 2011, 20 October 2011 and on 12 January 2012. Written replies to the issues raised during the evidence were sought by the Committee and received from the Government in August 2011, December 2011, February 2012 and May 2012. The Committee on Public Undertakings considered and adopted this Report at their sitting held on 26 April 2013.

3. An analysis of the action taken by the Government on the recommendations contained in the 4th Report (2009-10) of the Committee is given in Annexure.

New Delhi:	**JAGDAMBIKA PAL**
29 April, 2013	**Chairman,**
09 Vaisakha 1935(S)	**Committee on Public Undertakings**

CHAPTER - I

REPORT

The Report of the Committee deals with the action taken by the Government on the Observation / Recommendations contained in the Fourth Report (Fifteenth Lok Sabha) of the Committee on Public Undertakings (2009-10) on "National Aviation Company of India Limited – Merged Entity of Erstwhile Air India and Indian Airlines" which was presented to Lok Sabha and laid on the Table of Rajya Sabha on 12 March 2010.

2. The Action taken replies to all the 18 recommendations contained in the Report were received from the Government in September 2010 and subsequently the updated replies were received in June 2011, August 2011 and January 2012. The Committee took oral evidence of the Secretary, Ministry of Civil Aviation and CMD, Air India on 22 June 2011, 20 October 2011 and on 12 January 2012. Written replies to the issues raised during the evidence were sought by the Committee and received from the Government in August 2011, December 2011, February 2012 and May 2012.

3. The replies have been categorized as follows:

(i) Observations / Recommendations which have been accepted by the Government (Chapter II)
Sl. Nos. 2, 4, 5, 9, 10, 12, 13, 14, 15, and 16 (Total 10)

(ii) Observations / Recommendations which the Committee do not desire to pursue in view of the Government's replies (Chapter III)
Sl. Nos. 7 and 8 (Total 02)

(iii) Observations / Recommendations in respect of which replies of the Government have not been accepted by the Committee (Chapter IV)
Sl. Nos. 1, 3 and 6, Para No. III & 11 (Total 04)

(iv) Observations/ Recommendations in respect of which final replies of the Government are still awaited (Chapter V)
Sl. Nos. 17 and 18 (Total 02)

4. The Committee desire that the final replies in respect of the recommendations for which only interim replies have been furnished by the Government should be furnished to them expeditiously.

5. The Committee will now deal with the action taken by the Government on some of the recommendations in the succeeding paragraphs.

Consolidation of merger process

Recommendation (Sl.No. 1)

6. On the issue of consolidation of the merger process, the Committee felt that there is a need for consistency in plans and policies of the company for the merger to consolidate and for this purpose there is a need for some credible leadership at the top. The Committee, therefore, recommended that the leadership of NACIL should be put on a mission mode with a mandate spelt out in unequivocal terms to turn around the Company within a specified period. The postings in the top slot of the Company should invariably be governed on the basis of performance and accountability.

7. The Government in their action taken reply furnished in September, 2010 and in their subsequent updated replies furnished in June, 2011 stated that the observations of the Committee have been noted. NACIL has prepared a turnaround plan and its implementation is being reviewed by Group of Ministers from time to time.

8. When asked to submit specific and precise reply on the issues raised in the Committee's recommendation, the Ministry in their updated reply furnished in August, 2011 submitted that Government is following up the financial position of Air India Limited at the highest level. The Company has come up with a viable Turn Around Plan and Financial Restructuring Plan, which is being evaluated by a Group of Officers drawn from different Ministries. AIL being a Company, has to have a Board of Directors to run its affairs.

9. With a view to strengthening the Board, PESB has been requested to select competent persons for the three important posts of Functional Directors i.e. Personnel, Finance and Commercial. Recommendations will be followed up.

10. On the issue of Turn-around plan, the Ministry in their post evidence replies furnished in December 2011 stated that the Turn-around plan has been vetted by Deloitte for assumptions relating to yield, growth & LFs and certain moderations have been made to the original Turn-around plan prepared by the Company in consultation with SBI CAPs. This in turn has also been seen by a Committee of Officers appointed by the Group of Ministers who have recommended the following actions for implementing the Turn-around plan/FRP of AI.

- The performance of PLF & yield of the company should be benchmarked to achieve 73% by 2015 and 75% by 2020. Yield and utilization parameters should be in line with the market leaders.
- The FRP should be as per the plan suggested by SBI CAPs which involves restructuring of STLs into LTLs and issue of CRPS. An equity infusion as envisaged above in Pt.10.
- Induction of aircraft to be based on route planning & economics and could be reviewed after 2014-15.
- Hiving off of MRO & GH as separate subsidiary companies as proposed in the Turn-around plan.
- Revenue Generation through monetization fo assets as proposed in the Turn-around plan.
- Cargo & Mail Revenue and other revenues as proposed in the Turn-around plan.
- HR Policy review across AI including subsidiaries and right-sizing of staff through an appropriate VRS package.
- Completion of Integrated IT Systems for improving performance.
- Customer Oriented Services as proposed in the Turn-around plan to be focused.
- Ownership of the Turn-around plan vide employees & Management of AI.

- An Oversight Committee to ensure implementation of the Turn-around plan and achievement of milestones.

  If these above measures are taken, the company would be Earnings Before Interest, Taxes Depreciation and Amortization (EBIDTA) positive in 2013, cash profit 2018, EBT positive 2020, Total Net worth Positive 2020.

11. On the issue of credible leadership and postings in the top slot of the Company, the Secretary, Ministry of Civil Aviation stated during the evidence before the Committee on 20 October, 2011 as follows:

> "I would like to apprise the Committee that there was a change in the management on 12th August 2011. The new CMD joined on 12th August 2011. The Ministry and the Air India Management feel that now there is a positive atmosphere. I would not say comparatively it has improved tremendously but there is a positive atmosphere. We feel there is new energy that will flow in the organisation. There is a direct dialogue established between the Management and all the Unions not once but on an on-going basis which has generated trust and confidence between Management and employees. Hon. Members might be aware that before the change in the Management there was disturbance almost every day in terms of operations and in terms of employees' dissatisfaction. We feel for the past over two months there is a comparative peace in the Organisation."

12. The Secretary, Civil Aviation stated in this connection on 12 January 2012 as follows:

> "The Government has taken a decision in August and has brought in a new top leadership positions……. The company has shown sign of improvement in all parameters. All parameters are clearly showing that with the change in the management, work culture and with the commitment of the employees, this company can do well. There is a great potential. It can really do wonders. It is what I also feel at this point in time."

13. It is observed that name of the Company is now changed to Air India Limited effective from 24 November 2010.

14. The Committee in their original report had observed that the merger of the erstwhile Indian Airlines and Air India into National Aviation Company of India Limited was an ill-conceived and an erroneous decision. Considering the fact that the merger cannot be undone at this stage, the Committee had emphasised on the need for consistency in plan and policies of the Company alongwith credible leadership at the top for the merger to consolidate and had recommended that (i) the leadership of NACIL be put on the mission mode with a mandate spelt out in unequivocal terms to turn around the Company within a specified period; and that, (ii) the posting in the top slot of the Company should invariably be governed on the basis of performance & accountability.

It is observed that name of the Company has since been changed to Air India Limited effective from 24 November 2010. The Committee note that the action taken replies furnished initially did not convey any initiative being taken or

proposed to be taken by the Government on the recommendations of the Committee. The Government was very casual in stating that the observations of the Committee have been noted. At a later stage, the Government informed that a new CMD has been appointed to the Company on 12 August 2011 and also that the PESB has been requested to select competent persons for the three important posts of Financial Directors *i.e.* Personnel, Finance and Commercial. Further, a new Turn Around Plan (TAP) and Financial Restructuring Plan (FRP) has been prepared and approved by the Government for implementation. According to the TAP and FRP, in the event the proposed measures enumerated in these plans are taken, Air India would turn EBITA (Earnings Before Interest, Taxes, Depreciation and Amortization) positive by 2013, Cash Positive by financial year 2018, Profit Before Tax positive by financial year 2020 and Net Worth Positive by 2020. Also, there is a provision for an Oversight Committee to ensure implementation of the TAP and achievement of milestones.

According to the Turn Around Plans, it will take another seven years for Air India to break even. It is not clear why it should take so many years for Air India to improve its performance. In any case, the Committee would like to know whether Air India has become EBITA positive (Earnings before Interest, Taxes, Depreciation and Amortization) in 2012 as envisaged in the Turn Around plan. The role and responsibility of Oversight Committees and the top management appear to be blurred and it is not clear who will be held responsible in the event of performance deficiencies. The Committee hope that there will be clear demarcation in this regard to ensure accountability.

<u>Implementation of the merger plan</u>
Recommendation (Sl. No. 3)

15. On the issue of implementation of the merger plan the Committee noted that irrespective of the merits of the merger plan, the present gravity of spiraling losses could have been averted had the implementation of the merger plan been strictly adhered to within the stipulated timeframe. The Committee, therefore, recommended that a fresh, realistic and definite timeline for completion of pending processes of merger, such as establishing a uniform code – a pre-condition for joining the Star Alliance, setting up Strategic Business Units (SBUs), cross utilization of resources, IT augmentation, customer services, sales and marketing, finance, ground handling, MRO, operations and flight safety, training, cargo, etc., may be worked out and put in place immediately. The Committee further recommended that reasons behind the undue haste in merger and lack of monitoring after the merger should be probed to fix the responsibility for the same and that the government must set up an effective monitoring mechanism to review the progress made on the revised merger schedule every quarter. The Committee also recommended that all the loss attributable to merger of IA and AI should be recouped by the Government as the decision of merger was a policy decision spearheaded by the Ministry-in-charge.

16. The Government in their action taken reply furnished in September, 2010 submitted that the decision to merge IA and AI was not taken in haste but it was a well considered decision both at the company level and in the Govt. A presentation was made before the Hon'ble Prime Minister of India on the issue of merger in March 2006, where an 'in-principle' view was taken that the merger of two airlines would be in their best interest. While approving the merger, Air India Board decided to invite Expression

of Interest from various consultancy/Accounting firm and constituted a Committee for selection of the Consultant and oversee the process of merger. After following the due process, the Consultant were appointed to draw the road-map of merger. A Core Group was constituted to monitor the progress and to co-ordinate with Consultants at the top level. Hon'ble Prime Minister was requested to constitute a Group of Ministers to consider the proposal at pre-Cabinet stage. The Group of Ministers so constituted, in its first meeting, desired that the proposal be first considered by a Committee of Secretaries. The Committee of Secretaries considered the proposed merger of two airlines and agreed to the proposal. The GOM was briefed about the recommendations of COS and it was decided that before the proposal is finally recommended to the Cabinet, the Ministry of Civil Aviation may (i) hold a round of talks with Employee Unions to keep them on board; (ii) prepare a note on management structure of the merged company vis-a-vis comparable international airlines; and (iii) suggest a Grievance Redressal Mechanism to take care of the employee grievances. The action was accordingly taken and the same was briefed to GOM. GOM after careful consideration, approved and decided to recommend to the Cabinet the proposal to merge Air India and Indian Airlines into a new merged entity. Thereafter, Cabinet in its meeting held on 1.3.2007 approved the proposal. Losses of NACIL are not attributable to merger. Infact 2008 & 2009 were the worst years for aviation in India and globally, due to very high fuel prices touching upto $ 145 per barrel and then the economic slowdown. However, NACIL has been directed to speed up the integration process and it has formed different sub-committees at Board level to monitor the progress.

17. The Ministry in their aforesaid reply also informed about the milestones achieved in areas of route rationalization, Feeder & HS services, Through flight numbers, MRO-SBU, Cross Utilization of MRO facilities, Boeing MRO at Nagpur, IT Aigmentation, Training, Cargo System and Sales & Marketing.

18. On the issue of time line fixed for completion of merger related activities, the Ministry in their post-evidence reply furnished in December, 2011 stated that the merger has been completed in many identified areas and the major milestones are being achieved albeit slowly due to the precarious financial position of the company. The major milestone of a Single AOP has been achieved and issued by DGCA. The cut over to the new PSS system has also been completed and the Company has migrated to a Unicode system. Integration of both the companies have also been completed in many area like Finalization of CMD, Board of Directors, organization structure for Air India (then NACIL), selection of leadership team - Functional Directors, Executive Directors. In regard to Functional Director and Executive Director levels Organizational Structure have been finalized however compensation harmonization is yet to be harmonized. Further, General Manager and Dy. General Manager level Organizational Structure have been finalized in respect of majority of the departments. Other areas completed are for Material Management - Integrated Policy, Financial Synergies / quick wins in Insurance, Fuel procurement- ATF, banks & fund management, common Accounting policies, legal & tax issues, Passenger Service System (PSS) Delegation of Administrative and Financial Powers etc. At the time of merger 226 critical activities had been identified and targeted for completion. Out of these, about 170 of the identified areas have since been completed (December 2011). The area of integration of manpower and the solution to the HR issues is a major task and involves a high integration cost. The delay in harmonizing is due to the critical financial condition being faced by the company and also the high cost of integrating the manpower on issues like level mapping, compensation harmonization etc for all employees including pilots.

19. Regarding the steps taken for improvement in the Customer Services, the Ministry in their reply furnished in February 2012 submitted that the following steps have been taken/being taken for improvement in Customer Services:

(i) A separate cell has been set up for entertaining and evaluating suggestions/ feedback to be obtained directly from cabin crew to bring rationalization/ improvement in services.
(ii) Action has been initiated to procure adequately quantity of Hindi newspapers and magazines.
(iii) Hold-over of Inflight Entertainment contents on wide body aircraft used to be NIL which has been increased to a Library of Contents available to on-board offering wider choice. At present 152 movies/other programmes of different classifications are available for viewing.
(iv) Inflight content updation on narrow body aircraft has been reduced from monthly to fortnighty.
(v) Mood lighting has been done in the wide body aircraft intended to uplift passenger experience and the feedback indicates that it elevates passenger experience and provides clean and posh look of cabins.
(vi) Cabin boarding music has been changed to Indo-west Fusion having a rich sound to be played at boarding, taxing, landing and arrival taxing at audible level and the feedback indicates that combined with mood lighting it has a mind altering and calming effect on passengers.
(vii) Efforts are being made to upgrade cabin management by having neat and tidy cabins, clean and hygienic toilets, controlled temperature to have positive effect on passengers.
(viii) Call Centre Services: upgradation/under upgradation.

- FFP Cell - Implemented with effect from 26 Feb. 11 offering membership, redemption and related services - functional.
- French Toll Free – Seat assignment/Excess Baggage related offers for Indian origin passenger travelling ex-France has been implemented.
- Tele Check-in for AI International Sectors being finalized.
- Dial-a-Ticket (DAT) for AI International Sectors with payment collection through Domestic and International credit cards – works in progress.
- Feedback Cell- Accessible through a Toll Free No. for handling customer feedback and complaints – work in progress; committee to negotiate being constituted.
- Web Chat & SMS Pull – work in progress.

20. The Committee had recommended that there should be a definite timeline for completion of pending processes of merger. The Committee regret to note that neither any timeline has been fixed nor the integration processes completed even three years after presentation of the Committee's Report. The Committee have been informed in December 2011 that out of the total 226 critical activities identified and targeted for completion at the time of merger, only 170 of the identified areas have been completed. The Committee reiterate that remaining identified activities be completed expeditiously within a time frame.

The Committee desire to know as to why, having engaged a consultant with huge cost, the road-map on merger as visualized by them could not be

achieved. The Committee reiterate their earlier recommendation that the matter should be probed and responsibility fixed.

The Committee also do not agree that losses of NACIL were not attributable to merger. It is common knowledge that merger did involve considerable cost. Besides, the adverse fall out of merger in the effective functioning of the Company in the inter-regnum period of merger processes did contribute to the losses. The Committee expect Air India to analyze these aspects and quantify the amount involved in this regard for seeking a claim as recommended by the Committee.

<u>Analysis and review of routes / time slots</u>
Recommendation (Sl.No. 6)

21. On the issue of allegations of favour being shown to private operators vis-à-vis Air India regarding allotment of routes and time-slots, the Committee felt that it is in the public interest for the Ministry of Civil Aviation to dispel any misgivings over transparency of route and time-slot allocations raised by allegations of favors being shown to private operators for some consideration or the other. The Committee, therefore, recommended that the Ministry of Civil Aviation should conduct a transparent review of the entire route and slot allocations, both in the domestic and international sectors, and effect necessary changes to ensure that NACIL is neither put at any disadvantage nor appear to be placed in any disadvantageous position.

22. The Government in their action taken reply furnished in September 2010 stated that the slots requests of airlines are analysed vis-a-vis capacity parameters i.e. runway, apron, terminal building, watch hours etc. Based on this analysis, the slot as requested by the airlines are either approved or a list of alternate offers is generated. The basic principle of the slot allocation process is historic precedence whereby airlines are entitled to a series of slots which have been received from the airlines for new/additional flights, change of time due to operational reasons etc. are examined by the airport operator and cleared, if found acceptable, within the notified capacities. In the entire process, there is no room for preferential treatment to any airlines

23. In June 2011, the Ministry of Civil Aviation informed that an analysis as desired by the Hon'ble Committee, with all its ramifications has been done. A review of slot allocations will also shortly be underway.

24. In their updated action taken reply furnished in August 2011, the Ministry further submitted that the Ministry of Civil Aviation has no role in selection of domestic routes by airlines. The routes of operations on domestic sector are chosen by the airlines including Air India. Government has laid down Route Dispersal Guidelines for all airlines with a view to achieve better regulation of air transport services of different regions of the country, including north-east region, which is monitored by DGCA. So far as slots are concerned, these are allocated by AAI, DGCA and Airport Operators in a fair and transparent manner. The Ministry has no role in the matter. So far as international routes are concerned, MoCA allocates only traffic rights under Air Services Agreements and Air India has the first right to operate to any international destination and it is only on their refusal that these are offered to other Indian Carriers.

25. The Committee deprecate the contradictory stand of the Ministry of Civil Aviation on the matters of route and slot allocations to Air India and private airlines. The Committee had recommended that the Ministry of Civil Aviation should conduct a transparent review of the entire route and slot allocations, both in the domestic and international sectors and effect necessary changes to ensure that Air India is not put at any disadvantage. The Ministry of Civil Aviation initially informed in June 2011 that an analysis as desired by the Committee with all its ramifications has been done and the review of slot allocations will also shortly be underway. However, the Ministry changed its stand in August 2011 and held that it has no role in selection of domestic routes by airlines; that the Route Dispersal Guidelines are monitored by DGCA; and that slots are allocated by Airports Authority of India and DGCA and airport operators in a transparent manner. The Committee expect the Ministry of Civil Aviation to clarify their aforesaid contradictory views and apprise the Committee of the outcome of the analysis and review undertaken regarding route and slot allocations.

<u>Fleet Acquisition and utilization of aircraft</u>
Para No. III & 11

26. The Committee noted, inter-alia, that in one of the aspects of fleet management relating to the maintenance of airworthiness of aircrafts, the Company is having unutilized manpower capacity. The Committee noted that the engineering force in the company is capable of effectively running maintenance operations for 300 aircraft, while the company itself has only some 100 aircrafts. However, on the other aspect, there are disparaging reports in the media about a lot of aircraft capacity lying idle due to the grounding of certain types of aircraft for one reason or the other. The Committee noted that utilization of aircraft in the company is at a low of 9 hours per day while the benchmark is at 16 hours per day. The Committee recommended optimal utilization of the available manpower who otherwise have necessary skill and experience to maintain airworthiness of aircraft.

27. The Committee also recommended that the steps necessary to increase the utilization of aircrafts should be expedited without delay to bring up the average utilization to 16 hours per day per aircraft. The Government in their action taken reply elaborately explained about the need for details of new Aircraft Fleet Acquisition and optimal utilization of available manpower.

Regarding aircraft utilization, it has been stated that the aircraft utilisation mainly depends upon the commercial schedule and the maintenance check requirements. Air India's Engineering Department takes all steps to make the aircraft available within the planned grounding schedule after completion of the checks.

(i) The details of planned utilization per available aircraft, i.e. excluding aircraft earmarked for disposal, per day in *Winter 2011* (as on date) are as under:

Aircraft	Winter 11 (Planned)
B777	13.8
B747	4.5
A330	10.0

A320 family	10.7

(ii) The utilization of B747-400 is kept low due to high cost of operation.

(iii) A330 aircraft utilization is low as one aircraft is under maintenance.

(iv) For the period April 2009 to February 2010, Air India's owned B777-200LR and B777-300ER fleet is being utilized at 12.08 and 13.39 block hours per day per a/c respectively.

The comparison of the aircraft utilization (source: Airbus Industrie monthly service report – September 2011) of Air India and the Industry, for the type of aircraft operated by Air India, is given below:-

A319		
Operator	Daily Utilisation(Hrs.)	Stage Length(Hrs.)
AIR FRANCE	6.34	1.39
BRITISH AIRWAYS	6.74	1.34
LUFTHANSA	7.39	1.28
SWISS INTERNATIONAL AIRLINES	7.66	1.27
U.S.AIRWAYS	7.91	1.75
CYPRUS AIRWAYS(CYP)	8.27	2.03
TAM-LINHAS AEREAS(TAM)	9.11	1.13
KINGFISHER AIRLINES	10.13	1.79
SILK AIR	8.47	2.02
CHINA EASTERN AIRLINES	8.27	1.64
AIR CHINA	8.54	1.90
TIGER AIRWAYS	6.97	2.50
AIR INDIA Ltd.	7.59	1.35
WORLD AVERAGE	8.57	1.71

A320		
Operator	Daily Utilisation(Hrs.)	Stage Length(Hrs.)
AIR FRANCE	6.50	1.50
BRITISH AIRWAYS	7.39	1.72
LUFTHANSA	7.47	1.39
SWISS INTERNATIONAL AIRLINES	8.09	1.40
U.S.AIRWAYS*	9.26	2.47
CYPRUS AIRWAYS(CYP)*	8.42	2.29
EGYPT AIR(MSR)*	9.33	2.11
TAM-LINHAS AEREAS(TAM)*	10.90	1.55
KINGFISHER AIRLINES	10.24	1.58
INDIGO	9.50	1.49
GO AIR	11.01	1.46
SRILANKAN AIRLINES	8.97	1.81
SILK AIR	8.92	1.97
CHINA EASTERN AIRLINES	8.90	1.71
AIR CHINA	7.38	1.80
QATAR AIRWAYS	11.25	2.46
TIGER AIRWAYS	10.50	2.30
AIR INDIA Ltd.*	8.03	1.76
WORLD AVERAGE	9.09	1.89

NOTE: * Airbus A320 Operator with V2500A1 engines

A321		
Operator	Daily Utilisation(Hrs.)	Stage Length(Hrs.)
AIR FRANCE	5.80	1.21
BRITISH AIRWAYS	6.10	1.26
LUFTHANSA	7.65	1.45
SWISS INTERNATIONAL AIRLINES	9.42	1.74
U.S.AIRWAYS	10.08	2.84
EGYPT AIR(MSR)	8.03	2.24
TAM-LINHAS AEREAS(TAM)	12.01	2.32
KINGFISHER AIRLINES	10.31	1.73
CHINA EASTERN AIRLINES	8.07	1.69
AIR CHINA	8.36	2.16
QATAR AIRWAYS	12.16	2.69
AIR INDIA Ltd.	9.13	1.95
WORLD AVERAGE	8.72	2.03
A330		
Operator	Daily Utilisation(Hrs.)	Stage Length(Hrs.)
AIR FRANCE	12.07	6.80
SRILANKAN AIRLINES	13.72	3.57
AIR CHINA	11.39	4.74
LUFTHANSA	13.78	6.68
JET AIRWAYS	13.85	7.21
KINGFISHER AIRLINES	12.83	6.72
QATAR AIRWAYS	13.73	5.18
AIR INDIA LTD	9.17	4.22
WORLD AVERAGE	11.99	4.72

28. The Committee do not disagree that aircraft utilization mainly depends upon the commercial schedule and the maintenance check requirement. It is observed from the information furnished by the Ministry of Civil Aviation that aircraft utilization also depends upon the type and model of aircraft. The Committee note that daily utilization of A330 by Jet Airways was 13.85 hrs. The Committee desire that Air India should devise its commercial schedule and maintenance check requirements in such a way as to, among other things, maximize aircraft utilization.

Training & independent subsidiary of NACIL
Recommendation (Sl.No. 14)

29. The Committee had recommended, inter-alia, that the training infrastructure and manpower inherited by NACIL from its pre-merged entities be galvanized into an independent subsidiary of NACIL with improved capacities to cater to such of the professional trainings as required by the airline industry in general, and to be operated as a separate unit of business capable of competing internationally.

30. The Committee in their original report had recommended, among other things, that the training infrastructure and manpower inherited by NACIL from its pre-merged entities be galvanized into an independent subsidiary of NACIL with

improved capacities to cater to the training requirements of the airline industry which should be operated as a separate unit of business capable of competing internationally. From the replies furnished by the Government, the Committee note that efforts are being made to integrate the training set-ups inherited by NACIL from its pre-merged entities including establishment of a full fledged Aviation Training Business Unit which would function at their Central Training Establishment at Hyderabad. The reply is, however, silent about transforming the training institution as an independent subsidiary of NACIL now renamed as Air India Ltd. . The Committee would like to be apprised of the progress made in this regard.

<u>Pay and allowances of the employees of Air India and Indian Airlines</u>
Recommendation/observations which have been accepted by the Government (Sl.No. 17 & 18)

31. On the issue of pay scales/emoluments drawn by the persons of NACIL (Air India) and NACIL (Indian Airlines), the Committee observed that the designation and the pay scales/emoluments drawn in the two organizations are not at par as the persons holding the same designation in NACIL (Air India) and NACIL (Indian Airlines) are getting different emoluments/scales of pay. The Committee noted the difficulties in addressing the concerns of the employees enjoying the same designations and having different pay scales in the two organizations. This obvious difficulty which should have been foreseen at the outset did not seem to have even occurred to those who worked out the merger process. The Committee, however, felt that as far as possible, it may be ensured that there is no loss of emoluments and a feeling of alienation amongst the employees of the two organizations. The advisable course of action would, therefore, appear to be to merge the two sets of employees with reference to the scales of pay and not based on their designations. The final action taken in this regard may be communicated to the Committee.

32. The Government in their action taken reply submitted in September 2010 stated that It is a fact that pay-scales have not been harmonized at any level or grade and all the employees including EDs, GMs, Dy.GMs and other categories are governed by their respective scales of pay, service regulations and certified/standing orders as per their erstwhile companies. Committees have been formed to look into the issues of Postal Life Insurance (PLI) parameters and restructuring the PLI and process is still on.

33. In their updated action taken reply furnished in January 2012, the Government have further submitted about the terms of reference of the Justice Dharmadhikari Committee, which inter-alia, include the following:

i) To examine the principles of integration across various cadres and determination of level and seniority;
ii) To examine the principles of Pay/Wage rationalization and restructuring between all the employees of the erstwhile airlines;
iii) To examine the principles governing the structure of pensionary scheme, death-cum-retirement gratuities and other terminal benefits having financial implication;
iv) To examine and make recommendations with respect to the general principle parameters of the different Productivity Linked Schemes and bring them in line with airline practices.

34. On the issue of cut or advancement of allowances of the employees, the Committee noted that they have been apprised that there has been a shifting of allowances of NACIL (Air India) employees from salary (wage) slip to PLI slip issued to them. The Committee felt that at this juncture such kind of action on the part of management does not seem to be proper as the merger of two sets of employees has not been fully effected so far. The Committee, therefore, recommended that any cut or advancement should be proportionate to the scale of pay as it otherwise will be against the assurance “No employee would be placed at a disadvantage at any stage” which was communicated to the employees before merger of the two organizations.

35. The Government in the action taken reply furnished in September 2010 and later in their updated replies furnished in June 2011 and August 2011 submitted that from the time the PLI was introduced in NACIL - (A) in 1996, the salary slip and the PLI slip used to be separate and was issued / payment released on two different dates. Recently with the financial crisis in the Company, the PLI Slip and salary slip are being released almost the same time, which is at the end of the month. However, no allowance of the NACIL - (A) employees has been shifted from the Salary Slip to PLI Slip. However, there has been a shift of allowance in NACIL(I) from salary slip to PLI slip. As and when a policy is taken with regard to wage cut, if any, it will be ensured that no employee would be placed at a disadvantage.

36. In their latest status on the Justice Dharmadhikari Committee Report, the Government in their action taken reply furnished in May 2012 informed that the Committee has since submitted its report to the Government on 31st January 2012. The Ministry has constituted a 3-member Committee consisting of officers from the Department of Public Enterprises, Ministry of Civil Aviation and an Independent Expert to examine the recommendations of Justice Dharmadhikari Committee and formulate a time-line for its implementation.

37. The Committee note that a three member Committee has been constituted consisting of officers from the Department of Public Enterprises, Ministry of Civil Aviation and an Independent Expert to examine the recommendations of the Justice Dharmadhikari Committee report and formulate time-line. The Committee would like to be informed of final action taken on the issues of pay scales / emoluments, allowances, etc. of the employees in pursuance of Dharmadhikari Committees’ recommendations.

CHAPTER – II

OBSERVATIONS/ RECOMMENDATION WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 2)

Structure of Leadership after the merger

Closely linked with the aspect of leadership is its structure. The Committee note that prior to the merger, both Air India and Indian Airlines had in place a fairly well placed infrastructural base. The Committee, therefore, feel that it is quite logical to take benefits from the respective positive aspects of the subsidiaries (viz. Air India and Indian Airlines) of the merged entity. The Committee, therefore, recommend that the making of NACIL into a holding company under which two separate wings, NACIL-Indian Airlines with its Headquarters at Delhi and NACIL-Air India with its Headquarters at Mumbai, each headed by a Managing Director who shall report to Chairman, NACIL, needs to be seriously considered. In the opinion of the Committee, this arrangement alone would substantially redress the problems faced by the Company in the various integration processes, especially of manpower which is presently debilitated by differences in working conditions and work culture between employees of the two erstwhile separate companies.

Reply of the Government

Air India is of the view that a fully merged company operating as a single unit in the organisational model is best suited to realise the benefits of a merged entity. However, in a merger of companies of such large dimensions there are several constraints in implementing the merger process.

However, the issues which have already been addressed are:

a) Organization structure finalized.
b) Slotting of manpower from top to Dy. General Manager for different functions completed.
c) Appointments to the post of Executive Director carried out and their seniority integrated.
d) Appointments to the post of General Manager carried out and their seniority integrated except in cadres of Engineering and Operations (Flying).
e) Delegation of Powers finalized, approved by the Board and implemented.
f) Service Regulations and Conduct Rules finalized and placed before Board for approval.
g) Passage Regulations finalized and forwarded for examination and approval of Board.
h) Road map formulating Management's proposal to integrate the seniority designations and career progression pattern for different category of employees represented by various Union/Associations made ready for discussion and certain preliminary discussions commenced.

The process of integration of both the erstwhile Companies is under progress and in many areas including areas of Sales, Marketing, IT, IOCC, PSS, ERP, Ground

Handling, HR, Properties and Facilities etc. progress has been made.With the cut over to the new PSS system, the Company has migrated to a Unicode system effective February 27, 2011.

Operations Training Manuals have been merged and put up to DGCA for approval. Part of Operations Manual of erstwhile Air India and Indian Airlines have been merged and changes recommended by DGCA are in the process of being carried out.

Manpower of the two erstwhile airlines is yet to be integrated. In the meanwhile, to facilitate completion of pending manpower integration activities, an independent committee has been set up comprising of Justice D.N. Dharmadhikari, a Retired Judge of Supreme Court, along with Prof. R. Dholakia from IIM Ahmedabad, Shri Rajeshwar Dayal, Retired Director, Dept. of Public Enterprises and Shri Syed Nasir Ali, Director in the Civil Aviation Ministry. The terms of reference of the Committee is as follows:

- To examine the principles of integration across various cadres and determination of level and seniority;
- To examine the principles of pay parity between all the employees of the erstwhile airlines;
- To examine and suggest harmonized working conditions of various categories of employees of erstwhile airlines depending upon the requirements;
- To examine the above a), b), and c) in the light of the cost neutrality principle;
- To examine the principles governing the structure of pensionary schemes, death-cum-retirement gratuities and other terminal benefits having financial implication;
- To examine and make recommendations with respect to the general principle parameters of the different Productivity Linked Incentive Schemes and bring them in line with airline practices.

The three member committee is headed by Retd. Justice Dharmadhikari and would interact with the Management, Unions/Associations, third party and other stakeholders. The Committee has already met all the Unions/representative bodies of employees of erstwhile airlines and proposes to submit its report by the end of January 2012.

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

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

(Ministry of Civil Aviation, O.M No. H 11013/07/2010-AI dated 4th January, 2012)

Recommendation (Sl.No. 4)

Position of CMD and his accountability in the merger process

The Committee note that a mechanism for ensuring accountability in the implementation of the entire merger process is conspicuous by its absence. The position of CMD, designated as the Merger Champion, was turned into a musical chair of sorts during such a crucial phase in the consolidation of the merged entity, absolving the occupants of any liability to face the accountability. This in turn gave scope for literally 'passing the buck'. The Committee recommend that responsibilities for managers put in charge of these pending matters should be properly defined and stringent accountability procedures put in place to ensure timely execution of defined tasks.

Reply of the Government

Integration of both the companies have been completed in many areas like Board of Directors, Organization structure, selection of leadership teams- Functional Directors, Executive Directors, some General Managers(holding independent charge), Customer Services, Integrated Material Management Policy, financial Synergies/quick wins in Insurance, Fuel procurement, Bank & fund management, common accounting policies, legal & tax issues, delegation of administrative and financial powers and integration of manpower upto the level of General Manager. In some other areas including Sales and Marketing, IT, PSS, ERP, Ground Handling, Human Resource, property and facilities etc., the integration process is underway. The process is being monitored closely by the Company's management, the board and at various levels in the Government.

(Ministry of Civil Aviation, O.M No. H 11013/07/2010-AI dated 4th January, 2012)

Recommendation (Sl. No. 5)

Disbursement of funds

The Committee note that as per various newspaper reports, huge amounts of money were made available through financial institutions for facilitating the merger. The documents on record, however, do not reveal as whether these funds had been expended / disbursed judiciously or not. The Committee desire that this matter might be looked into by the appropriate authority.

Reply of the Government

Huge amounts of money were not made available through financial institutions for facilitating the merger. However Air India had to borrow from various Banks for meeting its working capital requirements which increased in the period following the merger due to a number of factors including global recession, steep increase in fuel prices, fall in yields and load factors and the conditions prevailing in the airline industry, etc. and to meet its fuel expenses, lease of aircraft, payment to vendors and Airport

Authorities, payment of interest on borrowings, wages, repayment of loans for aircraft acquisition etc. In view of the cash losses of approximately Rs.350 to Rs.400 crores a month, the requirements of working capital also increased by nearly Rs.4500 crores every year which was equivalent to the cash loss. The working capital borrowings which was around Rs. 6550 crores in November 2007, increased to nearly Rs. 21,500 crores as on 30th November 2011. Pending the finalization of the FRP, no fresh borrowings were resorted to towards enhancement of Working Capital in the last 2 / 3 months other than Buyers credit in order to clear the arrears of spares and stores.
Utmost restraint was observed in the utilisation of the enhanced working capital limits and a number of cost costing measures were already put in place to contain the losses. Amongst them included the rationalisation of routes, closure of uneconomic stations, reduction of overtime and other employee perquisites, return of leased aircraft, phase out of old fleet, reduction of contractual employment, fuel conservation programmes, induction of brand new fleet on major trunk routes and setting up of committees to closely monitor costs.

(Ministry of Civil Aviation, O.M No. H 11013/07/2010-AI dated 4th January, 2012)

Recommendation (Sl.No. 9)

Capital infusion

The Committee have taken note of the prolonged neglect of aircraft acquisition in the pre-merged Air India and Indian Airlines and the need to enhance the fleet strength of the NACIL to have a critical mass of capacity to give it a shot at regaining its lost market share. The Committee are concerned to note that the project financial closure of the pre-merged entities have been allowed to be swept away by the confusion reigning in the much eulogized merger. Considering the irreversibility of the mess that has been created by the sloppy handling of the merger process and the need to look to the future, the Committee feel that capital infusion into the ailing public airline to make the company credit worthy for its operational credit requirements has become imperative to salvage the remnants of the legendary airlines. However, the Committee desire that strict compliance to defined performance benchmarks should be made a precondition to a phased capital infusion.

Reply of the Government

Sir, you have also mentioned the most current concern, which has been expressed by lenders on our financial restructuring plan…….As we have been told, the main concern of bankers is that, if I may very briefly mention, out of Rs.22,000 crore working capital, which was given by the bankers to finance their gap of cost and revenue, they are incurring about two-and-a-half thousand crore rupees interest per annum. This was sought to be restructured. So, there were three components of Rs.22,000 crore. One was a component of about Rs.11,000 crore which was converted into a long-term loan with a reduced interest, moratorium, etc. The second component was about seven-and-a-half thousand crore rupees to be converted into CPRS*. There, the provision was that if the company will make the profit, they will pay dividend. Otherwise, after agreed period, the Government of India stands guarantee to repay that money. Some Rs.3,000 crore was kept as a cash credit limit. Now, the bankers are saying that they are going to receive a big hit on account of two components. One is, what is being sought to be converted into long-term where interest rates are being reduced and the bankers will have to forego their interest for their moratorium period, etc.

Their second worry is that now they are backing out from the earlier agreed share arrangement. They are saying that CPRS procurement by banks will then not enable them to earn interest for the next 15 or 20 years. Their seven-and-a-half thousand crore rupees will remain without interest. So, now they are saying that--as we have been told, we have no official communication from the lead bank, thatis, SBI--instead of shares, banks would be interested in giving bonds on which Air India will have to then pay interest to these banks. So, that is where we are with respect to FRB. We have received a communication now from Air India again based on what is appearing and what SBI Caps has told.

I have personally discussed just now with the CMD of SBI Caps and I have asked him to send a formal report. We have already spoken with the Department of Financial Services. Next week the hon. Finance Minister is convening a meeting to have a look at the current demand of the bankers. So, in the absence of clarity from the bankers, I would say we are getting slowed down because if bonds are to be acquired by banks, then the problem of Air India remains the same. They will have to pay the interest which they are not in a position to pay.

Secondly, you have asked some essential features of turnaround plan. In fact, on page 12 and 13 last time the hon. Committee had asked us to give us 10 bullet points on the TAP and FRB. So, I have listed there the salient features of the turnaround plan where the most important feature is the performance in terms of load factor and yield of the company which has to be benchmarked with some of the competitors.

(Verbatim Proceedings of the Sitting held on 12 January 2012)

Recommendation (Sl. No. 10)

Separate Business Unit of Maintenance, Repair and Overhaul (MRO)

The Committee see hope in the new line of planning whereby the Engineering strength of the company is proposed to be channelized into forming a separate business unit of Maintenance, Repair and Overhaul (MRO) as a subsidiary. The Committee strongly recommend that NACIL should be encouraged to develop MRO as a separate and professional business unit catering to the aviation industry as a whole. The Committee also recommend that the processes involved towards this enterprise be expedited in consultation with the employees and that the Government extend all necessary support to the Company in this regard.

Reply of the Government

The plan for merger of erstwhile Indian Airlines & Air India into NACIL envisaged the potential creation of Strategic Business Units (SBUs) as profit centres in the areas of Full Service Passenger Airline (PAX), Low Cost Carrier (LCC), MRO etc. The market for MRO business is expected to grow with the rapidly expanding Indian Aviation market.

It is therefore decided that Air India Engineering Services Limited (AIESL) which was incorporated in 2004 in erstwhile Air India would be hived off and operationalise as a subsidiary company with management independence.

Furthermore, MRO business may help Air India to monetize the value of its current assets and infrastructure to raise funds to support the parent company. Efforts shall be made for taking approval from FAA/EASA and other regulatory agencies. This will also help Air India to take third party workload.

The operationalisation of AIESL is also a part of Turn Around Plan of Air India.

Boeing MRO at Nagpur

Air India and Boeing Company are setting up an MRO facility at Nagpur funded by Boeing. The facility will have two wide-body hangars, GE-90/GEnx Engine Overhaul Facility and seat refurbishment/ component overhaul / composite repair/ specialized engine piece part repair shops. The present status is as under:
Unit holder approval from SEZ Authorities obtained. Registration of lease deal of 50 acres of land completed with MADC. L&T is appointed as design & build contractor. Compound wall and Support Building and other ancillary building work is in progress, ground floor slab has already been completed.

(Ministry of Civil Aviation, O.M No. H 11013/07/2010-AI dated 4th January, 2012)

Recommendation (Sl. No. 12)

Assignment of Ground Handling activities

The Committee note that the pre-merged entities, IA & AI had a monopoly of ground handling activities within India prior to the Open Sky Policy of 1994, and that the private airport operators, who also came into the scene in the wake of this policy had been given the authority, under the new policy, to assign ground handling activity to entities of their choice in the airports operated by them. However, when these operators, notably at Bangalore and Hyderabad, notified their invitations for expressions of interest, the national carriers were disqualified by a requirement to have international experience. The Committee further note that this has resulted in idle manpower capacity to the National Carrier, cutting into its operational margins. The Committee, therefore, recommend that NACIL whose two subsidiaries have decades of expertise and experienced workforce with respect to international operations should be assigned the ground handling activity exclusively and other avenues may be sought only when NACIL is not in a position to carry out the job.

Reply of the Government

Air India Ltd. has entered into a consortium at Bangalore and Hyderabad airports with SATS due to the pre-condition of the laid down tender requirements. For other airports, Air India Ltd. is in the process of discussions with SATS. Due diligence process is in progress and Air India Ltd. has sought the details of ownership which are yet to be sorted out. Air India Ltd. is also considering to carry out ground handling through its subsidiary, AIATSL, to enable provide ground handling to all carriers in the country.

Air India & Singapore Airport Terminal Services (SATS) have since formed a single 50:50 Joint Venture (JV) Company (Air India SATS Airport Services Pvt. Ltd.) that would serve as the vehicle to house their three existing ground and cargo handling JVs in Bangalore & Hyderabad & other potential operations in other metro airports.

These endeavours are aimed at developing superior capabilities and competitiveness in the field by reaping on a strong local footprint and knowledge with experience and know-how in ground handling of these partners. This will help in facing the competition in the ground handling business where quality of services & priority pricing play a very important role.

Air India has appointed AI SATS as the official ground handler of Air India flights and its customer airlines currently handled by Air India at the new T3 at Delhi and accordingly, AI SATS took over ground handling at T3 effective Sept. 2010. Presently, AI SATS is undertaking ground handling activities in Bangalore, Hyderabad, Delhi and Mangalore.

In other Airports in the country, Air India plans to carry out ground handling activities through its subsidiary company, Air India Air Transport Services Limited (AIATSL), in conformity with the Ground Handling Policy.

Director General of Civil Aviation (DGCA) has come out with Draft Civil Aviation Regulations (CAR) for Ground Handling Activities in India and all Ground Handlers in India shall require "Security Clearance" from DGCA to perform their activities. Air India has already started working on the same.

Air India achieved another milestone to be the first airline in India providing ground services to enter the ISAGO (IATA Safety Audit for Ground Operations) registry with its Mumbai station. Air India was also the first Airline in India to clear the IATA Operational Safety Audit (IOSA) in 2003. Quality Management System (QMS) ensured timely and successful registration of IOSA as well as ISAGO for Air India. The addition of this registration indicates the clear commitment of Air India to be proactive and go beyond the minimum safety and quality standards in all spheres of Aviation.

Compliance with ISAGO will go a long way in reducing the number of accidents, requires less additional audit operations, reduces costs, unifies standards and ensures greater safety and quality standards.

ISAGO Audits were conducted by an Auditor deputed from IATA accredited Audit Organisation for Air India Headquarters and by Airline Auditors from an ISAGO Audit Pool Member Airline for Mumbai Station.

Audits covered the Headquarters Organisation & Management systems as well as the station’s Management System, passenger and baggage handling, load control, aircraft handling and loading, aircraft ground movement, cargo and mail handling.

The ISAGO Corporate Registry expires on July 03, 2012 while Mumbai Station Registry expires on October 13, 2012. Renewal Audits are due in 2012.

(Ministry of Civil Aviation, O.M No. H 11013/07/2010-AI dated 4th January, 2012)

Recommendation (Sl. No. 13)

Corporate Work Culture

The Committee note that during the evidence, the CMD had admitted the lack of Corporate Work Culture in the Company. In this regard, the Committee have taken note of the plans now made to redress the same by a proposed introduction of a new staff training plan requiring the staff to undergo training in hospitality and other areas of work every six months. The Committee recommend that the management of NACIL should effectively carry out their training plan so as to cultivate attitudinal changes amongst the employees to enable them to compete with the corporate competitors.

Reply of the Government

Corporate Work Culture evolves over a period of time. The period of two years is too short for this to evolve. However, the Company has effected cross transfers for carrying the culture of the erstwhile companies across which would result in moving forward jointly and assist in evolving a corporate work culture for Air India. The training programmes which are being conducted in the Regions and CTE, Hyderabad are training the staff of both the erstwhile companies.

Air India has taken following steps to improve the corporate work culture, by introducing Airline Company Resource Management (ACRM).

The Crew Resource Management (CRM) which was initially meant for the cockpit crew and cabin crew was further extended to flight dispatchers (DRM). It was also felt that the other interlinked departments such as engineering, traffic, commercial, etc. too needed CRM training to enhance safety and ensure synergy amongst various departments. Therefore, it was decided to conduct Airline Company Resource Management involving representatives from all departments of the airline. This course is conducted to improve the awareness, coordination and efficiency towards all operational areas besides improving safety and quality standards. This is also to comply with the IOSA requirement.

This training is being conducted by approved and trained CRM Facilitators of the "Human Factors Cell". The Airline Company Resource Management Training being carried out by the approved and trained CRM Facilitators will help in improving the corporate work culture. Further, this has helped in improving the inter-departmental synergy.

Representatives from Commercial, Cargo, Traffic Services, Ground Handling (including Ramp), Engineering & Maintenance, Operations, HRD, Finance, MMD, Medical Services, Headquarters, etc. have undergone the ACRM training.

A series of training modules were conducted covering most of the employees of Air India to come to the grips of merged scenario of Air India which was found essential with the tough competitive environment around in Indian aviation.

(Ministry of Civil Aviation, O.M No. H 11013/07/2010-AI dated 4th January, 2012)

During the evidence of the Committee on 12.1.2012, CMD, Air India on the aforesaid issue further stated as under:

"…… over a period of time as old people retire young people will come and the hospitality services will improve as age is a very important factor in the hospitality services. There is a difference in their energy and attitude. I am completely satisfied, and you must have also seen that the young staff that is lying, behavior is very positive, they smile more, they are more communicating, they care more. Even with M.Ps. who are travelling in business class, they should get the best hospitalities-we are working on it. When you reach the airport, they should greet and take you but for this we needed an additional 180 persons whose burden on us was rupees one crore. We have to rethink on this. Our air staff that is deployed in Delhi, we are working with them on whether business class people are properly received and escorted and taken to the plane. For our air hostess and cockpit crew, we have issued a detailed SOP in December 2011 that if any VIP is travelling in the plane, then the type of behavior and services that are to be provided to them. It will take time to crystallize and to percolate down to the lowest level. But I am sure that within a couple of months you will start seeing a difference in the way our staff behave with all the people who are travelling in the Business Class and for dealing with complaints of general customers, we have developed a system to deal with the first thing is that the complainant should get a response that his complaint has been noted and we are taking action on it. Fifteen days have been fixed for this and the complaint should be addressed within this time. If a person has faced personal problem, we will respond to it. Sometimes, complainant has been given compensatory tickets and we have satisfied that when they travel next time, their tickets would be upgraded so that their loyalty remains with us. We are trying to retain the legacy of the 50-60 years with us and we are also trying to improve it. Our services at one time was well known and it was the best. We are even trying to provide the same best services even today."

Recommendation (Sl. No. 14)

Training

The Committee note that both pre-merged companies, IA & AI, have adequate training facilities devoted to the training of their own personnel which have now been inherited by NACIL. The Committee also note that in the emerging market reality of stiff competition and falling margins, especially in the airline industry, it is no longer financially sustainable to have devoted training facilities.

The Committee, therefore, recommend that the training infrastructure and manpower inherited by NACIL from its pre-merged entities be galvanized into an independent subsidiary of NACIL with improved capacities to cater to such of the professional trainings as required by the airline industry in general, and to be operated as a separate unit of business capable of competing internationally."

Reply of the Government

The first main step in training was to integrate the Training set-ups of erstwhile NACIL(A) & NACIL(I) which has resulted in the following action being taken:-
1) With the issue of a single AOP for Air India Ltd., the Operations Training Manuals of erstwhile Air India and Indian Airlines have been merged and put up to DGCA for approval.

2) Air India has already been sharing training resources and Ground Instructors. Erstwhile NACIL-A Instructors have carried out training for MNPS, Flight Planning on the A330 for Pilots and Despatchers, Train the Trainer courses, etc. We have also conducted combined Human Factors and CRM courses on various occasions. Instructors from Mumbai have also travelled to Hyderabad to assist the CTE Instructors when they faced shortages in their Ab-initio pilot training and internal CRM courses.

3) Air India has recently agreed to send one senior contract Instructor to Hyderabad for joining their Navigation & Performance section. He will primarily operate from Hyderabad and will be called to Mumbai as and when necessary.

4) ERP :- IATA Training was organised by QMS across all functional areas of both erstwhile NACIL-A and NACIL-I with a large number of personnel qualified already.

Air India Limited has a written Emergency Response Plan with structures, procedures and check lists. Air India Limited has around 355 trained SAT (Angels of Air India) members and the numbers are growing. Continuous training programme for Airport Managers based in India and abroad has also been planned. The Court of Inquiry appreciated the response of Air India ERP Team for the air crash of IX-812 at Mangalore on 22nd May 2010.

The fully functional Emergency Command Centre(ECC) at BOM was inaugurated on September 06, 2011.

5) ACRM :- Human Factors and Airline Company Resource Management which focuses on safety, quality, efficiency, team work, motivation and integration and above all greater happiness while working, has already commenced. This training is being carried out across functional areas for both erstwhile NACIL-A & NACIL-I by DGCA approved Human Factors and CRM Facilitators.

Efforts are being made to establish a full-fledged Aviation Training Business Unit to generate revenue by leasing out a much-in-demand training facilities and man-power. Initially this unit will function within the ambit of our Central Training Establishment at Hyderabad, leasing out the spare training capacity available after meeting our own in-house requirements. Logistics are being worked out to develop this unit as an independent Strategic Business Unit (SBU).

Complete synergy has been achieved in Commercial Training activities between erstwhile AI & IA. Training on the new PSS system for frontline Officers, Staff & Ground handling agents in Reservation, Ticketing and Load & Distribution Plan (LDP) System had been successfully completed. In compliance with IOSA requirement the Integrated Single “Airlines Operators Manual” (AOP) has been completed.

CTE, Hyderabad is undertaking training of “Private candidates” for Airbus - 320 Type rating courses for revenue generation. During 2010-11 the course was conducted for two batches generating revenue of Rs.8.77 crores. After training completion of ensuing second batch shortly, we propose to induct one more batches which is expected to fetch approximately Rs.5 crores.

The third Airbus 320 simulator will be added to CTE this year. A new State-of-the Art Airbus 320 simulator acquired at the cost of Rs. 47 crores is likely to arrive shortly. The work of modifying the building for housing the new Simulator has already commenced. No sooner the Simulator arrives a fresh batch of A 320 Type Rating Endorsement Course can be started which will augment the revenue.

Conversion training of Pilots to Boeing 787 Dreamliner at Singapore has commenced.

As per Civil Aviation Regulation (CAR) (Section 7, series G, Part III) English Language Proficiency of Pilots has become mandatory w.e.f. 22.03.2010. Air India, CTE is the sole organisation that has successfully structured the course curriculum, obtained approval of DGCA for conducting the course and Assessment of English Proficiency. During 2010-11, it has generated revenue of Rs. 10 lakhs.

The project on a separate Aviation Training Business Unit is being worked out with Turnaround Project Committee (TAP). Utilising of existing resources and Identifying courses for external candidates/Organisations is underway.

Revenue earned from training during the last three years is summarised below:

Year	Revenue earned (Rs. In Crores)
2008-09	6.82
2009-10	4.91
2010-11	9.59

Financial Investment and additional manpower crunch is impeding the revenue earning capacity of CTE as Profit Centre.

In order to increase revenue and utilise the spare capacity at Central Training Establishment Air India has recently advertised inviting applications for the Course of Flight Dispatchers for External Candidates. The first course is likely to start during the first week of January 2012. Air India is likely to conduct two batches of the Flight Dispatchers Course during the current financial year and a revenue of Rs. 80 lakhs is envisaged to be earned from the same.

(Ministry of Civil Aviation, O.M No. H 11013/07/2010-AI dated 4th January, 2012)

Comments of the Committee

The comments of the Committee may kindly be seen at Para No. 30 of the Chapter-I of the Report.

Recommendation (Sl.No. 15)

Protection of Interests of Employees

The Committee note that there had been a large number of reports and representations from the employees and the staff of both the companies. As is evident, there is a high level of disenchantment and discontentment with the process of merger. Employees of any organization and their welfare are the key to the success of any organization. Customers can be served well if the employees are well trained and motivated. Lamentably, employees of the merged entity are unduly discriminated. The Committee are concerned to note that this manner of riding roughshod over its employees has become a general perception rather than the general regret of the Company.

The Committee also observe that with a view to check attrition, PLI (Productivity Linked Incentive Scheme) was introduced with the advent of Open Sky Policy. At that point of time, employees of Indian Airlines and Air India were not allowed to go to private airlines on higher pay scales. While appreciating the perhaps 'laudable objective' to safeguard interests of the now merged entities, the question/issue that arises is the fairness of treatment for employees who had been loyal and stayed on and are now being forced to accept cuts.

The Committee feel that basic incentives for employees need to be reviewed. A maxim to be borne in mind is that governance, both of countries and of organizations, is an art and one that respects the human factor. The Committee, therefore, recommend that steps should be taken to protect the interests of the employees who have then been held back from getting better packages in the private sector on the one hand, while on the other, they should be required to perform to their optimum potential that justifies such incentives by giving them advance training in their respective area of work and introducing a corporate regimen. The Committee further recommend that on issues relating to service matters, no unilateral decision should be forced upon and a consensual approach should prevail when discussion with employees' representatives becomes a part of corporate culture.

Reply of the Government

In view of the merger of the two companies, there is an integration Cell headed by an Executive Director to deal with the various employee related integration issues. The Management, as a matter of principle, has been involving the Unions/Associations in dialogue for any change in work practice and has a consensual approach for resolving any issue.

To address various IR issues including Pay/Wage rationalisation, restructuring etc. in respect of Air India, Government has constituted a Committee under the Chairmanship of retd. Justice D.M. Dharmadhikari of Supreme Court. The Committee has already had discussions with all the Unions/Associations/body of representatives of employees of both the erstwhile airlines with the intention of taking views of representative bodies of all the employees. Opportunity has been extended to all employees to ensure consensual approach in resolving the issues of integration across various cadres etc.

Further in order to redress the grievances of individual Employees/ Unions/Group of Employees regarding their personal/Organizational problems, CMD has decided to have an Open House Session on every Wednesday. While on the first three Wednesdays, the same will be held at Mumbai, on the last Wednesday, it will be held at Delhi. The Open House Session has already started functioning.

Grievance redressal machinery is also in place to deal with the various representations of employees of both the companies with regard to integration related issues. In order to retain the employees with the Company, in erstwhile NACIL(A), there was a substantial increase in emoluments by way of flight related hourly payments and PLI way back in 1996 in order to make the emoluments of specialized categories like Pilots, Engineers and Cabin Crew competitive with those in the private sector or with other airlines.

Erstwhile NACIL(A) had a VRS Scheme, to provide an exit opportunity to employees who wanted to leave the services of the Company. Even as on date, there is a 2 years Leave Without Pay Scheme for the employees of Air India Ltd. and further the Standing Orders / Service Regulations of both the erstwhile companies permit the employees to avail early retirement on a voluntary basis.

Air India Ltd. is in the process of addressing the issues related to service matters on priority through bilateral discussions. Efforts are also being made to encourage participative / consensual approach, through discussions and deliberations.

(Ministry of Civil Aviation, O.M No. H 11013/07/2010-AI dated 4th January, 2012)

On the issue of addressing problems with integration of manpower and human resources, the Government in their action taken reply furnished in February 2012 submitted as under:

> *"Consequent upon the merger, all efforts have been made for harmonisation of the HR issues. The integration of manpower and the solution to the HR issues is a major task and involves a high cost, which is a significant factor causing delay in harmonizing, considering the critical financial condition of the Company. The Management and the employees and the unions have engaged in dialogue to address the various policies on HR integration related issues. The HR Sub Committee of the Board Of Directors had been formed to address all HR merger related issues and the same are before it. In the meanwhile, during a process of dialogue with the Unions by the Management including meetings of the Ministry of Civil Aviation with the Unions in February 2011, a consensus was arrived that an independent Committee of experts headed by a retired judge of High Court/Supreme Court, outside the organization, would be constituted to impartially examine all the issues by engaging management, employees and unions. To resolve the disparities to the HR issues like level mapping, compensation harmonization etc for all employees including pilots the Government of India vide its Notification no AV.18016/03/2011-AI dated 11th May, 2011 has appointed an independent committee of external experts headed by a retired Judge of the Supreme Court Of India, Justice (retd) D.M. Dharmadhikari. The other members include Prof. R. Dholakia from IIM Ahmedabad, Shri Rajeshwar Dayal, Retired Director, Dept. of Public Enterprises and Shri Syed Nasir Ali, Director in the Civil Aviation Ministry. The terms of reference of the Committee are as follows:*

- *To examine the principles of integration across various cadres and determination of level and seniority;*
- *To examine the principles of pay/wage rationalization and restructuring between all the employees of the erstwhile airlines;*
- *To examine and suggest harmonized working conditions of various categories of employees of erstwhile airlines depending upon the requirements;*
- *To examine the above a), b), and c) in the light of the cost neutrality principle;*

- *To examine the principles governing the structure of pensionary schemes, death-cum-retirement gratuities and other terminal benefits having financial implication;*
- *To examine and make recommendations with respect to the general principle parameters of the different Productivity Linked Incentive Schemes and bring them in line with airline practices*
- *Any other matters that would be referred to the Committee.*

The Committee had interacted with the Management, Unions/Associations, third party and other stakeholders and is to submit its report within six months to the Hon'ble Minister of Civil Aviation. A Committee of Officers has been constituted to examine the report and also to determine the milestone for its implementation.

(Ministry of Civil Aviation, O.M No. H 11013/07/2010-AI dated February, 2012)

On the aforesaid issue, the Government in their action taken reply furnished in May 2012 further submitted as under:

> *"Before the merger the Ministry in a letter to the employees had inter alia stated that 'to keep the process as smooth as possible, manpower of both the airlines would be integrated gradually in a calibrated manner.' In the 2009-10 deposition before COPU, Secretary, Civil Aviation had said that all HR related matters were presently put in a kind of pause mode till the company comes out of the Financial crisis. Besides that integration of manpower and harmonization of seniority may also lead to certain industrial relations issues which in the present financial status the Company is not in a position to absorb. Hence, the integration process is being taken up in steps gradually. Subsequent to the merger, all efforts were made for harmonization of the HR issues. Management and the employees and the unions had been engaged in dialogue to finalize and formulate various policies to address these issues. The HR Sub Committee of the Board of Directors had been formed to address all merger related issues. A process of dialogue with the Unions by the Management including meetings of the Ministry of Civil Aviation with the Unions also took place. A consensus was arrived that an independent committee of experts headed by a retired Judge of the High Court/ Supreme Court outside the organization could impartially examine all the issues engaging the management, employees and the unions. A Committee headed by retired Supreme court judge Justice Dharmadhikari was thereafter appointed by the Government in May 2011. The Justice Dharmadhikari Committee has since submitted its report to the Government on 31st January 2012."*

(Ministry of Civil Aviation, O.M No. H 11013/07/2010-AI dated May, 2012)

Recommendation (Sl. No. 16)

Promotions of Officers Cadres

In this connection, the Committee also note that promotions in the officers cadres of both NACIL (Air India) and NACIL (Indian Airlines) are vacancy based and are carried out through a process of selection.

The Committee, however, understand that promotions in officers grade both in NACIL (Air India) and NACIL (Indian Airlines) have been made in a subjective manner prior to the date of commencement of merger as well as after the merger exercise. This, the Committee understands, has been the case in respect of vacancies in higher grades as also in cases of resultant vacancies in some cadres. Thus, a situation has arisen where officers in some cadres have had smooth advancement in their careers whereas officers in other cadres, though eligible for promotions against the vacancies available in their cadres, have been denied their due advancement in career. The Committee, therefore, recommend that NACIL should have a relook into all such cases and ensure that the genuine aspirations of the officers in each cadre are judiciously addressed and promotion exercises which have already become due should be first completed before merging the cadres on the basis of seniority.

Reply of the Government

In order to meet the requirements of both the companies and also the aspirations of their respective employees, and in absence of harmonized procedures of promotions at the time of merger, the promotion in both the companies were carried out based on their respective promotion policies. Further no promotions have been made in a subjective manner prior to the date of commencement of merger in both the companies but have been as per the respective promotion policies applicable. However, promotions to the Executive levels of Dy. General Manager and above were held back from the date of merger and were carried out in a harmonized manner starting with promotions to the grade of Executive Director and subsequently to the grade of Dy. General Manager.

No employee has been denied due advancement in career if he was eligible for promotion against the vacancies available in their cadre and also found suitable. Efforts were made to implement promotions in all cadres based on the erstwhile rules of promotion prevailing in both the erstwhile airlines, however, a letter was received from Member Secretary of Justice Dharmadhikari Committee wherein Air India has been advised that all promotion exercises to be taken up only after the submission of the Report of the said Committee. The Committee most likely will be submitting its report by the end of January 2012.

(Ministry of Civil Aviation, O.M No. H 11013/07/2010-AI dated 4th January, 2012)

CHAPTER – III

OBSERVATIONS/ RECOMMENDATION WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIW OF THE GOVERNMENT'S REPLIES

Recommendation (Sl. No. 7)

Route Dispersal Guidelines

The Committee note that NACIL is operating 18.4% of its flights on social sector routes like Category II, IIA and III routes whereas the DGCA's Route Dispersal Guidelines prescribe only 10% as mandatory requirement for such sectors. Thus there is an 8.4% excess deployment by NACIL on social sector routes. At a time when the airline industry is struggling with their financial margins, the Committee are perturbed by the lack of transparency in the enforcement of Route Dispersal Guidelines under which all Scheduled Operators are required to operate a fixed percentage of their flights in the so-called social sectors. The Committee particularly desire that no additional burden is forced upon NACIL by virtue of it being a public carrier. The Committee, therefore, recommend that necessary amendments should be carried out in the Route Dispersal Guidelines of the DGCA, alternatively ensuring, (a) strict compliance by all scheduled airlines to operate the mandatory 10% of their scheduled flights in Cat II/IIA/III routes, i.e. social or non-commercial sectors, or (b) compensation to airlines operating such flights in excess of the mandatory percentage by those airlines that are either wilfully not complying, or are, for some reason, unable to fulfil the required percentage of social sector flights out of their total scheduled flights, the full extent of losses plus a certain margin which shall be punitive in nature.

The Committee also recommend that a mechanism may be evolved to make the said guidelines mandatory for all private airlines and for punitive action against the violators.

Reply of the Government

No airline can at any time violate the Route Dispersal Guidelines (RDG). If the deploy is excess of the RDG, it is on commercial considerations alone. Air India currently deploys about 20% of its capacity on Cat II routes.

(Ministry of Civil Aviation, O.M No. H 11013/07/2010-AI dated 4th January, 2012)

On the issue of rescheduling / reorganization / revamping of flights to improve the performance of the airline, the Government in their action taken reply furnished in February 2012 submitted as under:

"AI has taken several measures to improve and restructure its schedules. Some of the significant measures in this regard are given below:

1. *All long-haul routes to North America, UK, Europe and Far East have been upgraded and are now operated with the new B777-200LR / 300ER aircraft. This has served to standardize the in-flight services / comforts on these services. On the domestic sectors all the metro and other high density routes are operated with new IFE fitted A321, A320 and A319 aircraft.*

2. *Operations on the regional international routes, operation on India-Dubai / Bangkok / Singapore / Muscat have all been upgraded to new IFE fitted A321 / 320 / 319 aircraft to provide superior in-flight comforts to improve the product perception and passenger load factors and revenues*

3. *The ground times at New York, Chicago and Toronto have been reduced to increase B777 aircraft utilization without adversely impacting the schedules*

4. *The utilization of all aircraft across fleet types has been progressively increased with the exception of B747 (the airline has consciously reduced the utilization due to the higher costs associated with this aircraft).*

Year	*B777*	*A320 family*
2010-2011	*11.97*	*8.3*
Summer-11	*12.3*	*9.7*
Winter 11	*13.7*	*10.8*

5. *The block times and ground times on the A320 family of aircraft has been reviewed to improve on time performance on the domestic and regional international routes*

6. *AI's hub operations at Delhi have been progressively strengthened to derive the greater hub benefits. Delhi is currently linked to 21 international and 48 domestic destinations by means of direct flights. AI's international operations from Delhi include 21 non-stop flights per week to North America, 28 flights per week to Europe/UK, 29 flights per week to Far East/South East Asia, 35 flights per week to Gulf and 20 flights per week to South Asia, making for a total 133 international services weekly flights. On the domestic routes from Delhi Air India operates a total of 507 weekly flights (incl. Alliance Air). The hub operations at Delhi have given rise to about 3000 International transfer passengers per day at Delhi which includes sixth freedom traffic generated notably from Bangkok and Kathmandu to Europe/UK.*

7. *The international connectivity to / from major Indian metros other than Mumbai and Delhi has been significantly enhanced through increased number of conveniently connecting (hub and spoke) flights to attract more long-haul traffic to AI from the gateways at Delhi and Mumbai. The long-haul flights from / to Delhi have convenient onward connections to Chennai, Mumbai, Ahmedabad, Amritsar, Kolkata and Hyderabad, besides convenient connecting flights to / from all other destinations such as Bangalore, Cochin, Trivandrum, Patna, Lucknow, etc.*

8. *In order to make AI the first choice carrier for passengers travelling between Ahmedabad and Newark, Hyderabad and Chicago, Amritsar and Toronto, the airline has extended the B777 aircraft all the way up to the above mentioned cities in India.*

9. *With the same objective, through flight numbers have been allotted from interior points to long-haul destinations via Delhi for instance, Chennai-Paris, Kolkata-London, Amritsar-London.*

10. *On the major domestic routes, the frequency of operations have been progressively increased to provide for spaced-out, multiple option of flights in a day. Air India currently offers*

a. *14 non-stop flights per day on the Delhi-Mumbai** route.*

b. *6 flights per day on the Delhi-Chennai route*

c. *5 flights per day on Delhi-Kolkata, Delhi-Hyderabad, Delhi-Bangalore and Mumbai-Bangalore routes*

d. *4 flights per day on Mumbai-Chennai, Mumbai-Hyderabad and Mumbai-Ahmedabad routes*

e. *3 flights per day on Delhi-Patna, Delhi-Ahmedabad, Delhi-Amritsar and Mumbai-Goa routes*

f. *2 flights per day between Delhi and Srinagar, Bhubaneswar, Lucknow, Pune, Ranchi, Amritsar, Ahmedabad, Varanasi (in winter season only), Guwahati, Cochin and Goa; and between Mumbai and Ahmedabad and Nagpur; and between Chennai and Cochin, Trivandrum, Hyderabad and Bangalore; and between Bangalore and Hyderabad and Cochin; and Kolkata and Guwahati and Agartala.*

***In addition AI offers 3 daily flights with one-stop on DEL-BOM vv route, one each via Jaipur, Gwalior and Aurangabad:*

11. *All A 320 family operations on domestic routes have been raised to the level of daily services*

12. *Round-robin / one-stop services on the following routes have been converted into non-stop flights between Mumbai and Raipur / Bhubaneswar / Lucknow / Varanasi and Vizag.*

AI's performance has improved in the current financial year with significant improvement in the second half of the year. The same improved trend has been maintained in Jan 12 as may be seen from the data furnished below:

	Passenger Revenue (Rs Cr)	***Capacity ASK (m)***	***Passengers (m)***	***PLF (%)***	***Yield/RPK (Rs.)***
Q1					
Apr-Jun10	*2531*	*11289*	*3.267*	*67.8*	*3.31*
Apr-Jun11	*2500*	*10870*	*3.097*	*68.3*	*3.37*
Change %	*-1.2%*	*-3.7%*	*-5.2%*	*0.4 pts*	*1.9%*
Q2					

Jul-Sep10	*2611*	*11931*	*3.163*	*66.4*	*3.29*
Jul-Sep11	*2848*	*11607*	*3.364*	*70.3*	*3.49*
Change %	*9.1%*	*-2.7%*	*6.4%*	*3.9 pts*	*5.9%*
Q3					
Oct-Dec10	*2799*	*11718*	*3.431*	*65.9*	*3.62*
Oct-Dec11	*3095*	*11842*	*3.665*	*66.5*	*3.93*
Change %	*10.6%*	*1.1%*	*6.8%*	*0.6 pts*	*8.4%*
Cumulative					
Apr-Dec10	*7941*	*34938*	*9.861*	*66.7*	*3.41*
Apr-Dec11	*8443*	*34318*	*10.126*	*68.4*	*3.60*
Change %	*6.3%*	*-1.8%*	*2.7%*	*1.6 pts*	*5.6%*

	Passenger Revenue (Rs Cr)	***Capacity ASK (m)***	***Passengers (m)***	***PLF (%)***	***Yield/RPK (Rs.)***
International services					
Jan-11	*554*	*2978*	*0.473*	*64.5*	*2.88*
Jan-12	*701*	*2976*	*0.525*	*68.9*	*3.42*
Change %	*26.5%*	*-0.1%*	*11%*	*4.4 pts*	*18.5%*
Domestic services					
Jan-11	*293*	*843*	*0.581*	*69.8*	*4.99*
Jan-12	*407*	*1002*	*0.691*	*69.6*	*5.83*
Change %	*38.8%*	*18.8%*	*18.9%*	*-0.1 pts*	*17%*
Network					
Jan-11	*847*	*3821*	*1.054*	*65.7*	*3.38*
Jan-12	*1108*	*3978*	*1.215*	*69.1*	*4.03*
Change %	*30.7%*	*4.1%*	*15.3%*	*3.4 pts*	*19.4%*

***Provisional Figures*

Route Rationalization measures planned for the immediate/short term

Replacement of B 747 operations with B 777 ER aircraft

AI has consciously reduced the utilization of B 747 to the minimum level required to retain currency of pilots' licenses and substituted these hours with increased utilization of B777 aircraft with lower costs. The utilization of B747 aircraft has been reduced from 5.8 hours per aircraft in Summer 11 season to 4.5 hours per aircraft from start of Winter 11 schedule and further down to 2.4 hours per aircraft from Feb 2012. The cost savings on this account is estimated at about Rs 18 Lakhs per day from start of Winter 11 schedule and Rs. 51 Lakhs per day during the months of Feb and Mar 2012.

Withdrawal of one of the two daily services on the Delhi – London route

Effective 3rd Feb 2012, AI has reduced capacity on Delhi – London route by withdrawing one of the two daily services on this route which had lower PLF / revenues and had given rise to deficit over cash cost of about Rs. 98 Cr. between Apr – Dec 12 (about Rs.120 Cr annualized). This measure is expected to give rise to incremental revenues on the flight that has been retained on the route to the extent of about Rs. 15 Lakhs per flight (About Rs. 55 Cr. annualized).

Effective from Summer 12 season, AI plans to continue to operate only one flight on this route.

Withdrawal of some selected services on the DEL – Frankfurt route

To reduce the cash burden in the immediate term Air India has planned to reduce 12 services on the Delhi-Frankfurt route during the months of February and March. The net benefit from this measure has been estimated at about Rs. 4 Cr. during the period February-March 2012.

Transfer of 4 round trip services per week on India-Dammam routes to B737/A320 aircraft

AI is in the process of firming up plans to transfer the operations between Calicut / Trivandrum / Cochin / Delhi and Dammam from B777 aircraft to B737 /A320 aircraft which would be more appropriate in terms of capacity even while giving rise to cost reduction.

Replacement of B777-200LR aircraft with B787 aircraft

AI would plan to lease out 5 of the 8 B777-200LR aircraft and concurrently substitute the B777-200LR services on the routes to London, Frankfurt and Paris with the cost efficient B787 aircraft. This substitution is expected to result in reduction in cash cost of operation of about 1 Cr. per day.

Introduction of non-stop services to Melbourne/Sydney with B787 aircraft

It has been planned to introduce daily non-stop services between Delhi and Melbourne/Sydney with 2 out of the 7 B787 aircraft expected to be inducted in 2012-13. These services are expected to give rise to positive cash margins.

Launch of all economy services with A320 aircraft to counter competition from LCC

It has been planned to convert the old fleet of A320 aircraft with 145 seats (20 Business class and 125 Economy seats) into all economy configuration of

168 seats as to gain greater penetration in the low fare market segments which has been growing significantly over the past 5 years or so i.e. by offering more capacity and thereby increasing revenues.

<u>Other schedule initiatives planned on A320 aircraft</u>

In the Summer 12 schedule, AI plans to restructure the existing round robin on Delhi-Raipur-Nagpur-Delhi route with terminator flights each on Delhi-Raipur and Delhi-Nagpur routes. It has also been proposed to extend the services between Dubai and Hyderabad so as to originate and terminate at Vizag and simultaneously upgrade the services between Delhi and Vizag to be on A320 family aircraft. The airline is also examining the viability of extending the Delhi-Abu Dhabi services up to Bahrain. It has also been proposed to introduce a second daily service between Mumbai and Cochin."

(MCA O.M. No. H 11013/07/2010-AI dated February 2012)

Recommendation (Sl. No. 8)

Energy Audit

The Committee regret to note that though fuel prices is a major component of loss, as claimed by the management of NACIL, there is no serious effort to improve the fuel consumption norm for aircraft in use. This becomes clear as the NACIL or the Ministry did not even possibly refer to the huge fuel loss incurred on account of idle flying hours before landing and on account of long stretch of taxying after landing – all due to air traffic congestion in airports. The Committee recommend a mandatory energy b a external agency auditor to assess the avoidable fuel losses and fix fuel compensation norm for aircraft in use.

Reply of the Government

The Company has engaged IATA, a premier organisation for conducting a fuel efficiency GAP analysis in the year 2008.

(a) Fuel carried on board an aircraft is subject of DGCA regulations. Different aircraft have different levels of Fuel consumption. In order to control this Air India has invested in state of the art, brand new aircraft.
(b) Long stretch of Taxing/ long duration of holding in air is due to infrastructural limitations especially at Mumbai and Delhi and this is not under the control of airline.
(c) Company has continuously been making efforts to improve fuel efficiency thru changes to company policies on operational issues. One such effort Titled "Fuel Efficiency Gap Analysis (FEGA) ' was conducted in collaboration with IATA. Under this initiative grassroot level analysis was carried out resulting into modification of various policies. Company has also received an award from Govt. for these efforts.

There have been serious efforts by Air India to improve Fuel consumption norms for aircraft in use. It may be pertinent that Air India obtained the Energy Conservation Award for the year 2009 from the Bureau for Energy Efficiency and Ministry of Power. The details are as follows:

Air India efforts for Fuel Savings:

The Chairman and Managing Director has constituted a Steering Committee for Green Initiatives which includes Operational Efficiency, Fuel Management and Emission Reduction. The Steering Committee monitors all matters of operational efficiency, fuel management and reduction of fuel costs. The Steering Committee is headed by the Chairman and Managing Director and consists of the Nodal Officer and Executive Directors of the Operational Departments. Sub-committees have also been formed to ensure implementation of all projects determined by the Steering Committee and help in the introduction of new processes and procedures for Fuel Efficiency. The committee sets targets and actions for all departments. Simultaneously, a new Energy policy has been put into place which serves as a guideline to the operational departments in achieving the twin objective of reduction in fuel consumption and carbon emissions and ultimately, reduction in costs to the airline. The new energy policy envisaged vital changes in operational techniques, equipment settings and use, fuel management, flight planning, engine maintenance, cabin weight management, etc.

Emission Reduction

Similar procedures adopted in operational areas have helped the airline reduce carbon emissions. The European Union Trading Scheme (ETS) has mandated for the aviation industry that all flights with origin or destination in the European Union will have to be necessarily covered by the scheme. Air India has already submitted the ETS required plans for the annual emission and tonne kilometer monitoring in August, 2009. Air India has successfully cleared the EU-ETS Audit and verification process, which was conducted by M/s. Bureau Veritas (EU accredited verifier) from the 22nd of March to 25th March 2011. The verification Report and data was submitted to the Environment Agency of UK on 31st of March, 2011, within the stipulated time-line. Air India has also received the confirmation of receipt from the Environment Agency.

The current status of fuel savings from September, 2008 to August, 2011 is as follows:-

Savings achieved - Rs. 693.61 crores
Achieved Fuel Savings in kg – 177 Million Kgs.

Environment Management System

Corporate-wide Environment Management System policy has been signed. QMS has been given additional responsibility of Environment Management System and various initiatives have been commenced. Various initiatives were introduced with all key departments of all AOPs for reduction in CO2 emissions , Tree Plantations were carried out, workshops were conducted, commenced introduction of DMS.

For the period (Sept-08 to Aug-11)
Reduction in CO2 emissions = 558 Million Kgs.
Introducing a formal "Environment Management System(EMS)".

Air India received the "Earth Care Award -2011" on 9th Sep 2011 for excellence in climate change mitigation and adaptation, from The Times of India & JSW foundation. Air India's efforts for excellence in climate change mitigation and adaptation were once again recognized by the Bureau of Energy Efficiency and the Ministry of Power, Government of India conferred the National Energy Conservation Award, 2011 on December 14, 2011. The department - wise guidelines under the Energy policy are:

Flight Operations

Fuel Policy - A standard fuel policy for all airlines in the group has been developed based on a revised common fuel policy which provides maximum fuel benefits. APU Reduction: Significant progress has been achieved in APU (Auxiliary Power Unit) usage. Flight crews and ground personnel have been sensitized and revised procedures for usage have been introduced. Flight Operations: Flight Operations has introduced a training / sensitizing' program to all pilots for the improvement of fuel efficiency and reduction of the environment impact.

Pilot Technique: Air India has improved pilot technique in fuel efficiency by providing more fuel information to pilots via a company fuel efficiency chapter in the Flight Operations Manual and with the introduction of a dedicated fuel training program.
Landing Flap Settings: A systematic review of landing flap settings has been performed and revised procedures introduced.

Use of Idle Reversers on Landing: Air India has initiated the use of idle reverse thrust on landing. The use of idle reverse thrust minimizes fuel consumption, reduces engine maintenance and decreases noise and pollution at airports.

Low Noise Low Drag Approaches: Decelerated Approach Procedure (Low Noise Low Drag Approach) procedures have been introduced for most of the flight in Air India's current operation.

Reduced Acceleration: Air India has reduced the acceleration altitude to 1,500 AGL for most flights.

Aircraft Communication, addressing & reporting system (ACARS) : Air India has expedited the activation of ACARS on all the aircraft that are presently equipped. This will facilitate better tracking and monitoring of data, besides promoting effective communication between the aircraft and ground. Engine out taxi : Standard operating procedure for Engine out taxi is being finalised and is being sent to DGCA for approval.

Flight Planning and Dispatch

Flight Planning: Fuel efficient flight planning through better selection of shorter routes, consideration of computerized latest information on winds etc. has been introduced. The Air India group has purchased a new flight planning system and it has started with the implementation phase for the new Flight Planning system, which will result in even higher savings in 2010.

Cost Index: Air India has converted from fixed Mach flying to Cost Index flying, resulting in more fuel savings. Contingency Fuel: Air India has reduced contingency fuel from 10% to 6% and 5%, depending on different aircraft types. Additional Fuel: Air India has reduced the amount of fuel being added by Pilots and Dispatcher based on statistical data.

An Alternate Selection: Air India has changed the earlier practice and introduced the revised procedure to adopt an alternate airport policy that uses the closest suitable alternate airport in good weather conditions.

Centre of Gravity (C of G): Air India has introduced a more aft C of G setting to decrease the drag on the aircraft, which helps in fuel savings. Zero Fuel Weight Error: A reduction of the error between the EZFW(Estimated Zero Fuel Weight) and the AZFW(Actual Zero Fuel Weight) has been achieved to produce more accurate calculations for determining carriage of fuel. Fuel Management Information: Air India has created an in-house statistical fuel management information system, which is monitoring fuel data on a continuous basis.

Maintenance & Engineering

Engine: Engineering has optimized the engine core water wash program to the most effective interval for each engine type, Fan-blade and IGV hand wash have been introduced. TSFC will become a high priority in engine build standards during refurbishment. Airframe: New procedures have been established which take into consideration deteriorating aircraft performance, uneconomical use of aircraft systems and unnecessary carrying of weight.

Maintenance: Reduced the amount of drag each aircraft is generating due to dirt and rough surfaces especially in the critical zones of the fuselage, wings and empennage. Weight Management: All unnecessary weights have been removed from the aircraft. Carrying un-needed weight (such as unnecessary parts, dirt, and moisture) is inefficient. Reporting and Monitoring: Formal meetings between M&E and Flight Operations concerning weight management have been established and a person nominated to monitor the results of corrective actions and follow up on the status of agreed programs.

Commercial

Cabin: The requirement of cabin items such as ovens, galleys, class dividers etc. has been assessed and where possible, changed to lighter weight material. Magazines: Seat pocket contents such as the number of in-flight magazines and weight of the individual magazine have been reviewed and reduction were implemented were possible. Catering: Return catering and other unnecessary of overloading of items have been assessed. Weight has been loaded based on the number of meals offered and flight time. Items such as cutlery, china and trolleys have been assessed for possible weight reductions or possible replacement by lighter alternatives. Duty free weights were reviewed and are now loaded per seat load factors, influence of destination on sale of goods and analysis of unsold material. Potable water uplift has been changed to consider the number of PAX, duration of flight and cultural aspects. Loading: The amount of reserve materials carried on board, such as pillows, blankets etc. were assessed. Training: Training programs were developed to increase awareness of fuel conservation in the Commercial area. The current status of fuel savings from September, 2008 to August, 2011 is as follows :-

Savings achieved - Rs. 693.61 crores
Achieved Fuel Savings in kg – 177 Million Kgs.

Air India is procuring new Information Technology solutions for improving fuel Savings:

New Flight Planning System:

Contract has been signed with M/s. FWZ for setting up a new Flight Planning System which would give the most optimal routes to fly taking into consideration the weather patterns, notams, over-flying permissions and also provide inputs for economic fuel tankering by taking into account the fuel prices prevalent at various places thereby resulting in huge Fuel & cost savings to the airline and also reduce the environmental impact on this account. The contract would include erstwhile NACIL-A, erstwhile NACIL-I, Air India Express and Alliance Air.

Another initiative launched is the acquisition of a new Flight Planning System from M/s FWZ of Austria. This system allows the automatic recalculation of the optimal route and fuel uplift for individual flight prior to take off. FWZ Flight Plans are being utilised in Air India Narrow Body Operations with certain constraints which are being sorted out. Full implementation has been achieved on the Eastern Region in respect of Airbus A320 family. A large number of flights in the Western & Northern Region are also being dispatched using FWZ Flight Planning System. On utilization of the FWZ New Flight Planning System, our accumulated saving upto 30th September, 2011 is approx. USD 2000514 (Approx. Rs. 9 crores @ USD = INR 45).

<u>Environment Management System</u>

Corporate-wide Environment Management System policy has been signed. QMS has been given additional responsibility of Environment Management System and various initiatives have been commenced. Various initiatives were introduced with all key departments of all AOPs for reduction in CO2 emissions , tree Plantations were carried out, workshops were conducted, commenced introduction of DMS.

For the period (Sept-08 to Jun-11)
Reduction in CO2 emissions = 524 Million Kgs.
Introducing a formal "Environment Management System (EMS)".

Air India received the "Earth Care Award -2011" on 9th Sep 2011 for excellence in climate change mitigation and adaptation, from The Times of India & JSW foundation.

CHAPTER – IV

OBSERVATIONS/ RECOMMENDATION IN RESPECT OF WHICH REPIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Sl. No. 1)

Merger of erstwhile Air India and Indian Airlines

The Committee feel that there is a need for consistency in plans and policies of the company for the merger to consolidate and for this purpose there is a need for some credible leadership at the top. The Committee, therefore, recommend that the leadership of NACIL should be put on a mission mode with a mandate spelt out in unequivocal terms to turn around the Company within a specified period. The postings in the top slot of the Company should invariably be governed on the basis of performance and accountability.

Reply of the Government

The observations of the Committee have been noted. NACIL has prepared a turnaround plan and its implementation is being reviewed by GoM from time to time.

(MCA O.M. No. H 11013/07/2010-AI dated 10.9.2010)

On the issue of Turn-around plan, the Ministry in their post evidence replies furnished in December 2011 stated that the Turn-around plan has been vetted by Deloitte for assumptions relating to yield, growth & LFs and certain moderations have been made to the original Turn-around plan prepared by the Company in consultation with SBI CAPs. This in turn has also been seen by a Committee of Officers appointed by the Group of Ministers who have recommended the following actions for implementing the Turn-around plan/FRP of AI.

- *The performance of PLF & yield of the company should be benchmarked to achieve 73% by 2015 and 75% by 2020. Yield and utilization parameters should be in line with the market leaders.*
- *The FRP should be as per the plan suggested by SBI CAPs which involves restructuring of STLs into LTLs and issue of CRPS. An equity infusion as envisaged above in Pt.10.*
- *Induction of aircraft to be based on route planning & economics and could be reviewed after 2014-15.*
- *Hiving off of MRO & GH as separate subsidiary companies as proposed in the Turn-around plan.*
- *Revenue Generation through monetization fo assets as proposed in the Turn-around plan.*
- *Cargo & Mail Revenue and other revenues as proposed in the Turn-around plan.*
- *HR Policy review across AI including subsidiaries and right-sizing of staff through an appropriate VRS package.*
- *Completion of Integrated IT Systems for improving performance.*
- *Customer Oriented Services as proposed in the Turn-around plan to be focused.*
- *Ownership of the Turn-around plan vide employees & Management of AI.*

- *An Oversight Committee to ensure implementation of the Turn-around plan and achievement of milestones.*

If these above measures are taken, the company would be EBIDTA positive in 2013, cash profit 2018, EBT positive 2020, Total Networth Positive 2020.
(MCA O.M. No. H 11013/07/2010-AI dated December 2011)

On the issue of credible leadership and postings in the top slot of the Company, the Secretary, Ministry of Civil Aviation stated during the evidence before the Committee on 20 October, 2011 as follows:

> *"I would like to apprise the Committee that there was a change in the management on 12th August 2011. The new CMD joined on 12th August 2011. The Ministry and the Air India Management feel that now there is a positive atmosphere. I would not say comparatively it has improved tremendously but there is a positive atmosphere. We feel there is new energy that will flow in the organisation. There is a direct dialogue established between the Management and all the Unions not once but on an on-going basis which has generated trust and confidence between Management and employees. Hon. Members might be aware that before the change in the Management there was disturbance almost every day in terms of operations and in terms of employees' dissatisfaction. We feel for the past over two months there is a comparative peace in the Organisation."*

The Secretary, Civil Aviation stated in this connection on 12 January 2012 as follows:

> *"The Government has taken a decision in August and has brought in a new top leadership positions……. The company has shown sign of improvement in all parameters. All parameters are clearly showing that with the change in the management, work culture and with the commitment of the employees, this company can do well. There is a great potential. It can really do wonders. It is what I also feel at this point in time."*

It is observed that name of the Company is now changed to Air India Limited effective from 24 November 2010.

Recommendation (Sl. No. 3)

Review of Progress made on merger

The Committee notes that irrespective of the merits of the merger plan, the present gravity of spiralling losses could have been averted had the implementation of the merger plan been strictly adhered to within the stipulated timeframe. The Committee therefore, recommends that a fresh, realistic and definite timeline for completion of pending processes of merger, such as establishing a uniform code – a pre-condition for joining the Star Alliance, setting up of Strategic Business Units (SBUs), cross utilization of resources, IT augmentation, customer services, sales and marketing, finance, ground handling, MRO, operations and flight safety, training, cargo, etc. may be worked out and put in place immediately. The Committee further recommends that reasons behind the undue haste in merger and lack of monitoring after the merger should be probed to fix the responsibility for the same and that the government must set up an effective monitoring mechanism to review the progress made on the revised merger schedule every quarter. The Committee also recommends that all the loss attributable to merger of IA and AI should be recouped by the Government as the decision of the merger was a policy decision spearheaded by the Ministry-in-charge.

Reply of the Government

The decision to merge IA and AI was not taken in haste but it was a well considered decision both at the company level and in the Govt. A presentation was made before the Hon'ble Prime Minister of India on the issue of merger in March 2006, where an 'in-principle' view was taken that the merger of two airlines would be in their best interest. While approving the merger, Air India Board decided to invite Expression of Interest from various consultancy/Accounting firm and constituted a Committee for selection of the Consultant and oversee the process of merger. After following the due process, the Consultant were appointed to draw the road-map of merger. A Core Group was constituted to monitor the progress and to co-ordinate with Consultants at the top level. Hon'ble Prime Minister was requested to constitute a Group of Minister to consider the proposal at pre-Cabinet stage. The Group of Minister so constituted, in its first meeting, desired that the proposal be first considered by a Committee of Secretaries. The Committee of Secretaries considered the proposed merger of two airlines and agreed to the proposal. The GOM was briefed about the recommendations of COS and it was decided that before the proposal is finally recommended to the Cabinet, the Ministry of Civil Aviation may (i) hold a round of talks with Employee Unions to keep them on board; (ii) prepare a note on management structure of the merged company vis-a-vis comparable international airlines; and (iii) suggest a Grievance Redressal Mechanism to take care of the employee grievances. The action was accordingly taken and the same was briefed to GOM. GOM after careful consideration, approved and decided to recommend to the Cabinet the proposal to merge Air India and Indian Airlines into a new merged entity. Thereafter, Cabinet in its meeting held on 1.3.2007 approved the proposal.

Losses of NACIL are not attributable to merger. Infact 2008 & 2009 were the worst years for aviation in India and globally, due to very high fuel prices touching upto $ 145 per barrel and then the economic slowdown. However, NACIL has been directed to speed up the integration process and it has formed different sub-committees at Board level to monitor the progress.

(MCA O.M. No. H 11013/07/2010-AI dated 10.9.2010)

The merger has been completed in many identified areas and the major milestones are being achieved albeit slowly due to the precarious financial position of the company. The major milestone of a Single AOP has been achieved and issued by DGCA. The cut over to the new PSS system has also been completed and the Company has migrated to a Unicode system. Integration of both the companies have also been completed in many area like Finalization of CMD, Board of Directors, organization structure for Air India (then NACIL), selection of leadership team - Functional Directors, Executive Directors. In regard to Functional Director and

Executive Director levels Organisational Structure have been finalized however compensation harmonization is yet to be harmonised. Further, General Manager and Dy. General Manager level Organisational Structure have been finalized in respect of majority of the departments. Other areas completed are for Material Management - Integrated Policy, Financial Synergies / quick wins in Insurance, Fuel procurement-ATF, banks & fund management, common Accounting policies, legal & tax issues, Passenger Service System (PSS) Delegation of Administrative and Financial Powers etc. At the time of merger 226 critical activities had been identified and targeted for completion. Out of these, about 170 of the identified areas have since been completed (December 2011) The area of integration of manpower and the solution to the HR issues is a major task and involves a high integration cost. The delay in harmonizing is due to the critical financial condition being faced by the company and also the high cost of integrating the manpower on issues like level mapping, compensation harmonization etc for all employees including pilots.

(MCA O.M. No. H 11013/07/2010-AI dated December 2011)

The following steps have been taken/being taken for improvement in Customer Services:

(i) A separate cell has been set up for entertaining and evaluating suggestions/ feedback to be obtained directly from cabin crew to bring rationalization/ improvement in services.

(ii) Action has been initiated to procure adequately quantity of Hindi newspapers and magazines.

(iii) Hold-over of Inflight Entertainment contents on wide body aircraft used to be NIL which has been increased to a Library of Contents available to on-board offering wider choice. At present 152 movies/other programmes of different classifications are available for viewing.

(iv) Inflight content updation on narrow body aircraft has been reduced from monthly to fortnighty.

(v) Mood lighting has been done in the wide body aircraft intended to uplift passenger experience and the feedback indicates that it elevates passenger experience and provides clean and posh look of cabins.

(vi) Cabin boarding music has been changed to Indo-west Fusion having a rich sound to be played at boarding, taxing, landing and arrival taxing at audible level and the feedback indicates that combined with mood lighting it has a mind altering and calming effect on passengers.

(vii) Efforts are being made to upgrade cabin management by having neat and tidy cabins, clean and hygienic toilets, controlled temperature to have positive effect on passengers.

(viii) Call Centre Services: upgradation/under upgradation.

- *FFP Cell - Implemented with effect from 26 Feb. 11 offering membership, redemption and related services - functional.*
- *French Toll Free – Seat assignment/Excess Baggage related offers for Indian origin passenger travelling ex-France has been implemented.*
- *Tele Check-in for AI International Sectors being finalized.*
- *Dial-a-Ticket (DAT) for AI International Sectors with payment collection through Domestic and International credit cards – works in progress.*
- *Feedback Cell- Accessible through a Toll Free No. for handling customer feedback and complaints – work in progress; committee to negotiate being constituted.*

- *Web Chat & SMS Pull – work in progress.*

(MCA O.M. No. H 11013/07/2010-AI dated February 2012)

Recommendation (Sl. No. 6)

Route and Slot Allocation

The Committee feel that it is in the public interest for the Ministry of civil Aviation to dispel any misgivings over transparency of route and time-slot allocations raised by allegations of favours being shown to private operators for some consideration or the other. The Committee, therefore, recommend that the Ministry of civil Aviation should conduct a transparent review of the entire route and slot allocations, both in the domestic and international sectors, and effect necessary changes to ensure that NACIL is neither put at any disadvantage nor appear to be placed in any disadvantageous position.

Reply of the Government

The slot requests of airlines are analysed vis-à-vis airport capacity parameters i.e. runway, apron, terminal building, watch hours, etc. Based on this analysis, the slots as requested by the airlines are either approved or a list of alternate offers is generated. The basic principle of the slot allocation process is historic precedence, whereby airlines are entitled to a series of slots which have been allocated to and operated by them. Subsequent requests received from the airlines for new/additional flights, change of time due to operational reasons, etc. are examined by the airport operator and cleared, if found acceptable, within the notified capacities. In the entire process, there is no room for preferential treatment to any airline.

The observations of the Committee are noted.

(MCA O.M No. H 11013/07/2010-AI dated 10/09/2010)

The Ministry of Civil Aviation has no role in selection of domestic routes by airlines. The routes of operations on domestic sector are chosen by the airlines including Air India. Government has laid down Route Dispersal Guidelines for all airlines with a view to achieve better regulation of air transport services of different regions of the country, including north-east region, which is monitored by DGCA. So far as slots are concerned, these are allocated by AAI, DGCA and Airport Operators in a fair and transparent manner. The Ministry has no role in the matter. So far as international routes are concerned, MoCA allocates only traffic rights under Air Services Agreements and Air India has the first right to operate to any international destination and it is only on their refusal that these are offered to other Indian Carriers.

(MCA O.M No. H 11013/07/2010-AI dated August 2011)

Recommendation (Para III)

Fleet Acquisition and Management

The Committee are skeptical of NACIL's request for Rs. 10,000 crore capital infusion from the Government towards fleet acquisition. The Company, as well as the Government have not presented any details of project financial closure for the acquisition projects of the erstwhile Indian and Air India, which were finalized before merger of the two airlines was even mooted. The Committee feel that the lack of continuity of policies as is manifest in the failure of concerned entities to adhere to plans (made by predecessors in positions of authority) regarding the revenue sources for financing the acquisition projects reveal an underlying lack of sense of ownership and public responsibility. The Committee are also concerned about the delay in the delivery of the more fuel efficient Boeing 787 and Airbus A-320/321/319 aircraft.

The Committee note that in one of the aspects of fleet management relating to the maintenance of airworthiness of aircrafts, the Company is having unutilized manpower capacity. The Committee note that the engineering force in the company is capable of effectively running maintenance operations for 300 aircrafts, while the company itself has only some 100 aircrafts. However, on the other aspect, there are disparaging reports in the media about a lot of aircraft capacity lying idle due to the grounding of certain types of aircraft for one reason or the other. The Committee note that utilization of aircraft in the company is at low of 9 hours per day while the benchmark is at 16 hours per day. The Committee recommend optimal utilization of the available manpower who otherwise have necessary skill and experience to maintain airworthiness of aircraft.

Reply of the Government

Capital infusion from the Government is a must for the expansion plan of the company. The total original cost of acquisition of the fleet is Rs.44,000 crores for 111 aircraft. Aircraft acquisition has a long gestation period in the sense that the project yields returns only after a considerable period of time. The investment in the aircraft project is also very high. Under such circumstances, financing the entire acquisition through borrowings would result in a high debt leverage and interest cost. Besides, the debt equity ratio would also be adverse for any further lending to the company by financial institutions. It is necessary therefore to have a proper balance between debt and equity to offset the high debt equity ratio. In view of this, government's induction of equity in the company will not only improve the debt equity ratio but would also increase the confidence level amongst the banks and financial institutions to lend to the working capital requirements of the company as also improve the credit rating of the company.

(a) New Aircraft Fleet Acquisition by erstwhile NACIL.

In accordance with Aircraft Purchase Agreement dated 20th Feb.2006 entered between erstwhile Indian Airlines and Airbus France, 43 new A320 family aircraft have been inducted by erstwhile NACIL-I. The details about their delivery is given below:

A320 family Aircraft Delivery from Airbus			
Year	**Scheduled Delivery**	**Actual Delivery**	**Type of aircraft Delivered**
2006	1	1	1- A319
2007	10	10	5 - A321 + 5 A319
2008	8	8	5 - A321 + 3 A319
2009	17	17	8 - A321 + 9 A319
2010	7	7	2 – A321 + 1- A319 + 4- A320

(b) Optimal utilization of available manpower:

The engineering manpower in Air India (Airbus Group) was 4405 in the year 2006 to contain the total engineering workload of Air India (Airbus Group) fleet. This strength is reducing steadily due to attrition etc and as a result of which the present engineering manpower strength reduces to 4044 in 2011. Once the subsidiary for MRO is operationalized, it will be able to do business in excess of the Air India business by taking on airplanes from other airlines/operators.

Manpower Details:

Executives	152
Aircraft Engineers	683
Support Services Engineers	73
Foreman & Inspectors	404
Technicians	1557
Non-Technical Staff	406
Helpers/ Safaiwallahs	769
Total	**4044**

The Productivity Index in respect of Engineers has increased by 17.6% from 2007-08 to 2010-11 while in respect of Technicians the figure is 128% from 2002-03 to 2010-11. At the same time to utilize the Engineering capabilities in a more cost effective way, process has been started to develop a strategic business unit for which detailed business plan is under preparation

The manpower details as on 30.11.2011 of wide-body group is as under:

Executives	-	184
Aircraft Engineers	-	517
Technical Officers	-	96
Manager-Service Engineering	-	201
Service Engineers	-	1267

Fleet size:

B747-400	-	5		
B777-200LR	-	8		
B777-300ER	-	12		
Total fleet size			-	25

The present manpower of Engineering Department is sufficient to meet the maintenance requirement of erstwhile NACIL(A) fleet. It may be noted that the Base & Line Maintenance checks of all the aircraft in erstwhile NACIL(A)'s fleet is undertaken in-house. Moreover, the maintenance, Overhaul, Repair & Testing of the engines, APUs, components & accessories fitted on B747-400 and A310 aircraft are carried out in-house. Some of the components & accessories fitted on B777 aircraft and it's Engines/APUs are also carried out in-house. Since, at times due to operating pattern and grounding plans there are some lean period. This spare capacity is utilized to undertake third party work to optimize the utilization of manpower.

(Ministry of Civil Aviation, O.M No. H 11013/07/2010-AI dated 4th January, 2012)

Recommendation (Sl. No. 11)

Utilization of Aircrafts

The Committee note that a lot of idle capacity is being allowed to exist in the company despite ambitious acquisition orders. The Committee hope that the initiatives taken to cut down such idle capacity taken by the present management would realise tangible benefits. The Committee, therefore, recommend that the steps necessary to increase the utilization of aircrafts should be expedited without delay to bring up the average utilization to 16 hours per day per aircraft. The Committee enjoin the Ministry of Civil Aviation that the company be fully protected from any kind of extraneous pressure to retain commercial unviable routes or to operate unprofitable new routes.

Reply of the Government

Air India prepares fleet plans and aircraft acquisition proposals, based on guidelines of Management/inter-departmental committees. The current summer 2010 schedule is based on the inputs received from Engineering, Operations and Inflight Services Departments in respect of aircraft, cockpit crew and cabin crew resources respectively. The resources made available by these Departments have been deployed fully to the extent available, but limited by the constraining resource.

Aircraft Utilization

The aircraft utilization mainly depends upon the commercial schedule and the maintenance check requirements. Air India's Engineering Department takes all steps to make the aircraft available within the planned grounding schedule after completion of the checks.

The details of planned utilisation per available aircraft, i.e. excluding aircraft earmarked for disposal, per day in *Winter 2011* (as on date) are as under*:*

Aircraft	Winter 11 (Planned)
B777	13.8
B747	4.5
A330	10.0
A320 family	10.7

The utilization of B747-400 is kept low due to high cost of operation. A330 aircraft utilization is low as one aircraft is under maintenance.

For the period April 2009 to February 2010, Air India's owned B777-200LR and B777-300ER fleet is being utilized at 12.08 and 13.39 block hours per day per a/c respectively.

The comparison of the aircraft utilization of Air India and the Industry, for the type of aircraft operated by Air India, is given below.

Industry Data: SOURCE: AIRBUS INDUSTRIE MONTHLY SERVICE REPORT- SEP' 2011

A319		
Operator	Daily Utilisation(Hrs.)	Stage Length(Hrs.)
AIR FRANCE	6.34	1.39
BRITISH AIRWAYS	6.74	1.34
LUFTHANSA	7.39	1.28
SWISS INTERNATIONAL AIRLINES	7.66	1.27
U.S.AIRWAYS	7.91	1.75
CYPRUS AIRWAYS(CYP)	8.27	2.03
TAM-LINHAS AEREAS(TAM)	9.11	1.13
KINGFISHER AIRLINES	10.13	1.79
SILK AIR	8.47	2.02
CHINA EASTERN AIRLINES	8.27	1.64
AIR CHINA	8.54	1.90
TIGER AIRWAYS	6.97	2.50
AIR INDIA Ltd.	7.59	1.35
WORLD AVERAGE	8.57	1.71

A320		
Operator	Daily Utilisation(Hrs.)	Stage Length(Hrs.)
AIR FRANCE	6.50	1.50
BRITISH AIRWAYS	7.39	1.72
LUFTHANSA	7.47	1.39
SWISS INTERNATIONAL AIRLINES	8.09	1.40
U.S.AIRWAYS*	9.26	2.47
CYPRUS AIRWAYS(CYP)*	8.42	2.29
EGYPT AIR(MSR)*	9.33	2.11
TAM-LINHAS AEREAS(TAM)*	10.90	1.55
KINGFISHER AIRLINES	10.24	1.58
INDIGO	9.50	1.49
GO AIR	11.01	1.46
SRILANKAN AIRLINES	8.97	1.81
SILK AIR	8.92	1.97
CHINA EASTERN AIRLINES	8.90	1.71
AIR CHINA	7.38	1.80
QATAR AIRWAYS	11.25	2.46
TIGER AIRWAYS	10.50	2.30
AIR INDIA Ltd.*	8.03	1.76
WORLD AVERAGE	9.09	1.89

NOTE: * Airbus A320 Operator with V2500A1 engines

A321		
Operator	Daily Utilisation(Hrs.)	Stage Length(Hrs.)
AIR FRANCE	5.80	1.21
BRITISH AIRWAYS	6.10	1.26
LUFTHANSA	7.65	1.45
SWISS INTERNATIONAL AIRLINES	9.42	1.74
U.S.AIRWAYS	10.08	2.84
EGYPT AIR(MSR)	8.03	2.24
TAM-LINHAS	12.01	2.32

AEREAS(TAM)		
KINGFISHER AIRLINES	10.31	1.73
CHINA EASTERN AIRLINES	8.07	1.69
AIR CHINA	8.36	2.16
QATAR AIRWAYS	12.16	2.69
AIR INDIA Ltd.	9.13	1.95
WORLD AVERAGE	8.72	2.03
A330		
Operator	Daily Utilisation(Hrs.)	Stage Length(Hrs.)
AIR FRANCE	12.07	6.80
SRILANKAN AIRLINES	13.72	3.57
AIR CHINA	11.39	4.74
LUFTHANSA	13.78	6.68
JET AIRWAYS	13.85	7.21
KINGFISHER AIRLINES	12.83	6.72
QATAR AIRWAYS	13.73	5.18
AIR INDIA LTD	9.17	4.22
WORLD AVERAGE	11.99	4.72

(Ministry of Civil Aviation, O.M No. H 11013/07/2010-AI dated 4th January, 2012)

CHAPTER – V

OBSERVATIONS / RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

Recommendation (Sl. No. 17)

Pay and Allowances of Air India and Indian Airlines

The Committee further observe that the designation and the pay scales/emoluments drawn in the two organizations are not at par as the persons holding the same designation in NACIL (Air India) and NACIL (Indian Airlines) are getting different emoluments/scales of pay.

The Committee note the difficulties in addressing the concerns of the employees enjoying the same designations and having different pay scales in the two organizations. This obvious difficulty which should have been foreseen at the outset did not seem to have even occurred to those who worked out the merger process. The Committee, however, feel that as far as possible, it may be ensured that there is no loss of emoluments and a feeling of alienation amongst the employees of the two organizations. The advisable course of action would, therefore, appear to be to merge the two sets of employees with reference to the scales of pay and not based on their designations. The final action taken in this regard may be communicated to the Committee.

Reply of the Government

It is a fact that pay-scales have not been harmonized at any level or grade and all the employees including EDs, GMs, Dy.GMs and other categories are governed by their respective scales of pay, service regulations and certified/standing orders as per their erstwhile companies. The proposal for level mapping was approved by the HR Committee of Board of Directors and suggestions were sought from all employees including Unions/Associations/Guilds. These suggestions are being examined by a Committee constituted by the HR Committee.

In the meanwhile, the Government of India has appointed an independent committee on external experts headed by Mr. Justice (Retd.) D.N.Dharmadhikari to look into the merger related issues. The terms of reference of the Committee, inter-alia, include the following: -

i) To examine the principles of integration across various cadres and determination of level and seniority;

ii) To examine the principles of Pay/Wage rationalisation and restructuring between all the employees of the erstwhile airlines;

iii) To examine the principles governing the structure of pensionary scheme, death-cum-retirement gratuities and other terminal benefits having financial implication;

iv) To examine and make recommendations with respect to the general principle parameters of the different Productivity Linked Schemes and bring them in line with airline practices.

The Committee has already met all the Unions/representative bodies of employees of erstwhile airlines and proposes to submit its report by the end of January 2012.

(Ministry of Civil Aviation, O.M No. H 11013/07/2010-AI dated 4th January, 2012)

Comments of the Committee

The comments of the Committee may kindly be seen at Para No. 37 of the Chapter-I of the Report.

Recommendation (Sl. No. 18)

Pay and Allowances of Air India and Indian Airlines

The Committee have been apprised that there has been a shifting of allowances of NACIL (Air India) employees from salary (wage) slip to PLI slip issued to them. The Committee feel that at this juncture such kind of action on the part of management does not seem to be proper as the merger of two sets of employees has not been fully effected so far. The Committee, therefore, recommend that any cut or advancement should be proportionate to the scale of pay as it otherwise will be against the assurance "No employee would be placed at a disadvantage at any stage" which was communicated to the employees before merger of the two organizations.

Reply of the Government

From the time the PLI was introduced in erstwhile NACIL - (A) in 1996, the salary slip and the PLI slip used to be separate and was issued / payment released on two different dates. Recently with the financial crisis in the Company, the PLI Slip and salary slip are being released almost the same time, which is at the end of the month. However, no allowance of the erstwhile NACIL - (A) employees has been shifted from the Salary Slip to PLI Slip. However, there has been a shift of allowance in erstwhile NACIL(I) from salary slip to PLI slip. With the Report of Justice Dharmadhikari's Committee due, this aspect is likely to be considered in their Report.

(Ministry of Civil Aviation, O.M No. H 11013/07/2010-AI dated 4th January, 2012)

Comments of the Committee

The comments of the Committee may kindly be seen at Para No. 37 of the Chapter-I of the Report.

New Delhi:
29 April, 2013
09 Vaisakha 1935(S)

JAGDAMBIKA PAL
Chairman,
Committee on Public Undertakings

APPENDIX-I

MINUTES OF THE 3rd SITTING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (2011-12)

The Committee sat on Wednesday, the 22 June, 2011 from 1100 hrs to 1215 hrs in Committee Room '53', Parliament House, New Delhi.

PRESENT

Shri V. Kishore Chandra Deo -- Chairman

Members, Lok Sabha

2 Shri Hansraj G. Ahir
3 Shri Ramesh Bais
4 Shri Shailendra Kumar
5 Shri Vilas Baburao Muttemwar
6 Shri Nama Nageswara Rao
7 Shri Uday Singh

Members, Rajya Sabha

8 Shri Janardan Dwivedi
9 Shri Mukhtar Abbas Naqvi
10 Ms. Mabel Rebello
11 Shri Tapan Kumar Sen

SECRETARIAT

1	Shri Ashok Sarin	Joint Secretary
2	Shri Rajeev Sharma	Director
3	Shri Ajay Kumar Garg	Additional Director

Representatives of Ministry of Civil Aviation (MOCA)

1	Dr. Nasim Zaidi	Secretary, MOCA
2	Shri Prashant Sukul	Joint Secretary, MOCA
3	Shri Arvind Jadhav	CMD, Air India Ltd.

2. At the outset, the Chairman elaborated on the inadequacies noticed in the action taken replies furnished by the Ministry of Civil Aviation on the Fourth Report of the Committee on 'National Aviation Company of India Limited – Merged Entity of Erstwhile

Air India and Indian Airlines'. The Committee deliberated extensively on this issue. The Members observed that the action taken replies as furnished by the Ministry of Civil Aviation were vague and evasive besides being incomplete and decided to point out the same to the representatives of the Ministry.

The representatives of the Ministry were then called for evidence.

3. The Chairman welcomed the representatives of the Ministry and expressed anguish at the delay by the Ministry in submitting the complete updated action taken replies to the Fourth Report of the Committee. The Members, while raising questions on various issues relating to the recommendations therein, conveyed their utter dissatisfaction with the manner in which the Committee's recommendations have been dealt with by the Ministry. The Chairman conveyed the Committee's rejection of the action taken replies already furnished by the Ministry and asked the Secretary, MOCA to furnish the revised and updated action taken replies by 31st July, 2011.

4. *The representatives of Ministry of Civil Aviation then withdrew.*

The Committee then adjourned.

(Verbatim record of proceedings has been kept.)

APPENDIX-II

MINUTES OF THE 6th SITTING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (2011-12)

The Committee sat on Thursday, the 20th October 2011 from 1530 hrs to 1730 hrs in Committee Room 'B', Parliament House Annexe, New Delhi.

PRESENT

Shri Jagdambika Pal -- Chairman

Members, Lok Sabha

2 Shri Shailendra Kumar
3 Shri Vilas Baburao Muttemwar
4 Shri Ponnam Prabhakar
5 Dr. Prabha Kishor Taviad
6 Shri Bhisma Shankar alias Kushal Tiwari

Members, Rajya Sabha

7 Shri Janardan Dwivedi
8 Shri Pyarimohan Mohapatra
9 Dr. Bharatkumar Raut
10 Shri Tapan Kumar Sen
11 Shri N.K. Singh

SECRETARIAT

1	Shri Ashok Sarin	Joint Secretary
2	Shri Rajeev Sharma	Director
3	Shri Ajay Kumar Garg	Additional Director

Representatives of Ministry of Civil Aviation and NACIL

1	Dr. Nasim Zaidi	Secretary, MOCA
2	Shri Syed Nasir Ali	Director, MOCA
3	Shri Rohit Nandan	CMD, Air India Ltd.

2. The Committee met to take further evidence of the representatives of the Ministry of Civil Aviation and CMD, Air India Limited to seek clarifications and elucidations on updated Action Taken Replies furnished by the Ministry in August 2011

showing implementation of recommendations/observations of the Committee contained in their Fourth Report (15th Lok Sabha) on National Aviation Company of India Limited (now Air India Limited).

3. At the outset, the Chairman elaborated on the inadequacies noticed in the updated action taken replies as furnished by the Ministry of Civil Aviation on the Fourth Report (15th Lok Sabha) of the Committee. The Committee deliberated extensively on this issue. The Members observed that the action taken replies as furnished by the Ministry of Civil Aviation were vague and evasive besides being incomplete and decided to point out the same to the representatives of the Ministry. The Committee also took note of the Report of C&AG, Union Government (Civil) Performance Audit pertaining to the Ministry of Civil Aviation covering important aspects like Acquisition of Aircraft, merger of Air India Limited and Indian Air Lines into NACIL, Role of Ministry of Civil Aviation, etc. The Committee felt that the said Report vindicates the observations made by them in their Fourth Report particularly in respect of areas relating to fleet acquisition, merger and route rationalizations, etc. and decided to seek the comments of the Ministry on C&AG Report also.

The representatives of the Ministry of Civil Aviation and CMD, Air India were then called in.

4. The Chairman welcomed the representatives of the Ministry and pointed out the inadequacies noticed by the Committee in the updated action taken replies furnished by the Ministry of Civil Aviation in August 2011. The Members, while raising questions on various issues relating to the Observations/recommendations contained in the Original Report, conveyed their utter dissatisfaction over the manner in which the Committee's recommendations have been dealt with by the Ministry. The Chairman desired the Secretary, MOCA to furnish the revised action taken replies encompassing the issues raised by the Members and the comprehensive plan being drawn to revive the Company besides the comments of the Ministry on the aforesaid C&AG Report by 10th November, 2011.

The representatives of Ministry of Civil Aviation then withdrew.

The Committee then adjourned.

(Verbatim record of proceedings has been kept.)

APPENDIX-III

MINUTES OF THE 10TH SITTING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (2011-12)

The Committee sat on Thursday the 12 January 2012 from 1100 hrs to 1340 hrs in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri Jagdambika Pal -- Chairman

Members, Lok Sabha

2. Shri Shailendra Kumar
3. Shri Nama Nageswara Rao
4. Shri Uday Singh

Members, Rajya Sabha

5. Shri Janardan Dwivedi
6. Dr. Bharatkumar Raut
7. Shri N.K. Singh

SECRETARIAT

1. Shri Rajeev Sharma Director
2. Shri Ajay Kumar Garg Additional Director

Representatives of Ministry of Civil Aviation (MoCA) and Air India Limited (AIL)

1. Dr. Nasim Zaidi Secretary, MoCA
2. Shri Prashant Sukul Joint Secretary, MoCA
3. Shri Rohit Nandan CMD, AIL

2. The Committee met to take evidence of the representatives of the Ministry of Civil Aviation and CMD, Air India Limited on the implementation of the observations / recommendations contained in the Fourth Report (15th Lok Sabha) on National Aviation Company of India Limited (now Air India Limited) and other issues related therewith including observations contained in C&AG Report No. 18 of 2011-12 on Performance Audit of Civil Aviation in India.

3. At the outset, the Committee expressed their strong displeasure at the delay in furnishing the updated Action Taken Replies by the Ministry on the observations and recommendations contained in their Fourth Report and sought explanation for the same. The delay was deeply apologised by the Secretary of the Ministry. Thereafter, the Committee deliberated extensively on the updated Action Taken Replies and raised questions on Turn Around Plan envisaged by the Company and the specific steps being taken to improve the overall financial condition of the Company including the progress made by the committee of experts headed by Justice (Retd.) D.N. Dharmadhikari

constituted by the Government to look into the issues related with integration of manpower resources of the erstwhile Air India and Indian Airlines.

4. The Secretary, Ministry of Civil Aviation and CMD, Air India Limited replied to the queries put forth by the Members. The Secretary was also asked to submit the details of final Financial Restructuring Plan drawn by Government for Air India as well as written replies on the issues which remained unanswered during the meeting.

The representatives of the Ministry of Civil Aviation and Air India Limited then withdrew.

The Committee then adjourned.

(Verbatim record of proceedings has been kept.)

APPENDIX-IV

COMMITTEE ON PUBLIC UNDERTAKINGS
(2012-13)

MINUTES OF THE TWENTY SIXTH SITTING OF THE COMMITTEE

The Committee sat on Friday, the 26 April, 2013 from 1000 hrs to 1100 hrs in Chairman's Chamber, Room No. 147, Third Floor, Parliament House, New Delhi.

PRESENT

Shri Jagdambika Pal - Chairman

MEMBERS

Lok Sabha

2. Shri Hansraj Gangaram Ahir
3. Shri Shailendra Kumar
4. Shri Adhalrao Shivaji Patil
5. Shri Nama Nageswara Rao
6. Dr. Prabha Kishore Taviad

Rajya Sabha

7. Shri Anil Desai
8. Dr. V. Maitreyan
9. Shri T.M. Selvaganapathi
10. Dr. Janardhan Waghmare

SECRETARIAT

1.	Shri A. Louis Martin	Joint Secretary
2.	Shri M.K. Madhusudhan	Additional Director
3.	Shri G.C. Prasad	Deputy Secretary

XXXX **XXXX** **XXXX**

2. At the outset, the Chairman welcomed the Members XXXX XXXX to the Sitting of the Committee.

3. XXXX XXXX XXXX

4. XXXX XXXX XXXX

5. The Committee then took up Memorandum no. 8 pertaining to Action Taken by the Government on the Observations/Recommendations contained in the Fourth Report on National Aviation Company of India Limited. After some deliberation, the Committee approved the Memorandum and adopted the draft Report subject to insertion of the following in the middle of para no. 20 of the draft Chapter-I of the Report:

> "The Committee desire to know as to why, having engaged a consultant with huge cost, the *road-map on merger as visualized by them could not be achieved. The Committee reiterate their earlier recommendation that the matter should be probed and responsibility fixed."*

6. The Committee then authorized the Chairman to finalise the Reports on the basis of factual verification and present the same to Parliament.

7. As the Committee's term will end on 30.04.2013, the Chairman thanked the members for their co-operation in smooth functioning of the Committee during the term and placed on record his appreciation for the valuable contribution and active participation of the members in the proceedings of the Committee.

The Committee then adjourned.

XXXX Matter not related to the Report.

ANNEXURE

(*Vide* Para 3 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE OBSERVATIONS / RECOMMENDATIONS CONTAINED IN THE FOURTH REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS ON NATIONAL AVIATION COMPANY OF INDIA LIMITED – MERGED ENTITY OF ERSTWHILE AIR INDIA AND INDIAN AIRLINES.

I.	Total number of Recommendations	18
II.	Recommendations that have been accepted by the Government [*vide* Recommendations at Sl. Nos. 2, 4, 5, 9, 10, 12, 13, 14, 15 and 16]	10
	Percentage of total	56
III.	Recommendations which the Committee do not desire to pursue in view of Government's replies [*vide* Recommendation at Sl. No. 7 and 8]	02
	Percentage of total	11
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee [*vide* Recommendations at Sl. Nos.1, 3 and 6, Para III & 11]	04
	Percentage of total.	22
V.	Recommendations in respect of which final reply of Government is still awaited [*vide* Recommendation at Sl. No. 17 and 18]	02
	Percentage of total	11