

CPU NO. 958

25

**TWENTY FIFTH REPORT**  
**COMMITTEE ON PUBLIC UNDERTAKINGS**  
**(2012-2013)**

**(FIFTEENTH LOK SABHA)**

**PAWAN HANS LIMITED**  
**MINISTRY OF CIVIL AVIATION**



सत्यमेव जयते

**Presented to Lok Sabha on 30.04.2013**

**Laid on the Table of Rajya Sabha on 30.04.2013**

**LOK SABHA SECRETARIAT**  
**NEW DELHI**

**APRIL 2013 / VAISHAKHA 1935(S)**

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**COMPOSITION OF THE  
COMMITTEE ON PUBLIC UNDERTAKINGS  
(2012-2013)**

**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

**Members, 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 M. K. Madhusudhan, Additional Director

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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 (2012-13), have been authorized by the Committee to submit the Report on their behalf, present this 25<sup>th</sup> Report on the Pawan Hans Limited (PHL).

2. The Committee took oral evidence of the representatives of PHL on 3<sup>rd</sup> November, 2011 and further, took oral evidence of the representatives of the Ministry of Civil Aviation on 4<sup>th</sup> April 2012.

3. The Committee considered and adopted this Report at their sitting held on 26<sup>th</sup> April, 2013.

4. The Committee wish to express their thanks to the representatives of the Pawan Hans Limited and Ministry of Civil Aviation for placing before them the desired material and information in connection with the examination of the subject. The Committee would also like to place on record their appreciation for the invaluable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

5. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in bold letters in Part-II of the Report.

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

**SHRI JAGDAMBIKA PAL  
Chairman,  
Committee on Public Undertakings**

## **PART I**

### **BACKGROUND ANALYSIS**

#### **CHAPTER I**

##### **Historical Background**

1.1 Pawan Hans Helicopters Limited (PHHL) was incorporated in October, 1985 (under the name of 'Helicopter Corporation of India Limited') as a Government Company under the Companies Act, 1956. The name of the Company was changed to Pawan Hans Limited on 05.05.1987 and further changed to Pawan Hans Helicopters Limited on 28.06.1996. The company's name was further changed to Pawan Hans Limited w.e.f. 14.01.2013.

##### **Activities**

1.2 Pawan Hans is engaged in providing helicopter support services to the oil sector in offshore exploration, operate in hilly and inaccessible areas and make available charter flights for promotion of travel and tourism. PHL has emerged as one of Asia's largest helicopter operators having a well-balanced own operational fleet of 42 helicopters. The Company's present fleet of 42 helicopters comprise of 18 SA-365N Dauphin, 14 Dauphin AS365N3, 3 Bell 206 L4, 4 Bell 407, 2 AS 350-B3 and 1 MI-172 helicopters.

1.3 The details of operations undertaken by PHL are as follows:

##### **(i) Operations for ONGC**

Since October, 1986 Pawan Hans has been providing helicopter support for offshore operation of ONGC for carrying its men and vital supplies round the clock to drilling rigs situated in Bombay off-shore platforms. PHL operates to ONGC's Rigs (mother platforms and drilling rigs) and production platforms (wells) within a radius of 130 nm. from the main land at Mumbai. At present 15 Dauphin N & N3 helicopters are on contract with ONGC out of which 2 Dauphins are stationed overnight at the main platforms in addition to a dedicated Night Ambulance to meet any emergency evacuation.

##### **(ii) Other Customers including North East States**

PHL has provided helicopter support services to several State Governments namely, Arunachal Pradesh, Nagaland, Meghalaya, Tripura and Sikkim. The Company has provided three Dauphin helicopters to the Administration of Andaman & Nicobar Islands and two Dauphin helicopter to Lakshadweep. It is also providing helicopter services to Ministry of Home Affairs (MHA) at Guwahati, Oil India Limited and GAIL.

### **(iii) Passenger Services**

PHL runs the helicopter services from Phata to the Holy Shrine of Kedarnath during the May-June and September-October seasons every year. Pawan Hans started helicopter passenger services at Baltala-Panjtarni sector w.e.f. 1 July 2010 with 2 Bell 407 helicopters. The Company has been successfully operating helicopter services at Mata Vaishno Deviji from Katra to Sanjhichat under competitive conditions. The Company has been awarded contract for next 3 years by the Shrine Board of Mata Vaishnodeviji w.e.f. 1<sup>st</sup> April 2011 under significant competitive environment after being declared the lowest bidder.

### **(iv) Operations & Maintenance contracts**

The Company has got Operation & Maintenance Contract of 01 Dauphin N3 helicopter of Government of Gujarat, 2 Dhruv helicopters owned by ONGC and 4 Dhruv helicopters owned by BSF (MHA) in 2009 with M/s. HAL. Further, the Company has signed in December 2010 another contract with HAL for operation & maintenance of 4 more Dhruv helicopters of BSF and 2 nos. Cheetah and Chetaks of BSF. These Dhruv helicopters are being used by BSF for Anti-Naxal activities. The Company has provided one Dhruv helicopter taken on lease from HAL to Government of Maharashtra for Anti-Naxal activities at Gadcharoli.

Pawan Hans has transited from its Quality Management Systems under ISO 9001:2008 standards to ISO 14001 and 18001 Certification which is known as Integrated Management System covering Environment and Safety aspects. The Company achieved flying of more than 5.13 lakhs hours and 19 lakhs landings on its fleet since its formation. Government has conferred the status of "Mini Ratna-I" for PHL on 11<sup>th</sup> April 2011.

### **Functions and Objectives**

1.4 The main functions of Pawan Hans is to provide helicopter support services to the oil sector in offshore exploration, operate in hilly and inaccessible areas and make available charter flights for promotion of travel and tourism.

1.5 As per the Memorandum of Association of the Company, the main objects at the time of incorporation of the Company are:

1. To plan, promote, develop, organize, provide and operate air support services to meet the requirements of Petroleum Sector including Oil and Natural Gas Commission, which would include services by Helicopter and such other services as may be determined.
2. To operate scheduled/non-scheduled services by Helicopter and such other means as may be determined by the Government in inaccessible areas and difficult terrains and to provide intra-city transportation for the carriages of passengers, mail and freight and for any other purpose.
3. To operate Tourist Charters by Helicopters and to undertake any other operations that may be directed/requisitioned by the Government.

1.6 In the 24<sup>th</sup> Annual General Meeting held on 23.12.2009, the Company has added the following three objects:-

- i). To promote, operate and undertake setting up of Training Institute for training of Aircraft Maintenance Engineers, Pilots, Flight Engineer, Dispatcher, Technicians and other categories aimed at skill development for obtaining a license in their respective areas of specialization and Institute for Safety Audit & Excellence individually or under joint venture and for the said purpose, acquire proprietary rights, assets & liabilities and undertake all necessary work of Training Institute and Safety Audit & Excellence Institute.
- ii). To purchase, lease, provide, repair, overhaul, hold, dispose-off and operate Fixed Wing Aircrafts, Sea Planes and any other types of aircraft individually or under joint venture and to plan, promote, develop, organize and operate scheduled/non-scheduled services by the same.
- iii). To plan, promote, invest, develop, organize, purchase/lease land, provide, construct, hold, dispose-off, participate/create joint venture and operate Heliports/Helipads and other support services directly or on Public-Private Partnership basis or with any Central/State Government agency/Department and provide consultancy to others for planning, design and implementation of any Heliport or Helipad.

### **Mission**

1.7 PHL aims to become a market leader in Asia in helicopter operation and provide repair/overhaul services of helicopter components/ assemblies at par with international standards.

1.8 As per the MOU signed by the Ministry of Civil Aviation with Pawan Hans , the Company has to achieve the following objectives –

- i) enhance the fleet upto 52 helicopters from present 42 helicopters by year 2012.
- ii) achieve optimum utilization of the fleet by ensuring fleet serviceability of 80% plus.
- iii) ensure continuous improvement in safety both in the air and on the ground comparable to the best in the aviation industry.
- iv) expand and modernize repair/overhaul facilities.
- (v) seek Mini Ratna status

## CHAPTER II

### FINANCIAL MATTERS

#### Financial Performance

2.1 A comparative statement of financial performance of the Company in terms of targets fixed vis-à-vis achievement there against during the period-2005-06 to 2009-10 is given below:

(Rs./crs)

Particular	2005-06				2006-07			
	Target	Achiev.	Growth/ (decline)	%	Target	Achiev.	Growth/ (decline)	%
Profit before Tax	54.15	64.60	10.45	19%	44.90	18.61	(26.29)	(59%)
Profit after Tax	27.15	47.39	20.24	75%	30.50	9.52	(20.98)	(69%)

(Rs./crs)

Particulars	2007-08				2008-09			
	Target	Achiev.	Growth/ (decline)	%	Target	Achiev.	Growth/ (decline)	%
Profit before Tax	33.15	30.17	(2.98)	(9%)	26.65	47.95	21.30	80%
Profit after Tax	22.13	23.17	1.04	5%	14.60	25.12	10.52	72%

Particulars	2009-10			
	Target	Achiev.	Growth/ (decline)	%
Profit before Tax	28.50	55.14	26.64	93%
Profit after Tax	20.00	35.59	15.59	78%

2.2 Financial performance of PHHL in terms of targets fixed vis-à-vis achievement made there against for the years 2010-11, 2011-12 and 2012-13 is given as under;

Financial Performance	2010-11		2011-12		2012-13	
	MoU Target	Actual	MoU Target	Actual	MOU Target	RE
Total Operating Revenue	356.00	423.96	435.80	428.87	496.20	446.10
Total Expenditure (Excl.Dep.)	291.00	328.95	342.05	362.29	382.59	348.10
Gross Margin	65.00	95.01	93.75	66.57	113.61	98.00



<b>Depreciation</b>	<b>43.00</b>	<b>46.53</b>	<b>62.00</b>	<b>60.30</b>	<b>68.56</b>	<b>68.50</b>
<b>Gross Profit</b>	<b>22.00</b>	<b>48.48</b>	<b>31.75</b>	<b>6.27</b>	<b>45.05</b>	<b>29.50</b>
<b>Prior Period Adjustment/Extraordinary</b>	<b>0.00</b>	<b>0.66</b>	<b>13.90</b>	<b>21.34</b>	<b>19.73</b>	<b>6.73</b>
<b>Adjustments Other Income/Interest Income (Net)</b>	<b>7.90</b>	<b>0.32</b>	<b>(4.43)</b>	<b>(5.17)</b>	<b>(26.93)</b>	<b>(14.35)</b>
<b>Provision for tax inc.deferred tax)</b>	<b>9.60</b>	<b>30.96</b>	<b>39.72</b>	<b>32.79</b>	<b>35.60</b>	<b>19.88</b>
<b>Net Profit/(Loss) after Tax</b>	<b>20.30</b>	<b>18.50</b>	<b>1.50</b>	<b>(10.35)</b>	<b>2.25</b>	<b>2.00</b>

2.3 Details of cost incurred by Company during financial year 2009-10 is given as under:

( Rs./crs)			
	Particulars	Amount	% to Total Expenditure
	Salary and emoluments	109.64	32%
ii)	Operational Cost		
	- Insurance	7.67	2%
	- Maintenance & Materials	130.04	37%
	- Fuel	21.23	6%
iii)	Capital Cost		
	Depreciation	38.20	11%
iv)	Other Expenditure (Inc. Marketing and other costs)	41.81	12%
		348.59	100%

2.4 To a query as to why huge expenditure was incurred on the maintenance costs, CMD , PHL during evidence stated:

“One more clarification, I would like to make on maintenance cost. Basically in helicopter industry, it is time based maintenance mostly. After every 100 hours, many things are to be changed, irrespective of the condition. In the same way, after every 500 hours, many others are to be changed. There is a list of items which is to be changed. In fact, most of the maintenance cost is based on the statutory things, laid down by the manufacturer. This is comparable with the industry.”



<b>B. NORTHERN REGION</b>						
<b>( Rs./lacs )</b>						
<b>PARTY NAME</b>	<b>MORE THAN 3 YEAR</b>	<b>MORE THAN 2 YEAR</b>	<b>MORE THAN 1 YEAR</b>	<b>6 MONTHS TO 1 YEAR</b>	<b>UNDER 6 MONTHS</b>	<b>TOTAL</b>
<b>(I). NORTH EAST STATES</b>						
1. GOVT. OF ARUNACHAL PRADESH	-	259.19	1804.66	-	862.03	2,925.88
2. GOVT. OF MEGHALAYA	-	-	-	131.27	907.68	1,038.95
3. GOVT. OF MEZORAM	-	-	-	-	643.80	643.80
4. GOVT. OF ASSAM	-	-	-	-	147.19	147.19
5. MIN. OF HOME, GUWAHATI	-	-	50.54	26.24	303.89	380.67
6. GOVT. OF SIKKIM	-	-	74.79	107.80	420.81	603.40
7. GOVT. OF TRIPURA	-	-	56.93	142.70	523.33	722.96
8. OIL GUWAHATI (AS350 B3)	-	3.18	-	-	172.06	175.24
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<b>TOTAL ( I )</b>	<b>0.00</b>	<b>262.37</b>	<b>1,986.92</b>	<b>408.01</b>	<b>3,980.79</b>	<b>6,638.09</b>
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<b>(II). OTHER THAN NEC</b>						
1. ANDAMAN	-	144.93	204.92	412.92	2,278.2	3,040.98

& NICOBAR ADMN.					1	
2. GOVT. OF ODISHA	-	-	-	-	646.70	646.70
3. GOVT. OF HIMACHAL	-	-	-	-	541.78	541.78
4. GOVT. OF PUNJAB	-	179.88	-	-	-	179.88
5. GAIL	-	-	-	-	62.27	62.27
6. HAL - DHRUV	-	94.82	-	484.99	1,191.4 2	1,771.23
7. ONGC- (VT-HAN)	-	-	-	-	233.03	233.03
8. NTPC	-	-	72.07	40.02	369.34	481.43
9. GOVT. OF BIHAR (incl. Rs.7.31 crs old o/s)	-	217.52	512.99	16.97	43.33	790.81
10. POWER GRID CORP. LTD.	11.50	-	-	-	-	11.50
11. GOVT. OF JHARKHAND	182.75	-	-	-	-	182.75
12. BRO ITANAGAR	-	588.08	-	-	-	588.08
13. BSF SRINAGAR	-	64.39	-	-	-	64.39
14. BSF JODHPUR	-	61.63	-	-	-	61.63
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<b>TOTAL (II)</b>	<b>194.25</b>	<b>1,351.2 5</b>	<b>789.98</b>	<b>954.90</b>	<b>5,366.0 8</b>	<b>8,656.46</b>
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<b>SUB TOTAL ( NR)</b>	<b>194.25</b>	<b>1,613.6 2</b>	<b>2,776.9 0</b>	<b>1,362.9 1</b>	<b>9,346.8 7</b>	<b>15,294.55</b>

<b>G. TOTAL (WR+NR)</b>	<b>442.09</b>	<b>1,657.5 9</b>	<b>2,778.7 3</b>	<b>1,362.9 1</b>	<b>13,395. 92</b>	<b>19,637.24</b>

It may be observed from the above table that the dues from major customer outstanding as on 31.3.2013 for more than one year, was as much as Rs. 48.78 crore, for more than six months Rs. 13.63 crore and less than six months Rs. 134 cror.e

2.6 When asked about the difficulties, if any, experienced by the Company in realization of the dues and the efforts made to remedy the situation, the PHL in a written reply stated that it deutes its staff from time to time for collection of dues from the customers and regular follow up is being made. Further, the Ministry of Civil Aviation also takes up the matter with the concerned State Governments for release of outstanding dues. It has also been stated that at their request Ministry of Home Affairs has agreed to release 75% subsidy amount against deployment of helicopters in the North East States directly to PHL on monthly basis instead of releasing the same to the respective State Governments and has started process of releasing the subsidy amount to PHL. However, the time cycle is still longer as the State Govt. takes a lot of time to submit the required documents to MHA. Further, due to constraints of budget availability with MHA, payments of PHL dues invariably get delayed and accumulated to significant amount. In addition the North Eastern States delay in timely release of the balance payment (non-subsidy amount – 25%) every month to PHL keeping in view the fact that cash collections are made by them and retained against sale of tickets.

2.7 To a specific query regarding efforts made by the Ministry of Civil Aviation in helping the Company in realizing/recovering the dues, the Ministry stated that it also takes up the matter with the concerned State Governments for release of outstanding dues from time to time.

## CHAPTER III

### FUTURE GROWTH/EXPANSION

3.1 Considering the immense potential for growth and development of the aviation sector in the country the Committee desired to know the initiatives taken by PHL to face the competition and chalk out a road map for its future growth and expansion.

3.2 In this regard elaborating on the competition being faced by the Company, PHL stated that it is working under keen competition from private operators. Out of total number of 300 helicopters in the country there are 90 plus operators. Apart from PHL having 42 helicopters, Global Vectra has 23 helicopters, Deccan Charters have 14 helicopters, Himalayan Heli Services has 6 helicopters, Mesco Airlines has 6 helicopters. In the offshore segment the other helicopter operators are United Helicopters and Heligo Charters. It has further been stated that when PHL was formed there were very few helicopter operators in India and PHL was mainly providing services to ONGC and various State Governments on nomination basis. However, after the open sky policy of the Government, there is now extensive competition and today there are over 90 plus Non-Scheduled operators in the Indian domestic helicopter industry. For meeting their requirements ONGC and other customers are now floating competitive tenders and despite PHL having technical expertise and being the largest helicopter Company, competitive bids are required to be submitted. In fact, PHL has now opened a Training Academy (PHTI) and a National Institute of Aviation Safety and Services (NIASS) to increase its service offerings and gain further the market share. In addition, PHL has been undertaking Operation and Maintenance services for helicopters owned by customers and at present PHL is Operating and Maintaining 9 Nos Helicopters of various types comprising of Dauphin N3 and Dhruv.

3.3 PHL has further stated that their overall performance despite competition has been very good and was given the "Excellent" rating for meeting MoU Targets for 2009-10 by DPE. In days to come PHL would certainly be in ranking with world's major operators with the team spirit, dedication and sincerity. The Company always welcome healthy competition. As far as market share is concerned it is worthwhile to bring out that PHL has been able to deploy its available fleet at the optimum level. However, the market itself is growing and PHL has accordingly been increasing its fleet size to meet new requirements.

3.4 Enumerating the expansion plans of the Company, the CMD during the course of the evidence stated:

"As far as the expansion plans of the Company, we have already embarked upon an expansion plan – more than Rs.600 crore is being spent on the acquisition of new helicopters. Out of this, 20 per cent is being generated through the internal resources of the Company. For the rest, we had approached ONGC, who agreed to give us a loan of Rs.275 crore. In order to have smooth debt servicing we asked them to raise the equity. As a result, we approached the Government and it increased its share to Rs.125.266 crore and in the same way, ONGC's loan was converted into equity. So, the equity is more now".

## **A. Road Map for Future Growth and Expansion by PHL**

3.5 The Ministry of Civil Aviation has informed the Committee that in order to retain its leadership position, Pawan Hans intend to take the following key initiatives : -

- Helicopter Operations
  - Strengthen competitive position in existing markets.
  - Acquisition of new fleet
  - Pursue Business in new areas
- Setting up of MRO facilities
- Setting up of Training Centre
- Establishing Heliports and Joint-Ventures
- Sea Plane operations
- Improvement of customer satisfaction

### **STRENGTHEN COMPETITIVE POSITON IN EXISTING MARKETS**

- Renew existing contracts for market advantage.
- Maintain high standards for safety and reliability
- Enhance its core competence in Offshore operations by acquiring new medium class helicopters
- Selectively pursue international operations whenever opportunity arise
- Strengthen its competitive advantage by improving focus on customer needs
- Strengthen relationship with customers and other business associates.

### **ACQUISITION OF NEW FLEET**

The Strategic Plan of the Ministry of Civil Aviation covers the roadmap for the Aviation Industry during the five year period (2010-15). Keeping the Helicopter Industry in view and its growth potential through the XII Five Year Plan Period (2012-17), PHL has proposed acquisition of its own fleet during this period and other capital programmes at an estimated outlay of Rs.725 crores. The Company has projected acquisition of 10 new helicopters and 02 sea planes during the XII Five Year Plan at an outlay of Rs.559.35 crores. It is proposed to finance the project cost on the basis of debt- equity ratio of 80:20. Other proposed capital programmes will be financed through augmentation of financial resources through internal and external generation of funds.

### **PURSUE BUSINESS IN NEW AREAS**

- Medical evacuation, law enforcement, news gathering, intra-city transportation connecting airports to city- centers in major cities, corporate travel, hotline washing of power insulators, etc.
- There is tremendous potential in the tourism/pilgrimage areas in the country that need to be carefully tapped. New areas that can be explored for this purpose are

States of Himachal, Uttarakhand, Gujarat, South India, Goa and North–East States.

### **STRATEGIC ALLIANCE WITH HAL FOR O & M FOR DHRUV HELICOPTERS**

- Establish contract with HAL for the O & M contract for Dhruv helicopters.

### **DISASTER MANAGEMENT- DEDICATED EMERGENCY MEDICAL SERVICES/SAR OPERATIONS**

- The country's first Medivac helicopter to ONGC was provided by PHL.
- PHL would explore possibility to venture into Medivac/SAR sector in association with NDMA.
- There is a need for financial support through GBS to acquire helicopters for Emergency Medical services / SAR roles & better governance and construct Helipads / Heliports at district level.

### **HELICOPTER MAINTENANCE SERVICES**

PHL is an Authorised Maintenance centre of M/s Eurocopter, France for Dauphin series of Helicopters. PHL plans to expand its repair and overhaul business by offering its services to other operators having fleet of Dauphin in the initial stages. For this purpose, it is proposed to create a new state-of–the–art Maintenance Centre.

### **HELICOPTER TRAINING CENTRE**

PHL has been assigned the task for Development of a Helicopter Training Centre and Heliport at the Gliding Centre, Hadapsar, Pune.

### **HELIPORTS**

MoCA has assigned the task of Development of Heliport at Rohini, New Delhi which will be the First Integrated heliport in the Country with provision for operations and parking of Helicopters, Maintenance facilities, small commercial centre, etc.

### **IMPROVEMENT IN CUSTOMER SATISFACTION**

PHL has been collecting feedback both from the passengers traveling as well as from the customer organizations from time to time and has also engaged an outside agency to redevelop the proforma and collect feedback from them.

3.6 The key indicators of PHL performance as reported in MOU with the Ministry of Civil Aviation have been :-

- ✓ Financial Performance measured in terms of improvement in gross margin to gross block, net profit to net worth, gross profit to capital employed, improvement in gross sales.



- ✓ Improvement in financial returns i.e. productivity measured in terms of PBIT / total employment and added value / gross sales.
- ✓ Improvement in market share of Helicopter deployment in E&P sector and long term State Governments contracts.
- ✓ Customer satisfaction, employees training.
- ✓ Fleet acquisition, setting up of Heliports, Helipads and Infocom Projects.
- ✓ Improvement in fleet deployment and annual fleet hours.
- ✓ Safety indicators in terms of number of incidents per 20,000 flying hours, helicopter productivity, cost of operations, helicopter availability (serviceability) and employee productivity in terms of operating revenue per employee.
- ✓ Corporate Social Responsibility, R&D Innovation and Sustainable Development.

PHL has been using the right kind of fleet mix offered to the customers at right price, at right place and the brand has been promoted using the right mix of promotional tools and techniques. Further PHL has been trying to bring continuous improvement in all areas of business.”

## **B. Infrastructure Development**

3.7 During the evidence, CMD ,PHL stated that Government may assign projects to PHL for developing infrastructure required for Helicopter operations in the country. In this regard, the Ministry of Civil Aviation in a written reply stated:

“In view of providing better Helicopter services in the country, it is required to create infrastructure to support the same. Such infrastructure includes Heliports, Helipads etc. PHL is in the process of setting up such infrastructure for its operations in Delhi (Rohini Heliport) and has developed expertise in this field. PHL has proposed to act as a nodal agency for implementation of proposed projects of Central Government through Budgetary Support (GBS), which are not in the nature of commercial activities. Creation of such infrastructure in the country would help to grow the Helicopter Services in the country. This would not interfere with the core function of PHL i.e. operations of helicopter services.”

3.8 On being asked whether there are enough financial resources at the disposal of the Company to carry out highly cost intensive infrastructure projects, the Ministry stated as under:

“For setting up of Rohini Heliport in Delhi, Ministry of Civil Aviation has provided Budgetary Support. In respect of other infrastructure projects of Heliports/Helipads etc. PHL has proposed that the above projects for Infrastructure Development would be covered through the Gross Budgetary Support (GBS) of the Central Government covering various Central Ministries/ Government Agencies as these are not of the nature of commercial activities. Such GBS of the other Central Ministries is proposed to be routed through Ministry of Civil Aviation with PHL being appointed as nodal agency for implementation of the proposed plan. The proposed acquisition of fleet and creation of infrastructure will be the National Assets for various States /

Government Agencies and PHL would be involved as Operating and Maintenance Agency.

To address the above requirements, estimates have been made in the Plan Outlay during the XII Five Year Plan period (2012-17) covering Capital Asset Creation such as acquisition of helicopters and creation of other infrastructure. This includes purchase of 249 helicopters in various categories, 10 seaplanes and creation of heliports/ helipads and related infrastructure. It also includes infrastructure creation for HR capacity building at Hadapsar-Pune, National Institute of Aviation Safety & Services (NIASS) & Pawan Hans Training Institute (PHTI) etc. According to the broad estimates worked out, the Plan Outlay requirement is estimated at Rs 10030.00 Crores under the XII Five Year plan for 2012-17 to be funded as GBS.

The total Plan Outlay projected for acquisition of helicopters/ Aircrafts and other projects during the XII Five Year plan period covering various Central Government agencies and its funding through GBS aggregates to Rs 10030 Crores comprising the following:

A)	Through GBS forming part of the XII Five Year Plan of other Ministries	Rs. 9020 crores.
B)	Through GBS forming part of the XII Five Year Plan of MOCA	Rs. 1010 crores
	<b>TOTAL (A+B)</b>	<b>Rs. 10030 crores</b>

### **Helicopter services potential in Tourism sector**

3.9 Considering enormous potential for growth of helicopter services in the tourism sector, the Committee enquired as to what initiatives have been taken by the administrative Ministry to coordinate with the Ministry of Tourism for launching new tourism projects using the services of PHL. In response, the Ministry of Civil Aviation in its written reply stated that keeping enormous potential for growth of helicopter services in the tourism sector, Pawan Hans has already signed MOU with Indian Tourism Development Corporation (ITDC) to work together for promotion of heli-tourism/package tours/joy rides etc. to attract high end tourists in the country. In association with State Govts. Pawan Hans has been undertaking feasibility study for introduction of helicopter services in the State of Bihar, West Bengal, Tamil Nadu, Odisha, Himachal Pradesh, Madhya Pradesh, Goa, Gujarat, Kerala etc. Matter is under consideration of the respective State Governments to decide on commencement of helicopter services, wherever economically feasible with provision of infrastructure at the potential tourist places. State Governments may be requested to initially subsidize such services before these pick up on regular basis.

3.10 On being asked whether any study been conducted to assess the demand in the tourism sector for helicopter services, the Ministry in a written reply stated that no specific survey has been carried out by Ministry of Tourism or the State Governments

covering tourism sector by helicopter services. Pawan Hans has carried out joint preliminary study for introduction of helicopter services in the State of West Bengal, Tamil Nadu, Bihar, Madhya Pradesh etc. It is found the helicopter services in these states would be feasible for specific sectors, subject to commercial viability. However, necessary infrastructure etc. is required to be created by the State Governments to promote tourism. As cost of helicopter operations are higher compared to fixed wing aircraft, to make the services commercial viable, viability gap funding would be required by the Centre/State Governments.

## CHAPTER IV

### PROBLEMS FACED BY PHL

4.1 PHL has drawn the attention of the Committee to the various issues which are adversely affecting the functioning of the Company and sought Committee's intervention in these matters. The same are discussed at length below:

**I. Waiver of LD imposed by ONGC and award of contract to PHL by ONGC on nomination basis.**

4.2 PHL has stated that in 2005-06 to meet ONGC tender requirement for AS4 compliant helicopters, Pawan Hans incurred a heavy capital expenditure of over Rs. 75 crores on AS-4 mid life upgrade of Dauphin fleet. Further, AS-4 requirements are quite comprehensive covering latest Safety Standards and in some cases standards are higher than DGCA, India and JAR OPS-3 requirements. AS-4 requirements have been incorporated for the first time on the Dauphin helicopters. Pawan Hans had mobilized all 12 Nos. AS4 compliant helicopters including Medivac configured helicopter to ONGC within the extended time i.e. upto 31<sup>st</sup> December, 2007. For completion of this AS4 compliance, PHL has incurred an additional capital expenditure of over Rs. 75.00 crores apart from the opportunity loss due to lower revenue accrued at old rates of Rs.42.51 crores due to grounding of helicopters for AS4 retrofit. Notwithstanding the above, PHL has ensured continued services to ONGC under the old contract. As such there has not been any revenue loss to ONGC due to delay in mobilization of the helicopters rather ONGC has continued using PHL helicopters at much lower rates (20%) than the finalized rates against the new contract dated 19 Oct 2006.

4.3 PHL has stated that ONGC has recovered liquidated damages (LD) of Rs.14.94 crore from their payments on account of delay in deployment of 12 nos. AS-4 compliant Dauphin helicopters with them. The matter has already been taken up with ONGC, regarding waiver of LD & refund of the amount deducted so far by ONGC. However, ONGC has not agreed to waive off the LD recovered from PHL.

4.4 It has further been stated that in their recent tender for providing helicopters for production task ONGC has fixed 5 years as condition for vintage of helicopters. PHL has contended that as far as vintage of helicopter is concerned, DGCA, the regulatory body has permitted flying of these helicopters. As per the manufacturer, there is no limit to the calendar life of the helicopter as long as the operator follows the recommended maintenance schedules and procedures. It has further been stated that PHL fleet of Dauphin helicopters have successfully been used by ONGC for their vital offshore task since inception of Pawan Hans (1986 onwards) and by other customers for their VIP transportation/passenger services etc.

4.5 Accordingly, the matter has been taken with ONGC that 5 years vintage as mentioned in the tender is very stringent and may be waived off for in view of the large investment made by it for making helicopters AS4 compliant to meet the specific requirement of ONGC. Further, the matter has also been taken up with MoPNG with the request that the present tender may be kept in abeyance and in the meantime the

discussions may kindly be initiated w.r.t. awarding of the contract on nomination basis for production task at the mutually agreed rates, terms & conditions.

4.6 In this regard, CMD, PHL during evidence deposited :-

“As far as ONGC is concerned, it is true that today, they hold 49 per cent of equity of the Company. But as far as the contracts with the ONGC are concerned, they are not based on nomination basis; it is through a global tendering system. In fact, one of the contracts, which we got last year from ONGC, had a difference only one per cent from the private vendor. Had it been reverse, we would have a lot of other questionings. We were lucky that we were lower by one per cent. Most of the business of the Company is through competitive bidding. We compete like others do. Even with the State Governments, where the Government’s funding is 75 per cent from MHA, there also, we are going through the competition route. Most of these are on competition only.

4.7 On being asked about the steps taken by the Administrative Ministry to resolve the issue, the Ministry of Civil Aviation submitted as under:-

“The tender was floated by ONGC for production and crew change task in Sept. 2010, with essential eligibility criteria of 5 years vintage for Helicopters. Pawan Hans had taken up the matter with ONGC to consider helicopters having more than 5 years vintage as the condition of upto 5 years vintage is very stringent and also keeping in view that Pawan Hans had incurred a capital expenditure of Rs. 75 crores for upgradation of old Dauphin fleet for AS4 compliance to meet the tender requirement of ONGC. Further, the matter was also taken up with MoPNG. In this regard Hon’ble Minister of Civil Aviation vide his DO letter dated 28 Jan 2011 had also written to Hon’ble Minister of Petroleum & Natural Gas. However, ONGC did not agree to relax the tender conditions.

Pawan Hans had submitted bids against both the tenders floated by ONGC for Production & Crew Change task with the requirement of vintage of 5 years for Helicopters. Pawan Hans being the L1 was awarded contract for Crew Change task for providing 3 Nos. Dauphin N3 helicopters for a period of 5 years. Further, Pawan Hans had submitted bid to ONGC for providing 7 no. Dauphin N3 helicopters available with 5 years vintage and being L1 it was successful in getting contract for production task for 7 helicopters. ONGC still insist for 5 years vintage helicopters and as such a number of Dauphin N3 and Dauphin N helicopters with vintage higher than ONGC requirement of 5 years but which are AS4 compliant (ONGC requirement) and airworthy as per DGCA requirement have been put out of use of ONGC.”

4.8 On being asked about the reasons cited by ONGC for not favourably considering the demand of PHL, the Ministry of Civil Aviation stated that ONGC has not cited any particular reason other than the fact that, this is the requirement of open Tender.

4.9 When asked whether any follow-up action has been taken by the Administrative Ministry to settle the issue in favour of PHL, the Ministry of Civil Aviation in a written reply stated that with suspension of NSOP of M/s. Global Vectra under Government instructions, in May, 2012, ONGC has approached Pawan Hans to meet their requirement of additional helicopters. Accordingly, to meet their emergent requirement Pawan Hans has immediately pressed 4 Nos. additional Dauphin N helicopters (AS4 compliant) under the new Production Task Contract and it would also try to provide 2 Nos. more Dauphin N helicopters shortly based on availability of AS4 qualified Pilots. Presently 4 nos. Dauphin N helicopters on which Pawan Hans had incurred capital expenditure for AS4 compliance have also been deployed with ONGC in view of the suspension of NSOP of the other operator. With the deployment of above additional helicopters presently Pawan Hans deployed 15 Nos. Dauphin N & N3 helicopters for ONGC.

4.10 In view of above, the Ministry of Civil Aviation has stated that ONGC may be advised to continue usage of the Dauphin N helicopters with more than 5 years vintage over a long term period.

## **II. Indian Coast Guard – Helicopter Requirement**

4.11 According to PHL Indian Coast Guard had been trying since last 3 years to finalize its requirements of Helicopters, but some how did not get any success. Keeping National Security and importance in mind, PHL had series of meetings with them and showed its commitment to meet its requirements. Based on the communication between Ministry of Defence and the Ministry of Civil Aviation regarding formation of a Joint Working Group to work out and finalize the detailed terms & conditions and other modalities for leasing of helicopters from PHL in order to meet the helicopter requirements of Indian Coast Guard (ICG), a series of deliberations had taken place between IGC and PHL.

4.12 PHL has further stated that since it was primarily formed with a perspective of National Security in offshore operations, and has been providing helicopter support in the nature of National Services to ONGC and other oil companies for their offshore operations and other organizations like BRO, MHA (BSF), State Governments, PSUs etc.

4.13 PHL has stated that notwithstanding the above, Indian Coast Guard went ahead floating a global tender in March 2011 to meet its requirements for 8 Nos. twin engine medium helicopters(to be fitted with Light Machine Guns- LMG) for a period of five years to meet its requirements like Maritime Surveillance, Search and Rescue, Cargo & passenger, Air Ambulance etc.. The last date of submission of bid was 14 July 2011. Indian Coast Guard did not exempt PHL in submission of bid bond amounting to Rs. 16.45 Crores, despite being Central PSUs.

4.14 In view of the above facts, PHL has contended that being a national carrier with proven offshore expertise PHL be given a chance to provide helicopter support services to ICG on nomination basis at mutually agreed rates, terms & conditions. Similar arrangements were undertaken through Ministry of Home Affairs for O&M contracts by

PHL of BSF Dhruv/Chetah/Chetak helicopters for Anti Naxalite operations. PHL has contended that in the interest of National Security, the Bids so received against the above Tender may not be processed any further and PHHL may be invited to start discussion with Indian Coast Guard afresh.

4.15 Explaining the difficulties faced by the PHL for bidding the aforesaid tender of the Indian Coast Guard ,the Ministry of Civil Aviation in a written reply stated that to meet Indian Coast Guard stringent requirements the helicopters were required to be operated under Military Registration and accordingly required to be deregistered with DGCA with Civil Registration. Further, helicopters were also required to be retrofitted/upgraded for carrying out maritime surveillance tasks including structural changes on Helicopter for fitment of Guns, etc. at a huge capital expenditure, training of engineers & technicians of Indian Coast Guard for carrying out such tasks was also required to be given by the selected bidder. The Tender provided that the contract could be terminated by Coast Guard. Further, after completion of the Contract with Coast Guard for 5 years, the helicopters operated for Military registration would be required to be re-registered in Civil Aviation, which may not be possible under the present Regulations. Therefore, keeping in view of the time & huge capital expenditure involved for upgrading the Dauphin fleet, Civil de-registration with DGCA for use of these helicopters under Military Aviation Rules and re-registration for civil role after expiry of the Contract with early termination of contract under the Tender, it was not possible for PHL to bid for the same unless it gets a long term commitment from Indian Coast Guard.

Enquired about the Latest position with regard to finalization of tender floated by Indian Coast Guard in March, 2011, Ministry of Civil Aviation in a written reply stated that In view of the aforesaid facts , Pawan Hans did not participate in the tender. The deployment of these helicopters are across the country like – Port Blair- 2 Nos, Daman- 2 Nos, Cochin- 2 Nos and Chennai- 2 Nos. So far no decision has been taken by ICG on the above tender.

4.16 On being asked about the DPE guidelines requiring Government Departments to give preferential treatment to CPSUs over private players in such matters, the Ministry in its written reply stated that Pawan Hans being a Central PSU working under a fiercely competitive environment, no extra privilege has been granted to it by the Government. The Purchase Preference Policy has been discontinued by the Government after the year 2005-06 and Pawan Hans does not get award of work for helicopter services from State Governments/ other customers on nomination basis. Pawan Hans is operating under stiff competition from private operators with significant pressures on the profit margin. Pawan Hans requested Indian Coast Guard for award of work on nomination basis

### **III. Waiver of Ministry of Finance Claim for repayment of loan by PHL**

4.17 In a written submission to the Committee, PHL has brought out the issue of Ministry of Finance claim for payment of penal interest on PHL for acquisition of fleet of Westland and Dauphin helicopters for their consideration. The details are given as under:-

During 1986-88 PHL acquired 42 helicopters (21 Westland; 21 Dauphin) at a project cost of Rs. 250.90 crores, funded by grant/aid (Rs.228.08 crores) from UK and France Governments to GOI. Westland Helicopters were at no cost to GOI as they were covered under UK grant. Ministry of Finance decided full amount be advanced as equity capital to PHL. However, PHL received funds of Rs.113.76 crores (only 45% of project cost), leaving a shortfall of Rs.137.14 crores. Therefore, PHL was unable to settle Finance Ministry's dues in full. In February, 1991 Westland helicopters were permanently grounded by DGCA on account of safety aspects. PHL was advised to dispose these Helicopters and deposit the sale proceeds for Poverty alleviation programme of Gol. PHL deposited Rs.3.22 crores in Govt. treasury. MoF claimed penal interest @ 18% p.a. on principal of Rs.130.91 crores, amounting to Rs.339.31 crores upto 31/3/2001. Aggregate MoF claim: Rs. 470.22 crores.

MoCA had sought waiver of entire loan and interest as Westland helicopters on the following grounds:

- PHL was not adequately funded although MoF had decided to finance the project cost through equity.
- Westland helicopters were at no cost to GOI. CCEA had decided in March,1986 that direct operating cost be considered for computing lease charges of Westland. Accordingly, interest cost was not recovered from customers. While MoF has claimed interest @18%pa, PHL has not earned profit at that rate.
- Westland helicopters had proved to be non-performing assets that incurred operating loss of Rs.95.67 crores and the same were grounded in 1991 by DGCA. PHL had neither received such funds nor it could utilise them, rather the sale proceeds on disposal were deposited with the Gol for Poverty Alleviation Programme.
- PHL does not have the capacity to repay MoF claim, rather it has large requirement of funds for its fleet expansion and other capital programmes.

It was stated by the administrative Ministry that If the claim is not waived off, PHL may become potentially sick and it would adversely impact its fund raising capacity for growth and expansion.

Accordingly the Minister of Civil Aviation requested Finance Minister for waiver of MOF claim amounting to Rs. 470.22 crores from PHL. Finance Minister conveyed that several other PSUs like Delhi Jal Board, HCL, BHU, AP State Electricity Board, Ministry of Environment, Tourism etc. have settled their dues on same conditions. PHL should also settle its dues. However, it was contended by the Ministry of Civil Aviation that it was ascertained that these Government agencies have settled MoF dues through budgetary support given



by Central or State Governments. However, PHL has not received any budgetary support to settle the MoF claim.

The issue was stated to be examined by the Financial Consultants who felt that PHL does not have the capacity to pay Rs. 470.22 crores nor it is in a position to borrow debt for repayment of MoF claim. Waiver of entire GoI claim is the most preferred option for PHL, keeping in view that it needs to raise Rs. 310 crores as debt from Market for meeting the growth plans.

Subsequently, Ministry of Civil Aviation has circulated a Note for Committee of Secretaries (CoS) on 05/3/2009 for waiver off claim of MoF. Ministry of Civil Aviation has proposed that the Government may reconsider the dues aggregating to Rs.470.22 crore claimed from PHL by Ministry of Finance and waive off the total amount so that the existing funds of the Company could be utilized for its fleet expansion and other capital outlay programmes which are essential for contribution towards oil sector, Inter-island transportation & NE connectivity. The Comments of concerned Ministries to Draft Note for CoS were stated to be as under:

- a) MoP&NG: No objection to MoCA proposal
- b) Planning Commission: Supports waiving off MoF claim
- c) Deptt. of Expenditure, MoF: Waiver of dues of PHL not agreed to; Earlier proposal of conversion of the principal amount Rs.130.91 crores into equity and payment of interest dues of Rs. 339.31 crores by PHL could be favorably considered. Reduction in interest rate will not be supported.

4.18 Explaining the adverse impact the above mentioned claim by Ministry of Finance on the fund raising capacity of the Company, the CMD,PHL during evidence explained:

“There are innovative methods of fund raising. As I mentioned, there is a claim of Rs. 470 crore on the Company. Due to this claim on the Company, which is there now for the last more than 25 years, financial institutions will be reluctant to give term loans. As far as Govt. claim is concerned, it is very interesting – when Pawan Hans was created, as a grant, the Westland Helicopters came; there were a lot of accidents in the inception. The Ministry directed Pawan Hans to ground Westland the fleet. So, it was done. Then the Ministry asked us to sell it and whatever is the amount available, to deposit in the poverty alleviation programme of the Government. So, they were sold and that amount received was deposited. We were told by the Ministry of Finance that we have to pay them Rs.130 crore as the cost of the helicopters funds for which we never received and Rs.340 crore as an interest. We had raised this issue for Committee of Secretaries. The Ministry of Statistics and Implementation agrees with us; the Ministry of Petroleum agrees with us, and the Planning Commission also agrees with our contention. The moment this issue is sorted out, we will be able to do the additional fund raising. Now, it is with the Ministry of Finance. This claim of Rs.470 crore on the Pawan Hans need to be waived off. Once this is done, that

will be the time when we can go to the market and go to some private fund raising also.”

4.19 When enquired about the action taken by the Administrative Ministry to resolve this matter expeditiously, the Ministry of Civil Aviation has stated that Deptt. of Expenditure, MoF had sought copy of the initial notes based on which decision was taken in 1986 by the MoF for funding the project on equity basis. MoCA submitted the copy of UO no.S-65/Dir.(EEC)/86 dated 26.6.86 to Deptt of Expenditure, Plan Finance-II Division on 30.03.2010 on the subject matter.. Pawan Hans vide letter no. PHL/CO/S&L dated 9.8.2010 requested MoCA to expedite waiver of MoF claim on as per draft COS Note circulated by the Ministry. MoCA vide letter no. 13015/20/2000-DG dated 1.9.2010 requested to Ministry of Finance to expedite the long pending issue of GOI dues. It was further stated that thereafter a Letter was received from Ministry of Finance, Deptt. of Expenditure no. 27(2)/PF-II/86/Vol.III dated 10.09.2010 stating that the proposal of Ministry of Civil Aviation in 1986 had neither sought for full equity contribution for purchase of helicopters, nor was it agreed to. Hence, there was no shortfall in equity contribution of Gol and the proposal for waiver of dues is not supported. Secretary, Civil Aviation requested vide letter dated 10.11.2010 to Secretary (Expenditure) for re-examining the matter keeping in view additional inputs submitted with reference to MoF letter dated 10.09.2010. The Ministry has stated that the course of action available to Pawan Hans is to pursue for full waiver of Ministry of Finance claim and to get the COS note finalized.

4.20 When desired to know about the further progress made in this regard, the Ministry in a written note replied as follows:

“ ...Additional Secretary (Budget), MoF had convened a meeting on 27.04.2012 to discuss the issue relating to settlement of MoF claim. A brief Presentation was given by CMD, Pawan Hans. It was decided that Pawan Hans would need to submit a comprehensive note to MoF through MoCA covering a realistic Business plan, growing competitive environment leading to lower charter rates and pressure on profit margins, how the MoF claim of Rs.470.22 crores would be an impediment to the growth of Pawan Hans, effect of waiver of MoF claim on profitability and Net worth of the Company, tax liability of such waiver that will accrue to the Government and cash flow of the Company along with suggested waiver scheme.The Ministry of Civil Aviation vide letter no.AV.30020/26/2012-GA dated 04.5.2012 requested Pawan Hans to send the Business Plan for the future and requesting for waiver of the MoF claims. Pawan Hans has assigned the Task to SBI Capital Services Ltd., leading Financial Advisers for Preparation of the Report with its recommendations keeping in view the above mentioned requirements of MoF to facilitate waiver of MoF claim.”

#### **IV. Helicopter operations in North East**

4.21 North-East region is bordered on –East by Myanmar, North by China & Bhutan and South by Bangladesh. Most of the places in the North-Eastern states are inaccessible and located in far flung areas, where Road and Rail facilities are inadequate. Viable means of transportation available to the people in the North-Eastern

states is by air. There are very poor infrastructure facilities available in the region and there is still no proper means of transportation at far flung parts of North East.

4.22 Pawan Hans Ltd has stated that keeping above situation in mind, it has been operating in NE since 1989. The objective of starting the helicopter service in this sector was to meet National need of connecting inaccessible areas and support the development of various North East states. PHL have been providing connectivity in the remote and far flung places in North East like Tawang, Takshing, Mechuka, Gelling, Kahao, and Vijaynagar (All in Arunachal Pradesh) to the developed places in Brahmaputra Valley. This connectivity with helicopter led to increase in the economic activities of the Northeast region leading to overall development of the region. Further, only experienced pilots fly in this region due to tough weather and terrain conditions. Most of our pilots flying in the region are ex defence pilots and have also flown in the region while in defence services. The pilots and technical teams working in the region are well trained, experienced and meeting all regulatory requirements. In brief, PHL has been a dominant player in North eastern regions where its services have become life line for the Region.

4.23 It has also been stated that helicopter services in NE States are run with the support of the Government of India by way of subsidizing 75% of the total operational cost. Beyond the above highlighted traditional market of passenger services which are government subsidy driven in part, there is emergent requirement of economical air services to almost all the states in North East and between them for intra-region traffic. Further, due to strategic location and surrounded by many International Borders, most of our Defence & Intelligence Agencies are working in this area such as Indian Army, Air Force, BSF, BRO, ITBP, IB etc. NE region, being a crucial Part of India and the Central Govt. is providing lot of facilities including financial support, policies to be restructured for the effective utilization concerning secrecy, safety & security. However, of late private helicopter operator are in operation in this area and benefitting from 75% subsidy from Govt. of India. It would not be out of place to mention that keeping National Security and topography & Strategic importance of the NE, it is not in the National Interest to allow private operators to operate Helicopter services on regular and dedicated basis on behalf of the NE States which have of late started awarding such contracts through Tenders.

4.24 In view of the above, PHL has stated that there is an urgent need for formulation of an Integrated Helicopter policy in North East where PHL may be considered awarding the contracts for entire NE Region on Nomination basis. PHL being a National Carrier would be appointed as a Nodal Agency to provide Air Connectivity in whole NE region. Under this arrangement, the subsidy payment from Govt. of India would automatically go to another Govt Company and ultimately back to the development of general public. Further, being a Govt. of India Enterprise, PHL would explore all possibilities to provide better connectivity to further strengthen the NE region including purchasing dedicated helicopters through Funding from DoNER/NEC specifically for NE Operations. This would not only provide proper connectivity but also flourish the Vision of Gol, i.e. identical development of the NE region with overall growth. This model would also ensure effective utilization of National funds/ subsidies and also result in Strapping North East.

4.25 When asked about the views of the Ministry of Civil Aviation on the plea of the PHL that it is not in the National Interest to allow private operators to operate Helicopter services on regular and dedicated basis on behalf of the NE States and whether the administrative Ministry elicited the views of Ministry of Home Affairs and Ministry of Defence in this regard, the Ministry of Civil Aviation in a written reply stated as under:

“It is submitted that Pawan Hans has been getting the contracts awarded through tender process being followed by North Eastern and other State Govts./Govt. Agencies. For example, in around last 02 years, Pawan Hans was awarded the Contracts by Govt. of Mizoram, Arunachal Pradesh, Meghalaya, Himachal Pradesh, Tripura, Sikkim, MHA, GAIL etc. through tendering only and Pawan Hans being L1 in the tender process.

The Ministry of Civil Aviation would be requested to follow up with all the concerned agencies like MHA, NE States and Ministry of Defence for giving the exclusive right to Pawan Hans to operate the services in North Eastern Region and for agencies under Ministry of Defence, keeping in view of safety, security & secrecy to be given paramount importance.”

**CHAPTER V**  
**SAFETY MEASURES**

**Accidents**

5.1 The no. of helicopter accidents involving loss of life and property occurred during the last three years in respect of PHL are given as under:

S.No	Helicopter Type	Regn. No.	Date of occurrence	Place	No. of Casualties	Loss of Property	Status of Compensation to Victims
1	Mi-172	VT-PHF	06.08.2010	Arunachal Pradesh	1 (Cabin Attendant)	Nil	Crew Insurance Compensation paid
2	Mi-172	VT-PHF	19.04.2011	Tawang	19	Helicopter destroyed	Crew insurance Compensation for 1 pilot released. Requisite documents submitted to the Ins. Co. for other crew members. Requisite documents yet to be received from relatives of passengers.
3	AS 350 B3	VT-PHT	30.04.2011	Arunachal Pradesh	5	Helicopter destroyed	Crew insurance Compensation for 1 pilot released. Requisite documents for another pilot yet to be received. Requisite documents yet to be received from relatives of passengers.
4	Dauphin AS365 N3	VT-SOK	16.12.2010	Chandigarh	0	Helicopter extensively damaged	NA
5	Bell 407	VT-PHH	30.12.2012	Katra	0		

5.2 The details of Inquiry Committees that were set up /appointed by MOCA/DGCA to investigate the accidents that took place during the last 3 years (till 31.3.2013) are as follows:

S.No	Helicopter Type	Regn. No.	Date of accident	Inquiry Committee/Inspector of Accident & Status of Inquiry
1	Mi-172	VT-PHF	06.08.2010	(Loss of life of – Cabin Attendant) <b>Status of Inquiry - by Inspector of Accident- Completed, Report published</b>
2	Dauphin AS365 N3	VT-SOK	16.12.2010	<b>Status of Inquiry-Completed, Report published</b> (No loss of life) Shri A X Joseph Senior Air safety Officer- Inspector of Accident
3	Mi-172	VT-PHF	19.04.2011	COI appointed vide MOCA Notification No. AV.15013/001/2011-DG dated 23 <sup>rd</sup> April 2011 Comprising of:  Air Marshal (Retd) P P Rajkumar-Chairman Air Commodore (Retd) Ravi Kisan-Member Wing Commander (Retd) Rabinder Singh-Member Sh. M J Singh, Deputy Director Air Safety-Secretary  (Loss of life of 16 passengers and 3 crew) <b>Status of Inquiry by Committee of Inquiry- Completed, Report published.</b>
4	AS350 B3	VT-PHT	30.04.2011	COI appointed vide MOCA notification Comprising of:  Air Marchal(Retd) P S Ahluwalia-Chairman Gp Capt(Retd) Unnikrishanan-Member Sh P K Chatopadhaya (Ex JDG-DGCA)-Member Sh A X Joseph, Senior Air Safet Officer-Secretary (Loss of life of 3 passengers and 2 crew)  <b>Status of Inquiry by Committee of Inquiry- Completed, Report published.</b>
5.	Bell 407	VT-PHH	30.12.2012	Committee of Inquiry has been constituted by Ministry of Civil Aviation notification No AV.15018/01/2013-DG dated 21 <sup>st</sup> Feb 2013, Comprising of :-  Amit Gupta, DD AED,AAIB - Chairman A X Joseph ADAS,AAIB - Member Capt P K Chabri – Member K Ramchandran ASO,AAIB - Secretary  (No Loss of life)  <b>Status of Inquiry by Committee of Inquiry- Under investigation.</b>

5.3 Explaining the causes for the accidents, a representative of the Ministry of Civil Aviation during evidence deposed:

“There are a series of reasons which have been given, but the most perceptible thing is the pilot error. The aircraft is supposed to have taken a route over the Sela Pass which should not have been taken. Subsequently, these are all issues which came up during the audit of the Base Stations of Power Hans. But subsequently, all these have been acted upon and detailed Action Taken Reports are available.”

5.4 As regards status of Inquiry /investigation into the accidents, the witness added:

“.....According to the records which are available now, there is only one inquiry which the Committee of Inquiry is investigating. On all the rest, the reports are available with us. In most cases, if you start with the first one, which is the one in Tawang, the report has been accepted by the Government on the 19<sup>th</sup> March. The second one where the hon. Chief Minister passed away, that report has also been obtained and approved by the Ministry. All these have been approved except the one which is under investigation.”

### **Safety Audit**

5.5 On being asked whether the Ministry of Civil Aviation had conducted any safety audit of the fleet of PHL, the Ministry stated that DGCA carried out a comprehensive safety audit of PHL operational bases and detachments and issued directions to comply with the observations made for each operational base.

5.6 In this regard PHL has informed the Committee that they had complied with the findings / observations of DGCA as contained in their safety audit and submitted action taken report on the subject to DGCA. it has further taken following initiatives and monitoring mechanism to ensure implementations of safety preparedness :

- PHL has decided to implement Safety Management System for its operations and maintenance activities as per ICAO/DGCA guidelines. The system is being implemented in a phased manner during three years and PHL has already completed Phase – I of implementation.
- PHL Board has approved creation of a new Flight Safety department with Head (Safety) assisted by DGM level officials in the Regions to be responsible for comprehensive Safety Oversight of PHL and report directly to CMD. The department has already started functioning.
- A Confidential Voluntary Reporting System and Compulsory Operations and Maintenance Hazard Reporting System has been introduced in the Company for reporting of any hazardous activity, occurrence or situation in maintenance and operations of helicopters to mitigate safety hazards.

- System has been strengthened to monitor compliance with pre-flight medical, pre-flight briefing, meteorological briefing, standard operating procedures, loading of helicopter and other safety measures etc.
- Extensive internal audit procedures have been introduced in the Company to identify any non compliance with rules and rectify the same before they become serious.
- The Company has introduced FOQA (Flight Operations Quality Assurance) system in its operations to analyze and monitor operation of helicopters. FOQA, though applicable only to scheduled operators, has been introduced for a better and comprehensive safety oversight of operations. Random analysis of CVR and FDR recordings is carried out for ensuring compliance with procedures.
- New procedures for Incident reporting, investigations have been established to investigate every incident and ensure compliance with every recommendation of PIB investigations.
- PHL has decided to install a flight following system on all its helicopters which will help immediately locate the accident site so that rescue operations can be started. PHL is in touch with DGCA, MoCA on the subject.
- All Standard Operating Procedures (SOPs) in the Company have been reviewed and revised to enhance safety culture in the Company.

5.7 The Committee enquired as to whether there was any system of conducting safety Audit in PHL and if so the frequency at which it was conducted and also its findings and steps taken to rectify the errors so as to ensure flying safety. In response, PHL in a written reply stated that it is a CAR 145 and CAR-M approved organisation by DGCA for maintenance and operation of helicopters. Internal assessment of operations and maintenance of activities is ensured through periodic (one audit every quarter) internal audits of the activities whose report are also submitted to DGCA. Any abnormality observed during the audit is corrected immediately and compliance checked during next audits. Audit procedures and check lists are prepared as per DGCA guidelines. Further frequent audits are carried out by DGCA; observations are corrected to with time bound programme and reported to DGCA

5.8 When asked how does the rate of accidents in the Company compare with other private companies both at national and international level, the PHL in a written reply stated that as per the data available, as on 2011 the accident rate for PHL averaged over last five years has been 2.92 per 1,00,000 flying hours and accident rate of US has been 4.33 per 1,00,000 flying hours. It has also been stated that as per the available details (source: Special Report RWSI) the global accident rate during a five year period (2000 to 2005) is 9.4 per 1,00,000 flying hour which reduced to 6.2 per 1,00,000 flying hour in 2008. As compared to this corresponding helicopter accident rate for Pawan Hans is 2.92 per 1,00,000 flying hours averaged over five years. The details of accidents rate of other private companies both at National and International level is not available.



## CHAPTER VI

### HUMAN RESOURCES

6.1 The break-up of total manpower strength of PHL as on 31.10.2011 is given as under:

<u>“Regular</u>	<u>Contractual</u>	<u>Total</u>
519	461	980

6.2 Out of above, the breakup of operational and non-operational employees working on regular and contractual basis is as under:-

Particulars	Regular	Regular	Contractual	Contractual	Total-strength		
	Operational	Non-operational support staff	Operational	Non-operational support staff	Operational/	Non-operational/	Total
Executives	-	49	-	10		59	59
Pilots	59	-	97	-	156		156
AMEs	86	-	12	-	98		98
Flight Engineer	03	-	03	-	6		6
Technicians	99	-	164	-	263		263
Technical Assistant/Helper	33	-	80	-	113		113
Support Staff	-	190	-	95		285	285
Total	280	239	356	105	636	344	980

It has been clarified by the PHL that 461 employees have been appointed on fixed term contract basis directly by the Company on a standard terms and conditions and not as employees of other agencies / contractors.

6.3 The details of the duration of the contracts entered into with different categories of workers, by the Company is given as under:

- a) Contractual Pilots:- Normally they are engaged initially for a period of one to five years and thereafter it is renewed depending on their licence status and on the need of the organization.
- b) Contractual Engineers, Flight Engineers, Flight Attendants, Aircraft Technicians:- Engaged on fixed terms contract basis initially for a period of two years.
- c) Contractual non-operational support staff:- engaged initially for a period of one year thereafter their contracts are renewed periodically depending upon the need of the organization and contractual obligation with the customers at the various detachments.

6.4 The Committee have been informed by PHL that it has contracts for helicopter services normally on year to year basis awarded through tenders for a fixed term. It presently operates from around 18 Bases which are subject to extension/award of contracts by the customers. As such PHL engages employees on direct contract basis.

6.5 The strength of Executives & Non-Executives (regular) in PHL as on 30<sup>th</sup> June 2011 was stated to be as under :-

<u>Executives</u>	: 199
Regular	
<u>Non-Executives</u>	: 324
Regular	
 Total	 : 523

### **Freeze / Ban on Recruitment**

6.6 The Committee have been informed by the PHL that the Secretary, MOCA in a meeting held on 13/06/1997 decided that no fresh recruitment should be made and existing vacancies should be forthwith abolished. It has also been stated that a freeze in recruitment in PHL was imposed by the Ministry of Civil Aviation vide their letter No. AV.13015/33/97-VE dated 17th November 1998 except the unavoidable and essential posts, which may be filled up with the approval of the Board of Directors of the Company.

6.7 In this regard CMD, PHL during the evidence stated:

“The ban is on permanent recruitment. For the operations purpose and for running the company at whatever level it is needed, we have been taking the people on contract as well as at the senior level. The Ministry has been giving us the permission to have those positions filled which are needed.”

6.8 When asked to state the specific reasons for imposing ban on recruitment in PHL, the Ministry of Civil Aviation in a written reply stated that the ban has been imposed in terms of Ministry of Finance OM no. 7(7)E.Coord./93 dated 3.05.1993 under which all current vacancies lying vacant for over one year should be deemed to be abolished. As a sequel to that Ministry of Civil Aviation directed that there should be a freeze on further recruitment except the unavoidable and essential posts which may be filled up with the approval of Board of the Company. It was also directed that the above instructions /directions may be scrupulously complied with.

The Committee desired to know whether the ban on fresh recruitment imposed by the MoCA has in any manner affected the operations of the Company and whether such decision has ever been reviewed by the Government. In response in a written reply, the Company stated that though there had been requirements of manpower, but due to freeze in recruitment as well as fluctuating and varied nature of contracts with the customers, PHL had to recruit people on fixed term contract basis depending upon the operational requirement. Therefore, in order to maintain the manpower requirement

particularly in view of its expansion plan Company resorts to essential recruitment on fixed term contract basis in both operational and non-operational areas. The Company had subsequently regularized some pilots, engineers, technicians having more than 3 years of service in PHL with the approval of Board of Directors. For certain cases the qualified and experienced retired employees of PHL are retained on contract basis for a fixed duration.”

6.9 The Committee enquired whether ban/freeze on recruitment had an adverse impact on the efficient functioning of the Company and whether freeze on recruitment has ever been reviewed by the administrative Ministry. In response, the Ministry of Civil Aviation in their written reply stated that no adverse impact on the efficient functioning of Pawan Hans has been experienced in the Ministry.

6.10 On being asked whether any request has ever been received by the Ministry from PHL to lift this ban on recruitment, the Ministry of Civil Aviation stated that so far PHL has not submitted any proposal to lift the ban on recruitment.

6.11 To a query as to whether freeze on recruitment applies to all the categories, of employees the Ministry of Civil Aviation in a written reply stated that the Ministry of Finance OM No. 7(7)E.Coord./93 dated 3.05.1993 did not specify any particular category/group of employees under recruitment ban. Accordingly, the ban on recruitment covered all the categories of employees. Since the directions of the Ministry provided that promotional prospects should not be affected adversely, hence, wherever higher posts required for promotional purposes, they should be retained and only lower level posts should be abolished. Though the essential and unavoidable recruitments in all the categories have been made, however, in view of expansion of helicopter operations of the Company, the additional requirement of manpower mainly covered operational positions of Pilots and Technical Personnel along with marginal increase in other functional areas.

6.12 On being asked, how PHL intends to expand and modernize its operations without adequate manpower, the Company in a written reply stated that it is contemplating to undertake a study on the organizational re-structuring enabling PHL to further enhance its core competency and thereby utilizing its industry leadership position to its advantage in changed economic scenario as well as to suggest suitable manpower norms to optimize manpower resource to the organizational needs. A suitable professional body / agency would be identified following due procedure and entrust the assignment on time bound manner after approval of BOD.

6.13 When asked whether any study was conducted to assess the manpower requirements, PHL in a written note stated that no such study has been conducted to assess the manpower requirement of the Company during preceding five years. However, during the 1999-2000 a study on organizational re-structuring was conducted through National Productivity Council (NPC) whose recommendation was not accepted and implemented. The outcome of the study is also not relevant at present due to acquisition of more helicopters as well as expansion and diversification of business activities.

6.14 When enquired as to how the people recruited on contract basis serve as appropriate substitute for regular recruits in terms of commitment and motivation, the Company in a written reply stated that contract labourers are not working as substitute for regular recruits in terms of commitment and motivation. The QR set for recruitment of employees on fixed term contract basis are same as applicable to regular employees of PHL as per the Recruitment Promotion and Transfer(RPT) Policy of the Company. The terms and conditions of their employment has been standardized and adequate care has been taken for keeping their morale & motivation level at the optimum level by extending few fringe benefits.

6.15 On being asked whether the trend of continuous increase in the contract labour would not hurt the expansion and diversification plans of the Company, PHL in a written reply stated that the employees engaged on fixed term contract basis are not the contract labour. In order to motivate and develop such employees, suitable training and development programmes are being imparted and career progression in core areas has been extended in order to keep their moral and motivation at the optimum level. There is a policy of the Company for regularization of the services of employees in the core areas such as Pilots, Engineers, and Technicians on completion of specific period and performance level by such employees.

## PRODUCTIVITY

6.16 When enquired about the productivity of manpower in the PHL and whether it has carried out any benchmarking of productivity in comparison to the domestic and international industry standards, the Company in a written note stated that the success of the organization depends upon the serviceability of its Helicopters , flying hours and profitability which is depending upon the productivity of manpower. Therefore the productivity of the manpower has been monitored and measured in terms of indices such as fleet serviceability, flying hours, and operating revenue per employee. Following are the indicators of manpower productivity during the last five years:

<b>Productivity indicator</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
Flying hours	19290	21582	27050	29890	32175
Fleet Serviceability	66%	74%	81%	83%	83%
Employee productivity (operating revenue per Emp. Rs./Lakhs)	29.37	28.92	38.67	47.15	43.36

6.17 The per employee productivity of the Company vis a vis operating revenue of the company during the last seven years i.e., from 2010-11 to 2012-13 are given as under:-

<b>Employee Productivity :</b>							
	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
							(R.E.)
Operating Revenue	20883	22011	31094	38404	42396	42887	44610

(Rs/lacs)							
Employee No.	711	761	804	815	889	969	924
Employee Productivity (Rs/lacs)	29.37	28.92	38.67	47.15	47.69	44.26	48.28

### Board of Directors

6.18 PHL has stated that the total strength of Board of Directors as on 31.3.2013 is six, comprising of CMD, Special Secretary & FA, Ministry of Civil Aviation, Joint Secretary, Ministry of Civil Aviation, DGCA, Director (offshore), ONGC and ACAS (Ops. T&H) Indian Air force.

6.19 The number of meetings of the Board of Directors held during each of the last three years i.e. 2008-09 to 2010-11 is as under:

Financial Year	Number of Board Meetings
2008-09	07
2009-10	04
2010-11	06
2011-12	04

6.20 When asked about the number of non official/independent Directors appointed on the Board as also their experience in the relevant field, the PHL has stated that they had submitted a revised list of names to the Ministry of Civil Aviation for selection of 3 Independent Directors in the Board of PHL which is under consideration in the Ministry of Civil Aviation.

6.21 On being asked as to when the proposal for appointment of Functional and Independent Directors in the Board of the Company was sent to the Ministry and the present status thereof, the Company replied as under:

“PHL has submitted revised list of names on 28-3-2011 to Ministry Civil Aviation for selection of three independent Directors in the Board.

Regarding appointment of three functional directors, PHL had submitted proposal on 24.6.2011 for creation of three posts of Director (Operations), Director (Finance & Administration) and Director (Business Development) as approved by the Board of Directors on 17.6.2011. The Ministry of Civil Aviation on 2.9.2011 informed that the matter has been examined in consultation with DPE for creation of three posts of Functional Directors viz. Director (Finance & Administration), Director (Personnel) and Director (Operations & Marketing) in PHL. The Ministry further desired information regarding job description of these positions and audited accounts of PHHL for the financial year 2010-11 which have been submitted on 20.9.2011.

ONGC had earlier shareholding of 21.5% and Government of India had shareholding of 78.5% in PHL which was revised on 14.2.2011 to 49% shareholding by ONGC and 51% shareholding by Government of India. At present Director (Offshore)-ONGC is on the Board of PHL. CMD-ONGC vide letter dated 22.10.2011 to the Secretary, Ministry of Civil Aviation requested for nomination of two of its Executive Directors in the Board of PHL as presently ONGC is holding 49% paid up equity share capital in PHL. Accordingly, this issue is also under consideration of the Ministry of Civil Aviation.”

6.22 Elaborating on the procedure adopted for the appointment to the post of the Directors, the Secretary, Civil Aviation during evidence deposed:

“You would be aware, Sir, that there is a process in the Government which involves creation of positions, it needs to be examined by our Finance Department and then it has to be consulted with the Department of Public Enterprises. When we moved the proposal, they said that the functional Directors’ positions will be created only when you bring in the independent Directors. So, then we said that we could de-link the two actions. We can have functional Directors and the independent Directors will be inducted at a later point in time. But, they were insisting on it now. So, we have again taken up this issue with DPE that you may de-link this issue of giving your concurrence for these functional Directors before the induction of independent Directors. That is where this matter is going on between our Ministry and DPE. We are insisting and we are pursuing it and I am hopeful that at the earliest, we will solve the issue”.

When asked as to why the Ministry was not aware of the requirements of filing up of the posts of independent directors before that of functional directors the Ministry of Civil Aviation stated that since the issue of restructuring of entire Board of Pawan Hans has been under consideration and ONGC has represented for increase in its nominee directors from one to two in view of its increase in shareholding from 21% to 49%, the entire issue regarding functional directors, government official directors, ONGC nominee directors and independent directors have to be settled together so that all the issues are cleared in one go. However, the Ministry have sought to delink the appointment of functional directors from that of independent directors and would be shortly moving for appointment of Independent Directors as a first step in consultation with DPE.

6.23 When asked about the concrete steps taken/being taken by the Ministry to expedite the matter the Ministry in a written reply stated as follows:-

“The Ministry of Civil Aviation had taken up the issue of reconstitution of Board of Directors of Pawan Hans with DPE regarding appointment of three functional Directors in April 2012 and DPE has vide note dated 18.4.2012 informed that the proposal of creation of three posts of functional directors needs full justification as also clarification as to whether the Board level posts are to be created in lieu of some other existing posts at below board level. DPE has also pointed out that representative of ONGC on the Board of Pawan Hans would be considered as a

Government Director and there can be only two Government Directors on the Board of Pawan Hans instead of three Government Directors proposed by Ministry of Civil Aviation (as per DPE guidelines the number of Government Directors on the Board of CPSEs should be one sixth of the total strength limited to maximum two). Accordingly, DPE has desired that the proposal needs reconsideration to reduce the number of official nominee directors from the Government and ONGC to a maximum permissible limit of two as also to put a comprehensive proposal for creation of three functional directors.

Since ONGC being a shareholder of 49% of equity in Pawan Hans has been insisting for nomination of two directors on the Board of Pawan Hans who would be treated by DPE as official Directors and the DPE guidelines provides maximum two numbers of official directors, the issue needs a detailed consideration. Further, in respect of three functional directors, the Ministry of Civil Aviation vide letter No.AV.30015/01/2012-GA dated 8.5.2012 forwarded note dated 18.4.2012 from DPE under which they have sought a comprehensive self contained proposal for creation of three board level posts of functional directors on the Board of Pawan Hans. A self contained note has been submitted by Pawan Hans on 28.5.2012.”

6.24 When asked about the current status with regard to the appointment/filling up of the posts of independent directors on the Board of PHL, Ministry of Civil Aviation in a written reply state that Pawan Hans on 18.7.2012 had again submitted a request to the Ministry for reconstitution of the Board and on 17.10.2012 submitted bio-data of 10 persons out of whom the Ministry can select Independent Directors. The Ministry of Civil Aviation is in the process of finalizing the names for appointment of Independent Directors. The Ministry would be moving for appointment of Independent Directors as a first step in consultation with DPE.

6.25 As regards present status with regard to the creation of functional directors on the Board of Pawan Hans Limited ; the Ministry of Civil Aviation in a written reply stated that vide letter No.AV.30015/ 01/2012-GA dated 8.5.2012 it has forwarded note dated 18.4.2012 from DPE under which they have sought a comprehensive self contained proposal for creation of three board level posts of functional directors on the Board of Pawan Hans. A self contained note has been submitted by Pawan Hans on 28.5.2012 to Ministry of Civil Aviation followed by further details on 18.7.2012. Having request from ONGC also for nomination of two of its representatives on the Board of Pawan Hans, the Ministry would be moving for reconstitution of the Board of Pawan Hans.

6.26 When asked as to how in the absence of these directors on the Board, the matters relating to functioning of the Company are being governed and what is its impact on the overall performance of the Company, PHL stated that the functioning of the Company is governed by the present Board of Directors. It is expected that with the induction of regular Functional and Independent Directors, the Company will be able to exercise Mini-ratna Board powers and decision making process will further improve which will have a positive impact on the overall performance of the Company.

6.27 The Committee enquired whether there have been cases of shortcomings and irregularities in the working of the Company which were included in the agenda notes for the Board Meeting at the instance of the Government Directors during the last three years. In response, PHL in a written note stated that no such case had been reported during last three years for the Board Meeting

6.28 Enquired about the level of functional autonomy being enjoyed by the Company, the PHL in their written note stated that the CMD and other functional and regional heads have been enjoying autonomy as per the delegation of powers issued to them. The delegation of powers was also reviewed in the year 2008 and greater functional autonomy was granted to CMD and functional/regional heads by the Board.



**PART-II****OBSERVATIONS / RECOMMENDATIONS OF THE COMMITTEE**

1. The Committee are concerned to note that the net profit of Pawan Hans Limited (PHL) drastically fell from nearly Rs. 36 crore in 2009-10 to Rs. 18.50 crore in 2010-11. The performance of PHL further deteriorated to turn red and incurred a loss of over Rs. 10 crore in 2011-12. The Company was expected to break even in 2012-13. The Committee would like to be apprised of the actual profit/loss during 2012-13. One of the reasons for PHL's poor performance is the huge outstanding dues pending recovery for over one year. In Committee's view PHL should take urgent remedial measures to reverse its poor performance by optimizing cost and efficiency, ensuring safety of operations and effecting speedy recovery of outstanding dues. The Committee hope that necessary steps will be taken soon in this regard under intimation to the Committee.

2. One of the glaring reasons for PHL's distressing performance has been the huge outstanding dues which, as on 31<sup>st</sup> March 2013, was as much as over Rs. 196 crore out of which nearly Rs. 49 crore i.e. 25 per cent was more than one year old. The Committee hardly need to point out that had PHL received the one year old dues in time the Company would not have gone into red and would have made a profit of about Rs. 39 crore in 2011-12. The long pending dues relate to north-eastern states, Bihar, Jharkhand and Punjab. It appears that the problem largely lies with State Governments of north-east in timely submission of documents to the Ministry of Home Affairs against 75 % subsidy and in releasing 25 per cent non-subsidy amount. The Committee feels the Minister of Civil Aviation should impress upon the State Governments concerned at the highest level to take timely action in the matter on regular basis with the view to maintaining the financial health of PHL. The Committee hope that necessary action in this regard will be taken at the earliest.

3. The Committee note that there is a huge potential for growth and expansion in the civil aviation sector, not only in the scheduled air transport but also in new growth areas such as emergency medical services, law enforcement,

disaster management etc. In this regard PHL has informed the Committee that they had chalked out a road map for foraying into new areas such as medical evacuation, law enforcement, news gathering, intra-city transportation connecting airports to city-centers in major cities, corporate travel, hotline washing of power insulators, etc. The Committee have also been informed that Gross Budgetary Support of Rs.10,030 crores has been proposed forming part of a concept paper for development of helicopter industry in India during Twelfth Five Year Plan. The CMD, PHL stated that the Company has already embarked upon an expansion plan and more than Rs. 600 crores is being spent on the acquisition of new helicopters. The Committee recommend that the Ministry Civil Aviation should take up the proposed expansion plan of PHL with Planning Commission for approval of its projects and also provide all possible help to PHL in its expansion plans and address the budgetary constraints and issues regarding personnel management.

4. The Committee are disappointed over the snail's pace at which efforts are being made towards realizing the potential of helicopters services in the tourism sector. So far no specific survey has been carried out by the Ministry of Tourism or the State Governments covering tourism sector by helicopter services. Even PHL has just carried out a joint preliminary study in this regard with few state Governments only. The Committee find that there are many sectors waiting to be tapped like Buddhist Tourist Circuit, Mumbai-Shirdi services, Hyderabad-Tirupati services, etc. The Committee, therefore, recommend that a comprehensive study must be conducted by PHL without any further loss of time to explore the possibilities of exploiting the tourist potential for helicopter services in different parts of the country and also for developing a healthy symbiotic relationship between tourism promotion on one hand and expansion of helicopter services on the other.

5. The Committee note that the request of PHL/the Ministry of Civil Aviation seeking waiver of Ministry of Finance claim for re-payment of Rs. 470.22 crore (principal of Rs.130.91 crore and penal interest Rs.339.31 crore) advance to PHL for acquisition of 21 Westland helicopters during 1986-88 has not been agreed to

so far. The Committee note that Westland helicopters were at no cost to Govt. of India as they were funded by grant from U.K. and had proved to be non-performing assets that incurred operating loss of Rs. 95.67 crore before being grounded in 1990-91. In April, 2012, the Ministry of Finance has reportedly sought PHL's business plan for the future and how the MoF claim would be an impediment to growth of PHL. The Committee urge PHL to submit the requisite details to MoF at the earliest. The Committee hope that MoF will see reason and waive off the claim in overall interest of PHL's growth and expansion of helicopter operations in the country.

6. The Committee note that since 1989, PHL has remained a major player in providing helicopter services in the North East Region (NER) of the country. Keeping in view the socio-economic development of NER, the Government of India has been subsidizing 75 % of the operational cost to the company. Of late, availing benefit of such scheme of the Government, the private operators have also started helicopter operations in the region on regular and dedicated basis on behalf of north-east states which have started awarding such contracts through tenders. PHL has requested that keeping National Security and strategic importance of the NE, PHL, being a national carrier, may be considered for awarding the contract for entire NE Region on nomination basis. PHL has also made similar request with reference to the global tender floated by Indian Coast Guard. The Ministry of Civil Aviation has pointed out that PHL has been getting the contracts awarded through tender process being followed by north-eastern and other State Governments/Government Agencies. The Committee felt that it is not for PHL to raise the bogey of National Security which should be left to the Ministries of Home Affairs and Defence to decide. PHL can serve better by improving safety and efficiency of its operations and providing economical operations in competition with private players.

7. The Committee have been informed that despite owning 49 percent equity in the PHL, ONGC has been resorting to open tendering process in awarding contracts for helicopter services required by it in carrying out off shore oil exploration operations and in a recent global tender prescribed the vintage of

helicopter as five years. PHL has pleaded that it cannot meet the criteria unless the stringent condition of five years vintage is relaxed. The Committee do not think that it would be appropriate for ONGC to grant any relaxation or preferential treatment to PHL just because of its equity participation in PHL. As already stressed in a preceding paragraph, PHL will do well to improve its operational efficiency and bag all ONGC's contracts in a competitive environment.

8. There were five helicopter accidents in respect of PHL during the last three years. In two cases, helicopters got destroyed and in another helicopter got extensively damaged resulting in 25 casualties. The main cause of accidents is stated to be pilot error. The Committee desire that DGCA should go into the root cause of pilot error and tackle the problem with appropriate remedial measures with a view to preventing accidents in future. Special emphasis must be laid on improving the training modules/methods in order to make them more effective in enabling pilots to negotiate difficult terrain and bad weather conditions. The Committee also recommend that some of the steps mentioned in the proposed Civil Aviation Policy such as better training for Air Traffic Controllers, installation of webcams enroute, tracking of helicopters by satellites, etc. should be put into place immediately.

9. The Committee note that in the aftermath of the helicopter accidents, Directorate General of Civil Aviation (DGCA) had conducted a comprehensive safety audit wherein several observations have been made with regard to deficiencies / inadequacies in operations and maintenance/engineering departments of the PHL. PHL has stated that it had complied with the findings / observations of DGCA and submitted action taken report to DGCA. It has further taken initiatives and set up monitoring mechanism to ensure implementation of safety preparedness in the organization. The Committee trust that the safety initiatives and the monitoring mechanism that has been put in place by PHL would be implemented both in letter and spirit. They also desire that a safety culture and a sense of ever safety preparedness should be inculcated which shall permeate into the organization so that the recurrence of accidents is reduced to the bare minimum possible, if not totally eliminated.

10. The Committee have been informed that the accident rate for PHL in 2011 averaged over preceding five years has been 2.92 per lac flying hours as against 4.33 for US and global rate of 6.2. The committee observe that though PHL's accident rate vis-à-vis global rate and US rate is low, they are constrained to note that accidents rate of private companies within the country is not available with PHL. The Committee suggest that Ministry of Civil Aviation should collect data in this regard with a view to assessing the comparative performance of PHL vis-à-vis private companies.

11. The Committee are constrained to note that out of the total strength of PHL's 980 employees as on 31.10.2011, almost half of them i.e., 461 employees are serving on contract basis. It has been state that employees are being recruited on fixed term contract basis in order to meet the emergent operational requirements, following a freeze on recruitment imposed by the Ministry of Finance. According to the Ministry of Civil Aviation, the freeze did not have any adverse effect on the PHL functioning. The Committee are dismayed to observe that no scientific study has been conducted to assess the manpower requirement of the Company to meet its expansion and diversification plans. It is only now PHL has proposed to undertake a study on the organizational re-structuring which also include review of manpower norms to optimize manpower resource to organizational needs. The Committee urge PHL to ensure that the study is completed at the earliest and take follow up action under intimation to the Committee.

12. The strength of PHL's Board as on 31.3.2013 is six comprising CMD, two representatives from the Ministry of Civil Aviation and one each from DGCA, ONGC and Air Force. The Committee regret to note that a proposal for creation of three functional directors - one each for Operations, Finance and Business development and nomination of three independent directors in PHL has been awaiting decision for over two years. In the meantime, ONGC has reportedly sought to increase the number of nominee directors in PHL Board from one to two following ONGC's increase in PHL's share holding from 21 % to 49 %. DPE has reportedly pointed out that ONGC representative in PHL Board would be

considered as a Government Director and the number of Government Directors on the Board of CPSE's should be one-sixth of the total strength limited to maximum two. The Committee desire that the Ministry of Civil Aviation should expeditiously resolved the issue of ONGC's demand for two nominees and also decide about its own number of representatives on PHL's Board in light of DPE's guidelines and DPE's view that ONGC's nominee to be considered as a Government Director. The Committee would like to be apprised of the Government's decision in this regard and final reconstitution of the Board of Directors of PHL.

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

SHRI JAGDAMBIKA PAL  
Chairman,  
Committee on Public Undertakings

**MINUTES OF THE 9<sup>th</sup> SITTING OF THE COMMITTEE ON  
PUBLIC UNDERTAKINGS (2011-12)**

The Committee sat on Thursday, the 3<sup>rd</sup> November 2011 from 1430 hrs to 1630 hrs in Committee Room 'B', Parliament House Annexe, New Delhi to take oral evidence of the representatives of Pawan Hans Helicopters Limited (PHHL) in connection with its comprehensive examination.

**PRESENT**

**Chairman**

**Shri Jagdambika Pal**

**Members, Lok Sabha**

- |   |                              |
|---|------------------------------|
| 2 | Shri Vijay Bahuguna          |
| 3 | Shri Ambica Banerjee         |
| 4 | Shri Shailendra Kumar        |
| 5 | Shri Vilas Baburao Muttemwar |
| 6 | Shri Ponnamp Prabhakar       |
| 7 | Dr. Prabha Kishor Taviad     |

**Members, Rajya Sabha**

- |    |                           |
|----|---------------------------|
| 8  | Shri Pyarimohan Mohapatra |
| 9  | Dr. Bharatkumar Raut      |
| 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 Pawan Hans Helicopters Limited**

- |   |                    |                                |
|---|--------------------|--------------------------------|
| 1 | Shri R.K. Tyagi    | Chairman and Managing Director |
| 2 | Shri Sanjiv Bahal  | Executive Director             |
| 3 | Shri Deepak Kapoor | GM (Engg.)                     |

2. At the outset, the Chairman welcomed the representatives of PHHL and drew their attention to Direction 58 of the Directions by the Speaker relating to evidence before the Parliamentary Committees. The representatives of PHHL thereafter made a power point presentation on the working of the Company. The Chairman and Members raised queries on various aspects pertaining to the subject and the

explanations/clarifications on the same were given by the representatives of PHHL. Information on some of the points raised by the Members was not readily available with the representatives of PHHL. They were therefore asked to furnish the same to the Committee Secretariat at the earliest possible.

3. *The witnesses then withdrew.*

*(Verbatim record of evidence has been kept.)*

*The committee then adjourned.*



**MINUTES OF THE 12<sup>th</sup> SITTING OF THE COMMITTEE ON  
PUBLIC UNDERTAKINGS (2011-12)**

The Committee sat on Wednesday, the 04<sup>th</sup> April 2012 from 1130 hrs to 1345 hrs in Committee Room 'E', Basement, Parliament House Annexe, New Delhi.

**PRESENT**

**Chairman**

**Shri Jagdambika Pal**

**Members, Lok Sabha**

- |   |                              |
|---|------------------------------|
| 2 | Shri Hansraj G. Ahir         |
| 3 | Shri Ramesh Bais             |
| 4 | Shri Ambica Banerjee         |
| 5 | Shri Shailendra Kumar        |
| 6 | Shri Vilas Baburao Muttemwar |
| 7 | Shri Ponnamp Prabhakar       |
| 8 | Dr. Prabha Kishor Taviad     |

**Members, Rajya Sabha**

- |    |                           |
|----|---------------------------|
| 9  | Shri Pyarimohan Mohapatra |
| 10 | Dr. Bharatkumar Raut      |
| 11 | Shri N.K. Singh           |

**Secretariat**

- |   |                      |                     |
|---|----------------------|---------------------|
| 1 | Shri Rajeev Sharma   | Director            |
| 2 | Shri Ajay Kumar Garg | Additional Director |

**Representatives of Ministry of Civil Aviation**

- |    |                          |                           |       |
|----|--------------------------|---------------------------|-------|
| 1  | Dr. Nasim Zaidi          | Secretary, Civil Aviation |       |
| 2  | Shri E.K. Bharat Bhushan | DGCA                      |       |
| 3  | Shri Anil Srivastava     | CMD, PPHL                 |       |
| 2. | XXXX                     | XXXX                      | XXXX  |
| 3. | XXXX                     | XXXX                      | XXXX. |
| 4. | XXXX                     | XXXX                      | XXXX. |

5. *The representatives of Ministry of Civil Aviation were then called in before the Committee for the purpose of their oral evidence in connection with the comprehensive examination of Pawan Hans Helicopters Limited (PHHL).*

6. The Chairman welcomed the representatives of the Ministry of Civil Aviation and drew their attention to Direction 58 of the Directions by the Speaker relating to evidence before the Parliamentary Committees. Thereafter, the Chairman and Members raised queries on various aspects pertaining to the subject matter and the explanations/clarifications on the same were given by the representatives of the Ministry of Civil Aviation. Information on some of the points raised by the Members was not readily available with the representatives of PHHL and they were, therefore, asked to furnish the same to the Committee Secretariat within a week.

7. *The witnesses then withdrew.*

*(Verbatim record of evidence has been kept.)*

*The committee then adjourned.*

**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    |

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

3. XXXX XXXX XXXX.

4. Thereafter, the Committee took up for consideration the draft Reports on XXXXXX and Pawan Hans Limited and after some deliberations adopted the same without any changes.

5. XXXX XXXX XXXX

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 THIS REPORT.