

THIRTY FIRST REPORT

**COMMITTEE ON PUBLIC UNDERTAKINGS
(2013-2014)**

(FIFTEENTH LOK SABHA)

PAWAN HANS LIMITED

MINISTRY OF CIVIL AVIATION

**(Action Taken by the Government on the Observations / Recommendations
contained in the Twenty-fifth Report of the Committee on Public Undertakings
(Fifteenth Lok Sabha) on Pawan Hans Limited)**



Presented to Lok Sabha on 10.02.2014

Laid on the Table of Rajya Sabha on 11.02.2014

LOK SABHA SECRETARIAT

NEW DELHI

FEBRUARY 2014 / MAGHA 1935(S)

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COMPOSITION OF THE
COMMITTEE ON PUBLIC UNDERTAKINGS
(2013-2014)

Chairman

Shri Jagdambika Pal

Members, Lok Sabha

2. Shri Hansraj Gangaram Ahir
3. Shri Praveen Singh Aron
4. Shri Sanjay Bhoi
5. Smt. Shruti Choudhary
6. Shri Bansa Gopal Chowdhury
7. Shri Raja Ram Pal
8. Shri Adhalrao Shivaji Patil
9. Shri Rajendrasinh Rana
10. Shri Nama Nageswara Rao
11. Shri Magunta Sreenivasulu Reddy
12. Prof. Saugata Roy
13. Smt. Sushila Saroj
14. Shri Uday Singh
15. Shri Bhisma Shankar alias Kushal Tiwari

Members, Rajya Sabha

16. Shri Naresh Agrawal
17. Shri Anil Desai
18. Shri Janardan Dwivedi
19. Shri Naresh Gujral
20. Shri Mukhtar Abbas Naqvi
21. Shri Tapan Kumar Sen
22. Dr. Janardhan Waghmare

Secretariat

- | | | |
|----|-----------------------|---------------------|
| 1. | Shri A. Louis Martin | Joint Secretary |
| 2. | Shri P.C. Koul | Director |
| 3. | Shri M.K. Madhusudhan | Additional Director |
| 4. | Shri Sunny Goel | Executive Assistant |

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorized by the Committee to submit the Report on their behalf, present this Thirty-first Report on Action Taken by the Government on the Observations / Recommendations contained in the Twenty-fifth Report of the Committee on Public Undertakings (Fifteenth Lok Sabha) on Pawan Hans Limited.

2. The Twenty-fifth Report of the Committee on Public Undertakings (2012-2013) was presented to Lok Sabha and laid on the Table of Rajya Sabha on 30 April 2013. The action taken replies to all the 12 Observations / Recommendations contained in the Report were received from the Government on 6 November 2013. The Committee on Public Undertakings considered and adopted this Report at their Sitting held on 6 February 2014.

3. An analysis of the action taken by the Government on the Observations/ Recommendations contained in the Twenty-fifth Report (2012-13) of the Committee is given in Annexure.

**New Delhi:
7 February 2014
18 Magha 1935(S)**

**JAGDAMBIKA PAL
Chairman
Committee on Public Undertakings**

CHAPTER - I

REPORT

This Report of the Committee deals with the action taken by the Government on the Observations / Recommendations contained in the Twenty-fifth Report of the Committee on Public Undertakings (2012-13) on Pawan Hans Limited which was presented to Lok Sabha and laid on the Table of Rajya Sabha on 30 April 2013.

1.2 The Action taken replies to all the 12 Observations / Recommendations contained in the Report were received from the Government in November 2013.

1.3. The replies have been categorized as follows:

- (i) Observations / Recommendations which have been accepted by the Government (Chapter II)
Sl. Nos. 1,6,7,8 and 9 (Total 05)
- (ii) Observations / Recommendations which the Committee do not desire to pursue in view of the Government's replies (Chapter III)
(NIL)
- (iii) Observations / Recommendations in respect of which replies of the Government have not been accepted by the Committee (Chapter IV)
Sl. Nos. 2,3,5 and 10 (Total 04)
- (iv) Observations/ Recommendations in respect of which final replies of the Government are still awaited (Chapter V)
Sl. Nos. 4,11 and 12 (Total 03)

1.4 The Committee desire that response to their comments in Chapter I of the Report should be furnished to them expeditiously.

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

Recommendation at Sl. No. 1

1.6 Taking note of the drastic fall in net profit of Pawan Hans Limited (PHL) from nearly Rs. 36 crore in 2009-10 to Rs. 18.50 crore in 2010-11 and further deterioration in its performance in 2011-12 when it incurred a loss of over Rs. 10 crore, the Committee had recommended that 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.

1.7 The Government in their action taken reply have stated that they had taken serious initiatives for improvement in performance by securing new customers, optimizing cost, improving efficiency and also by ensuring safety in operations during the year 2012-13. As a result of this the revenue from operations improved by 8% from Rs.428.86 crores in 2011-12 to Rs.465.24 crores, the operating profit drastically

improved by 532% from Rs.6.27 crores in the year 2011-12 to Rs.39.64 crores in the year 2012-13. Further, there was an improvement in the net profit after tax of 213% and as against net loss of Rs.10.35 crores in the year 2011-12, the Company achieved net profit after tax of Rs.11.70 crores as per provisional / actual figures of the Accounts which are shortly going to be audited. Apart from higher revenue, reduction in operating expenses resulted in increased profitability. The Company during the year 2012-13 further improved monitoring of the expenditure control system resulted in containing the overheads level. The improvement in Revenue was achieved through new contracts from Mizoram, Meghalaya, Himachal Pradesh and Arunachal Pradesh as also reduction in overall operating expenditure, through better monitoring of fleet availability to the customers. The Aircraft on Ground (AOG) and LD was also reduced by Rs.2 crores by ensuring pilots and engineers on-time reporting and responsibility for providing helicopters in time. Drastic control of overtime also resulted in improved financial discipline. Apart from this, the requirement of qualified Captains on Dauphin helicopters has been an area of concern and in order to improve availability of qualified pilots, Company made efforts for inter-fleet conversion of pilots for their effective utilization. Thus, the Company has been able to improve average flying performance of pilot from 300 hours (approx.) per year to 400 hours (approx.) per year. Further efforts were made for new contracts for 2 helicopters, 1 for Government of West Bengal and 1 for IIT, Kanpur. The process of improvement in the operational performance of the Company is being continued. One of the major milestone achieved for the year 2013-14 for cost reduction has been substantial reduction in insurance premium on the fleet of the helicopter for the period 1.8.2013 to 31.7.2014 on the present sum assured value of Rs.1223.50 crores for Operating Helicopter fleet and inventory value of Rs.300 crores, the annualized premium works out to Rs.23.47 crores resulting in decrease of cash outflow by Rs.5.81 crores. Overall net reduction of insurance cost over last year works out to 19.84% or say 20%. This has happened due to improve safety standards in the Company.

1.8 The Committee note with satisfaction the slew of measures taken by PHL viz. reduction in operating expenses, better monitoring of the expenditure control system, bagging new contracts, control of overtime, reduction in insurance premium, etc. culminating in the Company not only turning around but also posting a net profit of Rs. 11.70 Crores in 2012-13 as compared to the net loss of Rs. 10.35 Crores in 2011-12. While appreciating the efforts made by PHL towards improving its performance on various key parameters, the Committee hope that PHL would maintain this welcome growth and emerge as a dominant player in helicopter industry.

Recommendation at SI. No. 2

1.9 Having observed that huge outstanding dues amounting to over Rs. 196 crore as on 31 March, 2013 were the major reason for the distressing performance of the Company. Having further noted that out of this outstanding Rs. 49 crore was more than one year old and had that been received on time PHL would have registered a profit of Rs. 39 crore instead of being in red the Committee had recommended that the Ministry 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.

1.10 In the action taken reply, it has been stated that with regard to outstandings from the customers, PHL has made efforts and outstanding of Government of Punjab has been realized, similarly, NE States have also started releasing funds upon release of budget by the MHA in the new financial year. PHL has informed that the real problem of outstanding are the cases of NE States and UT of Lakshadweep which relies heavily on MHA subsidy. Further, with very limited budget of MHA itself, the dues of the current year again remain outstanding. It is understood that MHA has been allocated very limited subsidy budget this year also for NE states. Similarly, in the case of UT of Lakshadweep, the budget of the financial year is utilized for clearing outstandings of previous year. In order to expedite collections of old outstandings, PHL made efforts for recovery from Government of Bihar, HAL, A&N Administration, NE States and UT of Lakshadweep. The Company has now set-up an Eastern Region with HQ at Guwahati for better focus on the business and recovery of outstanding in respect of Eastern part of the Country, more specifically the NE States. GM(Eastern Region) has been assigned the task to following the recovery of dues from NE States. The Company has recently on 16 September, 2013 sent reminder to the State Governments of Arunachal Pradesh, Sikkim, Tripura, Meghalaya, Mizoram and Jharkhand, MHA, A&N Administration, , for expediting clearance of outstanding dues. The Ministry of Civil Aviation is also being requested for taking up with the State Governments for early clearance of outstanding due of Pawan Hans. The Company is making continuous efforts for recovery of outstanding dues from various customers. As against the outstanding amount of Rs.227.97 crores as on 30 September, 2013, the Company collected Rs.26.85 crores upto 15 October, 2013.

1.11 The Committee are not happy at the apparent lack of tangible action by the Government on this Recommendation of considerable import. The outstanding dues have increased from Rs. 196 crore as on 31 March 2013 to Rs. 227.97 crore as on 30 September 2013. With the recovery of a paltry Rs. 26.85 crore upto 15 October, 2013, the outstanding dues rather than getting reduced have climbed upto Rs. 201.12 crore. What is more perturbing is the fact that inspite of the Committee, on noting the failure of PHL in liquidation of outstanding bills, having asked the Ministry to take up the matter at the highest level for an expeditious solution, the Ministry of Civil Aviation are yet to take any action in that direction. While strongly disapproving of this lapse of the Ministry of Civil Aviation, the Committee desire that the Ministry should intervene in the matter at the highest level without further loss of time and ensure that the huge outstanding recoverables do not affect the financial health of PHL irretrievably.

Recommendation at Sl. No. 3

1.12 Taking note of the huge potential of growth not only in the civil aviation sector but new areas viz. emergency medical services, law enforcement, disaster management, etc. and finding that PHL had already chalked out a road map for foraying into these areas as well as intracity transportation, news gathering, airports to city centres connections and projected a Gross Budgetary Support of Rs. 10030 crore for development of helicopter industry in the Country during Twelfth Five Year Plan. Further noting that Company has already embarked upon an expansion plan and more than Rs. 600 crores is being spent on acquisition of new helicopters, the Committee had recommended 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.

1.13 The Ministry of Civil Aviation in their action taken reply have stated that during the Twelfth Five Year Plan Period (2012-17) the projections related to Pawan Hans approved by Planning Commission are for Acquisition of 10 helicopters and 02 seaplanes, import of equipments, creation of maintenance centre / JV, Building Projects and others for a total amount of Rs.725 crores through IEBR. PHL has revised the Twelfth Five Year Plan projections to further augment the fleet by acquisition of 22 helicopters and 02 seaplanes at a cost of Rs.1189 crores. The revised Plan has been submitted to the Ministry of Civil Aviation for onward approval from Planning Commission. The Pawan Hans Board has constituted a Techno Economic Evaluation Committee and further course of action is being taken by the Committee in this regard. As far as the roadmap for foray into new areas by Helicopter Industry and GBS of Rs.10,030 crore is concerned, response is awaited from concerned Ministries like Tourism, MHA, DONER, etc.

1.14 The Committee regret to note that despite lapse of more than six months after presentation of their Report, the revised Plan projection of PHL for Twelfth Five Year Plan is yet to be finalized and approved by Planning Commission though the second year of the Plan is coming to an end. The Committee, therefore, reiterate their recommendation that the Government should get their act together and expedite the process of approval of PHL Plan as any further delay would have an adverse impact on the Company's plans and performance. The Committee also recommend that the Ministry of Civil Aviation should make all out efforts for obtaining Gross Budgetary Support from the Government and also vigorously pursue the matter with concerned ministries/departments so that the civil aviation sector receives the much needed boost and PHL forays into new areas of growth at the soonest. Furthermore, if the Company has to generate resources for expansion through Internal and Extra Budgetary Resources then the Ministry should ensure release of all the outstanding Bills of PHL from various State Governments, etc. without any further delay to facilitate the same.

Recommendation Sl. No.4

1.15 Disappointed over the snail's pace at which efforts were being made towards realizing the potential of helicopter services in the tourism sector as no specific survey had been carried out by the Ministry of Tourism or the State Governments for covering tourism sectors by helicopter services and even PHL had just carried out a joint preliminary study in this regard with few State Governments only, the Committee had recommended 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.

1.16 In their action taken reply the Government have stated that PHL has already carried out preliminary feasibility studies for various States/sectors like Tamilnadu, Kerala, Bihar, Madhya Pradesh, West Bengal, Buddhist Sector in UP, Goa etc. Further, Pawan Hans is also in the process of selection of External Consultant for

preparation of Business Plan/Study. PHL has floated an EOI and after evaluation, parties would be short listed for issue of RFP (Request for proposal) document.

1.17 PHL has taken following actions for expansion of helicopter services specially for Tourism: -

- Recently signed an MOU with West Bengal and positioned one Dauphin helicopter at Kolkata for providing helicopter services in the State of West Bengal, initially for joy rides & charter purposes. Pawan Hans is also exploring the possibility of connecting other sectors in consultation with the State Govt. of West Bengal/other agencies.
- Provided one Bell 206 L4 helicopter to IIT Kanpur for connecting IIT Kanpur with the State Capital Lucknow and recently it has also been decided to extend the helicopter service can be used by other passengers.
- Started services on Delhi-Vrindavan sector by a Bell 206 L4 helicopter. It is also exploring the possibilities of connecting Agra, Varanasi, Buddhist sector, etc. for promotion of tourism in the State.

1.18 A team of PHL is planning to visit Shirdi & Tirupati to carry out the feasibility study for connecting Mumbai-Shirdi & Hyderabad-Tirupati sectors.

1.19 While appreciating the efforts made thus far, the Committee desire that conclusive action on several measures which are at preparatory stage, as of now, should be taken by the Company expeditiously. The Committee expect the Ministry of Civil Aviation to be not lagging behind in lending a helping hand to PHL wherever required in these endeavours.

Recommendation at Sl. No. 5

1.20 The Committee took note that the request of PHL / 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 had not been agreed to, although the helicopters were at no cost to Government 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. Further taking note that the Ministry of Finance had reportedly sought in April, 2012 PHL's business plan for the future and a note as to how the MoF claim would be an impediment to growth of PHL, the Committee had urged PHL to submit requisite details to MoF at the earliest and had hoped that MoF would see reason and waive off the claim in overall interest of PHL's growth and expansion of helicopter operations in the country.

1.21 The Ministry of Civil Aviation in their action taken reply have stated that based on the meeting convened by AS (Budget), MoF on 29 April, 2012 regarding settlement of MoF claim, the Business Plan for Twelfth Five Year Plan was prepared by SBI Caps with recommendations for options for settlement of MoF claim. They have submitted SBI Caps Report to Ministry of Civil Aviation vide letter dated 2 July, 2012 and the Ministry of Civil Aviation had taken up with the Ministry of Finance and a meeting with the Dy. Secretary (Plan Finance-II) in Ministry of Finance was called on 7 August, 2013 and a copy of the Business Plan was again submitted to them. PHL has informed that they are pursuing the matter with Ministry of Finance.

1.22 The Committee strongly disapprove of the casual attitude of the Ministry of Civil Aviation in resolving the matter of waiver of claim of the Ministry of Finance regarding Westland Helicopters. The chronology of events as contained in the reply of the Government is reflective of an inordinately slow pace at which the Ministry are handling this matter of critical importance for the health of PHL. The Ministry's assertion that 'PHL has informed that they are pursuing the matter with the Ministry of Finance' implies that the Ministry is not playing a proactive role in the matter. The Committee urge the Ministry to involve themselves in resolution of this vexed issue forthwith and convince the Ministry of Finance about the merits of PHL's stand in the matter to secure relief for the Company.

Recommendation at Sl. No. 8

1.23 Taking note of the fact that there were five helicopter accidents involving PHL during the last three years leading to two helicopters getting destroyed and another getting extensively damaged resulting in 25 casualties. Noting further that the main cause of accidents was stated to be pilot error, the Committee had desired 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. The Committee had also stressed upon special emphasis being 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 had also recommended 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.

1.24 In their action taken reply, the Government have stated that they have informed DGCA regarding the observations of the Hon'ble Committee to go into the root cause of pilot error in accidents and tackle the problem with appropriate remedial measures and they have also taken note of the suggestions on installations of web cam enroute, tracking of helicopters by satellites etc. and will take up the matter further with concerned authorities / agencies. As suggested by the Hon'ble Committee, PHL is laying special emphasis on training of the crew and training methodology to enable pilots to tackle the emergent situations. Simulator training of all crew is also ensured which involves training on handling all kinds of critical emergencies so that pilots are better prepared to handle such emergencies while flying. PHL has further informed that they have been imparting Simulator Training to its pilots on full motion simulator where critical emergency, specific area training and critical exercise including slope area taxing, vortex rig state, auto rotation are being imparted. Further, pilots are also exposed to situations of low visibility operations while undergoing simulator training. They have also started conducting knowledge enhancement conclaves where pilots along with engineers, technicians are given refresher training on professional subjects through classroom lectures and interactive sessions. These qualitative steps are introduced to raise the professional and skill level of both pilots and maintenance personnel and thus enhancing flight safety operations.

1.25 While expressing satisfaction over the steps taken by PHL for enhancing flight safety operations, the Committee strongly feel that the Ministry of Civil Aviation should go beyond merely informing DGCA about the recommendation

of the Committee and ensure that conclusive action is taken by DGCA in the matter without any further loss of time.

Recommendation at Sl. No. 10

1.26 Taking note of the fact that the accident rate for PHL in 2011 which averaged 2.92 per lakh flying hours over preceding five years as against 4.33 per lakh flying hours for US and global rate of 6.2 per lakh flying hours, the Committee had observed that though PHL's accident rate vis-à-vis global rate and US rate is low, accidents rate data of private companies within the Country which was not available with PHL be collected by the Ministry of Civil Aviation with a view to assessing the comparative performance of PHL vis-à-vis private companies.

1.27 In their action taken reply, the Government have stated that DGCA was informed about observations of the Committee and that they have requested DGCA to take necessary action for assessing the comparative performance of PHL vis-à-vis private companies.

1.28 The Committee regret to note that despite lapse of more than six months after presentation of their Report to Parliament, the Ministry of Civil Aviation have not yet collected and analysed data for assessing the comparative performance of PHL vis-à-vis private companies, as recommended by the Committee. This should be done forthwith and the Committee be apprised of the outcome within a month of presentation of this Report to Parliament.

Recommendation Sl. No.11

1.29 The Committee were constrained to note that following a freeze on recruitment imposed by the Ministry of Finance, employees were being recruited in PHL on fixed term contract basis in order to meet the emergent operational requirements and that out of the total strength of PHL's 980 employees as on 31 October, 2011, almost half of them i.e., 461 employees were serving on contract basis. The Committee were further dismayed to observe that no scientific study had been conducted to assess the manpower requirement of the Company to meet its expansion and diversification plans. The Committee had urged PHL to ensure that the study proposed by it for organisational restructuring be completed at the earliest and followed up with action on it.

1.30 The Government in their action taken reply have stated that PHL has informed that at present there are 477 regular employees and 440 contractual employees in the Company on fixed term contract basis. Since almost 80% business of the Company depends on tender for fixed period for lease of helicopters to different customers and there is stiff competition with the private helicopter operators, therefore, there is need to keep the employees on contract basis.

1.31 PHL has further informed that in order to undertake this study a number of reputed institutions have been explored and expression of interest shall be shortly invited from them.

1.32 In the absence of the promised study on organizational restructuring, the Committee are not in a position to comment upon the reply of the Government

about the adequacy or otherwise of the extant human resource mix of regular and contract appointees in PHL. They, therefore, desire that PHL should get the study conducted at the soonest and revert to the Committee with the outcome of the study and action taken, thereon, to enable them to take a final view in the matter.

Recommendation Sl. No.12

1.33 Noting with regret 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 had been awaiting decision for over two years and in the meantime, ONGC had reportedly sought to increase the number of their nominee directors in PHL Board from one to two following ONGC's increase in PHL's share holding from 21% to 49% with DPE reportedly pointing out that ONGC representatives 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 had desired that the Ministry of Civil Aviation should expeditiously resolve the issue of ONGC's demand for two nominees and also decide about their own representatives on PHL's Board in the light of DPE's rider.

1.34 The Government in their action taken reply have stated that the Ministry of Civil Aviation vide letter dated 30 August, 2013 forwarded observations of Hon'ble Minister in the proposed strength of Board of Directors of Pawan Hans in which it has been decided that apart from CMD, the Company shall have two Functional Directors i.e. Director (Finance and Personnel & Administration) and Director (Operation and Marketing). Since ONGC is holding 49% equity in Pawan Hans therefore instead of One Director there would be Two Part Time Directors from ONGC on the Board of Pawan Hans. PHL has further informed that regarding the Government Directors there will be only two Official part-time directors i.e. Administrative Joint Secretary and Financial Advisor of the Ministry of Civil Aviation. Apart from these there will be three non-official independent directors on the Board. Accordingly, the total strength of the Board upon restructuring shall be 10 directors on the Board of Pawan Hans.

1.35 The proposal after examination shall shortly be submitted by the Ministry of Civil Aviation to the Department of Public Enterprises for the approval and once DPE approves the same final approval of ACC shall be sought.

1.36 The Committee are not happy at the inordinate delay in reconstitution of PHL Board. The Committee desire that the Ministry should take conclusive action in the matter with utmost promptitude so that the Board of PHL is reconstituted at the earliest in consonance with the relevant guidelines of DPE and functions in a professional manner in the interest of the Company.

CHAPTER - II

OBSERVATIONS/ RECOMMENDATION WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation at Sl. No. 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.

Reply of the Government

PHL has informed that they had taken serious initiatives for improvement in performance by securing new customers, optimizing cost, improving efficiency and also by ensuring safety in operations during the year 2012-13. As a result of this the revenue from operations improved by 8% from Rs.428.86 crores in 2011-12 to Rs.465.24 crores, the operating profit drastically improved by 532% from Rs.6.27 crores in the year 2011-12 to Rs.39.64 crores in the year 2012-13. Further, there was an improvement in the net profit after tax of 213% and as against net loss of Rs.10.35 crores in the year 2011-12, the Company achieved net profit after tax of Rs.11.70 crores as per provisional / actual figures of the Accounts which are shortly going to be audited. Apart from higher revenue, reduction in operating expenses resulted in increased profitability. The Company during the year 2012-13 further improved monitoring of the expenditure control system resulted in containing the overheads level. The improvement in Revenue was achieved through new contracts from Mizoram, Meghalaya, Himachal Pradesh and Arunachal Pradesh as also reduction in overall operating expenditure, through better monitoring of fleet availability to the customers. The Aircraft on Ground (AOG) and LD was also reduced by Rs.2 crores by ensuring pilots and engineers on-time reporting and responsibility for providing helicopters in time. Drastic control of overtime also resulted in improved financial discipline. Apart from this, the requirement of qualified Captains on Dauphin helicopters has been an area of concern and in order to improve availability of qualified pilots, Company made efforts for inter-fleet conversion of pilots for their effective utilization. Thus, the Company has been able to improve average flying performance of pilot from 300 hours (approx.) per year to 400 hours (approx.) per year. Further efforts were made for new contracts for 2 helicopters, 1 for Government of West Bengal and 1 for IIT, Kanpur. The process of improvement in the operational performance of the Company is being continued. One of the major milestone achieved for the year 2013-14 for cost reduction has been substantial reduction in insurance premium on the fleet of the helicopter for the period 1.8.2013 to 31.7.2014 on the present sum assured value of Rs.1223.50 crores for Operating Helicopter fleet and inventory value of Rs.300 crores, the annualized premium works out to Rs.23.47 crores resulting in decrease of cash outflow

by Rs.5.81 crores. Overall net reduction of insurance cost over last year works out to 19.84% or say 20%. This has happened due to improve safety standards in the Company.

Ministry of Civil Aviation
(OM No.30020/33/2013-GA dated 5th November 2013)

Recommendation at Sl. No. 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.

Reply of the Government

Pawan Hans has informed that at present they have deployed 6 Nos. helicopters in the North Eastern Sector (most of these contracts have been got through competitive tenders) with various State Govts. – Sikkim, Tripura, Meghalaya, Mizoram, Arunachal Pradesh and one helicopter provided to Ministry of Home Affairs. Pawan Hans has been making efforts for getting contracts covering entire North East Region. Recently in the month September 2013 Pawan Hans has been shortlisted by Government of Arunachal Pradesh for deployment of one more Mi-172 helicopter. New contracts are being won under competitive conditions with improved safety and operational efficiency.

PHL has informed that to consolidate operations & services, in the beginning of this year 2013 they have exclusively empowered this area by creating a separate Region in the name of Eastern Region with it's Head Quarters at Guwahati to serve better by proper monitoring & coordination with the respective State Govts./customers.

Ministry of Civil Aviation
(OM No.30020/33/2013-GA dated 5th November 2013)

Recommendation at Sl. No. 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.

Reply of the Government

PHL has informed that observations if the Committee has been Noted.

Ministry of Civil Aviation
(OM No.30020/33/2013-GA dated 5th November 2013)

Recommendation at Sl. No. 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.

Reply of the Government

Pawan Hans has informed that they have informed DGCA regarding the observations of the Hon'ble Committee to go into the root cause of pilot error in accidents and tackle the problem with appropriate remedial measures and they have also taken note of the suggestions on installations of web cam enroute, tracking of helicopters by satellites etc. and will take up the matter further with concerned authorities / agencies. As suggested by the Hon'ble Committee, PHL is laying special emphasis on Training of the crew and Training methodology to enable pilots to tackle the emergent situations. Simulator training of all crew is also ensured which involves training on handling all kinds of critical emergencies so that pilots are better prepared to handle such emergencies while flying. Pawan Hans has further informed that they have been imparting Simulator Training to its pilots on full motion simulator where critical emergency, specific area training and critical exercise including slope area taxing, vortex rig state, auto rotation are being imparted. Further, pilots are also exposed to situations of low visibility operations while undergoing simulator training. They have also started conducting knowledge enhancement conclaves where pilots along with engineers, technicians are given refresher training on professional subjects through classroom lectures and interactive sessions. These qualitative steps are introduced to raise the professional and skill level of both pilots and maintenance personnel and thus enhancing flight safety operations.

Ministry of Civil Aviation
(OM No.30020/33/2013-GA dated 5th November 2013)

Recommendation at Sl. No.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.

Reply of the Government

PHL has informed that many of the Safety initiatives have already been implemented and comprehensive internal audits of all operational bases of PHL is carried out by PHL team. Safety Meetings are conducted at all detachments periodically wherein all safety issues are debated in detail and action taken wherever required. PHL has informed that there has been a considerable improvement in sense of safety preparedness and safety culture of the organisation. However, the process is continuous and now part of PHL business policy. Regarding observations of DGCA on deficiencies / inadequacies in maintenance, Pawan Hans has already complied with the findings / observations of DGCA and action taken report was submitted to DGCA. The safety initiatives and monitoring mechanism are being implemented. To fulfil the above objectives, safety audits as mentioned in MOE are being strictly followed. Quality audits of organizational procedure, quality audits of aircrafts and remedial action procedures as per C.A.R. 145-A 30-C are being followed. All Engineering Department Heads at Regions, Quality Manager, Maintenance personnel at Bases / Detachments have been advised to promptly ensure compliance as per the above C.A.R. and ensure proper and timely corrective actions on the reports of internal audits. The Accountable Manager is also being informed for his further corrective action.

Ministry of Civil Aviation
(OM No.30020/33/2013-GA dated 5th November 2013)

CHAPTER - III

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

- NIL -

CHAPTER – IV

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

Recommendation at Sl. No. 2

One of the glaring reasons for PHL's distressing performance has been the huge outstanding dues which, as on 31st 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.

Reply of the Government

With regard to outstandings from the customers, PHL has made efforts and outstanding of Government of Punjab has been realized, similarly, NE states have also started releasing funds upon release of budget by the MHA in the new financial year. PHL has informed that the real problem of outstanding are the cases of NE states and UT of Lakshadweep which relies heavily on MHA subsidy. Further, with very limited budget of MHA itself, the dues of the current year again remain outstanding. It is understood that MHA has been allocated very limited subsidy budget this year also for NE states. Similarly, in the case of UT of Lakshadweep, the budget of the financial year is utilized for clearing outstandings of previous year. In order to expedite collections of old outstandings, PHL made efforts for recovery from Government of Bihar, HAL, A&N Administration, NE states and UT of Lakshadweep. The Company has now set-up an Eastern Region with HQ at Guwahati for better focus on the business and recovery of outstanding in respect of Eastern part of the Country, more specifically the NE States. GM(Estern Region) has been assigned the task to following the recovery of dues from NE States. The Company has recently on 16.9.2013 sent reminder to the State Government of Arunachal Pradesh, Sikkim, MHA, A&N Administration, Tripura, Meghalaya, Mizoram and Jharkhand for expediting clearance of outstanding dues. The Ministry of Civil Aviation is also being requested for taking up with the State Governments for early clearance of outstanding due of Pawan Hans. The Company is making continuous efforts for recovery of outstanding dues from various customers. As against the outstanding amount of Rs.227.97 crores as on 30.9.2013, the Company collected Rs.26.85 crores upto 15.10.2013.

Ministry of Civil Aviation
(OM No.30020/33/2013-GA dated 5th November 2013)

Recommendation at Sl. No. 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.

Reply of the Government

PHL has informed that during the 12th Five Year Plan Period (2012-17) the projections related to Pawan Hans approved by Planning Commission are for Acquisition of 10 helicopters and 02 seaplane, import of equipments, creation of maintenance centre / JV, Building Projects and others for a total amount of Rs.725 crores through IEBR. PHL has revised the 12th Five Year Plan projections to further augment the fleet by acquisition of 22 helicopters and 02 seaplanes at a cost of Rs.1189 crores. The revised plan has been submitted to the Ministry of Civil Aviation for onward approval from Planning Commission. The Pawan Hans Board has constituted a Techno Economic Evaluation Committee and further course of action is being taken by the Committee in this regard. As far as the roadmap for foray into new areas by Helicopter Industry and GBS of Rs.10,030 crs. is concerned, response is awaited from concerned Ministries like Tourism, MHA, DONER, etc.

Ministry of Civil Aviation
(OM No.30020/33/2013-GA dated 5th November 2013)

Recommendation at Sl. No.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.

Reply of the Government

PHL has informed that based on the meeting convened by AS (Budget), MoF on 29.4.2012 regarding settlement of MoF claim, the Business Plan for 12th Five Year Plan was prepared by SBI Caps with recommendations for options for settlement of MoF claim. They have submitted SBI Caps Report to Ministry of Civil Aviation vide letter dated 2.7.2012 and the Ministry of Civil Aviation had taken up with the Ministry of Finance and a meeting with the Dy. Secretary (Plan Finance-II) in Ministry of Finance was called on 7th August, 2013 and a copy of the Business Plan was again submitted to them. PHL has informed that they are pursuing the matter with Ministry of Finance.

Ministry of Civil Aviation
(OM No.30020/33/2013-GA dated 5th November 2013)

Recommendation at Sl. No.10

The Committee have been informed that the accident rate for PHL in 2011 averaged over preceding five years has been 2.92 per lakh 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.

Reply of the Government

PHL has informed that DGCA was informed about observations of the Committee and requested DGCA to take necessary action for assessing the comparative performance of PHL vis-à-vis private companies.

Ministry of Civil Aviation
(OM No.30020/33/2013-GA dated 5th November 2013)

CHAPTER – V

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

Recommendation at Sl. No.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.

Reply of the Government

Pawan Hans has already carried out preliminary feasibility studies for various States/sectors like Tamilnadu, Kerala, Bihar, Madhya Pradesh, West Bengal, Buddhist Sector in UP, Goa etc. Further, Pawan Hans is also in the process of selection of External Consultant for preparation of Business Plan/Study. PHL has floated an EOI and after evaluation, parties would be short listed for issue of RFP (Request for proposal) document. PHL has taken following actions for expansion of helicopter services specially for Tourism: -

- Recently signed an MOU with West Bengal and positioned one Dauphin helicopter at Kolkata for providing helicopter services in the State of West Bengal, initially for joy rides & charter purposes. Pawan Hans is also exploring the possibility of connecting other sectors in consultation with the State Govt. of West Bengal/other agencies.
- Provided one Bell 206 L4 helicopter to IIT Kanpur for connecting IIT Kanpur with the State Capital Lucknow and recently it has also been decided to extend the helicopter service can be used by other passengers.
- Started services on Delhi-Vrindavan sector by a Bell 206 L4 helicopter. We are also exploring the possibilities of connecting Agra, Varanasi, Buddhist sector etc. for promotion of tourism in the State.

A team of Pawan Hans is planning to visit Shirdi & Tirupati to carry out the feasibility study for connecting Mumbai-Shirdi & Hyderabad-Tirupati sectors.

Ministry of Civil Aviation
(OM No.30020/33/2013-GA dated 5th November 2013)

Recommendation at Sl. No.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.

Reply of the Government

PHL has informed that at present there are 477 regular employees and 440 contractual employees in the Company on fixed term contract basis. Since almost 80% business of the Company depends on tender for fixed period for lease of helicopters to different customers and there is stiff competition with the private helicopter operators therefore, there is need to keep the employees on contract basis. PHL has further informed that in order to undertake this study a number of reputed institutions have been explored and expression of interest shall be shortly invited from them.

Ministry of Civil Aviation
(OM No.30020/33/2013-GA dated 5th November 2013)

Recommendation at Sl. No.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.

Reply of the Government

The Ministry of Civil Aviation vide letter dated 30.8.2013 forwarded observations of Hon'ble Minister in the proposed strength of Board of Directors of Pawan Hans in which it has been decided that apart from CMD, the Company shall have two Functional Directors i.e. Director (Finance and Personnel & Administration) and Director (Operation and Marketing). Since ONGC is holding 49% equity in Pawan Hans therefore instead of One Director there would be Two Part Time Directors from ONGC on the Board of Pawan Hans. PHL has further informed that regarding the Government Directors there will be only two Official part-time directors i.e. Administrative Joint Secretary and Financial Advisor of the Ministry of Civil Aviation. Apart from these there will be three non-official independent directors on the Board. Accordingly, the total strength of the Board upon restructuring shall be 10 directors on the Board of Pawan Hans. The proposal after examination shall shortly be submitted by the Ministry of Civil Aviation to the Department of Public Enterprises for the approval and once DPE approves the same final approval of ACC shall be sought.

Ministry of Civil Aviation
(OM No.30020/33/2013-GA dated 5th November 2013)

**New Delhi:
7 February, 2014
18 Magha, 1935(S)**

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

COMMITTEE ON PUBLIC UNDERTAKINGS
(2013-14)

MINUTES OF THE TWENTIETH SITTING OF THE COMMITTEE

The Committee sat on Thursday, the 6th February 2014 from 1500 hrs to 1530 hrs in Room No. 147 (Chairman's Chamber), Parliament House (Third Floor), New Delhi.

PRESENT

Shri Jagdambika Pal - Chairman

MEMBERS

Lok Sabha

2. Shri Hansraj Gangaram Ahir
3. Shri Praveen Singh Aron
4. Smt. Shruti Choudhary
5. Shri Raja Ram Pal
6. Shri Nama Nageswara Rao
7. Prof. Saugata Roy
8. Shri Uday Singh
9. Shri Bhisma Shankar Alias Kushal Tiwari

Rajya Sabha

10. Shri Anil Desai
11. Shri Janardan Dwivedi
12. Shri Naresh Gujral
13. Dr. Janardhan Waghmare

SECRETARIAT

1. Shri P.C. Koul Director
2. Shri M.K. Madhusudhan Additional Director
3. Shri G. C. Prasad Deputy Secretary

OFFICE OF C&AG

1. Shri P. Sesh Kumar DG (Commercial)
2. Shri Jayant Sinha Principal Director (RC)
3. Ms. Atreyee Das Principal Director (C)

2. At the outset, the Chairman welcomed the Members and the Officers of C&AG to the Sitting of the Committee.

3. The Committee then took up for consideration the draft Reports on the following subjects and adopted the same without any modifications:

(i). XXXX XXXX XXXX;

(ii). XXXX XXXX XXXX,

(iii). Report on action taken by the Government on the Observations / Recommendations contained in the Twenty-fifth Report on Pawan Hans Limited.

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

The Committee then adjourned.

XXXX ***Matter not related to this Report.***

ANNEXURE

(Vide Para 3 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE OBSERVATIONS / RECOMMENDATIONS CONTAINED IN THE TWENTY-FIFTH REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS ON PAWAN HANS LIMITED.

I.	Total number of Recommendations	12
II.	Recommendations that have been accepted by the Government [<i>vide</i> Recommendations at Sl. Nos. 1,6,7,8 and 9]	05
	Percentage of total	41.67%
III.	Recommendations which the Committee do not desire to pursue in view of Government's replies	NIL
	Percentage of total	
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee [<i>vide</i> Recommendations at Sl. Nos. 2,3,5 and 10]	04
	Percentage of total.	33.33%
V.	Recommendations in respect of which final reply of Government is still awaited [<i>vide</i> Recommendations at Sl. Nos. 4,11 and 12]	03
	Percentage of total	25%