

**GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA**

STARRED QUESTION NO:271
ANSWERED ON:16.03.2015
PURCHASE OF AIRCRAFT BY AIR INDIA
Singh Shri Raj Kumar

Will the Minister of CIVIL AVIATION be pleased to state:

- (a) whether any irregularities in the purchase of aircraft by Air India have come to the notice of the Government and if so, the details thereof indicating the number of aircraft required and actually purchased by Air India;
- (b) whether objections were raised over this massive purchase of aircraft by Air India and if so, the details thereof along with the reaction of the Government thereto;
- (c) whether Air India suffered heavy losses due to purchase of these aircraft and if so, the details thereof along with the losses incurred by Air India as a result thereof;
- (d) whether the Government has ordered a probe into this large-scale purchase of aircraft by Air India; and
- (e) if so, the details and the findings thereof along with the action taken by the Government on the basis of the findings of the probe?

Answer

Minister of CIVIL AVIATION (Shri Ashok Gajapathi Raju Pusapati)

(a) to (e): A Statement is laid on the Table of the House.

STATEMENT IN REPLY TO PARTS (a), (b), (c), (d) AND (e) 01= LOK SABHA STARRED QUESTION NO. 271 TO BE ANSWERED ON 16.3.2015 REGARDING PURCHASE OF AIRCRAFT BY AIR INDIA BY SHRI R.K.SINGH, M.P.

(a): No, Madam. In 2005/06, with the approval of CCEA, the erstwhile Air India, Indian Airlines (now merged into Air India Ltd) and Air India Express had placed an order for a total of 111 aircraft. The details of aircraft and their induction are as follows:

Aircraft Type	Number of aircraft	Status of induction
B777-200LR	8	8
B777-300ER	15	12
B787-800	27	19
B737-800	18	18
A320-200	4	4
A319-200	19	19
A321-200	20	20
Total	111	100

The delivery of three B777-300 ER aircraft has been postponed.

Out of 27 B-787 aircraft, 19 have already been inducted. The induction of the balance 8 units will be completed by 2016.

(b): Comptroller and Auditor General's (CAG) Report No.18 of 2011-12 regarding Performance of Audit of Civil Aviation in India was laid in the Parliament on 8.9.2011. The issue of acquisition of aircraft by erstwhile Air India forms part of the report. C&AG report raised issues like undue time taken for acquisition, change in aircraft to be purchased, flawed assumptions, underlying revised project report and post-bid seat configuration. Subsequently, the Public Accounts Committee (PAC) has taken up the report of C&AG for further examination. PAC had sought an action taken report on their observations made in the 93rd Report (15th Lok Sabha) on Performance of Civil Aviation in India. Action taken report on the observations has been forwarded to Lok Sabha Secretariat (PAC) on 8.1.2015. the matter is still under consideration of the PAC.

(c): For the purchase of the new Boeing aircraft, Air India had raised loans Guaranteed by US Exim Bank Counter Guaranteed by Government of India. Since these loans were backed by Guarantees they were raised at the most competitive rates of approximately of 2.5% to 3% for a period of 12 years. As in any Capital Intensive industry, due to induction of new fleet AI had to incur high financing cost during the fleet induction resulting in strain on its cash flow/profitability.

With the induction of B787 aircraft which is more fuel efficient and more suitable for long routes, it was decided to withdraw the B777-200 which proved less fuel efficient, from such routes and sell this aircraft after exploring other operations like leasing.

re-configuration of the aircraft and deployment of the same on short haul routes were found unviable. Accordingly, 5 out of 8 B777-200 have been sold.

(d)and (e): Government has not ordered any probe into the matter. However, the CBI, finding anomalies relating to creation of MRO facilities and a Training Center in the agreement signed between Indian Airlines and Airbus Industrie, on the basis of a preliminary enquiry PE-DAI-2010-A-90001 dated 14.1.2010 has filed an FIR No. RC- DAI-2013-A-2Q09 dated 27.2.2013 and the matter is under investigation with CBI.