

INDIAN AIRLINES

33

**MINISTRY OF CIVIL AVIATION &
TOURISM
(DEPARTMENT OF CIVIL AVIA-
TION)**

**COMMITTEE ON
PUBLIC UNDERTAKINGS
1993-94**

TENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

THIRTY-THIRD REPORT
COMMITTEE ON PUBLIC UNDERTAKINGS
(1993-94)

(TENTH LOK SABHA)

**Indian Airlines—Under Utilisation of fleet; Idle Wages to Flying Crew;
Avoidable payment on leased Aircraft; Wasteful Expenditure on Training
of Pilots; and Delay in Commissioning of Jet Engine Shop**

MINISTRY OF CIVIL AVIATION & TOURISM
(DEPARTMENT OF CIVIL AVIATION)



Presented to Lok Sabha on 29.4.1994
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LOK SABHA SECRETARIAT
NEW DELHI

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Corrigenda to 33rd Report of the
 Committee on Public Undertakings
 (Tenth Lok Sabha) on Indian Airlines

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(1993-94)

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**Elected w.e.f. 12.8.1993 vice Shri Sunil Basu Ray ceased to be Member of the Committee w.e.f. 9.7.1993 consequent on his retirement from Rajya Sabha.

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**STUDY GROUP III OF
COMMITTEE ON PUBLIC UNDERTAKINGS**

Bharat Coking Coal Limited, Indian Airlines—Under Utilisation of Fleet; Idle Wages to Flying Crew; Avoidable Payment on Leased Aircraft; Wasteful Expenditure on Training of Pilots; and Delay in Commissioning of Jet Engine Shop, Cement Corporation of India Limited, Bharat Heavy Electricals Limited, National Textiles Corporation Limited, Mining & Allied Machinery Corporation Limited, Educational Consultants India Limited.

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- 2. Shri Basudeb Acharia — *Convener***
- 3. Shri Ramesh Chennithala**
- 4. Smt. Saroj Dubey**
- 5. Shri Virendra Singh**
- 6. Shri Santosh Kumar Sahu**

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this 33rd Report on Indian Airlines—Under Utilisation of Fleet; Idle Wages to Flying Crew; Avoidable Payment on Leased Aircraft; Wasteful Expenditure on Training of Pilots; and Delay in Commissioning of Jet Engine Shop.

2. The Committee's examination of the subject was based on Audit Paragraphs 3.2 to 3.6 contained in the Report on Union Government (Commercial) of the Comptroller & Auditor General (No. 3 of 1993) of India.

3. The Committee took evidence, of the representatives of Indian Airlines on 6th, 7th, 16th, and 17th September, 1993 and the representatives of Ministry of Civil Aviation and Tourism (Department of Civil Aviation) on 25th November, 1993.

4. The Committee considered and adopted the Report at their sitting held on 21st April, 1994.

5. The Committee wish to express their thanks to Ministry of Civil Aviation and Tourism (Department of Civil Aviation) and Indian Airlines for placing before them the material and information they wanted in connection with examination of the subject. They also wish to thank, in particular the representatives of the Ministry of Civil Aviation and Tourism (Department of Civil Aviation) and Indian Airlines who appeared for evidence and assisted the Committee by placing their considered views before the Committee.

6. The Committee also place on record their appreciation for the assistance rendered by the Comptroller & Auditor General of India.

7. They would also like to place on record their sense of deep appreciation for the invaluable Assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

NEW DELHI;
April 28, 1994
Vaisakha 8, 1916 (S)

VILAS MUTTEMWAR,
Chairman,
Committee on Public Undertakings.

PART A

BACKGROUND ANALYSIS

The Comptroller & Auditor General of India in Paragraphs 3.2 to 3.6 of the Report on Union Government (Commercial) No. 3 of 1993 has made observations in respect of Indian Airlines on the following aspects which have been dealt with in the succeeding Chapters:

- (i) Under utilisation of Fleet;
- (ii) Idle wages to Flying Crew;
- (iii) Avoidable payment on Leased Aircraft;
- (iv) Wasteful expenditure on Training of Pilots; and
- (v) Delay in commissioning of Jet Engine Shop.

I UNDER UTILISATION OF FLEET

1.1 The Audit has observed that Indian Airlines contracted for purchase of 19 Airbus A-320 aircraft on 15th March, 1986 for delivery between June, 1989 and March, 1990 with an option to purchase 12 more aircraft. The option was exercised in June, 1989 for delivery of the aircraft between December, 1990 and January, 1992. The Corporation received 15 aircraft between 27th June, 1989 and 9th February, 1990 and put them into commercial operation as and when received.

1.2 When the Committee asked the reasons for induction of such a large fleet in one single year while earlier it was in phases the Corporation stated that keeping in view the traffic growth of over 10% during the period 1981-85 and future projections of 10.1%, there was acute shortage of capacity indicating requirement of 25 A-320 aircraft during 1989-90. However, the Corporation decided to purchase 19 A-320 aircraft for induction in 1989-90 and 12 additional in 1990-91 was based on 8% annual growth rate of traffic.

1.3 One of the Airbus A-320 met with a fatal accident in February, 1990 at Bangalore killing 92 persons on board. Thereafter the Government suspended the operations of the entire fleet of Airbus (A-320) on 19.2.1990.

1.4 During oral evidence of the representatives of the Ministry, the Committee desired to know whether Government had made any assessment as to the adequacy of infrastructural facilities and preparedness of the Corporation before according approval for induction of such a large fleet of sophisticated aircraft in a single year. The Secretary, Deptt. of Civil Aviation stated that the Government received the project report

which contained the details though it had accepted the project report without going into the 'micro details'.

The witness further added that the Government at the Ministry level did not go into the details of the state of preparedness of Indian Airlines to actually induct and operate the fleet. According to him, the Government at the earlier stages did not think it necessary to apply their mind to the 'micro-details' of the steps required by the Corporation. When asked further why the Government did not think it necessary to go into the micro details, the Secretary, Civil Aviation during evidence stated that it was due to the reason that the Corporation was having more than 30 years experience in operating the airlines.

1.5 The Ministry have in a written reply further stated in this context that at the time of signing of the agreement in 1986, they considered the period of three years time available for delivery of aircraft by July, 1989 as adequate to bring the Airline to readiness to fly the aircraft.

1.6 When asked what measures IA have taken during the intervening period i.e. between the signing of the contract in 1985 and delivery of A-320 aircrafts in June, 1989, IA in a written reply stated as under:

"STATE OF PREPAREDNESS

(A) *Infrastructural facilities*

Maintenance hangers were planned in advance and IAAI was entrusted the contract on 3.5.1988 for construction of 3 hangers, 4 ancilliary buildings, apron and the required taxi track to be completed in phases. The first hanger alongwith annexe and part of apron was made ready in December, 1989 followed by 2 more hangers and ancilliary building etc. on December, 1990 and June, 1991 respectively.

As provided in the Agreement with Airbus Industrie the technical documentations were received in the first quarter of 1988 dealing with initial maintenance facility planning of the aircraft and the spare parts provisioning manual was received six months prior to the first delivery of the aircraft (21.6.1989). On receipt of these documents necessary action for procurement of major items, maintenance spares etc. as required and recommended by the manufacturer was taken.

(B) *Training of Pilots and other members of Crew*

4 sets i.e. 8 pilots per aircraft totalling 152 pilots were trained free of charge at Toulouse (France) as per agreement with Airbus Industrie for purchase of 19 A-320 aircraft. The duration of training at Toulouse was 7 weeks for simulator and Flying Checks. Before these pilots underwent training at Toulouse, they underwent one weeks' basic induction course at Central Training Establishment of Indian Airlines.

After successful completion of training, the first batch returned to India on 9.6.1989 and the last batch on 28.2.1990. The training was completed in such a manner that adequate number of pilots were available to match the induction of each A-320 aircraft.

Besides these, 8 Navigational Instructors, 10 Flight Despatchers and 12 Cabin Crew Instructors also underwent *abinitio* training at Toulouse.

(C) *Training of Maintenance Engineers*

As on 16.1.1990, a total of 163 technical personnel (Engineering Executives, Aircraft Maintenance Engineers and Engineering Training Officers) were trained abroad on A-320 airframe, V2500 Aero Engines and Avionics as per the DGCA approved syllabus. They were fully capable of maintaining/attending the snags of the aircraft.

Unfortunately there was major industrial relations problem with Maintenance Engineers during 1988 and 1989 resulting in only Executive Engineers being trained abroad initially to service the aircraft. However, adequate number of trained personnel were available to handle the A320 aircraft as and when they were received and put into operation."

1.7 Asked whether the Ministry enquired from the Corporation as to why it could not operationalise the project of induction of A-320 fleet, the Secretary, Deptt. of Civil Aviation stated during evidence that no records are available in the Ministry to verify as to why Government have not asked IA and reasons for its failure to operationalise the project.

It was further stated that the anxiety all through had been to try to make the best use of the situation then and reinduct the planes into service.

1.8 The Committee desired to know the specific areas of the project report which the Corporation failed to implement or implement in time, the Secretary, Civil Aviation during evidence stated as follows:

"One is delay in training of the operational staff that is pilots and engineers and the second is the setting up of maintenance facilities."

1.9 On the question of role of the representatives of the Ministry on the IA Board prior to the induction of A-320 aircraft and whether the Ministry tried to get status reports from the Corporation, the Secretary, Civil Aviation stated during evidence as follows:

"It is a point which has caused a deep distress and concern to us. The fact is that this infrastructure took much longer time to establish than should have been the case. The question as to what were the officers of the Ministry doing in the Board of the Indian Airlines is very valid. The answer to that, as far as I would like to submit, is that they were trying their best to see that it is expedited. There is nothing more they can do than trying to expedite things. The real issue was that a large fleet of aircraft was for the first time brought in

and that is where they may have gone wrong. They over-estimated their ability to induct."

1.10 Asked why Government have not taken any action against officers who failed to get the project operationalised as envisaged by IA in the project report, the Secretary, Civil Aviation, stated during evidence as under:

"This is the highest body to guide and oversee the working of public enterprises which are passing through a very critical time today. Would it be correct on the part of the Government or the Ministry to ask the Corporation to take action against lower level functionaries? My submission is that it would not be correct to do so. It would be better to hold the higher management accountable. In this case, you will find that the Chief Executive or the high level functionaries of the period 1986-90 have all left and the last Chief Executive resigned on this very issue itself when the crash took place in Bangalore."

1.11 The Government appointed on 22.2.1990 a high powered technical committee under the chairmanship of Air Marshall S.S. Ramdas to assess the adequacy/preparedness of the Corporation to handle the safe operation of A-320 aircraft.

1.12 The Committee found that the management lacked the necessary infrastructure and training facilities for the operation of such a large number of aircraft. There was lack of detailed planning for induction of aircraft combined with lack of coordination between different departments. The magnitude & complexity of the project was not systematically analysed by the Corporation.

1.13 The major recommendations were on selection & training of Pilots & Engineers, maintenance infrastructure, organisation & procedures as also on operations and integrated management.

1.14 Asked whether Government have ever realized that if pilots and engineers are inadequately trained, accidents can take place, the Secretary, Civil Aviation stated during evidence that an accident is an accident. That gives a painful opportunity to make an appraisal of the shortcomings.

1.15 When asked whether IA was in agreement with the observations of the Ramdas Committee, the CMD, Indian Airlines agreed during evidence that what the Ramdas Committee had said was correct.

1.16 When asked what were the major recommendations made by the Ramdas Committee in its report and the action taken by the Indian

Airlines towards its implementation, the Indian Airlines in a detailed written reply stated as noted below:—

“The Committee made certain recommendations for the safe operation of A-320 fleet which related to:—

- (i) Training of Pilots
- (ii) Training of A&C Engineers
- (iii) Maintenance Infrastructure
- (iv) Maintenance/operating procedure and use of Minimum Equipment List (MEL)
- (v) Integrated Management system to coordinate all activities related to rectification of the deficiencies noted.

Indian Airlines took the following steps to implement these recommendations before resumption of A-320 operations:

1. The Ramdas Committee's Report was persued by the Special Cell of Indian Airlines consisting of the Director of Engineering, the Director of Training, the Director of Flight Safety, the Director of Operations and Capt. J.R.D. Rao, Operations Manager (Project), was the Convener of this Cell. A number of meetings were held with the Secretary of Civil Aviation, the Director General of Civil Aviation (DGCA), the Indian Commercial Pilots' Association (ICPA) and the Indian Aircraft Engineers Association, during which there were detailed discussions regarding the modalities of implementing the Report.

2. In view of the recommendations made by Ramdas Committee, Indian Airlines in consultation with DGCA have decided that all A-320 pilots would undergo extensive ground course for a minimum period of six days as well as 1-1/2 hours of practice flying training before being subjected to route checks.

3. All the 93 'A' & 'C' Engineers have undergone a refresher course on the Avionics systems of the A-320 aircraft. The Syllabus for this refresher course was formulated in consultation with DGCA.

4. The DGCA has started conducting examination for the issue of the 'A' & 'C' licence and to date 38 Engineers have been issued with the said licence.

5. All stations to which A-320 will operate will have 'A' & 'C' Engineers who have been licenced by DGCA. Avionics Engineers will be available at all stations where daily/weekly 'A' Check are planned to be carried out. Avionics Engineers will be sent to an outstation in case any major rectification is required to be carried on the Avionic Systems of the Aircraft.

6. The Minimum Equipment List (MEL) has been reviewed and it was decided that no snags will be allowed to be carried forward from Delhi, Bombay, Calcutta and Hyderabad as well as the time of

carrying forward the snags has been reduced from 72 hours to 48 hours.

7. It will be ensured that adequate spares, tools and equipment are available at all main and transit stations to which the A-320 is likely to operate. It will be ensured that calibrated Ground Power Units will also be available.

8. Over and above the recommendations of Ramdas Committee enumerated in the preceding paragraphs, Indian Airlines felt that due to the prolonged grounding of A-320 aircraft, all pilots would undergo seven sessions on the Simulator and would undergo Line Oriented Flying Training before carrying out four route checks.

9. Additional extensive checks, taking into consideration the recommendations made by Airbus Industrie and DGCA, are being carried out on all aircraft which have not flown for two months. Acceleration checks of the Engines have also been carried out and test flights on some of the aircraft have been successfully carried out on and others will be carried out as and when they are due. Some aircrafts are being used for training at Hyderabad. The Director of Engineering, the Director of Flight Safety and the Director of Operations visited Airbus Industrie at Toulouse to discuss the retrofit programme, reinduction of A-320 into service and flight crew refresher training. Improved components are being sent and the retrofit programme on our A-320 fleet is going on. As regards the flight crew refresher training, Airbus Industrie was of the opinion that the syllabus drawn up by Indian Airlines is much more comprehensive than the syllabus suggested by them.

10. The Special Cell consisting of the Director of Engineering, the Director of Training, the Director of Flight Safety and the Director of Operations is monitoring the implementation of the recommendations of the Ramdas Committee and it will be ensured that all the recommendations will be implemented before the A-320 operation is resumed."

1.17 When asked if any of the recommendations of the Ramdas Committee were not implemented by IA, the Secretary, Civil Aviation stated during evidence that the recommendation about the qualifications prescribed for pilots and engineers *i.e.* Graduation in science could not be implemented. The witness further added that now the qualification prescribed is 10+2 with science subjects.

1.18 When asked whether the Ministry ever reviewed the progress of implementation of recommendations of the Ramdas Committee, the Ministry in a written reply (December, 1993) stated:—

"The Government was monitoring from time to time implementation of the recommendations made by the Ramdas

Committee. It was only after being satisfied about the progress of implementation that Government allowed reinduction of A-320 Airbus into operation.

The Airlines is now fully prepared in respect of infrastructural facilities, including training of crew, for the operation of the present A-320 fleet as well as of the six more expected to be added in the course of the next few months."

1.19 During oral evidence of the representatives of the Corporation, the Committee asked whether Indian Airlines initiated any action for fixing responsibilities for lapses pointed out by the Ramdas Committee, the CMD, IA replied as under:—

"No Sir, fixing of responsibilities has not been done."

1.20 In this context, the Secretary, Department of Civil Aviation has stated during evidence as under:—

"Sir, the fact is that a formal fixation of responsibility has not been done. Government have not asked in the manner in which you have suggested, as to why the actions expected were not taken. You are absolutely right in saying that for enforcement of better accountability in future, such steps are necessary and desirable. I have absolutely no difference in perception on this. I have only tried to explain as to why this was not done at that time by the Ministry. Their anxiety at that time was really to get things going and to find ameliorative ways rather than go in for punitive action. Whether it is right or wrong, the Committee will certainly judge."

1.21 When the Committee asked as to what were the reasons for lack of coordination between different departments as pointed out by the Ramdas Committee, IA in a written reply stated as under:—

"Arising out of the conclusion arrived at by Ramdas Committee with regard to lack of coordination between different departments, Indian Airlines in a letter dated 23.3.1990 informed the Government that this was a debatable point. However, the recommendations made by Ramdas Committee were accepted by Indian Airlines. A special cell comprising of Director of Operations, Director Training, Director Flight Safety, Director of Engineering and Operations Manager (Project) was set up at Headquarters to monitor and ensure coordinated implementation of the recommendations made in the Ramdas Committee Report. The operation by A-320 aircraft since reinduction, has been smooth."

1.22 Audit observed that the Corporation did not take delivery of the remaining 4 aircraft subsequent to the grounding of the entire fleet of A-320 from 19.2.1990.

1.23 It is observed from Report of the Committee set up for Lease/re-sale of A-320 aircraft that the Board of Indian Airlines felt that it would

be appropriate to have discussion with M/s. Airbus Industrie and request them to agree to delay the delivery of the four aircraft (Nos. 16 to 19) at no cost to Indian Airlines. Indian Airlines accordingly, requested the Government on 14th March, 1990 to appoint and authorise a Committee, consisting of representatives of the Government, Indian Airlines and Air India, to conduct discussion with M/s. Airbus Industrie and take final decision in the matter.

1.24 When asked whether IA formally requested the Government to constitute the Committee, the Secretary, Civil Aviation stated during evidence:—

“Yes, Sir, they did.”

1.25 When asked why the Ministry did not respond to the suggestion of IA to appoint a Committee to negotiate with Airbus Industrie for delaying the purchase of 4 aircraft, the Secretary, Civil Aviation stated during evidence as follows:—

“It is a fact that no decision was taken to appoint a Committee to go into this matter. You have to see it in context that there were many back and forth movements of decisions. At one stage, it was said that the fleet should be reinducted into service.”

1.26 The Government authorised the Corporation on 16th May, 1990 to take delivery and re-sell the 4 aircraft at a premium and lease the remaining 14 aircraft left with it for about a period of six months.

1.27 Indian Airlines constituted a Committee to scrutinise the offers received for leasing/re-sale of these aircraft and give its recommendation to the Board. No decision was taken for about nine months by this Committee. Audit further observed, had the 14 aircraft been leased for even six months IA could have earned US \$294 lakhs or Rs. 50.77 crores.

1.28 Asked whether any time limit was set for the Committee constituted for Lease/re-sale of A-320 aircraft to submit its report, CMD, IA said:—

“No, Sir.”

1.29 On being enquired as to the objectives of Government when the Corporation was asked to lease out the 14 aircraft, the representative of IA stated that as the resumption of A-320 service could take some time, the Government decided to lease out the 14 aircraft.

When asked further if Government wanted to minimise the cash loss, the witness replied:—

“Yes, Sir.”

1.30 When asked the details of offers received by IA for resale/lease of A-320 aircraft, Indian Airlines in a written reply furnished the following details:—

"DETAILS OF OFFERS FOR LEASE OF A-320 AIRCRAFT"

Sl. No.	Name of the Party	Offer for Lease
1.	Avio Group, Australia	14 Aircraft at a lease rate of US \$ 350,000 per aircraft per month.
2.	Jagson International Limited, New Delhi	14 Aircraft at a lease rate of Rs. 50 lakhs per month per aircraft.
3.	Pacific Capital Management Limited, Singapore.	7 Aircraft at a lease rate of US \$ 250,000 per month.
4.	GAMUN International Capital Investment Limited	14 Aircraft at a lease rate of US \$ 200,000 per month per aircraft.
5.	Intair Holdings	14 Aircraft for total rental of US \$ 3.5 million per month for a minimum lease period of 5 years for all 14 aircraft, engines and spares etc.

Regarding sale of aircraft the offers received from 12 parties ranged from US \$ 30 million to US \$ 52.5 million each aircraft, Only 2 offers—one of US \$ 46 million and other US \$ 52.5 million were more than the purchase price of US \$ 42 million approximately."

1.31 During evidence the Committee were informed that the depreciation cost of A-320 Aircraft was US \$ 1.85 lakh as against the highest offer of US \$ 3.5 lakh per aircraft per month.

1.32 When the Committee asked as to why Government did not ask the Committee to expedite the decision in respect of re-sale/lease of Aircraft in view of the fact that the Corporation was asked to Lease the aircraft for a period of six months, the Secretary, Civil Aviation stated as follows:—

"I can answer by pleading before the Committee to understand the underlying thoughts and the desire to reinduct the fleet. At one stage, the Indian Airlines was even permitted to reinduct the aircraft and they advertised the resumption of A-320 but the decision was countermanded."

1.33 When asked further whether status reports from the committee or Indian Airlines were called, the representative of the Ministry stated during evidence that the Ministry did not call for any status reports from the Committee.

1.34 Indian Airlines decided on 16th August, 1990 that further action for leasing out A-320 aircraft need not be taken as the lease rates offered

by the parties ranged between 2 lakhs to 3.5 lakhs dollars per month against the minimum fixed rate of 4.75 lakh dollars per month. Government again advised Indian Airlines on 9th October, 1990 to lease out atleast 4-6 aircraft to the reputed Airlines as the reinduction of A-320 was likely to take some more time. All IATA Airlines and operators of A-320 aircraft and leading aircraft leasing companies were accordingly advised to respond latest by 20th November, 1990. No firm offer for lease of these aircraft was received from any party.

1.35 Asked when did IA inform Government of its decision not to pursue the leasing option further, the Ministry replied in a note that on 9.4.1991, IA informed Government its decision not to pursue the leasing option.

1.36 Asked if Government asked IA to fix responsibility for the loss to IA in not leasing the aircraft, the Ministry in a written reply stated:—

“No, Sir. The decision not to lease out the aircraft was taken by Indian Airlines on 16.8.1990. In view of inadequate offers and possibility of early induction of A-320 into service.”

1.37 Audit observed that Government permitted a special flight on 10th July, 1990 from Delhi to Hyderabad and back with passengers on board. Following this special flight, in September 1990 Government permitted the use of Airbus A-320 for evacuating Indian Nationals from the Gulf.

1.38 Asked why Government have not permitted resumption of flights after successful test flight of one A-320 in July, 1990, the Ministry in a written reply stated:—

“The decision to resume A-320 services after implementation of Ramdas Committee’s recommendation was subsequently reviewed and the Government decided to induct A-320 services after the Court of Inquiry appointed to enquire into the causes of Bangalore air crash completed its task.”

1.39 When asked if IA could have reinducted all the grounded aircrafts simultaneously, a representative of IA stated during evidence as under:—

“Actually as far as an aircraft is concerned, when the aircraft is on ground for 15 months, then a major check has to be carried out and it takes about three to four weeks. When there is a cluster of aircrafts on ground, then we cannot carry out the checking quickly. That was one of the problem for reinduction.”

1.40 The Ramdas Committee also observed that considering the changes in cockpit managemnet and flying technique demanded by the sophisticated aircraft some qualitative criteria for selection could have been applied but on the contrary selection of personnel (Pilots & Engineers) was not qualitative but was based on agreement with respective Association/ Unions.

1.41 When asked what criteria was adopted for selection of Pilots for A-320s, Indian Airlines in a written reply stated as under:—

“All pilots sent for conversion as co-pilots/commanders of A-320 aircraft met the basic minimum qualification/criteria laid down by the manufacturers and DGCA. The pilots sent for training were selected by established method which is being followed in Indian Airlines from the very beginning *i.e.*

- (i) to have minimum of 5 year service left as on 1.4.1989. This condition may be relaxed in exceptional cases at the discretion of the management;
- (ii) satisfactory medical history; and
- (iii) satisfactory service/training records.

These pilots were sent to CTE for one week of basic induction course and then to Toulouse for 7 weeks of simulator and flying checks. After successful completion of training, first batch returned to India on 19.6.1989 and last (16th batch) on 28.2.1990.

Further as per the criteria laid down by the manufacturer, the pilots with prior jet transport experience were to be trained on A-320 type of aircraft. No minimum experience was however laid down for the purpose. However, Indian Airlines selected pilots having B-737 command experience of 1500 hours for training as A-320 commanders. The DGCA had also exempted such commanders of B-737 aircraft trained on A-320 aircraft from gaining 100 hours of flying experience as co-pilot and therefore these trained pilots were directly released to fly as pilot in command of A-320 type of aircraft after undergoing requisite training and checks. The other pilots who had less than 1500 hours of pilot in command experience of B-737 aircraft were required to fly atleast 100 hours as co-pilot on A-320 type of aircraft.

The criteria approved by DGCA for training of B-737 pilots as co-pilots of A-320 aircraft was that they should have a minimum of 500 hours of jet experience *i.e.* as Co-pilot of B-737 aircraft.

Out of 152 pilots sent abroad for free training in the initial phase, only 3 pilots could not successfully complete the conversion programme.”

1.42 Audit observed that prior to grounding of A-320s (June 1989 to January 1990) the Corporation failed to attain the planned daily utilisation of the aircraft. Against the planned 7.7 hours per aircraft, the actual utilisation was only 5.7 hours per aircraft.

1.43 When asked the reasons for under utilisation prior to grounding of A-320s, the Ministry stated as follows:—

“The main reason for under utilisation prior to grounding was due to agitations of Engineers in November-December 1989. Industrial unrest and resignation of pilots are among the causes of under utilisation after December 1990.”

1.44 Asked what was the expenditure incurred on maintenance during February-December, 1990 after the fleet was grounded, Indian Airlines in reply stated:—

“The maintenance schedule of 19 A-320 aircraft like any other aircraft is carried out based on either flying hours or elapsed time, whichever is earlier. During the period of grounding of A-320 fleet (February to December, 1990) the routine maintenance schedule was carried out on elapsed time basis. The expenditure incurred during the grounding period is estimated Rs. 1.10 crores.”

1.45 When asked what was the operating and net revenue loss incurred due to non-operation of fleet during July-December, 1990 the Corporation in a written reply stated:—

“The operating and net revenue loss on account of non-operation of flights during the period July to December 1990 (155 days) was as under:

	Rs. in crore
Traffic Revenue	127.54
Operating Cost	(-) 71.31
Net revenue loss	56.23

The above loss has been worked out on the basis of 642 hours per week by A-320 fleet (6½ hrs. per aircraft per day).”

1.46 The Corporation opted for purchase of 12 additional aircraft in June, 1989 with deliveries during December, 1990 and January, 1992. The delivery schedules were revised for 7 aircraft in 1993 and for 5 in 1994. The revision in delivery schedule of additional aircraft would result in cost escalation by US \$ 19.656 million or Rs. 52.70 crores due to increase in the exchange rates.

1.47 Audit has observed that the existing fleet of A-320 aircraft with the Corporation was being underutilised. Already there are 23 A-320s with the Corporation. Induction of the 12 additional aircraft would result in further increase in the unutilised capacity with the Corporation.

1.48 When asked what was the average number of A-320 aircraft made available for commercial operation during 1991-92 and 1992-93, Indian

Airlines stated that the average number of aircraft available ranged between 8-15 in 1991-92 and 13-15 in 1992-93 while the capacity during this period was 18 aircraft except for March 1993 when there were 19 aircraft.

1.49 When asked what is the number of aircraft A-320 or others proposed to be added to IA fleet in 1993-94, the company informed that the number of aircraft proposed to be added:

— Upto August, 1993	24
— Delivery in Nov. 1993	1
— Total as on (31.3.94)	25

During 1994-95, 5 more aircraft will be acquired.

1.50 When asked whether in view of the existing under utilisation will the Corporation be ready to operate the six additional aircraft to be acquired by it after August, 1993, the Secretary, Civil Aviation stated during evidence as follows:—

“I am reasonably confident. My confidence is based on a very recent event that has taken place. We have revised the flight duty time limitation agreement with the Pilots' Association by which pilots will be flying longer hours than what they were required to fly earlier”.

1.51 When asked whether the Board of IA ever discussed the matter of under-utilisation of fleet in view of losses incurred by IA due to grounding of A-320 fleet, the Indian Airlines in a written note stated:—

“Board of Indian/Airlines had been fully apprising the situation from time to time giving directions to the Management with regard to questions arising out of suspension of A-320 services including the under-utilisation of fleet. Losses on account of grounding of A-320 fleet had also been considered and discussed in four meetings (i) on 13.3.1990 suspension of A-320 service and its financial and physical implications were considered; (ii) On 30.3.1990 regarding questions relating to resumption of A-320 operations consequent upon the submission of interim report of Ramdas Committee on 5.3.1990; (iii) on 14.5.1990 with regard to minimising the losses, the management was directed to explore the possibility of leasing or sale of Airbus A-320 aircraft and to form a Committee for Lease/Sale of A-320 aircraft; and (iv) On 29.6.1990 the Board was requested to authorise the Management to sell/lease out A-320 aircraft.”

1.52 Indian Airlines informed the Committee during evidence that 40 percent market share has been taken by private air taxi operators on Delhi-Bombay, Delhi-Madras, Delhi-Calcutta and Bombay-Bangalore routes. Indian Airlines is still running on loss making routes where practically no Air Taxi Operator is going. Earlier Indian Airlines used to cross-subsidise from the profits made from the trunk routes.

1.53 When asked as to what the projections in respect of growth of traffic were for the next three years for the aviation industry as a whole and what share does IA envisage to corner in view of the stiff competition being met from the private air taxi operators in the country, the Indian Airlines in a written reply stated as follows:—

“The traffic carried in the domestic market has been found to be related to production activity in the country and foreign tourist arrivals. In view of the growth of index of industrial production at 0.1% and 1.3% during 1991-92 and 1992-93 the market is expected to remain sluggish during 1993-94 and 1994-95.

However, in view of the recent economic policies, it is anticipated that there would be sufficient stimulus in the production activity which in turn would result in a growth of 8 to 10% as has been achieved in the past. Indian Airlines will provide capacity for 8 to 10% growth and is taking numerous steps to regain lost market share to Air Taxi Operators besides expansion of services in the Regional International Market.”

1.54 When asked how private air taxi operators cornered 40% market share on trunk routes inspite of absence of ground support facilities with them, the Ministry stated in reply as under:—

“Air Taxi Operators provided better service to passengers who over the years, had developed a perception of Indian Airlines as a provider of indifferent service.

The Air Taxi Operators do have facilities for routine maintenance.”

1.55 On the question of route allocation to private operators, the Ministry stated in reply:—

“The existing guidelines (AIC No. 24 of 1990) do not envisage allocation of routes to air taxi operators. The question of route allocation can be considered only after repeal of Air Corporation Act for which a Bill has already been introduced in the Parliament.”

1.56 The Committee note that the Air Corporation Act, 1953 has recently been repealed by Parliament. The Committee understand that recently Government have made it mandatory for all Scheduled public and private airlines to operate on non-economic routes through issue of guidelines.

II. IDLE WAGES TO FLYING CREW

2.1 Audit has observed in this para that Indian Airlines paid interest free advances to pilots between June and August, 1990 in lieu of flying allowances after the fleet of A-320 aircraft was grounded in February, 1990.

2.2 The interest free advances were in addition to the normal salary & allowances drawn by the pilots. In all Rs. 66.12 lakhs were paid to the pilots.

2.3 When asked the rationale for payments made to the pilots as compensation for loss of flying allowances even when they had not performed their duties, the Indian Airlines in a written reply stated as follows:—

“Consequent upon the grounding of A-320 aircraft w.c.f. 19.2.1990, the Indian Commercial Pilots’ Association had been demanding some compensation to the A-320 pilots who were feeling the financial hardship on account of non-receipt of flying allowances. ICPA maintained that A-320 pilots were suffering for no fault of theirs. As it was becoming a serious industrial relations problem several meetings were held with the pilots. It was decided to give interest free advance to the pilots.”

2.4 Audit has observed that the Ministry of Civil Aviation confirmed that no part of the above advances had been recovered from the Pilots till July, 1992.

2.5 During evidence the Committee asked whether any bond was executed before advances were paid to the pilots, the witness said:—

“No Sir”.

2.6 On the question whether the Management of the IA was competent enough to take the decision of paying advances to pilots, the CMD, IA stated:—

“Yes, Sir, the Management is competent to sanction the advance.”

2.7 On the question whether IA Board has given any directions for recovery of the advances from pilots, IA in a written reply stated as noted below:—

“Indian Airlines Board in its 222nd meeting held on 29.6.1990 while approving the payment of the first advances of Rs. 10,000/- to each A-320 Pilot as interest free advance, decided that this amount was to be recovered in 12 monthly instalments. Before release of the amount, discussions were held with ICPA for obtaining an undertaking towards recovery. It was made clear to ICPA that

concept of compensation could not be accepted but considering the circumstances, the A-320 Pilots deserved some relief. During the discussions it was finally agreed that the amount be paid to the A-320 Pilots as approved by the Board on 29.6.1990, as an advance, but without asking for any undertaking and that the question of adjustment of this amount could be decided later.

Due to continued suspension of A-320 operations and considering that A-320 pilots were facing great financial hardship, the Board at its meeting held on 16.8.1990 directed that the entire matter including financial relief be discussed and decided by the Management in consultation with three Joint Secretaries in the Ministry of Civil Aviation being the members of the Board. Accordingly further payments were made on four occasions between August 1990 and November 1991. Thus the total amount paid to these pilots was of the order of Rs. 66.12 lakhs.

The matter with regard to the recovery has been under constant discussions with the ICPA right from July 1990. ICPA continue to represent that they were never in favour of treating the amount as advance but the Management as directed by the Board is still persisting that it has been in the nature of advance.

No final decision about its adjustment has been taken so far. However, Board is seized of the matter."

2.8 Audit has observed that the Corporation signed an agreement with the Pilots in February, 1993 revising the Meal allowance etc. effective January, 1993. The Corporation did not recover the interest free advances even from the arrears that were paid to the Pilots as the result of the Memorandum signed with them.

2.9 During evidence, the Committee asked whether the issue of recovery of advances paid earlier was discussed with the ICPA before the Corporation signed the agreement with the pilots in February, 1993 the CMD, IA stated:

"No, Sir."

2.10 On the question of the normal practice in other Airlines for payment to Pilots when they are not flying for any reasons, the Ministry replied as follows:

"After grounding of the Westland fleet, each pilot of Westland helicopter was paid a compensatory allowance of Rs. 1500/- per month by Pawan Hans Limited till the Pilots started flying other helicopters."

2.11 Asked what are the steps taken by the Board to recover the advances, the representative of the Corporation stated that no steps have been taken in that direction and that the matter was referred to the Board who have not yet taken a final decision.

2.12 Asked whether the Ministry knew of payments by IA to Pilots (recoverable advances) and if the Government have ever given any direction to IA for their recovery, the Ministry stated in reply as under:

“Yes, Sir, No direction was given to Indian Airlines in the matter.”

III. AVOIDABLE PAYMENT ON LEASED AIRCRAFT

3.1 Indian Airlines took on lease an aircraft for one year from May 1989 to April, 1990 from Aeroflot. Audit has observed in this para the wrong payment made of penalty by IA for shortfall in utilisation of leased Aircraft (TU-154). IA paid Rs. 50.84 lakhs to lessor as lease for the period of shortfall in utilising the aircraft.

3.2 The shortfall was 169.29 hours during the period against minimum utilisation of 180 hours per month as stipulated in the lease contract. According to the Corporation under-utilisation was due to failure of lessor to make the aircraft available for use. Such a failure on the part of lessor did not call for the IA to pay any penalty for under-utilisation.

3.3 When asked why there was a dispute with M/s. Aeroflot in respect of the exact number of flights cancelled, the CMD, IA stated:—

“It was not very clear from the records, that is why the dispute was there.”

3.4 Records made available to Audit by IA revealed that aircraft was not made available by the lessor for 62 days during the period May, 1989 to April, 1990. The Corporation did not point out to the lessor that under-utilisation was due to the non-availability of aircraft and instead it paid the penalty for the alleged under-utilisation. IA thus did not enforce the contract correctly.

3.5 On the question as to who in IA was responsible for enforcing the contract, CMD, IA replied during evidence that the orders outlining the duties and responsibilities for enforcing the contract were issued by the Dy. Managing Director. The Commercial Director was responsible for coordination while scheduling was the responsibility of the Planning Department.

3.6 On being enquired as to why penalty was paid by IA while shortfall in utilisation was on account of the lessor not making the aircraft available for operation, the Corporation in a written reply stated as follows:—

“At the time of settlement of dues with M/s Aeroflot, there were various issues involved such as whether the flight cancellations were solely attributable to M/s Aeroflot, whether shortfall in utilisation was solely attributable to the lessor etc. As there was dispute on these issues, detailed discussions took place between the representatives of M/s. Aeroflot and Indian Airlines in New Delhi during the period 30th November, till 3rd December, 1990. After detailed negotiations, final settlement was arrived at with M/s. Aeroflot which resulted into a net payment of Rs. 97.85 lakhs by M/s Aeroflot in

favour of Indian Airlines besides saving of approximately Rs. 45 lakhs on account of interest for the late payments.”

3.7 When asked why IA failed to fix responsibility for non-enforcement of Contract, the Company in a written reply stated that the provisions of the contract had been fully enforced and a final settlement was arrived at after detailed negotiations with M/s Aeroflot in accordance with various provisions of the Lease Agreement.

3.8 Asked if Government ordered any inquiry and asked the Corporation to fix responsibility for not maintaining proper records of flights and non-enforcement of the provisions of the Contract with Aeroflot with regard to lease of TU-154 aircraft by IA, the Ministry replied as follows:

“The Ministry has asked Indian Airlines to fix responsibility and take appropriate action against the concerned officials for dereliction of duties in this regard.”

IV. WASTEFUL EXPENDITURE ON TRAINING OF PILOTS

4.1 Indian Airlines sent 152 Pilots to France for training in 1989-90. The Corporation could not utilise their services fully after their training.

4.2 Audit has observed that selection of Pilots for training on A-320 Aircrafts acquired by the Corporation was not proper. Four Pilots & two training officers trained by IA in 1989 & 1990 resigned or sought voluntary retirement and left IA after completing the training abroad.

4.3 When the Committee desired to know whether any Undertaking was obtained from Pilots who have been trained on A-320 aircraft, the CMD, IA replied as under:

“No bond was taken for that.”

4.4 On being asked why no bond was obtained from the Pilots, a representative of IA stated as under:

“At that time, an attempt was made to ask the Pilots to sign the bond in writing. And the first batch of Pilots did sign the bond. After that there was resistance from ICPA and pilots did not sign.”

4.5 Audit further observed that out of the 4 pilots who resigned 2 started technical training for six weeks but resigned in between, the other two Pilots completed technical training but had not reported for simulator Training. Upto 7th April, 1993, 134 Pilots have resigned/left Indian Airlines and 40 more served notices of resignation.

4.6 During evidence when the Committee asked what is the total cost incurred by the Corporation on the training given to Pilots at France, a representative of IA stated as follows:

“It was free of cost. Only TA/DA was given.”

When asked to clarify further, the witness stated that the Pilots were paid Rs. 90,000/- each towards daily allowance. The amount spent per Pilot including the Air Journey, TADA lodging etc. comes to about Rs. 1.05 lakh. Thus the total amount spent by the Corporation on these 152 Pilots works out to Rs. 1.60 crore.

4.7 When asked the reasons for not recovering cost of training from final dues of Pilots who left IA and for not fixing responsibility for such a serious lapse, the Corporation in a written reply stated as follows:

“Under the then existing rules, Pilots resigned by giving one months' salary in lieu of notice of one month. Proportionate amount of liquidated damages towards the cost of training has been recovered from those Pilots who had not completed their bond period. Of the 106 Pilots who resigned only 5 were still covered under the bond. The

cost of training could not be recovered from most of the Pilots as they had completed their bond period under the then prevalent requirement. There are no means available with the Corporation to recover the cost of training from such Pilots."

4.8 When asked whether the resignation have to be accepted before a Pilot leaves the Corporation the CMD, IA stated during evidence as follows:—

"Strictly speaking, resignation should be accepted before one leaves."

4.9 The Committee asked if the Corporation informed the Pilots of non-acceptance of their resignations and that it would be dereliction of duties. The CMD, IA stated during evidence as under:—

"No action was taken. this was a lacuna in the Rules. In March, 1993, the Corporation amended the rules."

4.10 When asked as to how many Pilots were trained by IA in India and France and expenditure incurred on them, IA in a written reply stated as follows:—

"Training in France

152 Pilots (106 P1. and 46 P2) were sent to France for A-320 training which was free of cost. These pilots were paid only TADA.

Training in India

37 P1 on B-737 aircraft were sent to CTE for conversion training and 113 P2 on B-737 were sent for conversion as Co-Pilots from 4.3.1991 till date. The conversion cost of 37 P1s and 113 P2s of B-737 aircraft trained at CTE, was approximately Rs. 6.50 crores (37 × 4.80 lakhs + 113 × 4.15 lakhs)."

4.11 Audit observed that at the inhouse training centre at Hyderabad. Indian Airlines incurs on an average Rs. 15 to 22 lakhs on training a Pilot on A-320. 33 Pilots were trained in 1991 of which 3 resigned between July and September, 1992 and one joined Air India. The Corporation did not recover any amount spent on their training. Indian Airlines suffered a loss of Rs. 60 lakhs on training of 4 Pilots.

4.12 During evidence the Committee wanted to know whether the Pilots gave notice as required under rules before resigning, the CMD, IA stated that they did not give notice but deposited one month's salary in lieu thereof.

4.13 Asked on what criteria the Pilots are deputed for conversion on different aircrafts, IA stated that the conversion of Pilots from B-737 to A-320 is done according to the following pattern:

Trainee Pilot to B-737 Co-Pilot	Minimum 250 hrs.
B-737 Co-Pilot to A-320 Co-Pilot	Minimum 500 hrs.
A-320 Co-Pilot to A-300 Co-pilot	Subject to requirement.
A-300 Co-Pilot to B-737 Commander	Minimum 1500 hrs. and subject to requirement.
B-737 Commander to A-320 Commander	Minimum 1500 hrs. and subject to requirement.
A-320 Commander to A-300 Commander	Subject to requirement.

4.14 When the Committee wanted to know the extent to which the operational schedule of IA got affected by exodus of Pilots and the resultant loss in terms of revenue and under-utilisation of fleet, IA in a written reply stated:

"The exodus of Pilots occurred from June, 1992 and effected utilisation of B-737 fleet most. Utilisation of A-320 aircraft and A-300 aircraft was also adversely effected as some Pilots on these aircraft also resigned. Loss of cash surplus on reduction in flying hours due to exodus of Pilots is estimated at about Rs. 94 crores per annum, as under:

	A-300	A-320	B-737
Shorfall of hours	745	6600	33600
Cash Surplus per hour(Rs.)	90000	79100	10500
Loss of Cash Surplus (Rs. in crores)	6.70	52.20	35.28

Total: Rs. 94.18 crores"

4.15 On the question of the number of Pilots who left IA during the last three years, IA in written reply stated:

"20 A-320 Pilots have submitted the resignation from the service of Indian Airlines from 1989 till date. These Pilots were trained at Toulouse/CTE, Hyderabad. The total loss suffered by Indian Airlines on this account is approximately Rs. 23.50 lakhs which is towards TADA only.

However, the total number of Pilots who have resigned during the last 3 years is as below:

1991	2
1992	66
1993	39
Total	<u>107</u>

One Pilot took back his resignation subsequently."

4.16 On the question if any enquiry was conducted or responsibility fixed by IA for not safeguarding the interest of the Corporation in this matter, the IA in a written reply has explained the position as noted below:

"Out of 106 resignations of 64 Pilots have been accepted. 5 of these Pilots are covered under the Bond. Proportionate amount of liquidated damages have been recovered from 3 of them. Legal notices have been sent for recovery of amount to remaining two Pilots before communication of acceptance of resignations.

Resignations of remaining 43 Pilots have not been accepted due to following reasons:

	1991	1992	1993
Resignations cannot be accepted as Pilots are serving a bond period	—	08	21
Resignations cannot be accepted as disciplinary cases are pending against the Pilots.	—	01	01
Resignations cannot be accepted as Pilots have to clear their loans after adjustment of their dues.	—	05	01
Resignations cannot be accepted as Pilots have not given due notice according to Service Regulations 13.	—	—	06
	—	14	29

It would thus be seen that interests of the Corporation have been safeguarded keeping in view the requirements of IA rules."

4.17 When asked what steps the Corporation took to make the Rules mandatory and obligatory, the CMD, IA stated during evidence that as per the rules obtaining after December, 1990 the Pilots have to execute a bond for Rs. 10 lakhs and serve the Corporation for a period of 10 years which

is extendable by 10 years for every subsequent endorsement. The Air Corporation rules are made by Government.

The old IA Service rule provided for one month's notice or one month's salary in lieu thereof. This has since been modified by extending the notice period to six months and there is no provision for payment of salary in lieu thereof. These amendments have been challenged in two High Courts, one High Court has struck down the order and now the matter is before the Supreme Court.

4.18 The Air Corporation Rules, 1954 provide that an employee of Indian Airlines selected for a specialised training has to execute an agreement before the commencement of training binding himself to serve the Corporation for a certain minimum period after the completion of the training or in the alternative to refund to the corporation sums paid to him by the Corporation during the period of training.

4.19 When the Committee asked whether the Corporation rules provide for execution of an agreement for a minimum period of service after training, the CMD, IA stated during evidence as follows:

"Yes, Sir. There is Rule 38 of the Air Corporation Rules, 1954 for execution of an agreement."

4.20 When further asked if it was a mandatory requirement, the witness clarified as follows:

"The Rule states that the Chairman may require execution of bond or in the alternative refund to the Corporation the expenditure incurred on the training. This is, therefore, discretionary."

4.21 When asked why Government did not consider it necessary to amend the rules so as to make the provisions regarding execution of bond mandatory particularly when the Pilots for A-320 aircraft were to be sent abroad for training and private air taxi operations were also to be introduced, the Ministry replied as follows:—

"At the time of induction of Airbus A-320s, the procedure was to take a bond when the Pilots were initially recruited in Indian Airlines. IA tried to introduce a fresh bond for the Pilots before sending them on training on A-320 aircraft. The Pilots were reluctant to sign any such bond and were unwilling to go for training if the bond was insisted upon. Since the aircraft were to be delivered to IA within a short time, Indian Airlines considered it appropriate to send the Pilots for training without insisting upon a fresh bond."

4.22 When asked if Government was aware of large scale exodus of Pilots from IA and the steps they are taking to check the same, the Ministry in a written reply stated as follows:

"The main reason is the higher remunerations offered by the Air Taxi Operators.

The following steps have been taken by Government/Indian Airlines to prevent the exodus of Pilots:

- (i) DGCA has issued a directive to all private Air Taxi Operators not to employ any employee of national carriers without a No Objection Certificate from the employer.
- (ii) Bond of Rs. 10 lakh has been introduced at the stage of initial appointment. The trainee has to serve 10 years. For subsequent endorsements similar bonds have been prescribed.
- (iii) Earlier any employee could resign by giving one month's notice or one month's pay in lieu thereof. IA Employees' Service Regulations have been amended. Now a notice of six months is required to resign.
- (iv) Allowances of Pilots have been revised and now linked with productivity."

V. DELAY IN COMMISSIONING OF JET ENGINE SHOP

5.1 A project of IA for setting up a modern Jet Engine overhaul facility in New Delhi was approved by Government of India in 1984 at a cost of Rs. 14.95 crores with foreign exchange component of Rs. 4.57 crores.

5.2 Aud it has observed that a turnkey contract was given in November 1985 for Rs. 14.95 crores. The project was to be commissioned in three phases by May 1988.

5.3 Audit further observed that Joint inspection was conducted in October, 1988 and discrepancy report was sent to contractor in November, 1988. The facility remained under lockout by contractor between 6th February to 19th May, 1989.

5.4 On the question why IA did not draw phases-wise schedules for completion of the project, IA in a written reply stated as follows:

"As per the agreement with M/s. GETSCO Milestones (phase-wise time schedule) were clearly indicated and payments were required to be made based on completion of the activity as indicated in the relevant milestones. It may be further stated that the payments were released only after ensuring activity having been accomplished as indicated in the relevant milestone."

5.5 The Committee are given to understand that one of the factors for increase in project cost was computerisation of test centre which was taken up separately at a cost of Rs. 1.10 crores approx.

5.6 When asked if IA took Government approval for the increase in project cost, the Corporation stated in reply that as the increase in the project cost is mainly due to exchange rate variation, it did not require the approval of Government.

5.7 Asked why the project cost increased inspite of the fact that it was awarded on a turnkey basis, IA stated in reply as noted below:

"The project cost has gone up in Rupee terms from Rs. 13.04 crores to Rs. 16.45 crores *i.e.* 26% increase (excluding the element of additional work of Rs. 1.10 crores). The increase in Indian Rupee cost is mainly due to exchange rate fluctuation."

5.8 IA failed to impose a penalty of Rs. 1.6 crores (being 10% of revised project cost of Rs. 16.05 crores) in terms of the agreement with the contractor and inspite of the favourable legal opinion obtained by it in April 1989. The contractor was paid Rs. 13.55 crores upto May 1991.

5.9 Asked whether any penalty was imposed for the delay, the CMD, IA stated during evidence that a decision was taken by the negotiating teams

which has to be approved by the Board. The penalty was being imposed and that full payment has not been made as yet.

5.10 Audit observed that on a proposal of the contractor for beneficial occupancy of the Engine Test facility and an undertaking to the effect that acceptance by IA could be subject to completion of discrepancies pointed out by IA, the Corporation in contravention of the understanding issued a certificate of acceptance in February, 1990.

5.11 When asked further why no responsibility for such acceptance was fixed, the Corporation stated:

“Since there was adequate justification for acceptance of beneficial occupancy, there is no question of responsibility being fixed on any individual.”

5.12 When asked why certificate of acceptance was issued before defects could be rectified by the contractor in project, IA stated in reply as follows:

“The beneficial occupancy was considered essential keeping in view the various constraints faced by M/s. GETSCO including the court case, so that the installation/commissioning of various equipments could commence and simultaneously Indian Airlines staff could move progressively into the Facility to start the exercise of inspection/acceptance of the equipment having been progressively received over a period of time. Thus it would be seen that beneficial occupancy was to reduce the time gap. Further as per the Contractor the equipment like Balancing Machine already available with Indian Airlines was also required to be shifted and commissioned in the new Facility. As a result of which the progress of work on Hot Section Inspection/Rectification of JT8D engines had come to a standstill. With the beneficial occupancy this work could commence expeditiously. As stated above, the beneficial occupancy Certificate was issued with certain conditions.”

5.13 Audit observed that use of shop equipment, testing and commissioning started in phases by January, 1991 with the result that the project was fully ready only by July, 1992 instead of May, 1988 *i.e.* a delay of over 4 years. The facility still needs rectifications/replacement of cranes etc. in Test cell and Repair Centre.

5.14 When asked what is the capacity of the Engine shop, the CMD, IA stated during evidence as follows:

“Between August, 1992 and July, 1993 the production had been: Hot Section Inspection 9 Engines, Rectification 13 Engines, Heavy

Maintenance—1 Engine, V2500 Engine Building—47 and Modification of JT8D Engines — 275.”

5.15 On being enquired about the capacity utilisation, the witness stated as under:

“It would be about 15 percent. It takes three-four years for full capacity utilisation to be built up. This project has been delayed by four years.”

VI. GENERAL

6.1 The Committee understand that Government has appointed a Committee to review the air traffic estimates.

6.2 Asked when the Committee appointed on air traffic assessment is likely to submit its report, the Ministry replied as follows:

“This Committee was appointed on 6.9.1993. Its report is expected by the end of December, 1993.”

6.3 It has come to the notice of the Committee that Government have repealed the Air Corporation Act, 1953.

6.4 The Committee understand that Government has recently appointed a new Managing Director of Indian Airlines and that a Joint Board for Air India and Indian Airlines was constituted comprising of officials, travel trade representatives, hoteliers and representatives of backward and scheduled castes. A joint Chairman for both Air India and Indian Airlines has also been appointed.

6.5 It has come to the notice of the Committee that Indian Airlines has incurred a staggering loss of Rs. 226.45 crores for the nine month period ending December 31, 1993 due to substantial increase in operation by air taxi operators (ATOs) in the country. The loss is likely to cross Rs. 250 crore mark by the end of the current financial year. The Government is reportedly seized of the situation and certain steps are being taken to overcome the problem so as to enable the airline compete with private ATOs.

PART B

CONCLUSIONS AND RECOMMENDATIONS OF THE COMMITTEE

1. The Committee's examination of Audit observations in respect of certain aspects of the functioning of Indian Airlines revealed serious lapses, administrative laxity, indecisiveness and delay in taking decisions both on the part of the Corporation as well as Government which resulted in huge losses to the Corporation with regard to Under Utilisation of fleet before and after induction of Airbus A-320s, Wasteful expenditure on training of pilots and Delay in Commissioning of Jet Engine Shop etc. The Committee's findings in respect of these are dealt with in the succeeding paragraphs.

2. The Committee note that Indian Airlines contracted for purchase of 19 Airbus A-320 aircraft in 1986 for delivery between June 1989 and March 1990 with an option to purchase 12 more aircraft. The Corporation received 15 aircraft between 27th June, 1989 and 9th February, 1990 and put them into commercial operation as and when received. It exercised the option in June, 1989 for delivery of the 12 additional aircraft between December, 1990 and January, 1992.

The Committee regret to note that Government permitted induction of such a large fleet by IA in one single year merely on the presumption that the three year intervening period between 1986 and 1989 as sufficient for induction. They are further distressed to find that Government did not properly assess, scrutinise and evaluate the project report submitted by IA inspite of the fact that it involved a major and important decision for introduction of a completely new type of aircraft viz. A-320. They did not go into the details of the preparedness of IA for flying this kind of aircraft and simply relied on the Corporation's assessment. The Committee are constrained to observe that the Corporation in turn failed to operationalise the project on two crucial accounts viz. training of operational staff *i.e.* Pilots & engineers and setting up maintenance facilities.

3. The Committee are dismayed to find that Government have not bothered to enquire from the Corporation as to why it could not operationalise the project of induction of A-320 fleet and that there are no records available with Government to verify as to why this was not done. It is disquietening to note that Government expressed its inability to fix responsibility on officers of the Corporation by taking a stand that the Chief Executive and other high level functionaries of the period 1986-90 have left the organisation. The Committee also find that the representative of the Ministry on the IA Board also could not do much in operationalising or reviewing the progress of operationalisation of the project for induction of A-320 aircraft.

4. The Committee also note that the Government suspended the operations of the entire fleet of Airbus (A-320) on 19.2.1990 following a fatal accident in February, 1990 involving one of the Airbus A-320 at Bangalore killing 92 persons on board. Following the accident, a technical Committee under the Chairmanship of Air Marshall S.S. Ramdas found that the IA management lacked the necessary infrastructure and training facilities for their operation coupled with lack of detailed planning & coordination and failure to systematically analyse the magnitude and complexity of the project envisaging induction of large fleet of sophisticated aircraft.

The Committee regret to note that Government did not permit resumption of A-320 services on one or the other plea despite a successful test flight of one A-320 aircraft in July, 1990 and subsequent evacuation of Indian nationals from the Gulf in September, 1990. The Corporation too, failed to lease any aircraft though it was well aware that even after a decision was taken for reinduction of A-320 all the grounded aircraft could not be put into operation simultaneously. The Committee are further perturbed to know the view of the Secretary, Civil Aviation that accidents provide a painful opportunity to make an appraisal of the shortcomings. They need hardly emphasise that all efforts should in fact be directed towards preventing accidents and not viewing them as opportunities for making appraisals. The Committee, therefore, desire that Government should evolve a system of timely appraisal/reviews of the functioning of the undertakings under their control so that precious lives and huge amounts in foreign exchange are not lost in avoidable accidents.

5. The Committee are dismayed to find that though Government and the Corporation accepted the Ramdas Committee Report and implemented the recommendations contained therein, the Government or Corporation did not take any action for fixing of responsibilities for the lapses pointed out by the Ramdas Committee. They are further displeased with the stand of the Government that it laid greater stress and were anxious to find ameliorative ways of taking corrective action for lapses rather than going in for punitive action. The Committee are of the firm view that had timely punitive measures been taken, the same would have had definitely a great deterrent effect and such steps are absolutely necessary for better accountability. At this stage the Committee cannot but express their displeasure over this lapse and desire that in future at least the Government should be more vigilant on this account.

6. The Committee note that IA did not take delivery of the remaining 4 aircraft out of the fleet of 19 contracted in 1986, subsequent to the grounding of the entire fleet, following the crash of one aircraft in

February, 1990. The Committee take a serious view of the fact that the Government failed to take any action for complete two months on IA's formal request (March, 1990) for appointment of a Committee to conduct negotiations and discussion with Airbus Industries for delaying delivery of the remaining four aircraft. It was only in May, 1990 that Government authorised the Corporation to take delivery and re-sell the 4 aircraft and lease the 14 aircraft (grounded earlier) for a period of six months.

The Committee are surprised to find that no time limit was prescribed by Government for the Committee appointed by the Corporation on resale/lease to submit its report or decide the course of action to be taken in a matter in which the Corporation was expected to take swift and speedy action. Equally appalling is the fact that this committee took nine long months to deliberate over the issue of resale/lease and all this time, the Ministry also did not find it necessary to call for any status reports from the Corporation, particularly when the prime objective of Government in authorising the Corporation to lease the aircraft was to minimise the cash loss being incurred on the grounded aircraft. What is more disappointing is that the Committee on lease/resale decided in August, 1990 that leasing option need not be pursued any further on the specious plea that offers received (between US\$ 2.0 to 3.5 lakh per aircraft per month) were below the asking rate of US\$ 4.75 lakhs per month per aircraft. It is all the more surprising that the Corporation informed the Government of its decision to this effect only in April, 1991 after a delay of more than eight months. The Committee find that in the ultimate analysis the Corporation landed itself in a Penny wise - Pound foolish' situation and lost an opportunity to recover even the cost of depreciation of the A-320 aircraft @ US\$ 1.85 lakh per aircraft per month.

7. The Committee are constrained to observe that the apathetic approach of the Corporation and the Ministry coupled with delay in arriving at decisions and reversal of decisions etc. at crucial times resulted in the loss of about Rs. 50 crores which could have been earned had the 14 aircraft been leased even for six months. The Government failed to fix responsibility for the loss in this respect also. The Committee desire that an inquiry be conducted and the Committee may be apprised of the result of the enquiry and the action taken by Government in the matter.

8. The Committee are distressed to note that there was under utilisation (June 1989 to January, 1990) of the fleet even prior to grounding of A-320 in February, 1990. The Corporation could attain utilisation of only 5.7 hours per aircraft against the planned utilisation of 7.7 hours per aircraft mainly on account of industrial unrest and resignation of pilots. The Corporation incurred a net revenue loss of Rs. 56.23 crores for the period July to December, 1990.

Besides, the exercise of option by the Corporation for purchase of 12 additional A-320 aircraft despite the under utilisation of the already

existing fleet and the subsequent staggering of their delivery schedule also resulted in cost escalation by about Rs. 53 crores. While the Committee take note of the agreement entered into by Government with ICPA revising the flight duty time limitation enabling pilots to fly longer hours as a measure of improving the capacity utilisation of the existing fleet of A-320, they wish to stress that handling of the entire matter of under utilisation of fleet as a result of grounding of A-320 by IA Board was very casual and left much to be desired. The Committee desire that Government review the whole matter of under utilisation of fleet not only in respect of A-320 aircraft but also other aircrafts operated by the Corporation and take corrective measures to improve utilisation particularly in the light of the ever increasing stiff competition posed by private air taxi operators. Every effort must be made to remove general negative impression of the public by providing efficient services. They further desire Government to strictly implement the mandatory guidelines issued recently in respect of operation on non-economic routes by all airlines. The Committee would also like to be apprised of action taken by Government in this regard.

9. The Committee's examination of the audit paragraph on payment of idle wages to flying crew has revealed the fact that the Corporation has not taken any steps till date to recover the interest free advances totalling Rs. 66.12 lakh paid to pilots between June 1990 and November, 1991. The interest free advances were in lieu of flying allowances. Surprisingly, these advances were in addition to the normally salary and allowances paid to pilots.

The Committee are constrained to observe that the only explanation for the payment of advances was the hardship being faced by the pilots consequent to grounding of the fleet of A-320 aircraft after the Bangalore crash. It is regrettable that the Corporation did not take any bond or undertaking from the pilots before these payments were made and the management failed to recover the advances despite clear direction from the Board that these amounts were to be treated as advances to be recovered in 12 monthly installments.

10. The Committee fail to understand the rationale for making the payment of advances to pilots even upto November, 1991 while it is pertinent to mention here that the services of A-320 aircraft were resumed about a year earlier. It is indeed disquieting to observed that the Corporation failed to discuss with the ICPA, the issue relating to recovery of the interest free advances paid earlier, even at the time of signing an agreement with the Pilots in February, 1993 revising their Meal allowances etc. retrospectively from January, 1990.

The Committee are displeased that despite being aware of the contentious payments made by the Corporation to the pilots, the Ministry have not given any directions to IA towards its recovery. The Committee also note

that the issue of recovery of these advances is still pending final decision of the IA Board. The Committee, therefore, desire that no further time should be lost by Government in taking steps to recover the advances from Pilots. They would also like to be apprised of the action taken in the matter at an early date.

11. The Committee note that Indian Airlines leased in an aircraft (TU-154) from Aeroflot for one year from May, 1989 to April, 1990. They are dismayed to learn that the Corporation wrongly paid a penalty of Rs. 50.84 lakhs for shortfall in utilisation of leased aircraft in spite of clear contractual provision that if the lessor failed to make available the aircraft for minimum utilisation of 180 hours per month no penalty is payable by the Corporation. According to the Corporation, the under utilisation was due to the non-availability of the aircraft. The total shortfall in utilisation was 169.29 hours during the one year period. The Committee's examination revealed that the lessor had disputed the veracity of the claim of the Corporation on the actual number of flights cancelled due to fault of the lessor. It was also admitted that the records were not properly maintained by the Corporation in this regard which forced the Corporation to arrive at a negotiated settlement with the lessor, i.e. M/s. Aeroflot. It is thus evident, that IA failed to enforce the contract with Aeroflot correctly.

What is more disappointing is that the Corporation has failed to fix responsibility on officers who were responsible for enforcing the contract correctly. The claim of the Corporation that in the light of the ultimate analysis of the negotiated settlement arrived at with M/s. Aeroflot it stands to gain, is incomprehensible to the Committee. The Committee are deeply anguished that the Corporation failed to take any action on the Ministry's directive for fixation of responsibilities in the matter. They desire that Government should take suitable steps to initiate fixing of responsibility for non-enforcement of the lease agreement by the Corporation and probe into the reasons for not maintaining proper records by the Corporation in respect of this contract with Aeroflot. The Committee would like to be apprised of the action taken by Government thereon.

12. The Committee find that Indian Airlines sent 152 pilots to Toulouse (France) in 1989-90 for training on A-320 Aircrafts acquired by it. Of these, 20 A-320 pilots have resigned after completion of training abroad. The Committee are shocked to find that no bond was obtained by the Corporation before sending them for training from all these pilots for serving the Corporation for a minimum period after completion of training. It is disquieting that though the first batch of pilots signed the bond and the subsequent ones led by the ICPA resisted and did not sign the bond. It is pertinent to mention here that most of the pilots sent for training by IA had completed the initial bond period. The amount spent by the Corporation on training of pilots in France and India comes to about Rs. 1.60 crores and Rs. 6.50 crores, respectively.

The Committee are perturbed over the helplessness expressed by the

Corporation that the then existing rules of IA did not provide any recourse for recovery of the cost of training from the pilots on resignation. The Committee are of the view that timely action should have been taken by the Corporation to incorporate necessary amendments in the rules.

13. The Committee's examination of the provisions contained in the Air Corporation Rules, 1954 in respect of the conditions governing an employees's specialised training revealed that Rule 38 of the Air Corporation Rules, 1954 stipulates that an agreement has to be executed binding the employee to serve the Corporation for a specified minimum period before the commencement of the training or in the alternative refund to the Corporation sums paid by it towards the cost of training. The Committee, however, were given to understand to their utter disbelief that the Corporation is not enforcing the said provision as a mandatory requirement but it was rather left to the discretion of the Chairman of the Corporation.

14. The Committee are constrained to observed that the Corporation did not even point out the lacuna in the rules framed by the Government. The Committee are given to understand that the rule which has now been modified was challenged by ICPA and that the matter is pending for final settlement before the Supreme Court. The Committee would like to be apprised of the outcome of the case.

15. The Committee are deeply distressed to note that due to reluctance of pilots to sign a fresh bond for training and their subtle threats of disobedience, Government buckled under the pressure tactics adopted by ICPA and sent them for training without insisting upon a fresh bond. In the Committee's view the lacuna in rules was the prime factor in giving a fillip to the exodus of more than 100 pilots from the Corporation to private air taxi operators. This resulted in under utilisation of fleet and the Corporation is suffering a loss of Rs. 94 crores per annum on this account alone. The Committee note with caution the steps Government are taking to check the exodus of pilots and other trained personnel from the Corporation. However, the Committee would like to urge upon the Government to strictly enforce the directive issued to Private Air Taxi operators on employment of personnel from the national air carriers viz. Air India, Indian Airlines etc.

The Committee desire that Government should take adequate steps to enforce and strengthen the IA Service regulations as well as to provide incentives/disincentives for ensuring better productivity/poor performance respectively of the IA personnel.

16. The Committee observe that Government approved in 1984 a project of the Corporation for setting up a modern Jet Engine overhaul facility at New Delhi costing Rs. 14.95 crores including foreign exchange component of Rs. 4.57 crores. The Corporation awarded a turnkey contract in November 1985 for commissioning of the project in three phases by May, 1988. The

Committee regret to note that the project was completed only in July, 1992 after a delay of over four years which contributed to the cost escalation of the project. Not only was the project delayed but an element of additional work of computerisation of the Test Centre involving a cost of Rs. 1.10 crore was added which was not part of the original project. The Committee are of the opinion that much of the time and cost overrun could have been avoided had the project been conceived and monitored properly.

17. It is furthermore distressing to note that the Corporation have failed to impose penalty of Rs. 1.6 crores on the revised cost of the project in spite of such provision existing in the agreement and a favourable legal opinion obtained by the Corporation. What is more disappointing is that the Corporation issued a certificate of acceptance of the engine facility in 1990 at the half way stage on a proposal of the contractor. It is further surprising that the certificate of acceptance was issued before rectification of the discrepancies pointed out by the Corporation during a joint inspection were carried out by the contractor. The Contractor failed to carry out the rectification of discrepancies and replacement of equipment even upto July 1992. The Committee are displeased to note that the Corporation also failed to fix responsibility in this case too. The Committee desire that Government should take steps to fix responsibility for issue of acceptance certificate to contractor before rectification of discrepancies and for failure of the Corporation to get the revised costs and additional work approved from the competent authority. They also desire that the facility should be got completed in all respects without further loss of time. They would like to be informed of the action taken by Government in this regard.

18. The Committee are constrained to observe that the Engine shop is running at about 15 percent of its capacity. The Committee desire that the working of the engine shop should be toned up urgently with view to improve the capacity utilisation. They would like to be apprised of the steps taken by Government in this direction within three months of the presentation of this Report.

19. The Committee note that air traffic estimates are under review by a Committee appointed by Government which was expected to submit its report by the end of December, 1993. The Committee desire that Government should expeditiously process the report submitted to it and apprise the Committee of its findings as well as the action taken thereon.

20. The Committee also note that the Air Corporations Act, 1953 has recently been repealed by Parliament. The Committee expect that with the appointment of a full time Managing Director in the Indian Airlines and the constitution of a joint Board for Indian Airlines and Air India, the performance of the undertaking would register an all around improvement over the situation as existing now. The Committee take a serious note of the mounting losses being incurred by the Corporation which are likely to be in the region of over Rs. 250 crores as at the end of the current financial year. In the Committee's view, the health of the Corporation calls for a thorough

review and urgent steps on the part of Government for its revival and to bring it back on rails to enable it to face the tough and cut throat competition posed by private Air Taxi Operators (ATOs) as a sequel to the repeal of the Air Corporations Act. The Committee would like to be apprised of the result of the review and the action taken thereon.

21. As a result of the examination of the subject, the Committee are constrained to find various lapses in the functioning of Indian Airlines, which have been pointed out in the preceding paragraphs. They desire that individual officers responsible for these lapses should be identified and appropriate action be taken against them.

NEW DELHI;
April 28, 1994

Vaisakha 8, 1916 (Saka)

VILAS MUTTEMWAR,
Chairman,
Committee on Public Undertakings.