

Standing Committee Report Summary

Performance of Civil Aviation in India

- The Public Accounts Committee (Chairman: Dr. Murli Manohar Joshi) presented its 93rd report on the performance of civil aviation industry in India on February 6, 2014.
- The Committee was concerned with manner of Air India's 2005 decision to purchase 68 aircrafts, despite several reservations, concerns and recommendations to the contrary. It criticised poor planning leading to bulk purchase of aircrafts in 2005 and deferral of delivery in 2009 to due to concerns about rising debt at Air India. The Committee sought an explanation from the government for its decision to provide a guarantee for the purchase despite the advice from the Ministry of Finance to the contrary.
- The Committee was concerned that both Air India and Indian Airlines did not identify benchmark market prices before initiating aircraft purchase negotiations with manufactures. It recommended that all future purchases be made only after an assessment of market conditions and global traffic scenario.
- Noting the delay in delivery of aircrafts to Air India, the Committee recommended urgent steps to initiate the claims for liquidated damages. Noting the defects in Boeing 787-8 aircrafts purchased by Air India, it asked for details of action taken to seek compensation from the manufacturer.
- The Committee asked the Ministry to provide the reasons for non-materialisation of financial gains expected from the Air India-Indian Airlines merger and post-merger financial details of Air India.
- The Ministry had constituted a committee under chaired by Justice (retd.) D.M. Dharmadhikari to study the human resource issues arising from the merger. The Committee asked for recommendations of the Dharmadhikari Committee and their implementation status. It urged the Ministry to complete the integration of human resource functions of Air India and Indian Airlines at the earliest.
- The Committee was concerned that Air India's membership of the multi-national Star Alliance of airlines had been put on hold. It asked for details of steps taken by the Ministry and Air India to attain membership or to get the refund of the entry fee.
- The Committee noted that the Indian airlines' utilisation of outbound international flying rights, available under bilateral agreements, is lower than the utilisation of inbound flying rights by foreign airlines. It sought an explanation for such a situation and the efforts made to restore balance.
- The Committee opined that the bilateral agreements with Dubai have failed to secure the commercial interests of Indian airlines. It noted that the flying rights for Dubai based airlines have been increased repeatedly despite the reservations expressed by Air India. It recommended immediate corrective steps to protect the interests of Air India.
- The Committee stated that excess entitlements granted to foreign airlines allowed them to capture the traffic between India and USA/UK/Europe. The Committee was not convinced with the Ministry's explanation that it was unaware of the issues with such an arrangement, as highlighted by Indian airlines.
- The Committee observed that Air India was advised by the Ministry to purchase ultra-long range aircrafts for India-USA operations, despite the history of the route being commercially unviable. It recommended that responsibility for forcing Air India to operate on uneconomic routes and consequent losses be fixed.
- The Committee remarked that the operational performance of Air India has seen a significant deterioration from 2005-06 to 2010-11 and all out efforts to revamp the performance are needed.
- Air India has submitted a Turn Around Plan and a financial restructuring plan, seeking Rs 30,231 crore equity infusion from the government. The Committee suggested that the equity infusion be expedited.

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