

CHAPTER III : MINISTRY OF CIVIL AVIATION

3.1 Inefficient management of Haj Operations

Ministry of Civil Aviation (MOCA) provides Haj subsidy on account of the difference between the airfare paid by pilgrims sponsored by the Haj Committee of India (HCOI) and the costs charged by the airlines making transport arrangements – Air India, Indian Airlines, (since merged into NACIL) and Saudi Arabian Airlines. However, examination of subsidy payments for Haj operations from 2002 to 2006-II amounting to Rs. 1398.91 crore (subsidy payments for Haj 2007 to 2009 had not been finalised) revealed inadmissible payments of Rs. 51.34 crore as well as payments of Rs. 125.77 crore, for which adequate justification/ details were not on record, over and above the approved rates for Haj operations. The absence of detailed guidelines for determining admissible elements of subsidy, enabled claims for numerous elements of cost, irrespective of their reasonableness or admissibility, which was compounded by lack of systematic procedures for independent verification and scrutiny of Air India's claims.

Audit is of the view that the current procedures do not incentivize efficiency and economy of Haj operations by Air India/ India Airlines, as the reimbursement is on cost basis, and recommends that the Ministry consider a well-defined competitive tendering mechanism amongst different airlines to ensure the lowest cost to Government of Haj subsidy. If the Ministry intends to continue operations on negotiated discussions with NACIL on cost basis, then detailed guidelines for admissible expenses need to be framed, procedures for effective scrutiny of subsidy claims need to be systematized, and strict timeframes for submission, scrutiny and settlement of claims need to be laid down.

3.1.1 Haj Movements

The responsibility for making arrangements for Haj pilgrims from India is shared by several Ministries/ agencies:

- The Ministry of External Affairs (MEA) is the administrative Ministry vested with the responsibility of making overall arrangement for Haj affairs, and the Consulate General of India, Jeddah is the nodal agency for arrangements for Haj pilgrims sponsored by the Haj Committee of India (HCOI).
- The HCOI, commonly known as the Central Haj Committee (CHC), is responsible, under the Haj Committee Act 2002, for making arrangements for the pilgrimage of Muslims from India for Haj.

- The Ministry of Civil Aviation (MOCA) is the nodal agency, responsible for handling the movement of Indian pilgrims by air¹. Haj flights are undertaken by Air India (AI)² and Indian Airlines (IA) in association with Saudi Arabian Airlines (as per a bilateral agreement between India and Saudi Arabia), and these operate currently from 17 embarkation points³ in India.

Air India handles Haj operations, partly using its own fleet of aircraft, and partly by chartering aircraft on wet lease⁴ basis. It is also the nodal agency for air chartering, and representatives of the HCOI, MEA, MOCA and DGCA⁵ are associated for air charter negotiations.

Haj operations are handled in two phases – Phase I flights start from various Indian embarkation points and land at Jeddah/ Madina, and Phase – II involves return flights from Jeddah and Madina to Indian airports.

3.1.1.1 Haj Subsidy

Haj subsidy is the difference between the fare paid by HCOI pilgrims and the fare charged by the agencies that are making transport arrangements i.e. Air India, Indian Airlines, and Saudi Arabia Airlines. This subsidy is paid to AI by MOCA out of its budget provisions. From 1994 onwards, the two-way airfare payable by Haj pilgrims has remained static at the level of Rs. 12,000 per pilgrim, whereas the cost per pilgrim had increased to Rs. 51,610 during 2009. The expenditure on Haj subsidy, increased from Rs. 10.57 crores in 1994 to approximately Rs. 620 crore for the Haj 2009⁶.

A profile of the total number of Haj pilgrims sponsored by HCOI and the subsidy for the Haj Operations from 2002 to 2009 is depicted as follows:

¹ From 1995, travel for Haj by ship was discontinued, and Haj pilgrims from India travel only by air.

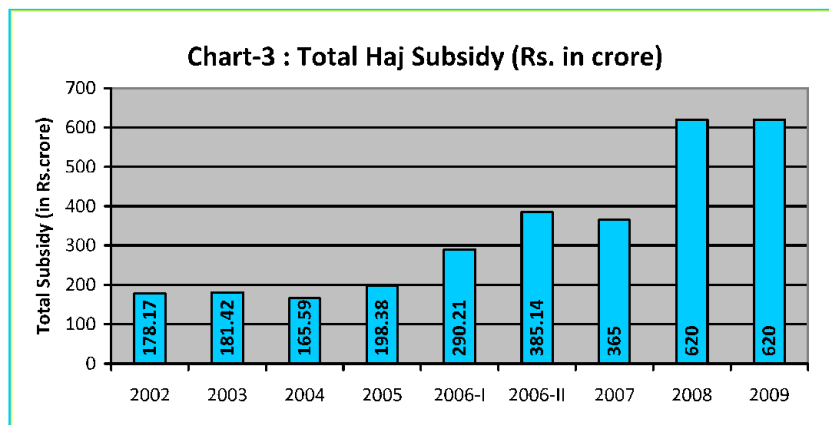
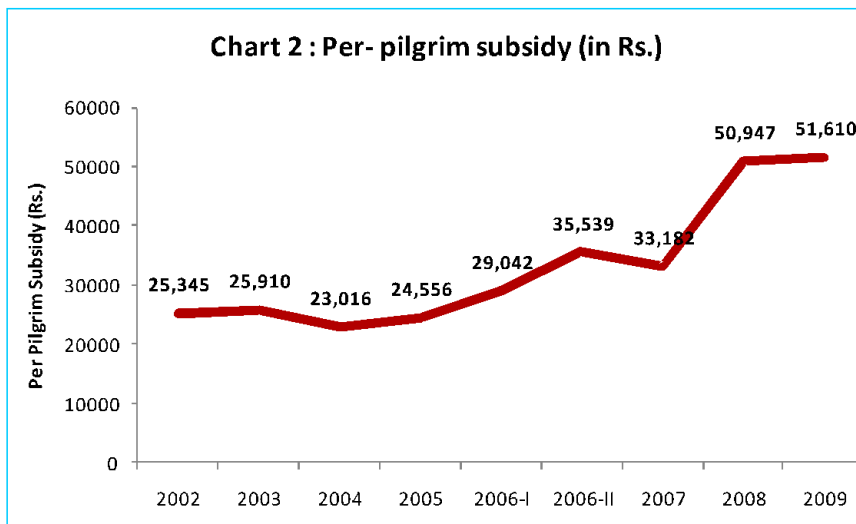
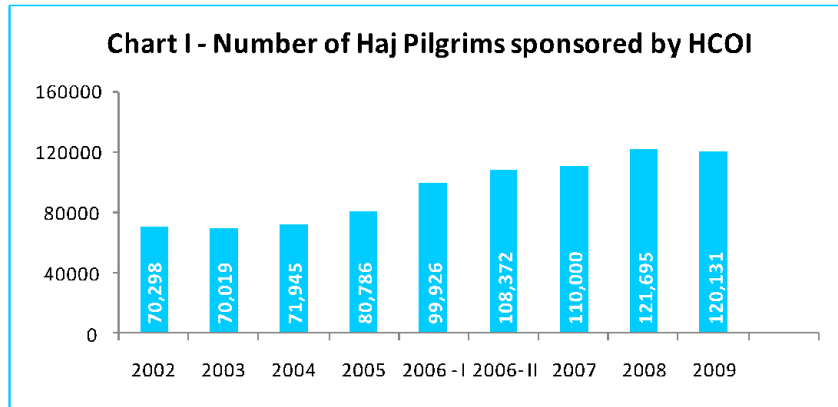
² Air India and Indian Airlines have been merged into the National Aviation Company of India Ltd. (NACIL).

³ Ahmedabad, Aurangabad, Bangalore, Calicut, Chennai, Delhi, Guwahati, Hyderabad, Indore, Jaipur, Kolkata, Lucknow, Mumbai, Nagpur, Patna, Srinagar and Varanasi.

⁴ The lease of an aircraft with flight crew is normally referred to as wet lease

⁵ DGCA: Directorate General of Civil Aviation

⁶ The final expenditure for the Haj 2007, 2008 and 2009 has still not yet been arrived at.



As regards subsidy payments for the 2007, 2008 and 2009 Haj operations, on account payments had been made to Air India. Though the final subsidy payment during 2007-09 could not be made available to audit, as per

information furnished by MOCA subsidy payments of Rs. 365 crore, Rs. 620 crore and Rs. 620 crore had been made for 2007, 2008 and 2009 respectively*.

The per-pilgrim air fare rates for Haj operations were as follows:

- From 2001, MOCA decided that the Haj traffic was to be taken care of collectively on a 50:50 basis by AI/ IA, and Saudi Arabian Airlines (SAA) at a fixed cost of US\$ 700 per pilgrim plus US\$ 10 as insurance surcharge. For pilgrims travelling from distant stations like Kolkata and Chennai, AI was permitted to charge 10 *per cent* extra, i.e. \$ 780 (inclusive of insurance surcharge) per pilgrim.
- SAA accepted these fares of \$ 710 and \$ 780 up to Haj 2005. However, for Haj 2006-I, they charged fares of \$745 and \$ 819, while for Haj 2006-II, they charged \$ 771 and \$ 847 as regular fare and fare for distant stations respectively.

As compared to the rates charged by SAA, the overall cost per pilgrim ultimately claimed by Air India from MOCA ranged between US \$ 940 to US \$1235 during Haj 2002 to 2006-II.

For each Haj operation, approval from the Cabinet is obtained on the basis of estimated expenditure, and a Memorandum of Understanding (MoU) is also signed between SAA and MOCA. Further, HCOI guarantees 99 *per cent* load factor in respect of the total seats to be provided by SAA.

Payment of the cost for carrying pilgrims for Haj by SAA is made by Air India on behalf of MOCA in the following manner:

- 30 *per cent* of the total amount is required to be paid two weeks before departure of first Haj flight from India;
- 25 *per cent* of the total amount is required to be paid on the day of the first Haj flight from India;
- 35 *per cent* of the total amount is required to be paid two weeks prior to the start of Phase-2 return operations;
- 10 *per cent* of the total amount is required to be paid after completion of Phase-2 operations on the basis of final figures of Phase-1 load. This needs to be settled no later than two weeks after the completion of Phase-2;

As regards payments to AI, 'on account' advance payments are made by MOCA through its budget, subject to final adjustment after completion of Haj

* Source: Data furnished by MOCA on 13th April 2010

operations. No norms or guidelines have been stipulated for such on account payments.

Detail of payments on account of Haj subsidy made for the last five Haj operations (2002 to 2009) and the periods to which they pertain, are summarized below:

Table 1

(Rs. in crore)

Financial Year	Haj 2002	Haj 2003	Haj 2004	Haj 2005	Haj 2006-I	Haj 2006-II	Haj* 2007	Haj* 2008	Haj* 2009
2001-02	14.96								
2002-03	110.00	60.00							
2003-04	45.95	93.00	55.65						
2004-05			60.00	164.90					
2005-06	2.72	18.03	0.92		250.00				
2006-07						373.91			
2007-08	4.54	10.39	49.02	33.48	40.21	11.23	365		
2008-09								620.00	
2009-10									620.00
Total	178.17	181.42	165.59	198.38	290.21	385.14	365	620.00	620.00

*Haj subsidy paid by MOCA does not reflect final subsidy payments.

3.1.2 Audit Scope

An audit of payment of Haj subsidy claims for Haj operations from 2002 to 2006 (Haj - I and Haj-II)⁷, covering policy and procedural aspects, was conducted in the MOCA.

Audit acknowledges the co-operation and assistance extended by the MOCA during the conduct of this audit.

3.1.3 Audit Findings

3.1.3.1 Lack of Policy and guidelines

In audit's opinion, the current procedures for air charter negotiations for leasing of aircraft do not incentivize efficiency and economy of Haj operations

⁷ Since subsidy payments for Haj 2007, 2008 and 2009 had not been finalized by the MOCA as of March 2010, these were not included in the scope of audit.

by AI/ IA, as the reimbursement is on cost basis. Audit examination revealed that the rates agreed with SAA were significantly lower than the overall rates ultimately claimed by Air India for Haj operations from 2002 to 2006 Haj-II. The lower pilgrim cost of SAA vis-à-vis AI and IA, indicates that AI and IA were not managing their Haj operations as efficiently and economically as SAA. Such inefficiency is ultimately charged to MOCA's account through higher subsidy payments.

Audit scrutiny, further, revealed that the absence of detailed rules/ framework for determining admissible subsidy payable to AI/ IA enabled these agencies to claim all expenses irrespective of their reasonableness or admissibility; this was compounded by lack of systematic procedures for independent verification/ scrutiny of AI claims, as well as monitoring.

3.1.3.2 Inadmissible Payments

Audit scrutiny revealed that in addition to the rates approved by the Cabinet for different Haj operations, inadmissible claims amounting to Rs. 51.34 crore over the period 2002 to 2006 were allowed and paid to AI, as detailed below:

Table 2

(Rupees in crore)

Category	Brief Details	Haj Periods	Amount
Additional Payments for technical halt at Sharjah	In terms of the Cabinet note of Haj 2005, IA was allowed reimbursement of parking, handling and landing charges (on cost basis) for a technical halt at Sharjah, due to its inability to operate direct flights to Jeddah with its aircraft. However, IA was allowed additional payments over these charges, primarily on account of aircraft fuel, pilgrim cost, and spares and components.	2002 to 2004	12.34
Higher Fares for Lucknow and Srinagar	The fare decided by the Cabinet in Haj 2005 was US\$ 700 per pilgrim, with 10 <i>per cent</i> extra chargeable for pilgrims travelling from farther stations like Kolkata and Chennai. The higher rate of US\$ 819 was made applicable for Lucknow only from Haj 2006 -I. The Ministry incorrectly allowed claims from AI @ US\$ 940 per pilgrim from Lucknow upto Haj 2005, although this was not covered by the Cabinet's approval. Similarly, AI carried 5602 pilgrims from Srinagar and claimed higher rate US\$ 780, instead of US \$ 710 which resulted in overpayment of Rs. 1.77 crore	2002 to 2006-II Haj 2005	9.15 1.77
Royalty to SAA	While the MOUs signed between the Ministry with SAA had no provision for payment of royalty, the bilateral agreements between SAA and AI provided for payment of royalty to SAA for shortfall in passengers carried vis-à-vis the allotted seats.	2002 to 2004	2.40

Payment for travel of CHC officials	SAA and AI made additional claims for subsidy on transportation of 129 passengers (including 48 HCOI officials), who were not selected as pilgrims through the stipulated procedure of draw of lots by HCOI. These were subsequently regularized by the Ministry through post facto approval. These passengers were in addition to the Haj goodwill delegations of the GoI, which has been covered in Paragraph 5.9 of the CAG's Audit Report No. CA 1 of 2008.	Haj 2004	0.44
Claims for excess number of passengers	For Haj 2004, the number of pilgrims certified by the Chartered Accountant was lower than the number for which AI was allowed payment.	Haj 2004 and Haj 2006-I	4.40
Claims for own flights at rates for leased aircraft	AI was allowed payment for 14,320 pilgrims transported in its own aircraft at higher rates corresponding to those paid for leased flights (Rs. 47,672), instead of at the rates stipulated in the Cabinet approval (Rs. 33,115). Instead of operating on "cost basis", AI was effectively obtaining profits at Gol's cost.	Haj 2006-I	20.84
Total			51.34

3.1.3.3 Payments without adequate justification/details

The following payments amounting to Rs. 125.77 crore were also allowed and paid to AI over and above the approved rates for Haj operations, for which adequate justifications/details were not available on record:

Table 3

(Rupees in crore)

Category	Brief Details	Haj Periods	Amount
Other Costs	These charges were claimed by AI, in addition to other charges like landing, handling, catering, navigation and other charges. However, details of these costs allowed by the Ministry were not available in its records. In the absence of such details, the authenticity of such expenditure, and their direct relation with Haj operations could not be verified in audit	2002 to 2006 – I and II	18.46
Direct and Indirect fixed costs	These charges were claimed by AI only for Haj 2006-I and II, and were allowed by the Ministry without details, in the absence of which their authenticity and relevance to Haj operations could not be verified.	2006- I and II	46.55
Miscellaneous Charges	In addition to the approved items of cost, AI claimed additional amounts on account of catering on ground due to delays, publicity and give-aways, VSAT and telephone expenses, purchases of computer equipment. While expenses on ground catering due to delays should have been avoided through efficient management of operations, the direct relationship of other expenses with Haj operations could not be vouchsafed in audit.	Haj 2002 to 2006-II	10.15
Additional Charges on positioning of aircraft	AI claimed additional amounts for positioning of leased aircraft from stations to an operating station as "ferry cost". Details of such costs, detailed justification for incurring of such costs due to positioning of aircraft, and efforts made by AI to minimize such costs through efficient management were not available in the	Haj 2005 to Haj 2006-II	24.87

	Ministry's records, in the absence of which the admissibility of such expenses could not be verified in audit.		
Excessive claims on account of hub and spoke operations	Hub and spoke operations were carried out by IA for carrying pilgrims to connecting AI flights to Jeddah, which were allowed by the Ministry at rates ranging from Rs. 3 to Rs. 5 lakh per flying hour, in the absence of any guidelines or norms. However, analysis revealed that the number of passengers per flight claimed was far less than the full capacity of 146 passengers for the A-320 aircraft used for such operations. The load factor was far less than the 99 <i>per cent</i> committed by HCOI for SAA operations to Jeddah.	Haj 2003 to Haj 2006-II	20.14
Penalty for under utilization of capacity	HCOI could not provide the requisite number of pilgrims in different Haj operations, for adhering to the load factor of 99 <i>per cent</i> stipulated in the MOU with SAA. Resultantly, SAA claimed and was paid Rs. 5.60 crores for under utilization of capacity of aircrafts during Haj 2003 to Haj 2006-II; this was, in turn, charged by AI to MOCA	Haj 2003 to Haj 2006-II	5.60
Total			125.77

3.1.3.4 Avoidable Payment of Interest Rs. 46.29 crore

For the Haj operations from 2002 to 2006-II, Air India claimed and was paid interest of Rs. 46.29 crore, since the on-account payments by MOCA did not cover the entire amount, and the residual amount had to be financed by Air India through commercial borrowings from the market. This interest was claimed, since dues on account of Haj operations were not settled promptly; in fact, the final payment of Rs. 4.54 crore for Haj operations of 2002 was made only in 2007-08. These interest payments could have been avoided, had claims been submitted, scrutinized and settled in time.

3.1.4 Expert Group to Review Haj Operations

In pursuance of a Cabinet decision relating to Haj 2006-II, an Expert Group was set up in February 2007 to review the policy for future Haj operations. The terms of reference relating to transport arrangement for this Expert Group were:

- The transportation arrangements for the pilgrims to Saudi Arabia and choice of the institution, to execute it, as well as the procedure for leasing/arranging aircraft.
- The fixing of air fare of the pilgrims and the related issues of subsidy and eligibility.

The recommendations of the Expert Group with regard to 'Transport Arrangements' were briefly as under:

- The fare should, preferably, be increased from the present Rs. 12,000 to Rs. 30,000 over a four year period with increase of around Rs. 5,000 per year. This would make the HCOI fares in consonance with fares paid by PTO⁸ pilgrims for Haj 2006 – I. The fares would, thereafter be linked to the average annual level of increase in airfares;
- Every effort should be made to bring down the AI fare to the level offered by SAA and to the PTOs in Haj 2006 –II, i.e around Rs. 32,000;
- There should be greater transparency in the negotiations with SAA and in the wet leasing of aircraft by Air India, and Air India operations in general;
- There should be oversight of the air transport for Haj operations by a committee constituted with the participation of the concerned Ministries, Air India and HCOI;
- The existing rule about pilgrims not repeating the Haj before five years to be implemented by HCOI should be strictly enforced; and
- The intimation of fare increase should be conveyed to the public as part of a wider package for improving the Haj bandobast and providing better facilities to Hajjis at embarkation points in the country and at Jeddah, Makkah and Mina.

The above recommendations of the Expert Group were discussed in a meeting of a Group of Ministers (GOM) held in August 2007, and the following decisions were taken:

- The recommendations of the Expert Group relating to air fare were accepted in toto, except that the airfare should be increased from the present Rs. 12,000 by Rs. 4,000 each year starting from the year 2007 over the next four years.
- MOCA would move a proposal to obtain the approval on the recommendations concerning air transport management. It would also

⁸ Private Tour Operator

consider and introduce measures to further decrease the actual cost of air transport arrangements.

However, despite the recommendations of GOM, there was no change in the airfare, which was retained at Rs. 12000 (i.e. the level in 1994) till May 2009, when the airfare was raised to Rs. 16,000. This, coupled with inefficient management of operations, resulted in huge amounts of subsidy.

3.1.5 Recommendations:

- ❖ The Ministry needs to consider, without further delay, a well defined competitive tendering mechanism, involving different airlines, to ensure the lowest cost to Government of Haj subsidy after giving the detailed estimates of pilgrims from different embarkation points. These should not be left to negotiated discussions with NACIL on “cost basis” as there is little incentive for them to increase efficiency.
- ❖ Further, once competitively tendered rates are agreed, the concerned airline(s) would then be wholly responsible for efficiently and effectively managing their operations within the tendered rates. Decisions as to leasing of aircraft or use of own fleet would be that of the airlines, and not that of MOCA. Further, no additional payments whatsoever on any ground beyond the competitively tendered rates should be made.
- ❖ If MOCA intends to continue operations on negotiated basis through NACIL on “cost basis”, detailed guidelines for admissible expenses (along with cost limits) need to be framed. Further, procedures for effective audit/ third party verification of claims of NACIL vis-à-vis the guidelines need to be systematized, and strict timeframes for submission, scrutiny and payment of claims need to be laid down, so as to ensure accountability.

The matter was referred to the Ministry in September 2008; their reply was awaited as of March 2010.

Bureau of Civil Aviation Security

3.2 Non-commencement of projects for Civil Aviation Security Training Academy and Office of Regional Deputy Commissioner of Security (Mumbai)

Two important projects of the Bureau of Civil Aviation Security (BCAS) for setting up a Civil Aviation Security Training Academy, and construction of an office building for the Regional Deputy Commissioner of Security at Mumbai, could not commence even after 13 years and six years respectively of their approval by the Planning Commission/Ministry, due to non-finalisation of their location. These cases highlight the apathetic attitude of the authorities towards strengthening Civil Aviation Security in the country despite the increasing menace of global terrorism and repeated terrorist attacks in India and elsewhere.

Bureau of Civil Aviation Security (BCAS), an attached office of the Ministry of Civil Aviation (MoCA), is the regulatory authority for civil aviation security in India. It is responsible for laying down standards for pre-embarkation security and anti-sabotage measures in civil flights, and ensuring compliance with these standards through regular inspections and security audits. It is headed by a Commissioner of Security (Civil Aviation) and has four regional offices at the international airports at Delhi, Mumbai, Kolkata and Chennai, which are headed by Deputy Commissioners of Security.

Two important projects of the BCAS to safeguard aviation security could not be completed even after 13 years and six years respectively of their approval by the Planning Commission/Ministry despite release of Rs. 3.65 crore to the implementing agencies. These cases highlight extreme slackness on the part of authorities in executing projects related to civil aviation security in the country. The details are discussed below:

Case-I : Establishment of a Civil Aviation Security Training Academy

Establishment of a Civil Aviation Security Training Academy (CASTA) under the aegis of BCAS was recommended by an Inter-Ministerial Group constituted (1993) in the wake of four hijackings of Indian Airlines flights. Subsequently, a proposal for setting up such an Academy, which would function as the apex aviation security institution in the country, was approved by the Planning Commission in December 1996 with an allocation of Rs. 16.87 crore during the IX Five Year Plan.

Initially, land for the Academy was identified near IGI Airport, Delhi, which was, however, not made available by the Airports Authority of India (AAI). Consequently, in February 2003, the Ministry decided to locate the Academy at Netaji Nagar, New Delhi, and conveyed in-principle approval. While an amount of Rs. 25 crore was earmarked for the Academy in the X Plan, advance payment of Rs. 2.65 crore was released in two phases in March and December 2003 to AAI towards consultancy charges and preliminary activities. The proposal remained under consideration in MoCA till March 2005, and thereafter, search for other locations began without assigning any reason.

Several options were explored between March 2005 and July 2008 as discussed below:

- Locating the Academy at Gondia (Maharashtra) along with the proposed National Flying Training Institute (March 2005). Gondia was not preferred as BCAS wanted the Academy to be located close to an international airport to attract foreign airport/airline security/staff, preferably in Delhi, due to easy availability of subject matter specialists from various security organizations which were all headquartered in Delhi.
- Utilizing the existing facilities of the National Institute of Aviation Management and Research, Delhi (September 2005);
- Locating the Academy at Safdarjung Airport (February 2006). This was not found to be possible as AAI expressed its inability to provide land.
- Accommodating the Academy in the new BCAS Headquarters Building at New Delhi (June 2008). This was also not possible, as it was felt that adequate space for the academy was not available in the new BCAS Headquarters.
- Locating the training academies of BCAS and DGCA⁹ adjacent to each other (July 2008); and
- Exploring other locations at Janpath and Nangloi, Delhi (July/ August 2008).

⁹ DGCA: Director General of Civil Aviation

Thus, despite lack of any other specialized institute in the country to impart training on aviation security, a dedicated training academy for civil aviation security could not be set up even after 16 years of recommendation of the Inter Ministerial Group.

The delay of 13 years (since approval for the academy by the Planning Commission) in locating even the site for the academy highlights the apathetic attitude of the authorities towards strengthening civil aviation security in the country despite the increasing menace of global terrorism and repeated terrorist attacks in India and elsewhere.

Given the importance of this project in strengthening civil aviation security in the country, the Ministry must set a definite timeline within which the Academy would be set up to implement the recommendation of the Inter-Ministerial Group of 1993.

This case also highlights that neither the Planning Commission nor any other agency is effectively monitoring timely execution of projects relating to civil aviation security.

Case-II: Construction of Regional Deputy Commissioner of Security (RDCOS) office at Mumbai

Construction of the Office of the Regional Deputy Commissioner of Security (RDCOS) at Mumbai, which was approved by the Ministry in December 2003, had not commenced as of January 2010, due to non-finalisation of the location of the office. The details of the case are summarized below:

- In July 2003, the project was envisaged as a combined office complex of the RDCOS, Regional Director – AAI, and the Airport Director at Mumbai. The land earmarked for the project was found to have solid rock. Consequently, the site was considered unsuitable for the project as the basement for the project could not be constructed.
- A new location was identified by AAI in December 2004 and detailed estimates submitted in February 2005. Meanwhile, due to restructuring of Mumbai Airport through the Joint Venture route in May 2006 and the consequent handing over of Mumbai Airport to the Joint Venture, a combined office complex was no longer necessary, as the office of Airport Director, AAI was no longer required.

- A new location at the new Airport Colony was considered, but was not found feasible in January 2007, due to the requirements of the new airport operator. As of January 2010, the office continued to operate from residential premise provided by Mumbai International Airport Ltd.

The Ministry had, in December 2003, advanced Rs. one crore to AAI for undertaking preliminary activities relating to this project which remained unrefunded.

In response, the Ministry stated (February/ August 2008) that:

- Despite best efforts, the construction work could not be started due to circumstances beyond their control.
- In April 2008, AAI had been requested to allocate suitable land in the vicinity of the airport for the proposed RDCOS office.
- The advance of Rs. one crore to AAI would be adjusted against the cost of construction of the new office complex of BCAS Headquarters at New Delhi.

The reply of the Ministry should be viewed in the context of the decision to restructure Mumbai Airport through the JV route being taken by the Government of India in September 2003 itself; the lack of necessity for a combined office complex, including AAI offices at Mumbai, could have been foreseen well in advance, and the final location decided much earlier.

Thus due to poor planning, lack of effective monitoring and indecisiveness of the Ministry, both the projects having important bearing on the civil aviation security got inordinately delayed and the construction is yet to commence even after 13 years/six years of their approval by the competent authority.

3.3 Infructuous expenditure of Rs. 6.10 crore on procurement and non- utilisation of Hansa Trainer Aircraft

DGCA procured eleven Hansa trainer aircraft from National Aerospace Laboratories (NAL) at the cost of Rs. 6.10 crore for allotment to various Government flying clubs. However, these aircraft were not utilized by the flying clubs due to lack of trained instructors and perceived technical constraints. The expenditure incurred on procurement of these aircraft was, therefore, largely rendered infructuous.

The Director General of Civil Aviation (DGCA) is the principal regulatory body in India in the field of civil aviation and its functions include supervision of training activities of flying/gliding clubs.

DGCA procured eleven Hansa-3 trainer aircraft from the National Aerospace Laboratories (NAL), Bangalore¹⁰ at a cost of Rs. 6.10 crore for distribution to various flying clubs. Eight aircraft were procured during the year 2001-2006 and three were procured during 2007-2009.

The decision for procurement originated from an initial request by NAL to DGCA in November 1998 for a subsidy of Rs. 2 crore for producing five Hansa-3 aircraft and delivering them to the Government flying clubs. Subsequently, in August 2000, DGCA made a proposal to the Ministry of Civil Aviation (MoCA) for purchase of the first three Hansa-3 aircraft from NAL at a cost of Rs. 41.82 lakh each; the purchase was justified on the grounds of meeting flying club requirements and encouraging indigenous production of trainer aircraft. The purchase of one Hansa aircraft was approved by the MoCA during 2000-01, followed by an in-principle approval in December 2002 for further procurement of 10 Hansa-3 aircraft for distribution to various Government controlled flying clubs during the X Plan period (2002-07).

Audit scrutiny of the Hansa aircraft procured by DGCA and supplied to various flying clubs revealed that these were either currently non functional or information about their current use was not available with the DGCA, as tabulated below:

Table-4

Sl. No	Aircraft Registration No.	Flying Club	Allotted since	Total flying hours	Status
1.	VT- HNT	Andhra Pradesh Aviation Academy	April 2001	Not known	Crashed in December 2004
2.	VT- HNU	Kerala Aviation Center, Thiruvananthapuram	March 2002	682:35	Despite the club not functioning properly (March 2002) one more aircraft was allotted in March 2003.
3.	VT-HNW	Kerala Aviation Center, Thiruvananthapuram	March 2003	Not known	--
4.	VT- HNV	MP Training Centre, Indore	March 2002	36:15	Remained grounded due to technical system constraints
5.	VT- HNX	Haryana Institute of Aviation, Karnal	March 2004	115:05	Mostly remained grounded due to unsatisfactory performance (as reported by the club). In February

¹⁰ A unit of the Council for Scientific and Industrial Research (CSIR).

Report No. 9 of 2010-11

					2009, DGCA decided to transfer it to the Amritsar Aviation Club.
6.	VT- HNY	Govt. Flying Training School, Bangaluru	April 2006	Not known	School was not operational due to non availability of flight instructors.
7.	VT- HNZ	Madras Flying Club, Chennai	January 2008	Not known	Initially, this aircraft was allotted to Andhra Pradesh Aviation Academy in April 2006, and after their refusal, the aircraft was re-allotted to this club. However, the aircraft were grounded because the Club had not been able to get qualified Aircraft Maintenance Engineers (AME), which was a pre-requisite for flying.
8.	VT- HOC	Madras Flying Club, Chennai	January 2008	Not known	After refusal by Haryana Institute of Civil Aviation, Pinjore in November 2006 due to unsatisfactory performance, it was re-allotted to this club. However, the aircraft were grounded because the Club had not been able to get qualified Aircraft Maintenance Engineers (AME), which was a pre-requisite for flying.
9.	VT- HOE	Assam Flying Club, Guwahati	July 2008	Nil	Still lying with NAL as AFC, Guwahati was unable to arrange a pilot who could ferry the Hansa aircraft.
10.	VT- HOF	Amritsar Aviation Club, Amritsar	July 2008	76:30	Aircraft was awaiting snag rectification by NAL since December 2009.
11.	VT- HOG	Amritsar Aviation Club, Amritsar	March 2009	38:55	Serviceable.

This indicated that DGCA was not effectively monitoring utilization of aircrafts provided to various Government Flying Clubs.

The main reasons indicated by the flying clubs and Aero Club of India for the non-functional status of these aircraft were as follows:

- The flying range of the aircraft was less, making it unsuitable for cross-country training;
- Due to restrictions imposed by the manufacturer on the engine and airframe, it was very difficult for use for training purposes;

- The airframe of the aircraft was of composite type and was not fit to be flown in high temperature and rainy conditions as per the manufacturer;
- A qualified senior Chief Flying Instructor had been killed in a crash of the Hansa aircraft in Andhra Pradesh.
- Lack of qualified pilots.
- M.P Flying Club in their feed back report suggested that after failure of “Swati” and “Hansa” to qualify the category of an ideal trainer aircraft, the Ministry should go for design and production of an aircraft having all the characteristics of Cessna 152 or Cessna 172, instead of any further experimenting on a new design, as the same were, by and large, accepted as ideal trainer aircraft.

In response to an audit enquiry, the Ministry stated (April 2008) that to the best of their knowledge, the Hansa aircraft was a good aircraft and the lower utilization rate of Hansa was mainly due to non availability of trained pilots and not due to the poor performance of the aircraft. As regards the crash of one Hansa aircraft, DGCA’s report had concluded that wrong pilot handling was the probable cause of the accident.

The reply is not acceptable as poor performance of aircraft was also an important reason for under utilization in addition to shortage of pilots with the flying clubs.

The Ministry, in November 2008, stated that eleven Hansa aircraft were procured from the NAL to encourage indigenization and to support flying activities in the country. The above reply of the Ministry has to be viewed in the light of the facts stated in para 1.8.1 of the CAG’s Performance Audit Report No. 2 of 2008 which highlighted that the objective of providing indigenous two seater Hansa aircraft remained unachieved as NAL was yet to develop its components indigenously and continued to depend on imported components for its design and development. Also, NAL took up manufacturing of Hansa without assessing its future commercial viability, as result of which there were no further orders for the aircraft in the market.

The fact remains that the majority of eleven Hansa aircraft procured by DGCA at a cost of Rs. 6.10 crore were not utilized by the flying clubs to which they

Report No. 9 of 2010-11

were allotted due to lack of qualified instructors and perceived technical constraints.