Chapter-8 Human Resource Management Initiatives

Air India (AI) and Indian Airlines (IA) had different human resource management practices prior to their merger (2007) as they were operating in different markets.

An independent committee under the chairmanship of Justice D.N. Dharmadhikari, was set up by the Ministry of Civil Aviation (May 2011) for harmonisation of wage costs between the two erstwhile entities. Justice Dharmadhikari Committee (JDC) submitted its recommendations to MoCA (January 2012) which was accepted in June 2012. MoCA directed (June 2012) that an Implementation-cum-Anomaly Committee (IARC) be constituted to implement the recommendations of the Dharmadhikari Committee.

The report of the Group of Officers (constituted to examine TAP and FRP of the Company), subsequently accepted by CCEA, had also highlighted the need for rationalising costs, trimming management and employee groups to drive productivity of the airline. The report stated "the Turnaround Plan without any rationalisation of staff expenses, is likely to render the exercise meaningless. Without this, the assumption, that the cost structure would become lower than that of other airlines in India, is highly unrealistic". The milestones that AIL had to achieve for release of GoI equity, as approved by the CCEA (April 2012) also included specific initiatives in human resource management like freezing payment of Productivity Linked Incentive (PLI) till the achievement of 'Profit before Taxes' by AIL and working out the VRS package by December 2011.

Audit observed deficiencies in the implementation of the recommendations of JDC as well as failure to achieve the envisaged milestones, as discussed in the following paragraphs.

8.1 Deficiencies in implementation of recommendations of Justice Dharmadhikari Committee

A. Productivity linked incentive (PLI) paid to employees as adhoc pay

Erstwhile Air India and Indian Airlines had been paying PLI to its employees as a percentage of pay, based on the agreement reached between the Management and the employees. The PLI scheme had been initially introduced for pilots/technical cadre employees and gradually extended to all categories of employees. The PLI scheme was contrary to guidelines of Department of Public Enterprises (DPE) applicable to all public sector enterprises. Report No. 18 of 2011 (Union Government)[54] of CAG of India had highlighted the deficiencies in the PLI scheme of the Company which allowed incentive payment for their performance of its employees even below average. An internal committee of AIL had recommended reduction in PLI ranging from 25 *percent* to 50 *percent* but this was not implemented. Ministry had also instructed AIL to initiate action for wage rationalisation.

[54] *Issue also highlighted in earlier CAG Reports -Union Government (Commercial) of 2004 & Union Govt (Commercial) of 2008*

As per Turnaround plan (April 2012) approved by CCEA, AIL was to cease payment of productivity linked incentive to its employees till the Company could generate profits before taxes. This was one of the milestones to be achieved by AIL for equity infusion as approved by Group of Ministers (October 2011). AIL informed the Oversight Committee that PLI payments have been stopped for employees other than the licensed category of pilots and engineers with effect from 1 July 2012. Audit however noticed that 75 *percent* of the last PLI drawn by employees continued to be paid to them in the form of 'adhoc pay'.

Management informed (02 February 2016) that the 'adhoc pay' was to provide for the interim period till the new pay structure that had been recommended by the JDC was implemented. The new pay structure for general category officers was implemented w.e.f. 01 October 2014 and for staff w.e.f. 01March 2015, following which the adhoc payments had been stopped.

MoCA in its reply (02 September 2016) stated that Air India adopted the methodology prescribed in the JDC report for calculating the revised basic pay (RBP). Further, while calculating the RBP as per JDC recommendation, the lowest PLI which was earned during 2011-12 was subsumed in the salary in order to arrive at the revised Basic Pay. As a result, the financial impact was contained substantially. As soon as the new pay structure was introduced, the ad hoc pay was discontinued.

The Management/MoCA concurred with the opinion of Audit that PLI payments had been subsumed in the revised basic pay of the employees. Thus, the outgo of AIL on salaries and emoluments paid to employees had not reduced. The PLI in the form of ad-hoc for the period July 2012 to March 2016 was ₹734 crore.

B. Non-implementation of Voluntary Retirement Scheme

The Company was to formulate a Voluntary Retirement Scheme (VRS) as per the approved turnaround plan for all categories of employees of AIL.

AIL formulated VRS in July 2012 and requested funding from GoI for its implementation. Later, the Company suggested (August 2013) to the Oversight Committee that VRS be dropped considering transfer of employees to subsidiary companies, projected retirement over next five years and financial crunch in AIL. Subsequently in July 2014, MoCA agreed to the proposal.

Management in reply (02 February 2016) stated that in the last three years 576 employees had been granted voluntary retirement without making any extra payment which otherwise AIL was to pay under VRS and that the implementation of VRS would not have served any purpose in view of the fact that every year around 1500 employees were retiring.

MoCA in its reply (02 September 2016) stated that the Bank/Financial Institutions were not ready to finance the requirement of ₹ 1100 crore for implementing VRS as they doubted the ability of the company to repay this debt. In view of the fact that the company had, in its TAP, envisaged hiving off manpower resources to the subsidiary companies, it was decided that no VRS would be offered to the employees as this could impose additional financial burden on the company. It was also submitted that the manpower position of the company had decreased and the aircraft-manpower ratio in Air India now compared favourably with the aircraft manpower ratio in other airlines. There had been a steady decline in manpower due to natural attrition on account of retirement and VRS without any package. The savings of VRS payments of ₹ 1100 crore would have in any case taken three years to be recouped and with around 1500 people retiring every year the same more or less balances.

The implementation of VRS was a part of TAP and also the management had itself envisaged a benefit of ₹ 375 crore per annum from its implementation which could not be achieved. Further, as on 01 April 2016, the actual manpower of the company was 11433 against the revised sanctioned force of 7245 (including security department, functional directors, engineering, etc.) which was much higher and the implementation of VRS could have benefited the company and the variance in actual and sanctioned manpower could have been avoided.

8.2 Contravention of JDC recommendations and violation of DPE guidelines

The following contraventions of recommendations of JDC and violations of DPE Guidelines were observed in Audit:

8.2.1 Benefit of one step-up given to Aircraft Maintenance Engineers and Technical Officers

The Implementation and Anomaly Rectification Committee (IARC) had recommended harmonisation of designations of pilots, aircraft maintenance engineers, technical officers and technicians in erstwhile IA and AI (November 2013). IARC had also suggested that these changes be submitted to MoCA for approval. It was noticed that the Company carried out these changes in December 2013. Audit, however, did not find any record for approval of MoCA to these changes.

Audit noticed that upgradation of certain posts of Aircraft Maintenance Engineers (Deputy Aircraft Engineer, Aircraft Engineer, Sr. Aircraft Engineer, Deputy Chief Aircraft Engineer, Chief Manager) and Technical Officers (Dy. Engineer, Engineer, Sr. Engineer) by one grade each had been made. Thus, instead of operating grades E_1 to E_5, the Company operated grades E_2 to E_6 for these posts. These changes, in contravention of recommendation of JDC (as approved by MoCA), resulted in additional annual expenditure of approximately ₹13.92 crore (₹12.01 crore relating to Aircraft Maintenance Engineers and ₹1.91 crore to Technical officers). The impact of the increased pay and other allowances on account of up-gradation could not be worked out in the absence of individual records.

Management in its reply (02 February 2016) stated that DPE had laid down guidelines in their OM dated 24 December 2012 for PSUs to adopt standard pay scales for grades from E0 to E9 and had also directed that there could not be more than one designation against a pay scale. The Committee was, therefore, required to bring all the pay scales and designations to correspond to the revised DPE pay scales from E1 to E9, there being no E0 pay scale in Air India, while carrying out horizontal integration. Keeping in view all these constraints, revised level mapping of employees had been worked out after removing inconsistencies and accommodating the views expressed before the Committee to the extent possible and also aligning it with the other categories.

The reply of the Management is not acceptable as the IARC recommendations, which had the effect of increasing the recurring salary expenditure of AIL, were not considered/approved by the Ministry before their implementation.

MoCA in its reply (02 September 2016) stated that IARC was set up to implement the recommendations of JDC approved by the MoCA, following the DPE guidelines and rectify the anomalies arising therefrom as a one time exercise. Since, the two merged airlines did not have common pay-scales the IARC had considered the pay scales of both the erstwhile companies and after proper deliberations reached a conclusion which had been implemented. Specific approval from MoCA for each of the categories was not required again.

The reply of the MoCA is not acceptable as IARC was constituted to implement only the approved recommendations of JDC. Hence in the opinion of Audit any deviation from the same required the approval of MoCA/DPE.

8.2.2 Stagnation Promotion of 2482 employees

JDC recommended that all future promotions would be vacancy based, on the basis of seniority with due regard to merit and through a selection procedure in which there would be a well-defined selection panel.

Audit observed that despite recommendations of JDC in this regard and the suggestions of Director (Personnel) on obtaining approval of the HR Committee/Board, the then CMD took a decision to implement a stagnation promotion program for grades between Officers and Managers (Officer to Assistant Manager, Assistant Manager to Dy. Manager, Dy. Manager to Manager, Manager to Sr. Manager) without obtaining the approval of HR Committee/Board/MoCA and without having vacancies in the respective grades.

The period of seven years' service was also relaxed to six years for the stagnation promotion which resulted in promotion of 2482 employees in 2015. This promotion exercise resulted in additional annual financial burden on the company.

Management in its reply stated (January 2016) that after the JDC report was accepted, it was found that a number of employees had not got promotions for a very long time causing dissatisfaction among them and representations from different categories of employees, union /associations had been received in this regard. In order to boost the morale of employees and to motivate them, it was decided to carry out this exercise subject to their meeting the eligibility criteria. It was relevant to mention that the CMD, AIL was also the Chairman of the Board of Directors, which had representatives from MoCA also and as such it was not correct that the approval to carry out this exercise was not obtained.

MoCA in its reply (02 September 2016) stated that no promotion exercise was held after merger. Even before merger in most of the categories there was stagnation for many years. It was an administrative decision taken by the then CMD, AIL, keeping in view that a large number of employees had not been promoted since many years due to the merger process and it was essential to keep up the morale of the employees during a difficult period of the airlines. As per Instrument of Delegation of Administrative Powers of Air India, the CMD was competent to approve promotions up to DGM level.

JDC had recommended that all promotions would be vacancy based, on the basis of seniority with due regard to merit and through a selection procedure in which there would be a well-defined selection panel. Hence in the opinion of Audit the deviation from the same required the approval of MoCA /DPE.

8.2.3 Accommodation in five star hotels leading to excess costs

As part of economy measures, JDC had suggested that heavy cost towards accommodation for pilots and crew members in five star hotels could be avoided if AIL in cooperation with Airport Authority of India arranged for their stay and food at the airports or in the vicinity where decent arrangements could be made at lower cost.

Audit, however, noticed that the Company continued to accommodate its crew in five star hotels. For Delhi station alone, the Company incurred an expenditure of ₹119 crore for hotel accommodation of its crew in five star hotels for the period from 2012-13 to 2015-16. Expenditure incurred by the Company for accommodation of crew in other stations was not made available to Audit.

Management in its reply (02 February 2016) stated that JDC recommendations were being followed in respect of hotel accommodation as far as possible and concerted efforts had been made to move to cheaper hotels in the last few years. Detailed guidelines in this regard had been issued vide letter no HQ/CMD/14/688 dated 03 February 2014. In some cases, airport hotels could not be selected as they may not be fulfilling all the conditions. Any compromise might affect the safety of the operations.

MoCA in its reply (02 September 2016) stated that Air India had followed the tender process in selection of hotels for crew. It was submitted that the crew of Air India generally stayed in hotels which also accommodated other airlines crew. It was an industry requirement and practice to ensure that the hotels must have certain basic facilities which the crew required in order to get adequate rest and relaxation to minimise the fatigue element for safe operations.

The circular dated 03 February 2014 did not specify the category or maximum tariff rate for the hotel. AIL was required to follow the JDC recommendation in order to curb this substantial expenditure.

8.2.4 Free passage extended to family members

The JDC had recommended that the definition of 'family' as contained in the Civil Service Regulation and Central Civil Services (LTC) Rules[55] should be adopted for the scheme offering free passage to family members of the employees. MoCA had also directed that free passage facility needed rationalisation and the definition of 'family' needed to be in consonance with the government rules.

The Company (vide circular dated 30 September 2013), however, defined 'family' eligible for free passage to include self, spouse, parents, children, step-children and legally adopted children and stated that in exceptional circumstances, an employee might be permitted to utilise passages not exceeding four out of his annual entitlement, for travel of

[55] *Central Civil Services (Leave Travel Concession) Rules, 1988*

brothers/sisters/son-in-law/daughter-in-law. Dependency on employee was a fundamental criteria for inclusion in 'family' as per CCS (LTC) Rules which had not been considered in the definition provided by the Company.

Management in its reply (02 February 2016) stated that Free Passage Scheme in airline industry was a normal perk to its employees all over the world. Their travelling was subject to the availability of seats and as such there was no cost to the Company. The definition of 'family' as defined in IATA resolution 788 states "immediate family- a spouse, children, parents, brother, sister, dependent relatives or dependents in the house hold". Moreover, these passages were not free. An employee was required to bear all applicable taxes on the ticket besides ₹250, ₹500 and ₹1000 per coupon which depended on the sector.

MoCA (02 September 2016) replied further that the Passage Regulation Policy was formed keeping in view the industry practice and was approved by the HR Committee and Board of Directors of Air India. Moreover, a committee had been formed to review the free passage entitlements of the employees.

Audit reiterates that both as per Ministry's direction and JDC's recommendations the free passage facility needed rationalisation and the definition of 'family' needed to be in consonance with the government rules. However, no action in this regard has been taken by AIL.

8.2.5 Failure to formulate service regulations

Audit observed that the Company had not formulated the service regulations for 'workmen' category of employees till 31 March 2016. Besides, the Recruitment and Promotion Rules for all categories of employees were yet to be formulated. The seniority list of pilots, technical officers and aircraft maintenance engineers after merger and fixation of revised basic pay of pilots, cabin crew and service engineers had not been done yet (September 2015).

Management stated (02 February 2016) that employee service regulation in respect of 'workmen' category could not be implemented as the matter was sub-judice before the Supreme Court of India. Career progression and promotions had been defined in JDC and were being implemented accordingly. Recruitment and Promotion Rules had been formulated and was awaiting approval of the HR committee for implementation. The proposal for revised basic pay of pilots had been cleared by Ministry and would be placed before the Supreme Court in the context of SLP for its implementation. The revised basic pay of service engineers and cabin crew were in the process of finalisation.

MoCA in its reply (02 September 2016) stated that they have no comments to offer.

8.3 Excess manpower against approved standard force

The standard force (SF) of the Company was revised in October 2013. As per the revised standard force, total manpower required in the merged Company was around 4502 in the various departments of AIL (excluding functional directors, engineers, pilots, cabin crew etc.) against which actual men in position was 8678 as on 1 July 2015. However, as on 1 April 2016, the actual manpower of the company was 11433 against the revised sanctioned force of 7245 (including security department, functional directors, engineering, etc).

Apart from the regular manpower, the Company had hired 152 consultants, 2463 casual workers, 811 temporary employees and 468 outsourced manpower as on 01 August 2015. However, as on 31 March 2016, the company had 89 consultants, 2450 casual workers and 429 outsourced manpower. As the Company already had excess man power, engagement of such additional personnel resulted in extra expenditure to the Company. Audit noticed that the Company had paid ₹30.50 crore to casual labourers alone for Financial Year 2012-13, ₹42.83 crore for Financial Year 2013-14, ₹44.18 crore for Financial Year 2014-15 and ₹15.13 crore (provisional) for Financial Year 2015-16. Details of expenditure incurred for contractual, temporary and outsourced employees were not made available to Audit.

Management in its reply stated (02 February, 2016) that as per retirement pattern and transfer of employees to the subsidiaries in near future, and in the absence of regular appointment in AIL, the man power would be at par with the approved manpower. Management also stated that the standard force for pilots and cabin crew could not be determined as it depended upon various factors like number of aircraft, type of aircraft, regulatory requirement of the authorities (like DGCA) and norms given by the manufacturers. It was pointed out that in 2007 the total staff strength was about 32000 (wide body + narrow body) while the present staff strength was approximately 20000 (including AIESL & AIATSL). It was also pointed out that as on 01 November 2015, aircraft to employee ratio of Air India was 1:196 whereas that of Jet airways was 1:150 that of Indigo 1:102 and that of Spice jet 1:118.

MoCA in its reply (02 September 2016) stated that the revised SF was 7316 as on 1 August 2016 for all Departments excluding Pilots and Cabin Crew and the actual number was 9004. This excess had to be viewed in the light of the large scale retirements which would be taking place in the next three years and also the commitment given to the employees at the time of merger that no retrenchment would take place.

8.4 Lack of coordination between departments of AIL on staff availability

During the period from January 2012 to March 2016, 9808 flights of AIL were delayed, 10037 flights were rescheduled and 554 flights were cancelled due to non-availability of pilots and cabin crew as detailed below:

Table 8.1 Delays/ Rescheduling/ Cancellations due to crew

Years	No. of flight delays due to		No. of flights rescheduled due to		No. of flights cancelled due to	
	Cockpit crew constraints	Cabin crew constraints	Cockpit crew constraints	Cabin crew constraints	Cockpit crew constraints	Cabin crew constraints
2012	669	484	893	1189	34	6
2013	769	575	1757	77	62	4
2014	1649	2133	1704	94	151	39
2015	1654	1337	3195	130	216	21
2016 (Upto March 2016)	379	159	981	17	21	0
Sub total	**5120**	**4688**	**8530**	**1507**	**484**	**70**
Grand Total	**9808**		**10037**		**554**	

Source: Data furnished by AIL/CMS

These delays/ cancellations/ rescheduling of flights on account of non-availability of crew led to excess expenditure by AIL on provision of transport, hotel accommodation, meals/snacks to passengers, as well as revalidation/refund/re-routing of tickets. The expenditure incurred from April 2012 to March 2016 for flights delayed by more than two hours and cancelled flights was ₹ 29.92 crore.

Audit noticed that as per the Personnel department, there was excess in the cadre of pilots in the Company (November 2014). Inflight Services Department (IFS) and Operations department, however, maintained that there was a shortage of pilots. Similarly, the records of Human Resource Department and the number in Inflight Services Department, show difference in number of cabin crew staff position. Thus, there were conflicting reports from two departments within the Company regarding availability of pilots and cabin crew. Without resolving these differences, the Company took up an exercise for recruitment of large number of pilots and cabin crew.

The Management in its reply stated (02 February 2016) that the shortage of crew was being addressed and an exercise was on to augment the strength of crew. It was also stated that due to the training requirements, it was not possible to immediately induct the crew for flying duties. Besides, Air India being a network carrier, operated from various bases and, hence, it was not possible always to utilise the crew for another base for a shortfall in another base. Air India also has a mixed fleet of Airbus and Boeing family aircraft and cross-utilisation was not possible in such cases. Management also pointed out that the current exercise of recruitment would not result in excess expenditure as AIL planned to expand its fleet in the narrow body and was to receive six more B-787 and three more B-777-300 ER in the next two to three years and recruitment would ensure that sufficient crew was available to take care of normal attrition. Management also stated that the utilisation of crew was steadily improving as may be seen from the table below for cabin crew.

Table: 8.2 – Available crew and average crew per annum

Year	Eff. Available Crew	Total hrs	Avg crew hours per annum	Average monthly hours
2013	1235	1017337:56	823:45:00	**68:38:00**
2014	1136	964377:44	848:55:00	**70:44:00**
2015	1145	887465:14	775:04:00	**64:35:00**

Reply of the Management is not tenable considering that there was a lack of consensus within the Company itself regarding the present staffing position of pilots and cabin crew. Future recruitment would necessarily depend on the available staff coupled with requirements. Besides, Management's reply also indicated that the average monthly utilisation of the crew had reduced from 70 hours in 2014 to 64 hours in 2015 which raised concerns on recruitment of cabin crew by the Company.

MoCA in its reply (02 September 2016) stated that all the departments in Air India were now in consensus on manpower requirements in the catagories of Pilots and Cabin Crew. Earlier divergence in views was on account of the fact that all the required information was not available to the Departments to have a considered view on the requirements of crew and their utilisation. Further, Air India worked out the standard requirement of Pilots and Cabin Crew for each aircraft type taking into account all the factors.

Crew management needed to be strengthend as there were significant instances of delay/cancellation/rescheduling of flights.

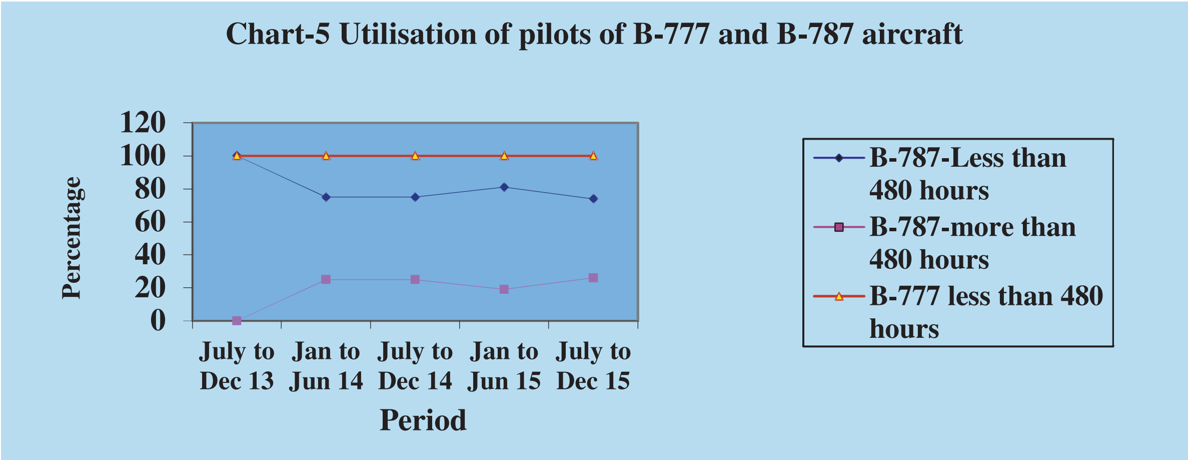
8.5 Crew Management

Prior to merger of the erstwhile entities (AI and IA) flying allowance for minimum 80 hours was being paid to the AI pilots while allowance for actual flying hours were paid for IA pilots. Audit observed that even after merger, same practice was being followed upto November 2011.

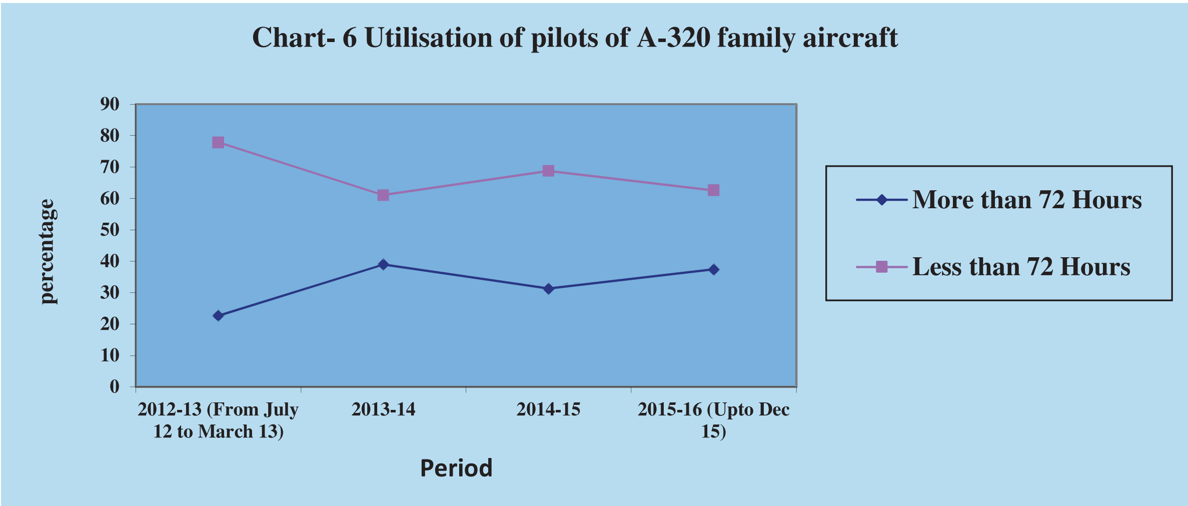
8.5.1 Lack of optimum utilisation of available pilots

As per wage agreement signed with Management (22 December 2006), pilots of wide body aircraft were eligible for fixed monthly flying allowance upto 80 hours per month i.e. 480 hours in the six months subject to the pilot being available for 150 days in a six-monthly period. Beyond 80 hours per month, the allowance would be paid at prorata rate of 1.25 times (480-540 hrs), 1.50 times (540-600 hrs) and 2 times (beyond 600 hrs).

Similarly, as per agreement of the Indian Commercial Pilot Association (ICPA) with the Management, pilots of narrow body aircraft were to be paid flying allowance for 72 hours in a month. Between 72 to 85 hours, allowance would be paid @ 1.5 times the hourly rate and beyond 85 hours, at double the hourly rate. Audit scrutinised the flying hour data of pilots of wide body and narrow body aircraft and observed the following:



As observed in the above chart, during the period from July 2012 to December 2015, 74 to 100 *percent* of B-787 fleet pilots and 100 *percent* pilots (except two pilots) of B-777 fleet pilots flew less than 80 hours a month (Refer Annexure 8 for details). Hours flown by the majority of pilots of B-787 wide body fleet were less than the six monthly norm of 480 hours.



It could be seen from the above that 61 *percent* to 78 *percent* of A-320 fleet Pilots flew less than 72 hours a month. During the same period, the remaining pilots flew more than the mandated 72 hours. The un-utilised hours of the majority of pilots (considering the norm of 72 hours) was more than 2 to 8 times that of the excess hours flown by a few pilots (refer Annexure 9).

The Company paid additional flying allowances of ₹ 48.89 crore (₹ 3.28 crore to pilots of wide body aircraft and ₹ 45.61 crore to pilots of narrow body aircraft) during 2012-16 (upto December 2015) to those few pilots who had completed more than targeted flying hours during this period. The revised pay structure had been introduced w.e.f January 2016 (refer Annexure 8 and 9).

Management stated in reply (02 February 2016) that productivity of 80/72 hours included flying, training and office duty, and mandays utilised towards upgradation as PIC or conversion to other fleet. Further as per DGCA Civil Aviation Requirements, Crew Rest requirements for days lost on account of mandatory pre-flight and post-flight rest hours, duty on standby and imparting simulator training are also to be factored towards productivity. Towards calculation of unutilised hours, only one factor of actual flown hours had been considered while ignoring other productivity areas.

Management's response is to be reviewed in the light of the provisions of the agreement signed between pilots and management, which stipulated that only actual flying hours including 'type conversion training' and 'simulator training duty hours (as trainers alone)' should be considered for working out flying allowance. Details of hours utilised on actual flying and other permissible factors, were not made available to Audit despite repeated requests. Considering the very large quantum of un-utilised hours, vis-à-vis the hours for which payments have been made at a higher rate to pilots, there is a case for more appropriate allocation of work among the pilots to ensure their optimal utilisation which would have enabled the Company to avoid excess payment of ₹48.89 crore (paid over 2012-16) on flying allowance.

MoCA in its reply (02 September 2016) stated that the payment of flying allowance to Pilots had been reworked in the rationalised pay structure which had been introduced for both Boeing & Airbus Pilots effective 1 January 2016 (except for Pilots from IPG where there was a stay from the Supreme Court).

The reply of MoCA is not tenable as the payment of flying allowance to Pilots had been reworked in the rationalised pay structure which stated that a Pilot would be paid fixed 70 hours as per rate applicable to individual pilot subject to a minimum of 40 hours actual flying. However, Audit has pointed out the mismanagement in respect of utilisation of Pilots for flying which resulted in under utilisation of some of the Pilots and payment of additional flying allowance to the others who were utilised over and above 72 hours per month.

8.5.2 Under-utilisation of cabin crew

The results of a review of cabin crew utilisation in domestic and international operations for the period 2013[56] to 2015 (upto August 2015) are tabulated as under:

Table 8.3: utilisation of cabin crew in flying hours

	2013		2014		(Upto August 2015)	
Flying Hours utilisation (in hours)	**No. of cabin crew**	**Percentage**	**No. of cabin crew**	**Percentage**	**No. of cabin crew**	**Percentage**
More than 70	1326	40.33	1913	64.63	1992	69.75
60 to 70	1084	32.97	612	20.68	518	18.14
50 to 60	505	15.36	235	7.94	197	6.90
40 to 50	197	5.99	114	3.85	84	2.94
30 to 40	73	2.22	39	1.32	35	1.23
20 to 30	32	0.97	20	0.68	16	0.56
less than or equal to 20 hours	71	2.16	27	0.90	14	0.48
Total	**3288**	**100.00**	**2960**	**100.00**	**2856**	**100.00**

Source: AIL/Operations

[56] *Calendar year*

AIL had constituted a committee to assess the requirement of cabin crew in the airline. This committee (November 2014) considered an average utilisation of cabin crew for 840 hours per annum (i.e. 70 hours a month). As could be seen from the table above, 40 *percent* to 70 *percent* of the cabin crew were utilised for over 70 hours a month. It was seen that 12 *percent* to 27 *percent* of available crew were being utilised for upto 50 hours only. At the same time, flights were being delayed/re-scheduled/cancelled due to non-availability of cabin crew. Optimal utilisation of available cabin crew would have ensured smooth operations.

Management replied (February 2016) that pre-flight and post flight rest of ultra-long range, international and domestic varied a lot. Further, the productivity of cabin crew included flying and training duties, duty on account of standby, duty of trainers for imparting training, etc. which needed to be factored towards crew productivity.

Further, MoCA in its reply (02 September 2016) stated that due to consistent efforts of AIL the productivity of Cabin Crew have substantially increased and further efforts to utilisation are continuing. Further, 840 hours in a year is a benchmark which had not been achieved by International Air Carriers. The crew who were flying less than 30 hours, could not be avoided as generally crew were on various types of leave like sick, maternity and privilege leave. Further, there was a requirement for continuous training wherein the crew were on ground undergoing training. Some of the cabin crew were also carrying out administration duty due to which the flying was very low.

The responses are to be viewed in the light of the decision of the CMD of AIL to fix the average utilisation of crew at 840 hours per year in May 2014. This was to take into account all types of leave, training requirements, standby crew and non-utilisation for various reasons.

8.5.3 Avoidable expenditure on deadhead cost [57]

The Company maintained different categories of cockpit and cabin crew to operate major international flights (Wide Body-WB) from Delhi and Mumbai bases. In case the crew is to be positioned or trans-shipped for flight operations, Staff on Duty (SOD) allowance @ 65 *percent* of the scheduled block hours was paid to them. Such expenditure incurred for positioning the crew was considered as ‘deadhead’ cost.

The Company declared Delhi as a hub with effect from ‘Winter 2010’. Consequently, the number of scheduled wide body aircraft flights that were operated from Delhi increased vis-à-vis Mumbai. The share of wide body flights operating from Delhi increased from 33 *percent* in October 2010 to 52 *percent* in November 2010. Thereafter it increased progressively to 67 *percent* in 2014-15 and further to 68 *percent* in 2015-16. However, the cockpit and cabin crew maintained at Delhi did not increase commensurately.The Mumbai based Wide Body Aircraft cockpit and cabin crew was 64.93 *percent* and 59.40 *percent* of the total strength as in March, 2016, while 68 *percent* of the flights originated from Delhi. The increased deadhead cost that the Company had to bear in positioning the crew (during 2011-13) had been commented upon at para 3.1 in the Audit Report No. 13 for the year 2014.

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[57] *The Company maintains different categories of cockpit and cabin crew to operate major international flights (Wide Body-WB) from Delhi and Mumbai bases. In case the crew is to be positioned or trans-shipped for flight operations, Staff on Duty (SOD) allowance @ 65 percent of the scheduled block hours is paid to them. Such expenditure incurred for positioning the crew is considered as ‘deadhead’ cost.*

Audit noticed that with increased operations from Delhi, deadhead costs continued to be incurred by AIL in positioning the staff from Mumbai to Delhi. The Mumbai based cockpit and cabin crew travelled as Staff on Duty (SOD) to Delhi one day before flight duty, stayed in a hotel to provide one clear night of rest before they operated the flight. On completion of duty, the crew either returned to Mumbai on the same day or stayed at Delhi for one or two days which added to deadhead cost.

During the period from 2012-13 to 2015-16, the company paid SOD allowance of ₹96.30 lakh to cabin crew. The payment of SOD allowance to cockpit crew could not be quantified as the Wide Body pilots are paid guaranteed 80 hours per month all inclusive and as per the reply of management during the said period AIL has not made any payment beyond 80 hours. Besides, an expenditure of ₹89.24 crore was incurred on hotel accommodation of cockpit and cabin crew during the same period (2012-13 to 2015-16). Appropriate positioning of staff as per deployment requirements could have saved the expenditure of ₹90.20 crore incurred on SOD allowance and hotel expenditure. Besides, with SOD travels, passenger seats were blocked, particularly for the busy route of Delhi-Mumbai.

Management stated (02 February 2016) that post-merger, Mumbai was the main base of erstwhile Air India. Pursuant to Delhi hub taking shape and induction of B787, more flights were introduced ex Delhi. Prior to Delhi hub, the ratio of crew vs the flight ex-Delhi and ex-Mumbai was optimal. It was also stated that though with introduction of IT system of rostering, crew utilisation was optimised but to cover all flights some deadhead/SOD travel was required on B-777 and B-787 flights between Mumbai and Delhi.

MoCA in its reply (02 September 2016) stated that the audit comment that efforts should be taken to align crew availability to station of operations to reduce expenditure was noted. However, Air India management felt that uprooting of crew from Mumbai to Delhi would have encouraged further poaching by market forces. With the development of Mumbai Airport which was now being considered as second hub of Air India, crew resources were required to be maintained for increased operations ex Mumbai.

It could be seen from above that from the year 2010, most international flights were being operated from Delhi hub, and accordingly, the management should have deployed its crew according to the percentage of operations so that deadhead cost could have been minimised. Further, even after four years Mumbai airport is yet to become a second hub of Air India.

8.5.4 Extra expenditure on hub and spoke operation

The Company started ‘hub & spoke operations’ in the year 1999, under which erstwhile Indian Airlines (IA) aircraft along with crew, operated to international terminals with Air India (AI) flight numbers. The operation was primarily meant for connecting traffic from/to the major hubs at Mumbai and Delhi initially, which was subsequently extended to Ahmedabad, Bangalore, Kochi, Trivandrum, Chennai, etc. IA used to bill AI for hub and spoke operations. As these operations were mostly at odd hours, Dy. MD of erstwhile IA had stated (January 2003) that “pilots on jet aircraft would be paid an hourly flying allowance @ 150 *percent* of the existing flying allowance for all hub and spoke operations. Furthermore all associated allowances such as SOD travel, FDTL[58] extension would also be paid at the

[58] *Flight Duty and Time Limitations*

applicable revised hub and spoke rate. Payment for any additional sector undertaken prior to or subsequent to the hub and spoke flight within the same duty cycle would be made at the revised hub and spoke rate (i.e. 150 *percent* of existing hourly rate)".

Both the airlines merged in March 2007 and had a common code since February 2011, obviating hub and spoke operations. Audit, however, noticed that hub and spoke allowance was being continuously paid to the pilots of erstwhile IA for selected sectors, which were identified as 'hub and spoke' flight by Operations department. This resulted in extra expenditure of ₹27.75 crore during the period from July 2013 to March 2016.

Management replied (02 February 2016) that post-merger of Air India and Indian Airlines, wage agreements were not synergised. To maintain industrial harmony, payments of allowances were being made as per the original agreement which were under review. Decisions on flights being operated as hub and spoke were as per the company policy and made prior to merger and were not decided by Operation department.

MoCA in its reply (02 September 2016) stated that Hub & Spoke allowances had been abolished in the rationalised pay structure which had been introduced for Airbus Pilots from January 2016.

8.5.5 Lack of planning in utilisation of effective crew

Audit reviewed the utilisation of fleet and available crew during the period from 2012-13 to 2015-16. While doing the analysis, Audit considered average utilisation of pilots and cabin crew as 840 hours, as considered by the committee constituted by AIL in November 2014 having representatives from Operations and Personnel departments, to assess the future requirement of cockpit and cabin crew. The results of audit analysis are tabulated below:

A. Assessment of requirement of pilots (Wide Body Aircraft)

The assessment of requirement of pilots for wide body aircraft is shown below.

Table 8.4: Assessment of strength of pilots of wide body aircraft

Year	Fleet**	Block hours	Annual hours considered for utilisation (in hours)	No. of Pilots required	No. of available pilots	No. of pilots under utilised
1	2	4	5	6***		
2012-13**	B-777	75681.26	840	284	357	73
2013-14	B-777	72022.72	840	276	340	64
	B-787	30087.67	840	102	261	159
2014-15	B-777	54052.98	840	232	309	77
	B-787	71148.52	840	209	258	49
2015-16	B-777	56324.19	840	242	308	66
	B-787	91479.01	840	256	291	35

Source: Block hours as appearing in Aircraft wise Profitability statement from AIL; Information furnished by AIL – Finance, Personnel & Operations

*** B-787 fleet had not been considered in 2012-13 as this fleet was utilised only for 2275 hours*

**** For USA and Australia sector, 4 pilots requirement had been considered and for other sectors two pilots had been considered*

As seen from the table 8.4 above, against an effective[59] pilot strength of 258 to 357, number of pilots required for actual operations varied from 102 to 284 during the period from 2012-13 to 2015-16. There was a decline in level of under-utilisation of pilots operating both B-777 and B-787 aircraft in 2015-16 as compared to 2014-15.

B. Assessment of requirement of pilots (Narrow Body Aircraft)

The assessment of requirement of pilots for narrow body aircraft is shown below.

Table 8.5: Assessment of strength of pilots of Narrow Body aircraft

Year	Block hours (A)	Annual hours Pilot available (B)	No. of Pilots required (A)/(B)	No. of available pilots with the Company	No. of pilots under utilised
2012-13	227553	840	542	625	83
2013-14	225569	840	537	587	50
2014-15	227832	840	542	581	39
2015-16	232882	840	554	605	51

Source: Information furnished by AIL – Finance, Personnel & Operations
Block hours as appearing in Aircraft wise Profitability statement.

As could be seen from above, during the period 2012-13 to 2015-16 against the effective[60] pilot strength of 581 to 625, the pilots required for actual operations were 537 to 554. Thus, during the aforesaid period 39 to 83 pilots were under-utilised. Despite having sufficient effective pilot strength, there were 1381 to 5065 cases of flight delay/cancellations/ rescheduling during the period from 2012[61] to 2016 (upto March 2016). Besides, the Company incurred additional expenditure due to over-utilisation of services of some pilots (as stated in para 8.5.1).

Management stated (February 2016) that for calculation of flight crew (cockpit crew and cabin crew) requirement, besides flying hours, other factors, viz., daily trip deployment, rest periods, training, standby crew, weekly rest requirement, crew buffer, etc. were considered. These factors restricted crew availability for a period of 9 months out of 12 months. Thus, 720 hours could be considered as 'Very Good Benchmark' and accordingly a crew performing average 80 hours per month (considering a period of nine months) was marked as very good achievement. Further, the industry standard for domestic carriers was less than 750 hours p.a. and there was no fixed utilisation of 840 hours annually and as per Government recommendation it was marked as an excellent achievement of Key Performance Indicator (KPI). They also stated that AIL could utilise the pilots for higher period as per company schedule.

MoCA in its reply (02 September 2016) stated that on account of various requirements of the company concerning training, conversion from one aircraft to the other, simulator training, the utilisation of pilots was not as per the target utilisation. Besides this, there were cases of Temporarily Medically unfit (TMU) and Permanently Medically unfit (PMU) pilots which involve prolonged grounding of the pilots. Further the Narrow Body pilots had also to be

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59 *Available/eligible for flying.*
60 *Available/eligible for flying.*
61 *Calendar year*

trained on the 787 aircraft which involved grounding of the pilots for conversion training. An exercise was conducted to assess the requirements of Cabin crew and Pilots and based on the study, fresh recruitments were being done. Company had expansion plans and, therefore it was necessary for Air India to induct crew to ensure that all aircraft could be operated as per schedule and no aircraft remained grounded.

The reply of the Management/MoCA is not acceptable as the internal committee of AIL had, while considering an average annual utilisation of 840 hours for the crew, stated that 'this shall take into account all types of leave, training requirements, standby crew and non-utilisation of crew due to various reasons'. Besides, average utilisation of 840 hours a year is feasible considering that the Civil Aviation Requirements (CAR) of Director General of Civil Aviation, prescribe the maximum cumulative flying hours as 1000 hours per annum for a pilot. Besides, a number of pilots in the Company had clocked more than the prescribed 840 hours in a year, which further suggested that an average of 840 hours worked by AIL Management was not unrealistic.

C. Assessment of requirement of cabin crew (Wide body aircraft)

The assessment of requirement of cabin crew for wide body aircraft is given below.

Table 8.6: Assessment of cabin crew strength of Wide Body aircraft

Year	Fleet	Block hours	Annual hours considered for utilisation	No. of Cabin crew* required	No. of available cabin crew	Shortages (-) / Excess
1	**2**	**4**	**5**	**6***	**7**	**8**
2012-13**	B-747/B-777	82192.52	840	1444	2139	695
2013-14	B-747/B-777/B-787	107164.86	840	1685	1893	208
2014-15	B-747/B-777/B-787	129566.02	840	1799	1637	(-)162
2015-16	B-747/B-777/B-787	152049.4	840	2060	1547	(-)513

Source: Block hours as appearing in Aircraft wise Profitability statement from AIL; Information furnished by AIL – Finance, Personnel & Operations

** For arriving at required cabin crew for B-747/B-777/B-787 crew compliment of 12/15/9.11 has been considered.*

*** B-787 fleet has not been considered in 2012-13 as this fleet was utilised only for 2275 hours*

The information given in the table indicated shortage of cabin crew. The short availability of crew affected the On Time Performance (OTP) of AIL as commented in Para- 8.4.

D. Assessment of requirement of cabin crew (Narrow Body aircraft)

The assessment of requirement of cabin crew for narrow body aircraft is given below.

Table 8.7: Assessment of strength of Cabin crew of Narrow Body aircraft

Year	Block hours	Annual hours considered for utilisation	No. of Cabin crew required	No. of available* cabin crew
2012-13	227553	840	1179	1269
2013-14	225569	840	1172	1178
2014-15	227832	840	1182	1146
2015-16	232882	840	1203	1358

Source: Data furnished by AIL
** including for AASL operations*

As stated above, during the period from 2012-13 to 2014-15 against the effective cabin crew strength of 1146 to 1269, the requirement of cabin crew for actual operations varied from 1172 to 1182. Further, as per statement provided by AIL effective strength included the cabin crew for Airline Allied Services Limited (AASL) operations also. Thus, the quantum of optimum utilisation of cabin crew could not be worked out in audit. However, the company recruited cabin crew during the year 2015-16 and as on 31 March 2016, there were 1358 crew available for operation.

MoCA in its reply (02 September 2016) stated that an exercise was conducted to assess the requirements of Cabin crew and Pilots and based on the study, fresh recruitments were being made. There were training requirements and the company had expansion plans and, therefore it was necessary for Air India to induct crew to ensure that all aircraft could be operated as per schedule and no aircraft remained grounded

The reply of MoCA is noted and improvement will be watched in future audits.

The JDC recommendations for harmonising the HR policies of erstwhile IA and AI and for rationalising staff costs were not fully implemented, resulting in additional expenditure and continuing anomalies like hub and spoke allowance.

The Company had excess men-in-position vis-a-vis the standard force required for its operation as per its own estimates. Even then, the Company hired a large contingent of consultants, casual workers and temporary outsourced employees which added to staff expenses.

The crew (Pilots and cabin crew) was not optimally utilised. While some pilots drew higher flying allowance on account of higher flying hours, others remained under-utilised.

The Company also failed to align crew availability to station of operation. While the hub was in Delhi, crew of wide body aircraft were primarily stationed in Mumbai and the Company incurred considerable expenditure on staff on duty travel, related allowances and hotel expenses.


एअर इंडिया
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