

P R E F A C E

This Performance Audit Report has been prepared for submission to the President of India under Article 151 of the Constitution.

The Report is a Performance Audit of civil aviation sector in India which includes NACIL (Air India Limited as it is known today), the Ministry of Civil Aviation (MoCA) and the Bilateral Agreements concluded by Government of India with other governments on entitlements for international operations between India and their countries, as well as permissions given to private Indian carriers to operate on international routes. The Performance Audit was commenced in September 2009 and would have concluded in 2010, but for the fact that reasons for non-performance/losses incurred by Air India Limited were inconclusive without examining the role and extent of support/control by MoCA. Air India repeatedly stated that the government's decision to award profitable routes to private Indian carriers and international carriers vide bilateral agreements also adversely impacted their commercial viability. Hence, to ensure a holistic study, we had to examine the open sky policy of the government which also included bilateral agreements with other countries. This examination was carried out in late 2010 and early 2011.

At each stage of the audit process, our findings have been shared with AIL and MoCA. The first draft of the performance audit was issued to the Ministry in November 2010 and a second draft report in March 2011. The final draft incorporating the results of the audit of bilateral agreements was issued to the MoCA in July 2011. The replies received from the AIL and Ministry have been incorporated in the Report. Deliberations held in the exit conference on 3rd August 2011 have also been addressed adequately.

Audit wishes to acknowledge the cooperation received from IAL, AIL and the MoCA at each stage of the audit process.

