

CHAPTER III: MINISTRY OF CIVIL AVIATION

Air India Limited

3.1 Avoidable expenditure on deadhead cost

Air India Limited (Company) failed to increase the proportion of crew stationed in Delhi during 2011-12 and 2012-13 even as the proportion of flights from Delhi during the period increased significantly leading to additional deadhead expenditure of ₹ 17.17 crore in positioning Mumbai based crew in Delhi.

Air India Limited (Company) has to maintain the required strength of different categories of cabin crew¹ at Delhi and Mumbai to operate its major international flights (Wide Body-WB) to foreign destinations from these stations. Cabin crew is eligible for flying allowance as well as subsistence allowance depending on the number of hours flown in a month. The crew is eligible for sixty five *per cent* allowances of the scheduled block hours in a particular month in case of positioning or trans-shipment for flight operation. Such expenditure incurred for positioning the crew is considered as 'deadhead' cost by the Company.

The Company declared Delhi as a hub with effect from 'Winter 2010'. As a consequence, there was a change in the number of scheduled 'Wide Body flights' to be operated from Delhi. With the declaration of Delhi as hub, the existing ratio of 67:33 (October 2010) between flights originating from Mumbai and Delhi changed to 48:52 in November 2010. The percentage of flights originating from Delhi ranged from 51 to 63 *per cent* during December 2010 to March 2013. The ratio of Mumbai:Delhi operations was 46:54 as on March 2013.

Further, while operations of flights from Delhi increased significantly from 33 *per cent* (October 2010) to 54 *per cent* (March 2013), the crew maintained at Delhi did not increase to the extent required over the same period. This necessitated avoidable movement of crew from Mumbai to Delhi during 2010-11 to 2012-13. The Mumbai based crew travelled as Pax/Supy² as Staff on duty (SOD) to Delhi one day before flight duty, stayed in a hotel to provide one clear night and operated the flight the following day incurring additional expenditure. Following completion of duty, the crew either returned to Mumbai the same day or after a stay at Delhi for one or two days which added to the deadhead cost.

Scrutiny of 'Crew Movement Detail forms' revealed that in 2011-12 and 2012-13, the Company's Mumbai based crew (Wide Body) had undertaken SOD travel of 36,736 and 28,059 hours and the Company paid avoidable allowances of ₹ 6.19 crore and

¹ *Categories of Cabin crew-namely In-flight Supervisor/Cabin Crew In-charge, Flight Purser, Air Hostess and other cabin crew.*

² *Supy refers to travel by crew members in uniform from a station to another for the purpose of next duty at an onwards station or coming back to base after completion of duties assigned and entitled to passenger seat.*

₹ 3.86 crore respectively during the above two years considering a cushion of six months from October 2010 to March 2011 to adjust the crew deployment at Mumbai and Delhi. Besides, the seats on which the cabin crew travelled were not available for passengers resulting in lower revenue generation, particularly for a busy route like Mumbai-Delhi-Mumbai. Though all flights of the newly inducted B-787 (Dreamliners) aircraft were to originate from Delhi, 42 *per cent* of the cabin crew staff trained for its operation (as on June 2013) were based in Mumbai.

While accepting the fact that the number of flights ex-Delhi increased substantially and corresponding number of crew stationed in Delhi had not increased to the required level, the Company stated (October/November 2013) that:

- SOD travel (deadhead hours) increased with the commencement of commercial operation of flights with 787 aircraft in September 2012.
- Assigning Flight Pursers' functions in a Wide Body crew to other categories of cabin crew was not possible in view of non-inter-changeability of functions and also the same might be in contravention of various court judgments including two Apex Court Judgments and lead to contempt of Court. Further compulsory transfer of cabin crew to Delhi would lead to industrial unrest since the category was highly unionized. It would not have been a prudent and economical decision to transfer crew to Delhi and reverse the movement at a later stage, once there were more flight operations from Mumbai pursuant to development of Mumbai Airport.
- Positioning at Delhi was carried out for all 'Airline Attendants' on contract and on voluntary basis for other cabin crew who wanted to seek a transfer to Delhi. Permanent transfer to Delhi could only be implemented after a clear transfer policy was in place which was being worked out.
- Operations from Delhi were enhanced because of major work in progress at the Mumbai airport which did not facilitate additional flights whilst the Delhi airport had a brand new airport with all facilities and infrastructure enabling Delhi to handle more flights.
- Majority of the crew trained for B-787 aircraft were from Mumbai due to availability of training facilities and infrastructure in Mumbai and decision of previous Management to train cabin crew based on criteria which was primarily seniority and availability.
- In all airline operations 'deadhead' cost was a common phenomenon in order to conform to regulations framed by the regulatory body and also it was neither feasible nor economical to have bases at many locations to curtail deadhead cost.
- Keeping the operations in mind, various measures had been taken to ensure that deadhead cost was kept to minimum.

Reply needs to be viewed in the light of the following:

- During the period covered in audit *i.e.* 2011-12 to 2012-13, B-787 flights had been operated only in 5 months *i.e.* September 2012 to January 2013.
- The cabin crew were liable to be posted outstation on any of the Company's routes or routes operated by associates.
- Though the Company enhanced flights from Delhi as Mumbai Airport was not able to facilitate additional flights, it failed to plan the availability of required number of Cabin Crew at Delhi resulting in deadhead expenditure.
- The decision of the Management to train and deploy cabin crew on B-787 aircraft based on seniority and availability further resulted in incurring of deadhead expenditure, even as flights were enhanced from Delhi.
- Despite the measures taken by the Company, the proportion of crew at Delhi to Mumbai did not increase proportionately. Though measures were being taken to reduce 'deadhead' cost, total PAX hours during the period April 2013 to August 2013 showed an increasing trend from 1491.38 hours to 2706 hours (81 *per cent* increase). It is also noticed that the percentage of Delhi based cabin crew trained in B-787s aircraft dropped from 58 to 53 during June to October, 2013.

While some deadhead cost may be necessary to meet operational exigencies, the situation reported above was avoidable which had occurred due to crew shortage in Delhi vis-à-vis Mumbai even as the international hub had shifted to Delhi. This was possible to have been corrected by the Company through suitable human resource management measures. This assumes greater importance in view of the present financial difficulties being faced by the Company and emphasis laid by GOI on rationalisation of costs for turnaround, while granting financial assistance to the Company.

Thus, inability of the Company to maintain cabin crew in Delhi in proportion to flights originating from the station resulted in avoidable expenditure of ₹17.17crore on deadhead cost during 2011-12 and 2012-13.

The matter was reported to the Ministry in November 2013; their reply was awaited (March 2014).