



सत्यमेव जयते

GOVERNMENT OF INDIA  
**OFFICE OF THE DIRECTOR GENERAL OF CIVIL AVIATION**  
TECHNICAL CENTRE, OPP SAFDURJUNG AIRPORT, NEW DELHI

**CIVIL AVIATION REQUIREMENTS**  
**SECTION 3 – AIR TRANSPORT**  
**SERIES ‘S’ PART I**  
**ISSUE I, DATED 5<sup>TH</sup> JULY, 2010**

**EFFECTIVE: FORTHWITH**

F. No. 23-11/2009-RD

Subject: Evaluation of Air Carrier’s Management of Significant Changes –  
**Assessment of Impact of Financial Stress on Safety of Operations**

**1. INTRODUCTION**

- 1.1 In the recent times, when the airline industry world over has passed through turbulent times, airlines have reported heavy financial losses. Few airlines have also laid off their employees and reduced the air services with a view to rationalise the route-structure. There had been reports of airlines on cash and carry by service provider(s) and repossession of aircraft by the lessor.
- 1.2 With the rapid expansion of air services both on domestic and international routes, as also the increase in the volume of passenger traffic and in view of adverse financial conditions of airlines, it has become necessary to take appropriate action to ensure a higher level of safety in aircraft operations. There is a need to carry out ‘Evaluation of Air Carrier’s Management of Significant Changes’ to identify airlines in distress either due to financial issues or operational issues so as to ensure that safety oversight functions are not affected and also to pin-point changes in the operating environment conditions, which significantly alter the balance between resources and operations. The evaluation process include collection of information through formal or informal channels, monitoring of indicators of change (leading or lagging), etc. which could have possible impact on safety of aircraft operations.

- 1.3 ICAO Doc 8335 contains Procedure for Operations Inspection, Certification and Continued Surveillance. Chapter 8 of the ICAO Doc 8335 deals with the continuing surveillance of certificated operators of any irregular procedures, evidence of inadequate facilities or equipment or indications that management control of the operation may be ineffective. It calls for careful examination of any conditions that may indicate a significant deterioration in the operator's financial condition. It further mentions that when such financial difficulties are encountered, technical surveillance of the operator be increased with particular emphasis on the maintenance of safety standards. Prime objective of the surveillance and inspection programme is to confirm that such methods or systems are being followed by the operator and effective in showing compliance and achievement of safety objectives.
- 1.4 Examples of possible unfavourable trends in the operator's financial condition are:
- a) Significant lay-offs or turnover of personnel;
  - b) Delays in meeting payroll;
  - c) Reduction of safe operating standards or evidence of cutting corners;
  - d) Decreasing standards of training;
  - e) Demands for 'cash on delivery' by suppliers who formerly granted the operator credit;
  - f) Inadequate maintenance of aircraft;
  - g) Shortage of supplies and spare parts;
  - h) Curtailment or reduced frequency of revenue flights; and
  - i) Sale or repossession of aircraft or other major equipment items.
- 1.5 This CAR is issued under the provisions of Rule 133 A of the Aircraft Rules, 1937 and Ministry of Civil Aviation letter No. AV.13011/03/2010-DT(DG) dated 12<sup>th</sup> April, 2010 for information, guidance and compliance of all concerned. The requirements contained in this CAR are complimentary to the Procedures for Operations Inspection, Certification and Continued Surveillance as contained in ICAO Doc 8335.

## 2. **APPLICABILITY**

- 2.1 The requirements contained in this CAR shall be applicable to the following operators operating in India:
- 2.1.1 All scheduled airlines; and
  - 2.1.2 Non-scheduled airlines having a fleet of more than five aircraft.

### 3. DEFINITIONS

**Resources** – Resources include operator's ability to meet the financial obligations, number of aircraft or fleet type, organizational structure and availability of key personnel.

**Operations** - Operations include the ability of operator's operations and maintenance organizations to meet the demands of its flight schedule in a profitable way. Problems are more likely to occur when there are insufficient or improperly managed resources to meet operational requirements.

**Formal Information** – It includes documentation received from the operator or other appropriate agencies (Security and Exchange Boards, Courts, Banks, Creditors, etc.).

**Informal Information** – It includes information obtained from operator's meetings or correspondence, conversations with knowledgeable airline personnel, press or industry publications, or any other credible sources that raise concerns about operator's ability to balance resources and operational requirements.

**Leading Indicators** – These are observable conditions or events which tend to exist before the inability to balance resources and operational requirements has occurred. Leading indicators are those observations that may indicate that organizational changes are occurring but where readily observable problems may not yet have surfaced.

**Lagging Indicators** - These are conditions or events that develop after the inability to balance resources and operational requirements has occurred.

### 4. REQUIREMENTS

- 4.1 All airlines shall carry out assessment of its organization in accordance with the Checklist given at Annexure I.
- 4.2 The assessment shall be carried out at least once in every twelve-month period or as directed by Director General from time to time
- 4.3 Assessment information as filled-in checklist shall be forwarded to the Directorate of Air Transport latest by 31<sup>st</sup> December of every year or as directed by Director General from time to time

- 4.4 On receipt of the requisite information, DGCA will carry out the assessment on comparative basis.
- 4.5 If the assessment reveals unfavourable conditions as enumerated in Para 1.4, DGCA shall initiate following actions:
- a) Detailed surveillance evaluation assessment to identify potential internal and external safety risks.
  - b) Increase technical surveillance of the operations with particular emphasis on the maintenance of safety standards.
  - c) Examination of arrangements entered into by the operator for aircraft maintenance, servicing or training, etc.
  - d) Close scrutiny of the training programme to ensure that the training standards demonstrated when the programme was initially approved are being maintained.
  - e) Observe performance of approved Check Pilots/Engineers
  - f) Ensure that the standards of operator capability and competence are equal to or exceed that required at the time of grant of initial Air Operator's Permit.
- 4.6 Further expansion of fleet and operations including Air Operator's Permit conditions shall be subject to mitigation of the potential risk factors identified during the assessment of impact of financial stress on safety of operations by the operator to the satisfaction of DGCA.



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**Annexure I**

No.	Assessment Indicators	Criteria	Airline Response
<b>Financial Condition Assessment</b>			
1	<b><i>Financial Stability of Operator</i></b>		
	a) Deferment of discretionary spending – capital expenditure, training, advertising, etc.	Yes/No	
	b) Sale of assets – spare parts, aircraft, lease back, etc.	Yes/No	
	c) Loss of valuable suppliers	Yes/No	
2	<b><i>Changes in Management/Reduction in Workforce - Executive Level, Mid-level Management and Technical &amp; Support Personnel and other Personnel</i></b>	Yes/No	
3	<b><i>Changes in Air Carrier's Status</i></b>		
	a) Relationship between the operator and its labour union	Consistent/Inconsistent	
	b) Load factor	Increasing/Decreasing	
	c) Cancellation and delay rates per 1000 departures	Increasing/Decreasing	
4	<b><i>Safety Programme</i></b>		
	a) Status of internal safety programme	Effective/Ineffective	

<b>No.</b>	<b>Assessment Indicators</b>	<b>Criteria</b>	<b>Airline Response</b>
	b) FOQA Programme (Exceedence rate per 1000 landings)	Effective/Ineffective	
	c) Status of existing safety system including risk management	Effective/Ineffective	
	d) Relationship with the regulator	Consistent/Inconsistent	
<b>5</b>	<b><i>Operator's Maintenance Programme</i></b>		
	a) Performance of Continuing Analysis and Surveillance System	Consistent/Inconsistent	
	b) Management of maintenance inspection department/system - staffing, etc.	Adequate/Inadequate	
<b>6</b>	<b><i>Current Compliance Status</i></b>		
	a) Compliance culture	Consistent/Inconsistent	
	b) Number of complaints against operator per 10,000 passengers carried	Increasing/Decreasing	
	c) Number of pending enforcement actions	Increasing/Decreasing	
	d) Number of regulatory enforcement actions	Increasing/Decreasing	
<b>7</b>	<b><i>Accidents/Serious Incidents in last one year</i></b>	Yes/No	
	a) Accident rate per 100,000 hrs		
	b) Reportable incident rate per 100,000 hrs		

No.	Assessment Indicators	Criteria	Airline Response
<b>8</b>	<b><i>Aircraft Acquisition (total fleet)</i></b>		
	a) Significant or sudden fleet reduction	Yes/No	
	b) Average age of fleet	High/Low	
	c) Number of fleets operated (type + engines)	High/Low	
	d) Operator continuously taking delivery of new aircraft	Yes/No	
	e) Adherence to approved maintenance programme intervals	Yes/No	
<b>9</b>	<b><i>Outsourcing of Personnel</i></b> (in various categories - flight crew, cabin crew, dispatchers, maintenance personnel, ground personnel & training thereto )	Increasing/Decreasing	
<b>Rapid Growth/Downsizing Assessment</b>			
<b>10</b>	<b><i>Changes in Fleet Size</i></b>	Increasing/Decreasing	
<b>11</b>	<b><i>Changes in Aircraft Utilization</i></b>	Increasing/Decreasing	
<b>12</b>	<b><i>Changes in Fleet Composition – Types of Aircraft and Engine Combination</i></b>	Increasing/Decreasing	

No.	Assessment Indicators	Criteria	Airline Response
13	<b><i>Changes in Personnel – Reduction of Personnel Particularly in Key Areas</i></b>	Increasing/Decreasing	
14	<b><i>Frequent Changes in Route Structure</i></b>	Increasing/Decreasing	
15	<b><i>Frequent Changes in Departure Timings/ Frequency</i></b> (Number of amendment sought per 100 departures)	Increasing/Decreasing	
16	<b><i>Maintenance and Ground Support</i></b>		
	a) Status of ground support equipment	Adequate/Inadequate	
	b) MEL or MEL extensions	Increasing/Decreasing	
	c) Aircraft dispatch reliability	High/Low	
	d) Maintenance related delays (Number of delays per 1000 departures)	Increasing/Decreasing	
17	<b><i>Resource Management</i></b>		
	a) Backlog in training	Yes/No	
	b) Delays due to crew availability	Yes/No	
	c) Duty time and crew rest management	Yes/No	
	d) Status and experience of personnel	Adequate/Inadequate	