SPECIAL AUDIT REPORT
ON
PROFITABILITY / LOSS ANALYSIS OF INTERNATIONAL ROUTES OF PIAC, KARACHI
AUDIT YEARS 2015-2019

AUDITOR GENERAL OF PAKISTAN

PREFACE

The Auditor General conducts audit as provided under Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973 read with Sections 8 and 12 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001. The Special Audit on Profitability / Loss Analysis of International Routes of Pakistan International Airlines Corporation, Karachi was carried out accordingly.

The Directorate General of Commercial Audit and Evaluation (South) Karachi conducted the Special Audit on Profitability / Loss Analysis of International Routes of Pakistan International Airlines Corporation for the Audit years 2015 to 2019 during December, 2020 to January, 2021 with a view to report significant findings to stakeholders. Audit examined the economy, efficiency and effectiveness aspects of the management of International Routes of Pakistan International Airlines Corporation. Audit assessed, on test-check basis, whether the management complied with applicable laws, rules and regulations. The Report indicates specific actions that, if taken, will help the management realize its objectives. Despite request and subsequent reminders, DAC meeting was not convened by the PAO. The last reminder to that effect was issued on 29.09.2022.

The Special Audit Report is submitted to the President in pursuance of the Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973, for causing it to be laid before both houses of Majlis-e-Shoora (Parliament).

Islamabad
Dated:

(Muhammad Ajmal Gondal)
Auditor General of Pakistan

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ABBREVIATIONS AND ACRONYMS

ASK	Available Seat kilometer
AUH	Abu Dhabi International Airport (IATA airport code: AUH),
BAH	Bahrain International Airport (IATA: BAH)
BCN	Josep Tarradellas Barcelona–El Prat Airport (IATA: BCN), also known as Barcelona Airport
BHX	Birmingham Airport (IATA: BHX)
BJS	BJS is the Metropolitan Area Code for the airports in the Chinese capital Beijing
BKK	Suvarnabhumi Airport (IATA: BKK) / Thailand's main airport
BoD	Board of Directors
BRF	Bradford International Airport (IATA Code: BRF)
CDG	Charles de Gaulle Airport (CDG) / the main airport of Paris
COD	Cost of Deportee
CPC	Central Procurement Committee
CPH	Copenhagen Airport (IATA: CPH)
DFC	Direct Fixed Cost
DMM	King Fahd International Airport (IATA: DMM), also known as Dammam International Airport
DOC	Direct Operating Cost
DOH	Hamad International Airport (IATA: DOH) / an international airport in Doha, Qatar
DXB	Dubai International Airport (IATA: DXB)
GACA	General Authority of Civil Aviation
GBP	British Pound
GHA	Ground Handling Agents
GHC	Ground Handling Committee
GHE	Ground Handling Equipment
GSA	General Sales Agents
IATA	International Air Transport Association
ISB	Islamabad
JAL	Japan Airlines
JED	King Abdulaziz International Airport (IATA: JED) in Jeddah
KBL	Kabul International Airport (IATA: KBL)
KHI	Jinnah International Airport (IATA: KHI)
KPI	Key Performance Indicators
KSA	Kingdom of Saudi Arabia
KUL	Kuala Lumpur International Airport (IATA: KUL)
KWI	Kuwait International Airport (IATA: KWI)
LHE	Allama Iqbal International Airport (IATA: LHE)
LON	LON is the IATA Metropolitan Code used for the six London airports
MAN	Manchester Airport (IATA: MAN)
MCT	Muscat International Airport (IATA: MCT)
MED	Prince Mohammad bin Abdulaziz International Airport or Medina Airport (IATA: MED)

MIL/MXP	MIL is the Metropolitan Area Code of the north Italian city Milan / Milan Malpensa Airport (IATA: MXP)
NJF	Najaf International Airport (IATA: NJF)
NYC	New York
OMR	Omani Riyal
ORC	Overriding commission
OSL	Oslo Airport (IATA: OSL)
PAR	Paris
PAX	Passengers
PIAC	Pakistan International Airlines Corporation
PNR	Passenger Name Record
PPRA	Public Procurement Regulatory Authority
PSA	Passenger Service Agents
PSA	Passenger Sales Agents
QCA	Mecca
RBDs	Revenue Business Designators
RM	Revenue Management
RPK	Revenue Passengers on Board per kilometer
RUH	King Khalid International Airport (IATA: RUH)
S & D	Service & Disciplinary
SAR	Saudi Riyal
SF	Seat Factor
SOPs	Standard Operating Procedures
TOC	Total Operating Cost
TORs	Term of References
TYO	Tokyo - All Airports Code (TYO)
USD	United States Dollar
VOC	Variable Operating Cost
YYZ	Lester B. Pearson International Airport (IATA: YYZ), commonly known as Toronto Pearson International Airport
YTO	Multiple Toronto airport IATA code
ZED	Zonal Employee Discount

EXECUTIVE SUMMARY

The Directorate General of Commercial Audit & Evaluation (South) Karachi conducted the Special Audit on Profitability / Loss Analysis of International Routes of Pakistan International Airlines Corporation, Karachi for the years 2015 to 2019 during the period the period December, 2020 to January, 2021. The main objective of the Special Audit was to ascertain whether the management complied with relevant rules, regulations, policies and Pakistan International Airlines Act, 2016 in operating International Routes. The special audit was carried out in accordance with ISSAI Auditing Standards.

Pakistan International Airlines Corporation Limited is a Public Sector Company and is listed on Pakistan Stock Exchange. It is governed by Companies Act, 2017 and Public Sector Companies (Corporate Governance) Rules, 2013. According to Section 4 of Pakistan International Airlines Corporation Act, 1956, the primary function of the Corporation is to provide and further develop safe, efficient, adequate, economical and properly coordinated air-transport services, domestic as well as international, and the Corporation shall so exercise its powers as to secure air-transport services are developed to the greatest possible advantage in the interest of the country.

Key Audit Findings

i. Loss due to misappropriation of funds at Riyadh station- SAR 657,618 in PKR 17.756 million.
ii. Loss due to difference in fares charged at Canada Toronto (YYZ) Region - Rs. 113.89 million.
iii. Loss due to allowing discounted agent tickets – Rs. 1,715.47 million
iv. Loss due to inefficient utilization of International Inventories – Rs. 837.183 million
v. Losses due to imprudent decision to continue flight operations of New York route - Rs. 868.65 million
vi. Loss due to poor performances of international routes-Rs 2,627.01 million

Recommendations

i. Preparation of feasibility reports should be ensured before start, closure/suspension of underperformed international routes with due diligence.
ii. Proper market research and thorough competitive analysis should be carried out before launching operation on new routes and long term viability of the routes should be assessed.
iii. All GSAs and GHAs agreements should be revised in conformity with standard GSA agreement, Company's rules and regulations & with PPRA rules-2004.
iv. Implementation of the annual approved operating plan should be ensured by monitoring the sales performance of stations/routes and compare actual sales with sales targets to identify variance and take remedial actions in timely manner.

v. Necessary steps should be taken to effectively monitor stations' performances by maintaining active follow-ups and close liaison with international stations with an aim of achieving overall sales targets.
vi. Revenue Management Division should ensure compliance with the approved SOPs in order to optimize the Company's revenue and prevent ineffective allocation of inventory.
vii. Once higher RBD has been opened no lower RBD should be offered especially in high season when there is heavy load of passengers.
viii. Brand Management Division should develop a comprehensive brand strategy for the Company with the approval of BoD.
ix. Outstanding amount from the defaulters/debtors should be recovered on immediate basis.

1. INTRODUCTION

The Directorate General of Commercial Audit & Evaluation (South) Karachi conducted the Special Audit on Profitability / Loss Analysis of International Routes of Pakistan International Airlines Corporation, Karachi for the years 2015 to 2019.

Pakistan International Airlines Corporation (PIAC) was incorporated on January 10, 1955 through PIAC Ordinance, 1955, which was subsequently repealed and replaced by the PIAC Act, 1956. With effect from April 19, 2016, PIAC Act, 1956 was repealed and the Corporation was converted through PIAC (Conversion) Act, 2016, from a statutory Corporation to a public company limited by shares. Thus, Pakistan International Airlines Corporation Limited (PIACL) is a Public Sector Company (PSC) and is listed on Pakistan Stock Exchange. PIACL is governed by Companies Act, 2017 and Public Sector Companies (Corporate Governance) Rules, 2013.

According to Section 4 of Pakistan International Airlines Corporation Act, 1956, the primary function of PIACL is to provide and further develop safe, efficient, adequate, economical and properly coordinated air-transport services, domestic as well as international, and the Corporation shall so exercise its powers as to secure air-transport services are developed to the greatest possible advantage in the interest of the country.

2. AUDIT OBJECTIVES

The main audit objective was to scrutinize the Corporation's record for the years 2015 to 2019 for analysis of profitability/ loss of International Routes of Pakistan International Airlines Corporation.

3. AUDIT SCOPE AND METHODOLOGY

Audit Scope

a. Scrutiny of the record for years 2015 to 2019 at Principal Office of the Corporation with a view to conduct analysis of the Corporation's profit & losses on international routes.
b. Scrutiny of the feasibility reports & approvals.
c. Review Board minutes related with international route performance.
d. Review Marketing / Revenue Committee minutes in respect of International routes, station- and country - wise.
e. Check air tickets fair on international route along with changes/revisions made during the period, station and country - wise.
f. Review and analyse the mechanism of RBDs (Revenue Business Designators) of International routes, station and country-wise.
g. Check route-wise revenue & expenditure through computer - generated statements/software, station - and country - wise.

h. Review agreements of General Sales Agents (GSA) and GSSA (Cargo), station - wise.
i. Review general agreements with international agents station - and country - wise
j. Review commission payments mechanism with Agents route -/ station - /country -wise.
k. Review cost analyses of aircrafts on wet/dry lease route - and station - wise including repair and maintenance expenditure.
l. Review Ground Handling Equipment (GHE) agreements in foreign countries on each route and station.

Audit Methodology

The audit methodology adopted was as under:

a. Meetings were conducted by the audit team with officers/officials of PIAC for clarification of information/record.
b. Examination of PIAC agreements with General Sales Agents (GSA), GSSA (Cargo)and Ground Handling Agents (GHA) on the basis of relevant policies framed by PIAC and examination of procurements in light of PPRA Rules, 2004.
c. Comparative analysis of the opening and closing of Routes was carried out with a view to see impact on PIAC's revenues.
d. Examination of flight operations of PIAC on International,
e. Criteria of fixing RBDs Reservation Business Designator (RBDs) for issuance of tickets were examined.

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Organization and Management

4.1.1 Non-production of record

Section 14 (2) & (3) of the Auditor General's (Functions, Powers and Terms and Condition of Service) Ordinance, 2001 states that the officer in charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete form as possible and with all reasonable expedition. Section 14 (3) states that any person or authority hindering the Auditorial function of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

During special audit on profitability / loss analysis of international routes of PIAC for the years 2015 to 2019, the audit team issued 28 requisitions for provision of record during the period December 2020 to January 2021. Despite written reminders and repeated verbal requests, most of the record/ information was not provided to audit (**Annex-A)**.

Audit is of the view that the management concealed the record from audit deliberately, which is violation of the above rules/directives on the part of the management.

The matter was reported to the management in 26-01-2021, but no reply was received.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends fixing of responsibility for non- provision of record on the person(s) at fault.

4.1.2 Loss due to misappropriation of funds at Riyadh station- SAR 657,618 equivalent to PKR 17.756 million

Section 54 of S&D Regulations of Pakistan International Airlines Corporation on causing loss of revenue to the corporation states that "any employee who causes or attempts to cause any loss or loss of revenue to the Corporation shall be liable to reimburse the loss caused by him and will also be liable to disciplinary action including dismissal from service."

During special audit on profitability / loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that Mr. Shahid Hassan, C-90112, ex-Reservation & Ticketing Assistant (Daily Wages Staff) at Riyadh station was involved in unauthorized and irregular issuance of free tickets to PIAC staff and others, causing a financial loss amounting to SAR 657,618. Moreover, attendance of the subject employee was not appearing in attendance register after May 30, 2013.

Audit is of the view that due to unauthorized issuance of free tickets to PIAC staff and others caused a financial loss to the Corporation amounting to SAR 657,618 in PKR 17.756 million (SAR 657,618 at Rs 27/- = Rs 17,755,686). Further, due to non-existence of controls over the attendance of employees, Mr. Shahid Hassan, C-90112 (Daily Wages Staff) at Riyadh station attendance could not be verified.

The matter was reported to management on 26-01-2021. Management in its reply on 13-03-2021 stated that recovery was in process from Pak Embassy of Stretcher cases and ex-Manager at Riyadh station. However, no documentary evidence was provided to audit. The reply of the management is not tenable because recovery is still outstanding.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that management should take appropriate action against the person(s) at fault by recovering the loss amount under intimation to audit.

4.1.3 Loss due to irregular payment to Aircraft Engineer at Muscat station - OMR 14,040 (PKR 3.847 million)

Employment visa requirement by Sultanate of Royal Oman Police is reproduced as, Degree, diploma or other qualification is directly relevant to the employment position in Oman; one must submit a certified copy of it.

During special audit on profitability / loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that Mr. Muhammad Nazir (P-46776) was posted at Muscat station on November 30, 2015 as an Aircraft Engineer. But due to non - issuance of apron pass by Muscat International Airport Authority, he was not allowed to enter into ramp area to perform his duties. The reason behind non - issuance of apron pass is that the incumbent had diploma certificate whereas as per local Authorities, Aircraft Engineer must hold a degree of Bachelor in Engineering. However, visa/apron pass was issued to him after six months on May 11, 2016.

Audit is of the view that management did not arrange an employment visa/permanent apron pass for Mr. Muhammad Nazir before his posting in Oman thus, the incumbent could not enter in apron area to perform his duties. Thus, salaries of amount of OMR 14,040 equivalent to PKR 3.847 million (OMR 14,040 x Rs 274/- = Rs 3,846,960) for six months, paid without performing duties, was irregular due to negligence of the management.

The matter was reported to the management in 26-01-2021, but no reply was received.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that management should fix responsibility upon the person (s) at fault.

4.2 Financial Management

4.2.1 Loss due to difference in fares charged at Toronto (YYZ) Region - Rs. 113.89 million

Manual of Revenue Manual Management, clause 4.1.2 on SOPs for inventory management requires optimizing flight revenue by adequate inventory allocation in different RBDs.

Clause -vii of Code of Corporate Governance, 3013 states that the directors of listed companies shall exercise their powers and carry out their fiduciary duties with a sense of objective judgment and independence in the best interests of the listed company.

During special audit on profitability /loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that PIAC operated flights from Karachi and Islamabad to Canada region during the years 2018 and 2019 and the data was selected on test check basis. These are revenue generating routes for the corporation. At the start of the year, management allocates inventory of seats based on RBDs. Economy class seats are divided into 10 different RBD, fare of each RBD is different and it goes from lower to higher. Further analysis of these flights on sample basis showed that allocation of RBDs was not followed in its true spirit and some specific RBDs were allotted with majority of seats and some RBDs went vacant in each flight. Example of mismanagement in pricing/fares for one month based on Canada routes is presented below;

Flight No.	Total Seats	Less fare charged (Rs)
781	1004	61,096,128
782	1044	52,773,184
Total		**113,869,312**

Audit is of the view that the Corporation has sustained a gross loss due to variation in approved fares. This check was done on sampling basis, taking few flights as a sample to examine the whole process, which clearly indicates that there is a variation in charging fares at every level.

The matter was reported to management on 26-01-2021. Management in its reply stated that in 2019, they earned PKR 2.17 billion revenue which is 38% more than that in 2018 despite fewer frequencies. Reply of the management is not tenable as there was loss due to difference in fares charged.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends investigation of the matter with a view to fixing of responsibility on the person (s) at fault.

4.2.2 Non-recovery of cost of deportee (cod) and immigration fines- Rs 73.484 million

The Standard Operating Procedure (SOP) for recovery of deportation fines / COD was circulated vide Circular No. 19/2014 dated June 02, 2014. The purpose of the above SOP is to expedite the recoveries of exorbitant outstanding amount on account of fines and COD charges incurred for deportation; and conclude the cases within the time limits before they get too old and go beyond expectation of recovery.

During special audit on profitability /loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that an amount of Rs. 73.484 million was lying outstanding on account of Cost of Deportee (COD) and immigration fines for the period upto December, 2019. Moreover, there was no proper follow-up mechanism established in Market Support Section to analyze the outstanding amount or recovery status of individual agents. Year-wise summary of recovered fines and COD charges upto December, 2019, is as under:

Year (up-to)	Total fine imposed	Fine recovered	Fine Outstanding	% of recovery	COD charges incurred	COD charges recovered	COD charges outstanding	% of recovery
2019	42,528,514	10,661,547	31,866,967	25%	89,452,521	47,834,693	41,617,828	53%
Total (31,866,967 + 41,617,828) = 73,484,795								

Audit is of the view that management failed to recover the outstanding amount of Rs. 73.484 million as per Corporation`s policy, which might lead to remote chances of recovery, financial exposure/loss to the Corporation.

The matter was reported to management on 26-01-2021. Management in its reply stated that management has vigorously followed SOPs for the recovery of its finance. The reply of the management is not tenable as recovery has not been made.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that the recovery of long outstanding amount may be made without any further delay.

4.2.3 Loss due to default by International Pax Agents-Rs 323.400 million

Article-27 of PSA Agreement states that PSA will be liable for any outstanding amounts in default and immediately upon notification of default, ticketing authority will be de-linked and held guarantee(s) will be en-cashed to cover the amounts in default. Under the provision of Article-9 of Passenger Sales Agency Agreement, the PSA shall be under obligation to submit sales reports and remittances on fortnightly basis in the following manner:- 1) Sales from 1st to 15th day of the month will be settled on 30th of the same month; 2) Sales from 16th to the last day of the month will be settled on 15th of the following month.

During special audit on profitability /loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that various international agents defaulted amounting to Rs 323.400 million by not depositing the sales amount, which was required to be deposited fortnightly with PIAC. In defaulted cases, the agents were allowed to sell the tickets beyond the prescribed limits/capping due to which they managed the default. The ageing report of December 2019 reflected that the defaulted cases were of the period from 1998 to 2016.

Audit is of the view that in the default cases, the management neither took disciplinary actions against the employees involved in fraud cases nor took legal action against the agents. The case wherein any legal action was taken was not pursued properly.

The matter was reported to the management in 26-01-2021, but no reply was received.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that management should recover the amount from the defaulting agents under intimation to audit.

4.2.4 Loss due to discounts on KHI-LON-KHI routes - Rs. 13.353 million

Clause 4.1.6 of SOPs for Monitoring requires the management to ensure monthly review meetings with teams of inventory and pricing analysts for review of flight performance.

During special audit on profitability /loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that in order to boost the advance sales, sales team proposed discounts on some international routes like, London, Manchester, Bangkok, Birmingham and Paris.

Further, during scrutiny and analysis of revenue data, it was observed that PIAC has designated some portion of the year as high/shoulder season and in the same high demand season, discount on fares were also approved. Some instances of peak season and period of discounts are given below;

Route	Peak Season period	Discount Period	Revenue Impact/Seat Factor
KHI-LON-KHI flight No. 0787-0788	04 Mar to 31 Mar & 01 July to 05 July	20 Mar to 05 Apr	63%, Rs. 13.353 million (Only for March 2018)

Audit is of the view that management allowed discounts in peak season to increase revenue while seat factor decreased from average of 70% to just 63%, which also resulted into a decline in revenue by Rs. 13.353 million. The basis of SOPs of Revenue Management were not followed, market research was not done appropriately. This affected the revenues of the Corporation.

The matter was reported to management on 26-01-2021.Management in its reply on 13-03-2021 stated that higher management approved 15% discount on UK/BKK/KUL/MXP/PAR sectors on flights originating from Pakistan. In supports of its reply management provided copy of minutes reference no. COM/46AZ/RMF/FE/2017 dated 08-03-2018. Discounts on LON route was not mentioned in approved minutes. No specific period of discount was mentioned in the Minutes. Reply of the management was not tenable as there was loss due to discounts.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends investigation of the matter with a view to fix responsibility on the person (s) at fault.

4.2.5 Non-recovery of outstanding dues from International Pax Sales Agents-Rs 1,749 million

The Credit Policy of PIAC provides that Credit period may be up to 30 days. Financing cost @ 1.25% per month is to be added to all over-due credit for such period. All further Credit on overdue accounts should be stopped until all pat dues are cleared.

During special audit on profitability/ loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that the dues amount of Rs 1,749 million was lying outstanding against International Pax Sales Agents as on December 31, 2019. The ageing of the dues is given below:

Period	Amount due for 31-90 days	Amount due for 91-365 days	Amount due for 365 + days	Outstanding Amount
Dec 2019	63,208,687	730,820,747	955,956,858	1,749,986,292

Audit is of the view that the Company's sales departments did not adhere to the PIAC credit policy and failed to cap the financial limit of their agents to the extent of their valid bank guarantees and timely encashment of their bank guarantees to save the company from the risk of possible default. Due to delay in timely action by the management, an amount of Rs 1,749 million was overdue, out of which, an amount of Rs. 955.956 million is overdue for 365 plus days as shown in the table. The amount of Rs 1,749 million pertaining to the International GSA Agents not only increased the risk of default but also made the chances of recovery remote.

The matter was reported to management on 26-01-2021. Management in its reply on 13-03-2021 stated that the stations have to tradeoff between the risk of default and sales potential. The reply of the management was not satisfactory because no recovery was made from the pax sales agents.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends fixing of responsibility for non-recovery of PIAC receivables.

4.2.6 Loss due to short-collection of fare under Zonal Employee Discount Agreement at Riyadh station– USD 49,119.03 in Rs. 5.138 million

As per Zonal Employee Discount Agreement (ZED) facilitate Interline Staff Travel. All applicable taxes are collected at the time of ticketing. All Employees (Serving and Retired), their spouses and dependent children under 24 years of age are eligible for this facility.

During special audit on profitability /loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that the management sold interlines tickets to PIAC employees against the total fare of USD 1,841.82 at Riyadh Station, Whereas, Emirates Airlines billed PIAC for USD 50,961.12 as per ZED agreement. Thus, the fare difference of USD 49,119.30 was not charged by the management to PIA employees. However, PIAC paid the full amount of bill i.e. USD 50,961.12 to Emirates Airlines. Thus, due to non-charging of full fare to PIA employee Corporation sustained a loss of USD 49,119.30. The details are as under:

Position as on March 31,2016			
Amount Billed by Emirates Airline (USD)	**Amount Received from PIAC Employees (USD)**	**Short fare collection (USD)**	**Total amount in PKR**
50,961.1	1,841.8	49,119.3	5,138,581

Audit is of the view that due to non-charging of full fares, which includes fuel surcharge to PIA employee, loss of USD 49,119.03 (PKR 5.139 million) was sustained by the management which depicts that undue favour was extended by the management to the PIAC employees.

The matter was reported to the management in 26-01-2021, but no reply was received.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that the matter should be investigated for fixing responsibility along with recovery of loss amount from the person(s) at fault. Further, management should also investigate the similar instances at all international stations.

4.2.7 Payment of non-refundable security charges (E3) while processing refund of ticket– Rs. 5.091 million

According to the Cabinet Ministries Decree number (183) that indicates adding of 2 US Dollars (equivalent to 7.5 SAR) nonrefundable, to each sector (arrival-departure-transit) of all international tickets value as (APP/PNR) Security charges to Fund the system operation, services and facilities, as per following collection procedures: Collecting amount of 2 USD (equivalent to 7.5 SAR) from every passenger for each international sector (arrival-departure-transit) by adding those Security Charge to the ticket value using the (IATA) dedicated Security Charge Code (E3) on collection. Carriers should start collection of those Security Charges starting from Saturday May 09, 2015 (20/07/1436H) Air Carriers are required to settle those Security Charges to General Authority of Civil Aviation in accordance with the instructions declared in the monthly invoice.

During special audit on profitability /loss analysis of international routes of PIAC during the years 2015 to 2019,it was observed from billing and settlement plan (BSP) and counter sales reports of the station during the period from Jan-2018 till Dec-2019, that amount of Security Charge (E3) was refunded by BSP agents and PIA reservation counter staff while processing refunds of passenger tickets; whereas, the same is non-refundable on both fully-unutilized &partially-used tickets as per above mentioned circular issued by General Authority of Civil Aviation (GACA) – the Civil Aviation Authority of the Kingdom of Saudi Arabia (KSA). The above fact was also evident from GACA (E3) invoices as Saudi Authorities were raising invoices based on the number of tickets issued and not on the basis of passengers lifted. This resulted in short collection amounting to PKR 5,090,872. The summary is as under:

S#	Description	Total (Rs)
1	E3 Short collection in 2018	982,888
2	E3 Short collection in 2019	4,107,984
	Total	**5,090,872**

Audit is of the view that management extended undue favor by refunding the Security Charge (E3) amount of Rs 5.090 million which shows weak internal controls and poor financial management.

The matter was reported to management on 26-01-2021. Management in its reply stated that recovery of E3 tax refunded is in progress from the ticketing agents. The reply of the management is not acceptable because no documentary evidence was provided regarding the recovered amount.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends prompt action for recovery of outstanding amount and responsibility may be fixed on person (s) at fault for not pursuing the matter in time.

4.2.8 Loss due to allowing discounted agent tickets – Rs. 1,715.47 million

Industry Affairs Doc #: COM/MM/02 clause 1.4 states that rebated transportation is not an entitlement of agents. It is discretion of the Airline on commercial consideration. Rebated transportation should be granted against written requests only duly signed by authorized persons.

During special audit on profitability /loss analysis of international routes of PIAC during the years 2015 to 2019, it was observed that the Corporation allowed 18,342 tickets to various agents over its network on account of Agents Discounted Tickets against the prescribed rebate policy of PIAC. On the other hand, standard operating procedures were not provided to audit to check the procedure of allowing these tickets **(Annex-B).**

Audit is of the view that despite having a financial crunch, the Corporation allowed discounted tickets to various agents without following the laid procedure of allowing free tickets.

The matter was reported to management on 26-01-2021. Management in its reply stated that as per industry practice, PIA has also been floating short-term & yearly productivity incentives based on sales slabs and FOC are the part of productivity incentive. The reply of the management is not tenable because PIA offered lucrative incentives to the agents i.e. overriding commission, discounts on sale of tickets and promotion budget, etc. and despite that Corporation suffered huge losses from last decade.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends investigation of the matter with a view to fix responsibility on the person (s) at fault.

4.3 Contract Management

4.3.1 Irregular award of contract to M/s. Swissport at Manchester Station– GBP 2,034,263 equivalent to PKR 349.283 million

Rule 20 of PPRA Rules 2004 stipulates that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

Rule 04 PPRA Rules, 2004 states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Further, as per Rule 16A, Procurement of common use items, services and commodities through framework agreements (1) The Procuring Agency shall arrange the procurement through framework agreements of recurrent or common use items, services including maintenance services and those commodities, whose market prices fluctuate during the term of the agreement, for a maximum period of three years.

During special audit on profitability /loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that the management awarded a contract of ground handling services to M/s. Swissport for the period of three years w.e.f. 01-11-2013 to 31-10-2016 at Manchester Station. The subject contract was extended for the period from 01-04-2017 till - date without adopting open tendering process in violation of PPRA Rules.

Audit is of the view that the management extended undue favor to the contractor and deprived the Corporation of the benefits of competitive bidding. Thus, expenditure of Rs 349.283 million is irregular.

The matter was reported to the management in 26-01-2021, but no reply was received.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that management should take appropriate action against the person (s) at fault.

4.3.2 Irregular award of contract at Medina station – SAR 4,684,590 equivalent to PKR 187.384million

According to the Rule-38 of PPRA Rules, 2004, the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract, within the original or extended period of bid validity.

During special audit on profitability /loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that a tender for hiring of ground handling services was published for Jeddah JED, Medina MED, Dammam DMM, Riyadh RUH stations at Kingdom of Saudi Arabia (KSA) for a period of three years. Three bidders namely M/s. Saudi Ground Services, M/s. Swissport and M/s. Havas offered bids. M/s. Havas offered the lowest rates for Medina station amounting to SAR 4,676,346. However, the management awarded the contract to M/s Saudi Ground Services at SAR 6,237,876, higher to the tune of SAR 1,561,530 in violation of PPRA rules.

Audit is of the view that the management extended undue favor to the contractor and deprived PIAC of the benefits of competitive rates. Thus, expenditure of Rs 187.384 million (SAR 1,561,530 X 3 years = SAR 4,684,590 X Rs.40/- average = Rs 187,383,600) million is irregular.

The matter was reported to the management in 26-01-2021, but no reply was received.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that management should conduct inquiry to investigate the matter by fixing responsibility upon the person (s) at fault.

4.3.3 Irregular award of contract to M/s. Groundforce at Barcelona Station– Euro 773,448 PKR 89.718 million

Rule 20 of PPRA Rules, 2004 stipulates that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

Rule 04 PPRA Rules, 2004 states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During special audit on profitability /loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that the management awarded a contract of ground handling services to M/s. Ground force at Barcelona Station in March, 2009.Since then the contract has been extended till date without adopting open tendering process in violation of PPRA Rules.

Audit is of the view that the management extended undue favor to the contractor and deprived PIAC from the benefits of competitive bidding. Thus, expenditure of Rs 89.718 million (Euro 257,816 X 3 years x Rs 116/-per Euro in year 2016 = Rs 89,719,968) is irregular.

The matter was reported to the management in 26-01-2021, but no reply was received.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that management should take appropriate action against the person (s) at fault.

4.3.4 Irregular award of contract to M/s. Japan Airline International (JAL) at Narita-Tokyo Station– US$ 562,133 PKR 59.586 million

Rule-12 of PPRA states that all procurement opportunities over two million Pakistani Rupees should be advertised on the Authority’s website as well as in other print media or newspapers having wide circulation.

During special audit on profitability /loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that the management awarded a contract of ground handling services to M/s. Japan Airline International (JAL) in May, 1996 at Narita-Tokyo Station. Since then the contract has been extended till date without adopting open tendering process in violation of PPRA Rules.

Audit is of the view that the management extended undue favor to the contractor and deprived the corporation from the benefits of competitive bidding. Thus, expenditure of Rs 59.586 million (US$ 562,133 X Rs 105/-per US$ in year 2013 = Rs 59,586,098) is irregular.

The matter was reported to the management in 26-01-2021, but no reply was received.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that management should take appropriate action against the person(s) at fault.

4.3.5 Irregular award of contract to M/s. Qatar Tours at Doha station-Rs 37.245 million)

Rule-12 of PPRA states, all procurement opportunities over two million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation.

Further, as per Rule 16A, Procurement of common use items, services and commodities through framework agreements(1) The Procuring Agency shall arrange the procurement through framework agreements of recurrent or common use items, services including maintenance services and those commodities, whose market prices fluctuate during the term of the agreement, for a maximum period of three years.

During special audit on profitability / loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that management appointed General Sales Agent (GSA), M/s. Qatar Tours, in January, 1964 at Qatar Station. The agreement expired in December 2014. The Board of Directors extended the contract for another 3 years term which expired in December 2017. However, it was observed that M/s. Qatar Tours was still serving as GSA for PIAC. The whole process of appointment and extension of contract to GSA was made without adopting open tendering process in violation of PPRA rules.

Audit is of the view that the management extended undue favor to the contractor and deprived from the corporation from the benefits of competitive bidding. Thus, expenditure of Rs 37.245 million is held irregular.

The matter was reported to management on 26-01-2021.Management in its reply stated that delay was occurred due to the BoD approval of GSA/GSSA policy and Board has extended the contract. The reply of the management is not acceptable because management violated the PPRA Rule.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that management should take appropriate action against the person (s) at fault.

4.3.6 Excess payment made to GSAs on account of promotion Budget-Rs 76.692 million

Article-5 on Duties & Responsibilities of GSA's of the agreements made between PIAC and General Sales Agents (GSAs) M/s Sky Travels & Tours, M/s Air International, M/s Travel Point LLC, M/s Med Tours, M/s Supersonic Services and M/s Qatar Tours provides, "allocate 5%, 0.5%, OMR 5,000, 0.75%, 0.5% and QAR 30,000 budget of the sales for the advertisement/promotion of sales" respectively.

During special audit on profitability /loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that PIAC entered into agreements with five GSAs of the following countries during the period 2016 to 2018. As per agreement, the GSAs were bound to allocate promotional budge from 5% to 0.5% of net sales and then expense out the same on account of PIAC advertisement and promotional activities at their territories. However, it was observed that neither the GSAs made advertisement activities in their territories nor spent the allocated budget on promotional activities. The details of the promotional budget and excess payments are as under:

(Rs in million)

S#	Name of GSA	Territory	Net sales 2018	Net sales 2019	Total Net Sales	% amount of Net/Sales (promotional Budget)	Total
1	M/s Sky Travels & Tours	Kabul – Afghanistan	109	385	494	5%	24.694
2	M/s Air International	Scandinavia	1,664	1775	3,439	0.50%	17.2
3	M/s Med Tours	France	1,451	2,237	3,687	0.75%	27.654
4	M/s Travel Point LLC	Oman	OMR 5000 per year (10000*PKR 437.81)			OMR 5,000	4.378
5	M/s Qatar Tours	Doha – Qatar	QAR 30000 per year (60000*46.17)			QAR 30,000	2.77
Total							**76.692**

Audit is of the view that the management extended un-due favour to the GSAs and allowed the excess payment amounting to Rs 76.692 million on account of promotional budget.

The matter was reported to management on 26-01-2021. Management in its reply stated that budget is to be spent by GSA as per PIA requirements/instructions. The reply of the management is not tenable because GSA did not spend the allocated budgeted amount for advertisement /promotion of PIA at their respective stations, thus routes underperformed.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that management should take appropriate action against the person (s) at fault.

4.3.7 Favoritism / Irregularities in GSA agreement with M/s Sama Travel & Services International -Rs. 6.21million

Rule-5 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the Board shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During special audit on profitability /loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that the PIAC appointed GSA M/s Sama Travel & Services International for passenger and Cargo sales in Sultanate of Oman (Muscat Station) w.e.f. 01 July, 2018. However, following discrepancies were noticed in the terms and conditions in GSA agreement as approved by Board of Directors (BoD) and GSA agreement made with M/s Sama Travel & Services International. The details are as under:

As per Agreement with (M/s Sama Travel) GSA	**As per agreement approved by BOD**
Article-3 validity/ termination:	
1. The validity of this agreement shall be in force from 01 May 2019 till 30 June 2021 unless earlier terminated by either party.	1. This agreement after signature by both Parties shall be deemed to have commenced on (“commencement date”). However, the agreement will only come into effect when the Bank Guarantee (as defined in Article 4) is submitted by GSA to the Principal. This agreement shall continue in force for (3) three years from the commencement date effective xxx till xxx unless earlier terminated by either party in pursuance to the provisions of Articles 2.3.4 and 4 of this agreement.
3. This agreement may be terminated at any time by either Party at its option by giving to the other Party 90 day’s written notice through registered mail.	3. Notwithstanding any other Articles in this Agreement, the Principal shall have the absolute right to terminate this agreement……. without assigning any reason to the GSA…..
Not included	4 GSA performance will be periodically monitored, on a six-monthly basis and in case of non-satisfactory performance agreement may be terminated as per period specified in agreement and advertisements be placed for fresh GSA appointments.
Article-4 Bank Guarantee	
a GSA will be required to submit unconditional/ irrevocable bank guarantee on PIA approved format equivalent to 15 days average territory passenger and cargo sales based on fortnightly reporting or equivalent to 15 days average territory sales based on weekly reporting.	a Designated GSA will be required to submit unconditional/irrevocable interest free bank guarantee with amount of equivalent to 35 days average territory sales bases on fortnightly reporting or equivalent to 20 days average territory sales based on weekly reporting i.e. xyz million.
d Bank Guarantee shall be valid for entire period	c Bank Guarantee shall be valid for the entire period of the

of the Agreement with 120 days additional validity after term of the agreement.	agreement with **one year** additional validity after the term of the agreement.
Article – 5 Duties and Responsibilities of GSA	
15. OMR 5000/- will be allocated by the GSA for PK Branding and advertisement during the year, in concurrence with the GSA.	6. GSA will allocate 0.5 % of the territory net / net revenue equally shared by principal and GSA will be spent for as advertisement/promotion.
Office: b. Proper offices for Country Manager, Finance Manager, one meeting room and one Record room for PIA records.	Office: 2 Proper offices for Country Manager, Passenger Sales Manager and Finance Manager and one Record room for PIA records. In additions, GSA will also provide a separate furnished Cargo Office at the Airport Terminal.
Office: c. Rentals /utilities/janitorial and communication cost of PIA sales office excluding international calls, will be borne by GSA.	Office: 3 Rentals/utility bills (Electricity/Janitorial) and communication cost of PIA sales office will be borne by GSA.

Audit is of the view that whole process of appointment of GSA is flawed and mala fide intention cannot be ruled out, therefore, amount paid to GSA Rs 6.21 million (2018 Sales Rs 97.62 million + 2019 Sales Rs 109.34 million = Total Rs 206.96 million x 3 % overriding commission = Rs 6.21 million) for the years 2018-2019 was irregular.

The matter was reported to the management in 26-01-2021, but no reply was received.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that management should take appropriate action against the person(s) at fault.

4.3.8 Favoritism / Irregularities in appointment of GSAs -Rs. 250.279million

<u>The requirements for GSA are as under:</u>

a. The company must be a registered firm with a valid trade license; b. must have minimum 3 years of relevant experience in the field of PAX or Cargo Sales. c. Must be a GSA of at least 1 major airline (other than PIA). d. Should have annual turnover of US$5 million for online and / or US$ 2 million for offline station. e. Should not have a history of default / bankruptcy or any previous litigation against PIA. f. Applicant should not be an IATA approved Passenger Sales Agent (PSA).

During special audit on profitability /loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that the PIAC appointed GSAs M/s Med tours on European Stations of Paris, France, M/s Gateway tours, Barcelona, (Spain) and M/s Al-Khaleej Travel in Dhaka, Bangladesh were initially appointed for periods of three years. However, their agreements were further extended without meeting the above standard terms and conditions of appointment of GSA. The details are as under:

Agent name	Station	Date of initial Appointment	Extended/ re-appointed	from Valid till Duration of	latest contract	Amount (ORC +incentives)
Med tours	CDG (France)	15.07.2011	15.07.2014, 14.01.2015, 01.01.2016	31.12.2020	5 Years	**174,951,250**
Gateway tours	BCN (Spain)	01.06.2012	01.01.2016	31.12.2020	5 Years	**63,074,381**
Al-Khaleej	Dhaka Bangladesh	10-4-2009	-	-	-	**12,254,000**
Total						**250,279,631**

However, Audit observed gross irregularities/favoritism in appointment of above GSA as per details given below;

1. Annual Turnover requirement of USD 5 million per annum was waived. Securing waivers has become a regular feature which is violation of PPRA rules.
2. Financial Scoring of selected applicants is below 50% of the maximum score.
3. Site visits were not executed which is one of the mandatory requirements.
4. Contracts of all three GSAs operating in an almost similar territory i.e. Europe having same legal requirements under a combined EU law have non-standardized contracts and bank / cash guarantee structures. Similarly, duties and responsibilities also vary, this includes promotional budgets, and offices for PIA staff while re-awarding contracts in BCN and OSL/CPH earlier categorically spelled out were removed.
5. With 4 flights, Paris station dynamics are changed, however at the time of appointment PAR had only two flights. This has not been accounted for nor properly addressed especially review of guarantee structure or settlement in case of default.
6. There are marked variances from the approved draft agreements with the actual agreements made with specific GSAs. Any deviation from the approved draft should have been approved and / or edited or waived from initial approving authority i.e., BoD& PPRA Rules.

Audit is of the view that the appointments of above GSAs were made in violation of prescribed PIAC GSA policy and PPRA rules. Resultantly, the payments made on account of Over-ride Commission (ORC) amounting to Rs 250.279 million were held irregular.

The matter was reported to management on 26-01-2021. Management in its reply stated that waiver in case of GSAs was granted by BoD. The reply of the management was not acceptable because waiver was a regular feature by ignoring the market realities.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that management should take appropriate action against the person (s) at fault.

4.4 Assets Management

4.4.1 Loss due to irregular flights - Rs. 319.53 Million

As per job description of Marketing Department, Chapter-14, page 154, the responsibilities of Deputy General Managers, Passenger Sales was to ascertain that respective Regional Managers are making efforts to have their assigned stations meet their revenue targets, look after and provide guidance to stations in their respective region.

During special audit on profitability /loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that 204 numbers of flights were operated under the route name of irregular flights at a total Cost of Rs 319.53 million during the years 2015 to 2019. However, it was further noted that these flights did not generate any revenue during the period of five years (**Annex-C)**.

Audit is of the view that operating the huge number of flights at a total cost of Rs 319.53 million without generating any revenue is unjustified and needs proper investigation. Thus, audit held the expenditure of total cost Rs 319.53 million as irregular and unjustified.

The matter was reported to the management in 26-01-2021, but no reply was received.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that management should justify its action or take appropriate action against the person(s) at fault.

4.4.2 Operational loss due to non-achievement of DOC-Rs 14,249 million

As per clause 5 (b) of Corporate Governance Rules, 2013 for Public Sector Companies, the Board shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company using the funds, assets and resources of the Public Sector Company with due diligence and care.

During special audit on profitability /loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that management operated different types of aircrafts at different routes. Records showed that direct operating cost of the aircrafts were greater than the total revenue during the years 2018 and 2019. The year wise detail is as under:

(Rs. in million)

Aircraft Type (B777)	**2018**	**2019**	**Total loss on DOC**
Revenue	67,614	95,132	-
DOC	72,675	97,773	-
Loss on DOC	5,062	2,642	7,704
Aircraft Type (A320)	**2018**	**2019**	**-**
Revenue	27,198		-
DOC	29,972		-
Loss on DOC	2,773		2,773
Aircraft Type (A32L)	**2018**	**2019**	**-**
Revenue	680		-
DOC	699		-
Loss on DOC	19		19
Aircraft Type (ATR)	**2018**	**2019**	**-**
Revenue	1,600	1,936	-
DOC	1,842	1,952	258
Loss on DOC	242	16	-
Aircraft Type (ATR7)	**2018**	**2019**	**-**
Revenue	2,138	2,060	-
DOC	3,775	3,918	-
Loss on DOC	1,638	1,857	3,495
Grand total			**14,429**

Audit is of the view that direct operating cost of the aircrafts was greater than the total revenue earned and hence caused a total loss of Rs 14,249 million to PIAC.

The matter was reported to management on 26-01-2021.Management in its reply on 13-03-2021 stated that in aviation industry fares are set by keeping market fare and competition in mind and not the costing model of an airline. The reply of the management is not satisfactory because to start any routes commercial department prepares a feasibility report based on costing model/data that is helpful for making decision. On that basis that such route would remain viable to meet out its VOC and DOC.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that the matter should be investigated and action may be taken against the person (s) at fault.

4.4.3 Loss due to inefficient utilization of International Inventories – Rs. 837.183 million

As per the Fare Policy of PIAC, Reservation Business Designators (RBDs) are of Economy, Economy Plus, and Business class are further sub-divided with price difference. In each class, lowest fare RBD is opened about 10/11 months before the departure date of the flight progressively higher fare RBD are opened as the date and time of the flight approaches near the departure considering the seat factor/ occupancy ratio. The Revenue Management, Head Office, Karachi is authorized to open and close the RBDs and the agent can use only that RBD, which is opened at the particular time by the RM / Marketing department of the PIAC.

During special audit on profitability /loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that where there was an opportunity to maximize the revenues through selling in higher RBDs in high seat factor flights, management kept the lower RBDs opened for a significant period of time and selling was allowed in lower RBDs at lower rates. The agents misused the RBDs by using lowest RBDs during the period of highest RBDs till the day of flight departure in almost all flights especially in peak seasons and high occupancy of flights. Some instances of misuse of RBDs i.e. sale of tickets in lower RBDs despite higher opened RBDs were noticed. The details are as under:

Flight No.	Month/Year	Seat Factor	Total Seats Sold	Seats Sold in Lower RBDs	Avg of difference in Lower & Higher RBDs (Rs)	Total amount of loss (2 months) (Rs)
(1)	(2)	(3)	(4)	(5)	(6)	7=(5*6)
701	Mar/Apr 2019	88%	8,439	4,252	31,000	263,624,000
757	Mar/Apr 2019	89%	14,052	7,777	31,140	484,351,560
791	Mar/Apr 2019	88%	8,444	3,856	42,250	352,832,000
Total Loss on above flights for 2 months						**837,183,823**

Audit is of the view that the travel agents cannot misuse any lower RBD without involvement of the Revenue Management department of the PIAC, as RM is only authorized to open and close RBD at any time. In addition, audit is of the view that this is done by the agents to charge higher fare from the passengers, but deposit the amount of low fare to PIAC or the agents misuse the RBD to get more commission by selling more tickets at lower rate.

The matter was reported to management on 26-01-2021.Management in its reply on 13-03-2021 stated that to achieve optimum seat factor multiple RBDs were used i.e. 10 RBDs in economy class where each RBD contains fare value from cheaper to high fare and adjust RBD according to market dynamics in order to remain competitive in the market. The reply of the management is not tenable because in peak season despite high seat factor, management open lower fare RBDs instead of availing the opportunity to sell high fare RBDs.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends investigation of the matter with a view to fix responsibility on the person (s) at fault.

4.4.4 Loss due to selection of high operating cost aircraft at Kabul route- Rs. 18.54 million

Section (4) of sub-section (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the chief executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During special audit on profitability /loss analysis of international routes of PIAC for the years 2015 to 2019, the record reflected that PIAC's ISB-KBL-ISB route underperformed in the year 2017 having a loss on VOC of Rs 18.54 million besides generating 21.05 % yield. However, in the year 2018 this route hardly met out the VOC i.e. break-even point. Details are as under:

(Rs. in million)

Name of Route	Year	Frequency of Flights	Available Seat Kilometers (ASK)	Number of Revenue Passengers Onboard (RPK)	Seat Fact %	Yield %	Total Revenue	Total Variable Operating Cost	Profit/ (loss) on VOC
ISB-KBL-ISB	2017	228	8.29	5.62	67.79	21.05	124.79	143.33	(18.54)
	2018	243	8.48	6.29	74.14	24.38	153.85	151.88	1.97
	2019	180	8.07	5.46	67.66	38.41	224.71	172.83	51.88

Further scrutiny revealed that from 2017 to third quarter of 2019 management operated this route through ATR flight No. 0249/0250. It came to notice that operating cost of ATR was very much higher. During last quarter of 2019 management shifted this route to Airbus-320 fleet which started to generate more revenues as compared to ATR. Then, in the year 2019 ISB-KBL-ISB route, it generated revenue of over VOC of Rs 51.88 million.

Audit is of the view that having the availability of current fleet of A-320 during the above period, management kept on using costly ATR, which not only increased the costs but revenues also declined. Due to late decision making and operating the route at higher operating costs PIAC suffered loss of Rs 18.54 million. This loss could have been avoided if the decision would have been taken earlier.

The matter was reported to management on 26-01-2021. Management in its reply stated that the decision regarding the deployment of any aircraft on any route is purely based on Regional Manager (RGMs), Route Manager (RM) and station recommendation. However, due to sudden technical grounding of A320 and delayed arrival of spare parts shifting from ATR to A320 could not be materialized. The reply of the management was not tenable because feasibility reports of any new routes were prepared by commercial department and suggested the type of aircraft.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends investigating of the matter with a view to fixing of responsibility on the person (s) at fault.

4.4.5 Loss on international charter flight - Rs. 72.53 Million

Section 54 of S&D on causing loss of revenue to the corporation states that "any employee who causes or attempts to cause any loss or loss of revenue to the Corporation shall be liable to reimburse the loss caused by him and will also be liable to disciplinary action including dismissal from service."

During special audit on profitability /loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that management operated 8 flights through International Charter in the year 2017 at a total cost of Rs 102.35 million. However, these flights generated total revenue of Rs 29.82 million remaining unable to meet out the beak-even point i.e. VOC Rs 43.11 million. The details are as under:

(Rs. in million)

Intl Charter	Number of Flights	Total Revenue	Total VOC	Total DFC	Total Cost	Loss on		
						VOC	DOC	Net
A	B	C	D	E	F	G=(C-D)	H=C-(D+E)	I=(C-F)
2017	8	29.82	43.11	23.74	102.35	(13.29)	(37.03)	(72.53)

*(source Profit & Loss summary / Citrix reports for the period 2017)

Audit is of the view that Charter flights are arranged on the request of embassy or diplomats etc. and the price demanded by PIAC fully covers the cost plus profit. However, these international charter flights did not cover even VOC and corporation sustained a net loss of Rs 72.53 million. Apparently an undue favor was granted by management by charging such prices to embassy or diplomats etc. which caused huge loss to corporation.

The matter was reported to management on 26-01-2021. Management in its reply stated that revenue of PKR 349 million was earned through these flights, hence no loss occurred. Reply of the management is not tenable because management totally ignored the variable operating cost (VOC) or break-even point by charging the price of charter.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that matter should be investigated by fixing responsibility upon the person (s) at fault and also recovery of the loss.

4.4.6 Loss due to delay of flights – Rs. 231.144 million

Chapter-17 of Job Description Manual of Passenger Handling Services Division of PIAC states that it is the responsibility of the Passenger Handling Services Division to analyze station delays over the PIAC network and take corrective and preventive actions to improve the punctuality by ensuring on-time departures.

During special audit on profitability /loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that the management paid Rs.231.144million on account of passenger Delayed Flight and ground transportation expenses over a period of the 03 years (**Annex-D)**.

Audit is of the view that lack of proper planning and control over the flights schedule and flight operations caused disruption, delays, and cancellation of flights. As a result heavy amount on account of delayed flights was paid in the form of delay flight allowance, penalty paid to passengers, passenger layover, parking charges of aircraft, etc. Further, due to flight delays, the management not only earned bad reputation but also lost passengers. However, in above amount parking charges of aircraft at airports was not included.

The matter was reported to the management in 26-01-2021, but no reply was received.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends the corporation to sort out the causes behind adding to or increasing such expenditures when cost of business is exceeding revenues and such mismanagement is losses. Furthermore, justification may be provided for the regular flight delays causing losses to the company.

4.5 Monitoring & Evaluation

4.5.1 Loss due to imprudent decision at route of Bangkok-Rs 197.35 million

As per Job Description Manual dated 15-01-2015, Chapter-14, Page No. 344 & 345, the General Manager, Network and Schedule Planning, PG-X (Reporting to Director Marketing) was responsible for:

a. To generate new schedules accommodating new marketing opportunities as advised by commercial departments considering passengers travel preferences, revenue management practices and market competition

b. To supervise and monitor proper designing of long term and short term operating plans

c. Focus on network management and evaluation of multiple scenarios of schedule changes

As per Minutes-1 (Feasibility) on the subject, "Bangkok operation on PIA Pearl route (KHI-BKK-KHI/LHE-BKK-LHE) submitted on 09-06-2016 to CEO for approval, which is reproduced as under:

1. Route economics of KHI-BKK-KHI flights by A-320 with 70% seat factor and minimum selling fare of PKR 48,880/- is contributing PKR 2.07 million above VOC and PKR 0.6 million over DOC.
2. Route economics of LHE-BKK-LHE flights by A-320 with 70% seat factor and minimum selling fare of PKR 55,880/- is contributing PKR 2.75 million above VOC and PKR 1.40 million over DOC.
3. Weekly 04 flight's operation (02 flights from each KHI and LHE station) with A-320 aircraft along with adequate lead time must be provided to enable the concerned areas for office setup/ revalidate agreements for Aircraft Operation, Ground Handling etc. at Bangkok.
4. GM Pax Sales recommended initiating BKK operation w.e.f. Dec 02, 2016 including appointment of GSA.

During special audit on profitability / loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that a feasibility report of the route KHI-BKK-KHI and LHE-BKK-LHE was submitted to the management on 09.06.2016 and decided to start the route on December 02, 2016 in order to increase revenue and extend network vis a vis catering tourist and business community. However, scrutiny of the record revealed that the management started flight operations at Bangkok route in September, 2017 instead of December 02, 2016 as per feasibility report. The management recommended 04 flights i.e. 02 from KHI and 02 from LHR per week (total 208 flights) from both stations to Bangkok for one year. However, only 157 flights were operated during the years 2017 & 2018. Besides, seasonality factor was ignored due to this, seat factor was badly affected which resulted into lower yield. Moreover, it was observed that no appointment of General Sales Agents (GSA) was made on the Bangkok route which was pre-requisite before the starting of the flight operation. The details are as under:

(Rs. in million)

Name of Route	Year	Frequency of Flights	Available Seat Kilometers (ASK) %	Number of Revenue Passengers Onboard (RPK) %	Seat Factor(S.F.) %	Yield	Total Revenue	Total Variable Operating Cost	Profit/(Loss) on VOC	Profit/(Loss) on DOC	Profit/(Loss) on TOC	Net Profit/(Loss)
PAK-BKK-PAK	2017	46	58.82	33.73	57.34	2.66	91.27	135.62	(44.35)	(187.24)	(220.53)	(269.66)
	2018	91	114.78	57.51	50.10	4.03	244.66	398.65	(153)	(365)	(487)	(629)
	Total				53.5 Avg		335.93	534.27	(197.35)	(552.24)	(707.53)	**(898.66)**

Comparison of Feasibility V/s Actual performance

S#	KPIs	2017			2018		
		Feasibility	Actual	Variance %	Feasibility	Actual	Variance %
1.	Seat Factor	70%	57.34 %	12.66	70%	50.10 %	19.9
2.	Yield	6.56/8.41	2.66	3.84	6.56/8.41	4.03	2.47
3.	Pax Revenue (Rs in million)	252.99	89.81	163.19 (64.50%)	500.49	231.67	268.82 (53.71%)
4	Frequency of flights	104 flights KHI 104 flights LHE (Total flights 208)	46 flights	162 flights (77.88%)	104 flights KHI 104 flights LHE (Total flights 208)	91 flights	117 flights (56.25%)

Further, all the KPIs set by the management in feasibility report were not achieved i.e. Actual seat factor remained at 57.34% and 50.10% against 70%, yield remained 2.66 and 4.03 against 6.56 and 8.41, pax revenue remained at Rs 89.81 million and Rs 231.67 million against Rs 252.99 million & Rs 500.49 million and frequency of flights operated were 46 and 91 against 104 for Karachi and 104 for Lahore during the years 2017 and 2018 respectively. Non-achievement of the KPIs led to negative VOC.

Audit is of the view that due to non-implementation of the recommendations of feasibility report, the route incurred huge losses even on VOC amounting Rs197.35 million and Rs 707.53 million on TOC. Besides, due to imprudent decisions of the management, not a single KPI target was achieved.

The matter was reported to management on 26-01-2021. Management in its reply dated 03-03-2021 stated that due to non-availability of A320 aircraft PIA had to delay the operation till Sep 2017 and reason for the low seat factor was due to insufficient support by the corporate clients. The reply of the management is not tenable because management totally ignored the recommendation of feasibility report.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be investigated to fix responsibility upon the person(s) found at fault.

4.5.2 Loss due to huge increase in VOC at Paris route- Rs 505.88 million

As per Job Description Manual dated 15-01-2015, Chapter-14, Page No. 344 & 345, the General Manager, Network and Schedule Planning, PG-X (Reporting to Director Marketing) was responsible for:

a. To generate new schedules accommodating new marketing opportunities as advised by commercial departments considering passengers travel preferences, revenue management practices and market competition

b. To supervise and monitor proper designing of long term and short-term operating plans

c. Focus on network management and evaluation of multiple scenarios of schedule changes.

During special audit on profitability / loss analysis of international routes of PIAC, it was observed that PIAC's PAK-PAR-PAK route generated profit over Variable Operating Cost (VOC) of Rs 73.85 million during the year 2015. Later on, in the year 2016 flight operation decreased on same route however, a huge increase was reported in variable operating cost. Resultantly total revenue decreased and loss over VOC of Rs 71.85 million was sustained by PIAC. Same pattern was observed from 2017 to 2019. The performance of the route is tabulated below:

(Rs. in million)

PAK-PAR-PAK	Years								
KPIs	**2015**	**% Inc/(Dec)**	**2016**	**% Inc/(Dec)**	**2017**	**% Inc/(Dec)**	**2018**	**% Inc/(Dec)**	**2019**
Frequency of Flights	62	(12.9)	54	56.45	97	61.29	100	64.51	102
Available Seat Kilometers (ASK)%	263.83	(17.26)	218.28	60.69	423.94	60.17	422.57	99.75	428.99
Number of Revenue Passengers Onboard (RPK)%	172.08	(21.36)	135.32	70.77	293.87	75.86	302.62	88.23	323.92
Seat Factor %	65.22	(4.95)	61.99	6.29	69.32	9.78	71.61	15.78	75.51
Yield % actual	5.20	(14.80)	4.43	(20.76)	4.12	4.8	5.45	25.38	6.52
Total Revenue (Rs in Million)	941.14	(32.48)	635.44	38	1,298.85	85.39	1,744.78	142.22	2,279.79
Total Variable Operating Cost(Rs in million)	867.33	(18)	707.29	54.67	1,341.54	109.81	1,819.83	199.32	2,596.13
Profit/(Loss) on VOC (Rs in Million)	73.85	(197.29)	(71.85)	(157.80)	(42.69)	(201.55)	(75.00)	(528.35)	(316.34)

*Base year 2015 Total loss on VOC Rs 505.88 million

Table shows that total revenue was Rs 941.14 million and total VOC was Rs 867.33 million that resulted in profit over VOC. However, in the year 2016 total revenue was Rs 635.44 million against total VOC of Rs 707.29 million which was Rs 71.85 million higher that became loss over VOC. The same pattern of loss on VOC was continued in succeeding years. Details of break-up of VOC related expenses are as under:-

(Rs. in million)

Description	**2015**	**2016**	**2017**	**2018**	**2019**
Flight frequency	**62**	**54**	**97**	**100**	**102**
Aeronautical & Handling related Expenses	306	252	475	572	775
Maintenance	72	111	115	138	565
Crew related Expenses	51	44	88	78	103
Total	429	407	678	788	1,443
Average per flight expenses	6.92	7.53	6.99	7.88	14.15

It is evident from the above break-up of VOC related expenses that there was high increase in Aeronautical & Handling related Expenses and Maintenance Expenses because of these, average per flight expenses increased from Rs 6.92 million per flight in 2015 to Rs 14.15 million per flight in the year 2019.

Audit is of the view that management did not control the rapid increase in Aeronautical & Handling related Expenses and Maintenance Expenses. Due to this a profitable route converted into an underperformed route. Resultantly, PAK-PAR-PAK endures loss on VOC of Rs 505.88 million (Rs 71.85million + Rs 42.69million + Rs 75million + Rs 316.34 million) due to negligence of the management.

The matter was reported to the management in 26-01-2021, but no reply was received.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that matter should be investigated in order to fix responsibility on the person (s) at fault.

4.5.3 Loss due to imprudent decision to start Najaf route-Rs 147.85 million

As per Minute-1 on "Najaf Operation" submitted on May 26, 2016 from where brief of the feasibility report is reproduced: "In order to cater pilgrim's related traffic to Najaf and to expand PIA network, the feasibility of a proposed NJF operation and associated, facts & figures are submitted hereunder:

Requisite actions prior to operations:

1. Establishment of GSA set up.
2. PIA own setup for supervision of GSA
3. Ground handling agreement.
4. Banking arrangements.

" … Sear factor of 70% on A-320 aircraft the TOC is recovered, hence this projected data make this a successful operation."

During special audit on profitability /loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that the management opened a new route to Najaf city -KHI-NJF-KHI- on September 2017 in order to cater to pilgrim's related traffic to Najaf and to expand PIA network. A feasibility report was submitted thereto, wherein it was made pre-requisite action that prior to start of operation, GSA set up was to be established and PIA owned setup for supervision of GSA. The main function of GSA was to expedite the sale to meet minimum criteria of 70% SF to make this route a successful operation even on Total Operating Cost (TOC).

However, it was noted that the management did not appoint any GSA on this territory and operated the route on adhoc basis during the period from 2017 till its closure in 2019. Resultantly, PIAC not only failed to achieve the minimum 70% SF but the route suffered huge losses of Rs 147.85 million on VOC during the period of operation. Besides, loss of Rs 362.65 million was incurred on DOC and Rs 481.75 million incurred on TOC. Performance of route is tabulated below:

(Rs. in million)

Description	2017	2018	2019	G.Total
Frequency of Flights	55	82	2	-
Available Seat Kilometers (ASK) %	48.69	74.31	1.81	-
Number of Revenue Passengers Onboard (RPK) %	23.72	38.71	1.29	-
Seat Factor %	48.72	52.09	71.27	-
Total Revenue (Rs in Million)	140.74	245.58	6.52	392.84
Total Variable Operating Cost(Rs in million)	183.05	348.58	9.06	541.03
Profit/(Loss) on VOC (Rs in Million)	(42.31)	(103)	(2.54)	(147.85)
Profit/(Loss) on DOC (Rs in Million)	(127.63)	(229)	(6.02)	(362.65)
Profit/(Loss) on TOC (Rs in Million)	(160.09)	(315)	(6.66)	(481.75)
Net Profit/(Loss) (Rs in Million)	(199.80)	(430)	(8.08)	(637.88)

Audit is of the view that route did not achieve the desired 70% seat factor. Besides, due to non-appointment of the GSA in the territory which was the pre-requisite as mentioned in the feasibility report, the sales of the new route got badly affected and caused huge losses of Rs 147.85 million on VOC. Moreover, incompetency and mismanagement in the PIAC cannot be ruled out as an important factor in closure of the route.

The matter was reported to management on 26-01-2021.Management in its reply stated that as per BoD meeting # 14, dated Aug 25, 2017 a temporary arrangement for three months was made to appoint GSA. However, in Sep 14, 2017 an advertisement was published in newspaper for appointment of GSA but no bidder was qualified. Later on, in April 04,2018it was retendered and three bidders were short listed but the case was not submitted to BoD for final approval and award of contract. The reply of the management is not tenable because as per Feasibility report, the appointment of GSA should be made prior to the operation and the same was not appointed till closure of the route.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that the losses may be justified and responsibility may be fixed on person (s) at fault.

4.5.4 Loss due to delayed decision of closure of Bahrain route -Rs 40.58 million

Section (4) of sub-section (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the chief executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During special audit on profitability /loss analysis of international routes of PIAC for the years 2015 to 2019, it revealed from the record that PIAC discontinued its flight operations from KHI-BAH-KHI route in the year 2014 due to persistent losses. However, flights resumed in the year 2015 but due to poor performance, sales could not be improved even to meet operational cost of Rs 50.27 million, thus, a loss on VOC of Rs 7.54 million was incurred by Corporation. Further, LHE-BAH-LHE also under performed in the years 2016 and 2017 with a loss on VOC of Rs 12.92 million and Rs19.72 million respectively. Details are as under:

Profit & Loss Summary (Rs in million)						
	LHE-BAH-LHE			KHI-BAH-KHI		
Year	**Total Revenue**	**VOC**	**Loss on VOC**	**Total Revenue**	**VOC**	**Loss on VOC**
2015	-	-	-	42.73	50.27	(7.54)
2016	233.69	246.61	(12.92)	0.65	1.05	(0.40)
2017	74.04	93.76	(19.72)	-	-	-
Total loss = Rs 40.58 million (Rs 7.54 million +Rs 0.40 million +Rs 12.92 million +Rs 19.72 million)						

Further scrutiny revealed that Bahrain route underperformed since 2012, results are tabulated below:

Profit & Loss Summary (Rs in million)						
	LHE-BAH-LHE			KHI-BAH-KHI		
Year	**T. Cost**	**T. Revenue**	**Loss**	**T. Cost**	**T. Revenue**	**Loss**
2012	194,174	173,456	(20,718)	184,100	85,214	(98,886)
2013	97,579	71,571	(26,008)	50,433	24,509	(25,924)
2014	51,270	39,547	(11,723)	-	-	-
2015	253,958	155,781	(98,177)	94,608	42,733	(51,875)
2016	481,944	239,121	(242,823)	2,268	646	(1,622)
2017	173,560	74,040	(99,520)	-	-	-

In Minute-1 on 28-04-2017 regarding Closure of PK Operations & office at Bahrain, the management decided that the operation from Bahrain may be discontinued w.e.f. June 30, 2017 to avoid any further loss to Corporation.

Audit is of the view that management decisions regarding the resumption of KHI-BAH-KHI route despite heavy losses incurred since 2012 and delayed decision on June 30,2017 regarding the closure of Bahrain station caused huge losses of Rs 40.58 million during the years 2015 to 2017.

The matter was reported to management on 26-01-2021.Management in its reply stated that flights to Bahrain / Doha route were resumed in order to facilitate regional station's request to cater to their 6^{th} freedom traffic. The major reason for these losses were that from year 2016 routing was changed to LHE-BAH-DOH-LHE. The reply of the management is not satisfactory because since resumption of Bahrain route it remained underperformed and even did not meet out VOC.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that the matter should be investigated and action may be taken against the person(s) found at fault.

4.5.5 Loss due to huge increase in VOC at Milan route- Rs 224.42 million

As per Job Description Manual dated 15-01-2015, Chapter-14, Page No. 344 & 345, the General Manager, Network and Schedule Planning, PG-X (Reporting to Director Marketing) was responsible for:

a. To generate new schedules accommodating new marketing opportunities as advised by or commercial departments considering passengers travel preferences, revenue management practices and market competition

b. To supervise and monitor proper designing of long term and short term operating plans

c. Focus on network management and evaluation of multiple scenarios of schedule changes.

During special audit on profitability / loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that PIAC's PAK-MXP-PAK (Milan, Italy) route generated profit on Variable Operating Cost (VOC) of Rs 144.93 million in 2015. Later on, route turned into continuous losses over Variable Operating Cost (VOC) during the years 2016 to 2019. Performance of the route is tabulated below:

(Rs. in million)

Name of Route	Year	Total Revenue	Total Variable Operating Cost	Profit/(Loss) on VOC	TOC
PAK-MXP-PAK	2015	1,394.77	1,249.84	144.93	(1,376.74)
	2016	1,255.14	1,314.66	(59.52)	(1,712.87)
	2017	1,149.51	1,012.91	136.60	(630.92)
	2018	1,651.72	1,666.22	(14)	(1,298.3)
	2019	2,422.2	2,573.1	(150.90)	

*Total loss on VOC Rs 224.42 million

It is evident from the above table that in 2015 route generated Rs 144.93 million profits on VOC. In the year 2016 heavy loss of Rs 59.52 million suffered by PIA. In the year 2019 loss reached to Rs 150.90 million over VOC. Total loss over VOC became to Rs 224.42 million (Rs 59.52 million + Rs 14 million + Rs 150.9 million). Break-up of VOC is tabulated below:

(Rs in million)

PAK-MAX-PAK			
Details of VOC	**2017**	**2018**	**2019**
Frequency of flights	75	94	101
Fuel	509	975	1,136
Aeronautical & Handling related Expenses Per flight expenses	361 361/75= 4.81	518 518/94=5.51	786 786/101=7.78
Maintenance Expenses Per flight expenses	73 73/75=0.97	100 100/94=1.06	557 557/101= 5.51
Crew Related Expenses	70	73	95
Total VOC	1,013	1,666	2,573
Average per flight expenses	13.50	17.72	25.48

Audit is of the view that per flight Aeronautical & Handling related Expenses were Rs 4.81 million in the year 2017 which gradually increased to Rs 7.78 million in the year 2019. Maintenance expense was Rs 0.97 million in the year 2017 which also increased to Rs 5.51 million in the year 2019. Further average VOC expenses increased from Rs 13.50 million per flight to Rs 17.72 million per flight and then further increased to Rs 25.48 million per flight in the years 2017, 2018 and 2019 respectively. This analysis shows that during the period under review management failed to control the Aeronautical & Handling related Expenses and Maintenance expenses in true spirit. Because of these losses over VOC was increased and total loss over VOC accumulated to Rs 224.42 million.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that matter should be investigated in order to fix responsibility on the person(s) at fault.

4.5.6 Loss due to poor performances on international regions-Rs 234,583.64 million

Section (4) of sub-section (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the chief executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During special audit on profitability / loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed from the record of Citric and Performance Review Reports of Marketing Planning Division of Commercial Department for the years 2015 to 2019 that PIAC covered 10 international regions. Scrutiny of the record further revealed that all the international routes incurred huge losses amounting to Rs11,519.98 million on Direct Operating Cost (DOC), Rs148,544.02 million on Total Operating Cost (ToC) and Rs234,583.64 million on total Net Loss during the years under review (**Annex-E).**

Audit is of the view that due to incompetency and mismanagement, PIAC underperformed and sustained huge losses of Rs 11,519.98 million on DOC on all over international regions/routes. Given the fact that these routes were consistently making losses to the company, the management failed to take remedial action by either closing the routes or cutting down costs.

The matter was reported to management on 26-01-2021. Management in its reply on 13-03-2021 stated that in respect of all regions there was a reason beyond region/station control and it was overall deficit in capacity compared to the operating plan. The reply of the management is not satisfactory because every region failed to achieve its targets.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that the losses may be justified and responsibility may be fixed on person(s) at fault.

4.5.7 Losses due to imprudent decision to continue flight operations of New York route-Rs. 868.65 million

As per Job Description Manual dated 15-01-2015, Chapter-14, Page No. 344 & 345, the General Manager, Network and Schedule Planning, PG-X (Reporting to Director Marketing) was responsible for:

a. To generate new schedules accommodating new marketing opportunities as advised by or commercial departments considering passengers travel preferences, revenue management practices and market competition

b. To supervise and monitor proper designing of long term and short term operating plans

c. Focus on network management and evaluation of multiple scenarios of schedule changes.

During special audit on profitability / loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that PIAC's PAK-NYC-PAK route earned loss over VOC of Rs 99.81 million in the year 2015. Despite this, even not meting out break-even, management continued its flight operations from this route upto 2017. Management on 04-10-2017 decided to suspend operation from New York w.e.f. December 31, 2017. However, Corporation suffered loss over VOC of Rs 868.65 million from the years 2015 to 2017. Details are as under:

(Rs in millions)

PAK-NVY-PAK			
KPIs	**2015**	**2016**	**2017**
Frequency of Flights	104	103	75
Available Seat Kilometers (ASK) %	799.69	778.34	562.41
Number of Revenue Passengers Onboard (RPK) %	529.17	532.03	354.79
Seat Factor %	66.17	68.35	63.08
Yield % actual	4.55	3.67	4.21
Total Revenue (Rs in Million)	2,584.39	2,093.99	1,618.9
Total Variable Operating Cost(Rs in million)	2,684.2	2,602.02	1,879.71
% Inc./ (Dec.)	(3.86)	(24.26)	(16.11)
Profit/(Loss) on VOC (Rs in Million)	(99.81)	(508.03)	(260.81)

*Total Loss on VOC Rs 868.65 million

It is evident from the aforementioned table that losses over VOC were Rs 99.81 million, Rs 508.03 million and Rs 260.81 million in the years 2015, 2016 and 2017 respectively. Total losses on VOC of Rs 868.65 million were accumulated from the years 2015 to 2017.

Audit is of the view that as PAK-NYC-PAK route suffered persistent losses over the years then why management did not close the operation earlier to avoid further losses. Thus, due to negligence of the management Corporation suffered loss over VOC @ Rs 868.65 million.

The matter was reported to management on 26-01-2021. Management in its reply on 13-03-2021 stated that due to advent of the open skies policy, due to massive capacity glut and reduced fares by Gulf carriers and PK product for New York was weaker due to mandatory transit at Manchester Airport were the reasons for failure. The reply of the management is not satisfactory because having a full-fledged departments i.e. Brand, Sales and Marketing and Revenue Management departments no concrete efforts were made by the management to increase passenger load for increasing revenue in later years.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that matter should be investigated in order to fix responsibility on the person (s) at fault.

4.5.8 Loss due to non-development of brand strategy-Rs 219.128 million

Brand strategy assists corporation to achieve the target market position in each segment of the market. Content of brand strategy includes product differentiation, purpose, brand architecture, promise, mediums, and time period of implementation.

During special audit on profitability /loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that an expenditure of Rs 219.128 million was incurred on account of advertising; marketing and branding of the Company by the brand management division during the years 2015 to 2017.However, the division not only failed to develop brand strategies to attract new customers but also under performed to maintain existing customer base. Region wise passengers travelled analysis report depicted that there was declining trend of passengers travelled through PIA airlines. Some instances have been taken from the record and analyzed in detail as below:

	Regions Seat Factor %						
Year	PAK-USA-PAK	PAK-YYZ-PAK	PAK-USA/YYZ-PAK	Pak-Saudi Arabia	Batik	Pak-China-Japan	Regional
2015	70	-	-	78.1	76.1	-	60.2
2016	68.6	72	70.9	76.9	71.7	66	52
2017	63.1	72	69.9	-	70.3	60.3	52

Funds received by Brand Management				
Particulars	2015	2016	2017	Total (Rs)
Expenditures (Rs)	70,032,306	39,095,651	110,000,000	219,127,957

Audit is of the view that due to absence of competent brand strategy developed by the brand management, not only the ratio of existing passengers declined but the Corporation at large sustained huge revenue losses. Further, unplanned promotional activities may lead to inadequate advertising; marketing and branding of the Company resulting loss of promotional fund Rs 219.128 million.

The matter was reported to management on 26-01-2021. Management in its reply stated that neither Business Plan nor Marketing Strategy has ever been provided to Brand Management Division, hence, Brand Management Division cannot devise Strategy in absence of Business Plan or Marketing Strategy. The reply of the management is not tenable as there was loss due to non-development of brand strategy.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be investigated by fixing responsibility upon person (s) at fault.

4.5.9 Non-achievement of sales targets by international stations - Rs 15,983 million

As per job description of Marketing Department, Chapter-14, page 154, the responsibilities of Deputy General Managers, Passenger Sales was to ascertain that respective Regional Managers are making efforts to have their assigned stations meet their revenue targets; look after and provide guidance to stations in their respective region. The responsibilities of Regional Manager was to ensure that assigned routes meet their revenue targets; look after and provide guidance to stations in their respective region.

During special audit on profitability/ loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that the PIAC management failed to achieve the sales targets set by the management at international stations during the years 2015to 2019. Station-wise comparative brief of sales targets and achievements are at **Annex-F**.

Audit is of the view that decline in revenue was the result of poor planning by the management who could not achieve sales targets during the period under review despite full-fledged officer/ staff of "Sales" employed at every stations for sales promotion and heavy payment on account of salaries are being incurred, but the performance of sales was not satisfactory. Further, the management did not take action against the concerned sales staff/ officers for poor performance during the period. Thus, the PIA achieved less than target amounting to Rs 15,983 million (target sales Rs 65,599 million – actual sales Rs 49,616 million).

The matter was reported to management on 26-01-2021.Management in its reply on 13-03-2021 stated that in respect of all stations there was a reason beyond station control and it was overall deficit in capacity compared to the operating plan. The reply of the management is not satisfactory because every station failed to achieve its targets.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that responsibility of the subject loss may be fixed on person at fault.

4.5.10 Loss due to high VOC at Pak-China-Japan Route-Rs 39.73 million

As per Job Description Manual dated 15-01-2015, Chapter-14, Page No. 344 & 345, the General Manager, Network and Schedule Planning, PG-X (Reporting to Director Marketing) was responsible for:

a. To generate new schedules accommodating new marketing opportunities as advised by or commercial departments considering passengers travel preferences, revenue management practices and market competition

b. To supervise and monitor proper designing of long term and short term operating plans

c. Focus on network management and evaluation of multiple scenarios of schedule changes.

During special audit on profitability /loss analysis of international routes of PIAC for the years 2015 to 2019, it revealed from the record that PIAC's PAK-CHINA-JAPAN route earned profit on VOC of Rs 550.83 million in the year 2017. In subsequent year 2018 showed a decrease in profit on VOC remained to Rs 100 million. Therefore, in the year 2019 route underperformed and loss on VOC was reported @ Rs 39.73 million. Performance of the route is tabulated below:

(Rs. in million)

Name of Route	**Year**	**Frequency of Flights**	**Available Seat Kilometers (ASK) %**	**Number of Revenue Passengers Onboard (RPK) %**	**Seat Factor %**	**Yield %**	**Total Revenue**	**Total Variable Operating Cost**	**VOC/Loss**
Pak-China-Japan	2017	116	440	265,34	60.35	8.53	2,368.04	1,817.21	550.83
	2018	105	417.33	257.77	61.77	9.20	2,513.13	2,412.35	100
	2019	102	368.81	273.15	74.06	10.02	2,889.31	2,929.04	(39.73)

Break-up of VOC are as under:

(Rs in millions)

Pak-China-Japan			
Details of VOC	**2017**	**2018**	**2019**
Frequency of flights	116	105	102
Fuel	829	1,192	1,211
Aeronautical & Handling related Expenses	595	625	778
Maintenance	237	399	712
Crew related Expenses	156	196	228
Total VOC	1,817	2,412	2,929
Average per flight expenses	15.66	22.97	28.72

Audit is of the view that as per aforementioned table that persistent increase in average per flight expenses is noted i.e. Rs 15.66 million to Rs 22.97 million and then Rs 28.72 million in the years 2017, 2018 and 2019 respectively. Thus, management failed to control the Aeronautical & Handling related Expenses and Maintenance expenses in true spirit. Because of this VOC was gradually increased from 2017 to 2019 and a loss on VOC of Rs 39.75 million was sustained by the Corporation.

The matter was reported to the management in 26-01-2021, but no reply was received. Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that the matter should be investigated in order to fix responsibility on the person (s) at fault.

4.5.11 Loss due to imprudent decision regarding closure of KHI-DEL-KHI route – Rs 13.22 million

As per Job Description Manual dated 15-01-2015, Chapter-14, Page No. 344 & 345, the General Manager, Network and Schedule Planning, PG-X (Reporting to Director Marketing) was responsible for:

a. To generate new schedules accommodating new marketing opportunities as advised by or commercial departments considering passengers travel preferences, revenue management practices and market competition

b. To supervise and monitor proper designing of long term and short term operating plans

c. Focus on network management and evaluation of multiple scenarios of schedule changes.

During special audit on profitability / loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that PIAC's KHI-DEL-KHI route performance remained satisfactory as it earned profit on VOC of Rs 73.03 million and Rs 36.98 million during the years 2015 and 2016 but management decreased flights operations from 52 flights to 39 flights respectively. In the year 2017, due to further decrease in flight operations loss on VOC of Rs 2.21 million was suffered by the Corporation. Performance of route is tabulate below:

KHI-DEL-KHI			
KPIs	**2015**	**2016**	**2017**
Frequency of Flights	52	39	19
Available Seat Kilometers (ASK) %	7.45	13.42	6.61
Number of Revenue Passengers Onboard (RPK) %	3.47	6.52	1.81
Seat Factor %	46.58	48.58	27.38
Yield % actual	18.08	12.36	13.22
Total Revenue (Rs in Million)	147.86	87.89	25.61
Total Variable Operating Cost(Rs in million)	74.83	50.91	28.02
Profit / Loss on VOC (Rs in million)	73.03	36.98	(2.21)

It is evident from above table that KPI shows the increasing trend i.e. RPK increased from 3.47 % to 6.52% and seat factor also increased from 46.58 % to 48.58 % despite decreasing flight operations. Resultantly, Corporation earned profit on VOC of Rs 73.03 million and Rs 36.98 million in the years 2015 and 2016 respectively. Loss on VOC of Rs 2.21 million incurred due to very few flights operated i.e. flights in the year 2017. Later on, management closed the route. However, management decided to continue flight operations from LHE-DEL-LHE in order to increase flights from 71 in the year 2017 to 101 flights in the year 2018. Performance of the route is tabulated below:

LHE-DEL-LHE					
KPIs	**2015**	**2016**	**2017**	**2018**	**2019**
Frequency of Flights	52	89	71	101	16
Available Seat Kilometers (ASK) %	7.45	8.87	5.49	5.04	0.65
Number of Revenue Passengers Onboard (RPK) %	3.47	6.52	2.42	2.81	0.35
Seat Factor %	46.58	48.58	44.08	55.75	53.85
Yield % actual	18.08	12.36	18.20	18.81	27.11
Total Revenue (Rs in Million)	66.45	67.19	46.43	53.12	10.36
Total Variable Operating Cost(Rs in million)	58.03	65.43	47.74	66.55	10.58
Profit / Loss on VOC (Rs in million)	8.42	1.76	(1.31)	(13)	(0.22)

Comparison of Routes						
	KHI-DEL-KHI			**LHE-DEL-LHE**		
KPIs	**2015**	**2016**	**2017**	**2015**	**2016**	**2017**
Frequency of Flights	52	39	19	52	89	71
Total Revenue (Rs in Million)	147.86	87.89	25.61	66.45	67.19	46.43
Total Variable Operating Cost(Rs in million)	74.83	50.91	28.02	58.03	65.43	47.74
Profit / Loss on VOC (Rs in million)	73.03	36.98	(2.21)	8.42	1.76	(1.31)

As per comparison 52 flights were operated from both the routes during the year 2015 KHI-DEL-KHI route earned profit on VOC of Rs 73.03 million instead LHE-DEL-LHE route earned profit on VOC of Rs 8.42 million. In the year 2016, only 39 flights were operated from KHI-DEL-KHI route Rs 36.98 million was earned on VOC, whereas 89 flights were operated from LHE-DEL-LHE route earning only Rs 1.76 million on VOC. Further, loss on VOC against the LHE-DEL-LHE route in the years 2018 and 2019 was Rs 13.22 million (Rs 13 million +Rs 0.22 million).

Audit is of the view that as KHI-DEL-KHI was a more profitable route against the LHE-DEL-LHE route. Thus, the decision of management to close /suspend flight operations from KHI-DEL-KHI route instead of LHE-DEL-LHE route was illogical.

The matter was reported to management on 26-01-2021. Management in its reply on 13-03-2021 stated that both the countries have suspended the over flying rights. Further passenger load on KHI-DEL-KHI flights reduced from 56.51% in 2015 to 48.6% in 2016. The reply of the management was not tenable because management increased the flights operation from 71flights to 101 flights from 2017 to 2018 at LHE-DEL-LHE route. Seat factor at KHI-DEL-KHI showed increasing trend from 46.58 % to 48.58 % in the years 2015 to 2016.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that the matter should be investigated and action may be taken against the person (s) at fault.

4.5.12 Loss due to increase of VOC at Oslo route- Rs 28.85 million

As per Job Description Manual dated 15-01-2015, Chapter-14, Page No. 344 & 345, the General Manager, Network and Schedule Planning, PG-X (Reporting to Director Marketing) was responsible for:

a. To generate new schedules accommodating new marketing opportunities as advised by or commercial departments considering passengers travel preferences, revenue management practices and market competition

b. To supervise and monitor proper designing of long term and short term operating plans

c. Focus on network management and evaluation of multiple scenarios of schedule changes.

During special audit on profitability / loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that PIAC’s PAK-OSL-PAK (Oslo, Norway) route generated profit over Variable Operating Cost (VOC) till the year 2018. However, due to sudden increase in VOC, route remained unable to meet even break-even point. Thus, a loss over VOC of Rs 28.85 was reported in the year 2019. Performance of the route is tabulated below:

(Rs. in million)

Name of Route	Year	Frequency of Flights	Available Seat Kilometers (ASK) %	Number of Revenue Passengers Onboard (RPK) %	Seat Factor %	Total Revenue	Total Variable Operating Cost	VOC/Loss
PAK-OSL-PAK	2019	44	174.12	122.15	70.15	983.35	1,012.20	(28.85)

Break-up of VOC is tabulated below:

(Rs in millions)

PAK-OSL-PAK			
Details of VOC	**2017**	**2018**	**2019**
Frequency of flights	38	43	44
Fuel	232	403	445
Aeronautical & Handling related expenses Per flight expenses	154 154/38=4.05	199 199/43=4.63	254 254/44=5.77
Maintenance Per flight expenses	41 41/38=1.07	38 38/43=0.88	232 232/44=5.27
Crew related expenses	63	64	81
Total VOC	**491**	**704**	**1,012**
Average per flight expenses	12.92	16.37	23

Audit is of the view that per flight Aeronautical & Handling related Expenses were Rs 4.05 million in the year 2017 which gradually increased to Rs 5.77 million in the year 2019. Per flight Maintenance expense was Rs 0.88 million in the year 2017 which also increased to Rs 5.27 million in the year 2019. Further average VOC expenses increased from Rs 12.92 million per flight to Rs 16.37 million per flight and then further increased to Rs 23 million per flight in the years 2017, 2018 and 2019, respectively. It shows that during the period under review management failed to control the Aeronautical & Handling related Expenses and Maintenance expenses in true spirit. Because of this VOC gradually increased from 2017 to 2019 and a loss over VOC of Rs 28.85 million was sustained by the Corporation.

The matter was reported to the management in 26-01-2021, but no reply was received.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that the matter should be investigated in order to fix responsibility on the person (s) at fault.

4.5.13 Loss due to imprudent decision regarding closure of LHE-KWI-LHE route – Rs 3.00 million

As per Job Description Manual dated 15-01-2015, Chapter-14, Page No. 344 & 345, the General Manager, Network and Schedule Planning, PG-X (Reporting to Director Marketing) was responsible for:

a. To generate new schedules accommodating new marketing opportunities as advised by or commercial departments considering passengers travel preferences, revenue management practices and market competition

b. To supervise and monitor proper designing of long term and short term operating plans

c. Focus on network management and evaluation of multiple scenarios of schedule changes.

During special audit on profitability / loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that PIAC's LHE-KWI-LHE (Kuwait) route performance remained satisfactory as it earned profit on VOC of Rs 199.73 million during the year 2015. However, a decreasing trend in Profit of VOC was observed i.e. Rs 72.96 million and Rs 29.24 million in the years 2016 and 2017 respectively. Moreover frequency of flights were 176 flights in the year 2015 which gradually decreased to only 18 flights in the year 2018. Thus, a loss of Rs 3 million was sustained by the Corporation in the year 2018. Because of this management closed/suspended the flight operation from LHE-KWI-LHE route in the year 2019. Performance of route is tabulate below:

(Rs in million)

LHE-KWI-LHE				
KPIs	**2015**	**2016**	**2017**	**2018**
Frequency of Flights	176	101	105	18
Seat Factor %	62.70	70.08	69.24	63.29
Yield % actual	6.88	5.33	5.11	5.51
Total Revenue (Rs in Million)	665.33	355.06	323.95	60.29
Total Variable Operating Cost(Rs in million)	465.55	282.10	294.33	63.98
Profit / Loss on VOC (Rs in million)	199.78	72.96	29.62	(3)

Audit is of the view that with a frequency of 176 flights LHE-KWI-LHE route earned Rs 199.78 million profit on VOC in the year 2015. Management decision regarding the reduction in frequency of flights i.e. 101 in the year 2016 could have caused loss of potential market share of passengers which could not be achieved in subsequent years that ultimately resulted in decrease of profit on VOC and then closed/suspended the viable LHE-KWI-LHE route in the year 2019. Thus, management decision regarding the closure/suspension of LHE-KWI-LHE route is considered illogical.

The matter was reported to management on 26-01-2021. Management in its reply stated that frequency of flights at SKT-KWI-SKT was increased from 60 flights to 110 flights from 2015 to 2017. Further, PIA market share start declining due to tough competition and visa issues. The reply of the management is not acceptable because at the one side management said there was visa issue but on the other side they increased the flight at SKT-KWI-SKT route from 60 flights to 110 flights by curtailing the flights from profitable route of LHE-KWI-LHE.

The matter was reported to the management in 26-01-2021, but no reply was received.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that the matter should be investigated and action may be taken against the person (s) at fault.

4.5.14 Losses due to inadequate monitoring and supervision over stations' performance

Para 3-12 titled as "SOP for Reporting Sales Performance to Regional Managers / GM Passenger Sales" of Passenger Sales Manual relevant extracts are reproduced below: IV. Procedure District Manager of Passenger Sales Manual communicates the sales performance to the Regional manager / GM Passenger Sale on regular basis or as per Head office requirements. Regional manager reviews the Station's performance / proposal and prepare a summary with his feedback and submits it to the GM Passenger Sales. GM Passenger Sales reviews and then submits it to the Management for their perusal / required adjustments". Further, relevant clauses (Para B of job Reference No:14.4.1.1) of the Job Description Manual explaining duties and responsibilities of Regional Manager (Respective Region) are reproduced: To ensure that assigned routes meet their revenue targets. Monitor stations' monthly performance, identify weak areas and suggest guidelines for making improvements. Ensure monitoring of flight loads regularly and plan strategies for maximum seat factor.

During special audit on profitability /loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that several stations have underperformed from their assigned sales targets during the years 2015 to 2019. Management of such stations did not prepare active follow-up with the aim of monitoring, identifying and suggesting remedial measures for improvement of sales performance.

Audit is of the view that due to lack of effective monitoring and follow-up actions over adverse sale variances of stations have resulted in accumulation of losses from operations and may lead to ultimate decision of suspension of flights and operations on these routes.

The matter was reported to management on 26-01-2021. Management in its reply stated that station performance monitored regularly by the concerned regional managers. Station sales performance viz a viz sales target reported regularly. The reply of the management is not acceptable because in-effective monitoring and delayed actions over adverse sale variances of stations have resulted in accumulation of losses from operations and may lead to ultimate decision of suspension of flights and operation on these routes.

The matter was reported to the management in 26-01-2021, but no reply was received.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that the matter should be investigated by fixing responsibility upon the person(s) at fault.

4.5.15 Non-achievement of cargo sales targets by international stations – Rs. 739 million

As per Marketing Department Cargo Sales Manual, the District Manager is responsible for achievement of station's cargo sales target.

During special audit on profitability/ loss analysis of international routes of PIAC for the years 2015 to 2019, it was observed that the PIAC management failed to achieve the cargo sales targets set by the management at international stations during the period under review. The station wise comparative brief of cargo sales targets and achievements is given at **Annex-G**.

Audit is of the view that decline in revenue was the result of poor planning by the management who could not achieve the cargo sales targets during the period. Sales promotion and heavy payment on account of salaries are being incurred, but the performance of cargo sales was not satisfactory. Further, the management did not take action against the concerned sales staff/ officers for poor performance during the period. Thus, the PIAC achieved less than targeted amount by Rs 739 million (target cargo sales Rs 1,685 million – actual cargo sales Rs 946 million).

The matter was reported to management on 02-02-2021.Management in its reply stated that during the years 2017 & 2018 due to reduction in the cargo capacity, stations were unable to achieve the targets and in 2019 cargo capacity was increased but due to operation of narrow body stations could not achieve their targets. The reply of the management is not tenable because either cargo capacity increased or reduced, station remained unable to achieve it.

The matter was reported to the management in 26-01-2021, but no reply was received.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that the responsibility of the subject loss may be fixed on person(s) at fault.

4.5.16 Loss due to poor performances of international routes-Rs 2,627.01 million

Section (4) of sub-section (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the chief executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of PIAC Sales & Marketing Departments for the years 2018-19, it was observed that PIAC 33 international routes earned total revenue of Rs 30,097.04 million while total variable operating cost of these routes were Rs 32,724.05 million resultantly incurring huge losses/VOC amounting Rs 2,627.01 million during the years under review (A**nnex-H)**.

Audit is of the view that due to incompetency and mismanagement, PIAC underperformed and sustained huge losses of Rs 2,627.01 million on VOC. Given the fact that these routes were consistently making losses to the company, the management failed to take remedial action by either closing the routes or cutting down costs.

The matter was reported to the management in 26-01-2021, but no reply was received.

Despite request and subsequent reminders on 09-07-2021, 09-08-2021 and 29.09.2022, DAC meeting was not convened by the PAO.

Audit recommends that the losses may be justified and responsibility may be fixed on person (s) at fault.

Recommendations

x. Preparation of feasibility reports should be ensured before start, closure/suspension of underperformed international routes with due diligence.
xi. Proper market research and thorough competitive analysis should be carried out before launching operation on new routes and long term viability of the routes should be assessed.
xii. All GSAs and GHAs agreements should be revised in conformity with standard GSA agreement, Company's rules and regulations & with PPRA rules-2004.
xiii. Implementation of the annual approved operating plan should be ensured by monitoring the sales performance of stations/routes and compare actual sales with sales targets to identify variance and take remedial actions in timely manner.
xiv. Necessary steps should be taken to effectively monitor stations' performances by maintaining active follow-ups and close liaison with international stations with an aim of achieving overall sales targets.
xv. Revenue Management Division should ensure compliance with the approved SOPs in order to optimize the Company's revenue and prevent ineffective allocation of inventory.
xvi. Once higher RBD has been opened no lower RBD should be offered especially in high season when there is heavy load of passengers.
xvii. Brand Management Division should develop a comprehensive brand strategy for the Company with the approval of BoD.
xviii. Outstanding amount from the defaulters/debtors should be recovered on immediate basis.

5. CONCLUSION

During the period of 2015 to 2019, PIAC operated 44,773 frequencies of international flights on 10 international regions covering 319 routes/stations. The Company earned total revenue amounting to Rs 401,438.16 million against the total cost amounting to Rs 636,025.53 million registering total net loss of Rs 234,583.64 million.

Feasibility reports, being the prime document to start closure/suspension of underperformed international routes/stations were not prepared with due diligence. Because of this, existing routes/stations and even new routes /stations sustained heavy losses. Most of the routes were operated without feasibility reports. The management ignored the recommendations given in infeasibility reports either to start up the new routes/stations or to close/suspend the old ones. Most of the feasibility reports of the routes were not provided.

In the appointments of GSAs/GHAs/GSSAs, the management violated the policy/rules of the PIAC Manual and PPRA rules. GSA's sales were not properly monitored with due diligence by the concerned Divisions with bank guarantees/capping. Because of this, numbers of Agent's default cases increased. Management ignored the PIAC Credit Policy to recover the outstanding/defaulted amount from the debtors. This caused increase in losses to the Corporation. No mechanism to monitor the implementation of operating plan / sales targets assigned to stations/routes was found. Due to weak internal controls over aeronautical and handling related expenses and maintenance expenses, the variable operating cost (VOC) persistently increased. Subsequently, profitable routes converted into underperformed/losses sustaining routes. Mechanism of reservation business designators (RBDs) was not effectively utilized and most of sales were done in least RBDs. Resultantly, PIAC suffered recurring revenue losses. Brand Management Division performed poorly without any future market capturing strategies. Subsequently, numbers of existing passengers drastically declined.

ACKNOWLEDGEMENT

We wish to express our appreciation to the Management and Staff of Pakistan International Airlines Corporation Limited for the assistance and cooperation extended to the auditors during this assignment.

Annexes

Annex-A: Statement of non-production of record (Para No.4.1.1)

S #	Req #	Date	Items/particulars
1	1	24.11.20	1. SOPs/manuals for International routes. 2. Marketing manuals and SOPs. 3. Revenue manuals and SOPs. 4. Feasibility reports of international routes along with approvals. (only Najaf, Bangkok, Sialkot-London, Salala provided) 5. Minutes of Board meeting related with International Routes along with working papers. 6. Minutes of the Marketing/Revenue Management Committee along with working papers.
2	2	24.11.20	1. List of agents with category wise and station wise alongwith annual business by each agent.
3	3	09-12-20	1. Copy of T.T Bulletins for the years 2015 to 2019 (Partially provided for the years 2017 to 2019).
4	4	09.12.20	1.Details regarding the aircrafts on dry/wet lease along with copies of dry/wet lease agreements. 2. Details regarding the repairs and maintenance on aircrafts.
5	6	09.12.20	1. Details regarding the mechanism /SOPs of commission /incentive paid to agents on International Routes.
6	8	10.12.20	1. Details regarding the monthly load (Seat Factor %), RBDs selling, station feedback and competitors fare trends for the period 2015 to 2019. 2. Details regarding the fare revision for the period 2015 to 2019. 3. Details regarding the international route wise performance of managers and teams for the period 2015 to 2019.
7	9	10.12.20	1. Details regarding the operating plan for the years 2015.
8	10	14.12.20	1. Details regarding the Agents Bank Guarantee /Cash Security along with capping limit with Annual Sales and average six weekly sales during the period under review. 2. List of GSA and GSSA. 3. Details regarding the Feasibility Reports of the following Routes: i. KHI-BOM-KHI ii. LHE-BAH-LHE iii. PAK-NYC-PAK iv. KHI-BKK-KHI 4. Details regarding the Inquires conducted/Proposed/Pending against the GSA. 5. Details regarding the Court cases against the GSA.
9	11	14.12.20	1. Copy of minutes of the Board of Airlines Representatives in Pakistan – BARIP along with working papers. 2. Details regarding the Zonal Employees Discounts agreements. 3. Details regarding the Serial charter services schedule flights operated, advance received, costing /total expenditures incurred, profit/loss, outstanding dues, cancelled (if any) etc. during the years 2017 ,2018 and 2019. 4. Details regarding the Adhoc charter flights operated, advance received, costing /total expenditures incurred, profit/loss, outstanding dues, cancelled (if any) etc. during the years 2017 ,2018 and 2019. 5. Details regarding the Routes/Regions where PIAC does not run its operations through its own office along with the cost incurred. 6. Details regarding the penalties and mark-up against Receivables on account of Refunds and excess ORC from International Agents during the period 2017 to 2019. 7. Details regarding the destination-wise feasibility analysis for underperforming routes as well as for new routes where the Company desires to expand its operations during the period under review.
10	12	14.12.20	1. Copy of Minutes of Ground Handling Committees (GHC) along with working papers from January 1,2015 to December 31,2019.
11	13	15.12.20	1. Details of Budgeted expenditure v/s actual expenditure (Station/route-wise) for years 2015-2019. 2. Costing of Functional cost categories (Aircraft operating costs, Aircraft servicing costs, Passenger service costs etc.)

<table>
<tr><td>1
2</td><td>14</td><td>15.12.2
0</td><td>1. Breakup and Details of Revenue for the years 2015 – 2019.
2. Ticket Rate Mechanism/Policy.
3. Fare basis for various classes and sectors</td></tr>
<tr><td>1
3</td><td>17</td><td>28.12.2
0</td><td>1. Details regarding the Pre & Post International Flights Routes Analytics on Quarterlybasis for the years 2015 to 2019 .
2. Details regarding the weekly frequency of new Routes during 2015 to 2019.
3. Planned &Utilization of aircrafts on International Routes during 2015 to 2019.
4. Details regarding analysis / summary/ marketing conference on International routes during 2015 to 2019.
5. Details regarding the expenditure incurred during the period 2016 and 2017 at UAE.</td></tr>
<tr><td>1
4</td><td>18</td><td>28.12.2
0</td><td>1. Copy of Brand strategy for promotion of the brand.
2. Copy of SOP of the Branding / Marketing of PIA Products and Services.
3. Details of Productivity / Impact of Incentive Policies on Sales Enhancement.
4. Details of Station's performance report along with summary prepared by Regional Manager.
5. Complete case files / tendering files for appointment of GSA at all international stations.
6. Details of Burglary at PIA Riyadh Office in 2015 along with current status.
7. Copy of inquiry report conducted against GSA M/s Air International in Oslo and Copenhagen.</td></tr>
<tr><td>1
5</td><td>21</td><td>29.12.2
0</td><td>1. Complete case files of the following cases related to GSA:
a. Enquiry Ref: 58/2020: Illegal extending of benefits of GSA by PIA to M/s. Air International, Oslo.
b. Enquiry Ref: 1(33)/HQ/CA/13152/19/DD-HS/NAB-L: Award of contract to M/s. Air International Pvt Ltd.</td></tr>
<tr><td>1
6</td><td>24</td><td>13-01-
21</td><td>1. Details regarding the Denied boarding cases on all International routes along with total expenditures incurred during the period 2015 to 2019 as per following format:-
<table>
<tr><td></td><td></td><td></td><td></td><td colspan="3">Configuration of Aircraft</td><td colspan="2">Travelled Load</td><td></td><td></td><td></td></tr>
<tr><td>Flight date</td><td>Flight number</td><td>Origin</td><td>destination</td><td>BS</td><td>EC</td><td>Total</td><td>BS</td><td>EC</td><td>No show</td><td>O/B</td><td>D/B</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
</table>
2. Details regarding the Extra section of flights which not covered the VOC and DOC as per following format during the period 2015 to 2019:
<table>
<tr><td>S.No</td><td>Flight No.</td><td>Flight date</td><td>VOC</td><td>DFC</td><td>IFC</td><td>Cost</td><td>Revenue</td><td>Profit</td><td>Loss on VOC</td><td>Loss on D</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
</table>
3. List of Engineering/technical staff deputed to all international stations along with date of deputed / repatriated and salary & allowance paid during the period 2015-2019.</td></tr>
<tr><td>1
7</td><td>25</td><td>14-01-
21</td><td>1. AWB wise details of short collection on mango consignments during 2015 to 2019.
2. Details of Free of Cost (FOC) Cargo for international routes during 2015 to 2019.
3. Copy of Special Prorated Agreements (SPAs) with other airlines for cargo movement.
4. List of international stations where PIAC discontinued its cargo operations along with reasons/justification.
5. Appointment files of Cargo Handling service provider at all international stations.
6. Appointment/ tendering files of M/s Leisure Cargo FZCO (LC) along with LC agreement.</td></tr>
<tr><td>1
8</td><td>26</td><td>14-01-
21</td><td>1. Copy of Brand Management strategy for promotion of the brand.
2. Copy of SOP of the Branding / Marketing of PIA Products and Services.
3. Details of promotional campaigns and advertisement for international routes for the years 2015 to 2019.
4. Details of promotional / branding allocated budget and its actual utilization for the years 2015 to 2019.
5. List of approved panel of advertising agencies along with approval.
6. Details of advertising agency hired / paid to promotes PIA products.
7. Appointment files of advertising agency during 2015 to 2019.
8. Details of actual expenditure for promotional material on the following routes during 2015 to 2019..
a) Lahore-Kuwait (Gulf)
b) Sialkot- Kuwait (Gulf)</td></tr>
</table>

			c) Karachi-Najaf (Iraq) d) Pakistan-Salalah (Muscat) e) Peshawar-Al Ain (Gulf) f) Peshawar-Sharjah (Gulf) g) Sialkot- Sharjah (Gulf) h) Multan- Sharjah (Gulf)
20	27	14-01-21	1. Appointment files of M/s Travel Point as GSA Muscat station. 2. Copy of termination notice by M/s Travel Point dated March 30, 2018. 3. Tendering files of M/s Sama Travels & Services for GSA at Muscat station. 4. Copy of agreement/LOI with M/s Sama Travels & Services at Muscat station. 5. Details of month wise payment made to M/s Sama Travels & Services at Muscat station during the period 2018 and 2019.

Annex-B: Details of Discounted Tickets (Para No.4.2.8)

Year	Discount Rate	Revenue after Discount	Count of Tickets	Discounted Value
2018	Agent Discount 100%	6,214,646	5,504	621,464,620
	Agent Discount 50%	4,640,312	328	9,280,625
	Agent Discount 75%	26,053,159	3,440	104,212,634
	Agent Discount 90%	27,374	9	273,741
	Other Discount	1,057,097	386	1,057,097
		37,992,588	**9,667**	**736,288,717**
2019	Agent Discount 100%	8,492,274	4,918	849,227,428
	Agent Discount 50%	5,124,242	293	10,248,484
	Agent Discount 75%	29,849,760	3,194	119,399,040
	Agent Discount 90%	300,755	41	30,076
	Other Discount	277,215	229	277,215
2019 Total		**44,044,246**	**8,675**	**979,182,243**
Grand Total		**82,036,835**	**18,342**	**1,715,470,960**

Annex-C: (Para No.4.4.1)

(Rupees in million)

Statement showing the loss on Irregular Flights during 2015-2019						
Years	**Number of Flights**	**Total Revenue**	**Total VOC**	**Total DFC**	**Total Cost**	**Net Loss**
A	**B**	**C**	**D**	**E**	**F=(D+E)**	**G=(C-F)**
2015	34	0.00	31.40	20.13	51.53	51.53
2016	42	0.00	36.63	18.21	54.84	54.84
2017	52	0.00	36.87	42.77	79.64	79.64
2018	44	0.00	41.83	30.42	72.25	72.25
2019	32	0.01	39.99	21.29	61.28	61.27
Total						**319.53**

Annex-D: (Para No.4.4.6)

Passenger Delayed Flight & Ground Transportation Expenses					
Station code	**Station**	**Amount in PKR**			**Total of PKR**
		2017	**2018**	**2019**	
AGKKBLB	Kabul	13,199	-	120,601	133,800
BDDDACB	Dhacka	-	91,181	1,559,714	1,650,895
BHCBAHB	Bahrain	166,136	-	-	166,136
CAOYTOB	Canada	777,222	1,561,604	4,620,357	6,959,183
CIBBJSB	Beijeing	990,598	168,358	424,360	1,583,316
DMHCPHB	Copenhagen	-	216,850	3,243,671	3,460,521
FRIPARB	Paris	579,114	15,258	-	594,372
IDDDELB	Delhi	155,479	205,125	253	360,857
IDMBOMB	Bomboy	4,708,858	-	-	4,708,858
IQNNJFA	Najaf	30,429	-	-	30,429
ITMMILB	Milan	1,066,316	2,658,220	535,065	4,259,601
JPKTYOB	Tokyo	1,070,926	1,962,845	6,393,834	9,427,605
MYKKULB	Kualumpur	8,066,698	4,910,466	505,662	13,482,826
OAMMCTA	Muscat	1,038,337	477,454	1,585,525	3,101,316
OAMMCTB	Muscat	169,059	-	-	169,059
QTADOHB	Doha	-	19,957	-	19,957
SAEDHAB	-	822,463	2,264,361	1,009,299	4,096,123
SAEQDMA	-	33,234	-	-	33,234
SAMJEDA	Jeddah	21,990,670	11,818,663	14,908,300	48,717,633
SAMMEDA	Madina	2,289,557	4,693,949	1,825,797	8,809,303
SAMMEDB	Madina	5,939,377	5,090,219	17,660,493	28,690,089
SARRUHA	Riyadh	20,915,806	267,955	936,837	22,120,598
SARRUHB	Riyadh	2,491,398	1,350,979	4,156,057	7,998,434
SNBBCNB	Barcelona	22,347	-	-	22,347
UAAAUHA	Abu Dhabi	-	-	-	-
UAAAUHB	Abu Dhabi	273,102	1,049,308	206,526	1,528,936
UADDXBA	Dubai	16,699	-	-	16,699
UADDXBB	Dubai	3,144,240	3,731,375	5,969,613	12,845,228
UASSHJB	Sharja	-	-	315,195	315,195
UKLLONA	London	6,691,226	4,351,340	3,308,095	14,350,661
UKLLONB	London	1,386,508	-	-	1,386,508
UKMMANA	Manchester	3,644,219	5,391,854	15,027,534	24,063,607
UKMMANB	Manchester	2,852,426	2,129,358	-	4,981,784
UKWBHXB	Birmingham	86,087	-	23,082	109,169
USNNYCA	Newyork	934,812	-	-	934,812
USNNYCB	Newyork	14,538	-	-	14,538
Grand Total		**92,381,080**	**54,426,679**	**84,335,870**	**231,143,629**

Annex-E: (Para No.4.5.6)

(Rs in Million)

S.No	Name of Region	Years	Total Revenue	Total Cost	Profit / (Loss) on			
					VOC	DOC	TOC	Net
1	Pak-Uk-Pak	2015	18,724.86	29,198.24	6,212.69	1,682.04	(10,473.38)	(10,473.38)
		2016	16,133.13	30,796.94	4,179.28	(1,865.24)	(14,663.81)	(14,663.81)
		2017	17,952.13	29,220.99	4,915.16	(1,054.67)	(6,735.13)	(11,268.86)
		2018	22,771.78	41,338.19	5,150	(941)	(9,057)	(18,566)
		2019	29,131.11	47,108.71	5,486.41	(1,105.78)	(5,115.88)	(17,977.60)
2	Pak-Europe	2015	3,941.30	7,654.86	453.81	(787.09)	(3,713.56)	(3,713.56)
		2016	3,253.48	7,228.75	56.96	(1,092.16)	(3,975.27)	(3,975.27)
		2017	3,933.92	7,424.5	342.73	(1,084.91)	(2,394.69)	(3,490.58)
		2018	5,301.75	11,139	321	(1,333)	(3,409)	(5,837)
		2019	6,914.90	13,460.93	(436.93)	(2,229.55)	(3,264.29)	(6,546.03)
3	Pak-M.East	2017	140.74	340.54	(42.310	(127.63)	(160.09)	(199.80)
		2018	245.58	676.10	(103)	(229)	(315)	(430)
		2019	6.52	14.60	(2.54)	(6.02)	(6.66)	(8.08)
4	Pak-Usa/Yyz/Pak	2015	7,342.07	14,303.47	1,284.01	(1,021.65)	(6,961.40)	(6,961.40)
		2016	7,078.46	15,962.81	340.06	(2,166.09)	(8,884.35)	(8,884.35)
		2017	7,244.09	13,239.97	1,060.12	(1,192.77)	(3,964.47)	(5,995.88)
		2018	6,707.39	13,700.56	563	(1,258)	(3,879)	(6,993)
		2019	9,228.20	15,417.49	1,417.90	(664.30)	(1,955.49)	(6,189.29)
5	Pak-Gulf	2015	10,584.29	15,829.58	2,893.49	(811.31)	(5,245.29)	(5,245.29)
		2016	10,469.21	15,961.74	2,744.28	(737.44)	(5,492.53)	(5,492.53)
		2017	10,598.67	16,896.49	2,357.75	(2,733.39)	(4,730.41)	(6,297.82)
		2018	12,092.18	19,489.74	2,427	(2,195)	(4,589)	(7,397)
		2019	24,214.79	26,451.57	9,870.79	3,846.14	2,416.83	(2,236.78)
6	Pak-S.Arabia	2015	23,798.81	25,399.25	12,468.49	7,914.60	(1,600.44)	(1,600.44)
		2016	24,595.91	33,659.33	9,943	4,160.73	(9,063.42)	(9,063.42)
		2017	23,054.71	31,061.31	8,230.79	1,178.06	(3,936.93)	(8,006.60)
		2018	27,116.77	45,733.83	5,847	(2,064)	(9,666)	(18,617)
		2019	44,030.81	63,528.71	10,787.1	1,067.55	(3,659.24)	(19,497.90)
7	Batik	2015	2,514.12	3,447.13	1,019.06	412.36	(933.01)	(933.01)
		2016	1,949	4,071.14	201.97	(472.75)	(2,122.14)	(2,122.14)
		2017	1,849	4,267.97	66.87	(865.11)	(1,724.70)	(2,418.97)
		2018	1,913.79	5,003.84	(88)	(951)	(1,949)	(3,090)
		2019	814.53	1,511.24	78.79	(142)	(287)	(696.71)
8	Pearl	2017	91.27	360.93	(44.35)	(187.24)	(220.53)	(269.66)
		2018	260.70	915.49	(150)	(368)	(500)	(654)
		2019	97.20	194.93	(15.46)	(53.22)	(69.76)	(97.73)
9	Pak-China-Japan	2015	2,078.67	2,695.03	592.83	161.16	(616.36)	(616.36)
		2016	2,104.06	3,083.20	476.77	(7.28)	(979.14)	(979.14)
		2017	2,368.04	3,526.64	550.83	(172.38)	(727.91)	(1,158.60)
		2018	2,513.13	4,760	100	(731)	(1,428)	(2,246)
		2019	2,889.31	4,914.62	(39.73)	(762.97)	(1,059.82)	(2,025.31)
10	Regional	2015	1,247.83	1,487.95	502.31	156.17	(240.12)	(240.12)
		2016	820.73	1,105.94	227.15	(12.25)	(285.21)	(285.21)
		2017	660.27	1,285.31	57.21	(375.83)	(519.96)	(625.04)
		2018	423.88	893.93	(48)	(291)	(375)	(470)
		2019	235.07	262.04	51.66	(6.76)	(11.46)	(26.97)
Total			**401,438.16**	**636,025.53**	**102,350.26**	**(11,519.98)**	**(148,544.02)**	**(234,583.64)**

Annex-F: (Para No.4.5.9)

(Rs in million)

Net Sales Performance				
Year	**Stations**	**Actual**	**Target**	**Variance % Inc./(Dec)**
2017	NYC	1,349	2,380	(43)
	YTO	3,689	3,832	(4)
	BHX	1,951	2,727	(28)
	CPH	468	576	(19)
	OSL	630	826	(24)
	PAR	1,037	1,112	(7)
	MXP	389	534	(27)
	BCN	541	758	(29)
	AUH/AAN	1,843	2,150	(14)
	DXB	2,756	3,393	(19)
	BAH	32	155	(79)
	DOH	292	482	(40)
	KWI	767	844	(9)
	MCT	1,321	1,396	(5)
	JED	3,448	5,355	(36)
	MED	558	1,074	(48)
	RUH	2,981	3,909	(24)
	DMM	1,447	2,091	(31)
	TYO	356	366	(3)
	BJS	1,115	1,315	(15)
	KUL	919	980	(6)
	BOM	22	142	(84)
	DEL	56	166	(66)
	DAC	241	250	(4)
	KBL	84	102	(17)
Total (a)		**28,292**	**36,915**	**(23)**
2018	BRF	3,174	3,819	(17)
	BHX	1,981	2,486	(20)
	JED	3,809	4,256	(11)
	MED	474	958	(51)
	RUH	3,044	3,360	(9)
	DMM	1,288	1,786	(11)
	BKK	30	74	(59)
	BJS	848	1,788	(53)
	KUL	1,027	1,176	(13)
	DEL	65	70	(7)
	DAC	103	269	(62)
Total (b)		**15,843**	**20,042**	**(21)**
2019	BRF	2,856	4,395	(35)
	CPH	754	1,101	(32)
	OSL	1,022	1,099	(7)
	BKK	11	36	(70)
	TYO	442	589	(25)
	KUL	385	1,343	(71)
	DEL	11	79	(86)
Total (c)		**5,481**	**8,642**	**(36.5)**
Grand Total (a +b+c)		**49,616**	**65,599**	**(32.21)**

Annex-G: (Para No.4.5.15)

Net Cargo Sales Performance (Rs in million)

Year	Stations	Target	Actual	Variance % Inc./(Dec)
2017	USA	137.93	51.24	(62.85)
	Kualalumpur	80.00	23.63	(70.46)
	Doha	1.46	0.67	(54.11)
	Kuwait	1.50	0.17	(88.67)
	Muscat	1.50	0.93	(38.00)
	Dammam	1.50	0.13	(91.33)
	Jeddah	7.00	1.65	(76.43)
	Delhi	6.00	1.09	(81.83)
Total (a)		**236.89**	**79.51**	**(66.44)**
2018	**Stations**	**Target**	**Actual**	**Variance % Inc./(Dec)**
	Beijing	279.96	159.64	(42.98)
	Doha	15.18	0.46	(96.97)
	Dubai	40.08	24.92	(37.82)
	Kuwait	1.18	0.22	(81.36)
	Muscat	1.15	0.35	(69.57)
	Jeddah	2.04	1.13	(44.61)
	Riyadh	5.31	3.95	(25.61)
	Delhi	1.32	0.37	(71.97)
Total (b)		**346.22**	**191.04**	**(44.82)**
2019	**Stations**	**Target**	**Actual**	**Variance % Inc./(Dec)**
	Canada	99.76	92.07	(7.71)
	Copenhagen	47.12	19.75	(58.09)
	Lon/Man/Bhx	763.30	456.62	(40.18)
	Milan	81.56	69.05	(15.34)
	Oslo	47.12	19.75	(58.09)
	Barcelona	20.00	3.17	(84.15)
	Kualalumpur	32.10	11.98	(62.68)
	Alain	1.00	0.00	(100.00)
	Abu Dhabi	3.30	2.65	(19.70)
	Doha	1.50	0.66	(56.00)
	Sharja	1.00	0.00	(100.00)
	Medina	4.50	0.00	(100.00)
	Delhi	0.50	0.00	(100.00)
Total (c)		**1,102.76**	**675.70**	**(38.73)**
Grand Total (a +b+c)		**1,685.87**	**946.25**	**(43.87)**

Annex-H: (Para No.4.5.16)

(Rs in million)

S#	Name of Route	Year	Frequency of Flights	Available Seat Kilometers (ASK)	Number of Revenue Passengers Onboard (RPK)	Seat Factor %	Total Revenue (Rs in Million)	Total Variable Operating Cost(Rs in Million)	VOC/Loss (Rs in Million)
1	PAK-NYC-PAK	2015	104	799.69	529.17	66.17	2,584.39	2,684.2	(99.81)
		2016	103	778.34	532.03	68.35	2,093.99	2,602.02	(508.03)
		2017	75	562.41	354.79	63.08	1,618.9	1,879.71	(260.81)
2	KHI-BAH-KHI	2015	21	11.20	5.45	48.66	42.73	50.27	(7.54)
3	LHE-BAH-LHE	2016	95	72.85	40.38	55.43	233.69	246.61	(12.92)
		2017	31	23.59	12.96	54.94	74.04	93.76	(19.72)
4	PAK-DOH-PAK	2015	1	0.76	0.00	0.00	0.00	1.96	(1.96)
5	KHI-AUH-KHI	2015	210	86.89	40.31	46.39	288.10	307.69	(19.59)
6	MUX-AUH-MUX	2015	2	1.12	0.12	10.71	0.69	2.85	(2.16)
7	SKT-AHU-SKT	2015	11	7.47	2.74	36.68	13.25	21.74	(8.49)
8	KHI-KWI-KHI	2015	2	0.93	0.18	19.35	1.08	3.47	(2.39)
9	LHE-KWI-LHE	2018	18	16.70	10.57	63.29	60.29	63.98	(3)
10	SKT-KWI-SKT	2018	29	23.79	15.18	63.81	91.36	96.03	(4)
11	LHE-MCT-LHE	2017	10	5.77	3.30	57.19	16.57	18.61	(2.04)
12	KHI-MCT-KHI	2018	126	40.02	22.26	55.62	175.72	211.92	(36)
13	LHE-SLL-LHE	2017	54	45.50	27.75	60.99	140.78	157.63	(16.85)
14	ISB-SLL-ISB	2017	26	22.29	10.66	47.82	50.47	72.68	(22.21)
15	SKT-SLL-SKT	2017	18	15.30	8.62	56.34	40.46	48.30	(7.84)
16	KHI-SLL-KHI	2018	14	7.62	4.47	58.66	22.25	23.65	(1)
17	KHI-LON-KHI	2016	63	264.18	125.02	47.32	574.86	596.92	(22.06)
		2018	100	426.76	296.36	69.44	1,495.59	1,538.18	(42)
		2019	83	362.29	255.96	70.59	1,642.43	1,696.17	(53.74)
18	SKT-LON-SKT	2019	16	68.06	41.60	61.12	253.12	354.66	(101.54)
19	PAK-PAR-PAK	2016	54	218.28	135.32	61.99	635.44	707.29	(71.85)
		2017	97	423.94	293.87	69.32	1,298.85	1,341.54	(42.69)
		2018	100	422.57	302.62	71.61	1,744.78	1,819.83	(75)
		2019	102	428.99	323.92	75.51	2,279.79	2,596.13	(316.34)
20	PAK-MXP-PAK	2016	103	416.97	253.08	60.70	1,255.14	1,314.66	(59.52)
		2018	94	408.07	276.02	67.64	1,651.72	1,666.22	(14)
		2019	101	420.10	327.87	78.05	2,422.2	2,573.1	(150.90)
21	PAK-BCN-PAK	2017	6	25.73	17.21	66.89	81.34	84.56	(3.22)
22	KHI-NJF-KHI	2017	55	48.69	23.72	48.72	140.74	183.05	(42.31)
		2018	82	74.31	38.71	52.09	245.58	348.92	(103)
		2019	2	1.81	1.29	71.27	6.52	9.06	(2.54)
23	PAK-OSL-PAK	2019	44	174.12	122.15	70.15	983.35	1,012.20	(28.85)
24	LHE-BKK/KUL-LHE	2019	7	21.13	17.53	82.96	97.2	112.66	(15.46)
25	BATIK	2019	1	2.76	1.90	68.84	15.98	34.99	(19.01)
26	KHI-KUL-KHI	2018	192	572.19	436.57	76.30	1,885.59	1,975.01	(89)
27	LHE-KUL/BKK-LHE	2018	2	6.88	5.57	80.96	28.20	27.49	(0.71)
		2019	8	25.10	19.50	77.69	107.40	130.67	(23.27)
28	Pak-China-Japan	2019	102	368.81	273.15	74.06	2,889.31	2,929.04	(39.73)
29	KHI-DEL-KHI	2017	19	6.61	1.81	27.38	25.61	28.02	(2.41)
30	LHE-DEL-LHE	2017	71	5.49	2.42	44.08	46.43	47.74	(1.31)
		2018	101	5.04	2.81	55.75	53.12	66.55	(13)
		2019	16	0.65	0.35	53.85	10.36	10.58	(0.22)
31	PAK-BKK-PAK	2017	46	58.82	33.73	57.34	91.27	135.62	(44.35)
		2018	91	114.78	57.51	50.10	244.66	398.65	(153)
32	KHI-DAC-KHI	2018	80	64.09	34.06	53.14	216.91	254.13	(37)
33	ISB-KBL-ISB	2017	228	8.29	5.62	67.79	124.79	143.33	(18.54)
Total amount Rupees in Million							**30,097.04**	**32,724.05**	**(2,627.01)**

Source: Citrix performance reports 2015 to 2019