

# COMMITTEE ON PUBLIC UNDERTAKINGS

(THIRD LOK SABHA)

Twenty-first Report of the  
Committee on Public Undertakings  
on Air India.



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LOK SABHA SECRETARIAT  
NEW DELHI

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C\_O\_R\_R\_I\_G\_E\_N\_D\_A

Twenty-first Report of the  
Committee on Public Undertakings  
on Air India.

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- Page 13, Para 59, line 9  
delete the word 'May'
- Page 27, Para 103, line 6  
for 'traffi' read  
'traffic'
- Page 31, Para 114, line 10,  
for 'airframed' read  
'airframe'.
- Para 48, <sup>4</sup> Para 170, last line  
for 'preser' read 'present'
- Para 63, Para 228(vi), line 2  
for '209 and 210'  
read '203 and 209'
- Para 67, S.No.13, line 6,  
delete the word 'May'

# COMMITTEE ON PUBLIC UNDERTAKINGS

(THIRD LOK SABHA)

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Pandit D. N. Tiwary\*

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15. Shri M. Govinda Reddy.

SECRETARIAT

Shri A. L. Rai—Deputy Secretary.

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\*Appointed as Chairman w.e.f. 24-1-1966 *vice* Shri Pensampilli Govinda Menon, ceased to be a member of the Committee on his appointment as Minister,

\*\*Elected w.e.f. 23-2-1966 in the vacancies caused by appointment of Shri P. Govinda Menon as Minister and resignation of Shri Harish Chandra Mathur.

## INTRODUCTION

1. The Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf present this Twenty-first Report on Air India.

2. This Report is based on the examination of the working of Air India up to the year ending 31st March, 1965. The Committee took the evidence of the representatives of Air India from the 29th November to 1st December, 1965 and of the representatives of the Ministry of Transport and Aviation on the 23rd December, 1965. The Report was adopted by the Committee on the 21st March, 1966.

3. The Committee wish to express their thanks to the officers of the Ministry of Transport and Aviation and Air India for placing before them the material and information that they wanted in connection with their examination. They also wish to express their thanks to the non-official organisations|individuals who, on request from the Committee, furnished their views on the working of Air India.

4. The Committee also place on record their appreciation of the assistance rendered to them in connection with the examination of audit paras pertaining to Air India by the Comptroller and Auditor-General of India.

D. N. TIWARY,  
*Chairman,*

*Committee on Public Undertakings.*

NEW DELHI;

March 24th, 1966.

Chaitra 3rd, 1888 (Saka).

## HISTORICAL BACKGROUND

The history of Air India dates back to the year 1932. In that year, Tata Airlines was established as a department of Tata Sons Ltd. On the 15th October, 1932, Tata Airlines commenced operations of a weekly airmail service between Karachi and Madras via Bombay and Bellary with two light single engined aircraft.

2. On the 29th July, 1946, Air India Ltd. was formed as a public limited company which took over Tata Airlines with all its aircraft personnel, contracts, etc. At that time Tata Airlines were operating to all the major cities of India and to Karachi and Colombo.

3. At the end of 1947, Air India Ltd. submitted a scheme to the Government of India for the operation of an air service between India and the United Kingdom. Under the Scheme, a new Company—Air India International Ltd., was formed in 1948 in which the Government took a majority share of 51 per cent (initially it was 49%) and Indian Airlines Corporation, as successor to Air India Ltd. 10 per cent and the remaining 39 per cent were taken by others. Its first international service from Bombay to London was inaugurated on the 8th June, 1948.

4. During the post-war period the traffic carried by the domestic air transport operators showed phenomenal growth, but the financial condition of the industry as a whole deteriorated rapidly, mainly because of excess of operators working in the field. In February, 1950, the Air Transport Enquiry Committee was appointed to make an independent enquiry into the state of the air transport industry. It worked out standard cost and recommended a system of subsidies. That Committee observed that the Industrial Policy Resolution of 1948 and the issue of Ten-year Licences to the operating airline companies in July, 1949 indicated the view of Government that the development of air transport should be left to private enterprise. The Committee recommended *status quo* for five years. The Government's view was that modernising of the fleet of airlines was an essential requirement and that the private operators would not have the means to acquire modern aircraft. In view of this the Government decided upon complete nationalisation. In March, 1953, Parliament passed the Air Corporations Act, which received the assent of the President on the 28th May, 1953.

**Provisions  
of the Act  
of 1953.**

5. The main provisions of the Act are that there would be two Corporations known as Indian Airlines and Air-India International and that "there shall be transferred to and vested in:—

(a) Indian Airlines, the undertakings of all the existing companies (other than the Air-India International Ltd.)

(b) Air India International, the undertaking of the Air India International Ltd."

6. By an amendment of the Act, the name of Air India International was abbreviated to Air India in June, 1962.

**Functions.**

7. The functions of the Corporation have been reflected in Section 7 of the Air Corporations Act, 1953, according to which subject to the rules, if any, made by the Central Government in this behalf, it shall be the function of each of the Corporations to provide safe, efficient, adequate, economical and properly co-ordinated air transport services, whether internal or international or both, and the Corporations shall so exercise their powers as to secure that the air transport services are developed to the best advantage and, in particular, so exercise those powers as to secure that the services are provided at reasonable charges.

8. By the time Air India became a Public Undertaking on the 1st August, 1953, it had four times a week service to London and three times a fortnight service to Nairobi.

**Examina-  
tion by  
Estimates  
Commit-  
tee.**

9. The working of Air India was examined by the Estimates Committee in 1956-57 and their recommendations/observations are contained in their 41st Report (First Lok Sabha). The replies furnished by Government indicating the action taken by them on the aforesaid report were considered by the Estimates Committee in 1958-59 and a further Report (34th Report, Second Lok Sabha) was presented to the House.



## II ROUTES

10. The routes operated by Air India and the number of services on each route as on the 1st January, 1966 are as follows:—

Route	Date of Commencement of Service	Number of services in a week as on 1-1-1966
<b>1. India-U.K.-U.S.A.</b>		
(i) India-U.K.	June, 1948 (by Air India International Ltd.)	10
(ii) U.K.-U.S.A.	May, 1960	7
<b>2. India-Japan</b>		
	May, 1955	3
<b>3. India-Kenya</b>		
	January, 1950 (by Air India International Ltd.)	2
<b>4. India-Australia-Fiji</b>		
(i) India-Australia	October, 1956	1
(ii) Australia-Fiji	August, 1964	1
<b>5. India-Jakarta</b>		
	October, 1958	1
<b>6. India-Kuwait</b>		
	October, 1960	1

(Upto Singapore)

### A. India-U.K. Route

11. When the air services in India were nationalised in 1953, Air India took over from its predecessor the India-U.K. route which was operated with four times a week service. Frequencies on this route were increased in the subsequent years and by 1962-63 a daily Boeing service was established. In 1964-65 three more frequencies were added making it 10 a week service. The stations covered on this route are London, Paris, Frankfurt, Zurich, Geneva, Prague, Rome, Cairo, Beirut, Moscow, Bahrain, Delhi, Bombay and Calcutta.

Introduc-  
tion of  
new  
Stations  
suggested.

12. The Corporation has not been able to extend its services to certain European State capitals where its Pool partners are operating. The Corporation proposes to increase its frequencies on the India-U.K. sector to 14 services a week by 1970-71. *The Committee suggest that when proposals for expansion are initiated efforts should be made to introduce new stations on this route with a view to tapping further sources of traffic in this region. If the inclusion of more stations is likely to make the service unattractive its flight can be operated via different routes.*

### B. U.K.—U.S.A. Route

13. The Corporation entered the U.K./U.S.A. route (London-New York) in 1960-61 with thrice a week service in season and twice a week service in off-season. In 1961-62 the frequencies were increased from thrice a week to five times a week in season. In 1962-63, the frequencies were increased to seven a week in season. In 1964-65, seven a week frequency between London and New York throughout the year was established.

Trans-  
Atlantic  
load  
factor.

14. The overall and passenger load factor achieved by Air India and some other Trans-Atlantic carriers on this route during the last two years is shown below:—

#### North Atlantic Routes (London/New York)

	1963 or 1963-64		1964 or 1964-65	
	Overall L.F. (%)	Pax L.F. (%)	Overall L.F. (%)	Pax L.F. (%)
Air India	35	36	47	45
B.O.A.C.	42	50	47	60
Qantas	31	35	32	37
..	47	44	52	50
T.W.A.	48	47	52	56
Swiss Air	54	52	52	52
K. L. M.	47	45	59	59
Air Transport Industry as a whole	47	47	52	55

15. It will be seen that the increase in the load factor (passenger) achieved by Air India in 1964-65 over the previous year is very close to the increase in the average load factor of the industry as a whole. The increase in the passenger load factor in 1964-65 was mainly due to the traffic generated by the reduction in fares which came into force from April, 1964 and the opening of the New York World Fair in the same month.

16. The operating results on this sector have, however, Operating shown losses during the last three years, as indicated loss. below:—

	(Rs. in lakhs)
1962-63 . . . . .	(—) 77.67
1963-64 . . . . .	(—) 100.90
1964-65 . . . . .	(—) 117.25

17. The reasons for the uneconomic operation of this route are stated to be:—

Reasons for being uneconomic.

- (i) Inability of the Corporation to operate a daily frequency during 1962-63 and 1963-64.
- (ii) Inadequate ethnic traffic.
- (iii) Reduction in fares.
- (iv) Inability of the Corporation to increase frequencies during season and decrease during off-season.

18. The Committee appreciate that there are various factors mainly international competition, which result in low load factor and uneconomic operation of the London/New York Sector. They however, hope that with the establishment by Air India of a daily frequency between London and New York throughout the year from 1964-65, the economics of the route will now improve significantly.

19. There is one aspect to which the Committee would like to draw attention. It is noted that New York is connected by air with London and several of the European capitals and cities. There is thus concentration of traffic and keen competition among the Trans-Atlantic carriers on one point only in the East Coast of North America, viz. New York. Very few airlines go up to the Canadian Coast or South Atlantic. According to the Fourth Five Year Plan prepared by the Corporation it is proposed to increase frequencies on this sector upto ten a week in 1967-68, eleven a week in 1968-69 and fourteen a week in 1970-71. *The Committee feel that in view of the intense competition experienced on this sector, a major break-through could be possible if Air India developed the Trans-Atlantic route from London or another point in Europe to a point on the Canadian Coast or the South Atlantic. The Committee suggest that the traffic potential and the economics of operation on such new routes should be studied and new services planned accordingly on this sector.*

Opening of new stations on Trans-Atlantic route.

### C. India—U.S.S.R. Route

20. A weekly service between Delhi and Moscow under a revenue pooling arrangement between Air India and Aeroflot was inaugurated in August, 1958. Later in 1963-64, Aeroflot introduced a service between Moscow and Jakarta via Karachi and Colombo. Hitherto traffic destined for Jakarta was routed on Air India's services ex-New Delhi. During 1964-65 this traffic got diverted to Aeroflot entirely resulting in a revenue decline from this area to Air India.

Inclusion  
of  
Teheran.

21. In order to improve the economics of this route, Air India held discussions with Aeroflot for the inclusion of Teheran as an intermediate point, and for the extension of the Moscow service to London. Air India has been successful in obtaining Russian agreement for the extension of Delhi-Moscow service to London on the basis of a twice-weekly frequency. This agreement was implemented with effect from October, 1964.

Traffic  
rights  
between  
Moscow and  
London.

Air India is, however, not permitted to carry passengers between Moscow and London because of restrictions imposed by the U.K. Government. Negotiations with the U.K. authorities are stated to be in progress.

22. The overall Load Factor on the India-U.S.S.R. route in the last three years is as indicated below:—

	1962-63	1963-64	1964-65
India—U.S.S.R. (Upto 30-9-64) .	51.4%	49.1%	39.8%
India—U.K. (via Moscow) from 1-10-64 . . . . .	..	..	31.9%

23. The operating results on this route have been as follows:—

	Rs. in lakhs		
	1962-63	1963-64	1964-65
India—U.S.S.R. (upto 30-9-64) .	(+)73.45	(+)50.81	(+)17.40
India—U.K. (via Moscow) from 1-10-64 . . . . .	..	..	(-)19.50

24. The above figures show that the operating profits on India—U.S.S.R.—U.K. sector came down from Rs. 73.45 lakhs in 1962-63 to Rs. 50.81 lakhs in 1963-64. In 1964-65, there was a profit of Rs. 17.40 lakhs in the first six months of the year, but when the Moscow service was extended to London from 1st October, 1964, there was a loss of Rs. 19.50 lakhs during the remaining six months of the year. The load factor on India-U.K. sector via Moscow for the period 1st October, 1964 to 31st March, 1965 was

only 31.9 per cent which is extremely low. The Committee are given to understand that this service has not yet had the time to establish itself. But since it is a fast service and has an attractive schedule, the Corporation expects it to become a popular service in the near future.

25. A substantial reduction in the profits and a steep decline in the load factor on this route during 1964-65 as compared to the previous two years cannot be viewed happily. The Corporation is making efforts to improve the economics of this route by securing traffic rights on Moscow/London sector and by inclusion of Teheran as an intermediate point. The Committee hope that these efforts will be successful and this sector will regain the lost ground.

26. One of the reasons for the drop in load factor on India/U.S.S.R. sector is stated to be the fact that the Russian planes carried more traffic as compared to Air India's in spite of the pool agreement between the two airlines. The revenue is, however, shared on 50:50 basis. The present arrangement is not in the best interests of the Corporation. In order to sustain and increase traffic on this route and to maintain goodwill and reputation, the Corporation should be able to carry traffic in proportion to the revenue shared between the two airlines. The Committee suggest that necessary steps may be taken in this regard.


#### D. India-Australia Route

27. Air India started Bombay-Singapore Service in July, 1954. In October, 1956 this service was extended to Sydney (Australia) and in August 1964 to Fiji. It is a weekly service. The route operated is Bombay-Madras-Singapore-Perth-Sydney. Since April, 1960 Air India has pooling arrangement with BOAC and Qantas on this route. Since the very beginning Air India is having only once a week service on this route. The capacity on this route was, however, doubled in May, 1962 as a result of the replacement of Super-Constellation aircraft by the Boeing aircraft.

28. The frequency of services per week of Air India, BOAC and Qantas and other carriers between India and Australia since 1960-61 has been as follows:—

Year	Air BO		Total	Total	% of Total			
	India	AC Qantas			Tripartite Pool	Other Carriers	AI	Tripartite Pool
1960-61	1	6	3	10	1	11	9.1	90.9
1961-62	1	8	6	15	1	16	6.2	93.8
1962-63	1	7	6	14	1	15	6.7	93.3
1963-64	1	5	5	11	1	12	8.3	91.7
1964-65	1	7	7	15	2	17	5.9	88.2
1965-66	1	11	6	18	2	20	5.6	90.0

It will be noticed that the frequency of services operated by BOAC and Qantas has nearly doubled within the last five years.

Decline in  Share in the Pool.

29. Due to this, the share of Air India in the Tripartite Pool has come down from 9.1 per cent in 1960-61 to 5.6 per cent in 1965-66. The load factor on this route also declined considerably in 1964-65 as would be seen from the following table:—

	1962-63	1963-64	1964-65
	(%)	(%)	(%)
India—Australia (upto 31-7-64)	41.8	53.0	43.3
2. India—Australia—Fiji (From 1-8-64)			44.0

The reasons why Air India could not increase frequency on this route are stated to be that:—

- (i) There is a relatively small volume of traffic between India and Australia.
- (ii) There was limited number of aircraft available for operation.
- (iii) The route had been served adequately by Air India's pool partners, B.O.A.C. and Qantas.

30. Air India has a performance share on this route in their revenue pooling arrangement with B.O.A.C. and Qantas, i.e., if Air India operated 20 per cent of the total capacity of all the three pool partners, it would earn 20 per cent of the pool revenue. It was, therefore, considered more profitable to utilise the extra capacity on other routes rather than on this route.

31. As regards the profitability of this route, the operating results show losses as follows:—

	1962-63	1963-64	1964-65
	(Rs. in lakhs)		
1. India—Australia (upto July 1964)	(—)28.17	(—)3.23	(—)6.95
2. India—Fiji (From August 1964)			(—)18.55

32. The Committee are informed that although the profit and loss figures show losses, actually the route is just breaking even.

33. It is seen that the load factor on this route is not high nor are the operating results quite encouraging. The Corporation has also not been able to increase frequencies on this route although its other pool partners have done so.

34. According to the estimates of growth of capacity on this route, the Corporation expects to start a second service from April, 1966, a third service from July, 1967 and a fourth service from October, 1968. From these estimates it is also seen that the available capacity on this route is expected to rise from 18.57 million Atkm in 1964-65 to 81.07 million in 1970-71 and that in terms of volume of operations this route will be next only to India-U.K.—USA Sector. Increase in frequencies

35. If the lack of progress made on this route during the last ten years is taken into consideration, the Corporation's aim to develop capacity more than four times by 1970-71 appears to be an ambitious one. Nevertheless, the Committee wish that with the introduction of additional frequencies on this route, the Corporation will not only be able to restore its share in the Tripartite Pool which has consistently diminished since 1960-61 but also improve upon the level reached in that year.

36. The India-Australia route was extended to Fiji in August, 1964 on an incremental cost basis in order to utilize the idle hours of the aircraft at Sydney. The operating revenue, operating expense, operating profit and the overall load factor on the India-Fiji route have been as follows from August, 1964 to March, 1965: India/  
Australia/  
Fiji

Operating Revenue	Operating Expenses	Loss	Over-all load factor
Rs. Lakhs			%
123.15	141.70	(—)18.55	44.0

37. There is a large Indian population in Fiji and an air link with it was considered desirable. Air India, therefore, started a weekly service between Sydney and Fiji. The Committee understand that Air India has earned a good name in the South Pacific and this route is likely to be profitable in the near future. Though the route is being operated at a loss at present, the Committee would like the service to be continued for the reasons given above.

#### E. India-Japan

38. Air India started its Far Eastern service, upto Hongkong in August, 1954 and upto Tokyo in May, 1955

with one service a week. The frequency was increased to two-a-week in 1955-56 and to three a week in 1958-59. In 1960-61, on introduction of Boeing aircraft the services between India and Japan were reduced to two a week. The two services were increased to three in the beginning of 1963-64. But due to shortage of pilots one of the three services was curtailed from December 1964 to September, 1965. Since then Air India has three services a week.

39. The operating results on this route have shown losses during the last three years as indicated below:—

	(Rs. in Lakhs)		
	1962-63	1963-64	1964-65
	(—)3.35	(—)49.52	(—)20.27

Reasons  
for loss.

40. The reasons for the losses have been stated as follows:—

1. Air India has been operating a low level of frequencies on the route 2 flights per week during 1962-63 and 3 flights per week from 1963-64 up to the first three quarters of 1964-65.
2. Effective December 1964, the frequency of services on the India/Japan route had to be reduced from 3 to 2 flights per week due to shortage of pilots.
3. Air India faces strong competition on this route from IATA and non-IATA carriers.

41. Explaining further the reasons for losses, the General Manager stated in evidence that there was far too much capacity on this route and the countries covered except Hongkong, were mostly those which placed restrictions on travel of their own nationals. As regards the profitability of the route, he added that although the operating results indicate losses, the route was actually breaking even. The overall load factor on this route has also declined recently:—

1962-63	1963-64	1964-65
42.8%	37.4%	41.7%

42. The Committee regret to note that due to shortage of pilots one of the three services was curtailed from December, 1964 to September, 1965, and this has affected the financial position of this route. They are convinced that if the requirement of pilots had been planned properly, this situation would not have arisen.

Improve-  
ment in  
Sales  
contact  
suggested.

43. Although the Corporation entered this route in the year 1954, its operations have not become remunerative so far. The load factor on this route has also remained low. Low level of frequencies and competition from other airlines are stated to have hindered the economic opera-



tion on this route. These problems can be expected to be resolved by the introduction of additional services on this route (a fourth frequency is proposed to be introduced from April, 1966) and by the pooling agreement entered into with Japan Airlines with effect from November, 1965 which would reduce the competition on this sector. *In view of the large traffic moving on this route it is full of potentialities. Air India needs to improve its sales contact organisation to be able to obtain encouraging financial results from the operation of this route in the coming years.*

#### *Japan-West Coast of America*

44. An important air route on which Air India does not operate its services at present is from Japan to West Coast of America across the Pacific. The conventional route is Japan to San Francisco or Los Angeles via Honolulu. Another route is Japan to Vancouver via Anchorage. During evidence, it was stated that Air India was studying the possibility of extending the flights from Japan to the West Coast of America through either of the above two routes. The Corporation had several years back negotiated the right from U.S. Government to extend the Japan service across the Pacific, but the agreement did not include provision of traffic rights in Honolulu.

45. *Honolulu is an important traffic point on the Pacific route. The Committee feel that while negotiating for extension of service from Japan across the Pacific, steps should have been taken to secure traffic rights in Honolulu. This may now be done.*

46. *There is a considerable traffic potential on the Pacific route. Since Air India has established itself on the India-Japan sector, an extension across the Pacific should attract adequate traffic on the new route to make it remunerative. With the commencement of this service Air India like several other major carriers, will have the distinction of operating a route-the-world service. In the expansion proposals of the Corporation, the question of starting services on this route should, therefore, receive priority.*

Opening  
of  
Trans-  
Pacific  
route  
suggested.

#### **F. India-Singapore**

47. In addition to a weekly service to Australia, a Bombay-Jakarta Service via Madras and Singapore was started in 1958-59 in order to reduce congestion on the Madras-Singapore Sector. In July, 1963 Boeing aircraft was introduced on this service.

This flight passed through Singapore, but as there were severe restrictions on the carriage of through traffic between Jakarta and Singapore, the performance on this route had not been upto expectations.

Restrictions on uplift of traffic.

48. There is substantial traffic on the Madras-Singapore Sector but on the remaining sector upto August, 1965 Air India's uplift of the Indonesian passengers was restricted to 20 per flight and they could not be carried over Singapore.

49. The Corporation suffered an operating loss of Rs. 2.53 lakhs in 1963-64 and Rs. 11.52 lakhs in 1964-65 on India/Indonesia route. There had also been a decline in the load factor on this route as shown below:

	Over all Load Factor
1963-64	44.7%
1964-65	37.2%

Suspension of services to Indonesia.

50. As a result of disturbances in Jakarta during early September, 1965, Air India suspended its operations to Jakarta with effect from the 10th September, 1965. The India-Indonesia Service is therefore now only between Bombay and Singapore. The Committee understand that discussions are being held to resume operations to Jakarta.

#### G. India-East Africa

51. This is one of the two routes which Air India took over from its predecessor in 1953 with three services in a fortnight on a constellation aircraft. By 1957-58, the frequencies were increased to three a week. On the introduction of Super Constellation aircraft, the frequency was reduced to two a week from January, 1958. The Boeing were introduced on this route in 1961-62 and since October, 1961, the operation has been continued with two services a week.

52. This route is one of the two routes, (the other being India/U.K. route) which have shown improvement in the operating profits. The figures for the last three years are as follows:—

	1962-63	1963-64	1964-65.
	(Rs. in lakhs)		
Operating profits	(—)3.24	19.12	31.41

53. The overall load factor has also increased from 40.4% in 1962-63 to 51.1% in 1963-64 and to 60.0% in 1964-65.

54. At present Air India is touching two points in the Continent of Africa, namely Cairo and Nairobi. Cairo is an on line station on the India/U.K. Sector. The service to Nairobi, which constitutes India/East Africa route of the Corporation, passes through Aden.

55. *The Committee are glad to note that the profitability of this route as also the load factor have improved during the last two years.*

56. It is noted that certain foreign airlines have a net work of routes connecting South and West Africa. The Committee desired to know why the Corporation had not

been able to open any new station in Africa during these years, although it had got the traffic rights from almost all the Governments in Africa. Air India's reply is that there is difficulty of getting adequate traffic and, therefore, commercially it has a low priority.

57. In its expansion programme of 1964-65, there was provision for extension of one service from Nairobi to Entebbe (Kampala) but this could not be implemented because Nairobi-Entebbe route is at present served by the East African Airways and from a commercial point of view it was considered that this extension would not have improved the profitability of Air India. It is, however, of the view that some years later a route through Entebbe, Leopoldville, Lagos, Accra etc. would be profitable if Air India could extend its services to South America as well.

58. Before nationalisation in 1953, a service was being operated to Cairo and Nairobi. Although the frequency and available capacity on this route have increased, Air India has not been able to open any new station in this region. If new routes are opened, Air India should be able to attract adequate traffic from these areas. Fast political changes are taking place in this continent with the emergence of independent countries. This should make it easier for Air India to spread its operations by entering into direct contacts with the Governments concerned. Air India should endeavour to do so during the Fourth Five Year Plan period.

Need to open new routes.

59. Air India is reviewing the question of opening of a service to Mauritius. At present Mauritius is connected by air with Nairobi. A direct service from Bombay to Mauritius will save considerable distance. The Committee are informed that there are two difficulties in starting a direct service to Mauritius, one of navigational aids and the other of availability of crew. If these difficulties are overcome, it would be possible to start a fortnightly service sometime in May, 1966. Location of navigational aids is not an unsurmountable difficulty. Shortage of pilots would also not be there if recruitment is properly planned. Air India should soon start this service.

India-Mauritius Service.

#### H. India-Kuwait

60. Air India started a weekly Super Constellation service to Kuwait via Karachi and Bahrain in October, 1960. As this service was affected by the disposal of Air India's Super Constellations, arrangement was made with

BOAC, whereby from the 7th April, 1962 the service is being operated with a Comet aircraft leased from that airline.

Operation  
by  
BOAC  
on be-  
half of  
Air  
India.

61. The Kuwait airport is not at present suitable for economic operations with a large jet aircraft. The Tripartite Pool Agreement allows Air India to keep its identity in Kuwait alive by BOAC operating a service through Kuwait on behalf of Air India until such time as Air India could operate its own services. At present BOAC operates this route with V.C. 10 aircraft within their capacity responsibility in the Tripartite Pool at their own cost and Air India obtains revenue share from the operation of the service without incurring any costs, as Kuwait-India traffic constitutes Air India's entitlement.

62. Air India plans to introduce Kuwait as an intermediate stop on the India-U.K.-U.S.A. route as soon as the Kuwait airport is made suitable for economic operation with a large jet aircraft.

### I. Route-wise Cost Allocation

63. It is seen from the statement reproduced below that all the routes operated by Air India except India-U.K. and India-East Africa routes, are running at a loss:—

Route-wise Profit or Loss and Overall Load Factor for the year 1964-65				
	Operating Revenue	Operating Expenses	Profit/Loss	Overall Load Factor %
(Rs. in lakhs)				
India/U.S.A. :				
(a) India/U.K. (via Middle East)	13,42.61	10,38.07	3,04.54	56.8
(b) U.K./U.S.A.	4,21.11	5,38.36	(—)1,17.25	46.8
(c) Total—India/U.S.A.	17,63.72	15,76.43	1,87.29	53.2
India/Japan	3,16.99	3,37.26	(—)20.27	41.7
India/Indonesia	65.62	77.14	(—)11.52	37.2
India/Australia (Upto July, 1964)	50.90	57.85	(—)6.95	43.3
India/Fiji (From August, 1964)	1,23.15	1,41.70	(—)18.55	44.0
India/U.S.S.R. (Upto September, 1964)	51.75	34.35	17.40	39.8
India/U.K. via Moscow (From October, 1964)	97.26	1,16.76	(—)19.50	31.9
India/East Africa	1,91.57	1,60.16	31.41	60.0
TOTAL	26,60.96	25,09.65	1,59.31	49.6

64. During the discussions which the Committee had with Air India's representative, it was stated that allocation of costs to various routes was done on a mechanical basis and the figures shown in the statement given above did not, therefore, reflect the correct expenditure on those routes. As for example, the India/Australia and India/Japan routes were actually breaking even, but the profit and loss calculations indicated some losses. It was stated that the air transport industry had not decided upon any norms for distributing costs.

65. *For a proper planning and adjustment of schedules an airline should know which of its routes are profitable or otherwise. To achieve this end it is necessary to evolve a scientific system of cost accounting which gives accurate route-wise results.*

Scientific system should be evolved.

### J. Fleet

66. Till recently Air India had a fleet of 8 Boeing Jet aircraft. These were acquired on the dates indicated below:—

Aircraft Type and Registration Mark	Name	Date of Acquisition*
<i>Boeing 707—420</i>		
(1) VT—DJJ	Gaurishanker	21-2-60
(2) VT—DJI	Nandadevi	7-3-60
(3) VT—DJK	Everest	25-3-60
(4) VT—DMN	Kanchenjunga**	22-4-61
(5) VT—DNY	Dhaulagiri	11-3-62
(6) VT—DNZ	Nangaparbat	14-4-62
<i>Boeing 707—320B</i>		
(7) VT—DPM	Makalu	29-5-64
(8) VT—DSI	Lhotse	15-3-65

67. It is seen that by the end of the Second Five Year Plan, the Boeing fleet of Air India consisted of 3 aircraft. The 4th, 5th and 6th Boeing aircraft were acquired during the early part of the Third Five Year Plan. Orders for these were placed during the Second Five Year Plan period.

\*Date on which aircraft landed at Bombay on its delivery flight.

\*\*Crashed on 24-1-1966.

68. In the Third Five Year Plan there was a provision for increase in the strength of the fleet of Air India by two more aircraft. Orders for two aircraft were accordingly placed and deliveries taken in May, 1964 and March, 1965.

69. It has been estimated that during the Fourth Five Year Plan period, Air India will require to add, on an average, one additional aircraft every year. Proposal has accordingly been made in the draft Fourth Five Year Plan for the purchase of five additional subsonic aircraft involving an expenditure of approximately Rs. 27 crores.

#### *Supersonic aircraft*

70. At present two supersonic transport aircraft are in a development stage in France and U.S.A. It is difficult to make a realistic estimate at present of the actual cost that will be involved in the purchase of a supersonic aircraft or of the economics of operating such an aircraft. The BAC/SUD Concorde Project now seems to be firmly established and manufacture of the prototype has started. In the case of the American SST programme, no final decision has yet been taken and its programme seems to be behind the Concorde by two or three years. The Concorde will provide accommodation for upto 118 passengers and the American SST for about 200 passengers.

71. It is stated that as a precautionary measure Air India has reserved delivery positions for two Concorde aircraft and three American SSTs for which it has made deposits of \$ 500,000 and \$ 300,000 respectively.

72. During evidence it was stated that Air India would go in for one of the two types, viz. Anglo-French Concorde or American SST. The terms and conditions of the deposits are such that Air India would not lose the deposit or be at a loss in any way in case it is decided not to go in for a particular type of the aircraft. Air India expects to get the aircraft two years after it begins to fly commercially. As far as it is possible to judge, deliveries to Air India are not likely to take place earlier than 1974.

#### **Giant Sub-sonic jet air- craft**

73. Along with the developments in the supersonic field, there have been announcements about the development of stretched versions of present day jets capable of carrying around 250 passengers and of new giant subsonic jets capable of carrying between 500 and 750 passengers, both of which will be available at about the same time as the supersonics. The new subsonic jets, on account of their large carrying capacity are expected to have such improved operating costs as to make possible a substantial reduction in fares.

74. The Chairman, Air India has commented as follows on the future of the subsonic jet, after the advent of the American SST:—

Sub-sonic  
vis-a-vis  
Super-  
sonic  
aircraft.

“Even allowing for the fact that the SST will itself go through a process of development and refinement over the years, it seems extremely doubtful that it will ever be able to cover effectively and economically the full range of air transport operations which the subsonic performs with great efficiency and economy. The only advantage the SST has to offer over the subsonic is its supersonic speed. Unfortunately, supersonic speeds in air transport will be practicable only at the extreme altitudes required to achieve reasonable fuel economy and to maintain sonic boom over pressure and airplane skin temperatures within acceptable limits. While there will be no problem in flying at such altitudes on flights in excess of, say, 1000 miles, there will be neither the time nor the distance available on short flights for climbing to sixty or seventy thousand feet, and cruising supersonically for a worthwhile period of time. Short routes, which form the major part of the world's total route system, and short sectors of long routes must, therefore, continue to be flown at subsonic speeds and low altitudes.

Will the SST be able to operate subsonically at a cost per ton or seat mile reasonably comparable to that of the subsonic jet? While it is not impossible that it will ultimately be developed with such subsonic capability, it seems certain that the initial generations of the SST will be extremely costly to operate at subsonic speeds, perhaps prohibitively so.

If this assumption is correct, it follows that the SST cannot, for many years, and perhaps never will, wholly replace the subsonic jet. It is indeed more likely that the surge in traffic which it will generate on long range routes, like the Atlantic, will lead to a corresponding increase in subsonic traffic over other routes and thus create a growing demand for subsonic aircraft.”

75. Air India is maintaining a close watch on these developments so as to ensure that the decision it takes is based on the most complete and sound appraisal of all the factors involved.

### III TRAFFIC

#### A. Load Factor

76. Two tables—one showing the load factor achieved by Air India and some leading international airlines and the other showing route-wise load factor achieved by Air India are given below:—

*Table I*

Showing Load Factors achieved by important Foreign Airlines on scheduled services as compared to Air India during the three years 1962-63, 1963-64 and 1964-65:—

Airline	Accounting Year	Overall Load Factor %			Passenger Load Factor %		
		1962 or 62-63	1963 or 63-64	1964 or 1964-65	1962 or 62-63	1963 or 63-64	1964 or 64-65
1	2	3	4	5	6	7	8
(1) Air India	Apr./Mar.	45·3	47·8	49·6	45·0	45·8	47·8
(2) B.O.A.C.	Apr./Mar.	44·9	47·6	49·3	47·6	52·7	57·1
(3) Qantas	Apr./Mar.	50·5	53·2	N/A*	53·1	57·6	N/A
(4) Pan Am	Jan./Dec.	56·1	54·3	55·0	58·1	57·2	58·1
(5) TWA	Jan./Dec.	44·8	48·8	45·3	51·0	51·0	56·6
(6) Swissair	Jan./Dec.	51·9	51·8	52·3	52·7	52·7	54·0
(7) KLM	Jan./Dec.	55·4	47·5	52·2	51·4	43·6	50·7

\*Not available.



Table II

Showing the route-wise overall and passenger load factors of Air India for the last three years.

Service	Overall Load Factor %						Passenger Load Factor %		
	1962-63		1963-64		1964-65		1962-63	1963-64	1964-65
	1	2	3	4	5	6	7	8	
(1) India—U.K. (via Middle East)		50.5	57.1	56.8	49.0	53.8	53.7		
(2) U.K.—U.S.A		37.3	34.9	46.8	41.8	36.2	45.1		
(3) India—Japan		42.8	37.4	41.7	40.6	33.9	39.4		
(4) India—Indonesia (From 1-7-63)		..	44.7	37.2	..	41.3	38.4		
(5) India—Australia (Upto 31-7-64)		41.8	53.0	43.3	34.7	49.9	47.2		
(6) India—Australia—Fiji (From 1-8-64)		..	..	44.0	..	..	45.1		
(7) India—U.S.S.R. (Upto 30-9-64)		51.4	49.1	39.8	40.8	39.2	32.8		
(8) India—U.K. (via Moscow) (From 1-10-64)		..	..	31.9	..	..	27.0		
(9) India—East Africa		40.4	51.1	60.0	52.1	57.0	65.6		
(10) Average—Scheduled Services		45.3	47.8	49.6	45.0	45.8	47.8		

**Reasons for comparatively low load factor.**

77. From Table I it is seen that there has been an increase in Air India's load factor during the last two years. However, this load factor is still low as compared to other international airlines. The reasons therefor are stated to be that:—

- (i) Air India operates a larger aircraft than its competitors.
- (ii) Severe restrictions are applied by the Government of India on travel by Indian nationals abroad. This reduces considerably the potential of Indian traffic, which would normally be the mainstay of Air India's operations.
- (iii) Tourism to India has not yet developed fully owing to such deterrents to the growth of tourism as lack of adequate hotel accommodation, inadequacy of internal air communications specially to the important tourist centres, prohibition, and lack of entertainment facilities.

**Need for improving load factor.**

78. From Table II it is noticed that the load factor achieved by Air India on the India/U.K. route (53.7 per cent in 1964-65) and India/East Africa route (65.6 per cent in 1964-65) has been satisfactory, but in other sectors the load factor is low which indicates that there is considerable surplus capacity in Air India's aircraft on those sectors. The Committee believe that despite international competition there is ample scope for developing traffic between India and foreign countries. They hope that Air India will strive to improve its performance from year to year.

### B. Break-even Load Factor

79. The table below gives the load factor achieved by Air India and the break-even load factor during the last three years:

	Overall Load Factor %	Break-even Load Factor %
1962-63	45.3	41.2
1963-64	47.8	40.2
1964-65	49.6	44.1

80. It will be seen that while the overall load factor increased by 1.8 points only in 1964-65, the break-even load factor increased by 3.9 points in that year as compared to 1963-64. The gap between the overall load factor

and the break-even load factor also came down from 7.6 points in 1963-64 to 5.5 points in 1964-65. Air India has stated that with the continuous increase in prices of all goods and services as well as increase in pay and allowances, the present gap between the break-even and overall load factor is likely to be narrowed in future. However, on a bigger operation and turnover, it expects to maintain the profitability at about the same level as achieved in 1963-64 and 1964-65.

81. In the Fourth Five Year Plan of Air India, the overall load factor expected to be achieved till 1970-71 is as follows:—

	%
1966-67	47.09
1967-68	47.51
1968-69	48.20
1969-70	49.03
1970-71	48.80

The overall load factor is thus not likely to increase during the Fourth Five Year Plan period, whereas the break-even load factor will rise due to increase in operating expenses. *Rise in the break-even load factor without a corresponding rise in the overall load factor will seriously affect the profitability of Air India in spite of the increase in turnover. The management should keep constant watch over the operating expenses and try to effect economy wherever possible.*

### C. Volume of Operations

82. The volume of operations of Air India in terms of Atkm and Rtkm during the last five years has been as follows:—

Year	Fleet (Year end)	Atkm produced (Million)	% rise over previous year	Rtkm performed (Million)	% rise over previous year
1960-61	9—Super Constellation 3 Boeings	161.447		76.299	
1961-62	5 Super Constellation 4 Boeings				
1962-63	6 Boeings	252.053	16.3	111.583	18.0
1963-64	6 Boeings	292.136	15.9	132.446	18.7
1964-65	7 Boeings	328.575	12.5	156.722	18.3

#### D. Air India's share of traffic

83. Air India's share of international passenger traffic between India and other countries was 43.8 per cent in 1962 and 44.8 per cent in 1963. Its share of the passenger traffic between India and other countries served by it was 48.5 per cent for both these years.

Facilities that may be afforded by the Government.

84. The Committee discussed the question of raising Air India's share of passenger traffic. It is stated that most Governments are leaning more and more in favour of their national carriers. Air India's view is that likewise the Government would be justified in giving certain facilities to it. The suggestions are that in the case of the following categories of personnel, compulsion can be justified and such persons made to travel on Air India:—

- (i) Persons travelling on Government business.
- (ii) Government servants travelling whether on duty or on leave.
- (iii) Employees of foreign companies in India which are authorised to repatriate a part of their earnings.
- (iv) Indian cultural/sports groups, whether official or unofficial.
- (v) Students who have been sanctioned foreign exchange.
- (vi) Delegations organised by the Government of India or semi-Government organisations.
- (vii) Seamen employed by Indian shipping companies.
- (viii) Film companies and many organisations have blocked funds which could be released in favour of travel on Air India.
- (ix) Personnel connected with Projects whether financed from Indian funds or foreign sources.

'P' Form.

85. Air India has also suggested granting of certain facilities by the Reserve Bank of India in the matter of 'P' forms issued by the Reserve Bank.

Travel on government account.

86. The Committee understand that certain directives have been issued by the Government of India which enjoin that persons travelling on Government business and those connected with Projects financed from Indian funds should travel by Air India. As far as possible, personnel of projects financed from foreign sources are also expected to travel by Air India.

87. As stated earlier Air India's share of the international passenger traffic between India and other countries was 44.8 per cent in 1963. Air India feels that its share can be increased if Government and the Reserve Bank of India accord the facilities which it desires. The Committee are inclined to agree with this view and desire this matter to be favourably examined. Simultaneously it should be ensured that the directives of Government regarding travel by Air India are strictly enforced.

Need to provide more facilities.

### E. Domestic Passengers

88. At present Air India does not normally carry fare paying passengers or domestic cargo on their services within India. However, by a special Governmental sanction and at I.A.C.'s request, purely domestic passengers are now permitted to travel on Air India's international flights between Bombay/Delhi, Bombay/Madras and Bombay/Calcutta in exceptional cases subject to the following categories:—

- (i) Government Officers travelling on duty, on matters of urgent public interest, when unable to get bookings on I.A.C. Flights.
- (ii) Ailing passengers requiring comforts available on the Boeing.
- (iii) Any traveller having important business when unable to get bookings on I.A.C.

89. The revenue from such passengers is shared on a 50/50 basis between Air India and I.A.C.

90. In the past during disruption of Indian Airlines Corporation's Services, the Central Board of Revenue gave Air India permission to carry purely domestic traffic on its international routes during the period of dislocation.

91. The Committee discussed the question of surplus capacity on Air India's flights on the domestic sector.

92. Air India is unable to utilise spare capacity which is approximately 50 per cent of all services operated on the domestic sectors. Though there are empty seats, it is considered commercially important to stop at these places to uplift or discharge international traffic. One of the reasons is that international passengers are averse to travelling on domestic services as they prefer customs clearance at their point of disembarkation/embarkation and also wish to avail of the bonded inflight amenities.

93. However, to utilise the surplus capacity, Air India had proposed that if it were permitted to take domestic traffic, it could pass on to the I.A.C. 50 per cent of the revenue from such traffic. This proposal was, however, not generally agreed to.

I.A.C.'s  
view.

94. The I.A.C. has in this connection furnished the following note to the Committee:—

“While I.A.C. has been making use of Air India's spare capacity to operate a Boeing charter on one of its routes and it has also made use of Air India's services for the carriage of passengers on domestic routes when there were any serious difficulties the Corporation has not agreed to Air India carrying traffic as a matter of routine on the domestic sectors. Air India's services are available only on the sectors Delhi/Bombay, Bombay/Calcutta, and Bombay/Madras. These are some of the sectors on which the Corporation earns its profits and is able to offset the huge losses incurred on the operation of the regional routes. Any traffic handed over to Air India means loss of profit to I.A.C. and to that extent it will reduce the capacity of the Corporation to absorb losses incurred on the regional routes. The Corporation has introduced considerable additional capacity on its trunk routes and the travelling public should be able to secure accommodation on the trunk services without any serious difficulty.

It may also be mentioned that at one time i.e. before the purchase of Caravelles when I.A.C. was not in a position to increase the capacity offered to the required extent the question of Air India carrying domestic traffic on their international services was considered. The Customs authorities insisted that international passengers travelling on such services should be cleared at the last point of call in India in the case of departure and the first point of entry in the case of arrival. Air India could not accept this arrangement as this would have acted as a deterrent to international traffic.”

Difficulties in permitting Air India to fly domestic passengers.

95. The Secretary of the Ministry of Civil Aviation informed the Committee during evidence that if domestic passengers travelled with international passengers, Air India could not serve drinks or cigarettes to international passengers. Secondly, if there were only international passengers, the Central Board of Revenue allowed drawback on fuel consumed in a flight, but if there were domestic passengers as well, then the drawback was not

allowed. Thirdly, any passenger who travelled by Air India had to have his luggage sealed and then only he was allowed to travel.

On being pointed out that Air India itself did not have any objection to carry domestic passengers, the Secretary stated that Boeing had a greater appeal as compared even to the Caravelles. If an attempt was made to divert the traffic to Air India, the I.A.C. would get 50% of the fare, whereas if those persons travelled on the I.A.C. it would operate above the break-even load factor and make profit. I.A.C. therefore wanted to protect its own interests.

96. *The Committee have considered the above views. The important point is that I.A.C. is often unable to offer seats to the passengers on its trunk routes, while Air India's Bombay/Delhi, Bombay/Madras and Bombay/Calcutta sector go 50 per cent empty. Asked for the reasons, I.A.C. has stated that it is apprehensive of loss of revenue, if domestic passengers are carried by Air India. The Committee do not consider this a valid reason and are surprised that such considerations should have been allowed to prevail. In fact by such an arrangement I.A.C. would benefit because it would get 50 per cent of the revenue from traffic handled by Air India. It would also relieve the present shortage of accommodation on I.A.C.'s routes. Another point raised by I.A.C. is that it proposes to introduce additional capacity on its trunk routes and the travelling public should be able to secure accommodation on the trunk services without any serious difficulty. If the past progress of the Corporation, its current load factor and the increase in traffic are taken into consideration, the Committee are doubtful whether the Corporation will be able to meet the total traffic demand. Even if this be possible, the problem of unutilised capacity on Air India's domestic sectors and loss of potential revenue thereby will continue. Correspondingly I.A.C. can adjust its services on these and other routes. The Committee, therefore, recommend that a regular arrangement should be made whereby passengers unable to obtain accommodation in I.A.C. could be carried by Air India as a matter of course. They consider that the other difficulties like customs check, serving of refreshments to domestic passengers, draw-back on fuel etc. can be suitably resolved in consultation with the authorities concerned.*

Travel of domestic passengers by Air India recommended.

#### F. Cargo

97. The Boeing aircraft has two spacious holds which are utilised for the carriage of passengers' baggage, mails, commercial cargo and non-revenue cargo consisting of Air

India's stores. With a full complement of 132 passengers in the main cabin, the holds can carry about 4500 Kgs. of cargo per flight, depending on the size and density of individual consignments.

98. The following table shows the cargo (including Excess Baggage) carried during the last four years:

Year	Cargo carried	% increase over previous year
	(Rtkm in Million)	
1961-62	25·404	
1962-63	30·379	19·6
1963-64	37·923	24·8
1964-65	44·156	16·4

Increase in world percentage growth of cargo.

99. Expressed as a percentage over the previous years, the growth of cargo traffic in 1962-63 and 1963-64 appears to be satisfactory. In 1964-65, however the growth has been 16·4 per cent as against the growth of 21·6 per cent in the international cargo traffic in 1964. The Committee would suggest that the causes for decline in cargo traffic in 1964-65 in percentage terms should be investigated to ensure that this has not been due to lack of efforts on the part of the sales staff or for any other reason.

Need for convertible aircraft.

100. The Committee were informed during evidence that on some of the routes during season there was shortage of cargo space in Air India's aircraft. It is obvious that the inability to accept cargo in such cases reduces the revenue earnings of Air India to some extent. The position can be improved if in the existing aircraft or in the aircraft to be purchased in future there is provision for conversion of passenger capacity into cargo capacity. The technical feasibility of such conversion can be examined.



## G. Mails

101. The quantity of mail carried by Air India has been as follows:—

Year	Fleet	Mail carried	% increase/ decrease over previous year
(Rtkm in Million)			
1961-62	4 Boeings	6.257	
1962-63	6 „	7.983	+27.6
1963-64	6 „	7.456	-6.6
1964-65	7 „	7.771	+4.2

Thus there was a substantial increase in the mail carried during 1962-63 but the traffic declined by 6.6 per cent in 1963-64. Although there was a slight recovery in 1964-65, the total mail carried in that year has still been less than that carried in 1962-63.

102. Air India has stated that the decrease in the mail traffic in 1963-64 and 1964-65 was mainly because of restrictions placed on mail uplift by certain countries. The Committee also discussed this matter with the representative of Air India. It was stated that the total uplift of mail from other countries by Air India was far greater as compared to the uplift from India. Another point mentioned was that a number of foreign Postal Administrations gave preference to their national carriers. Further, some Postal Administrations gave mail to Air India to the extent that the Indian Posts and Telegraphs Department gave mails to their airlines. Preferential treatment.

103. The Committee notice that during 1962-63, Air India operated 6 Boeing aircraft and carried mail to the extent of 7.983 million Rtkm. In 1964-65, the mail carried was less i.e., 7.771 million Rtkm although it was operating 7 aircraft and there was an overall increase in capacity. *The reasons for the decline in mail traffic should be examined and, in consultation with the Posts and Telegraphs Department, ways and means devised to step up the mail uplift from India as also from foreign countries by Air India's aircraft.* Coordination with P. & T. suggested.

## H. Five Year Plans

104. In the draft Fourth Five Year Plan prepared by Fourth Air India, certain estimates of capacity and traffic growth Plan. 2846 (Aii) LS—3.

on its scheduled services have been made. According to these estimates, the growth of available capacity (Atkm) will be as follows:—

	Atkm (Million)	% increase over previous year
1965-66 (last year of Third Plan)	347·892	
1966-67	393·541	13·12
1967-68	452·445	14·97
1968-69	492·316	8·81
1969-70	538·590	9·40
1970-71	594·064	10·30

No provision for new routes.

105. The above increase in capacity is to be deployed on the existing routes operated by it. In other words no provision has been made for the opening of new routes during the Fourth Five Year Plan period. Asked about the reasons, the Committee were informed that at the time of the preparation of the Fourth Five Year Plan estimates, Management considered two alternative drafts—one on the assumption of minimum rates of growth on existing routes, and the other on accelerated rates of growth, including the opening of new routes. Management decided to proceed on the basis of the lowest estimates, bearing in mind certain factors, such as national requirements of foreign exchange and other national economic priorities. The deployment of Air India's capacity in the Fourth Plan was, therefore, based on the following considerations:—

- (i) to aim at maintaining its share of the air market on the existing routes,
- (ii) to give priority to the provision of the Tripartite Pool, and
- (iii) to ensure a harmonious growth of Air India's net work on all the routes to maintain Air India's share of market and to obtain the maximum revenues for the Corporation.

Need to prepare Plan realistically.

106. During evidence it was stated that Air India had planned on the immediate basis of what they knew was certain to happen, but whenever they had a chance of faster growth, they would do so and they did not anticipate difficulty in getting the Plan approved. It was added that Air India had certain ideas as to how they would plan, if they got new routes. *The opening of new routes depends on various factors such as getting traffic rights, development of traffic, the expectation of profitable operation of the route etc. It may not, therefore, be possible to forecast much in advance the new routes that may be started by Air India.*

But consideration has to be given to the fact that its Plan as has been presented to the Government is an underestimate and at the same time does not project the course of further development correctly. In the view of the Committee, it is not enough if Air India has certain ideas as to how it would plan if it got new routes. What is desirable is that when the Plan is prepared, the routes likely to be opened by it, subject to anticipated conditions being prevalent, and their financial results should also be indicated so that Parliament and the people know what it is likely to achieve over the Plan period. Such plans should be so framed that their fulfilment requires the maximum and not the minimum effort of the management.

107. The funds required for the various development schemes during the Fourth Five Year Plan period and the figures of actual expenditure incurred during the First and Second Plans and the proposed expenditure during the Third Plan period, under broad categories, are given below:—

Financing of the Fourth Plan Project.

Schemes	First Plan (Actual)	Second Plan (Actual)	Third Plan (Proposed)	Fourth Plan (Provision)
			(Rs. in crores)	
1. Purchase of Aircraft .	6.69	7.14	13.50	26.93
2. Workshop expansion & other miscellaneous items of capital expenditure .	0.09	1.09	1.00	1.00
3. Redemption of debentures .		0.09		
4. Compensation bonds, repayment of borrowings .	0.62	2.54		..
5. Buildings				3.50
6. Staff Quarters .	..			1.00
7. Cash losses/loans . . .	0.30	..	..	..
<b>TOTAL . . . . .</b>	<b>7.70</b>	<b>10.86</b>	<b>14.50</b>	<b>32.43</b>

## IV

### ENGINEERING AND MAINTENANCE

#### A. Piston Engine Overhaul Shop

108. Air India has a separate Piston Engine Overhaul Shop, where overhaul and repairs of piston engines fitted on the Super Constellation and packet engines of the Indian Air Force is done. The number of Indian Air Force engines overhauled in the Piston Engine Overhaul Shop during the last two years was as follows:—

	Engines fitted on Super Constellations	Packet Engines	Total
1963-64 . . . . .	16	46	62
1964-65 . . . . .	11	28	39

109. At the time of the sale of nine Super Constellation aircraft in 1962, the I.A.F. did not have ground staff technically trained to overhaul Super Constellation and Packet engines. Had this shop been taken over by the I.A.F., a sizeable number of Air India's staff would have been rendered surplus. Government, therefore, asked Air India to examine the possibility of undertaking the maintenance and overhaul of the Super Constellation fleet as also for continuing the overhaul of Packet engines for the next two to three years. Air India agreed to undertake this job on the understanding that there would be phased withdrawal and replacement of Air India manpower by the I.A.F. personnel.

110. The following are the amounts charged to the I.A.F. for the maintenance, repair and overhaul of their Super Constellation aircraft and engines, and Packet engines:—

Year	Amount (Rs. in lakhs)
Upto 1962-63 . . . . .	34.94
During 1963-64 . . . . .	41.87
During 1964-65 . . . . .	38.37

111. The above recoveries relate to the emoluments of the staff allocated for the I.A.F. work, and for electricity consumption, water consumption and other overheads.

112. During evidence the General Manager of Air India informed the Committee that the I.A.F. had not taken over the shop nor had they trained their personnel for this job.

113. The Secretary, Ministry of Civil Aviation, however, stated that by 1967 the I.A.F. was very likely to take over the Piston Engine Overhaul shop for overhaul of engines of Super Constellation aircraft. For taking over the airframe overhaul and maintenance of this aircraft, the I.A.F. would probably take a little more time. Delay in taking over by I.A.F. suggested.

114. It is noticed that by June, 1962 all the Super Constellation aircraft of Air India had been sold to the Indian Air Force. *From the point of view of administrative control and supervision, therefore, it was desirable that the Piston Engine Overhaul Shop should have been taken over by the I.A.F. soon after the sale of those aircraft. No progress seems to have been made in this regard during the last three and a half years. From what the Secretary, Ministry of Civil Aviation stated during evidence, it appears that the I.A.F. may not take over airframed overhaul and maintenance of this aircraft for several years more. Since a long time has already elapsed, the Committee feel that question of training of I.A.F. personnel for the overhaul shop should be attended to expeditiously and the transfer of workshop from Air India arranged within a stipulated period.* Transfer of workshop to I.A.F. suggested.

### B. Fuel Consumption

115. The average fuel consumption per hour on Air India's aircraft has been as follows:—

Year	Fuel Consumption per hour
1961-62	1788 gallons
1962-63	1805 gallons (rise of 1%)
1963-64	1818 gallons. (Do) Approx.

The increase in consumption is stated to be due to:—

- (a) operation at increasing gross weights due to increased load factors.
- (b) ageing of aircraft and engine.

- (c) operating at lower altitudes and at higher speeds on some competitive sectors for gaining flight time.

Need to check rise in fuel consumption.

116. The Committee are informed that the consumption of fuel by Air India's aircraft compares favourably with the manufacturers' estimates. However, for short sectors the consumption is 1.5% higher than the manufacturers' estimates due to Air Traffic Control and ground delays. In evidence the General Manager stated that he was not aware how Air India's own fuel consumption compared with that of other airlines. However, an outside expert had recently been invited to advise in what way this could be reduced. The Committee find that the fuel consumption per flying hour has increased by 1 per cent yearly in 1962-63 and again in 1963-64. It is also noticed that the expenditure incurred on fuel and oil during 1964-65 was Rs. 4.06 crores and constituted 15 per cent of the total operating expenses. Fuel consumption forms the largest single item of operational cost. Thus even a small rise in the fuel consumption materially increases the expenditure. For example at the present level of fuel price and total consumption, an increase in the fuel consumption by 1% would increase the fuel cost by Rs. 4 lakhs. To effect *economy* in expenditure under this head, it is necessary to keep a constant watch and investigate the reasons for increase in the rate of fuel consumption and to take the required steps to bring it down.

### C. Engine Overhaul Cost

117. The cost of engine overhaul and rectification per engine flight hour during the last two years had been as follows in the Air India Jet Overhaul shop:—

1963-64	1964-65
Rs. 34.68	Rs. 62.54

Thus there has been a steep rise in the cost of engine overhaul and rectification during 1964-65. Besides increase in cost, it is noticed from the table given below for the year 1964-65 that Air India is spending more labour-hours

on the maintenance work than many of the other International Boeing Operating Airlines:—

Airlines	Type of A/C	Man hours per Flt. Hr. for maintenance checks	Total hours for all maintenance work for 5000 hours flying derived from the man hour per Flt. Hrs.
(1)	(2)	(3)	(4)
EL-AL . . . . .	Boeing 707	11.2	56,000
Air France . . . . .	Do.	12.75	63,750
B.O.A.C. . . . .	Do.	9.5	47,500
Irish Intl. . . . .	Do.	12.6	63,000
Qantas . . . . .	Do.	10.9	54,500
D.L.H . . . . .	Do.	9.0	45,000
Air India . . . . .	Do.	15.2	76,000

118. Due to low stamina of Indian labour, climate of Bombay and inadequate mechanisation, the output of labour in Air India's Workshop is not as high as that of other Boeing Operating Airlines. Efforts should be made to increase the performance of labour in the Air India's workshop.

Need to reduce cost and labour hours.

## ORGANISATION, PERSONNEL AND OTHER MATTERS

## A. Board of Directors

119. The management of the affairs of Air India is vested in a Board of Directors consisting of nine members—four officials and five non-officials. The Chairman is a non-official. Out of the nine members of the Board, eight members are common, both to the Boards of Air India and of the Indian Airlines Corporation. The Chairman of one Corporation is the member of the other. The Two Chief Executives of the two Corporations, viz., the General Managers are only members of their own respective Boards.

120. The Committee have noticed that from 1958-59 to 1963-64, seven out of nine members of the Board of Directors of one Corporation including the Chairman and the General Manager were represented in the other Corporation. While reconstituting the Board in 1965, a departure has been made in that the General Manager of one Corporation is not a director in the other Corporation.

General  
Manager  
of one  
corporation  
to be  
Member  
of the  
other  
suggested.

121. *The Committee are not aware of the special reasons which necessitated this departure especially in view of the fact that such representation was given for the past 6-7 years. If the Chief Executive of one Air Corporation is a member of the Board of Directors of the other, it would result in better coordination.*

## B. Merger of Air India and I.A.C.

Discus-  
sion in  
Parlia-  
ment.

122. The question whether the domestic and the international air services should have separate corporations or one was discussed at length in Parliament. when the Air Corporations Bill was under discussion. The Government at that time considered it inadvisable to risk a decline in the reputation or efficiency which the Air India International Ltd. had built up in the regions where it operated and thought it necessary that the 'goodwill' so built up should be available to the Air India International Corporation. It was therefore considered that there should be two Corporations. The Minister of Communications, however, gave an assurance that after integration had been completed and after both the Corporations were set up on a sound footing, the Government would consider whether the Corporations could be amalgamated into one.



123. In 1959 a Committee was appointed by Government to examine the cost structure of the Indian Airlines Corporation. This Committee (Wheatcroft Committee) in its report made the following observations:—

Observation of Wheatcroft Committee.

“We are of the opinion that whatever the merits of a merger for other reasons, such an organizational change is unlikely to contribute materially to the solution of the main I.A.C. problems, which are discussed in this report. The basic I.A.C. problem is the need for more detailed managerial control over expenditure. It seems to us to be very unlikely that merging the Corporation into a larger undertaking would be conducive to an improvement in this direction. Indeed, it seems probable that the reverse would be the result.”

124. The following information was given to Lok Sabha on the 2nd March, 1963 by the Deputy Minister in the Ministry of Transport and Communications in reply to a question:

Question in Parliament.

“The Estimates Committee in their 41st Report on Air India had also recommended that Government should review the question of a common Corporation. The Government had then examined the position and come to the conclusion that the review proposed by the Committee cannot be undertaken till the end of 1965 in view of the loans secured by Air India from the U.S. Commercial Banks for financing their Boeing Project. The position remains unchanged.”

125. Air India had taken a further loan for its Boeing project, the period of repayment of which will expire in November, 1970.

126. While discussing this question during evidence, the General Manager, Air India informed the Committee that the Government had not yet formulated their policy on this issue, but his personal opinion was that four years back, it would have been advantageous to merge the two Air Corporations, when both the Corporations had started to change the type of their fleet. He was of the view that a merger at the present stage would create administrative problems and retard the progress for at least two years or so. As the administrative problems created by merger would overshadow the normal working, the General Manager advocated waiting for a period of at least two years before contemplating the merger.

Air India's views.

I.A.C.'s  
views.

127. The General Manager of I.A.C. was of the view that a merger was not called for as the nature of operations of the two Corporations was completely different—one was predominantly domestic and the other was exclusively international.

Government's  
views.

128. The Secretary, Ministry of Civil Aviation, however, informed the Committee that the current thinking of the Government was that it would be advantageous to merge the two Air Corporations into one. Among the advantages of merger, he pointed out that there would be reduction in staff, saving in overheads, reduction in engineering equipment, planning fuller utilisation of available seats instead of each Corporation trying to safeguard its own interests etc. According to him the disadvantage that might result was one that was more notional because one of the apprehensions was that on account of lower standards in IAC, Air India's international standards might suffer in foreign countries. Another fear was that the standard of services on the domestic routes would be less than the international standard and since many of the passengers would be coming from international routes and flying on the domestic routes, they might not readily adopt themselves psychologically to the change of standards as they would in case there were two distinct services. The Secretary, however, felt that even after merger, it might be necessary to have a subsidiary of the Corporation to look after the promotional and developmental routes in India. He was of the view that the merged Corporation would be able to take care of the routes upto which Friendship aircraft were operating. It was also pointed that the loan agreement between Air India and the Commercial Banks in U.S.A. would not come into the way of merger, if the interests of the Banks were sufficiently protected in the scheme of merger.

Domestic  
and  
international  
airlines  
of the  
world.

129. The Committee note that certain foreign airlines like Air France, Alitalia (Italy), C.S.A. (Czechoslovakia), Japan Airlines, Lufthansa (Germany), and S.A.S. (Scandinavia) operate both domestic and international services. Certain other airlines like B.O.A.C. (U.K.), K.L.M. (Netherlands), Pan Am (U.S.A.) Qantas (Australia), Sabena (Belgium) and Swissair (Switzerland) operate mainly international services.

130. *It is seen that, since the time of nationalisation of air transport industry in 1953, the question of having two separate Air Corporations or one has been under discussion. The current thinking of the Government is that it would be advantageous to merge the two Corporations into one. The Committee would, however, like it to be examined as to when the merger scheme should be implemented. More than a decade after nationalisation, both the Corporations have now been able to stand on their own. It is*

quite probable that a merger at this stage may create certain administrative problems and retard the progress and profitable operation of the merged Corporation for some more years. The Committee, therefore, suggest that a merger scheme for implementation at a later date should be evolved. Meanwhile efforts should be made to have common facilities on matters like operation of services, utilisation of available seats, promotion of sales, traffic and commercial handling, repairs and maintenance of aircraft, planning and development of hangars, buildings, recruitment and training of crew, engineering and other personnel etc. This aspect may be kept in view particularly when introducing new types of aircraft in either Corporation.

131. At present the Boards of Air India and I.A.C. contain eight common members but the Chairman of one Corporation is only a member of the Board of Directors of the other. As a further step towards merger and with a view to provide a co-ordinated direction in the development of air transport services—both domestic and international, the possibility of having the same person as the Chairman of both the Corporations may be examined.

### C. Personnel

#### Staff Position

132. The departmental breakdown of total staff strength of Air India at the end of the following years was as follows:—

Particulars	1961-62	1962-63	1963-64	1964-65
1. Engineering	1,824	1,795	1,794	2,262
2. Stores	404	403	421	
3. Operations	662	676	691	
4. Commercial:				
(i) Traffic & Sales	1,479	1,618	1,753	1,972
(ii) Customer Service	475	495	558	643
5. Accounts	574	603	615	692
6. Administration	33	30	31	95
7. Planning	43	46	45	
8. Personnel, Security and Staff Welfare	308	304	331	345
<b>TOTAL</b>	<b>5,802</b>	<b>5,970</b>	<b>6,239</b>	<b>5.77</b>

133. On the question of staffing in Air India, an Australian author, Mr. David Corbett, in an article published in the Journal of Public Administration in 1963 observed:—

“A senior Air-India executive estimates that of the Corporation’s 6000 employees, 1000 could be dispensed with without damage to the airline’s technical capacity to carry out its present functions. But another executive, commenting on this proposition, pointed out that Air-India could not dismiss its surplus staff both because of the effect on morale and because of the political and social repercussions, especially in view of India’s high rate of unemployment. Such redundancy as existed, both executives agreed, was partly the result of introducing new equipment, notably the Boeing 707’s. It would have to be taken care of gradually through normal retirements and through expansion of the firm.”

#### *Mechanisation of functions*

134. One of the executives referred to above was the General Manager of Air India. He admitted before the Committee that it would be possible to do away with a thousand people if only technical view was taken, by which he meant that if mechanisation was introduced in certain areas. Mechanisation has not been introduced to the fullest possible extent as a deliberate policy due to (i) salaries and wages of employees in India being substantially lower, (ii) high cost in foreign exchange of imported machines, and (iii) need to provide employment with due regard to economy and efficiency.

#### **Mechanisation in Accounts Section.**

135. The question to be considered is whether the advantages accruing from progressive mechanisation would not be outweighed by the disadvantages which the present policy would inevitably cause. In 1950, Air India introduced in its Accounts Section a Unit Record Equipment (Holleriths) and since then a considerable amount of accounting and statistical jobs have been mechanised. This conventional equipment had become out of date and the Corporation proposed to instal an IBM Electronic Computer, the landed cost of which was estimated at Rs. 25.56 lakhs. Beyond this, the Corporation has not introduced mechanised system. The Government were also not approached for sanctioning import of necessary equipments.

136. *International air transport industry being a highly competitive one it is desirable that mechanised systems should be introduced on the administrative as well as operational side to add to speed and efficiency.*

Mechanisation in Administrative and operational Sections proposed.

### *Surplus Staff*

137. It was admitted in the Annual Report of Air India for 1962-63 that the number of employees was large in relation to the size of the fleet and in comparison with leading carriers in Europe and America and that the excess would be absorbed in the next few years as the fleet and operations grow. It is, however, noticed that the number of staff added was 269 in 1963-64 and 559 in 1964-65.

138. It was stated before the Committee that the increase in the number of staff was due to increase in the level of operations. Addition of one aircraft required forty-two additional crew members and also staff in the Operations Department. Opening of a few foreign offices had resulted in increase of staff in the Commercial Department. In the Accounts Department, the work load had increased, because of introduction of several revenue pools, thereby necessitating addition of staff. In the Engineering Department, the strength had been augmented so that the men could be trained by the time more aircraft were delivered. In a written reply to the Committee, it was stated that there had not been any overall review of the staff strength of Air India. The procedure is that whenever a substantial increase is proposed in the staff strength of any Department or Station, studies are made by officers appointed for the purpose or by the Industrial Engineering Unit.

Increase due to rise in level of production.

139. As mentioned earlier, there was some surplus staff in Air India in the years 1962 and 1963. Despite this, more staff had been recruited in the subsequent years. The Committee are not convinced that these recruitments were made after the surplus staff had been absorbed. Their view is strengthened by the statement made by the General Manager during evidence that sometimes due to difficulties in making transfers, it was not possible to transfer surplus staff from one area to another. *The work load in different Departments and Stations needs to be reviewed. Also before further recruitment is made surplus personnel should be absorbed, if necessary by diverting from one area to another.*

Review of staff position suggested.

### *Comparison with Foreign Airlines*

140. The Committee desired to know the proportion of employees to the size of fleet in Air India and other lead-

ing foreign airlines. The information furnished is reproduced below:—

Airline	Year	Total number of aircraft (year end)	Total number of employees (year end)	Average number of employees per aircraft
Air India	1961-62	11	5,802	527
	1962-63	6	5,970	995
	1963-64	6	6,239	1,040
	1964-65	8	6,798	850
B.O.A.C.	1961-62	68	21,889	322
	1962-63	57	21,686	380
	1963-64	51	20,626	404
Qantas	1961-62	26	6,604	254
	1962-63	23	6,895	300
	1963-64	19	7,405	390
Pan Am	1961	109	22,986	210
	1962	101	23,778	235
	1963	97	24,851	256
TWA	1961	129	19,621	152
	1962	137	20,655	151
	1963	143	21,730	152

Reasons for more staff in Air India.

141. The above statement indicates that the position of Air India is very unfavourable in this respect. Air India has, however, elaborately explained the position stating that:—

- (a) an aircraft would count as one unit regardless of its type or size—viz. Dakota or a Boeing jet.
- (b) the number of employees depend upon the operational net work.
- (c) airport handling staff required for handling large intercontinental jets is bigger than for piston engine aircraft. Besides handling their own services, services of several foreign airlines are handled by them at Bombay, Delhi and Calcutta.
- (d) For attaining maximum self-sufficiency, the following factors should be noted:—
  - (i) Air India's main base at Bombay is 10,000/12,000 miles away from the sources of supply of spares etc. from U.S.A.
  - (ii) many foreign airlines contract out their engine overhauls.
  - (iii) categories like 'cleaners' and 'chowkidars' are almost unknown in other foreign airlines. (Air India has 487 cleaners and 113 Chowkidars).

### Employment of Cleaners and Chawkidars

142. As stated above, Air India employs 600 'cleaners' and 'Chowkidars'—a number almost unknown in other foreign airlines. This represents nearly one tenth of the total staff strength. There is scope for reduction.

### D. Recruitment of Pilots

143. In the Annual Report of the Air India for the year 1964-65, it was stated that in order to avoid accumulation of leave among pilots and to provide the necessary time and aircraft for accelerated training of Commanders amongst First Officers, Air India found it necessary to curtail temporarily two services with effect from December, 1964—one on the Bombay/Tokyo route and the other on the Bombay-London route. When the Committee enquired why this contingency was not anticipated, the General Manager explained that during the first year of the Third Plan, viz. 1961-62, there were 96 pilots in the employ of Air India, which number was adequate for their requirements for the next two years. Air India initiated action in the later half of 1963 for recruitment of pilots from the Indian Airlines Corporation, but on account of certain difficulties in the I.A.C., the pilots could be recruited only in the beginning of 1965. The two services curtailed in December, 1964 were resumed in October, 1965.

Curtailment of two services on account of shortage.

144. The difficulty in recruiting pilots in time arose as stated under:

Difficulty in recruitment.

The main sources of recruitment of pilots in the Air India with the requisite qualifications and experience are the I.A.C. and the Indian Air Force. Previously I.A.C. used to get pilots from the Civil Aviation Training Centre, Allahabad. The Flying School of this Centre was handed over to the Ministry of Defence in May, 1963. Thus this source of recruitment of pilots for the I.A.C. dried up. The I.A.C. could release experienced pilots to Air India if and when they got replacements even with less experience. As regards recruitment from the Air Force, it was stated that it had its own problems.

145. The Secretary of the Ministry of Civil Aviation stated during evidence that the Flying School at Allahabad was wound up because none of the two Air Corporations envisaged recruitment of pilots for some time. He added that sometime back, due to flight and duty time limitations coming into force, both the Air Corporations realised the need for sudden inflow of pilots.

146. Due to shortage of pilots (also referred to in para 42 of this Report) two of the Air India's services had to be curtailed in December, 1964 for about nine months. The Flying School of C.A.T.C., Allahabad was handed over to the Ministry of Defence in May, 1963. Air India initiated action in later half of 1963 for obtaining more pilots, but the recruitment could only be made in the beginning of 1965. It should not have taken nearly two years to recruit pilots. It only shows that prompt action had not been taken at various levels in the Ministry as well as in Air India, the I.A.C. and the I.A.F.

Need for  
planning  
regular  
supply  
of pilots.

147. Air India has not correctly assessed its requirements of pilots. The Ministry's view is that the shortage was felt because the demand for pilots increased suddenly due to new limitations fixed on flight and duty time. Government have under consideration a report of a Committee which recently assessed the requirements of pilots for both the Corporations. By proper planning it should be possible to provide a regular flow of trained pilots to meet the needs during the Fourth Five Year Plan period.

### E. Publicity and Sales Promotion

148. All publicity work on behalf of Air India is done through advertising agents. Air India's view is that advertising is a highly specialised job and if it was to undertake its own publicity work, it would entail employing a considerable number of highly paid experts in this line in many places.

149. At present Air India has appointed advertising agents for U.K. and Europe, U.S.A. and Canada, Australia and New Zealand, East Africa, Malaysia, Thailand, Hongkong, and Japan. For India, Pakistan and Ceylon Messrs Walter Thompson Co. Pvt. Ltd., Bombay have been appointed as advertising agents.

Services  
provided  
by adver-  
tising  
agents.

150. The advertising agents receive 15 per cent commission out of all the payments due from Air India to the publishers, block-makers, type-setters, etc. This commission is chargeable to the party providing space, service or material. The agent provides Air India free of charge the following services:

- (i) Booking space in newspapers, magazines, etc.
- (ii) Arrange for preparation, checking and despatch of the advertising material.



(iii) Check and ensure correctness and size of the advertisements released and be responsible for the correctness of the bills submitted by the publishers.

(iv) Control, revise and cancel schedules, where necessary, as per Air India's requirements.

151. The break up of Air India's expenditure on "Publicity and Sales Promotion" during the last three years has been as follows:—

	(Rupees in Lakhs)		
	1962-63	1963-64	1964-65
1. Sales Promotion	30.85	29.79	33.99
2. Press Advertisements	49.25	55.10	64.91
3. Photographs	1.45	1.52	1.57
4. Giveaways	6.95	7.98	8.73
5. Display	20.75	22.88	21.42
6. Direct Mails	11.18	9.83	11.18
	120.43	127.10	141.80
7. Publicity against Transportation on Air India's services (Quid Pro Quo)**	17.55	24.84	19.25
TOTAL as per P & L, A/c	137.98	151.93	161.05

152. The percentage of expenditure incurred on "Publicity & Sales Promotion" to the total Operating Revenue in the case of Air India and some other foreign Airlines during 1962-63, 1963-64 and 1964-65 has been as follows:—

Airlines	Accounting year	Publicity & Sales Promotion as a percentage of operating expenditure			Publicity & Sales Promotion as percentage of Operating Revenue		
		1962 or 1962-63 %	1963 or 1963-64 %	1964 or 1964-65 %	1962 or 1962-63 %	1963 or 1963-64 %	1964 or 1964-65 %
1. Air India	April/March	6.5	6.6	6.1	5.6	5.7	5.4
2. B. O. A. C	April/March	4.0	4.2	3.5	4.3	4.0	3.0
3. Qantas	April/March	3.5	4.5	N/A	3.2	4.1	N/A
4. Pan Am.	Jan./Dec.	16.2	17.0	17.1	14.5	14.6	15.2
5. TWA	Jan./Dec.	13.1	14.1	14.6	1.9	13.0	12.6
6. JAL	April/March	4.8	4.0	N/A	4.9	3.5	N/A
7. Swissair	Jan./Dec.	2.6	2.6	2.6	2.5	2.5	2.5

\*\*This item is not a cash outgo. It refers to publicity obtained in various magazines, newspapers, etc. against transportation on Air India's services, subject to load. The bills received for advertisements, etc. are set off against the value of transportation provided.

153. Figures shown above for Pan Am and T.W.A. are inclusive of salaries paid to their sales staff and other expenses. As regards other airlines, the percentage of expenditure incurred by Air India is stated to be higher due to the following factors:—

- (i) It is not known whether the items of expenditure included under this head are the same.
- (ii) Some of the airlines are both domestic and international operators.
- (iii) Some airlines have a larger turnover and hence a smaller percentage of expenditure on publicity yields a larger revenue.

Scope for reduction in expenditure.

154. The Committee drew attention to the 23rd Report of the Public Accounts Committee (1963-64) wherein it was pointed out that there was some scope for reduction in the expenditure incurred by Air India under this head. The General Manager was of the view that an immediate reduction in expenditure on this account might affect revenues, but with the growth of revenues, the figure was expected to come down to about 50%. In reply to a question whether there was any method of relating the growth in business to the expenditure on sales promotion through advertisements, he stated that the stand Air India took was that the expenditure should not exceed 6% of the traffic revenue. If there was a shortfall in business in any area, Air India went into details to see whether this could be due to non-effectiveness of the sales effort or some other reasons.

Percentage of expenditure lower in other airlines.

155. It is noticed that the percentage of expenditure incurred on publicity to the total operating revenue was 3.0% in the case of BOAC (1964-65), 2.5% in Swissair (1964), 4.1% in Qantas (1963-64) and 8.5% in Japan Airlines (1963-64). These percentages are much lower than that of Air India which was 5.4% in 1964-65. It is also seen that the percentage of expenditure incurred by BOAC has come down from 4.3% in 1962-63 to 3% in 1964-65. The Japan Airlines brought down this figure from 4.9% in 1962-63 to 3.5% in 1963-64. This indicates that apart from the expenditure being on the lower side, effort has been made by airlines to further bring down the percentage expenditure.

Suggestion for relating expenditure to growth of traffic.

156. The Committee realise that the reduction in expenditure on publicity should not be detrimental to the growth of traffic revenue. But the Committee are anxious that there is no waste of sales promotion efforts. The method of fixing 6 per cent of revenue on a flat basis as the level of expenditure on publicity needs to be improved. Budget estimates in this regard must be related to the probable growth of traffic revenue and should compare

*favourably with the expenditure incurred by foreign airlines. It should also be ensured that the expenditure incurred in each region has resulted in proportionate yields.*

### F. Travel Agents

157. Air India has appointed 95 IATA approved Passenger Sales Agents and 41 approved Cargo Sales Agents in India. Besides Air India has 9220 Passengers Sales Agents and 1391 Cargo Sales Agents all over the world.

158. Air India can appoint only those Travel Agents who have been approved by the International Air Transport Association. As per I.A.T.A. Regulations the accredited agents are paid commission at the rate of 7 per cent on the face value of the tickets purchased by them. The rate of commission for cargo is 5 per cent. All airlines pay the same rate of commission.

159. Besides selling air transportation, travel agents provide a number of facilities to their clients. Some of such facilities are (i) sale of surface transportation (ii) insurance facility (iii) Banking facilities (iv) obtaining passports, endorsement, etc., (v) arranging hotel reservation, etc., etc. Travel agents often grant long term credit facilities and on occasions may offer inducement in the form of a rebate in purchase of the transportation.

160. A point was raised whether Air India could provide facilities to its intending passengers similar to those provided by Travel Agents. The views of Air India on the subject are:—

**Air India's views on travel agents.**

- (i) If Air India were to provide these facilities it would need setting up of an additional department to do the job, which would result in engaging more personnel and increased expenditure.
- (ii) Even if Air India were to match these facilities, it would be construed that Air India were competing with travel agents. The travel agents have played an important part in the sale of International transportation, and Air India would not like to antagonise the travel agency industry.
- (iii) Travel agents appointed by an airlines are to be regarded as an additional outlet of sale for that airline. Elimination of travel agents by

an airline shall result in reduction in that airline's outlets of sale. On the other hand, if the airline provides such facilities, the cost would greatly exceed the savings effected in the payment of booking agency commission.

Percentage of bookings done by Travel Agents.

161. From the information furnished to the Committee it is noticed that the percentage share of passenger bookings effected by Travel Agents has generally been high. The details in respect of some stations for the year 1964-65 are given below:—

Station	% share of Travel Agents to total Passenger Bookings
New York	44.59
Paris	43.29
Frankfurt	55.43
Amsterdam	77.59
Brussels.	58.78
Beirut	48.83
Kuwait	92.93
Bahrain	84.11
Nairobi	43.35
Tokyo	52.32
Bombay	43.83
Calcutta	43.49
Madras	41.08
Ernakulam	78.26

Need for more Sales promotion work to tap new Sources.

162. The Committee appreciate the importance and necessity of the travel agency system in the international air transportation. Yet from the available data it appears that Air India leans heavily on business coming through Travel Agents. It has to be realised that the success of its sales staff will be judged by the extent to which a larger share of business is secured direct by Air India's offices without necessarily encroaching the sphere of activity of the travel agents. *In a competitive industry like international air transport, there is ample scope to canvass for more business. The efforts of the sales promotion staff should be directed towards this end. The Government should also ensure that tickets which are paid by it or agencies which are mainly financed by it are purchased direct from Air India.*

#### G. Administrative Building in Bombay

163. A major project on hand of Air India at present is the construction of its Administrative Building in Bombay—the location of the building being in the area called Nariman Point at the Marine Drive end.

164. The project was approved by the Board of Directors in March, 1958 and a sum of Rs. 57 lakhs was sanctioned for its execution. The plot of land for the building was acquired from the Government of Maharashtra in July, 1961 on lease of 99 years. Later the plan was modified and it was decided to construct a 23 storeyed building, the cost of which worked out to Rs. 3.93 crores inclusive of the cost of work, the cost of air-conditioning, and foreign exchange expenditure of about Rs. 50 lakhs. The Board approved this proposal in July, 1965. The entire cost of financing the project will be met from the internal resources of Air India. The construction started on the 19th July, 1965. The building is expected to be completed by 1970. History.

165. This building will have a carpet area of 411055 sq. ft. The ground and first floors will be used to accommodate booking and cargo offices and terminals of Air India and I.A.C., the Bombay District Office and the auditorium; and the second floor will be for a canteen, recreation rooms and a terrace garden. The Third floor will be utilised for accommodating air handling units. Out of the space of about 206,350 sq. ft. available on fourth to twenty third floors, approximately 100,000 sq. ft. will be required for use of various Departments and the remaining space (approximately 106,000 sq. ft.) would be available in the beginning for letting out to reputable parties. Plan for utilising the floor area.

166. On the question of utilisation of space in the proposed Administrative Building, the Secretary, Ministry of Civil Aviation, in the meeting of the Board of Directors held on 27th January, 1965, stated that the spare area of approximately 100,000 sq. ft. in the Administrative Building, which was proposed to be rented out, might partially or wholly be required by Air India itself at a later date. There might, therefore, be some criticism that such a large amount was being spent over an Administrative Building out of consideration of prestige rather than commercial considerations. The General Manager had clarified that while the spare area was not likely to be required by Air India for some considerable time, appropriate provisions would be made in the lease agreements with the parties concerned whereby Air India would have the right to resume possession of the leased area at the appropriate stages.

Economics  
of the Build-  
ing.

167. Air India has worked out the economics of the project as follows:—

	(Rs. lakhs) per annum
(i) Return by way of rent from I. A. C.	17.52
(ii) Return by way of rent from other parties	50.88
	<hr/> 68.40
Less Total outgoings	60.36
	<hr/> 8.04
Add Savings on account of rent in respect of accommodation occupied by Air India's offices	7.01
	<hr/> 15.05
Net return	15.05

168. In calculating the total outgo of Rs. 60.36 lakhs per annum, Air India has taken the element of sinking fund on a total life of 50 years on the building. Thus at the end of 50 years the capital outlay on the building would have been fully depreciated. Air India, however, estimates that the life of the building will be much more than 50 years and it would continue to earn a substantial return for a much longer period than 50 years.

Review  
of Air  
India's  
floor  
space  
require-  
ments  
suggested.

169. The area at present occupied by Air India's Offices in Bombay is 36,000 Sq. ft. As against this, it is proposed to occupy 1,59,000 sq. ft. in the building under construction. The requirement of floor area in the new building which is nearly 4½ times the area presently occupied by it is very much on the high side and needs to be reviewed. It is also not necessary to centralise all the offices of Air India in one building. It should be examined whether some offices could remain at Santa Cruz so that more space is available in the new building for renting out, thereby improving the economics of the scheme.

Require-  
ment of  
other  
Public  
under-  
takings  
to be  
met.

170. As regard letting out of surplus space to other parties, the Committee would like to draw attention to the Fiftieth Report of the Estimates Committee (3rd Lok Sabha 1963-64) wherein a recommendation was made that multi-storeyed building or buildings may be constructed at each one of the cities of Delhi, Calcutta, Bombay and Madras for housing offices of public undertakings there. The Government's reply to this recommendation is still awaited. Pending final decision in the matter, the requirements of public undertakings for office accommodation at Bombay should be met to the extent possible, before proposals for letting out surplus accommodation to private parties are finalised.

Efforts should also be made to complete the building earlier than the four year period visualised at present.

171. As mentioned earlier, the net return from this project would be Rs. 15.05 lakhs per annum which on a capital investment of Rs. 398 lakhs works out to 3.8 per cent. The Committee consider this return as low and would suggest that by a proper utilisation of space, to which a reference has been made earlier, effort should be made to improve the economics of the scheme.

172. The estimated foreign exchange content in the cost of construction of this building at Rs. 3.93 crores, will be of about Rs. 50.00 lakhs as follows:— Foreign exchange content.

	Rs.
1. 6 Elevators	25,28,380
2. Glasses	2,57,000
3. Tiles (Special)	70,800
4. Vinyl Tiles	11,09,100
5. Tile Base	35,600
6. Plumbing Fixtures	1,06,700
7. Automatic switch	25,000
8. 400 KVA Emergency Generating Set	1,75,000
9. Fire Alarm Controls	20,000
10. Certain equipment required for the Airconditioning system	8,00,000
	50,27,520

173. Regarding elevators, the Committee are informed that the consultant had advised that it would be necessary to instal fast elevators moving at a speed of 700 feet per minute. The elevators presently manufactured in India had a speed of 300 ft. per minute. Installation of slower elevators, it was stated, would necessitate providing a large number of them or of larger capacity thereby resulting in loss of avoidable space. In regard to the foreign exchange expenditure in connection with the air-conditioning system, it was stated that this amount would be about Rs. 8 lakhs which was mainly for import of compressors. India had been able to produce a compressor with a maximum capacity of 80 tons whereas their requirement was 1600 tons. As regards import of sheet glass, the use of a certain type of tinted glass for the ground floor entrance hall and Booking Office and the first and second floor podium complex was envisaged. This type of glass was not available in India.

174. Out of the total cost of the project, the foreign exchange expenditure of about Rs. 50 lakhs works out to nearly 12 per cent of the total cost. It is not clear as to Indige-nous sub-stitutes.

*why imported material to this extent is needed. If serious efforts are made to obtain indigenous substitutes, it should be possible to reduce the foreign exchange expenditure considerably.*

#### H. Airport Facilities

Inade-  
quate  
facilities.

175. The maintenance of the airports in India is under the charge of the Director General of Civil Aviation. During the discussions which the Committee had with the representatives of the various Chambers of Commerce, the question of adequacy of amenities provided at the International Airports in India was also considered. The view expressed was that the amenities provided are far from satisfactory. The food served in the restaurants at the Airports is bad. Adequate number of retiring rooms are not available. Passengers cannot sleep in the retiring rooms due to noise. Fans and air-conditioning units are insufficient and sanitary conditions leave much to be desired.

defects.  
in exist-  
ing air-  
ports.

176. In a written note submitted to the Committee, Air India has pointed out certain defects in the existing airport terminals in India, some of which are mentioned below:—

1. There is considerable delay between the initial plans and completion of the buildings, with the result that the Terminals are barely adequate to cope with the volume of traffic at the time they are opened.
2. There is inadequate space for handling the traffic moving on a jet aircraft.
3. There is acute congestion at the checking counters.
4. The buildings are not designed for mechanisation of baggage handling.
5. The number of control points pertaining to health, immigration and customs is dis-proportionate to the number of passengers handled.
6. Lounges are not large enough to accommodate 3 or 4 plane-loads at a time.
7. Restaurant and bar services, toilet facilities, currency exchange and banking facilities, baggage lockers/left luggage facilities, lay over accommodation etc. are inadequate.

Lack of  
proper  
provi-  
sion.

177. The Secretary, Ministry of Civil Aviation stated during evidence that astonishingly the airports had continued with poor facilities years and years after the war and precious little had been done in this direction. The remodelling of Santa Cruz airport was started in 1948 and was completed ten years later and by the time it came up, it was quite inadequate even for the traffic that was there in 1958.



Lack of proper provision for future development in the present terminals was the main reason for paucity of such facilities. He stated that new international buildings were now coming up at Dum Dum, Palam and Madras and would be ready in the next two years. Government had proposals to levy passenger tax and visitors tax so that the income derived therefrom could be utilized for providing better facilities. If an amount of Rs. 4/- per passenger was charged at the four international airports, the annual income would be about Rs. 20 lakhs.

178. *The Committee feel that unless amenities comparable with the international standards are provided at the airports, a levy in the form of passenger tax would not be justified. However, the Committee feel that the question of levying a visitor's tax for entry into certain areas in the airport may be examined and the revenue so earned utilized for providing better facilities therein.*

**Suggestion for levying visitors tax.**

179. *The Committee note that the Government are alive to the present conditions prevailing in the different international airports in India and have proposals to make improvements in the Fourth Five Year Plan period. This should be implemented expeditiously.*

### I. Catering Contracts at Airport

180. During evidence it was pointed out that the catering arrangements at the airports were not at all satisfactory. The Committee in this connection desired to know the basis on which catering contracts were extended at the four international airports. In a written note furnished to the Committee it is stated that contracts are awarded at the aerodromes by selection of catering contractors, on the basis of highest tenders (percentage contribution to Government) received from well-established contractors of repute. The selection is made after taking into account the ability of the contractor to provide satisfactory catering facilities of a high standard. The basis of payment to the Government by way of rent of the premises, furniture and other fittings is fixed at a certain percentage of gross sales of the business turn-over at the particular aerodrome. In 1954 it was decided by Government that when the service rendered by a contractor at an airport was satisfactory, his contract should normally be renewed for a further period, as it would mean incentive for more investment and lead to better service by the caterer. Secondly, it was also thought that it would be in the interest of efficiency to retain the existing caterer rendering satisfactory service than to bring in new ones which might

**Method of awarding contract.**

involve chances of deterioration in service. The particulars of the existing contractors are given below:—

Airport	Name of Contractor	Date of commencement of first contract	Date of expiry of present contract
Dum Dum	Shri Shivji Velji Kothari	1-7-1949	31-12-1966
Santa Cruz	M/s. Prial Brothers	16-12-1950	31-12-1966
Palam	M/s. Raffles' Restaurant	1-9-1948	31-12-1966
Madras	M/s. Janki Nath Sibal	12-12-1955	31-12-1966

181. It is thus seen that the same contractors have been continuing for a long time. Under the terms of the contract, the rate of payment to Government is 26 per cent of the gross sales at Dum Dum, 25 per cent at Santa Cruz, 22 per cent at Palam and 20 per cent at Madras.

Review of contract suggested.

182. The Committee consider that the decision of the Government to renew the contract without calling for fresh tenders was not sound. While reviewing the contracts each time it should be seen whether it would not be desirable to call for fresh tenders.

In view of the complaints that have been received regarding deterioration of service by the existing contractors such a course might ensure a better service at the airports. The possibility of entrusting the contracts to hotels in the public sector may also be explored.

## VI

### STORES

#### A. Inventory

183. The figures of inventory and materials consumed during the years 1961-62 to 1963-64 are given below:—

	1961-62	1962-63	1963-64
(Rs. in Lakhs)			
1. Inventory at the close of the year (Net) including goods in transit	459.71	360.17	520.35
2. Materials consumed during the year (including outside repairs and services)	200.86	145.65	99.93
3. Percentage of materials consumed to inventory	43.69	29.12	19.20

184. It would be seen from the above that even though the consumption of materials has gone down from Rs. 200.86 lakhs in 1961-62 to Rs. 99.93 lakhs in 1963-64, the inventory has risen from Rs. 459.71 lakhs in 1961-62 to Rs. 520.35 lakhs in 1963-64. Increase in inventory.

185. During evidence it was stated that the reason for inventory being allowed to increase in spite of the fall in the consumption of materials was that Air India showed rotational spare parts and consumable spares together. If they were to be shown separately, as was being done in the industry, the figures would become different as follows:—

- Rs. 1.34 crores in 1962-63;
- Rs. 1.55 crores in 1963-64; and
- Rs. 2.05 crores in 1964-65.

It was also stated that the inventory increase was due to the fact that Air India was using different series of engines.

186. On being pointed out that the aircraft spares and stores, in terms of months of consumption, were for:—

- 75.9 months in 1962-63;
- 58.6 months in 1963-64; and
- 61.8 months in 1964-65

the General Manager explained that these figures included rotational spares which were approximately 75% of the total spares required. If these were excluded, the figure would come to 36 months' consumption in 1963-64 and 40 months' consumption in 1964-65.

Reduction in level of consumable spares suggested.

187. *A stock of consumable spares and stores to the extent of 40 months' consumption is on the high side. A lead time of 18 months in the case of imported items should suffice.*

### B. Spare Parts, Consumable Stores and Tools

188. It has been pointed out in para 4 I(a) (i) of the Audit Report on the accounts of Air India for the year 1963-64 that the stores included several items which had not moved at all for over three years. The book value of such items amounted to Rs. 25.97 lakhs.

189. During evidence the Committee were informed that the review of such non-moving items had been carried out and it had been decided that some of the items which were obsolete and were positively not required would be sold out. The bulk of the remaining items, though slow-moving, were likely to be consumed in future. The Corporation was of the view that due to foreign exchange shortage, it would be advisable to hold on the stocks of even slow moving items for use in course of time.

Reduction in slow moving and obsolete items emphasized.

190. *It is well known that excessive inventory results in blocking of funds. In an industry where technical improvements are speedy it also results in obsolescence of the existing items. Air India should reduce its holding of slow moving items.*

## VII

### FINANCE AND ACCOUNTS

#### A. Return on Capital (1958-59 to 1961-62)

191. The operating profit and net profit of Air India from the year 1958-59 to 1961-62 are as given below:—

Year	Capital (equity and loan 50:50)	Operating Profit	Net Profit	% of Net Profit to Capital
1	2	3	4	5
(Rs. in Lakhs)				
1958-59	1366.78	15.85	18.28	1.3%
1959-60	1654.78	18.26	26.98	1.6%
1960-61	1825.78	117.41	67.97	3.7%
1961-62	2520.46	76.99	38.86	1.5%

192. It will be seen that the profits of Air India as also the percentage of net profit to the capital invested by Government were extremely low. This was so despite the fact that it did not pay at that time any interest, on the loan capital subscribed by the Government of India. The financial results of Air India till 1961-62 were, therefore, unsatisfactory.

#### B. Operating Profit

193. The following table shows the operating revenues, operating expenses and operating profit during the last three years:—

	1962-63	1963-64	%		
			variation		variation
(Rs. in crores)					
Operating Revenues	24.53	26.81	+9.3	30.03	+12.0
Operating Expenses	21.07	22.97	+9.0	26.41	+15.0
Operating Profit	3.45	3.84	+11.1	3.62	-5.7

194. It is thus seen that while the operating revenue during 1964-65 increased by 12 per cent., the operating expenses rose disproportionately showing a rise of 15 per cent. Air India has stated that the increase in expenditure resulted mainly from the grant of interim relief and ad hoc increments to certain categories of staff in India, the revision of salary grades and allowances of staff in foreign countries and an increase in the consumption of spare parts and materials due to the expansion in operation and a general rise in the cost of these items both in India and abroad.

### C. Operating Profit per Atkm, Rtkm

195. The following table shows the operating revenue, operating cost and operating profit per Atkm during the last three years:—

	1962-63	1963-64	Percentage variation	1964-65	Percentage variation
Operating revenue per Atkm (Rs.)	0.973	0.918	-5.7	0.914	-0.44
Operating cost per Atkm (Rs.)	0.836	0.786	-6.0	0.804	+2.3
Operating profit per Atkm (Rs.)	0.137	0.132	-3.7	0.110	-16.7

196. Similar figures in terms of Rtkm performed are given below:—

	1962-63	1963-64	Percentage variation	1964-65	Percentage variation
Operating Revenue per Rtkm (Rs.)	2.20	2.02	-8.2	1.92	-5.0
Operating Cost per Rtkm (Rs.)	1.89	1.73	-8.0	1.69	-2.3
Operating profit per Rtkm (Rs.)	0.31	0.29	-6.5	0.23	-20.7

197. It will be noticed from the above tables that the operating profit per Atkm and per Rtkm decreased by 18.7 per cent and 20.7 per cent respectively during 1964-65 as compared to 1963-64.

198. Thus while the profitability figures of Air India during the years 1962-63 and 1963-64 could be considered as satisfactory, the performance during the year 1964-65 has not kept pace with that of the previous two years. Air India should endeavour to see that the rise in its operating expenses is less than the rise in operating revenues.

#### D. Return on Capital (1962-63 to 1964-65)

199. The profitability ratios of Air India in terms of capital employed during the last three years are given below:—

	1962-63	1963-64	1964-65
Net profit as % of equity capital	17.5	22.7	22.7
Net profit as % of Net Worth	13.0	14.9	13.5
Gross Profit as % of Capital employed	9.7	10.3	8.0

200. The percentages of net profit shown above for the year 1962-63 do not take into account the interest on loan capital which would have been payable to the Government had the interest liability not been waived.

201. The decline in percentage operating profit in 1964-65 has been referred to earlier. This is also reflected in the reduction of net profit as percentage of equity capital and net worth in the year 1964-65.

202. The gross profit as percentage of capital employed came down to 8.0 per cent in 1964-65 which is lower than the level of 9.7 per cent reached in 1962-63.

203. Despite the operating and net profits in absolute terms being satisfactory during the last three years, the financial results in 1964-65 have been disquieting. A close watch should be kept on this trend and efforts made to better the performance.

### E. Overtime Payments

204. The expenditure incurred by Air India on salaries and overtime payments to staff in India during the years 1961-62 to 1964-65 is given below:—

Year	Salaries Rs. in lakhs	Overtime Rs. in lakhs	Percentage of overtime to Salaries
1961-62	257.12	8.81	3.43
1962-63	284.22	11.18	3.93
1963-64	308.20	15.80	5.13
1964-65	348.56	21.03	6.03

In the above figures, while the overtime has been paid only to certain categories of staff, the salaries given in col. 2 are in respect of all the staff.

**Reasons  
for in-  
crease.**

205. It will be seen that the total amount of overtime paid to the staff in India increased from Rs. 8.81 lakhs in 1961-62 to Rs. 21.03 lakhs in 1964-65 showing an increase of 138.7 per cent and that the percentage of overtime on salaries increased from 3.43 per cent in 1961-62 to 6.03 per cent in 1964-65.

206. Air India has stated that the increase in expenditure under this head has been due to the following reasons:—

- (i) The general increase in the salary level involving a corresponding increase in the level of overtime.
- (ii) Time taken in recruitment of additional hands.
- (iii) Changes in pattern of shifts involving an element of 'in-built' overtime, so as to avoid the deployment of additional shifts in airports.
- (iv) Progressive increase in the work-load not immediately met by additional staff.

207. As regards steps taken to control such expenditure, Air India has stated that the aircraft engineers, who normally were supervisory staff and whose duty was to control overtime, were themselves entitled to overtime. Often snags in aircraft were notified just before the time of its departure and people had to work overtime. It was further stated that the Maintenance Engineers had given an assurance that they would consciously work to bring down overtime.



208. The Committee regret to note that the percentage of overtime payments to salaries increased from 3.43 per cent in 1961-62 to 6.03 per cent in 1964-65. With adequate supervision, it should be possible to reduce such payments. Need for adequate supervision.

209. Towards this end the sanction of overtime payment should be given by officers who are themselves not entitled to it.

### F. Sundry Debts

210. The period wise break up of the amounts due to Air India as on 31st March 1965, was as follows:—

(Rs. in lakhs)

	In India	Abroad	Total
(i) Less than one year .	173.00	384.33	557.33
(ii) More than one year but less than three years .	18.66	11.40	30.06
(iii) More than three years .	33.21	Nil	33.21
	<u>224.87</u>	<u>395.73</u>	<u>620.60</u>

211. The break up of these figures between the Government Departments, Travel Agents and other was as follows:—

(Rs. in lakhs)

	In India	Abroad	Total
(i) Government Departments .	131.57	5.65	137.22
(ii) Travel Agents .	27.22	43.32	70.54
(iii) Others .	66.08	346.76	412.84
	<u>224.87</u>	<u>395.73</u>	<u>620.60</u>

212. From the detailed information furnished to the Committee, it is noticed that from among the dues from Government Departments, the major outstanding dues were from the following Ministries:—

	As on 31-3-1965
1. Ministry of Defence . . . . .	Rs. 64.57 lakhs
2. Ministry of Transport . . . . .	Rs. 35.52 lakhs
3. Ministry of External Affairs . . . . .	Rs. 14.84 lakhs

213. Besides, there were some other thirty four Departments/Ministries who had to pay to Air India on 31st March 1965, amounts ranging from Rs. one thousand to Rs. 4 lakhs.

214. It is stated that by the very nature of Governmental procedures for checking, there is a built-in delay in passing the bills for payment.

Debts  
due  
from  
Agents.

215. As regards dues from approved Agents, the Committee are informed that I.A.T.A. has laid down time-limits for reporting sales and also for the steps to be taken by Airlines if the Agents fail to pay the dues within the time-limit. For passenger bookings, Agents in U.S.A., India and Far East are required to report sales every fortnight and Agents in Europe once a month. All the Agents are required to pay the dues within 15 days from the close of the period of settlement. As regards private parties which comprise big business concerns and who are placed on Air India's credit list, it was stated that most of these are fairly prompt in making settlements.

216. The total operating revenue of Air India was Rs. 3003.08 lakhs in 1964-65. The outstanding dues as on 31-3-1965 amounting to Rs. 620.60 lakhs and represented nearly 2½ months turnover.

Need to  
ensure  
prompt  
pay-  
ment.

217. *The reasons for large outstandings should be enquired into and steps taken to ensure prompt payments by the parties concerned. As regards payments by Government Departments and Public Undertakings, the Committee suggest that, to have a deterrent effect on avoidable delays, the feasibility of charging interest on delayed payments might be examined.*

#### G. Payment of interest

Capital  
received  
from  
Govern-  
ment.

218. The capital of Air India—50 per cent equity capital received from the Government of India and 50 per cent loan capital at 4½ per cent interest per annum received from the Government as from 1959 onwards is given below:

As on	Rs. crores
31-3-1959	13.67
31-3-1960	16.55
31-3-1961	18.26
31-3-1962	25.20
31-3-1963	26.82
31-3-1964	26.82
31-3-1965	26.82

219. The Government of India waived interest upto 1st October, 1966, on the loan capital advanced by them. The total amount so waived from 1st August, 1958 to 31st March, 1963 was Rs. 196.60 lakhs. For the year 1963-64, however Air India voluntarily paid interest @ 4½ per cent, which amounted to Rs. 60.34 lakhs. A similar payment was made in the year 1964-65.

220. The Committee note that Air India and the Indian Airlines Corporation are the only undertakings which are at present enjoying interest holiday. The Hindustan Steel Ltd. was also given 'interest holiday'. This came to end on 31st March, 1962 and since 1962-63 it has been paying interest on the loan capital.

221. The Committee find that the moratorium was first granted to Air India for a period of 5 years commencing from 1st August, 1953. On the 31st January, 1957 a credit agreement, was signed with the U.S. Commercial Banks wherein it was stipulated that any return on Government investment was to be paid only if there were adequate profits. Thus if there was no moratorium, interest would have to be paid as a compulsive charge regardless of profits, and would constitute an event of default. Therefore when the question of granting moratorium was reviewed in 1959, in view of the legal position arising from the Agreement of 1957, the Government extended the period of moratorium upto 1st October, 1966. Reasons for moratorium.

222. The Committee also discussed during evidence the reasons which necessitated extension of period of moratorium upto 1st October, 1966. The General Manager stated that this was done to enable Air India to build up its financial strength which at that time was not good. The representative of the Comptroller and Auditor General however, stated that the main reason was the obligation which arose as a result of the Agreement of 1957 with the International Bank for Reconstruction and Development.

223. *In this connection the Committee find that the repayment of loans raised by Air India in U.S.A. for financing the Boeing projects was guaranteed by the Government of India. Since this guarantee was there, it is not clear why there should have been a stipulation in the Agreement of 1957 that any return on Government investment was to be paid only if there were adequate profits. By agreeing to such a condition, the Government bound itself to extend the period of moratorium irrespective of Air India's needs which should have been avoided.*

224. Another point which the Committee would like to be considered is that the interest holiday given to Air India since 1953 placed it on a separate footing than other undertakings. It did not have to pay any interest on the capital invested by Government till 1958. Thereafter,

when it was decided to treat half the total invested capital as loan capital, Air India enjoyed interest holiday on the loan capital as well. Thus to the extent to which it did not pay interest to Government till 1962-63, its annual accounts did not give a true picture of its financial results. In this connection it is relevant to point out that most of the Undertakings have to pass through a gestation period and the case of Air India was not different from that of others. If the financial position of Air India was not sound, it would probably have been desirable for Government to meet the deficit by granting further loans, or, if necessary, by a subsidy on year to year basis.

225. Air India's contribution to the Government by way of interest on loans and dividend on equity capital, as also the amount of interest waived by Government are as shown below:—

Year	Rs. in lakhs			
	Net surplus of the year	Interest paid on Government Loan	Dividend on Equity Capital	Interest waived by Government
1958-59	18.28			19.96
1959-60	26.98			32.15
1960-61	67.97	..		38.64
1961-62	38.86	..	..	45.82
1962-63	234.78	..	67.04	60.03
1963-64	304.18	60.34	67.04	
1964-65	304.15	60.34	67.04	..
	995.20	120.68	201.12	196.60

226. Although the financial position of Air India has improved during the last three years, there is no proposal to repay the interest of Rs. 196.60 lakhs waived by Government for the period 1958-59 to 1962-63. However, it has been decided by the Central Government that Air India should set aside a sum of Rs. 4 crores by investing in the 5½ per cent Defence Loan 1990. Air India's liability in respect of its Dollar borrowings for the Boeing projects upto the purchase of 10th aircraft amounts to Rs. 19.45 crores which it proposes to meet from its own resources during the next 5-6 years.

## VIII

### CONCLUSION

227. *Air India is operating in an intensely competitive industry. Individual airlines have no control over the fare structure as it is determined by the International Air Transport Association. A further disadvantage in the case of Air India is that there are restrictions on foreign travel by Indians. It is against these odds that the operation of Air India has to be viewed. Judged from the financial results and the conscious efforts made to better its standards, the performance of Air India needs to be commended.*

228. *After an examination of the working of Air India the Committee feel that there is scope for further improvement in it working. With this view the Committee have made certain recommendations in the foregoing chapters. Some of the important ones are—*

- (i) *Air India should endeavour to open new routes connecting various regions in Africa, across the Atlantic and to the West Coast of America from Japan. (paras 19, 46 and 58).*
- (ii) *Air India should keep a watch on its operating expenses and effect economy. (para 81).*
- (iii) *Air India should strive to increase its load factors on routes, especially where these are uneconomically low. (para 78).*
- (iv) *The question of utilizing the spare capacity on the domestic sector should be resolved. (para 96).*
- (v) *Air India should review the staff strength with a view to reducing it. (paras 139 and 142).*
- (vi) *The overtime payments and inventories should be reduced. (paras 187, 209 and 210).*

229. *The Committee hope that Air India will review its performance from time to time and take effective measures in further consolidating its position in the international air transport industry.*

230. The Committee were grieved to hear about the tragic crash of one of the Air India's Boeing aircraft near Mont Blanc on the 24th January, 1966. This occurred after the evidence of the officials of Air India was over. The cause of the accident is being investigated.

NEW DELHI;  
24 March, 1966.

3 Chaitra, 1888 (Saka) Committee on Public Undertakings.

D. N. TIWARY,  
Chairman,

## APPENDIX I

### SUMMARY OF CONCLUSIONS /RECOMMEN- DATIONS

S. No.	Reference to para No. in the Report	Summary of Conclusions/Recommendations
1	2	3
1	12	The Committee suggest that when proposals for expansion are initiated efforts should be made to introduce new stations on the India-U.K. route with a view to tapping further sources of traffic in this region. If inclusion of more stations is likely to make the service unattractive its flights can be operated <i>via</i> different routes.
2	1	The Committee feel that in view of the intense competition experienced on the London/New York sector, a major break-through could be possible if Air India developed the Trans-Atlantic route from London or another point in Europe to a point on the Canadian Coast or the South Atlantic. The Committee suggest that the traffic potential and the economics of operation on such new routes should be studied and new services planned accordingly on this sector.
3	25	The Corporation is making efforts to improve the economics of the India-U.K. <i>via</i> Moscow route by securing traffic rights on Moscow/London sector and by inclusion of Teheran as an intermediate point. The Committee hope that these efforts will be successful and this sector will regain the lost ground.
4	26	One of the reasons for the drop in load factor on India/U.S.S.R. sector is stated to be the fact that the Russian planes carried more traffic as compared to Air India's in spite of the pool agreement between the two airlines. The revenue is, however, shared on 50:50 basis. The present arrangement is not in the best interests of the Corporation. In order to sustain and increase

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traffic on this route and to maintain goodwill and reputation, the Corporation should be able to carry traffic in proportion to the revenue shared between the two airlines. The Committee suggest that necessary steps may be taken in this regard.

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If the lack of progress made on the India/Australia route during the last ten years is taken into consideration, the Corporation's aim to develop capacity more than four times, by 1970-71 appears to be an ambitious one. Nevertheless, the Committee wish that with the introduction of additional frequencies on this route, the Corporation will not only be able to restore its share in the Tripartite Pool which has consistently diminished since 1960-61 but also improve upon the level reached in that year.

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There is a large Indian population in Fiji and an air link with it was considered desirable. Air India, therefore, started a weekly service between Sydney and Fiji. The Committee understand that Air India has earned a good name in the South Pacific and this route is likely to be profitable in the near future. Though the route is being operated at a loss at present, the Committee would like the service to be continued for the reasons given above.

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The Committee regret to note that due to shortage of pilots one of the three services was curtailed from December, 1964 to September, 1965, on the India/Japan route and this has affected the financial position of this route. They are convinced that if the requirement of pilots had been planned properly, this situation would not have arisen.

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In view of the large traffic moving on the India/Japan route it is full of potentialities. Air India needs to improve its sales contact organisation to be able to obtain encouraging financial results from the operation of this route in the coming years.

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Honolulu is an important traffic point on the Pacific route. The Committee feel that while negotiating for extension of service from Japan

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across the Pacific, steps should have been taken to secure traffic rights in Honolulu. This may now be done.

10            46            There is a considerable traffic potential on the Pacific route. Since Air India has established itself on the India-Japan sector, an extension across the Pacific should attract adequate traffic on the new route to make it remunerative. With the commencement of this service Air India like several other major carriers, will have the distinction of operating a round-the-world service. In the expansion proposals of the Corporation, the question of starting services on this route should, therefore, receive priority.

11            55            The Committee are glad to note that the profitability of the India-East Africa route as also the load factor have improved during the last two years.

12            58            If new routes are opened in Africa, Air India should be able to attract adequate traffic there. Fast political changes are taking place in this Continent with the emergence of independent countries. This should make it easier for Air India to spread its operations by entering into direct contacts with the Governments concerned. Air India should endeavour to do so during the Fourth Five Year Plan period.

13            59            The Committee are informed that there are two difficulties in starting a direct service to Mauritius, one of navigational aids and the other of availability of crew. If these difficulties are overcome, it would be possible to start a fortnightly service sometime in May, 1966. Location of navigational aids is not an unsurmountable difficulty. Shortage of pilots would also not be there, if recruitment is properly planned. Air India should soon start this service.

14            65            For a proper planning and adjustment of schedules an airline should know which of its routes are profitable or otherwise. To achieve this end it is necessary to evolve a scientific system of cost accounting which gives accurate route-wise results.

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15	78	<p>The load factor achieved by Air India on the India/U.K. route (53·7 per cent in 1964-65) and India/East Africa route (65·6 per cent in 1964-65) has been satisfactory, but in other sectors the load factor is low which indicates that there is considerable surplus capacity in Air India's aircraft on those sectors. The Committee believe that despite international competition there is ample scope for developing traffic between India and foreign countries. They hope that Air India will strive to improve its performance from year to year.</p>
16	18	<p>Rise in the break-even load factor without a corresponding rise in the overall load factor will seriously affect the profitability of Air India in spite of the increase in turnover. The Management should keep constant watch over the operating expenses and try to effect economy wherever possible.</p>
17	87	<p>As stated earlier Air India's share of the international passenger traffic between India and other countries was 44·8 per cent in 1963. Air India feels that its share can be increased if Government and the Reserve Bank of India accord the facilities which it desires. The Committee are inclined to agree with this view and desire this matter to be favourably examined. Simultaneously it should be ensured that the directives of Government regarding travel by Air India are strictly enforced.</p>
18	96	<p>The Committee have considered the various views. The important point is that I.A.C. is often unable to offer seats to the passengers on its trunk routes, while Air India's Bombay/Delhi, Bombay/Madras and Bombay/Calcutta sectors go 50 per cent empty. Asked for the reasons, I.A.C. has stated that it is apprehensive of loss of revenue, if domestic passengers are carried by Air India. The Committee do not consider this valid reason and are surprised that such consideration should have been allowed to prevail. In fact by such an arrangement I.A.C. would benefit because it would get 50 per cent of the revenue from traffic handled by Air India. It would also relieve the present shortage of accommodation on I.A.C.'s routes.</p>

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Another point raised by I.A.C. is that it proposes to introduce additional capacity on its trunk routes and the travelling public should be able to secure accommodation on the trunk services without any serious difficulty. If the past progress of the Corporation, its current load factor and the increase in traffic are taken into consideration, the Committee are doubtful whether the Corporation will be able to meet the total traffic demand. Even if this be possible, the problem of unutilised capacity on Air India's domestic sectors and loss of potential revenue thereby will continue. Correspondingly I.A.C. can adjust its services on these and other routes. The Committee, therefore, recommend that a regular arrangement should be made whereby passengers unable to obtain accommodation in I.A.C. could be carried by Air India as a matter of course. They consider that the other difficulties like customs check, serving of refreshments to domestic passengers, draw-back on fuel, etc. can be suitably resolved in consultation with the authorities concerned.

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Expressed as a percentage over the previous years, the growth of cargo traffic in 1962-63 and 1963-64 appears to be satisfactory. In 1964-65, however the growth has been 16.4 per cent as against the growth of 21.6 per cent in the International cargo traffic in 1964. The Committee would suggest that the causes for decline in cargo traffic in 1964-65 in percentage terms should be investigated to ensure that this has not been due to lack of efforts on the part of the sales staff or for any other reason.

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The Committee were informed that on some of the routes and during season there was shortage of cargo space in Air India's aircraft. It is obvious that the inability to accept cargo in such cases reduces the revenue earnings of Air India to some extent. The position can be improved if in the existing aircraft or in the aircraft to be purchased in future there is provision for conversion of passenger capacity into cargo capacity. The technical feasibility of such conversion can be examined.

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21	103	The reasons for the decline in mail traffic should be examined and, in consultation with the Posts and Telegraphs Department, ways and means devised to step up the mail uplift from India as also from foreign countries by Air India's aircraft.
22	106	In the view of the Committee, it is not enough if Air India has certain ideas as to how it would plan if it got new routes. What is desirable is that when the Plan is prepared, the routes likely to be opened by it, subject to anticipated conditions being prevalent, and their financial results should also be indicated so that Parliament and the people know what it is likely to achieve over the Plan period. Such plans should be so framed that their fulfilment requires the maximum and not the minimum effort of the management.
23	114	It was desirable that the Piston Engine Overhaul Shop should have been taken over by the I.A.F. soon after the sale of those aircraft. No progress seems to have been made in this regard during the last three and a half years. It appears that the I.A.F. may not take over air frame overhaul and maintenance of this aircraft for several years more. Since a long time has already elapsed, the Committee feel that the question of training of I.A.F. personnel for the Overhaul shop should be attended to expeditiously and the transfer of workshop from Air India arranged within a stipulated period.
24	116	Fuel consumption forms the largest single item of operational cost. To effect economy in expenditure under this head, it is necessary to keep a constant watch and investigate the reasons for increase in the rate of fuel consumption and to take the required steps to bring it down.

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25	118	Due to low stamina of Indian labour, climate of Bombay and inadequate mechanisation the output of labour in Air India's Workshop is not as high as that of other Boeing Operating Airlines. Efforts should be made to increase the performance of labour in the Air India's workshop.
26	121	The Committee are not aware of the special reasons which necessitated this departure (of not appointing the General Manager of one Corporation as director in the other Corporation) especially in view of the fact that such representation was given for the past 6-7 years. If the Chief Executive of one Air Corporation is a member of the Board of Directors of the other, it would result in better coordination.
27	130	<p>It is seen that, since the time of nationalisation of air transport industry in 1953, the question of having two separate Air Corporations or one has been under discussion. The current thinking of the Government is that it would be advantageous to merge the two Corporations into one. The Committee would, however, like it to be examined as to when the merger scheme should be implemented. More than a decade after nationalisation, both the Corporations have now been able to stand on their own. It is quite probable that a merger at this stage may create administrative problems and retard the progress and profitable operation of the merged Corporation for some more years. The Committee, therefore, suggest that a merger scheme for implementation at a later date should be evolved. Meanwhile efforts should be made to have common facilities on matters like operation of services, utilisation of available seats, promotion of sales, traffic and commercial handling, repairs and maintenance of aircraft, planning and development of hangers, buildings, recruitment and training of crew,</p>

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		engineering and other personnel etc. This aspect may be kept in view particularly when introducing new types of aircraft in either Corporation.
28	131	At present the Boards of Air India and I.A.C. contain eight common members but the Chairman of one Corporation is only a member of the Board of Directors of the other. As a further step towards merger and with a view to provide a co-ordinated direction in the development of air transport services both domestic and international, the possibility of having the same person as the Chairman of both the Corporations may be examined.
29	136	International air transport industry being a highly competitive one it is desirable that mechanised systems should be introduced on the administrative as well as operational side to add to speed and efficiency.
30	139	The work load in different Departments and Stations needs to be reviewed. Also, before further recruitment is made surplus personnel should be absorbed, if necessary by diverting from one area to another.
31	142	Air India employs 600 'cleaners' and 'Chowkidars'—a number almost unknown in other foreign airlines. This represents nearly one tenth of the total staff strength. There is scope for reduction.
32	146	Due to shortage of pilots (also referred to in para 42 of this Report) two of the Air India's services had to be curtailed in December, 1964 for about nine months. The Flying School of C.A.T.C., Allahabad was handed over to the Ministry of Defence in May, 1963. Air India initiated action in later half of 1963 for obtaining more pilots, but the recruitment could only be made in the beginning of 1965. It should not have taken nearly two years to recruit pilots. It only shows that prompt action had not been taken at various levels in the Ministry as well as in Air India, the I.A.C. and the I.A.F.

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- 33      147      Air India has not correctly assessed its requirements of pilots. The Ministry's view is that the shortage was felt because the demand for pilots increased suddenly due to new limitations fixed on flight and duty time. Government have under consideration a report of a Committee which recently assessed the requirements of pilots for both the Corporations. By proper planning it should be possible to provide a regular flow of trained pilots to meet the needs during the Fourth Five Year Plan period.
- 34      156      The Committee realise that the reduction in expenditure on publicity should not be detrimental to the growth of traffic revenue. But the Committee are anxious that there is no waste of sales promotion efforts. The method of fixing 6 per cent of revenue on a flat basis as the level of expenditure on publicity needs to be improved. Budget estimates in this regard must be related to the probable growth of traffic revenue and should compare favourably with the expenditure incurred by foreign airlines. It should also be ensured that the expenditure incurred in each region has resulted in proportionate yields.
- 35      162      In a competitive industry like international air transport, there is ample scope to canvass for more business. The efforts of the sales promotion staff should be directed towards this end. The Government should also ensure that tickets which are paid by it or agencies which are mainly financed by it are purchased direct from Air India.
- 36      169      The area at present occupied by Air India's Office in Bombay is 36,000 sq. ft. As against this, it is proposed to occupy 1,59,000 sq. ft. in the building under construction. The require-
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ment of floor area in the new building which is nearly  $4\frac{1}{2}$  times the area presently occupied by it is very much on the high side and needs to be reviewed.

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The requirements of other public undertakings for office accommodation at Bombay should be met to the extent possible in the Administrative Building, before proposals for letting out surplus accommodation to private parties are finalised.

Efforts should also be made to complete the building earlier than the four year period visualised at present.

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The net return from the building project would be Rs. 15.05 lakhs per annum which on a capital investment of Rs. 393 lakhs works out to 3.8 per cent. The Committee consider this return as low and would suggest that by a proper utilisation of space, to which a reference has been made earlier, effort should be made to improve the economics of the scheme.

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Out of the total cost of the project, the foreign exchange expenditure of about Rs. 50 lakhs works out to nearly 12 per cent of the total cost. It is not clear as to why imported material to this extent is needed. If serious efforts are made to obtain indigenous substitutes, it should be possible to reduce the foreign exchange expenditure considerably.

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The Committee feel that unless amenities comparable with the international standards are provided at the airports, a levy in the form of passenger tax would not be justified. However, the Committee feel that the question of levying a visitor's tax for entry into certain areas in the airport may be examined and the revenue so earned utilized for providing better facilities therein.

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The Committee note that the Government are alive to the present conditions prevailing in the different international airports in India and have proposals to make improvements in the Fourth Five Year Plan period. This should be implemented expeditiously.

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The Committee consider that the decision of the Government to renew the contract of caterers at the international airports without calling for fresh tenders was not sound. While reviewing the contracts each time it should be seen whether it would be desirable to call for fresh tenders. In view of the complaints that have been received regarding deterioration of service by the existing contractors, such a course might ensure a better service. The possibility of entrusting the contracts to hotels in the public sector may also be explored.

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A stock of consumable spares and stores to the extent of 40 months' consumption is on the high side. A lead time of 18 months in the case of imported items should suffice.

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44	190	It is well known that excessive inventory results in blocking of funds. In an industry where technical improvements are speedy it also results in obsolescence of the existing items. Air India should reduce its holding of slow moving items.
45	192	The profits of Air India as also the percentage of net profit to the capital invested by Government during 1958-59 to 1961-62 were extremely low. This was so despite the fact that it did not pay at that time any interest on the loan capital subscribed by the Government of India. The financial results of Air India till 1961-62 were, therefore, unsatisfactory.
46	198	While the profitability figures of Air India during the years 1962-63 and 1963-64 could be considered as satisfactory, the performance during the year 1964-65 has not kept pace with that of the previous two years. Air India should endeavour to see that the rise in its operating expenses is less than the rise in operating revenues.
47	203	Despite the operating and net profits in absolute terms being satisfactory during the last three years, the financial results in 1964-65 have been disquieting. A close watch should be kept on this trend and efforts made to better the performance.
48	208—209	The Committee regret to note that the percentage of overtime payments to salaries increased from 3.43 per cent in 1961-62 to 6.03 per cent in 1964-65. With adequate supervision it should be possible to reduce such payments. Towards this

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end sanction of overtime payments should be given by officers who are themselves not entitled to it.

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The reasons for large outstanding dues should be enquired into and steps taken to ensure prompt payments by the parties concerned. As regards payments by Government Departments and Public Undertakings, the Committee suggest that, to have a deterrent effect on avoidable delays, the feasibility of charging interest on delayed payments might be examined.

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The repayment of loans raised by Air India in U.S.A. for financing the Boeing projects was guaranteed by the Government of India. Since this guarantee was there, it is not clear why there should have been a stipulation in the Agreement of 1957 that any return on Government investment was to be paid only if there were adequate profits. By agreeing to such a condition, the Government bound itself to extend the period of moratorium irrespective of Air India's needs which should have been avoided.

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224

Another point which the Committee would like to be considered is that the interest holiday given to Air India since 1953 placed it on a separate footing than other undertakings. It did not have to pay any interest on the Capital invested by Government till 1958. Thereafter, when it was decided to treat half the total invested capital as loan capital, Air India enjoyed interest holiday on the loan capital as well. Thus to the extent to which it did not pay interest to Government till 1962-63, its annual accounts did not give a true picture of its financial results. In this connection it is relevant to point out that most of the Undertakings have to pass through a gestation period and the case of Air India was not different from that of others. If the financial position of Air India was not sound, it would probably have been desirable for Government to meet the deficit by granting further loans, or, if necessary, by a subsidy on year to year basis.

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52	227	<p>Air India is operating in an intensely competitive industry. Individual airlines have no control over the fare structure as it is determined by the International Air Transport Association. A further disadvantage in the case of Air India is that there are restrictions on foreign travel by Indians. It is against these odds that the operation of Air India has to be viewed. Judged from the financial results and the conscious efforts made to better its standards, the performance of Air India needs to be commended.</p>
53	228	<p>After an examination of the working of Air India the Committee feel that there is scope for further improvement in its working. With this view the Committee have made certain recommendations. Some of the important ones are:—</p> <ul style="list-style-type: none"> <li data-bbox="389 775 962 881">(i) Air India should endeavour to open new routes connecting various regions in Africa, across the Atlantic and to the West Coast of America from Japan.</li> <li data-bbox="389 935 962 992">(ii) Air India should keep a watch on its operating expenses and effect economy.</li> <li data-bbox="389 1029 962 1106">(iii) Air India should strive to increase its load factors on routes, especially where these are uneconomically low.</li> <li data-bbox="389 1149 962 1226">(iv) The question of utilizing the spare capacity on the domestic sector should be resolved.</li> <li data-bbox="389 1251 962 1308">(v) Air India should review the staff strength with a view to reducing it.</li> <li data-bbox="389 1345 962 1397">(vi) The overtime payments and inventories should be reduced.</li> </ul>
54	229	<p>The Committee hope that Air India will review its performance from time to time and take effective measures in further consolidating its position in the international air transport industry.</p>

## APPENDIX II

### DEFINITIONS

#### *Available Tonne Kilometres (Atkm.)*

Product obtained by multiplying the capacity in metric tonnes (1000 Kg.) available for passengers, mail and cargo by the distance in kilometres flown by the aircraft.

#### *Revenue Tonne Kilometres (Rtkm.)*

Revenue earning load of passengers, mail and cargo in metric tonnes multiplied by the distance flown in kilometres.

#### *Overall Load Factor*

Ratio of revenue tonne kilometres to available tonne kilometres usually expressed as a percentage.

#### *Passenger Load Factor*

Ratio of revenue passenger kilometres to available seat kilometres usually expressed as a percentage.

#### *Available Seat Kilometres*

Product obtained by multiplying the number of passenger seats available in the aircraft by the distance in Kilometres flown.

#### *Revenue Passenger Kilometres*

Product obtained by multiplying the number of fare paying passengers by the distance in kilometres flown by them.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
27	Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	27	33.	Bookwell, 4, Sant Narakari Colony, Kingsway Camp, Delhi-9.	96
28.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi	66		MANIPUR	
29	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi.—1	68	34.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal	77
30.	People's Publishing House, Rani Jhansi Road, New Delhi	76		AGENTS IN FOREIGN COUNTRIES	
31.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88	35.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych. LONDON, W.C.—2	
32.	Hind Book House, 82, Janpath, New Delhi.	95			

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