

**COMMITTEE ON PUBLIC UNDERTAKINGS
(1968-69)**

**TWENTY-SECOND REPORT
(FOURTH LOK SABHA)**

**Action taken by Government on the recommendations
contained in the Twenty-first Report of the Com-
mittee on Public Undertakings (Third Lok Sabha)**

AIR INDIA

(MINISTRY OF TOURISM & CIVIL AVIATION)



**LOK SABHA SECRETARIAT
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C O R R I G E N D A

Twenty-Second Report of Committee on Public Undertakings (1968-69) on Action Taken by Government on the recommendations contained in the 21st Report of the Committee on Public Undertakings (Third Lok Sabha) on Air India.

Page	Sl.No. of Recommendation.	Line	For	Read
3	(Sl.No. 12)	5,	"contracts"	"contacts"
6	(Sl.No.27)	16,	"hangers"	"hangars"
19	(Sl.No. 19)	10,	"reduction"	"reduction"
29.	(Sl.No. 4)	6,	"ructe"	"route"
29	"	last line	"has"	"had"
30.	"	15,	"come"	"came"
31	(Sl.No. 22)	20,	after "In"	insert "the"

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(1968-69)

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Shri M. M. Mathur, *Under Secretary.*

INTRODUCTION

1. The Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this Twenty-second Report on the action taken by Government on the recommendations contained in the Twenty-first Report of the Committee (Third Lok Sabha) on Air India.

2. The Twenty-first Report of the Committee on Public Undertakings was presented to the Lok Sabha on the 28th March, 1966. Government furnished their replies indicating the action taken on the recommendations contained in that Report on the 6th August, 1968. The replies of Government to the recommendations contained in the aforesaid Report were considered by the Committee on the 26th August, 1968 and the Chairman was authorised to finalise the Report on the basis of the decisions of the Committee.

3. The Report has been divided into the following three chapters:—

I. Recommendations that have been accepted by Government.

II. Recommendations which the Committee do not desire to pursue in view of Government's reply.

III. Recommendations in respect of which replies of Government have not been accepted by the Committee.

4. An analysis of the action taken by Government on the recommendations contained in the Twenty-first Report of the Committee is given in Appendix I. It would be observed therefrom that out of the 52 recommendations made in the report 61.54 per cent. have been accepted by Government and the Committee do not desire to pursue 32.69 per cent of the recommendations in view of Government's reply. Replies of Government in respect of 5.77 per cent. of the recommendations have not been accepted by the Committee. These recommendations will be pursued by the Committee during the course of their current examination of Air India.

NEW DELHI;
September 6, 1968.

Bhadra 15, 1890 (S).

G. S. DHILLON,
Chairman,
Committee on Public Undertakings.

CHAPTER I

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1)

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 via different routes. (Para No. 12).

REPLY OF GOVERNMENT

The Corporation has under constant examination the operation of services to and from new points, particularly in Europe, with a view to eventually routing services *via* those points. The traffic potential to and from points such as Vienna, Warsaw, Belgrade, Athens and Cyprus are currently under examination, and as recommended by the Committee, the potential of other points will be taken up for examination in due course. The Corporation started operations *via* Brussels from the 2nd August, 1967.

[*Ministry of Tourism and Civil Aviation O.M. No. 4-CA(5)/66 dated 18th July, 1968*].

Recommendation (Serial No. 6)

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. (Para No. 37).

REPLY OF GOVERNMENT

The Committee's recommendation has been noted.

[*Ministry of Tourism and Civil Aviation O.M. No. 4-CA(5)/66, dated 18th July, 1968*].

Recommendation (Serial No. 7)

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. (Para No. 42).

REPLY OF GOVERNMENT

The problem of shortage of pilots has since been overcome and the Corporation have also taken steps for proper planning in this regard for the future.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA(5)/66 dated 18th July, 1968].

Recommendation (Serial No. 8)

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. (Para No. 43).

REPLY OF GOVERNMENT

The Corporation is alive to the problem of low load-factors on the India/Japan route. With the relaxation in travel restrictions by the Japanese Government it is anticipated that more Japanese Tourist Traffic will move on Air-India's services on this route.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA(5)/66 dated 18th July, 1968].

Recommendation (Serial No. 11)

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. (Para No. 55).

REPLY OF GOVERNMENT

Noted.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA(5)/66 dated 18th July, 1968].

Recommendation (Serial No. 12)

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 contracts with the Governments concerned. Air-India should endeavour to do so during the Fourth Five Year Plan Period. (Para No. 58).

REPLY OF GOVERNMENT

The Committee's recommendation has been noted.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5)/66 dated 18th July, 1968].

Recommendation (Serial No. 13)

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. (Para No. 59).

REPLY OF GOVERNMENT

Air India have started a fortnightly direct service between Bombay and Mauritius with effect from the 15th August, 1967.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5)/66 dated 18th July, 1968].

Recommendation (Serial No. 14)

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. (Para No. 65).

REPLY OF GOVERNMENT

The Committee's observation has been noted by the Corporation and action will be taken by Air-India to evolve a scientific system of cost accounting to give route-wise results.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5)/66 dated 18th July, 1968].

Recommendation (Serial No. 15)

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. (Para No. 78).

REPLY OF GOVERNMENT

The Corporation is alive to the problems of improving the load factor and will continue to strive to improve its performance in every succeeding year.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5) |66 dated 18th July, 1968].

Recommendation (Serial No. 16)

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. (Para No. 81).

REPLY OF GOVERNMENT

Government agree with the observations of the Committee. The Corporation has assured the Government that it is keeping a constant watch over the operating expenses to effect economy. But costs of labour and materials are steadily rising and all efforts are required and will be made, to improve overall load factors in the face of competition which is growing stronger and stronger.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5) /66 dated 18th July, 1968].

Recommendation (Serial No. 17)

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. (Para No. 87).

REPLY OF GOVERNMENT

1. In view of the fact that Air-India operates daily out of India a through service to London and New York, under the regulations of Reserve Bank as they existed till they were recently amended it was not possible for Air-India to give to a London-bound or New York-bound passenger a stopover *en route*.

By means of SPA Circular No. 6 dated November 1, 1967, the Reserve Bank relaxed its regulations permitting a passenger under certain conditions, to avail of stopovers *en route*. This has made Air-India competitive with other airlines.

2. The Reserve Bank has also taken certain other steps to plug loopholes in its regulations which certain foreign airlines were exploiting. With the plugging of these loopholes, Air-India should be able to secure a larger share of the traffic out of India.

[*Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5) /66 dated 18th July, 1968*].

Recommendation (Serial No. 26)

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 co-ordination. (Para No. 121).

REPLY OF GOVERNMENT

The step was taken mainly to limit the number of official members of the Board, specially in view of the fact that Secretary, Civil Aviation was chairman, Indian Airlines at the time and also a member of the Air India Board. Secretary, Civil Aviation, however, ceased to be chairman, I.A.C. and member of the Board of Directors of Air India from 2nd December, 1966. General Manager of the two Air Corporations are now members of Board of Directors of both the Corporations.

[*Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5) /66 dated 18th July, 1968*].

Recommendation (Serial No. 27)

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, engineering and other personnel etc. This aspect may be kept in view particularly when introducing new types of aircraft in either Corporation. (Para No. 130).

REPLY OF GOVERNMENT

The observations of the Committee have been noted.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5) /66 dated 18th July, 1968].

Recommendation (Serial No. 28)

At present the Boards of Air India and IAC 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 coordinated 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 (Para No. 131).

REPLY OF GOVERNMENT

The Board for the two Corporations is now identical, though the Chairman is not the same. The chairman, Air India is, however, a Director, Indian Airlines and vice-versa.

The recommendation to have a common chairman is noted and will be considered when the Board is due for re-constitution.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5) /66 dated 18th July, 1968].

Recommendation (Serial No. 29)

International air transport industry being a highly competitive one it is desirable that mechanised system should be introduced on the administrative as well as operational side to add to speed and efficiency. (Para No. 136).

REPLY OF GOVERNMENT

Subject to availability of foreign exchange, the Corporation will introduce mechanised systems wherever feasible to add to speed and efficiency.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5) /66 dated 18th July, 1968].

Recommendation (Serial No. 30)

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. (Para No. 139).

REPLY OF GOVERNMENT

Noted.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5) /66 dated 18th July, 1968].

Recommendation (Serial No. 32)

Due to shortage of pilots (also referred to in para 42 of this Report) two of the Air-India services had to be curtailed in December, 1964 for about nine months. The flying School of CATC, 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. (Para No. 146).

REPLY OF GOVERNMENT

The Pilot position in Air-India has substantially improved. Every endeavour is made to build up the number of pilots to meet future requirements.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5)/66 dated the 18th July, 1968].

Recommendation (Serial No. 33)

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. (Para No. 147).

REPLY OF GOVERNMENT

The Corporation is maintaining close liaison with the Government, the Director General of Civil Aviation, the Air Force and the Indian Airlines Corporation to ensure a regular flow of trained pilots to meet the needs. The Pilot position has substantially improved and at present there is no shortage of Pilots.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5)/66 dated the 18th July, 1968].

Recommendation (Serial No. 35)

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. (Para No. 162).

REPLY OF GOVERNMENT

Air-India's views with regard to dealing with Travel Agents have been expressed in para 160 of the Report. A further point that may be made is that in formulating fares provision is made in the fares to provide for booking agency commission. The Travel Agent plays a very important role in developing and promoting traffic, this is especially true of Travel Agents in the areas where Tourist traffic originates e.g. U.S.A., Europe, etc.

Government have also issued orders, that when bookings are made directly by Government, no commission should be paid to Travel Agents.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5)/66 dated the 18th July, 1968].

Recommendation (Serial No. 36)

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 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. (Para No. 169).

REPLY OF GOVERNMENT

Although the Corporation was occupying 36000 sq. ft., further space had to be taken up subsequently to meet the inescapable requirements of the Corporation. For better efficiency it is also proposed to accommodate some of the offices at present located in Santa Cruz in the proposed building—Keeping in view the Committee's recommendations the requirements of the Corporation will be carefully assessed before final allocation is made.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5)/66 dated the 18th July, 1968].

Recommendation (Serial No. 37)

The requirements of other public undertakings for office accommodation at Bomay should be met to the extent possible in the Administrative Buildings, 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. (Para No. 170).

REPLY OF GOVERNMENT

The Committee's recommendation in the first paragraph will be kept in view by the Corporation while allotting the accommodation, subject to the need to ensure a commercial return on the investment.

The building is expected to be completed by December, 1969.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5)/66 dated the 18th July, 1968].

Recommendation (Serial No. 38)

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. (Para No. 171).

REPLY OF GOVERNMENT

As already indicated in the reply to Serial 36, (para No. 169), a careful assessment of the requirements of the Corporation will be made before a final decision is taken regarding utilisation of space. One of the objects of an administrative building is to bring together the offices situated in different locations within the city so that better organisation efficiency can be achieved. Keeping this in view efforts will be made to improve the economics of the scheme.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5)/66 dated the 18th July, 1968].

Recommendation (Serial No. 39)

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. (Para No. 174).

REPLY OF GOVERNMENT

The foreign exchange expenditure is proposed to be reduced, by substitution of indigenous material to about Rs. 15 lakhs at pre-devaluation rate i.e., approximately Rs. 23 lakhs at the current rate of exchange.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5)/66 dated the 18th July, 1968].

Recommendation (Serial No. 40)

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 utilised for providing better facilities therein. (Para No. 178).

REPLY OF GOVERNMENT

Government have decided that a Visitor's Fee should be levied on persons visiting airports, with a view to restricting indiscriminate entry of the public, to the terminal buildings. As an experimental measure, a scheme was introduced at Palam airport, with effect from 15th August, 1967. According to the scheme, the entry to the domestic and international passenger booking halls and lounges and the enclosures appertaining thereto at Palam will be restricted by issuance of tickets. The fee of 50 paise per head, introduced initially had been raised to Re. 1/- effective from 1-1-1968.

The scheme has since been extended to the other international airports at Calcutta, Bombay and Madras.

With the introduction of this new levy, regular visitors who have to visit the aerodrome in the course of their normal duties are being issued non-transferable season passes on payment of the prescribed fee.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5)/66 dated the 18th July, 1968].

Recommendation (Serial No. 41)

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. (Para No. 179).

REPLY OF GOVERNMENT

Efforts made by Government to improve and augment the existing facilities at international airports are briefly indicated below:—

Improvements to existing facilities at the international airports.

1. A new international terminal building has been under construction at Dum Dum Airport and is expected to be commissioned during the 1st quarter of 1968. It is also proposed to construct a new technical block and control tower at this airport.
2. On the basis of the recommendations of an *ad hoc* committee sanctions for additions and alterations to the existing buildings at a cost of Rs. 85.23 lakhs at Palam, Santa Cruz and Madras airports, have so far been given.

3. A high-powered committee under the Chairmanship of Shri J.R.D. Tata, Chairman, Air-India, has been appointed to advise Government on the action required to be taken in order to provide the international airports with buildings, equipment facilities and organisation etc. required, to cater to the needs of the air traffic, bearing in mind the special requirements which will arise from the forthcoming introduction of very large sub-sonic and super-sonic aircraft and to ensure that the facilities provided will be capable of expansion later on in keeping with a continuous growth of air traffic. The report of the Committee is expected by the end of 1968.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5)/66 dated the 18th July, 1968].

Recommendation (Serial No. 42)

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. (Para No. 182).

REPLY OF GOVERNMENT

Fully agreeing with the recommendations of the Committee, fresh tenders were invited for the award of catering contracts at the four international airports—Santa Cruz, Dum Dum, Palam, Madras. The tender inquiry was restricted to 4 & 5 Star Hotels and Restaurants on the approved list of the Department of Tourism and to existing catering contractors at the airports concerned, in order to eliminate speculative and unreliable parties. The tenders received were scrutinised by a high powered internal committee consisting among others a representative of the Ministry of Finance. Fresh tenders have been awarded to the highest bidders, who otherwise had no history of being bad paymasters. Adequate safeguards have been made in the agreement to provide for Department's superintendence over quality of food and service. Tariff is also to be fixed by the Director General of Civil Aviation.

Ashoka Hotel, the only 5 Star Public Sector hotel did not respond to the tender inquiry.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5)/66 dated the 18th July, 1968].

Recommendation (Serial No. 44)

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. (Para No. 190).

REPLY OF GOVERNMENT

Every effort is being made to reduce the inventory as far as possible. The provisioning policy has since been revised as follows:—

'A' Category items

Previous Policy—9 months stock and order.

Revised Policy—9 months stock and order.

'B' Category items

Previous Policy—15 months stock and order.

Revised Policy—9 months stock and order.

'C' Category items

Previous Policy—18 months stock and order.

Revised Policy—15 months stock and order.

Arrangements are also being made to introduce Electronic Data Processing whereby it will be possible to reduce processing time from 3 months to approximately 1 to 1½ months. A review of non and slow moving items so as to decide about their retention/recoupment has also been undertaken.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5)/66 dated the 18th July, 1968].

Recommendation (Serial No. 46)

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. (Para No. 198).

Recommendation (Serial No. 47)

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. (Para No. 203).

REPLY OF GOVERNMENT

The Corporation has noted the observations of the Committee and every effort will be made to keep down the operating expenses as low as possible.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5) /66 dated the 18th July, 1968].

Recommendation (Serial No. 48)

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 end sanction of overtime payment should be given by officers who are themselves not entitled to it. (Para Nos. 208-209).

REPLY OF GOVERNMENT

The Corporation is aware of the fact that there has been an increase in the overtime due to a combination of circumstances. It has been explained that overtime is approved only by officers who are themselves not entitled to it, and that every effort is being made to bring down the expenditure on overtime.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5) /66 dated the 18th July, 1968].

Recommendation (Serial No. 50)

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. (Para No. 223).

REPLY OF GOVERNMENT

From the point of view of the American Banks, the Government guarantee for ensuring repayment of the Principal amount together with interest was necessary in two respects:—

- (i) firstly that adequate foreign exchange is furnished to the Corporation for making the repayment instalments together with interest on the due dates,
- (ii) in the unlikely event of a default, which is not corrected within 30 days, there should be adequate foreign exchange available to repay the entire loan balance outstanding together with interest due till that date.

This is a normal stipulation insisted by the banks for regulating and ensuring the financial stability of the borrower till the loans are repaid. The stipulation made by the Banks did not prohibit return on capital by way of interest and dividend; it only stipulated that these repayments should be out of net retained earnings. From 1962-63, the Corporation has been paying dividend at 5 per cent despite the then existing moratorium; the Corporation has also been paying interest on 'Loan Capital' at 4½ per cent since 1963-64.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5) /66 dated the 18th July, 1968].

Recommendation (Serial No. 52)

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. (Para No. 227).

REPLY OF GOVERNMENT

The Corporation will continue to make efforts to further improve its standards and the level of performance.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5) /66 dated 18th July, 1968].

CHAPTER II

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENTS REPLY

Recommendation (Serial No. 2)

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. Para No. 19).

REPLY OF GOVERNMENT

The Corporation has taken due note of the Committee's views regarding the development of the Trans-Atlantic route from points other than London to points either on the Canadian Coast or the South Atlantic. Service from a fresh point in Europe can be economical only if the frequency is at least one service per day as several other National Carriers are operating three to four services a day. Unless, therefore, the services across the Atlantic can be stepped up, at least to twice a day, it will be better to concentrate on the London-New York route.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5) /66 dated 18th July, 1968].

Recommendation (Serial No. 3)

The Corporation is making efforts to improve the economics of the India-U.K. via 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. (Para No. 25).

REPLY OF GOVERNMENT

Noted.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5) /66 dated 18th July, 1968].

Recommendation (Serial No. 5)

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. (Para No. 35).

REPLY OF GOVERNMENT

The second frequency to Australia was introduced in December, 1968 and the Corporation is keeping under constant review the economics of operations of these services.

(Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5) /66 dated 18th July, 1968).

Recommendation (Serial No. 9)

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. (Para No. 45).

Recommendation (Serial No. 10)

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. (Para No. 46).

REPLY OF GOVERNMENT

The Corporation has engaged the services of an expert agency to conduct a survey of traffic potential on transpacific route and on the basis of this study, the matter will be pursued further.

(Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5) /66 dated 18th July, 1968).

Recommendation (Serial No. 19)

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. (Para No. 99).

REPLY OF GOVERNMENT

The Corporation has explained that the growth of cargo traffic on Air India during 1964-65 was lower, as compared to the growth in the industry, due to a reduction in its capacity as under:—

- (a) Frequency on the India/Japan route was reduced from 3 to 2 per week, from December 1964 till October, 1965, which reduced capacity by 10.8 per cent.
- (b) The eighth weekly frequency on the India/UK route was discontinued from December 1964 till October, 1965.

The above frequencies were restored only from October 1965 and hence there has been no improvement in the corresponding figure for 1965-66. However constant attention is given to the development of cargo traffic and with the restoration of normalcy the position should improve. The actual increase during 1966-67 was to the extent of 22.4 per cent over 1965-66.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5) /66 dated 13th July, 1968].

Recommendation (Serial No. 20)

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. (Para No. 100).

REPLY OF GOVERNMENT

There is no provision in the existing aircraft for conversion of the unused passenger capacity into cargo capacity. Air India will examine the feasibility of conversion of these Boeings to all-cargo version keeping in view the progress of SST aircraft.

However, the ninth Boeing aircraft received in February, 1967 is a 707-337 C convertible Boeing aircraft, with built-in capability for conversion to any normal passenger configuration or combination cargo-cum-pax interior or full cargo interior.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5)/66 dated 18th July, 1968].

Recommendation (Serial No. 21)

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. (Para No. 103).

REPLY OF GOVERNMENT

Over the years, Air-India's average monthly mail revenue increased steadily to Rs. 17.17 lakhs in 1961-62, rose to Rs. 21.25 lakhs in 1962-63, and dropped to Rs. 20.32 lakhs in 1964-65. This drop may be attributed to:—

- (a) increased awareness among postal Administrations that their expenditure on mail transportation could also be utilised to augment the revenue of the national airline.
- (b) increased tendency among Foreign Postal Administrations (e.g. Swiss, Japanese, French) to demand a reciprocal benefit for the national airline, in proportion to the mail allocated by them to Air-India.
- (c) increase in foreign airlines' operations through India.
- (d) the comparatively low mail traffic-potential ex-India.
- (e) the tendency among certain Foreign Postal Administrations (e.g. USSR) to unofficially demand sub-UPU mail rates and secure them from other airlines.

As regards the Committee's recommendation, the Corporation has already established a closer contact with the DGP&T's office. As a result of this, and a more intensive promotional effort, Air-India's average monthly mail revenue increased in 1966-67 to Rs. 33.89 lakhs, and in 1967-68 (11 months) to Rs. 41.87 lakhs.

Further, several recommendations have been accepted and incorporated by the DGP&T's office in the Indian Mail Despatch Instructions. It is anticipated that by such means, and greater promotional

effort in the field, it will be possible to achieve a progressive annual increase in the Corporation's mail revenue.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5)/66 dated 18th July, 1968].

Recommendation (Serial No. 23)

It was desirable that the Piston Engine Overhaul Shop should have been taken over by the Indian Air Force 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 Indian Air Force may not take over air frame overhaul and maintenance of this air-craft for several years more. Since a long time has already elapsed, the Committee feel that the question of training of Indian Air Force personnel for the Overhaul shop should be attended to expeditiously and the transfer of workshop from Air-India arranged within a stipulated period. (Para No. 14)

REPLY OF GOVERNMENT

In view of the complex and specialised nature of the maintenance and overhaul task of these aircraft, a five year period for taking over of the facilities was anticipated at the early stages. This arrangement enabled Air-India to absorb about 500 staff rendered surplus due to the sale of Super Constellation aircraft to the Indian Air Force. Subsequently due to their own problems, Air-India requested the I.A.F. to take over the facilities in a phased manner.

But due to National emergencies arising out of Chinese and Pakistani aggressions, the Indian Air Force was unable to undertake this complex task. Since the cost of maintenance of these aircraft by setting up facilities by the Indian Air Force themselves was expected to be almost two to three times more expensive than the charges of Air-India, the Indian Air Force requested the Corporation to continue with the maintenance of these aircraft for the next five years or so by which time it was expected that these aircraft would become obsolete and out of service. In this view the Corporation have agreed to continue the maintenance of Super Constellation aircraft and overhaul of piston engines for a few more years. This does not handicap the Corporation in its normal functions in any way. Incidentally, it helps to provide employment experience to a large number of their technical personnel.

In the circumstances the present arrangement of Air-India, continuing the maintenance of Super Constellation aircraft and the Piston Engine Overhaul facility appears to be most economical and satisfac-

tory from a technical point of view and is in the best National interest.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5) /66 Dated 18th July, 1968].

Recommendation (Serial No. 24)

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. (Para No. 116).

REPLY OF GOVERNMENT

The performance of Air India compares favourably with the industry average.

Comparative fuel flow figures of different Airlines (average) (as % chart value)

Airlines	1963	1964
Air India	—	+1% over chart value
TWA	+2%	+2½% -do-
DIH	+2%	+3% -do-
AF	+1½%	+1% -do-
NWA	Chart	+1% -do-
QFA-JTD-3	—	Same as chart value
Industry average	+1.5%	+1.3% over chart.

Unfortunately, due to there being only a few operators using 437 type of aircraft, Air-India are unable to get full data pertaining to fuel consumption figures but looking at the information available, the trend is on the plus side.

As pointed out by the Committee, the Corporation has been keeping a constant watch on this item of expenditure. In fact an expert on the subject had undertaken fuel Consumption study of Air India's fleet in 1966 and had commented favourably on the consumption of fuel. It has made certain recommendations for effecting further

economy in the consumption of fuel which are being impelmented by Air India.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5)/66 dated 18th July, 1968].

Recommendation (Serial No. 25)

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. (Para No. 118).

REPLY OF GOVERNMENT

The Management is taking all possible steps to improve the performance.

[Ministry of Tourism and Civil Aviation O.M. No. 4-CA (5)/66 dated 18th July, 1968].

Recommendation (Serial No. 31)

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. (Para No. 142).

REPLY OF GOVERNMENT

The circumstances in which it has become necessary to employ a comparatively large number of employees in the lowest category have already been explained to the Committee. They are employed on a variety of jobs:—

- (i) cleaning of aircraft and components, material handling etc.
- (ii) handling of baggage and cargo at airports;
- (iii) cleaning of cabins and cabin servicing;
- (iv) washing and cleaning of catering service materials, cutlery, crockery;
- (v) employment as vendors, helpers etc. in the canteen;
- (vi) working as Chowkidars, watchmen in the Corporation's establishment;
- (vii) Peons attached to the various offices.

It will be appreciated that a sizeable reduction is possible only if some of the functions are mechanised. Mechanisation has to be

preferred where it would increase the efficiency and/or reduce costs. In India, salaries and wages are still lower than in western countries, where the high level of wages and shortage of manpower make it absolutely necessary to introduce mechanisation to save manual labour. There is also the problem of foreign exchange and in areas in which Air India would like mechanisation to be introduced, it would be necessary to import machines or equipment.

However, the Corporation has assured the Government that the need for bringing down the number in the lowest category would be constantly kept in view.

[Ministry of Tourism & Civil Aviation O.M. No. 4-CA (5)/66 dated the 18th July, 1968].

Recommendation (Serial No. 34)

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. (Para No. 156).

REPLY OF GOVERNMENT

The Management of the Corporation has stated that while preparing the budget estimates at the beginning of the year, the intended expenditure on publicity and sales promotion is co-related with the anticipated growth in traffic revenue. However the limit cannot be rigidly applied in making allocation from the budget to individual stations as the following factors have to be taken into consideration:

- (i) Traffic potential of the area.
- (ii) Economic and political conditions in the area.
- (iii) Frequency of operations and operation of new services or additional services to the area.
- (iv) Competition from other airlines.
- (v) Availability of different publicity material.

The increase in a region's revenue resulting from its publicity campaign may not always immediately be evident. It is, therefore, not possible to ensure that the expenditure is proportionate to the yield although this aspect is constantly kept under review.

A comparison with larger airlines like Pan Am etc. may not be appropriate as these airlines have considerable historical advantage in the travel trade. In fact it is to compete with them that smaller airlines have to make greater efforts and thus spend more in the field of publicity. While Government generally agree with the Management's contention, they would like Corporation also to look into this matter.

[Ministry of Tourism & Civil Aviation O.M. No. 4-CA(5)/66 dated the 18th July, 1968].

Recommendation (Serial No. 43)

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. (Para No. 187).

REPLY OF GOVERNMENT

The Corporation has explained that its inventory during 1963-64 as mentioned in the report was Rs. 520.35 lakhs. Against this during the year, the total consumption of spare parts was Rs. 99.93 lakhs. During examination by the Committee on Public Undertakings, they were apprised that approximately 75 per cent of the inventory was made up of rotational, repairable and insurance items which are more or less of capital nature and have no bearing whatsoever on the consumption of the spare parts. Once these items are bought, they are available with Air-India till the entire period of the aircraft life and are very rarely consumed.

Based on the above, the total amount of consumable spares available and the number of months for which they are available are as follows:

	Rs. in lakhs
1. Total inventory during 1963/64	520.35
2. Rotational, repairable, Insurance items constituting 75% of the inventory	390.26
3. Deducting No. 2 from 1 to arrive at normal consumable spares	130.09
4. Consumption of spares during 1963/64	99.93
5. Consumption per month based on (4) above works out at approx :	8.33
6. Total stock holding of consumable spares, in terms of months.	15.60
	months
	Rs. 130.09 lakhs
	Rs. 8.33 lakhs

As will be seen from the above, the total amount of consumable spares available represent 15.6 months requirements as against 40 months mentioned in para 187 and this is well within the 18 months' requirements mentioned by the Committee. On checking up the figure of 40 months quoted in para 187 of the Report, it was found that more or less it represented the stock holding of rotational items in terms of consumption and not of the consumable items.

[Ministry of Tourism & Civil Aviation O.M. No. 4-CA(5)/66 dated the 18th July, 1968].

Recommendation (Serial No. 45)

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. (Para No. 192).

REPLY OF GOVERNMENT

Though the interest on 'Loan' capital waived by Government amounted to Rs. 136.57 lakhs during the 4-year period under review, the Corporation had to pay interest and commitment fees on dollar loans amounting to Rs. 108.75 lakhs during the same period. The net profit assessed each year is after payment of interest and commitment fees on the dollar loans, as indicated below:—

Year	Interest waived by Govt. on loan Capital.	Interest and Commitment fees paid on Dollar Loans.
1958-59	19.96 lakhs	14.04 lakhs
1959-60	32.15 ..	20.60 ..
1960-61	38.64 ..	39.28 ..
1961-62	45.82 ..	34.83 ..
	136.57 ..	108.75 ..

The period under review was marked by various unpredictable factors such as a general recession in air transport industry, particularly in the United States and Europe in 1958-59, severe restrictions

on air travel from India, entry of several airlines into the field, additional capacity offered by competing airlines by the introduction of more upto-date equipment etc. In spite of these formidable factors, Air-India managed to keep its head above water. In this Air-India were considerably assisted by the introduction of Boeing 707 jet aircraft and by commercial pooling arrangements which they made with various international airlines on common routes.

[Ministry of Tourism & Civil Aviation O.M. No. 4-CA (5)/66 dated the 18th July, 1968].

Recommendation (Serial No. 49)

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. (Para No. 217).

REPLY OF GOVERNMENT

The observations of the Committee fall into two parts:

- (a) Recovery of outstandings from parties other than Government Departments, and
- (b) Recoveries from Government Departments and Public Undertakings.

In regard to (a) above, there is constant follow up action and by and large, most of the outstandings are collected within a reasonable time.

As regards dues from Government Departments the feasibility of charging interest on delayed payments by Government Departments and Public Undertakings had been examined but was not considered feasible. Suitable instructions have however been issued to all Departments/Ministries of the Government of India and State Governments to ensure prompt settlement of the Corporations' dues.

[Ministry of Tourism & Civil Aviation O.M. No. 4-CA (5)/66 dated the 18th July, 1968].

Recommendation (Serial No. 51)

Another point which the Committee would like to be considered is that the interest holiday given to Air-India since 1953 placed it on 1785 (aii) LS—3.

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. (Para No. 224).

REPLY OF GOVERNMENT

For the first 5 years from 1-8-53 to 31-7-58 there was no 50:50 division between Equity and Loan Capital (which was done from 1-8-1958). Payment of interest in the first 5 years on the capital would have resulted in operating losses which would have from the inception affected staff morale and consequently operating efficiency. Additional loans given to the Corporation for meeting the deficits would have only accentuated the position by adding further to the burden of interest payment, nor could a subsidy or grant-in-aid have resolved the position in an entirely satisfactory manner.

However, despite the moratorium, the Corporation commenced paying dividend/interest on Equity and Loan Capital respectively as soon as it was in a position to do so from its not retained earnings.

The necessity to extend the moratorium arose as a result of the Corporation having been asked by Government to negotiate outside borrowings for its Boeing Projects.

[Ministry of Tourism & Civil Aviation O.M. No. 4-CA(5)/66 dated the 18th July, 1968].

CHAPTER III

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Serial No. 4)

One of the reasons for the drop in load factors on India/USSR sector is stated to be the fact that the Russian planes carried more traffic as compared to Air-India's inspite 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. (Para No. 26).

REPLY OF GOVERNMENT

Government are in entire agreement with the comments made by the Committee that in order to sustain the increased traffic on the India/USSR route and maintain goodwill and reputation, the Corporation should be able to carry traffic in proportion to the revenue shared between the two airlines. The Corporation had entered into a pool agreement with Aero Flot. This was, however, discontinued in 1965. A delegation visited Moscow in March, 1968, and it has been possible for the delegation to arrive at an agreement that the expert traffic carried between India and USSR should be shared half and half between Aero Flot and Air India. It was further agreed that the pool should be revived with effect from 1st April, 1968 and the revenue earned in the pool shared 50:50 between the two airlines. This agreement, it is hoped, will strengthen the cordial relations between the two countries and make it possible for the two airlines jointly to develop traffic on this sector in healthy co-operation rather than in competition with each other.

[Ministry of Tourism & Civil Aviation O.M. No. 4-CA(5)/66, dated the 18th July, 1968].

The Committee took the evidence of the representatives of Air India from the 29th November, 1965 to 1st December 1965. The fact that the pool agreement under Aero Flot has been discontinued in

1965 was not brought to the notice of the Committee during evidence. The Committee at that stage were informed that Russians were treating the agreement as suspended but the Air India authorities treated it as operative and that Air India were shortly going to discuss the matter with the Russians.

There is a certain discrepancy between the reply given by Government now and the evidence tendered before the Committee. They would like to be satisfied that full facts as known to Air India on the 1st December, 1965 were brought to the notice at the time the representatives of Air India appeared before them. They would also like to know as to how the revenues were shared during this period. If they were not shared it all goes to show that the fears of the Committee that it was not in the best interests of the Corporation to carry less traffic in proportion to the revenue earned through pool arrangements come true. The Committee would like to examine all the aspects of this question during the current examination of Air India.

Recommendation (Serial No. 18)

The Committee have considered the various views. The important point is that IAC 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, IAC 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 IAC 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 IAC's routes. Another point raised by IAC 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 IAC 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 IAC 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, drawback on fuel, etc. can be suitably resolved in consultation with the authorities concerned. (Para No. 96).

REPLY OF GOVERNMENT

The question of evolving a satisfactory arrangement between the two Corporations has been referred to the Boards of the two Corporations.

[Ministry of Tourism & Civil Aviation O.M. No. 4-CA (5)/66 dated the 18th July, 1968].

COMMENTS OF THE COMMITTEE

The Committee are not satisfied with the reply of the Government. More than two years have elapsed since the presentation of the 21st Report of the Committee. Due to failure to take expeditious decision on this question the anomaly of unused surplus capacity on Air India and shortage of accommodation in I.A.C. is continuing with the result that the public is inconvenienced and the two Corporations are possibly losing revenue. The Committee would like to pursue this matter during their current examination of the Undertaking.

Recommendation (Serial No. 22)

In 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. (Para No. 106).

REPLY OF GOVERNMENT

Future planning in Civil Aviation is contingent on a number of factors which make it difficult to evolve firm proposals with dates too much in advance.

[Ministry of Tourism & Civil Aviation O.M. No. 4-CA (5)/66 dated the 18th July, 1968].

COMMENTS OF THE COMMITTEE

The Committee are not satisfied with the reply of the Government. This recommendation of the Committee also covers various aspects of future planning which the reply does not touch. If other major

airlines can prepare forecasts of future operations and expansion there is no reason why Air India should be found wanting in it or feel shy of doing it. The Committee would pursue the matter during the current examination of Air India.

NEW DELHI;
September 6, 1968.
Bhadra 15, 1890 (S).

G. S. DHILLON,
Chairman,
Committee on Public Undertakings.

APPENDIX I

(Vide Para 4 of Introduction)

Analysis of action taken by Government on the recommendations contained in the Twenty-first Report of the Committee on Public Undertakings (Third Lok Sabha)

I. Total No. of recommendations made	•	•	52
II. Recommendations that have been accepted by Government (<i>vide</i> recommendations at S. Nos. 1, 6, 7, 8, 11, 12, 13, 14, 15, 16, 17, 26, 27, 28, 29, 30, 32, 33, 35, 36, 37, 38, 39, 40, 41, 42, 44, 46, 47, 48, 50 and 52.			
Number	•	•	32
Percentage to Total	•	•	61.54%
III. Recommendations which the Committee do not desire to pursue in view of Government's reply (<i>vide</i> recommendations at S. Nos. 2, 3, 5, 9, 10, 19, 20, 21, 23, 24, 25, 31, 34, 43, 45, 49 and 51.			
Number	•	•	17
Percentage to Total	•	•	32.69%
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee (<i>vide</i> recommendations at S. Nos. 4, 18 and 22).			
Number	•	•	3
Percentage to Total	•	•	5.77%

Serial No.	Name of Agent	Agency No.	Serial Nos.	Name of Agent	Agency No.
27.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	27	33.	Bookwell, 4, Sant Narakari Colony, Kingway 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 Annex, 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. E	
32.	Hind Book House, 82, Janpath, New Delhi	95			

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