

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1969-70)**

(FOURTH LOK SABHA)

SIXTY-NINTH REPORT

AIR INDIA

MINISTRY OF TOURISM AND CIVIL AVIATION



**LOK SABHA SECRETARIAT
NEW DELHI**

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SIXTY-NINTH REPORT OF COMMITTEE ON PUBLIC
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Page	Para	Line	For	Read
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20	2.51	4	enable	enabled
23	2.62	15	'opened opened'	opened
24	2.64	7	sufficient	sufficient
24	2.64	8	aircrafts	aircrafts
30	3.3	1	add 'that' after	corporation
36	3.23	7	delete 'a' before	solicit
42	4.3	3	Chairman	General Manager
49	4.26	1	I	In
54	4.41	9	no	on
58	4.58	2	Omit 'to' after	nationals
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61	4.70	17	next	next
63	4.79	17	completely	completely
66	4.81	8	add 'President of the'	before Indian
69	5.9	8	Aircraft	Aeronautics
69	5.9	9	Come	Some
96	3.23	16	along	alone
96	3.23	16 to 20	Delete the lines 'In the last	
104	4.81	9	Aeroflot along" their	this

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COMMITTEE ON PUBLIC UNDERTAKINGS

(1969-70)

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2. Shri R. K. Amin.
3. Shri Bal Raj Madhok.
4. Shri K. Ananda Nambiar.
5. Shri Vishwa Nath Pandey.
6. Shri T. A. Patil.
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8. Shri P. M. Sayeed.
9. Shri Digvijaya Narain Singh.
10. Shri G. Viswanathan.
11. Shri Nand Kishore Bhatt.
12. Shri Godey Murahari.
13. Shri Bhabhani Charan Pattanayak
14. Shri Rajendra Pratap Sinha.
- **15. Shri Dattopant Thengari.

SECRETARIAT

Shri A. S. Rikhy—*Joint Secretary.*

Shri S. C. Mookerjee—*Deputy Secretary.*

Shri M. N. Kaul—*Under Secretary.*

*Appointed Chairman from 10-12-1969 ~~etc~~ Shri G.S. Dhillon, resigned.

**Ceased to be member w.e.f. 3-4-1970 consequent on his retirement from Rajya Sabha.

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**STUDY GROUP II ON AVIATION, PROMOTIONAL AND
DEVELOPMENTAL UNDERTAKINGS**

COMMITTEE ON PUBLIC UNDERTAKINGS

(1969-70)

1. Shri Bal Raj Madhok—*Convener.*
2. Shri P. M. Sayeed—*Alternate Convener.*
3. Shri G. Viswanathan—*Member.*
4. Shri Godey Murahari—*Member.*
5. Shri Bhabhani Charan Pattanayak—*Member.*
6. Shri Rajendra Pratap Sinha—*Member.*

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Sixty-ninth Report on Air India.

2. This Report is based on the examination of the working of Air India upto the year ending 31st March, 1969.

3. The Committee took evidence of the representatives of Air India on the 22nd December, 1969 and 23rd January, 1970 and of the Ministry of Tourism and Civil Aviation on the 27th January, 1970. The Committee also took evidences of Shri M. S. Oberoi, M.P., Managing Director, Oberoi Inter-Continental Hotel on the 24th February, 1970, Shri J. R. Bhalla, President of the Indian Institute of Architects on the 26th February, 1970 and Shri Piloo Mody, M.P., Architect on the 14th April, 1970.

4. The material relating to Air India was processed at various stages by the Study Group II on Aviation, Promotional and Developmental Undertakings of the Committee.

5. The Report was adopted by the Committee in stages on the 13th, 24th and 27th April, 1970.

6. The Committee wish to express their thanks to the Ministry of Tourism and Civil Aviation and Air India for placing before them the material and information that they wanted in connection with the examination of Air India. They wish to thank in particular the Representatives of the Ministry, Undertaking and non-officials who gave evidence and placed their considered views before the Committee.

M. B. RANA,
Chairman,
Committee on Public Undertakings.

NEW DELHI;

April 28, 1970.

Vaisakha 8, 1892 (S).

CHAPTER I

INTRODUCTORY

(A) Historical Background

The history of Air-India dates back to the year 1932. In that year, Tata Airlines was started as a department of Tata Sons Ltd. On 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.

1.2. On 29th July, 1946 Air India Ltd. was formed as a public limited company and took over Tata Airlines with all its aircraft, equipment, engineering facilities, training personnel, airmail contract etc.

1.3. At the end of 1947, Air-India submitted a scheme to the Government for the operation of an air-service between India and the United Kingdom. Under this scheme, which was approved by Government Air-India International Ltd., a new company, was formed in which the Government had 49 per cent shares and the Air-India Ltd. 10 per cent. Under an agreement concluded between Air-India Ltd. and Air-India International Ltd., Air India Ltd. was appointed Technical Managers and principal booking agents in India for Air-India International Ltd. for a period of 10 years. Air-India expanded its flying, engineering and traffic organisations, to meet the requirements of the new company. Air-India International Ltd. was formed in 1948 and it inaugurated its first International service Bombay/London on 8th June of the same year.

1.4. During the five years after the Second World War, the traffic carried by domestic air transport operators showed phenomenal growth, but the financial condition of the industry deteriorated rapidly mainly because too many operators had been licensed by the Air-Transport Licensing Board in relation to the route mileage and operating frequencies available. By 1950, the industry as a whole was operating at a heavy loss and early in 1950, Government decided to institute an independent enquiry into the state of the air transport industry and in February, 1950, they appointed an Air-Transport Enquiry Committee. The Committee worked out standard costs and recommended a system of subsidies under which airlines meeting or beating their targets would make a profit and those failing to meet the targets would make a loss. The Committee also discussed the alternative of nationalisation and recommended the *status quo*.

1.5. In 1952, the Planning Commission recommended the merger of all scheduled airlines into a single Corporation in the capital of which the existing companies would participate pro rata in exchange for their holding while the Central Government would acquire a share large enough to exercise effective control. The Government, however, decided upon complete nationalisation and in March, 1953, Parliament passed the Air Corporations Act which received the President's assent on the 28th May, 1953. The main provisions of the Act were that there would be two Corporations to be known as Indian Airlines and Air-India International and that "these shall be transferred to and vested in:—

- (a) Indian Airlines, the undertaking of the existing companies (other than the Air-India International Ltd.), and
- (b) Air India International, the undertaking of the Air-India International Ltd."

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

1.6. In terms of the Act, the shareholders of the predecessor company were paid compensation, partly in cash but mostly in the form of 5 years bonds, bearing interest at 3½ per cent and guaranteed by the Government of India. These bonds were completely redeemed by 1st August, 1958. The value of the compensation paid was Rs. 2.82 crores.

(B) Objects and functions

1.7. 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 Corporation 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.

(C) Examination by Estimates Committee

1.8. The working of Air-India was first 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 the 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 submitted to the House.

(D) Examination by Committee on Public Undertakings

1.9. The working of Air-India was also examined by the Committee on Public Undertakings in 1965-66 and their recommendations/observations are contained in their 21st Report (Third Lok Sabha). Action taken by the Government on this Report is contained in the 22nd Report (Fourth Lok Sabha) of the Committee on Public Undertakings.

CHAPTER II OPERATIONS

(A) Route- Pattern

In 1953, Air India took the following two routes from its predecessor:—

- (i) India/U.K. 4 times a week service
- (ii) India/Kenya 3 times a fortnight service

2.2 By 1960, the following new routes were started by Air-India:—

- (i) India/Australia on 16-7-1954 (This was extended to Fiji in August, 1964).
- (ii) India/Japan on 14-8-1954
- (iii) India/USSR in August, 1958
- (iv) India/Indonesia in 1958-59
- (v) India/UK/USA The India/U. K. service was extended to New York in June, 1960.
- (vi) India/Kuwait in October, 1960.

2.3 The Corporation's route-pattern during 1967-68 was as follows :—

Route	Frequency (No. of Services)
India/UK/USA	7 per week
India/UK (terminating service) <i>via Middle East.</i>	3 per week
India/UK (terminating service) <i>via</i> Moscow	2 per week
India /Japan	3 per week
India/Australia/Fiji	2 per week (of which only one goes upto Fiji).
India/Singapore/Jakarta	1 per week
India/East Africa	3 per week (one <i>via</i> Aden).
India/Mauritius	1 per fortnight

2.4. Upto October, 1967, a service to Kuwait was being operated with a VC-10 aircraft of BOAC under the pooling airline. Effective November, 1967, Kuwait was introduced as a regular schedule halt on Air-India Boeing Service Bombay/London/New York after Kuwait Airport became ready for large jet operations.

2.5. Tehran and Brussels were introduced as on-line stations on the India/UK route from April, 1967, Kuala Lumpur was introduced as a schedule halt on the Bombay/Sydney route in August, 1967, and a fortnightly service to Mauritius was introduced from 15th August, 1967.

2.6. The Corporation has at present a total of 31 on-line stations and 64 off-line offices in 42 different countries in the world.

2.7. The Route-wise profit/loss of the Corporation for the last three years is at Appendix I.

(B) India/UK/USA route.

2.8. When the air services in India were nationalised in 1953, Air-India took over from its predecessor the India/UK route, which was operated with four times a week service. Frequencies in this route were increased in subsequent year and in 1962-63, a daily Boeing service was established.

2.9. By 1967-68, the frequencies on this route were increased to 10 services per week *via* West Asia. At present, Air-India operate 15 flights per week (13 *via* West Asia and 2 *via* Moscow) on the India/UK route. The stations covered are, Delhi, Bombay, Calcutta, Bahrain, Moscow, Beirut, Cairo, Rome, Prague, Geneva, Zurich, Frankfurt, Paris, Kuwait, Tehran, Brussels Amstardam, Dubai and London.

2.10. India/UK sector is considered to be the blue ribbon route of Air-India and it contributes the major portion of its revenue.

2.11. It is seen that some important stations *e.g.* Istanbul, Baghdad, Athens, Vienna, Warsaw, Belgrade, Copenhagen, Stockholm etc. are still left out by Air-India in this region. The Corporation has not been able to extend its services to certain European state capitals and tap further resources of traffic on this sector.

2.12. In reply to a question as to the reasons for not doing market survey of the above stations, the Corporation have stated the position as follows:—

Copenhagen and Stockholm:

Market Survey of Scandinavian countries has already been made by Air-India. Initially Air-India is planning to introduce Copenhagen on the India-Moscow-United Kingdom route on a weekly basis, subject to route clearance by the Scandinavian Authorities.

Athens and Vienna:

Survey Report on our operations through Vienna/Athens is under preparation.

Istanbul and Baghdad:

Air-India plans to undertake Market Survey of Istanbul and Baghdad shortly.

2.13. During the evidence the General Manager, Air-India informed the Committee that the market survey of stations depended on the capacity that Air-India had. Since the Corporation had got a very limited capacity, they did the market survey of the most important regions to start with. The Corporation had, however, practically done the market survey in all these regions.

2.14. The Committee enquired that as a result of those market survey whether the Corporation had found that they could have more halts at some of these stations and that it could substantially increase the business of the Corporation. The Committee were informed by the General Manager Air-India as follows:—

“My answer is ‘yes’ perhaps not at this stage but after a little later. But, as I said, we have limited capacity at the moment. We have only 10 aircrafts and all the aircrafts are utilised to the maximum extent. For the information of the Committee I may say that we are utilising the aircraft very nearly between 10 and 11 hours per day. It is the highest utilisation any country can derive from these aircrafts.”

2.15. The Committee note that the Air India is touching the maximum number of stations within their available capacity of 10 aircrafts. The Committee has also noted that the India—U.K.—U.S.A. route happens to be a “Blue Ribbon” route contributing the major portion of the revenue to the Corporation. The Committee would like that the Air-India should do all that is necessary to maintain and to improve the profitability of this “Blue Ribbon” route. Keeping this in view the Air-India may consider touching either more or alternative stations in the India—U.K.—U.S.A. route including Tel Aviv, in the wake of acquisition of 747 jumbo Jet Aircraft. But the Committee would like that the objective of improving profitability and the popularity of the route should also be kept in view in making selectional choice of stop over.

(C) India/Japan route

2.16. The Corporation entered the Far Eastern service upto Hongkong in August, 1954, and upto Tokyo in May, 1955. The frequency of service was increased from one to two a week in 1955-56. Since 1964, three

services per week have been maintained. The operations on this route have not been remunerative so far.

2.17. The route showed loss/profit during the last three years as indicated below :—

	(Rs. in crores)
1965—66	(—)0·14
1966—67	(+)0·14
1967—68	(—)0·29

2.18. The losses on this route have been attributed to less frequencies of services, strong competition and imposition of travel restrictions by the Japanese Government on their own nationals.

2.19. To the question whether Air-India has any plans to improve the financial position of the route, the Corporation have stated that Air-India was operating 3 flights per week on the India/Japan route from April, 1963 to August, 1968. The India/Japan route is one of the most competitive routes and also a short sector route in the sense that this route caters for traffic moving on a short sector. The introduction of polar route services between London/Europe and Japan by European carriers and Japan Airlines is also diverting Japan-Europe traffic to some extent from the southern route.

After the introduction of the 4th frequency effective September, 1968, the load factors have improved on this route. The corporation plan to introduce the 5th frequency shortly and to operate a daily frequency in 1972-73. The Corporation are confident that the financial results will improve considerably in the future. Since the India/Japan route is a high frequency route, Air-India have to increase their frequencies and it is not until Air-India establish a daily frequency on this route that Air-India will be able to penetrate deeply into the existing market.

Commercial surveys are presently being undertaken of Osaka and Manila with a view to considering the feasibility of on-line operations through these points.

Air-India was also at one time examining the possibility of Taipei as an on-line point between Hongkong and Tokyo but this proposal has been shelved for the present.

2.20. When pointed out by the Committee why it has not been possible to give greater attention to the Eastern route, the General Manager, Air-India informed the Committee during evidence that India/UK route was the blue-ribbon route of Air-India. It gave maximum revenue. On Eastern side Air-India increased one frequency in April, 1969. Gradually they would bring it to a daily service to Tokyo.

2.21. To a question whether there was any proposal to have a link with Taipeh on the India/Japan route, the General Manager, Air-India during evidence stated as follows :—

“We have no link with Taipeh. No doubt it is a very important sector. But we cannot do that because at the present moment we have no government relations with Taipeh. We have suggested to our Government that we would like to have a link with Taipeh. It has been shelved for the present. We would like to have it but we cannot do that at the moment. We have not actually made a traffic survey of Taipeh as yet. Unless we have an agreement there is no point in having a traffic survey at all. We will have to conduct a traffic survey before we could say anything. If we have a stop at Taipeh we should at least be able to earn revenue out of Taipeh operation.”

2.22. During evidence, the Secretary, Ministry of Tourism and Civil Aviation stated as follows about link with Taipeh :—

“In March, 1968, this question of having an interline agreement with Formosa came up. In respect of purely commercial undertakings, we have entered into certain contracts with Formosa, e.g. S.T.C. operates there. But this is on a corporation to corporation basis, not on Governmental footing. For airlines there are also bilateral agreements at Government level. Since we don't recognise Formosa it is impossible for us to enter into bilateral agreement on Government to Government basis. It was suggested to us that we could go ahead if we could enter into a private agreement without bringing in Government. But they regretted their inability to enter into what they felt was a one-sided agreement. They would have asked for reciprocal right which we would not have been in a position to accord and the matter was dropped.”

To a further question whether there was any technical difficulty in bringing about an agreement and whether the matter had been discussed

with the Ministry of External Affairs, the Secretary of the Ministry stated as follows :—

“There is no technical difficulty in the sense that it could be done; but then, it has got to be done within the framework of a certain broad overall policy. In all these matters we have to be guided by the advice of the Ministry of External Affairs. S.T.C. had some work in Formosa. I believe MMTC also, although I am not certain about MMTC. That is on a corporation to corporation basis. We don't recognise two Chinas, Formosa wants reciprocal arrangements on a Government to Government basis.”

2.23. The Committee feel that the Corporation should pay more attention to developing the India-Japan route. They find that this sector is running at a loss owing principally to lack of frequency and the highly competitive sector. The Committee is of the view that profitability in this route can be gained by introducing daily frequency and halting at new stations having tourist interest. In this connection Air India's suggestion to Government to establish a link with Taipeh deserves to be considered. Although the Corporation had not conducted traffic survey of this Sector but if they operate through Taipeh they should be able to earn revenue out of this operation. As regards link with Taipeh the Committee feel that since STC and MMTC are operating in Formosa on commercial basis it should be possible for Air India also to enter into agreement on reciprocal basis. The Air India/Ministry of Civil Aviation may undertake a traffic Survey of this operation through Taipeh and if it is found profitable, they should endeavour the opening of this route on a commercial basis.

(D) India/USSR route:

2.24. A weekly service between Delhi and Moscow under a revenue pooling arrangement between Air-India and Aeroflot was started in August, 1958. In October, 1964, another agreement was made with the Russian authorities for extension of Delhi/Moscow service to London on the basis of a twice-weekly frequency.

2.25. About this route the Committee on Public Undertakings in their 21st Report (1965-66) had recommended as follows :—

“One of the reasons for the drop in load factors in India/USSR 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 interest of the Corporation. In order 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.”

The Government in their reply had stated—“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 revised 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.”

2.26. The Committee on Public Undertakings in their 22nd Report on Action Taken by the Government on the Report of Air-India observed as under:—

“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 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 the fears of the Committee that it was not in the best interest 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.”

2.27. In reply to a question what was the correct position in regard to the pool agreement with Aero Flot in 1965 and how is the pooling arrangement working at present, it has been stated that the Commercial Agreement between Aero Flot and Air-India was first signed in June, 1958. This agreement provided for the sharing of revenues earned by Aero Flot and Air-India on the India/USSR route on a mutually agreed basis. The revenue shares applicable between August, 1958 and March, 1965 were as follows :—

Year	Air-India %	Aero Flot %
August 1958/March 1959	46	54
April 1959/March 1960	49	51
April 1960/March 1961	33	67
April 1961/March 1962	34	66
April 1962/March 1963	45	55
April 1963/March 1964	40	60
April 1964	40	60
May 1964/March 1965	50	50

The agreement was, however, unilaterally suspended by Aero Flot with effect from April 1965 and was in-operative till March, 1968.

2.28. The unilateral suspension of the agreement by Aero Flot was basically on account of their dissatisfaction with the continuous settlements in favour of Air-India since the commencement of the Air-India/Aero Flot Pool.

Air-India had received the following amounts each year from Aero Flot :—

		(Rs. in lakhs)
Year		AI's Receipts
August 1958/March 1959	. . . . .	0.24
April 1959/March 1960	. . . . .	13.81
April 1960/March 1961	. . . . .	8.38
April 1961/March 1962	. . . . .	11.89
April 1962/March 1963	. . . . .	27.63
April 1963/March 1964	. . . . .	15.92
April 1964/March 1965	. . . . .	18.09
TOTAL	. . . . .	95.96

2.29. The basic reason for the imbalance in carriage was due to the strict control exercised by Aero Flot on the movement of traffic originating in the USSR.

As mentioned above, the Air-India/Aero Flot Pool was in-operative during the period April 1, 1965 to March 31, 1968. The arrangements were revised at the meeting held in Moscow in March, 1968. If the Pool had been operative during the period mentioned above, Air-India would have on the earlier basis received a payment of Rs. 87.72 lakhs from Aero Flot. The operation of the Pool for the year 1968-69 is being reviewed at inter-Governmental level.

2.30. Under the pooling arrangements revived from April 1, 1968, all revenues in respect of passenger, cargo and excess baggage traffic carried by Air-India and Aero Flot between Moscow, on the one hand, and Bombay/Delhi, on the other, are brought into the pool by the two carriers, and pooled revenue is shared equally between Air-India and Aero Flot.

However, the payments from one party to the other in settlement of pool accounts are limited to 5.0 per cent of the revenue brought into the pool by the paying partner.

During the year 1968-69, Air-India received payment of Rs. 10.59 lakhs in settlement of pool accounts. However, if the 'ceiling' on payments had not been applicable, Air-India would have received Rs. 38.08 lakhs.

2.31. During the negotiations in March, 1968, it was agreed that Air-India and Aero Flot will take measures to ensure that all traffic between USSR and India is distributed equally between the services of the two airlines.

Despite this agreement, Aero Flot continues to carry the major share of the traffic as they have not fulfilled the provisions of the March, 1968 agreement. Air-India will, however, make further attempts to secure its share of the traffic, at the meeting between the Government of India and the USSR to be held in November, 1969.

2.32. To a question what action the Corporation took to realise the payment of Rs. 87.72 lakhs from M/s. Aero Flot for the period from April, 1965 to March, 1968 and how is our arrangement with M/s. Aero Flot working, the General Manager, Air-India during evidence stated as follows :—

“They refused to pay that, they said that we have no pool arrangement. So the question of payment does not arise. All traffic in Moscow is controlled by Aero Flot. There is no system. We cannot go and solicit any passenger. We are not allowed to book any passenger. Our tickets are held by Aero Flot and they make out the tickets. So, it is upto them to do what they think proper.”

2.33. When asked if Air-India discontinued the service to Moscow then what would be its effect, the General Manager, Air-India stated :

“We have today Moscow to London route. You reach from Delhi to London *via* Moscow in about 9-1/2 hours time, whereas by the other route, we take about 12 to 15 hours or even 16 hours. We are getting good traffic direct from Delhi to London. Why should we lose that if it is profitable to us.”

2.34. During evidence the Secretary of the Ministry of Tourism & Civil Aviation stated about this route as follows :—

“A commercial agreement was first signed between Aero Flot and Air-India in June, 1958 which provided for sharing of the revenues earned by the two on the Delhi/Bombay-Moscow route on a mutually agreed basis. Between August, 1958 and March, 1965 Air-India as a result of the pool settlement, got about Rs. 96 lakhs from Aero Flot. This agreement was unilaterally suspended by Aero Flot in April 1965 and became in-operative until March 1968 when we had further discussions with the USSR authorities. Had this agreement not been

suspended, Air-India would have got about Rs. 87.7 lakhs from Aero Flot under the pool arrangement. They were dissatisfied with the fact that the adjustments were continually in our favour. The obvious reason was that Aero Flot exercises very strict control over traffic originating in USSR and we were just not able to get an equal share of the traffic though this was envisaged in the agreement. In March, 1968, we had discussions with them and a number of agreements were reached. The first was that all revenues in respect of passengers, cargo and excess baggage traffic carried by the two airlines between Moscow on the one hand and Delhi/Bombay/Delhi on the other would be brought into the pool by the two. It was then envisaged that the revenue would be shared equally. At the same time, it was also decided that the pool adjustment would be limited to 5 per cent of the revenue brought into the pool by either partner. Now Air-India was also allowed to carry 96 passengers upto UK per week in each direction (calculated separately for each summer and winter period) and the revenue in respect of these 96 were outside the pool. If Air-India carried more than 96, then the revenue for the excess would be brought into the pool by Air-India at the average traffic applicable for the Delhi/Moscow sector, would be brought in the pool. Unfortunately even this did not really work. We got some money as a result of the pool adjustment but this accounted in 1968-69 to only about Rs. 20.6 lakhs. If the 5 per cent ceiling had not been there, we would have got about Rs. 38 lakhs.

So, in November, 1969 we had further discussions in Moscow with the USSR authorities and it was then decided that the ceiling on the pool of 5 per cent would be suspended and we would share 50:50 until the end of April, 1970. Before that, there would be further discussions.

The present position is that the Corporation did manage to get this agreement that the revenues would be shared 50:50 until the next round of talks or the end of April 1970 whichever is earlier. We hopefully expect to get it."

To a question whether Air-India took reciprocal measures when M/s. Aero Flot of USSR broke the pooling arrangements from time to time, the Ministry of Tourism and Civil Aviation have furnished the following reply after evidence, vide their O.M. No. 13A/2-70, dated 25th February, 1970.

2.35. "The commercial pooling arrangement between Air-India and Aero Flot came into force in August, 1958. However, this arrangement

remained suspended during the period April, 1965 to March, 1968, due to disagreement between the two airlines in regard to the level of payments by Aero Flot to Air-India.

The pooling arrangement provided for revision of the sharing formula in case it adversely affected either party. Aero Flot had to make heavy payments to Air-India (about Rs. 96 lakhs) during the period 1958—65 and as such, they asked for revision of the method of sharing of revenues. A series of discussions were held between the two airlines. Since they failed to reach a mutually acceptable arrangement, this resulted in the suspension of the pool from April, 1965.

2.37. Since Aero Flot was carrying much more traffic than Air-India on the India-USSR route, Air India was not in a position to take any reciprocal measures against Aero Flot. However, during that period all that Air-India could do was not to submit the pool statements and try its best to attract larger volume of traffic on its services.

2.38. After the failure of talks at inter-airlines level, discussions were held in early 1967 by the Indian Embassy, Moscow with the concerned USSR authorities, in which it was particularly stressed that Air-India should get an equal share of the project traffic moving between India and the USSR. During his visit to Moscow in August, 1967, the Minister of Tourism and Civil Aviation had discussions with his counterpart in USSR and it was agreed that official level talks should be held early to sort out the differences existing between Air-India and Aero Flot. Accordingly, an Indian delegation led by the Secretary in the Ministry of Tourism and Civil Aviation, visited Moscow and held discussions with the concerned Soviet authorities. As a result of these discussions, the pool between Air-India and Aero Flot was revived effective from April, 1968. It was *inter-alia*, agreed in these discussions that:—

- (1) Aero Flot and Air-India will resume operating in pool on the route Moscow-Delhi from 1st April, 1968.
- (2) That the revenues earned in the operation of the route mentioned in paragraph 1 above shall be pooled and shared in the manner hereinafter laid down:—
 - (a) all the revenues earned from the direct passengers, excess baggage and cargo between Moscow and India and *vice versa*, shall be brought into the pool in accordance with the agreed tariffs.
 - (b) revenues earned from passengers, excess baggage and cargo shall be shared equally between Aero Flot and Air-India (50 per cent : 50 per cent), provided that the payments

made by either party to the other shall not exceed 5 per cent of the revenues brought into the pool by the paying party.

2.39. In the last round of discussions held in Moscow in the first week of December, 1969, it was agreed, as an interim arrangement, that the ceiling on pool adjustment shall be removed and all revenues would be shared equally for the period 1st November, 1969 till end of April, 1970, or conclusion of further talks, whichever is earlier.

After evidence the Corporation furnished further information as follows, *vide* their letter No. GM/14-37(A) dated 20th April, 1970:—

“The provision that payments made by either party to the other shall not exceed 50 per cent of the revenue brought into the pool by the paying party, which existed in the Air-India/Aero Flot from April 1968—October, 1969, is not peculiar to this pool. A similar provision also exists in other pool arrangements entered into by Air-India such as:

- (a) Air-India/EAAC Pool—ceiling of 5 per cent of the paying partners contribution.
- (b) Air-India/JAL Pool—ceiling of 2 per cent of the paying partners contribution or US \$150,000 whichever is greater.
- (c) Air-India/MEA Pool—ceiling of £ 2,000 per quarter or £ 4,000 per year.

This provision has since been deleted from the Air-India/Aero Flot agreement effective November 1969, following inter Governmental talks held in Moscow in December 1969 and in New Delhi in March/April, 1970”.

2.40. The Committee find “a Commercial Agreement” was first signed between Aero Flot and Air-India in June, 1958 which provided for sharing of the revenues earned by the two on the Delhi/Bombay/Moscow route on a mutual agreed basis. Between August 1958 and March, 1965 Air-India earned about Rs. 96 lakhs as a result of the pool settlement from Aero Flot. This agreement was suspended unilaterally by Aero Flot in April, 1965 and became inoperative until March, 1968. Owing to the fact that Aeroflot was dissatisfied with the fact that the adjustments were continually in our (Air-India) favour. When further discussions with U.S.S.R. were opened as a result of the suspension of this agreement Rs. 87.7 lakhs could not be recovered from Aeroflot under the pool arrangement. In March, 1968 a number of agreements were reached between Air India and Aeroflot according to which it was decided that all revenues in respect of passenger, cargo and excess baggage traffic carried by two Airlines should be brought into the pool by

the two and that the revenues could be shared equally. At the same time it was also decided that pool adjustment would be limited to 5 per cent of the revenue brought into the pool by the two partners. Air India was thus allowed to carry 96 passengers upto U.K. per week in each direction (calculated separately for each summer and winter period) and the revenue in respect of these 96 were outside the pool. If Air-India carried more than 96 passengers then the revenue of the excess would be brought into the pool by Air-India at the average traffic applicable for Delhi-Moscow Sector. Unfortunately even this did not work. Air India got only Rs. 20.6 lakhs in 1968-69. If the 5 per cent ceiling had not been there they would have got about Rs. 38 lakhs. Again in November, 1969 it was decided with the U.S.S.R. authorities that the ceiling on the pool of 5 per cent would be suspended and Air India and Aeroflot would share 50:50 until the end of April, 1970 before that further discussions would take place.

After examining the whole issue the Committee feel that the history of the India/USSR route has been very unfortunate in the sense that Air India has never been able to get its proper share of traffic and revenue. Air India could neither operate freely nor could get its reasonable revenues. The Committee think that the pooling arrangement did not serve the best interest of the Corporation. The Ministry of Tourism and Ministry of External Affairs should endeavour to protect the commercial interest of Air-India by helping them to work in a new pooling arrangement satisfactorily in future.

(E) India/East Africa route

2.41. The frequency on this route continued to be maintained at three services per week, including the Bombay/Nairobi non-stop service introduced in October, 1966. The sector has so far been profitable.

2.42. Regarding this route, the Committee on Public Undertakings in their 21st Report (1965-66) (Third Lok Sabha) had recommended as follows:—

“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.”

2.43. It is seen that other Airlines, BOAC, Lufthansa, KLM, etc. have a net work of routes connecting south and west Africa. Flights of some of the Airlines touch some important stations in Africa e.g. Khartoum, Accra, Dar-es Salam, Salisbury, Lusaka, Johannesburg, Kampala, Lagos, Blantyre etc.

2.44. To a question whether Air-India has made any study to introduce some other stations of South and West Africa on the route, the Corporation has stated that they have conducted market survey of some stations, the position of which is as follows:—

Kampalas:

Air-India had conducted a market survey of Uganda and on the basis of the findings of the Survey Report, Air-India commenced operations to Entebbe (Kampala) in Uganda effective October, 1968.

Dar-es Salaam and Lusaka:

Recent survey of Dar-es-Salaam and Lusaka revealed that extension of one weekly Nairobi service to Dar-es-Salaam will not be profitable. Operation to Lusaka, however, indicated profitability and Air-India is planning to extend one weekly service to Lusaka as early as possible subject to satisfactory conclusions of a commercial arrangement with Zambia Airways and clearance from the Zambia Aeronautical authorities.

Blantyre:

At present, the Airport of Blantyre is not technically suitable for operation of B-707 services. Therefore, it is not possible for Air-India to operate to Blantyre till such time as the Airport is suitable for B-707 operation.

Accra, Labos and other points in West Africa:

A preliminary survey revealed that it would not be profitable for Air-India to operate to these points. Air-India, however, will examine the possibilities of operating to the above-mentioned points in future.

Salisbury and Johannesburg:

In view of the substantial Indian traffic residing in South Africa and Rhodesia, Air-India may stand to benefit if it operates to points like Johannesburg and Salisbury. However, due to political reasons, it is not possible for Air-India to introduce the service to either Salisbury or Johannesburg.

2.45. Under the five year plan of Air-India it is planned to increase Air-India's frequency of operation on the India/East Africa route from 3 flights a week to 4 flights a week in 1971-72 and in 1973-74, it is planned to step up the frequency on the route.

It is possible that Air-India may extend its services to West Africa, if the traffic justifies such extension.

2.46. The Committee reiterate their earlier recommendation that Air-India has not been able to open new stations in this region. If new stations are opened after careful traffic survey 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 independence 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.

This Committee recommend that as soon as Air-India's Boeing 707 aircrafts become surplus from the India/UK route after the acquisition of Jumbo-Jets, the Corporation should utilise some of those aircrafts for opening new routes and touching some important stations in East/West Africa keeping in view the popularity of the stations touched and the profitability of the sector.

(F) Fleet

2.47. The Corporation's fleet consisted of 9 Boeing 707 jets as under:—

Model 707-420	5
Model 707-320B	3
Model 707-320C	1

The fleet was augmented further when the tenth Boeing 707-320C was delivered to the Corporation in August last year.

(G) Acquisition of Jumbo Jets

2.48. It has been stated that the main development during the Fourth Five Year Plan period commencing from April, 1969 will be the introduction of large capacity Boeing 747 aircraft into the fleet of the Corporation. With Government's approval, two 747 aircraft (Jumbo Jets) have been ordered for delivery during March/April, 1971. The 747 is a large capacity 350/400 passengers in exceptionally spacious and comfortable conditions and in addition has enormous cargo capacity. Not only it is expected to be extremely popular with the travelling public, it is expected to be exceptionally economical in operation because of its size and fuel economy.

2.49. With just a fleet of two 747s, there would be no flexibility in the operations and it is also not possible to cover the Air-India's blue-ribbon route the India/UK, on a daily basis; similarly the Corporation will not be able to have a daily service to USA. It is, therefore, essential for

the Corporation to augment its fleet of 747 aircraft by addition of at least 3 more aircrafts to the following delivery schedule:

For delivery during	Outlay		Estimated payments during the Fourth Plan	
	Total cost	Foreign exchange	Total	Foreign exchange
	(Rupees in crores)			
Third 747 1st Quarter of 1972/73	29.50	26.25	29.50	26.25
Fourth 747 1st Quarter of 1973/74	24.60	22.50	24.60	22.50
Fifth 747 1st Quarter of 1974/75	21.70	20.25	9.63	9.63
	75.80	69.00	63.73	58.38

2.50. The Corporation expects to be able to repay the bulk of the loans taken for the first two 747s and for the three additional aircrafts to be acquired hereafter out of its own earnings both in rupees and foreign exchange. Government will, however, be requested to furnish to the Corporation, some time in 1970-71, additional capital of about Rs. 15 crores to enable it to maintain an acceptable overall Debt/Equity ratio.

2.51. The decision to purchase Boeing 747 "Jumbo" aircraft is in accordance with the policy Air-India has consistently followed of offering the travelling public the best possible service with the most advanced type of aircraft available at any given time. This policy has enable the Corporation upto now to grow and operate at a profit in the face of severe world-wide competition.

2.52. As regards airport facilities, the Government appointed a Committee under Chairmanship of Shri J. R. D. Tata, to consider the requirements of the four International Airports in India in the context of the introduction of large capacity jets and high speed Supersonic aircraft. The Committee has submitted its report to the Government.

2.53. It has been further stated that at no time in the past has a policy decision in regard to the purchase of new aircraft been more difficult than today with the industry poised on the threshold of a new era. During the next five years, three entirely new types of aircraft will appear on the world's air routes; the large capacity, long range, four engined subsonic aircraft represented by the Boeing 747, two slightly smaller medium range, high capacity three engined aircraft represented by Douglas DC-10 and the Lockheed 1011, and two relatively small supersonic aircraft—the Anglo-French Concorde and the Russian TU-144. Because the Boeing 747 will be the first in operation, it will attract a major share of the world's long

range international traffic, and will be well suited to Air-India's India-UK-USA Blue Ribbon route. The Corporation has selected this aircraft as the first step in its future fleet replacement programme. During the next year or so, difficult decision will have to be taken in regard to the second step in this programme, in which the choice will lie between (a) continuing the process of replacing 707s with 747s, (b) limiting the 747s to the India-USA route and acquiring smaller three engined medium range "Jumbos" for routes of lower traffic density, and (c) acquiring the Concorde, for which the Corporation has reserved two delivery positions. A year ago, the Corporation had tentatively decided to postpone its entry into the supersonic field until the advent of the larger and more economical American SST which was expected to follow the Concorde after only about two years. As the time gap is now likely to be as much as five years, the previous decision will need to be carefully reviewed. Because of the limited foreign exchange resources at its disposal, and because of the relatively poor operating efficiency and economy of a very small fleet of any single aircraft type, it is clear that, unlike some of the world's largest operators, Air-India cannot go in for all these types and will have to make a most difficult choice. The matter is under close and detailed examination, by the Corporation's Management and Board. . . Whatever the ultimate decision, it is clear that with the Boeing 747 and the Concorde costing some Rs. 15.00 crores (\$20 million) a piece, and the DC-10 and Lockheed 1011 about Rs. 11.25 crores (\$15 million) exclusive of spares which will account roughly for an additional 33 per cent, a very large investment on flying equipment ranging upto Rs. 200 crores or even more, wholly in foreign exchange, will require to be made during the next ten years, if Air-India is to maintain its present growth rate on the basis of which its operations are expected to double every five or six years.

2.54. In reply to a question how many Boeing 747 Jumbo Jets would be required by Air-India to cater for the India/UK/USA route, it has been stated that Air-India would require a minimum fleet of 4 Boeing 747 Jumbo Jets to operate a daily service on the India/UK/USA route. On the basis of the present plans of acquisition of additional Jumbo aircraft, Air-India intends to operate a daily 747 service on the India/UK/USA route in 1973-74.

2.55. To a question why has it been decided to purchase 4 Boeing 747 Jumbo Jets during the Fourth Plan period and will it not be economical to go in for 2 Boeing 747 and 2 smaller Jumbo Aircraft or Anglo-French Concorde which could also operate on medium range routes.

2.56. The Secretary of the Ministry during evidence stated as follows:—

"We placed order for 2 Jumbo Jets to be delivered in March-April next year. We are going to have a 3rd in March or April of 1972. The

4th one in 1973. We have to remain competitive and we must have new type of aircraft. Otherwise it is not possible for Air-India to compete in the cut throat business of Airlines. In operating service to UK and USA we must have a minimum of four 747s. Otherwise, it is not possible to have a viable fleet. There should be flexibility for operations. We have examined this matter and consider that a minimum of four 747s ultimately at the end of the 4th Plan is the minimum Air-India will require.

2.57. In regard to medium range Jumbos, I presume the reference is to Lockheed 1011 and DC-10. We might have to consider this in the 5th Plan when operating various other routes. The shorter range Jets will be of use in routes terminating in Europe or Africa. But no decision has yet been taken on this in regard to acquisition. Air-India has thought about this, but has not crystallised its plans yet."

2.58. As regards the progress of preparations at the four aerodromes (Delhi, Bombay, Calcutta and Madras) to receive the Jumbo Jets, the General Manager, Air India during evidence stated as follows:—

"Personally, I doubt very much. By the time Jumbo Jets come, that is in 1971, probably Delhi will be ready. I do not know about Bombay; whether the facilities will be ready or not, because nothing has been started there so far on the ground. As far as technical facilities are concerned, excepting the widening of runways, there is no other technical requirements required for Jumbos. If the terminal facilities are not there, then there is bound to be some chaos."

2.59. During evidence, the Director-General, Civil Aviation explained the position in the matter as follows:—

"A Committee was appointed in 1968 and the interim report came in April, 1969. Those recommendations were examined by the Government and approved and detailed plans were prepared and implementation had started. Right now works are in progress; by June extension to the existing international terminal will be completed; by November, the extension to the domestic side of the present terminal at Delhi will be completed. In Calcutta, the work had been completed and opened on the 23rd of January, 1970 by the Minister. As a result of the interim report, the original plans for the Calcutta international airport were modified to meet the requirements of the Jumbos because these plans were finalised in 1960. Construction commenced in 1962. Things about the Jumbos became clear only in 1967 and

so we incorporated some modifications and completed them. In Madras workers have already started on interim modifications and expansion of the existing terminal."

2.60. The sanction about Bombay was given in October last year. From the time the sanction is accorded so many formalities are to be complied with, namely, preparation of preliminary estimates, preparation of final estimates, calling of tenders and after tenders are accepted giving about three weeks' time to the contractor chosen to collect material, etc., and to start construction. So, we expect to start it in the first week of February and complete it by March or April, 1971.

2.61. The Jumbos will arrive in Delhi in March or April. They will arrive in Calcutta in May, 1971 and operations *ex* Bombay will start in April 1971, and in Madras not before 1972. The interim modifications to the existing terminals at Delhi, Madras and Bombay will be ready by the time the Jumbos start operation at these places. The Pan American Jumbo aircrafts are expected in Delhi in April this year. Operationally, navigation facilities wise and communication facilities wise we are ready; in fact, we are always ready at the four international airports. It is only in connection with the terminals that the capacity is not really adequate if more than one Jumbo is to land at about the same time. In Delhi the international wing will be ready by April or May but we are trying to expedite it to be completed before April."

2.62. During evidence, the Secretary of the Ministry stated as follows on the subject:—

"You have seen the report of the international Airports Committee known as the Tata Committee for short. There was an interim report and then a full report.

As far as terminal buildings are concerned we have taken action and Rs. 4.26 crores had been sanctioned for the extension of runways, taxiways, apron, etc. This includes about Rs. 3 crores for Bombay, Rs. 68.5 lakhs for Calcutta, Rs. 52.5 lakhs for Delhi and Rs. 8.40 lakhs for Madras. In addition about Rs. 6 crores are in the process of being sanctioned. The interim recommendations on the question of terminal buildings have been accepted by the Government and only on the 23rd of this month, the Minister opened the new international terminal building at Dum Dum airport, Calcutta.

On the 27th November, 1969, a decision was taken by Government to set up an independent airport authority. This is being pursued; legislation will have to be drafted and placed before Parliament. Action is being taken on those lines."

2.63. If I may say so, with respect, no airport in the world is probably completely ready for Jambo Jets. Almost at every airport, the terminals require modifications. I accept that the work should proceed apace but this is a completely new technology and probably before you can really complete a terminal building it may be out-of-date because of the tremendous upsurge of technology. What we are now trying to do is to break away from the concept of just building on the old lines because by the time they will be completed at a cost of crores of rupees, something else will happen in the civil aviation field and they will be out of date. So, we are planning ahead and are trying to associate some of the best brains in the world in this line with our thinking. You might remember that some time back Mr. Buck Minster Fuller was here. We are having discussions with him because we want to have functional terminal buildings which would lend themselves easily to expansion as new developments take place. We are actually considering a thing called the geodetic dome. This is a structure which is put up without internal supports. You can add to it as your passenger traffic increases and you do not have to acquire vast areas of land for terminal buildings which cost enormous sums of money. We have also approached the United Nations Development Programme for experts in this field. So, we are trying to plan ahead and are really trying to look ahead in this matter. It may appear that nothing is ready right now in the sense that new terminal buildings are not there but as I submitted earlier no country in the world, including perhaps Kennedy Airport in America, is really ready. If all of a sudden you get a number of Jumbo Jets, at the same time, I think, there will be a good deal of confusion."

2.64. The Committee note that in order to remain competitive and to offer a new type of aircraft, Air India is acquiring a fleet of 4 Boeing 747 Jumbo Jets to operate a daily service on the India/U.K./U.S.A. route. The aircraft are stated to be more spacious, comfortable and would have large cargo capacity. The Committee, however, suggest that the Corporation should do careful planning of the utilisation of the aircraft and introducing frequencies of service on the route to draw sufficient traffic for the bigger aircrafts.

2.65. The Committee are concerned about the preparations at the four airports for the jumbo jets. The Jambo's will begin flying in March, 1970 and Air India's jumbo jets will arrive in March, 1971. The Committee recommend that the work at the airports should proceed fast. The runways, parking bays, terminal buildings, facilities and amenities to passengers, servicing, facilities to aircrafts should be augmented and improved at the four international airports at Delhi, Bombay, Calcutta and Madras without any loss of time. The question of re-designing these airports to provide suitable

facilities, not only for jumbo jets used by Air India, but also those that are likely to be used by other foreign airlines calling at these airports should be borne in mind.

(H) Undercutting in Fares

2.66. It has been stated by the Corporation that :

- (i) Some of the Airlines continue to resort to undercutting of specified IATA fares.

In respect of undercutting on IATA fares from India to U.K. for emigrants, this problem was to a large extent solved by establishing an emigrant fare from India to U.K. by the Government of India.

- (ii) Air-India on its own has in the past continuously pressed IATA to increase its compliance activities. When Air India, become aware of a particular type of illegal rebating by carriers, they alert the IATA Compliance machinery. As a result of more rigorous compliance activities, heavy fines have been levied on some of the carriers operating to and from India for illegal rebating. This has, however, not resulted in complete elimination of illegal rebating.

- (iii) Air India has also recommended to Government to introduce legislation to empower Government to deal with malpractices by carriers exercising traffic rights in India.

2.67. During evidence the Committee wanted to know the details about the illegal rebating given by certain airlines and how that could be eliminated. The General Manager, Air India stated that IATA fined some Middle East Airlines which indulged in undercuttings, but the penalty imposed was far less than the earnings made by the Airlines. He further stated that Air India, IATA and others were aware that some Middle Eastern carriers were largely indulging in undercuttings, but there was no proof and without proof no body could take any action.

2.68. To a question what efforts Air India would recommend to stop it, the General Manager, Air India stated as follows:—

“In America they have a machinery whereby they find out whether the Airlines operating into America are violating the country's rules and regulations and various practices and if they find out that any Airlines is not following the rules they fine them. They have both executive and judicial

function. They find out a thing and they fine them also. There they have that sort of machinery. I see no reason why we should not have such a machinery."

2.69. The witness, however, stressed the fact that the Government must take positive steps to stop the undercutting which should be done very carefully since whatever steps the Government would take against any of these Middle Eastern Airlines, the same steps were likely to be taken by their Governments against Air India as a retaliatory measures, irrespective of whether Air India had committed any offence or not. He further explained that in Airlines business, undercutting had almost become a way of life, because there was too much capacity provided in the aircrafts than there were passengers. It was a question of pure supply and demand theory.

2.70. Regarding undercutting in fares, the Secretary of the Ministry during evidence stated as follows:—

"We have no specific machinery in the sense of any such arrangement, but we have decided to incorporate a new rule in the Aircraft Rules of 1937 so as to make it obligatory for all airlines operating through India to submit tariffs to the Director-General of Civil Aviation. This rule will also contain provisions for the imposition of adequate penalties for violation. A draft to this effect has already been submitted to the Law Ministry for examination. We propose to amend the rules as quickly as possible.

I agree entirely with you that it is a serious problem and we are losing much revenue. This is an aspect which should be carefully looked into."

2.71 The Committee are much concerned about the heavy loss of revenue being sustained by Air India due to undercutting in fares by some airlines. They recognise the necessity of setting up of a Government machinery to keep a watch on the observance of the Rules and Regulations by foreign airlines to check this malpractice, as exists in USA,

"Undercutting had almost become a way of life in Airlines Business" owing to the existence of surplus capacity in the aircrafts compared to the passengers. The Committee would, therefore, suggest that any drastic step to prevent undercutting if adopted, should be taken with great caution to safeguard against retaliatory measure against Air India. The Committee note the recent decision to amend the Aircraft Rules of 1937 making it obligatory for all airlines to submit tariffs to DGCA and to impose penalties

for violation. They would like the Government to consider the setting up of a machinery as in U.S.A. to ensure observance of the Rules and Regulations by foreign air-lines and to punish the violation. The Committee would like to watch the follow up action taken and results achieved in pursuance of this decision.

CHAPTER III

TRAFFIC

(A) Load Factor

3.1. The load factor is considered as the best criteria for assessing the size of the operations of the Airlines. The following table shows the (i) passenger load factors and (ii) overall load factors achieved by some leading international airlines companies during the last three years.

Statement showing load factors of some leading foreign airlines:

Particulars	Fiscal Year	Air India Fiscal Year (APR./ MAR.)	BOAC Fiscal Year (APR./ MAR.)	Qantas Fiscal year (APR./ MAR.)	KLM Fiscal Year (APR./ MAR.)	Panam Calendar Year (Jan./ DEC.)	TWA Calendar Year (Jan./ DEC.)	Swiss-air Calendar Year (JAN/ DEC.)
		%	%	%	%	%	%	%
1. Passenger Load Factors	1965-66 . . .	47.4	56.6	56.1	53.3	57.9	54.6	54.7
	1966-67 . . .	47.0	60.4	55.8	54.8	64.1	54.4	55.8
	1967-68 . . .	46.0	N/A	N/A	N/A	61.3	56.1	56.7
2. Overall Load Factor	1965-66 . . .	48.7	51.9	51.6	55.0	53.3	44.7	53.6
	1966-67 . . .	49.5	54.0	50.7	60.3	60.3	45.0	55.4
	1967-68 . . .	48.0	N/A	N/A	57.2	57.2	45.3	55.0

3.2. The above table shows that Air India's load factors during the last three years has been lower than that of the other foreign airlines.

3.3. It has been stated by the Corporation but for the 'P' form restrictions on travel abroad, a much larger number of Indians would have travelled on Air India. This traffic would have not only helped in the immediate revenue returns of the Corporation, but given us greater support for future growth. As is well known, most international airlines depend on their ethnic traffic as their mainstay of which Air-India is deprived due to the restrictions on travel from India.

3.4. On Air-India taking up with the Reserve Bank, a minor relaxation was introduced in the 'P' form regulations permitting passengers a brief stopover during their travel. This relaxation will not, however, lead to any substantial increase in traffic and we would once again suggest for consideration whether it is not possible to relax the present restrictions by granting a small sum say £150.00 per person for a period of 2 to 3 years. A moderate relaxation in some such form would be well worth considering.

3.5. The Corporation has further stated that as per IATA statistics the load factors achieved by Air-India and the IATA members on international services are as follows:—

Year	Air-India	International Airlines
1965	48.8	53.8
1966	49.8	53.8
1967	49.8	51.9
1968	50.7	N.A.

The Corporation agree there is room for further improvement in the load factor. However, there are certain difficulties which must be resolved before this can be achieved. They are:—

- (a) There is severe competition from an increasing number of foreign air carriers operating to and through India.
- (b) Ethnic traffic forms the basis of profitability for any national carrier. However, due to the restrictions put on travel by Indians, Air-India do not have the advantage of a big ethnic market.

- (c) Further, Air-India would secure a larger share of the air travel market and thereby, improve the load factor presently achieved if the 'Bonus Scheme' for attracting Indian nationals paying their fares in foreign exchange on the London/India route is introduced by Government. Despite the low load factors achieved by Air-India, its margin of profit is higher than the industry average.

While comparing the load factor achieved by Air-India with the load factor achieved by international airlines, it is necessary to bear in mind the size of the aircraft used by various airlines.

Air-India's fleet consists of the Boeing 707 aircraft, whereas many other airlines have a mixed fleet which includes aircraft of smaller size. It is well known that aircraft of a smaller size will achieve higher load factors than larger aircraft. Therefore, one of the reasons for Air-India's load factors being lower than that of the Industry's is that Air-India has been operating with B 707 aircraft.

3.6. While assessing the load factor achieved by Air India, it is also necessary to keep in mind the percentage increase in capacity operated by Air India as against other carriers.

3.7. During evidence, the Committee enquired whether the Corporation had brought to the notice of the Government its difficulties to improve the load factor. The General Manager, Air-India stated that Air-India suffered from the lack of ethnic traffic. They had taken up with the Government for relaxation of traffic restrictions which were there. They wanted relaxation in the 'P' form restrictions as fast as possible. If these were done away with, a large number of Indian travellers would travel and Air-India would get its share.

3.8. The General Manager, Air-India further stated that they should be careful in seeking the help of Government in making restrictions on Indian traffic rather than liberalising them. If our Government imposed restrictions than every other country could also make such restrictions and even a company like Air-India would suffer more than any other company because they were mainly at the stage of fifth freedom carrier. They had to be a little careful when they asked the Government to impose restrictions.

3.9. To a question whether it was possible for the Government to relax the present restrictions on travel abroad by granting a small sum of about £150.00 per person for a period of 2 or 3 years, the Secretary of

the Ministry said in his evidence that the question of £150 being given or not is a question of overall economic policy and it was not really a matter on which the Ministry of Tourism and Civil Aviation could comment.

3.10. The Committee now understand that the Government have removed certain restrictions on travel abroad. Travellers going to foreign countries for the first time and those who have not gone out of the country for three consecutive years no longer need to get 'p' forms. They would be released a foreign exchange to the extent of \$100 if travel is by Air India. The Government have also introduced a bonus scheme for attracting Indian national to travel by Air India on the London/India route. The Committee hope that the Corporation would take the maximum advantage of these relaxations and it would lead to a substantial increase in traffic load of Air India.

(B) Technicians Traffic

3.11. During evidence the Committee pointed out that the bulk of the traffic on India/USSR route was of the large number of technicians that India employed on the Soviet based public sector factories in India. The other traffic was the large number of technicians that India sent for training purposes to USSR for working in the Soviet-based undertaking and enquired how this technicians traffic was shared between Air India and M/s. Aero Flot of the USSR.

3.12. The General Manager, Air India stated that he did not have the exact figures; but by and large, most of the technicians used to travel by Aero Flot. Firstly, they had insisted that the technicians would travel by Aero Flot alone. In the last agreement in March, 1968, Air India insisted that at least technicians should be divided 50:50 and Aero Flot agreed, but somehow it did not work and the balance remained in their favour. Now in the latest agreement in November, 1969, Air India had got this 50:50 sharing which should be satisfactory if it could be brought on a permanent footing. When asked who was paying for the travel of these technicians, the witness stated that they were not aware of the terms and conditions.

The Corporation has also furnished the following information *vide* their letter No. GM/14.37(A) dated 24th April, 1970:—

“A reciprocal arrangement exists between Air-India and Aero Flot in respect of ticketing of passengers, freight and baggage. This arrangement requires Air-India to ticket traffic on behalf of Aeroflot in India and requires Aero Flot to ticket traffic on behalf of Air-India in USSR. Aeroflot are not permitted to hold ticket stocks and therefore do not issue tickets in India unlike other foreign carriers who are permitted to do their own ticketing in India.

However, in the matter of advertising and direct selling, Air-India are not permitted to advertise and sell directly in the USSR. This restriction applies to all foreign carriers operating in the USSR. On the other hand, Aero Flot are in a position to Advertise and sell in India. In India, it would be impossible to implement any controls which would prohibit Aeroflot from soliciting a passenger. Inherent differences in operating under a controlled society and a democratic society cannot be completely removed.

Moreover, the major proportion of the traffic moving between India and the USSR consists of Government project and technical traffic which in most cases originates in the USSR. They hold return tickets issued by Aero Flot in the USSR. Air-India is, therefore, not in a position to solicit this traffic. In fact, even project traffic originating in the USSR and paid for by the Indian Government is at times not available to Air-India. We had emphasised to the Government that a clause should be provided in Agreements with the USSR that project traffic should move on the services of Air-India and Aero Flot on a 50:50 basis."

3.13. The Committee further enquired whether Air India represented to the Government that it was right and proper that in certain agreements there should be mentioned that 50% of technicians traffic should be carried by Air India, the General Manager, Air India stated that the Corporation had pressed the Government that traffic on all such agreements, if India paid, should travel by the national carrier, if not all, at least 50:50.

3.14. The General Manager, Air India, however, informed the Committee that in technicians traffic the total amount earned by Aero Flot would go on the pool and 50:50 shared irrespective of the number of people who travelled.

3.15. The Committee then discussed the question of technicians traffic with the Secretary of the Ministry of Tourism and Civil Aviation and enquired whether the Government had issued instructions to various Ministries that in all agreements signed with foreign countries, there should be a clause that technicians traffic should be shared on 50:50 basis. The Secretary of Ministry stated as follows:—

"There must be misapprehension because instructions have already been issued that where Government funds are involved, the travel must be by Air-India. In our agreements, with foreign

countries/firms, we insist on this. Unfortunately, in some cases where we cannot enforce—e.g. in the case of the Russians, they insisted that Aero Flot should be given a share and in the case of the West German technicians, Lufthansa insisted on their share—we have had to allow them a fair share of the traffic.”

3.16. To a question whether those instructions were being followed by the Ministries and whether there was a machinery in the Civil Aviation Ministry to keep a check on this and see that it was implemented, the Secretary of the Ministry stated that they were not sure of it and they would enquire and furnish the information to the Committee.

3.17. On being questioned further whether there was any fear that if Air India insisted on this condition, the other side also might issue the same instructions, the Secretary of the Ministry stated as follows:—

“No, this is only for technicians’ travel. After all, it is Government of India which is bearing the cost. There is a very good case for it. But, where they have insisted—I quoted two examples—it would not be proper to break negotiations on this account. Therefore, we had to agree to it.”

3.18. After evidence, the Ministry of Tourism and Civil Aviation have furnished the following note in the matter:

All travel of foreign experts and technicians obtained under the various foreign Aid Programmes, where Government funds are involved, has to take place on Air India. This is the general rule. Necessary instructions to this effect are contained in the Office Memoranda of the Ministry of Finance (Department of Economic Affairs). (Appendices II to IV).

3.19. However, in certain cases, at the instance of the foreign Governments concerned, instructions have been issued for sharing of travel costs of technicians, with foreign airlines, example being Aero Flot for Russian technicians and Lufthansa for German technicians. This has had to be done because the foreign Governments concerned insisted that their national carrier must have a share in the travel arrangements of the technicians.

3.20. So far as this Ministry is concerned, a clause is included in the bilateral Air Services Agreements which the Government of India has entered into with foreign countries, which lays down that there should be fair and equal opportunity for the carriage of traffic between India and the country concerned (including technicians traffic).

3.21. In regard to the technicians traffic between India and USSR, the Protocol signed in March, 1968 between the delegations of India and USSR specifically provides that the carriage of Soviet Specialists working on contract in India and the members of their families, paid for by an Indian organisation, in accordance with the contract, either directly in rupees or under credit offered to India by the Soviet Union, will be performed on Aero Flot and Air India, taking into consideration their preferences.

3.22. It is further provided that Aero Flot and Air India will strive towards ensuring that the carriage of these specialists is made in equal proportions. This arrangement was reiterated during the Inter-Governmental talks held in New Delhi between the delegations of India and the USSR in November, 1968.

3.23. The Committee has found the sharing of technician traffic between Air India and Aero Flot has been a matter of controversy. The Secretary of the Ministry by giving evidence, explained to the Committee that generally Government insists that the technician traffic whose travel costs are paid out of Government funds do travel by Air India. He said, "Instructions have already been issued that where Government funds are involved, the travel must be by Air India. In our agreement with foreign countries/firms we insist on this. Unfortunately, in some cases where we cannot enforce, i.e., in the case of Russians they insisted that Aero Flot should be given a share and in the case of West German technicians, LUFTHANZA insisted on their share, we had to allow them a fair share of the traffic."

The Committee finds that there is no proper machinery to check and ensure that the instructions of the Government were fully implemented.

From the statement of the General Manager of Air India, we find this sharing of technician traffic between Air India and Aero Flot has in the past been to the detriment of the Air India. The General Manager stated in evidence: "By and large, most of the technicians used to travel by Aero Flot. Firstly they had insisted that the technicians should travel by Aero Flot alone. In the last agreement in March 1968, Air India insisted that at least technicians should be divided 50:50 and Aero Flot agreed, but somehow, it did not work and the balance remained in their favour. Now, in the latest agreement in November, 1969 Air India had got this 50:50 share which should be satisfactory if it could be brought on permanent footing."

Air India has further explained in a note that "a reciprocal arrangement exists between Air India and Aero Flot in respect of ticketing of passengers, freight and package. This arrangement requires Air India to ticket traffic on behalf of Aero Flot in India and requires Aero Flot to ticket traffic on

behalf of Air India in U.S.S.R. Aero Flot are not permitted to hold ticket stocks and therefore, do not issue tickets in India unlike other foreign carriers who are permitted to do their own ticketing in India."

"Moreover, the major proportion of the traffic moving between India and USSR consists of Government project and technical traffic which in most cases originates in the USSR. They hold return tickets issued by Aero Flot in the USSR. Air India is, therefore, not in a position to solicit this traffic. In fact even project traffic originating in the USSR are paid for by the Indian Government is at times not available to Air India."

The Committee has noted the difficulties Air India is facing with regard to getting its agreed share of 50 per cent of the technician traffic as explained above. This is largely due to the fact that Return Tickets are being issued at Moscow. There is still another factor which stands in the way of Air India getting its agreed 50 per cent share of the technician traffic which was pointed out by the Secretary himself that the sharing of the technician traffic and their families is to be done "taking into consideration their preferences," whether they would like to fly by Aero Flot or Air India.

3.24. The Committee feels that these two factors viz :

The issue of the Return Ticket at Moscow at the originating point of the traffic and the provision that the preferences of the technicians and their families who were to be taken into account whether they would fly by Aero Flot or Air India will ultimately defeat the agreement of getting for Air India 50 per cent of the technician traffic which is being paid by the Government of India or by the undertakings.

The Committee would like that the Ministry and Air India should sort out these two factors and should ensure to keep a watch that Air India does get the 50 per cent of the technician traffic as agreed to between the two Governments.

There is a Pool Agreement between Aero Flot and Air India and in the past this arrangement has broken down primarily because Aero Flot felt that Air India was not bringing in enough revenue to the pool and each time Aero Flot had to fork out payments to

Air India. The Committee has noted that Air India operates at a disadvantage and that is why they have been failing to bring to the pool as much of revenue as the other party has been bringing. The factors which have inhibited Air India in this respect are :

1. The Problem of Air India getting the agreed share of 50 per cent of the technician traffic as explained above (Para 2.12).
2. Air India is not permitted to solicit traffic in U.S.S.R. whereas there is no reciprocal restriction on Aero Flot in India. Air India is not permitted to advertise and do direct selling in USSR, because that is the general restriction applied not only to Air India but to all foreign Airlines operating in USSR. On the other hand Aero Flot is placed in advantageous position that it is in a position to advertise and sell in India as this freedom is available not only to Aero Flot but other foreign carriers operating in India.

Air India points out : "Inherent differences operating in controlled society and a democratic society cannot be completely removed." On the other hand the Committee has noted that Aero Flot gets the advantage through crediting to the pool earnings even from passengers going from Delhi to U.K. via Moscow on such passengers above 96 numbers as explained at para 2.34.

The Committee would, therefore, like the Ministry to take special note of the disadvantages that the Air India is suffering and to resolve it as best as it could be.

The Committee would like that the Ministry should have machinery to check as to how far the instructions that the traffic paid by Government of India or the Undertaking to travel by Air India are being followed by the concerned authorities.

3.25. Air-India have submitted a letter detailing the arrangement and procedure followed in sharing of German technician traffic between Air-India and Lufthansa which is reproduced as appendix VI. The Committee feel that the procedure followed to ensure that the sharing took place at 50:50 basis was fair and has worked satisfactorily since 1962. The Committee feel that Air India/Ministry ought to have adopted some such procedure to ensure a fair share of 50 per cent to Air India in respect of 50 per cent share in technicians traffic between Air India and Aero Flot. However, the Committee noted that in view of the latest revised agreement of pool and sharing on 50:50 basis between Air India and Aero Flot, the share of technician traffic agreement has lost its importance.

(C) Charter Flight

3.26. The Corporation operated a number of charters, the revenue from which was Rs. 124.48 lakhs in 1967-68 as compared to the revenue of only Rs. 24.59 lakhs in 1966-67.

3.27. It is seen that the Revenue potentialities from the chartered flights are quite high and with the growth of tourist traffic year after year, it is expected to increase.

3.28. In reply to a question whether Air-India has formulated any plan to undertake more charter flights in the next few years, the Corporation have stated that the question refers to the big revenue potential of tourist charters. This presumably refers to the non-IATA, non-affinity charters being operated largely by supplemental carriers.

Air-India being a member of IATA, cannot undertake charter operation on the same basis as non-IATA carriers and as such could not be very active in this field. However, the Corporation is planning to set up a subsidiary to tap the tourist charter market. Air-India is quite alert to the potential obtainable from the charter market and has largely intensified its efforts, particularly in the UK market, with a view to have an increased tempo of charter activities on this route.

3.29. During evidence the Committee pointed out that foreign companies were arranging a lot of chartered flights to our country, while Air India did not have a large share. The General Manager, Air India stated that chartered flights could be under IATA rules and Air India also carried charters from place to place on various sectors and routes. But the Department of Tourism wanted that Air India should allow other companies also to bring in charters into India and therefore Air India allowed 100 charters to be brought by other companies as well. Air India did charter business to the tune of roughly Rs. 81 lakhs. Air India proposed to have a subsidiary company for charter flights. An amendment would come in the next session of Parliament to the Corporation Act to this effect. Secondly when Air India got Jumbo Jets, they would have aircrafts available for charter flights. Air-India would then have a subsidiary company for non-IATA charters not only for passengers but freight also. The Corporation have submitted a complete proposal for this purpose.

3.30. The Committee are happy to note that the Corporation are alert to the revenue potentialities from the Charter market and note the Corporation's proposal for setting up a subsidiary company for non-IATA Charters.

(D) Coordination between I.A.C. and Air India for traffic

3.31. During the course of evidence, the Committee enquired about the state of coordination that existed between I.A.C. and Air India and whether the Corporation was getting sufficient response from the Indian Air Lines for traffic. In reply the General Manager Air India stated as follows:—

“To a certain extent. I must accept that we have not pressed Indian Airlines ourselves in this matter to the extent that we should have done and if we had taken the initiative. I am sure perhaps Indian Airlines would have reacted favourably on this. We found, in fact, in going through the statistics of our travel agents business. I found it was very little and so we thought that it was time when we must act more forcefully together so that we can achieve better results.”

3.32 The Committee are surprised to note that so far adequate coordination between Indian Airlines and Air India for traffic was lacking. The Committee feel that this may have been one of the factors responsible for low load factor of Air India. Internal Airline is primarily responsible for feeding the country's international carrier. The Committee, therefore, strongly urge that Air India should take up this matter immediately with IAC at the highest level to secure more traffic for Air India.

The Ministry of Civil Aviation being in overall control of both the undertakings—should ensure coordination between Air India and the IAC.

(E) Cultural Groups/Students traffic

3.33. It has been stated by the Corporation that Non-official and semi-official cultural/sports film groups continue to hawk around in the market for unauthorised benefits. Both for reasons of prestige and conserving foreign exchange, travel of such groups should be approved only on Air-India's services, since such groups hold a national representative character.

3.34. The Corporation have also stated that the students travelling abroad for further studies and who have been granted foreign exchange should be required to travel only on the services of Air-India, since the foreign exchange granted to them is a drain on the earning which should not be further aggravated by their travelling on a foreign airline.

3.35. During evidence, the Secretary Ministry of Tourism and Civil Aviation stated as follows :

“This is admittedly one of the suggestions made by Air India and is a desirable objective. In our bilateral agreements with various countries, there is a clause against discrimination and we have

to give them the right to participate in a fair share of the traffic. Where the Government funds are involved, it is one thing. But where Government funds are not directly involved, if we were to issue instructions that they must all travel Air India, we shall be violating our own agreement made with those countries about non-discrimination. Our desire to ensure a greater share of traffic for Air India should be consistent with our international obligations and our bilateral agreement."

3.36. The Committee feel that every effort would be made to increase the traffic load of the national carrier, since most of the Governments are helping their own International Airways. The Committee are, therefore, inclined to suggest that cultural/sports/film groups which usually hold a national representative character should appropriately travel by Air India. The Government and the Reserve Bank should ensure that Air India gets the maximum business of these groups. For the same reason the Committee also feel that the Government must insist that students travel abroad by Air India.

(F) Emigrant Traffic

3.37. The Corporation have stated that traffic of emigrants from India to Commonwealth countries, particularly to the U.K. is a part of the ethnic traffic which rightfully belong to the national carrier of the emigrants. At most, it could be shared by the national carrier of the country to which the emigrants are proceeding. With a view to securing the emigrant traffic from India to the U.K., exclusively on the services of Air-India, in consultation with Government, necessary action was taken as permissible under IATA regulations, to require emigrants to travel exclusively on the services of Air-India or BOAC at a discounted emigrant fare.

3.38. While the discounted emigrant fare is available only for travel on the services of Air-India or BOAC, the Corporation regret that the Reserve Bank has been approving 'P' forms of emigrants for travel on other carriers also particularly airlines from Middle East. Since these Middle Eastern carriers are able to match the discounted emigrant fare, Air-India has been denied of the benefits that were expected. Furthermore, the Middle Eastern carriers are undercutting even, the discounted emigrant fare.

3.39. During evidence the Committee enquired from the representative of the Ministry whether it was a fact that the Reserve Bank of India has been approving the "P" forms of emigrants for travel on other carriers and what steps Government have taken to protect Air India's interest, the Secretary of the Ministry informed the Committee as follows :

"On account of this undercutting, since August, 1967 we have an immigration fare of £100 as against the normal fare of £159.

Unfortunately, a particular airline has denounced the IATA fare. We are in pool with BOAC and we agreed with BOAC that the emigrant fare would be £100. It was permissible and we are not operating outside the IATA structure. Thereafter what happened was that one of those international airline not the BOAC denounced the IATA fare structure. This leads unfortunately to an open rate situation.

From the purely technical point of view, I do not think it would be possible for the Reserve Bank to say no; you must travel by this line; I do not think it is possible. If someone say to the Reserve Bank that he is entitled to travel by some line which he choses, I do not think it is possible for the Reserve Bank to say: no, we shall not give you 'P' form, just on the basis of less fare being given by some company under open fare system."

3.40. To a further question whether the Ministry submitted to the Government any definite proposal that since a particular airline was undercutting and affecting the revenues of Air India, that Airline should not be allowed to operate in India, the Secretary of the Ministry stated that they were considering an amendment to the aircraft rules to enable the Government to take some action.

3.41. Regarding concessions in fare to emigrants from Mauritius, Fiji and other places, the Secretary of the Ministry stated as follows:—

"The point about the emigrant fare is that we knew that there was this traffic and there was this undercutting and so we adopted this method. On the Mauritius route there is no undercutting and these airlines do not operate on that route. Even in regard to the fare to the U.K. we would like to keep it at £159 if we could; people who go there earn more money and are economically more prosperous."

3.42. The Committee agree with the views of the Corporation that the traffic of emigrants from India to Commonwealth countries, particularly to U.K. is a part of the ethnic traffic which belong to the national carrier. With a view to attract such traffic Air India has entered into a pool agreement with B.O.A.C. and has reduced the emigrant fare. The Committee feel that Air-India should be accorded all assistance by Reserve Bank to enable this travel scheme to succeed. Reserve Bank may consider restricting the approval of 'P' forms of emigrants for travel on other carriers.....

CHAPTER IV

ORGANISATION, PERSONNEL AND OTHER MATTERS

(A) Board of the Corporation

4.1. Under Section 4 of the Air Corporation Act, 1953, the Corporation shall consist of not less than five but not more than nine members appointed by the Central Government and one of the members shall be appointed by the Central Government to be the Chairman of the Corporation. The Board of the Corporation consists of :

Shri J. R. D. Tata, Chairman
Shri S. Mohan Kumaramangalam
Air Marshal M. S. Chaturvedi
Shri K. N. Mookerjee
Shri K. T. Satarwala
Shri N. Khosla
Air Chief Marshal P. C. Lal
Shri Y. T. Shah
Shri Ravi J. Matthai

4.2. To a question what is the criteria adopted in selecting the Directors of the Corporation by the Government and whether non-official members of the Board possess any special knowledge or experience of the Air Transport Industry, it has been stated that selection of directors of the Corporation is done by the Central Government under article 4 of the Air Corporations Act, 1953.

4.3. When asked whether the Corporation was satisfied with the composition of the Board or would like that for more effective functioning of the Board, the composition be revised, the Chairman, Air India during during evidence stated as follows:—

"I feel that the composition of the Board should be revised. We have already recommended it to the Government about the composition of the Board. We have said that, apart from the non-functional Members of the Board, we should have, like in any other Company or Corporation, some functional Directors. Excepting the Chairman and the Managing Director,

there is no functional Director as such now. We have recommended it to the Government. I think, in the amendment to the Air Corporation Act, this will also be included that the number of Board Members will be increased from 9 to 15 of which a certain number should be actually functional Directors. We have suggested that besides the Chairman and the General Manager, there should be 4 more functional Directors”.

When asked as to who should be included among the functional Directors, the General Manager, Air-India stated that it depended on the individuals, the seniority, the importance of the Department and various other considerations could go into it when they were appointed.

To another question of the Committee whether the Corporation would like to have labour and pilots representatives in the Board, the witness stated that to include a labour representative would not be a very successful thing. For Pilots, the Corporation had a Director of Operations and that person could be a Board Member.

As regards the difference between the Board of Air-India and the B.O.A.C., the General Manager, Air-India stated that the only difference as it stood today is that B.O.A.C. had some functional Directors which Air-India did not have.

4.4. The Committee note the proposal of the Corporation that the number of Board Members should be increased and out of them a certain number of members should be actually functional Directors and recommend that this may be given effect to since Air India would be required to take over more responsibilities in the near future. The Committee further suggest that the question of inclusion of labour and pilots representatives in the Board may also be examined.

(B) Advisory Committee

4.5. The Advisory Committee of Air India whose tenure is two years, was re-constituted by the Government in February, 1968, with the General Manager as its Chairman.

4.6. In reply to a question what are the powers and functions of the Advisory Committee *vis-a-vis* the Board and the justification of having a separate advisory committee, it has been stated that the Advisory Committee is purely an advisory body constituted under sub-section 1 of section 41 of the Air Corporation's Act, 1953 to advise on such matters as may be referred to it whereas the powers of the Corporation are vested in the Board

vide the relevant section of the Act. The relevant provisions of sub-section 1 of section 41 of the Air Corporation's Act 1953 and Rule 50 of the Air Corporation's Rules 1954 are reproduced below :

(i) Extract of Section 41 of the Air Corporations Act 1953

4.7. Advisory and labour relations Committees:

(1) The Central Government, in consultation with the Corporation concerned, may appoint an Advisory Committee consisting of such number of persons as it may think fit for the purpose of advising the Corporation in respect of such matters as may be referred to it by the Corporation or as may be prescribed.

(ii) Extract of Rule 50 of the Air Corporations Rules 1954

Functions of the Advisory Committee:

4.8. The Advisory Committee constituted under sub-section (1) of section 41 may, in addition to such matters as may be referred to it by the Corporation, also advise the Corporation in respect of the following matters, namely:

- (i) provision of amenities for air travellers;
- (ii) improvement of services and facilities provided by the Corporation;
- (iii) time-tables of air services;
- (iv) extensions of improvements of the existing projects;
- (v) proposals relating to opening of new air stations; and
- (vi) any other matter of general public interest or public convenience;

Provided that matters relating to the staff, discipline and appointment shall not be referred to the Committee for advice.

4.9. The items of work disposed off at each meeting during the period 1966—69 are listed in the attached statement. (Appendix V).

4.10. As regards justification for having a separate Advisory Committee, it was pointed out to Government even before this Committee was constituted that the scope of the Air-India Advisory Committee, to make any useful contribution is very limited. Air-India is a member of the International Air Transport Association which regulates fares and freight rates and lays down many regulatory measures. Traffic rights are exercised on the basis of bilateral air agreements between Governments. While the Committee may be useful from the Public Relations angle, the justification for it as an advisory body is very limited.

4.11. The Committee pointed out that the advisory committee was not considered important because much of the job was done by the Board of Directors. But looking at the functions of the Committee as laid down by the Act, they might not be of very great value from the operational point of view, but from the public point of view, they were of vital importance. The functions mentioned were: Improvement of services and facilities provided by the Corporation. Time-tables of air services, proposals relating to opening of new air stations and any other matter of general interest and of public convenience. These were important functions. The Members were also important people with a lot of experience. The Committee did not see why necessity was not felt for convening meetings of the advisory committee more often.

4.12. The General Manager, Air India stated as follows:—

“We call them regularly twice a year. During the last three years I have attended all the meetings myself and my personal experience is that many of the points which are raised there are covered by IATA regulations. Take, for instance, amenities to passengers. We cannot provide any more or less amenities than what is laid down by IATA. So, most of these points really apply to internal airlines, domestic airlines, where they can make suggestions and get them implemented. As far as we are concerned, in the matter of amenities and benefits we are covered by the IATA. Then, there have been suggestions why can't we go to Amsterdam or West Asia or other regions. First of all, a very detailed and thorough technical and statistical survey has to be made of those places and based on that decisions have to be taken. Secondly, bilateral arrangements come into play. Therefore, I have found—and in fact one or two members of the committee expressed the same feeling—that the actual practical utility of this committee was rather limited; not that there was none at all but it was rather limited. So, we used to meet every six months and then discuss whatever suggestions came from them. But up till now there were very few in fact hardly any suggestion, which could be put into use, and that is why we meet less frequently.”

4.13. The Committee further pointed out that the railways had the Railway Users' Consultative Committee. The suggestions made there might not be very important but the fact that the consumers had been taken into confidence that by itself was very important. From that point of view, this was a very healthy provision. The Committee feel that there

was a greater need for such Committees meeting more often in the case of IAC, but even in Air India once such a committee was there it must meet regularly and an attempt should not be made to minimise its importance, because in a democratic set up the participation of the consumers in such advisory committees had its own value.

4.14. In reply the General Manager, Air India stated as follows. -

"I entirely agree with you. I want to assure you on two counts. Firstly, we are meeting regularly every six months. Secondly, I have never tried to give the impression that this committee is not important. We have taken all the suggestions of this committee very seriously. examined them very thoroughly and every time I have personally written to them the result of our examination. It is true that we have not been meeting more frequently, but we have been meeting twice a year."

4.15. The Committee pointed out that so far as Air India was concerned, it had to be governed by IATA regulations in the matter of facilities and amenities to passengers but suggested that perhaps, this advisory committee might look into the question whether the provisions of the IATA were properly implemented. Even questions like limitations of bilateral agreements could be placed before this committee and its guidance sought. After all, it was only an advisory committee, not a mandatory one, and the board of management was bound to profit by such a discussion.

4.16. The General Manager, Air India then stated:

"I am at a loss to understand the actual implications of what you suggest. The Act provides that these are the items which will fall within the purview of the advisory committee of Air India. These items are considered by the advisory committee and they give good suggestions because the members of the committee have travelled far and wide. Once or twice examples were given. For instance, if Cathay Pacific or MEA could do it, why could Air-India not do it? We have submitted to them that these two carriers are non-IATA carriers and therefore they are free to do whatever they want whereas we are not. Whenever such items come up for discussion we always put before them the factual information. We have always kept the Advisory Committee informed not only of items which are there but also of our future plans. For instance, we have been telling them all about our 747 Jumbo operations and which are the routes which we propose

to open up. We also informed them of the next five years' plan which has been put up to the Planning Commission. If the Committee is interested, we can send the proceedings of the last two meetings of the Advisory Committee and the papers that we have circulated. I want to assure you that we are actually trying to do exactly what you are suggesting. For example, for the 23rd meeting held on 6th December, 1968 the agenda items were: Boeing-747 project—financing arrangements; Air India's operations with Boeing-747; Air India's participation in the development of tourism in India; opening of new online stations and offline sales representations; operating and traffic statistics; proportion of expenditure incurred between first-class and economy class passengers etc. We have been discussing all these points."

4.17. When the Committee asked the views of the representative of the Ministry about the continuance of the Advisory Committee, he stated, "I regret to say—that our view is that they should be abolished."

4.18. The Committee desired to know from the Corporation whether such committees existed in other international airlines like BOAC and if so, how they functioned?

4.19. After evidence the Corporation have furnished the following information:—

"BOAC has confirmed that there is no Advisory Committee for the Air Corporations and there is not much scope for having an Advisory Committee for an international airline. Qantas also do not have a separate Advisory body. They operate under a Board wholly nominated by the Ministry of Civil Aviation of Australia."

4.20 The Committee are of the opinion that once such an advisory Committee was appointed, it was the duty of Air-India to hold its meetings regularly and no attempt should have been made to minimise its importance. The Corporation should have given full cooperation to the members of this Committee and sufficient importance to their suggestions. Sometimes the suggestions made by the Members of Advisory Committee are of vital importance being suggestions from as Members of the Committee who have travelled far and wide. The Advisory Committee should have been asked to look into the question of whether the provisions of the IATA were properly implemented. The Committee feel that there

is greater need for such Committees and in a democratic set up the participation of consumers in such advisory committees has an added value. The Committee therefore recommend that the meetings of the Advisory Committee should be held more frequently and the suggestions made by them should be carefully processed for implementation.

(C) Recruitment of Pilots

4.21. There is shortage of trained pilots in the country. The Corporation is finding it difficult to recruit pilots in the right age group with requisite experience from existing main sources *viz.*, the Indian Air Force and the Indian Airlines. This problem is being studied by the two Corporations and the Government.

4.22. The main reason for the current pilot shortage is the boom in the air transport industry. Air traffic is increasing at an amazing rate and within the next five years or so, the traffic is expected to double itself. More traffic means more aircraft and hence the increasing demand for flight crew. With the introduction of faster and more sophisticated aircraft, greater skill and proficiency are called for, making the training of the pilots more rigorous and expensive.

One major hurdle in finding a solution to this problem is the experience factor. It takes a long time to train a pilot to the required standards of competence.

4.23. In reply to a question whether the Corporation has made any study of the future demand and recruitment of Pilots, it has been stated that the Corporation has reviewed and estimated its future requirements of pilots. It was estimated in May 1968 that our pilot requirement for the 4th Five Year Plan would be 264 pilots, based on a fleet of the 707 aircraft and five 747 aircraft, fifth 747 aircraft being acquired in the beginning of the 5th Five Year Plan. Of 264 pilots, 132 will be commanders and 132 co-pilots. This will also cater for additional pilots required for replacement of 4 pilots who are likely to retire during that period. The present strength of pilots (as on 1st October, 1969) including Executive Pilots is 178 of which 85 are Commanders and 93 are co-pilots including 11 under training.

4.24. It may also be mentioned, in this connection, that the above calculation was based on maximum yearly utilisation of 4000 hours per aircraft. However, if the aircraft utilisation does not reach 4000 hours per aircraft per year and the utilisation is maintained at 3600 hours per aircraft per year, the total pilot requirement for the Corporation would be 238, of whom 119 will be commanders and 119 co-pilots. The Corporation have worked out their long term pilot requirements for ten 707 aircraft and five 747 aircraft on the basis of normal turn over due to superannuation, etc.

4.25. Though the total strength of pilots would be 264 on the basis of 15 aircraft achieving aircraft utilisation of 4000 hours per aircraft per year, the Corporation will have to recruit 20 pilots every year from 1971 onwards to maintain the above pilot strength provided the present shortfall of about 50 pilots are met by the end of December, 1970. The above planned intake of 20 pilots per year is to cover the yearly turn over due to superannuation, medical unfitness, resignation and death. The Corporation is likely to lose an average 6 pilots per year during the period from 1971 to 1980, while on account of superannuation alone the figure will go up to 14 pilots per year for the next 8 years from 1981 to 1988. In fact, though it may give an impression that at the end of 10-year period from 1971, we may have some surplus pilots for 15 aircraft, this surplus will not only act as a reserve for the subsequent years, but will be completely wiped out when loss of pilots due to superannuation and other factors will be nearly 17/18 pilots per year.

4.26. In view of the fact that the Corporation operates most advanced type of transport aircraft as available in the market, it is necessary for the Corporation to recruit experienced pilots having the requisite qualifications and experience. The Corporation has been, in the past, recruiting pilots from the Indian Airlines, Indian Air Force and open market. It has not been possible to get from the open market adequate number of pilots in the right age group having the requisite qualifications and experience. Similarly, in view of their own requirements Indian Airlines has not been able to release any pilots during the last 2-3 years. Therefore, the Corporation has to depend for its pilot requirement almost entirely on the Indian Air Force. Even from the Indian Air Force the Corporation has been finding it difficult to get pilots in the right age group.

4.27. The question of training arrangements of Commercial Pilots was discussed in a meeting held by the Minister of Tourism and Civil Aviation in November, 1968, when the pilot requirements of the two Corporations for the next 10 years or so were discussed in detail. In the meeting, the Air Chief Marshal of the Indian Air Force was also present. It was agreed that the Indian Air Force will meet the pilot requirements of the 2 Air Corporations in the right age group and with the required experience, provided the Indian Air Force had a lead of 2 years so that they could recruit the required additional number in their strength. Air India have informed the Indian Air Force that the Corporation shall be needing about 20 pilots per year for the 10-year period from 1971 onwards and shall be requiring about 50 pilots from the Indian Air Force upto the end of 1970. The question of release of pilots in these numbers is under negotiation with the Indian Air Force.

4.28. As regards establishing a pilot training college on the lines of the one at Hamble in the U.K. or on the pattern of combined air force/civil training academy as in Italy, it has been stated that the Corporation has its own establishment for conversion training of a pilot to operate the type of aircraft in service of the Corporation. No *ab-initio* training is provided to individuals who desire to become pilots. In fact, the crew composition being what it is, it is not possible to utilise a pilot who has just received commercial pilot's licence after his *ab-initio* training.

4.29. As per the experience standard prescribed at present, a civilian pilot must have a minimum of 1500 hours of command experience on multi-engine aircraft and he must possess ALTP Licence before he could be employed as a co-pilot in this Corporation. On the other hand, if the Corporation establishes *ab-initio* training establishment on the lines of the one at Hamble in U.K. or on the pattern of the combined air force/civil training academy in Italy, it would impose a very heavy financial burden on the Corporation which no international airline undertakes. The Corporation will not be able to utilise the pilots thus trained till such time they obtain ALPT Licence and these pilots cannot gain flying experience from the Corporation as the fleet consists of only long range jet aircraft. Furthermore, as we do not have a large number of Charter Companies in India or even a big Charter Company, which could absorb these pilots as an interim measure so as to enable them to gain experience on smaller multi-engine aircraft till they attain the qualifications required by this Corporation, such a training programme, if initiated by the Corporation, will become an avoidable wasteful expenditure for a commercial organisation like Air-India.

4.30. In this connection, the Government had appointed Arya Committee to go into the question of training arrangement to meet the commercial pilot requirements. It was the finding of the Arya Committee that the training arrangement which could be made by establishing a flying training school, will not be able to meet the requirements of the two Corporations, viz. Air-India and IAC, as the 2 Corporations have to run on commercial principles. Therefore, the Arya Committee recommended that while the flying training school should meet the pilot requirements of residual users, like the Department of Agriculture for crops spraying for private airline operators, flying clubs and Civil Aviation Department, the pilot requirements of the two Corporations should be met by the Indian Air Force on a long term planning basis.

4.31. In view of above the Corporation has not considered the question of establishing a pilot training college other than the pilot conversion training given to pilots after recruitment and during his employment period for operating the type of aircraft in service of the Corporation.

4.32. To a question about the policy of the Corporation for training pilots to meet its requirements, it has been stated that the policy of the Corporation, is to recruit pilots with the requisite experience and in the right age group from the Indian Air Force and in this regard close liaison is maintained with the Air Force. Once a pilot having the requisite qualification is recruited as a co-pilot in the Corporation, the Corporation provides, through its own training establishment, the training required for his conversion to operate the type of aircraft in the service of the Corporation. For this purpose, the Corporation has an operating crew training establishment, wherein all pilots who are recruited as co-pilots and also who are to be promoted to the posts of commanders are given regular training. In addition, this training division of the Corporation ensures through refresher courses and periodical local checks that the pilots in employment of the Corporation maintain the required standard of flying.

4.33. The Committee pointed out that India today required a strong Air Force and more and more pilots for the Air Force. Air India should therefore think of training pilots outside the Air Force by giving help to the Flying Clubs. The General Manager, Air India explained the position during evidence as follows:—

“As regards your first point, it would definitely be an advantage to the Air Force and to the country to transfer these people to Air India and the IAC as a second-line of reserve and keep on taking younger people to keep the Air-Force young.

So, from that point of view, in fact, it is really an advantage to the Air-Force also. But from the Air-India's point of view, we can certainly give subsidies or encourage Flying Clubs or do that sort of thing if it served our purpose; but unfortunately, it will not because the Flying Club gives training to the pilots upto a certain stage, only upto B licence. As far as Air India is concerned, our air-craft are at present Boeing 707 which require very experience pilots to be good pilots, leave alone commanders. And when we go on to 747 we will require even much more experienced pilots. The arrangement today is this. We want a pilot of a certain requisite minimum experience which, may be, in the case of Air Force, we have put down at 500 command hours which means a total flying of 500 hours in a multi-engined aircraft as a commandar. By that time they would have done about 1500 hours total flying. To expect that type of qualification from flying clubs is impossible. When we take people from Flying Clubs, they will have to be given a conversion training in various stages first in the twin-engined aircraft and then in boeing. He should have a few hours flying before he could reach that stage. So, our requirement will not be met. So, the ideal thing can be this. The flying club takes a pilot upto a certain stage. From then on the recruitment is done into the IAC. There they

have got smaller aircraft like 748 and Friendship on which these men get graduation. Thereafter they can go on to the Caravalle and thereafter perhaps to the Boeings 707 and 747. That would be the civil-line of pilots. At present that is not very practical because the IAC themselves are not in a position to release their employees. In the two Corporations there are two unions in the one IAC and the other in Air India and they do not see eye to eye with each other. So our Union has laid down a condition according to which all new entrants will be the juniormost pilots in the Corporation with the result that senior pilots or commanders of the IAC are not willing to come there. Because of these things it is to our advantage at this stage to take people from the Air-Force. The shortage of pilots upto 1970 is that much of the total strength of pilot requirements by that time. At the present moment we are short and we are gradually taking every six months about 10 pilots from the I.A.F. and then we start converting them. We have taken a number of pilots from the Air-Force and we are constantly keeping that number so as to meet our requirements of this shortage. So, by the end of 1970 we hope to meet this shortage."

4.34. To a further question from the Committee whether Air India was satisfied that their demand for pilots would be met by the Air Force, the General Manager, Air India replied in the affirmative.

4.35. The Committee note that the present arrangement of recruitment of pilots to Air India from the Air Force is working satisfactorily. The arrangement should, however, be made perfect on a long term basis.

(D) Travel Agents

4.36. Air India can appoint only those Travel Agents who have been approved by the International Air Transport Association.

The following main factors are taken into consideration before a Travel Agent is recommended for recognition:

- (a) Location of agents.
- (b) Suitability of premises—space available for display.
- (c) Financial stability and available capital.
- (d) Trained personnel.
- (e) Capacity to produce business.

The accredited agents are paid commission at the rate of 7 per cent on the face value of tickets purchased by them, as per IATA regulations. The rate of commission for cargo is 5 per cent. All airlines pay the same rate of commission as they are strictly governed by IATA Regulations. IATA has also laid down specific time limit within which the Travel Agents have

to pay. If the Agent does not pay on the due date, he has to be notified promptly and then considered delinquent. After ten days all credit is stopped forthwith and IATA authorities are notified with a view to ensuring that other Airlines also take similar action for withdrawal of credit. If an Airline does not take delinquent action, it is liable to be fined by IATA Breaches Committee.

4.37. To a question, how it is ensured that Air-India gets a fair share of the business through Travel Agents in comparison with other airlines. It has been stated that Air-India endeavours to obtain its fair share of business from Travel Agents by the following means:

(i) Giving all possible sales assistance, to Agents appointed by Air-India.

(ii) By drawing the attention of the public to the Travel Agent, for *e.g.* while advertising in newspapers Air-India requests the public to contract the nearest Air-India office or the reader's Travel Agent.

(iii) By printing and distributing attractively prepared brochures and plugging Air-India's services and the various destinations served by Air-India.

(iv) By keeping in direct touch with the travelling public and ensuring that business placed by the travelling public through their Travel Agents is channelled to Air-India wherever possible. If it is felt that a particular Agent is depriving us of our share of business, we will compete with the Agent and endeavour to persuade his clients directly to travel on our services.

(v) Our office liaise constantly with AI appointed Agents at all levels. The purpose of this is to develop excellent Public Relation and ensure that we get as much business as possible from the Agent.

4.38. In reply to a further question whether there have been cases of other airlines bringing pressure upon travel agents to secure business for them, it has been stated by the Corporation that it is true that other airlines bring pressure upon travel agents to secure business for them. Not infrequently, such pressure may be put through improper means *viz.*, by offering agents higher rate of commission, or offering their clients inducements which are not permissible under IATA Regulations such as unauthorised layover accommodation etc.

4.39. The Committee pointed out that some of the travel Agents in India were more interested in providing business to other companies than to Air-India. The General Manager, Air-India in reply during evidence stated that they could transact business with approved IATA travel Agents only. IATA had laid down certain standards and travel Agents had to

observe them. Business from the travel Agents had been satisfactory. In other countries the travel Agents gave roughly 60 to 65 per cent of business to national carriers. Air India had been able to achieve only 42 to 43 per cent of business from travel Agents. The Corporation had written to I.A.C. also on the subject and both Air-India and I.A.C. proposed to make concerted efforts to get more business for Air India. Once they acted in coordination, it was hoped they would be able to achieve better results.

The Committee further pointed out that besides coordination with I.A.C., something more needed to be done to make the travel agents more conscious of the responsibilities that they owed to their country. Some good maps of Air-India and some show pieces of Indian art etc. needed to be displayed in their offices and then they should be told that Air-India expected more from them as a matter of course for the country.

4.40. The Committee then enquired whether Indian nationals functioning as travel Agents in foreign countries were giving better business to Air-India than non-Indian travel Agents and if that was so, then Air-India should encourage Indian nationals to put up this business in foreign countries. The General Manager, Air India promised to study this matter and furnish a note to the Committee.

4.41. After evidence the Corporation have stated in a note that the Indian nationals or persons of Indian origin operating as Travel Agents in foreign countries do not generally give more business to Air-India than they give to other airlines. The tendency is for a Travel Agent to give more business to the National Carrier of the country in which he operates for various reasons, such as the larger number of frequencies, the comparatively greater capacity offered, the passengers preference for travel by the national airline, etc. It has also to be appreciated that a Travel Agent has to rely on the National Carrier for support and this would be even more so in the case of an Indian Travel Agent operating in a foreign country.

4.42. The Committee note that in other countries travel Agents gave roughly 60 to 65 per cent of business to national carriers. Air India had been able to achieve only 42 to 43 per cent of business from travel Agents.

The Committee feel that besides coordination with I.A.C., Air India should take more positive steps to make the Travel Agents in India feel conscious of the responsibilities to the national carrier. The Committee suggest that representatives of Air India should meet the Travel Agents occasionally to persuade them to award business. The Corporation should furnish them the Air India routes, maps and posters brochures and show pieces in sufficient quantities for display in their offices just to remind the public about India's national carrier.

4.43. In regard to traffic on the routes not served by Air India, the Corporation should function as a Travel Agent to make bookings on other carriers. Besides earning the commission, they would attract the reciprocal goodwill and client etc. of other foreign airlines.

(E) Services to Passengers and Treatment to Indian Passengers in Air India Flights

4.43A. The Committee pointed out that the reputation which Air India enjoyed was diminishing in respect of the services to passengers, assistance to passengers and particularly, the treatment given to Indian nationals travelling by Air India. Services in some of the flights, no doubt were very good and in certain respect it was *par excellence*. But on some of the routes the service was deteriorating. The Committee wanted Air India management to pay attention to this respect.

4.44. In reply the General Manager, Air India during evidence stated.

"I greatly appreciate the points which the hon. Member has made. I can only say at this stage that as far as amenities or services are concerned, we keep a very constant and strict watch over these things. But we are likely to slip and it is possible that on certain occasions on certain routes the service may not have been as good, as the hon. Member states. We have a special department for dealing only with complaints. There is a senior officer there who attends to all complaints individually and personally. All the complaints which are brought to my notice, I personally attend to them and reply to the people who write to me. We are constantly on our toes."

4.45. The Committee feel that there should not be any difference in the treatment of Indian passengers and non-Indian passengers on Air India's flights. The Corporation should ensure that the services rendered to the passengers are of high standard on all the routes.

(F) Announcement in Regional Language at Indian Airports

4.46. It was pointed out by the Committee during evidence that announcements in respect of flights of Air India and Indian Airlines is not done in the local language e.g. Tamil in Tamil Nadu, Marathi in Bombay, etc. The Director-General, Civil Aviation informed the Committee that announcement had to be done in local regional languages and in English and they would draw the attention of the Airlines again.

4.47. The Committee feel that it is very essential that announcement in respect of flights of Air India and Indian Airlines should be made in national and regional language since many passengers understand the regional language only.

(G) Transport Arrangements at Airports

4.48. The Committee asked the Government what steps had been taken to improve the transport arrangements at the Airports so that the passengers could go to the city and to their hotels without any inconvenience and what had been done to providing efficient taxi service with metres. The Director General (Tourism) during discussion stated as follows:—

“If I may say so, it is something which is very valid and we have been very much concerned with it. The first impression is so important and we would like to give special attention to it. I do not know if you have noticed that there has been a big improvement in the sense that you do not see the mass of *chokras* running to grab the luggage and things like that. There is a larger contingent of police there. The overall control is exercised through the cooperation between the Delhi Administration authorities and the India Tourism Development Corporation. In addition to that, we are in the middle of final discussions with the Home Ministry to have a special allocation of police there and to police the airport in one or two key places. As an experiment, there will be a sort of special tourist police. It will not be under the Tourist Department. It will continue to be under the Police authorities. They will be specially designated to control this sort of a thing which the hon. Member mentioned. Some effective action has been started and I hope, in another 6 months, we will put an end to the racket of unauthorised taxi-walas and others who hang around there and solicit passengers.”

4.49. The Committee further enquired whether there was any proposal to run mini-buses to provide quick transport to passengers from the Airports to the cities or hotels at reasonable charges. The Director-General (Tourism) stated that they had examined the suggestion and accepted it and were in the process of negotiating some arrangements with the ITDC and the international Airlines.

4.50. The Committee have noticed that there is no proper transport arrangements at the Airports to take the passengers to the cities or their hotels. At times the passengers are badly treated and put to much inconvenience. The taxis some times run without meters.

The Committee recommend that there should be a special tourist police arrangement at the Airports to look after the convenience of the tourist traffic, and to break the racket of unauthorised taxi-operators and their agents. The Committee feels that special attention should be paid to this problem.

4.51. The Committee would also recommend that the Government should introduce mini-buses at the Airports to provide quick transport to passengers at reasonable rates in consultation with ITDC and international airlines.

(H) Porters at Airports

4.52. The Committee understood that unauthorised porters and persons could get into the airports and harass the passengers, although there were gatekeepers at the terminal buildings. The Committee suggest that the porters should be required to pin an identity card with their photograph on the coat as is the practice in Hong Kong and other important airports. The Committee would like that either the porters should be Government paid employees or their tariff fixed as in the Railways.

(I) Dress of Air Hostesses

4.53. During evidence the Committee pointed out that it understood that Air India is trying to introduce a new uniform for air hostesses. The Committee were apprehensive that in the craze for modernisation or change the dress of Air India's air hostesses, which is a sari, might be changed.

4.54. The General Manager, Air India, however, stated as follows:—

“The basic dress of our air hostesses is going to be a sari and they will keep on wearing it. In the Jumbo jet we will carry a crew complement of about 16 air hostesses and stewardesses. As we all see, in all parts of India today *Churidar-and-kameez* has become a very common dress with young girls. So, what we have decided is that a few of them will also be given this dress. There will be the European hostesses who will wear only the *kameez* of the same pattern and of the same cloth; two or three, may be, of the entire lot of Indian hostesses will wear *churidar-and-kameez* and the rest of the air hostesses will be in saris. This will also provide a little variation. It will be a good sales point for us to advertise our hostesses in various types of uniforms.”

4.55. The Committee feel that since sari reflects a distinctive Indian character it should remain the basic dress of air hostesses.

(J) Name in Hindi on Air India Aircrafts

4.56. During the discussion, the Committee pointed out that the foreign Airlines put their names on the aircrafts first in their own language and then in English, whereas on Air India's planes the name is not written in the national language. The Secretary of the Ministry stated in reply that the Government have issued instructions to the DGCA that as far as aeroplanes were concerned, it might also be done.

4.57. The Committee recommend that on Air India aircrafts the name should first be written in the national language and then in English.

(K) Maintenance of Indian Newspapers in Air India Offices Abroad

4.58. During the discussion, the Committee pointed out that when Indian nationals to go abroad they are eager to know the news of home. The Committee suggest that Air India Offices abroad should maintain upto-date files of leading Indian newspapers and periodicals. The Committee would also like some Hindi Newspapers and Periodicals be kept in Air India Aircrafts.

(L) Participation in Hotel Projects

4.59. The Central Government have desired that Air India should enter the Hotel business with construction of the Transit Hotel at the Santa Cruz airport and participate with India Tourism Development Corporation in the construction of a 200/300 room hotel at Juhu. The Corporation considers participation in Hotel Projects a very desirable objective. Hotel accommodation in Bombay is totally inadequate at present and with the introduction of Jumbo Jets, the position will become acute. Therefore, for catering to the large inflow of passenger traffic with the introduction of Jumbo Jets and for promoting tourist traffic, the participation by Air India in Hotel Projects becomes very necessary. The capital outlay on these hotels will be as under:

For construction of a Transit Hotel at Santa Cruz Airport	Rs. 1.00 crores
For participating in the Juhu hotel Project	Rs. 1.50 crores
	<hr/>
	Rs. 2.50 crores

4.60. Being new to the field of hotel management, Air India proposes securing foreign expertise in the design and construction of the two hotels and local expertise from a reputed hotel in regard to training of staff.

4.61. Air-India, not without justification, has earned a reputation for efficiency and for the maintenance of very high standards of operation, which will also be ensured in its operation and management of the two hotels planned for Bombay.

4.62. Whilst it would appear a natural corollary for Air-India to operate Hotels at other important cities in India such as New Delhi, Calcutta and Madras, it has been decided to treat Bombay as a "breaking ground" for Air-India in this completely new field of activity, and further expansion will depend on the experience gained with the Hotels in Bombay.

4.63. To a question whether by entering the hotel business the Corporation will be required to run two different type of industries and will it not affect the efficiency and standard of present operation of the Corporation, the Corporation have stated that the transportation and lodging industries are in many respects complementary. Like many other international airlines it is intended to set up a separate company, as a subsidiary of Air India, to look after the hotel projects and similar activities like flight kitchens etc.

Therefore, the efficiency and standard of present operation of Air-India will not be adversely affected.

4.64. In reply to a further question whether Air-India approached ITDC to take up the two projects at Bombay independently, it has been stated that Air-India did not approach the ITDC to take up the two projects at Bombay independently.

ITDC which had indicated an interest in the construction of hotels at the four principal cities of India as also at other places of tourist interest, approached Air-India for collaboration and financial participation in the hotel projects at Bombay. It was subsequently decided for various reasons by the Ministry for Civil Aviation and Tourism that the two hotel projects in Bombay should be financed entirely by Air-India and operated by them without any participation by the ITDC.

4.65. As regards trying Indian expertise in the design and construction of two hotels at Bombay, the Corporation have stated, "there is limited Indian expertise in the design and construction of hotels available in India. In fact, not one architect or firm of architects has yet designed and constructed an independent international hotel of the size proposed by Air-India. However, Air-India proposes to utilise Indian expertise in whatever field available in this country or the two hotels in Bombay. It will all the same be necessary to secure technical know-how for architectural and food service areas from abroad."

4.66. During evidence the Committee enquired whether Air India had gone into the economics and feasibility of entering into hotel business.

4.67. The General Manager, Air India stated as follows:

"Most of the airlines today are entering this business because you cannot get passengers unless you assure them accommodation at the other end also. Therefore PANAM, TWA, BOAC, Qantas and all of them are doing this not only in their own countries but outside, all over the world. With accommodation assured at the other end, you are likely to get more passengers to travel in your airlines. These two are closely allied and connected. That was why we decided to enter this

business. We have a large shortage of hotel accommodation. We do not propose to go into hotel business all over the country-side. We will go only to places where we have the main business. In Bombay, we are having two hotels. We are trying to collaborate with Life Insurance Corporation to have one in Delhi. If this proves a paying proposition, we will have a further study and extend it and decide the policy in this regard. At present, we are going in for this only in these places. The Ministry is coordinating with ITDC so that efforts are not duplicated. For instance, they are not doing it in Bombay. That is given to us. We will supplement their requirements rather than have duplicate capacity. We have made a feasibility study for the two hotels in Bombay in great detail and concluded that the economics is very good.

In Delhi, LIC has got a plot of land in Connaught Place and they want to put up a building there. They have said they would provide the capital and we would provide the management and run a hotel for them. The terms are being negotiated."

4.68. The Committee then enquired whether in the hotel business Air India was taking any foreign collaborators other than Indians, the General Manager, Air India stated as follows:

"Yes. For technical business. For the design and architectural part of it, the local architect will be responsible. But for training people abroad, for learning management services etc. we are going to take collaboration from abroad. There will be no collaboration for management as such."

4.69. The Committee desired that Indian architects and designers should have the opportunity to building such hotels so that they could claim outside that they had put up these tremendous buildings and claim business in other countries.

4.70. The General Manager, Air India explained as follows:

"The basic point is this. We are building the Air India building at Nariman Point in Bombay. We had the conceptual designs from a famous architect: M/s. Hollabird & Root. Actual construction work has been done by Indian Architects: M/s. Peroze Kudiowala and Associates. He can very rightly say: I am responsible for bringing this building up. There can be no two views on the idea that we must encourage our own architects. But at this stage when for the first time we are investing Rs. 4 crores to bring up this building, we do not want to take any risk, if in the end of all the spending it turns out

to be not so good, it will not help us. They will not be able to do the conceptual part. Supposing I had given the Air India terminal building to Mr. Kudiowala he would not have been able to bring it up at all. But today because he has worked on this thing, he has been able to build many other buildings; the Indian Overseas building, State of India building, etc., are as good as our own but he put them up only after we had got the experience of our building. If we had asked him to do our building, at that stage, he would not have been able to do it. I have talked to two or three prominent architects in Bombay; none of them have any experience at all of constructing a hotel as such; there are 101 specialities, small things which go into a hotel and if they are not included in the construction part, functionally it is bad. If such an architect has worked in hotels, he will be able to construct independently any hotel; we would ourselves be willing to give it to him next time; we can say: you have done this; now you can do this for us."

To a question who had designed Ashoka and Oberoi Intercontinental Hotels, the General Manager, Air India stated:

"Ashoka was foreign; Oberoi was foreign."

During evidence the Secretary of the Ministry explained as follows:

"It is correct that two hotels, one at Santa Cruz and the other at Juhu, are to be financed entirely by Air India. The Santa Cruz hotel will have 100 beds and Juhu 200 to 300 beds. Originally, the idea was that the ITDC and Air India would share the cost of the Juhu Hotel. Ultimately we found that for various reasons it would be rather difficult to share the cost. Incidentally, airlines all over the world are going into this business. So, Air India asked for setting up of a hotel of their own which would considerably help them, because now-a-days travel by air and booking hotel accommodation etc., seem to be an allied business."

4.71. When asked whether it was a fact that the conceptual drawings of these hotels were being given to foreign architect and that no body in India had ever given the conceptual drawing of a good hotel and that the conceptual drawing of both the Ashoka Hotel and Oberoi Intercontinental were given to the foreigners, the Director-General (Tourism) stated that Tourist Department was going into this very thoroughly and had found that although the broad drawing etc., certainly could be done and would be done here even for Air India Hotels, this concept of a special type of architecture for Hotels was something that was very rare. Indeed

they were trying to bring in this type of expertise to make it available to other hoteliers in the country because a very great deal of Indian money was going into hotels. Ashoka Hotel was designed by an Indian and it would always be a problem Hotel to operate, because they had failed to incorporate modern hotel concepts in it.

4.72. The Director General (Tourism) further stated:

“The design, lay-out, drawings and the change of the interior shell, with deepest respect to Shri Oberoi, was also provided by the hotel experts in the case of the Intercontinental. The basic internal design and functional lay-out of the Oberoi Sheraton will also have to be provided by the Sheraton people under the overall contract arrangement.”

4.73. The Committee pointed out that according to Shri M. S. Oberoi, M.P. the design of Oberoi Intercontinental Hotel was designed by the Indians and desired that the Secretary of the Ministry should take a note of it. This was a policy matter and that would have to be decided by the Government. When all the time we had been saying that we must had our own know-how, that Indian technology must be developed, the Government policy should be to give the jobs to the Indian and there should be no relaxation.

4.74. The Secretary of the Ministry during evidence stated as follows:

“I do not think, there is any question of relaxation. I entirely agree that any work which can be done by Indian architects or technicians or talent must be done by them. I fully support this view, apart from the foreign exchange aspect of it, that until we encourage our own talent, we are not going to get anywhere. If a hotel can be designed by an Indian architect or a group of Indian architects, certainly it should be done by them. But this is a question for consideration and will have to be gone into in great detail. But anything which can be done in India should be done in India.”

4.75. In order to ascertain who had designed and prepared the conceptual drawings of Ashoka and Oberoi Intercontinental Hotels, the Committee took evidences of the Managing Director, Oberoi Intercontinental Hotel and the President of the Indian Institute of Architects on the 24th and 26th February, 1970 respectively.

4.76. To a question whether it was a fact that some foreign collaborator gave conceptual drawings for the Oberoi Intercontinental Hotel, the Managing Director of the Hotel stated as follows:

“No, we did not have any such drawings or any such assistance from them. The only assistance which we got from them was on mechanical side—equipment for kitchen, air-conditioning, etc. But as far as planning and everything else is concerned, it was all done by Indian architects, of course, with our help. Hotel building is a speciality, we sat with them for months and months when these hotels were designed. I personally think that Hotel Oberoi Inter-continental is very well designed and most of the people—even foreigners—remarked that this is one of the best hotels designed and constructed anywhere in the world.”

4.77. He further stated that the conceptional drawings of their Oberoi Sheraton Hotel in Bombay, Oberoi Tehran Hotel in Tehran were also prepared by the Indian architects.

4.78. In a written reply the Managing Director, Oberoi Intercontinental Hotel had stated as follows:

“Both the Ashoka Hotel and the Oberoi Intercontinental were designed by Indian architects. As far as I am aware, no foreign technical assistance was taken during the construction of the Ashoka Hotel. As far as Oberoi Intercontinental is concerned, foreign assistance was taken for mechanical layouts, kitchen designs and interior decoration.”

During evidence the President of the Indian Institute of Architects stated as follows:

4.79. There are some well known hotels in Delhi as well as outside Delhi. In Delhi, for example, the Ashoka Hotel is well known and is run by the Government of India.

Then, there is the Oberoi Intercontinental Hotel and other large hotels constructed here and in other parts of India. Hon'ble Members must have seen these hotels some of which have been well designed architecturally. Ashoka Hotel, I could say categorically—has been designed by an Indian architect completely. This architect practised in Bombay. His name is Mr. B. E. Dactor. He completed the project in a record time. You probably know, sir, that when the hotel was under construction, the architect was hard pressed to complete it within a year because, at that time, UNESCO Conference was scheduled to take place in Delhi. The contractors by working long hours—both day and night—did complete the work in time. Likewise the other hotel—Oberoi Intercontinental—was also designed by Indian architects. Originally Mr. Bajpai was the architect, subsequently Shri Pilo Mody, a Member of Parliament took over as architect for this hotel. This was completely designed by Indian architects right from the scratch.”

4.80. The witness further stated "as far as hotels are concerned, sir, I would again repeat that there is no necessity whatsoever, to get somebody from abroad. The mere thought, I think, is an insult to the local talent. Architects in India feel competent to take up any job, hotels or any other type of buildings."

To a question regarding architecture competition rules, Shri Bhalla stated as follows:—

"There are two types of competitions. One is known as open competition where every architect can take part. The other on is a limited competition where a limited number of persons—six or seven—are selected and they are asked to take part in that competition. Where it is a limited competition, a little expenditure is incurred to cover certain miscellaneous items. But in open competition, only three prizes are given: first, second and third. There may be one hundred or two hundred taking part, and the first prize that is given is ultimately merged into the fee that is paid to him when he is appointed architect. The only expenditure that is incurred is one second and third prizes and a little expenditure is incurred in organizing competition, printing, postage and so on, which, I feel, is worth it."

During evidence before the Committee, Shri Piloo Mody, M.P. stated as follows:—

"If I may explain. The assignment for the Oberoi Intercontinental Hotel was originally given by the Oberoi to Shri Bajpai. Shri Bajpai had a firm of architecture in Bombay and Shri Bajpai had a great deal of work. He had been in practice for several years and he after having received the job, called me in and asked me whether I can do this in partnership with him since he had very little time to devote to this hotel. I agreed and Shri Bajpai and I then had a partnership to design this hotel. Shri Bajpai who as I said, had very little time, pushed the entire work on to me and all the plans, designs and conceptual studies, details of the hotel were prepared by me in my office in the year 1956." He further stated that "the structure, the design, elevation, the details. As far as the construction is concerned, in terms of quantity, about 90 per cent was ready. In terms of expenditure may be, only 50 per cent was ready. In terms of design, it was 100 per cent or near 95 per cent or 98 per cent at the time collaboration agreement was signed."

"I happen to know something about Ashoka Hotel. It was planned by architect Dactor. He had prepared a reasonably modern design for the hotel. I have seen the preliminary sketches only. I believe the Prime Minister at that time had a look at these designs and said these do not fit in with the architecture of Delhi. This poor architect instead of resisting the suggestion of the Prime Minister accepted it. That is why you see this building as it stands."

4.81. The Committee after examining all the facts have come to the conclusion that it will be in the larger interest of Air-India to put up hotels. They also agree with the suggestion that the hotels be put up and managed by the subsidiary of Air India and they hope that Air India will show and demonstrate the same competency and efficiency in the management of hotels as they have shown in the management of their Air transportation business. The Committee would, however, like to emphasise that Air India should put up hotels only after a thorough feasibility report in order that the new hotel venture may be a commercially successful venture.

The Committee, however, are perturbed and distressed that the Air India Board's decision to go in for foreign consultancy particularly in the drawing up of the conceptual drawings of the hotel is not based on factual data. In the written reply from Air India and in the evidence given both by the General Manager and by the Director General of Tourism, it has been stated that India does not possess enough expertise nor they have capable and talented architects to produce conceptual drawings of hotels to meet the needs of international tourist traffic. In support of their contention they gave the example that the conceptual drawings of Ashoka Hotel and Oberoi Intercontinental at Delhi were furnished by foreign architects and by the foreign collaborators of Oberoi Intercontinental. The Committee took the following evidence on this point:—

1. The President of the Indian Institute of Architects.
2. The Managing Director of Oberoi Intercontinental Hotel, namely Shri M. S. Oberoi, M.P.
3. Shri Pилоo Mody, M.P. who was the architect of Oberoi Intercontinental.

The Committee have found that Ashoka Hotel was designed by an Indian Architect. They have found that the conceptual drawings of Oberoi Intercontinental was also done by Indian Architects and the shell of the building of Oberoi Intercontinental, according to the conceptual drawings of the Indian Architects, was completed long before Intercontinental entered into a foreign collaboration. Mr. Oberoi has also stated in his evidence that he has put up hotels not only in India but abroad at Tehran, Ceylon

and Nepal whose conceptual drawings were given by Indian architects. He has further stated that their hotel Oberoi Sheraton at Bombay is also being put up on the conceptual drawings given by the Indian Architects. Mr. Oberoi has stated that they take the help of the foreign consultants in certain limited areas where their advice would be of use and assistance to them in order to improve the working and the quality of their hotel but in every case the primary architect consultant is an Indian.

The Committee have noted the evidence of the Indian Institute of Architects in which he has said that there is enough architectural talent available to design hotel in India of any requirement and dimension. This has been further corroborated by the evidence of Shri Piloo Mody.

The Committee has also been informed that the Government policy is to use Indian consultancy as far as possible in every field of activity. The Secretary of the Ministry while giving evidence before the Committee has stated as follows :—

“I entirely agree that any work which can be done by Indian architects or technicians or talent must be done by them. I fully support this view apart from the foreign exchange aspect of it, that until we encourage our own talent, we are not going to get anywhere. If a hotel can be designed by an Indian architect or a group of Indian architects, certainly it should be done by them. But this is a question for consideration and will have to be done into in great detail. But anything which can be done in Indian should be done in India.”

The Committee is, therefore, convinced that as far as construction of hotels are concerned and also as far as giving the conceptual drawings and designs for the construction of hotels there are adequate talent available in India which should be made use of instead of commissioning and engaging foreign consultancy for this type of work. Engagement of foreign consultancy service in areas where adequate such facilities are available in India not only causes avoidable drain of our scarce foreign exchange but also disheartens and hurts national pride and hinders to provide employment opportunities to our qualified Indian architects who are in no way inferior to International architects.

CHAPTER V

ENGINEERING

Jet overhaul Workshop at Bombay

5.1. The Corporation's jet engine workshop was established at a cost of Rs. 0.51 crores and commissioned in January, 1963. The workshop has a capacity of overhauling 10 engines per month. The Corporation has set up this workshop after projecting the possible increase in work-load over the next 10 to 15 years. The workshop has sufficient capacity to undertake the overhaul of jet engines for the I.A.F., I.A.C. and other international jet operations.

5.2. The overhaul of engines in the Corporation's own workshop helped to save considerable amount of foreign exchange. In 1964-65, a total of 51 engines were overhauled in the workshop of which 19 underwent complete overhauls. The foreign exchange saved was estimated at over Rs. 30 lakhs in the year.

5.3. It has been stated that the production in the jet overhaul workshop fell below expectation owing to continuous labour problems in 1965-66 and it was with some difficulty that the day-to-day requirements of engines were met. Consequently, performance fell much below the achieved figures of 1964-65, as can be seen below:—

	1965-66	1964-65
No. of engines handled	49	51
No. of completed overhauls	9	19

5.4. The situation at the workshop deteriorated further during the year 1966-67, and at one time became so critical that the Corporation was left with no alternative but to send some engines abroad for overhaul or rectification at the cost of avoidable expenditure in foreign exchange.

5.5. In reply to question as to how many engines were handled and completely overhauled at the Jet overhaul workshop of the Corporation during the years 1966-67 and 1967-68, it has been stated that the number

of engines produced from the Jet engine overhaul workshop during the last three years are:

	1965-67	1967-68	1968-69
<i>Air India</i>			
Overhaul	10	13	14
Repair	35	51	55
<i>I.A.C.</i> (Avon engines)			
Overhaul	3	3	6
Repair	8	12	10
Total Engine Prodn.	56	79	85

5.6. To a further question what other type of major repairs and maintenance works were carried out in the workshop during the last three years the Corporation has stated as follows:—

The Jet engine overhaul shop facilities basically undertake overhaul and repair of:—

- (i) Rolls-Royce convey engines fitted to Boeing 707—437 aircraft (5 in fleet).
- (ii) Pratt and Whitney fan engines fitted to Boeing 707—337 aircraft (5 in fleet).
- (iii) Rolls-Royce Avon engines fitted to caravelle aircraft of IAC Apart from the above.
- (iv) Overhaul and repair of engine accessories fitted to the above three different types of engines are also done in the workshop.

5.7. Regarding the number of aircraft sent for overhauling abroad and the total expenditure incurred thereon, the Corporation have stated that they have not sent out any aircraft for overhauling abroad so far.

Workshop facilities are fully capable of undertaking overhaul, repair of aircraft, engines and most of the accessories and components fitted thereon.

While almost all overhaul/repair work are done at Santa Cruz itself, in certain cases, where specialised work is involved, items are sent abroad. The total cost of such work during a year does not exceed Rs. 10:00 lakhs.

5.8. When asked whether it was a fact that Air India sent some engines for overhaul abroad, the General Manager, Air India during evidence stated as follows:—

“This was in one particular year due to the unfortunate fact of not very happy labour management relations. There was rivalry

between two or three unions resulting in production below the mark. After that, there has been no such trouble. During the last 2½ years, labour relations have been very normal and healthy, with no trouble. The result is that we are meeting our targets and doing all our work. We have spare capacity to do work from outside.”

5.9. The General Manager, Air India further informed the Committee that at present Air India’s workshop at Bombay was equipped to overhaul and maintain the 707 type of Boeing aircrafts and engines. When Jumbo Jets 747 type of aircrafts would come they would have to modify the workshop suitably. The workshop was doing work for I.A.F. and I.A.C.

The Committee enquired whether Air India was having any coordination with Hindustan Aircraft Limited, who were also doing similar repair and overhaul works, the witness stated that they had come coordination, but they were doing repair and overhaul work of different types of engines. The Committee pointed out that HAL was also doing repairs to Avons and Caravelle engines for I.A.C. and had spare capacity and wanted to know whether Air India could feed them further.

5.10. The Committee then asked whether it was possible for Air India to do the overhaul work for the foreign countries, since large number of other countries had started that business, the General Manager, Air India, stated that Saudi Arabians had approached them and it might be possible for them to undertake their jobs. The witness further agreed with the Committee that it would be worthwhile to get the business of other foreign airlines.

5.11. The Committee feel that the Corporation should suitably modify their overhaul workshop at Bombay as early as possible to take up the overhaul and repair works of Jumbo Jets when they arrive, so that sending of Jumbo jet engines abroad for repairs and overhauls could be avoided. That would save the expenditure in foreign exchange.

5.12. The Committee find that Air India has been approached by certain foreign Airlines (e.g. Saudi Arabian Airlines) to undertake their repair jobs in the Air India’s Overhaul and Repair Workshop in Bombay. The Committee recommend that Air India should give top priority to the acceptance of such work. Since foreign exchange would be earned by undertaking the work from foreign Airlines, special attention deserves to be attached to their jobs. Should the Air India find that after accepting the work of foreign Airlines their spare capacity is exhausted they may consider transferring such work (e.g. I.A.F., I.A.C. work) to the Hindustan Aeronautics Ltd. Workshop which is adequately experienced and is having spare capacity at present.

CHAPTER VI

AIRCRAFT SPARES AND STORES

6.1. Air India operate only one type of aircraft, namely 707 Inter-Continental Boeing. Most of the spares and stores material required for the maintenance and overhaul of these aircraft are imported from abroad. The development and manufacture of aircraft items necessitate action on the part of any entrepreneur to satisfy D.G.C.A.'s requirement on the question of technical know-how, facilities etc. and the manufacturer should get himself registered on the approved list to the effect that he is competent to issue certificate of airworthiness for any product before any airlines could negotiate with him for their requirements.

6.2. In view of the smaller fleet operated by Air India, its requirements in quantity as well as in value are very limited. Both the above factors afford hardly any incentive to the manufacturers to invest on a large scale, initially. In view of the above, the Corporation have no alternative but to procure its requirements from abroad.

6.3. The Corporation have been making concerted efforts for the last 10 years to develop and procure as many items as possible, indigenously, in this category. In collaboration with certain engineering firms in Bombay and Poona, Air India has been instrumental in getting the motorised step ladders and engine full-lift stand, previously, imported, manufactured in India. Similarly, a number of items of miscellaneous aircraft stores, which were miscellaneous aircraft stores and were previously purchased abroad were developed by Indian manufacturers at the instance of the Corporation. The Corporation continued its efforts to reduce expenditure in foreign exchange by encouraging the development of indigenous manufacture and widening the scope of indigenous purchasers.

6.4. The Corporation has furnished the following table showing number of items, stock value, consumption etc. for aircraft spares and stores for the years 1966-67, 1967-68 and 1968-69:

Sl. No.	Year	Stock value (Rs. in lakhs)	No. of items	Consumption (Rs. in lakhs)	Consumption expressed as % of final inventory
1.	1966-67	809.67	76,457	99.24	12.83
2.	1967-68	914.03	80,559	140.78	15.40
3.	1968-69	997.42	83,984	215.90	21.65

Even though the consumption as percentage of the inventory is rather small as indicated above, it will also be noted that the consumption is rising and this indicates that some of the material which we had purchased and stocked to meet further requirements of repairs and overhaul has now actually entered the process of consumption.

6.5. A large portion of the value of the Corporation's inventory is contained in about 700 top value items above Rs. 10,000 each, which account for 50 per cent of the inventory. It was revealed during a recent study that of these expensive spares, as much as 42.2 per cent consisted of used spare units, *i.e.* units which have had their normal span of use on the aircraft and had been removed, repaired and put back into stock at full value. The particular accounting procedure which calls for material to be kept at full value throughout the life of the aircraft and the use of it set off by an obsolescence fund, may give an impression that the inventory is high, but if the obsolescence provisions answer to question No. 1 in Audit para 9 are taken into account, the value of inventory is seen in proper perspective.

6.6. The Corporation have further stated that a review of non-moved items is carried out once in a year. In January, 1968, a review of items which did not move during the previous three years was carried out and similarly in January, 1969, a review of items which did not move during the previous five years was carried out.

The details are furnished below:—

Table showing data regarding non-moving items

S No.	Particulars	No. of items	Value (Rs. in lakhs)	Inventory value (Rs. in lakhs)	Value of non-moved items expressed as a % of inventory
1.	Non-moved items during previous 3 years as on 31-1-68	45,214	115.21	914.03	12.53
2.	Non-moved items during previous 5 years as on 31-1-69	35,280	80.10	997.42	8.03

6.7. In reply to a question as to how and after what period the surplus stores and spares are disposed of and have the surplus stock and spares (prior to 1966) been disposed of, if so, at what price, it has been stated that Stores and Purchase Department (of Air-India) prepares a list of non-moved items every year and this list is sent to the Engineering Department for their scrutiny, who after analysing the pattern of movement of item and its future requirement declares surplus items. Based on this, Stores and Purchase Department prepares a surplus list/sales bulletin and the same is circulated to different airlines and/or prospective buyers all over the world. This is a continuous process and there is no strict time cycle for this operation, *i.e.* disposal of surpluses.

So far, the Corporation have been able to realise Rs. 1.20 lakhs by way of sales of surplus items.

6.8. As regards high inventories of spare parts and stores, the General Manager, during evidence explained that it was due to two factors. Firstly, they had spares of different kinds to meet the demand of three or four types of engines in various modifications and secondly the price of spare parts increased by 10 to 15 per cent every year. They were putting the inventory on the computer as they wanted to keep it under strict control. Spares which were declared surplus were sold. A stage would reach when the 707 aircraft would become surplus in the world market and then it would be difficult for them to dispose of the spares at a price they wanted.

6.9. In the 747 Jumbo Jet, the engines would be entirely of a different type and therefore they would have to go in for different type of spares.

6.10. The General Manager, Air India further explained that the value of some of the spares remained the same even after it was used. Those spares went back to the workshop and reworked and fully overhauled. Once that was done, it was put back as a new item. If their value was Rs. 1,000 in the beginning, it was still Rs. 1,000 now. This was so, as the tax system did not allow them to depreciate the price.

6.11. The Committee pointed out that out of a surplus stock of Rs. 22.52 lakhs, the Corporation have been able to realise a very nominal amount of Rs. 1.20 lakhs so far. In reply the witness stated that most of the airlines are roughly in the same sort of situation as Air India was. Unless a new airline bought them, others might not be interested in these things. But they were making constant effort to sell of the surplus stock as much as possible.

6.12. The Committee are unhappy to note that out of a surplus stock of Rs. 22.52 lakhs of aircraft spares and stores so far the Corporation have been able to realise Rs. 1.20 lakhs by way of sales. The Corporation have not been able to dispose of spares and stores of a heavy amount. These stores and spares pertaining to Boeing 707 aircrafts that would become difficult to sell after some time. The Committee would like Air India to make earnest efforts to dispose of their stocks as early as practicable and would like to watch the follow up action taken.

The Committee feel that the inventory of spare parts and stores of the Corporation had been on the high side. They recommend that the Corporation should do better inventory control of these spare parts and stores taking into account the average life of an aircraft and the obsolescent rate.

CHAPTER VII

FUEL

7.1. Fuel consumption forms the largest single item of operational cost.

In 1966, Air India invited an expert (Mr. P. H. Swift, Consultant Engineer, M/s. J. E. D. Williams & Co. Luton Airport, Beds) to advise in what way fuel consumption in Air India's aircraft which had increased by 3½ per cent in four years could be reduced. The expert made certain conclusions/recommendations in the matter which are as hereunder :

Conclusions

7.2. The hourly fuel consumption of the Air India Boeing fleet has increased by 3½ per cent in four years. Of this 0.4 per cent is due to the increase in operating weight empty of the aircraft and a further 0.6 per cent due to increase in payload carried. This leaves 2½ to cover the following factors:—

- (1) Deterioration in aircraft performance.
- (2) Increased air traffic control congestion, holding and off-altitude effects.
- (3) Variations in operating technique.
- (4) Operation of 337B aircraft at Mach 0.84 on sectors below 1,000 n.miles.

It is considered that this is well within the limits when using good operating techniques and that the major part of the increase is outside Engineering Departments.

The individual aircraft performance is well within the data collected.

Recommendation

7.3. (1) It is recommended that the Boeing 707-437 and 337B performance points should be sent to Boeing for computation on a continuing basis.

(2) It is recommended that the technique of operating the 337B at Mach 0.84 on sectors below 1,000 n. miles should be stopped and a technique of Mach 0.82 used. If for competitive reasons the commercial Department want the Mach 0.84 cruise technique to be used it must be

pointed out to them that this will incur an increase of about 7 per cent in fuel cost.

(3) It is recommended that the Boeing 707-337B aircraft should be used in preference to the 437 whenever possible. This will enable advantage to be taken of the lower fuel and variable costs of the 337B aircraft.

(4) It is recommended that the penalties in percentage fuel consumption of the

- (i) carriage of extra fuel;
- (ii) flying at lower than optimum altitude; and
- (iii) flying faster than 0.82 cruise speed should be issued for the information of flight crews.

7.4. To a question what economy has been effected in the fuel consumption during the years 1966-67 and 1967-68 in view of the recommendations made by the expert and whether the Corporation has found any difficulty in implementing the recommendations, it has been stated that the study made by Boeing Company had confirmed that the fleet performance of Air India in general was "slightly better than other operators" and further, "Air-India's fleet performance remained substantially constant and well within the data scatter". Mr. Peter Swift confirmed this finding in his report of December, 1966. He had, however, made some recommendations on the following points:

(i) Operation of 337 B/C aircraft at Mach. 84.

The main recommendation of Mr. Swift was that Air India should avoid operating 337 B/C aircraft at Mach. 84 on sectors below 1,000 NM. This recommendation has been accepted and the Corporation no longer operates 337 B/C aircraft at Mach. 84 as a normal operating technique.

(ii) Utilisation of 337 B/C aircraft

Mr. Swift was of the opinion that since fuel consumption of 337 B/C aircraft was lower as compared to 437 aircraft, the former aircraft be "used in preference to 437 aircraft wherever possible."

We feel that the fuel consumption is not the only factor to determine the utilisation of aircraft. Utilisation will depend on the availability of aircraft, maintenance requirements, stage length, payload requirements, physical characteristics of runways, etc. In view of the better performance and long-range capability of 337 B/C aircraft, these aircraft are scheduled on Bombay-London flights via Moscow, to get more payload on Delhi-Moscow sector and on Bombay-Nairobi flights via Addis Ababa. Simi-

larly, 337 B/C aircraft are preferred for charters to airports with short runways. Further since two out of the five 337 aircraft are Cargo-cum-Passenger versions, they will be earmarked for freighter operations from December, 1969. All these factors which restrict the flexibility in scheduling of 337 aircraft, will have to be borne in mind when considering Mr. Swift's recommendation.

It may, however, be stated that every endeavour is made to use both types of aircraft to the maximum extent possible. The average yearly utilisation of 337 B/C aircraft during 1968 was 4005 hours per aircraft and of 437 aircraft 3439 hours per aircraft.

Carriage of extra fuel.—Mr. Swift had commended the minimum reserve-fuel policy of Air India which is in conformity with mandatory requirement of ICAO and the DGCA, India additional fuel, over and above the minimum reserve fuel, is sometimes carried at the discretion of the Commander, as required under international convention and the rules of the DGCA, India, if weather conditions at destination are likely to deteriorate. Further, due to high traffic density, en-route delays and altitude restrictions, etc., it would be more desirable to carry some extra fuel to meet such contingencies rather than incurring costly en-route landings or diversions.

Additional fuel may also be carried with a view to effecting economy. Payload permitting more fuel may be uplifted at stations where the fuel price is cheaper as compared to the next station, provided the fuel price difference is more than the penalty involved in carrying extra fuel. As mentioned by Mr. Swift, the Corporation does provide guidance material to crew in this respect.

7.5. In reply to a further question as to how do fuel consumption by Air-India aircraft compared with the manufacturers' estimates, the Corporation stated that the manufacturers of the aircraft (Boeing Company) have supplied the Corporation with Operations Manuals providing data on fuel consumption for different cruise techniques, at different altitudes. These data are used in planning of every flight and the actual fuel consumption during flight is monitored by the Flight Engineer and the readings of gauges logged. Any abnormal variations in fuel flow would be noticed by the Flight Engineer and recorded in the Flight Report for rectification by Engineering.

In addition to this, periodical analysis of Flight Engineer's logs are carried out by Operations Department to detect any abnormal variations. No abnormal variations have been noticed by Flight Engineer during flight or during the post flight analysis by Operations Department and the chart values continue to be used for planning of all flights without any adverse effect.

7.6. In reply to another question as to how Air-India's fuel consumption compare with that of other airlines now, it has been stated that the Corporation has in the normal course no access to fuel consumption data of other airlines. There are many variables affecting fuel consumption such as stage length, operating technique, load factor, operating weight empty, etc., which vary from airline to airline. As stated the fuel consumption in the Corporation has been consistent with the chart values and the average fuel consumption has remained constant, after giving due allowances to the increase in operating weight empty, load factors, air traffic control delays, etc., during the years. As far as Boeing analysis of airlines fuel data is concerned, the fuel consumption in Air-India continues to compare favourably with other major operators.

7.7. As regards the way in which Air-India keeps a watch over the rate of consumption and takes required steps to bring it down, it has been stated that the Corporation has set up a permanent post Flight Analysis Group in its Operations Department to analyse fuel consumption etc., as recorded in Flight Engineer's logs. Further statistics on fuel consumption are compiled and plotted on a graph to show the trend in fuel consumption.

7.8. During evidence the General Manager, Air-India informed the Committee that there was very little scope to do economy in fuel consumption. Their flight plans were made out very carefully and constant efforts were being made to consume less fuel. The witness further informed the Committee that Air-India was taking oil from all over the world. They invited world tender and then decided the rates. In India, they were taking oil from Indian Oil only.

7.9. The Committee have noted that the fuel consumption of Air India, is slightly better than the other operators and appreciate the performance of Air India in the matter of fuel consumption. The Committee hope that it would be maintained in future also.

CHAPTER VIII

FINANCE AND ACCOUNTS

(A) Capital

8.1. The capital of the Corporation provided by the Government had remained unchanged at Rs. 26,81.63 lakhs since March 31, 1963. 50 per cent of the capital is notionally treated as Equity and the balance 50 per cent as 'Loan' Capital bearing interest @ 4½ per cent per annum upto 30th September, 1966 and 6½ per cent per annum from 1st October, 1966. The payment of interest on Loan Capital was waived till 30th September, 1966. Despite the then moratorium which was in force till 30th September, 1966, the Corporation commenced paying interest @ 4½ per cent per annum on 50 per cent Loan Capital from the year 1963-64, in view of the improved financial results. After the expiry of the moratorium, *i.e.* from 1st October, 1966, the Government have fixed the rate of interest on the 'Loan' Capital @ 6½ per cent per annum. For the year 1966-67, the interest paid was @ 4½ per cent per annum for the first six months and @ 6½ per cent per annum for the remaining six months.

(B) Dividend

8.2. In 1966-67 and 1967-68, the Corporation declared a dividend @ 6 per cent on the Equity Capital of Rs. 13.41 crores. For this purpose, a sum of Rs. 82.00 lakhs and Rs. 80.00 lakhs respectively was allocated to the Dividend Reserve.

(C) Profits

8.3. The Corporation made net profits during the last three years as follows :

1965-66	.	.	.	.	.	163.56 lakhs
1966-67	.	.	.	.	.	389.15 lakhs
1967-68	.	.	.	.	.	189.30 lakhs

The financial results of the Corporation for the last three years were as follows:

Financial Results of the Corporation of the last three years

	(Rs. in lakhs)		
	1967-68	1966-67	1965-66
Operating Revenue	55,01·46	45,90·14	29,77·24
Less : Operating Expenses	49,57·96	41,34·17	28,60·59
Operating Profit	5,43·50	4,55·97	1,16·65
<i>Add</i> : Non-operating income :			
Net Profit on Assets sold or scrapped	1·75	1·80	1,18·20
Excess provision against arrears of salary for previous year . . . . .	..	14·00	..
	5,45·25	4,71·77	2,34·85
<i>Less</i> : Non-operating Expenses :			
Ex-gratia payment to employees for 1966-67 etc.	26·14		22·00
Provision for Staff Gratuity	30·00	..	..
Surplus before interest charges and Indian income-tax	4,89·11	4,71·77	2,12·85
<i>Deduct</i> : Interest, etc. on Dollar Loans	1,39·88	1,04·48	58·04
Interest on Loan Capital	87·15	73·75	60·34
<i>Less</i> : Interest earned	2,27·03	1,78·23	1,18·28
Net interest paid	87·22	95·61	69·09
Surplus after interest charges but before Indian income-tax	1,39·81	82·62	49·29
<i>Less</i> : Provision for Taxation	3,49·30	3,89·15	163·56
Surplus after interest charges and Indian income-tax	1,60·00	..	..
	1,89·30	3,89·15	1,63·56
<i>Add</i> : Previous year's carry forward	2·59	1·34	14·08
Total disposable surplus	1,91·89	3,90·49	1,77·64

8.4. The Committee are glad to note that the Corporation have made steady progress in its profit during the last few years, and they hope the progress will be maintained in future years.

The Committee are happy to note that Air India is one of the very few public sector organisations which is running at a profit and that too in spite of heavy competition.

(D) Expenses

8.5. The Corporation's operating expenses were as follows during the last three years:

	(Rs. in lakhs)
1965-66	28,60.59
1966-67	41,34.17
1967-68	49,57.96

8.6. In reply to a question as to the reasons for rise in the operating expenses during the last three years, the Corporation have stated that the rise in the operating expenses is mainly due to the expansion of their operational activities and general escalation in the costs throughout the world. More flying involves more direct operating expenses. Similarly, in order to sell more they have to expand areas of sale by opening of new offices and expanding existing Sales Offices. The comparative operational statistics for the last three years are given below:

	% increase (Decrease)		% increase (Decrease)		
	1966-67	1967-68 over 1966-67	1968-69	over 1967-68	
1. Total capacity provided ATKM (mill). including Indian Airlines contract service in 1967-68	352.69	434.45	23.2	461.99	6.3
2. Total capacity utilised RTKM (mill.)	172.53	198.98	15.3	225.28	13.2
3. Overall load factor (%)	49.5	48.00	(3.03)	48.8	1.7
Passengers (Number)	254,736	287,459	12.1	331,051	16.0
5. Revenue Passengers km. (Mill.)	1191.62	1404.47	17.9	1584.48	12.8
6. Passengers Tonne-Km (mill)	108.31	122.08	12.7	140.24	15.0
7. Cargo Tonne-km (mill.)	54.30	60.24	10.9	68.99	14.5
8. Mail Tonne-km (mill.)	9.02	10.11	12.1	11.20	10.8
9. Charter Tonne-km (mill.)	6.91	6.55	619.8	4.75	(27.5)

Apart from the expansion of the scale of our operations, some of the major reasons for increase in certain items of expenditure are:

(1) *Material consumption for aircraft maintenance.*—There has been a substantial increase in the consumption of materials on the maintenance and overhaul of the older type of 707 aircraft with Rolls Royce Engines due to their age as detailed below:

- (i) The cost of per engine overhaul of RR engines has increased in 1966-67 by Rs. 67,000 per overhaul over the year 1967-68.
- (ii) Compared to the year 1967-68 the cost per engine rectification of RR engine has increased by approximately Rs. 37,000 in 1968-69 due to ageing of the components.
- (iii) The cost of overhaul and rectification of P. & W. engines in 1968-69 has gone up by Rs. 61,000 and Rs. 43,000 respectively, compared to the previous year.
- (iv) There has been price escalation by Rolls Royce effective January 1968, by 12.25 per cent approximately and also the P. & W. and other parts by 15 to 18 per cent.

2. *Aircraft Insurance.*—Due to increase in the total insured value of aircraft fleet on account of devaluation of Rupee, the Corporation had to pay an additional insurance premium to raise the insurance cover on the aircraft to the replacement value. Also additional premium had to be paid on new aircraft added during the two years.

3. *Landing fees.*—The rates of landing fees have increased at London, New York, Bahrein, Nairobi, Brussels, Bangkok, Jakarta and Mauritius.

4. *Handling fees.*—There has been increase in the rate per flight handling at New York, Rome, Paris, Suva, Bangkok, Mauritius, Frankfurt; Perth, Tokyo and Sydney.

5. *Passenger Food Costs and Hotel Accommodation.*—The hotel tariffs at a number of stations have increased. Similarly the meal uplift costs in India as well as outside India have also appreciably gone up.

6. *Publicity.*—On account of opening of new stations (e.g. Mauritius, Brussels, Teheran, Kuala Lumpur, Addis Ababa, Entebbe, Amsterdam, etc.) and increase in the frequency on some existing routes, additional expenditure had to be incurred on publicity.

7. *Pay and Allowances and Provident Fund Contributions:*

- (i) A substantial amount had to be paid by the Corporation on account of revision of pay scales of staff in India and India-based staff posted abroad, under the terms of the National Industrial Tribunal Award.

- (ii) There has been a revision of pay scales and allowances in respect of locally recruited staff at U.S.A., U.K., France, Switzerland, Germany and East European Stations in keeping with the industry levels.

8. *Gratuity*.—Provision had to be made for accrued liability on account of Gratuity payable to the staff under the terms of the National Industrial Tribunal Award. Effective 1967-68, a sum of Rs. 30 lakhs per year has been provided on this account.

8.7. During evidence the Committee pointed out that the operating cost have much gone up in 1968 and enquired how could this be kept down. The General Manager, Air-India stated as follows :

“The only way to earn profit is perhaps to increase the revenue in the escalating world now-a-days where the costs all over are going up. The cost of food is going up; the cost of everything indeed is going up. We can only compete by earning more money. We do try to keep the costs down.”

8.8. The Committee find that the operating cost of the Corporation have gone up during the last two years and feel that this has lowered the profits in 1968. The Committee recommend that the Corporation should try to keep down the operating expenses as much as possible in future.

NEW DELHI:
April 28, 1970

Vaisakha 8, 1892(S)

M. B. RANA,
Chairman,
Committee on Public Undertakings.

APPENDIX I

Routewise Profit/(Loss) for the three years 1965-66, 1966-67, and 1967-68

All Figures Rs. in crores

Route	Operating Revenue			Operating Expenses			Operating Profit / (Loss)		
	1965-66	1966-67	1967-68	1965-66	1966-67	1967-68	1965-66	1966-67	1967-68
1. India/UK (or USA)	13.01	17.52	18.10	10.29	14.22	14.70	2.72	3.30	3.40
2. UK/USA	4.27	7.06	7.71	6.47	8.40	9.35	(2.20)	(1.34)	(1.04)
3. India/UK via West Asia (Terminator)	0.76	3.00	6.20	0.72	2.62	5.05	0.04	0.38	1.15
4. India/UK via Moscow	2.64	4.00	4.34	2.35	3.27	3.31	0.29	0.73	1.03
5. India/Japan	3.08	5.39	4.90	3.22	5.25	5.19	(0.14)	(0.14)	(0.29)
6. India/Australia (of Fiji)	1.82	2.81	2.85	1.54	2.38	2.49	0.28	0.43	0.36
7. Australia/Fiji	0.16	0.37	0.38	0.62	0.75	0.81	(0.46)	(0.38)	(0.43)
8. India/Australia (Terminator)	..	1.21	2.84	..	0.84	2.07	..	0.37	0.77
9. India/Singapore/Indonesia	0.64	0.54	1.14	0.70	0.54	0.98	(0.06)	..	0.16
10. India/East Africa	2.18	3.50	3.70	1.66	2.63	2.88	0.52	0.87	0.82
11. India/Mauritius	..	..	0.15	..	..	0.19	..	..	(0.04)
12. Total-Scheduled Services	28.56	45.40	52.31	27.57	40.90	47.02	0.99	4.50	5.29
13. Charters & contract service	1.21	0.50	2.70	1.04	0.44	2.49	0.17	0.06	0.21
14. Total—Systemwise	29.77	45.90	55.01	28.61	41.34	49.51	1.16	4.57	5.50
Deduct : Interest paid less Interest Earned									
Deduct : Other Non-operating Expenses									
Add: Other Non-operating Revenue									
Deduct : Provision for Deferred Taxation									
Net surplus after tax carried to appropriation account									
							0.49	0.83	1.40
							0.67	3.73	4.10
							0.22	..	0.56
							0.45	3.73	3.54
							1.18	0.16	0.02
							1.63	3.89	3.56
							..	..	1.67
							1.63	3.89	1.89

APPENDIX II

No. F. 1(52)-EPI/57

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS)

New Delhi, 21st January, 1958.

1st Magha 1879 S.E.

MEMORANDUM

SUBJECT: *Booking of passages to and from India.*

The undersigned is directed to state that apart from the foreign experts and technicians obtained under the various Foreign Aid Programme, quite a number of foreign nationals are engaged by Government, both Central and State, Statutory bodies and various Industrial undertakings in the public sector. Air passages for them are very often booked with foreign airlines. This results in avoidable drain on the foreign exchange resources of the country. The Air India International is operating in a number of countries in Europe, Africa and Asia but even where it has no such service it is in a position to book passages to and from every destination due to its interline agreements with numerous airlines. It is, therefore, considered that in future contracts for engagements of foreign technicians there should be a clause stipulating that all payments for the transportation of these technicians and their family would be made direct to A.I.I. by the Government or the Government Organisations employing them. As far as past contracts are concerned, similar efforts should be made to book the passages of these technicians and their families with Air India.

2. This Department would appreciate it if these instructions were brought to the notice of all concerned immediately.

Sd/- B. K. NEHRU,

Secretary to the Government of India.

All Ministries etc.

APPENDIX III

Copy of Office Memorandum No. F. 1(1)-EC/60 dated the 20th January, 1960 from Ministry of Finance (Department of Economic Affairs) to all Ministries etc.

SUBJECT: *Booking of passages to and from India.*

The undersigned is directed to refer to this Department's Office Memorandum No. 1(52)-EPI/57 dated the 21st January, 1958 on the subject mentioned above (copy attached for ready reference) and to state that with a view to conserving foreign exchange and securing maximum revenue for Air India International, it is necessary constantly to keep in mind the need for and to devise every measure possible, for making the greatest use of the facilities provided by this airline. It is quite likely that the Ministries of the Government of India and State Governments etc. would be entering into fresh contracts for technical know-how with foreign Governments and agencies for projects coming up in the Third Five Year Plan. The undersigned would, therefore, like to remind them once more of the need of utilising the services of the A.I.I. for booking of passages for their technicians, consultants and their families.

2. This Department would appreciate if these instructions are brought to the notice of all concerned immediately.

APPENDIX IV

Copy of O.M. No. F. 1(10)-EC/61 dated the 1st March, 1961 from the Ministry of Finance (Department of Economic Affairs) to all Ministries etc.

SUBJECT: *Booking of passages to and from India.*

The undersigned is directed to refer to this Department Office Memorandum No. F. 1(1)-EC/60, dated the 28th January, 1960 impressing upon all the Ministries to utilise the service of Air-India International. Cases have been brought to the notice of this Ministry where the instructions contained in the afore-mentioned Office Memorandum have not been strictly followed by the Statutory Bodies and Government owned/controlled Corporations. It will be appreciated that a deviation from the normal procedure results in giving traffic to foreign operating and non-operating airlines and, consequently, loss in foreign exchange as well as rupee earnings of the national airlines. It is, therefore, requested that instructions contained in the Office Memorandum dated the 28th January, 1960 may please be brought to the notice of the various Corporations/Organisations under the control of the Ministry of S.M. & F., etc. for strict compliance.

APPENDIX V

Items of work disposed off in Meetings of the Advisory Committee during the period 1966-69 (20th Meeting to 24th Meeting both inclusive)

20th Meeting held on 10th February, 1966

1. Accident to Aircraft VT-DMN 'Kanchenjunga'.
2. Operating and Traffic statistics for the period April/November, 1965.

21st Meeting held on 28th May, 1966

1. Inspection of fatigue cracks in Boeing tail.
2. Accident to VT-DNZ on 20th April, 1966.
3. Accident to VT-DMN 'Kanchenjunga'.
4. Operating and Traffic statistics for the period April/February, 1966.
5. Labour situation.
6. 'P' Form Irregularities.

22nd Meeting held on 5th April, 1968

1. Purchase of 747 aircraft.
2. Emigrant Fare.
3. Taking over of Government Tourist Office by Air India.
4. Operation and Traffic statistics.
5. Operation of services to South America.
6. Facilities by way of food, give aways, concessional transportation to travelling public, concessional fares to students joining American Universities.

23rd Meeting held on 6th December, 1968

1. Boeing 747 Project-Financing Arrangement.
2. Air India's operations with Boeing 747 aircraft.
3. Air India's participation in the development of tourism in India.
4. Opening of new online stations and offline sales representations.
5. Operating and traffic statistics.
6. Proportion of expenditure incurred between First Class and Economy Class passengers.

7. Delays to flights.
8. Complimentary gifts.
9. Inspection by members of Air India offices in India and abroad.
10. Rotation of staff.

24th Meeting held on 16th June, 1969

1. Purchase of third 747 aircraft.
2. Opening of new stations and offline offices.
3. New uniforms for Air Hostesses.
4. Bomb scares and Hi-jacking.
5. Effect of 'P' form on Air India's business.
6. Invitation to members of the Advisory Committee on Inaugural flights.

APPENDIX VI

Letter No. GM/14-37(8) dated the 27th April, 1970 from Air India

SUBJECT: Sharing of German technician traffic between Air-India and Lufthansa

The sharing of German Technicians traffic, paid for under the West German Credit, between Air India and Lufthansa goes back to 1962.

2. Under the provisions of the loan contract signed in 1962 between Hindustan Steel Ltd., and the K.F.W. (West German Reconstruction Loan Corporation), the air passages of the German operating personnel engaged in the Rourkela Steel Project and their families were to be shared equally between Air India and Lufthansa.

3. To ensure equal division of this traffic, Air-India had suggested to Government the following procedure:

(i) Indian Embassy, Bonn should notify both Air-India and Lufthansa on every occasion a visa was granted to a German technician and/or his family. The Frankfurt offices of Lufthansa and Air-India would then agree between them to alternate the bookings on each other lines. At the end of each month, the two airlines could jointly review the revenue received by each airline and make necessary adjustments in their next months uplifts.

(ii) The authority to issue travel order should be centralised at Rourkela *i.e.* Hindustan Steel Ltd.

4. We were able to control the equal sharing of the traffic without any dispute with Lufthansa by implementing the above procedure.

5. The German traffic in connection with Rourkela Steel Project has come to an end.

6. In November 1969, Government advised us that under the credit agreement between the Indian Petrol Chemical Corporation and M/s. Fried Krupp, West Germany, that the transportation of German technicians and their families connected with this project would be covered by the following clause in the agreement.

(a) Travel will be 50:50 by Air-India and Lufthansa, the ratio being watched and maintained closely.

- (b) The cost of passage whether over Lufthansa or over Air-India would be met from the K.F.W. loan for the project and this would be so irrespective of whether the tickets are issued in Deutsche Marks or in Indian rupees.

7. Pursuant to this agreement, the Ministry of Petroleum and Chemicals advised the Indian Petrol Chemical Corporation that in order to ensure that Air-India's interests are protected, a monthly return be sent to the Ministry of Civil Aviation indicating the names of the airline, the value of the passages booked and manner of payment, giving progressive figures from inception so that the 50:50 ratio can be automatically watched.

8. In order to maintain control on this traffic, we have proposed that a register be maintained by Air-India New Delhi of German technicians who are to travel under this project, showing the number of PTAs (Pre-paid ticket advice) issued, the number of participants and the sectors travelled and the amount involved.

9. On receipt of advice from Indian Petrol Chemical Corporation of the names of the German technicians and their families, Air India, Delhi will advise Air-India, Frankfurt to issue the necessary tickets to the German technicians. The tickets will be issued either at Frankfurt or Dusseldorf office of Air-India.

10. The Indian Petrol Chemical Corporation has accepted this arrangement which has been working satisfactorily.

APPENDIX VII

Summary of conclusions/recommendations of the Committee on Public Undertakings contained in the Report.

S. Reference to No. Para No. in the Report	Summary of conclusions/ Recommendations
1	2
1	2.15
	<p>The Committee note that the Air India is touching the maximum number of stations within their available capacity of 10 aircrafts. The Committee has also noted that the India-U.K.-U.S.A. route happens to be a "Blue Ribbon" route contributing the major portion of the revenue to the Corporation. The Committee would like that the Air-India should do all that is necessary to maintain and to improve the profitability of this "Blue Ribbon" route. Keeping this in view the Air-India may consider touching either more or alternative stations in the India-U.K.-U.S.A. route including Tel Aviv. In the wake of acquisition of 747 Jumbo Jet Aircraft. But the Committee would like that the objective of improving profitability and the popularity of the route should also be kept in view in making selectional choice of stop over.</p>
2	2.23
	<p>The Committee feel that the Corporation should pay more attention to developing the India-Japan route. They find that this sector is running at a loss owing principally to lack of frequency and the highly competitive sector. The Committee is of the view that profitability in this route can be gained by introducing daily frequency and halting at new stations having tourist interest. In that connection Air India's suggestion to Government to establish a link with Taipeh deserves to be considered. Although the Corporation had not conducted traffic survey of this Sector but if they operate through Taipeh they should be able to earn revenue out of this operation. As regards link with Taipeh the</p>

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Committee feel that since STC and MMTC are operating in Formosa on commercial basis it should be possible for Air India also to enter into agreement on reciprocal basis. The Air India/Ministry of Civil Aviation may undertake a traffic Survey of this operation through Taipeh and if it is found profitable, they should endeavour the opening of this route on commercial basis.

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2.40

The Committee find "a Commercial Agreement" was first signed between Aeroflot and Air-India in June, 1958 which provided for sharing of the revenues earned by the two on the Delhi/Bombay/Moscow route on a mutual agreed basis. Between August, 1958 and March, 1965 Air-India earned about Rs. 96 lakhs as a result of the pool settlement from Aeroflot. This agreement was suspended unilaterally by Aeroflot in April, 1965 and became inoperative until March, 1968. Owing to the fact that Aeroflot was dissatisfied with the fact that the adjustments were continually in our (Air-India) favour. When further discussions with U.S.S.R. were opened as a result of the suspension of this agreement Rs. 87.7 lakhs could not be recovered from Aeroflot under the pool arrangement. In March, 1968 a number of agreements were reached between Air India and Aeroflot according to which it was decided that all revenues in respect of passenger, cargo and excess baggage traffic carried by two Airlines should be brought into the pool by the two and that the revenues could be shared equally. As the same time it was also decided that pool adjustment would be limited to 5 per cent of the revenue brought into the pool by the two partners. Air India was thus allowed to carry 96 passengers up to U.K. per week in each direction (calculated separately for each summer and winter period) and the revenue in respect of these 96 were outside the pool. If Air-India carried more than 96 passengers then the revenue of the excess would be brought into the pool by Air-India at the average traffic applicable for Delhi-Moscow Sector. Unfortunately, even this did not

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work. Air-India got only Rs. 20.6 lakhs in 1968-69. If the 5 per cent ceiling had not been there they would have got about Rs. 38 lakhs. Again in November, 1969 it was decided with the USSR authorities that the ceiling on the pool of 5 per cent would be suspended and Air India and Aeroflot would share 50:50 until the end of April, 1970 before that further discussions would take place.

After examining the whole issue the Committee feel that the history of the India/USSR route has been very unfortunate in the sense that Air India has never been able to get its proper share of traffic and revenue. Air-India could neither operate freely nor could get its reasonable revenues. The Committee think that the pooling arrangement did not serve the best interest of the Corporation. The Ministry of Tourism and Ministry of External Affairs should endeavour to protect the commercial interest of Air-India by helping them to work in a new pooling arrangement satisfactorily in future.

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2.46

The Committee reiterate their earlier recommendation that Air-India has not been able to open new stations in this region. If new stations are opened after careful traffic survey 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 contracts with the Governments concerned. Air-India should endeavour to do so during the Fourth Five Year Plan period.

This Committee recommend that as soon as Air-India's Boeing 707 aircrafts become surplus from the India/U.K. route after the acquisition of Jumbo-Jets; the Corporation should utilise some of those aircrafts for opening new routes and touching some

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important stations in East/West Africa keeping in view the popularity of the stations touched and the profitability of the sector.

5 2.64 & 2.65

The Committee note that in order to remain competitive and to offer a new type of aircraft, Air India is acquiring a fleet of 4 Boeing 747 Jumbo Jets to operate a daily service on the India/U.K./U.S.A. route. The aircraft are stated to be more spacious, comfortable and would have large cargo capacity. The Committee, however, suggest that the Corporation should do careful planning of the utilisation of the aircraft and introducing frequencies of service on the route to draw sufficient traffic for the bigger aircrafts.

The Committee are concerned about the preparations at the four airports for the Jumbo Jets. The Jumbo's will begin flying in March, 1970 and Air India's Jumbo Jets will arrive in March, 1971. The Committee recommend that the work at the airport should proceed fast. The runways, parking bays, terminal buildings, facilities and amenities to passengers, servicing, facilities to aircrafts should be augmented and improved at the four international airports at Delhi, Bombay, Calcutta and Madras without any loss of time. The question of re-designing these airports to provide suitable facilities, not only for Jumbo Jets used by Air India, but also those that are likely to be used by other foreign airlines calling at these airports should be borne in mind.

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2.71

The Committee are much concerned about the heavy loss of revenue being sustained by Air-India due to undercutting in fares by some airlines. They recognised the necessity of setting up of a Government machinery to keep a watch on the observance of the Rules and Regulations by foreign airlines to check this malpractice, as exists in U.S.A.

"Undercutting had almost become a way of life in Airlines Business" owing to the existence of surplus capacity in the aircrafts compared to the pas-

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sengers. The Committee would, therefore, suggest that any drastic step to prevent undercutting if adopted, should be taken with great caution to safeguard against retaliatory measure against Air-India. The Committee note the recent decision to amend the Aircraft Rules of 1937 making it obligatory for all airlines to submit tariffs to DGCA and to impose penalties for violation. They would like the Government to consider the setting up of a machinery as in U.S.A. to ensure observance of the Rules and Regulations by foreign airlines and to punish the violation. The Committee would like to watch the follow up action taken and results achieved in pursuance of this decision.

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3.10

The Committee now understand that the Government have removed certain restrictions on travel abroad. Travellers going to foreign countries for the first time and those who have not gone out of the country for three consecutive years no longer need to get 'P' forms. They would be released a foreign exchange to the extent of \$ 100 if travel is by Air-India. The Government have also introduced a bonus scheme for attracting Indian national to travel by Air-India on the London/India route. The Committee hope that the Corporation would take the maximum advantage of these relaxations and it would lead to a substantial increase in traffic load of Air-India.

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3.23

The Committee has found the sharing of technician traffic between Air-India and Aeroflot has been a matter of controversy. The Secretary of the Ministry by giving evidence, explained to the Committee that generally Government insists that the technician traffic whose travel costs are paid out of Government funds do travel by Air-India. He said "Instructions have already been issued that where Government funds are involved, the travel must be by Air-India. In our agreement with foreign countries/firms we insist on this. Unfortunately, in some

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cases where we cannot enforce, i.e., in the case of Russians, they insisted that Aero Flot should be given a share and in the case of West German technicians, LUFTHANSA insisted on their share, we had to allow them a fair share of the traffic."

The Committee finds that there is no proper machinery to check and ensure that the instructions of the Government were fully implemented.

From the Statement of the General Manager of Air-India, we find that this sharing of technician traffic between Air-India and Aero Flot has in the past been to the detriment of the Air-India. The General Manager stated in evidence: "By and large, most of the technicians used to travel by Aero Flot. Firstly they had insisted that the technicians should travel by Aero Flot along. In the last agreement in March, 1968, Air India insisted that at least technicians should travel by Aero Flot. Firstly they had insisted that the technicians should travel by Aero Flot along. In the last agreement in March, 1968, Air India insisted that at least technicians should be divided 50:50 and Aero Flot agreed, but somehow, it did not work and the balance remained in their favour. Now, in the latest agreement in November, 1969, Air-India had got this 50:50 share which should be satisfactory if it could be brought on permanent footing."

Air-India has further explained in a note that "a reciprocal arrangement exists between Air-India and Aero Flot in respect of ticketing of passengers, freight and package. This arrangement requires Air-India to ticket traffic on behalf of Aero Flot in India and requires Aero Flot to ticket traffic on behalf of Air India in USSR. Aero Flot are not permitted to hold ticket stocks and therefore, do not issue tickets in India unlike other foreign carriers who are permitted to do their own ticketing in India."

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“Moreover, the major proportion of the traffic moving between India and USSR consists of Government project and technical traffic which in most cases originates in the USSR. They hold return tickets issued by Aero Flot in the USSR. Air-India is, therefore, not in a position to solicit this traffic. In fact, even project traffic originating in the USSR are paid for by the Indian Government is at times not available to Air-India.”

The Committee has noted the difficulties Air-India is facing with regard to getting its agreed share of 50% of the technician traffic as explained above. This is largely due to the fact that Return Tickets are being issued at Moscow. There is still another factor which stands in the way of Air-India getting its agreed 50% share of the technician traffic which was pointed out by the Secretary himself that the sharing of the technician traffic and their families is to be done “taking into consideration their preferences,” whether they would like to fly by Aero Flot or Air-India.

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The Committee feels that these two factors, viz., the issue of the Return Ticket at Moscow at the originating point of the traffic and the provision that the preferences of the technicians and their families who were to be taken into account whether they would fly by Aero Flot or Air-India will ultimately defeat the agreement of getting for Air-India 50% of the technician traffic which is being paid by the Government of India or by the undertakings.

The Committee would like that the Ministry and Air-India should sort out these two factors and should ensure to keep a watch that Air-India does get 50% of the technician traffic as agreed to between the two Governments.

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There is a Pool Agreement between Aero Flot and Air-India and in the past this arrangement has broken down primarily because Aero Flot felt that Air-India was not bringing in enough revenue to the pool and each time Aero Flot had to fork out payments to Air-India. The Committee has noted that Air-India operates at a disadvantage and that is why they have been failing to bring to the pool as much of revenue as the other party has been bringing. The factors which have inhibited Air-India in this respect are:

1. The Problem of Air-India getting the agreed share of 50% of the technician traffic as explained above (Para 2.12).
2. Air India is not permitted to solicit traffic in USSR whereas there is no reciprocal restriction on Aero Flot in India. Air-India is not permitted to advertise and do direct selling in USSR, because that is the general restriction applied not only to Air-India but to all foreign Airlines operating in USSR. On the other hand Aero Flot is placed in advantageous position that it is in a position to advertise and sell in India as this freedom is available not only to Aero Flot but other foreign carriers operating in India. Air-India points out, "Inherent differences operating in controlled society and a democratic society cannot be completely removed". On the other hand the Committee has noted that Aero Flot gets the advantage through crediting to the pool earnings even from passengers going from Delhi to U.K. via Moscow on such passengers above 96 numbers as explained at para 2.34.

The Committee would, therefore, like the Ministry to take special note of the disadvantages that the Air-India is suffering and to resolve it as best as it could be.

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The Committee would like that the Ministry should have machinery to check as to how far the instructions that the traffic paid by Government of India or the Undertaking to travel by Air-India are being followed by the concerned authorities.

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Air India have submitted a letter detailing the arrangements and procedure followed in sharing of German technician traffic between Air-India and Lufthansa which is reproduced as appendix VI.

The Committee feel that the procedure followed to ensure that the sharing took place at 50:50 basis was fair and has worked satisfactorily since 1962. The Committee feel that Air-India/Ministry ought to have adopted some such procedure to ensure fair share of 50% to Air India in respect of 50% share in technicians traffic between Air India and Aeroflot. However, the Committee noted that in view of the latest revised agreement of pool and sharing on 50:50 basis between Air India and Aeroflot, the share of technician traffic agreement has lost its importance.

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The Committee are happy to note that the Corporation are alert to the revenue potentialities from the Charter market and note the Corporation's proposal for setting up a subsidiary company for non-IATA Charters.

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The Committee are surprised to note that so far adequate coordination between Indian Airlines and Air-India for traffic was lacking. The Committee feel that this may have been one of the factors responsible for low load factor of Air-India. Internal Air-line is primarily responsible for feeding the country's international carrier. The Committee, therefore, strongly urge that Air-India should take up this matter immediately with IAC at the highest level to secure more traffic for Air-India.

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		<p>The Ministry of Civil Aviation being in overall control of both the undertaking—should ensure co-ordination between Air-India and the IAC.</p>
11	3.36	<p>The Committee feel that every effort would be made to increase the traffic load of the national carrier, since most of the Governments are helping their own International Airways. The Committee are, therefore, inclined to suggest that cultural/sports/film groups which usually hold a national representative character should appropriately travel by Air-India. The Government and the Reserve Bank should ensure that Air India gets the maximum business of these groups. For the same reason the Committee also feel that the Government must insist that students travel abroad by Air-India.</p>
12	3.42	<p>The Committee agree with the views of the Corporation that the traffic of emigrants from India to Commonwealth countries, particularly to U.K. is a part of the ethnic traffic which belong to the national carrier. With a view to attract such traffic Air-India has entered into a pool agreement with B.O.A.C. and has reduced the emigrant fare. The Committee feel that Air-India should be accorded all assistance by Reserve Bank to enable this travel scheme to succeed. Reserve Bank may consider restricting the approval of 'P' forms of emigrants for travel on other carriers.</p>
13	4.4	<p>The Committee note the proposal of the Corporation that the number of Board Members should be increased and out of them a certain number of members should be actually functional Directors and recommend that this may be given effect to since Air India would be required to take over more responsibilities in the near future. The Committee further suggest that the question of inclusion of labour and pilots representatives in the Board may also be examined.</p>

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14	4.20	<p>The Committee are of the opinion that once such an advisory Committee was appointed, it was the duty of Air-India to hold its meetings regularly and no attempt should have been made to minimise its importance. The Corporation should have given full co-operation to the members of this Committee and sufficient importance to their suggestions. Sometimes the suggestions made by the Members of Advisory Committee are of vital importance being suggestions from as Members of the Committee who have travelled far and wide. The Advisory Committee should have been asked to look into the question of whether the provisions of the IATA were properly implemented. The Committee feel that there is greater need for such Committees and in a democratic set up the participation of consumers in such advisory committees has an added value. The Committee, therefore, recommend that the meetings of the Advisory Committee should be held more frequently and the suggestion made by them should be carefully processed for implementation.</p>
15	4.35	<p>The Committee note that the present arrangement of recruitment of pilots to Air India from the Air Force is working satisfactorily. The arrangement should, however, be made perfect on a long term basis.</p>
16	4.42	<p>The Committee note that in other countries travel Agents gave roughly 60 to 65 per cent of business to national carriers. Air India had been able to achieve only 42 to 43 per cent of business from travel Agents. The Committee feel that besides co-ordination with I.A.C., Air India should take more positive steps to make the Travel Agents in India feel conscious of the responsibilities to the national carrier. The Committee suggest that representatives of Air India should meet the Travel Agents occasionally to persuade them to award business. The Corporation should furnish them the Air India routes, maps and posters brochures and show pieces.</p>

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		in sufficient quantities for display in their offices just to remind the public about India's national carrier.
16	4.43	In regard to traffic on the routes not served by Air India, the Corporation should function as a Travel Agent to make bookings on other carriers. Besides earning the commission, they would attract the reciprocal goodwill and client etc. of other foreign airlines.
17	4.45	The Committee feel that there should not be any difference in the treatment of Indian passengers and non-Indian passengers on Air India's flights. The Corporation should ensure that the services rendered to the passengers are of high standard on all the routes.
18	4.47	The Committee feel that it is very essential that announcement in respect of flights of Air India and Indian Airlines should be made in national and regional language since many passengers understand the regional language only.
19	4.50	The Committee have noticed that there is no proper transport arrangements at the Airports to take the passengers to the cities or their hotels. At times the passengers are badly treated and put to much inconvenience. The taxis some times run without meters. The Committee recommend that there should be a special tourist police arrangement at the Airports to look after the convenience of the tourist traffic, and to break the racket of unauthorised taxi-operators and their agents. The Committee feel that special attention should be paid to this problem.
19	4.51	The Committee would also recommend that the Government should introduce mini-buses at the Airports to provide quick transport to passengers at reasonable rates in consultation with ITBC and international airlines.

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20	4.52	The Committee suggest that the porters should be required to pin an identity card with their photograph on the coat as is the practice in Hong Kong and other important airports. The Committee would like that either the porters should be Government paid employees or their tariff fixed as in the Railways.
21	4.55	The Committee feel that since sari reflects a distinctive Indian character it should remain the basic dress of air hostesses.
22	4.57	The Committee recommend that on Air India aircrafts the name should first be written in the national language and then in English.
3	4.50	The Committee suggest that Air India offices abroad should maintain upto date files of leading Indian newspapers and periodicals. The Committee would also like some Hindi Newspapers and Periodicals be kept in Air India Aircrafts.
24	4.81	The Committee after examining all the facts have come to the conclusion that it will be in the larger interest of Air-India to put up hotels. They also agree with the suggestion that the hotels be put up and managed by the subsidiary of Air India and they hope that Air India will show and demonstrate the same competency and efficiency in the management of hotels as they have shown in the management of their Air transportation business. The Committee would, however, like to emphasise that Air India should put up hotels only after a thorough feasibility report in order that the new hotel venture may be a commercially successful venture.
		The Committee, however, are perturbed and distressed that the Air India Board's decision to go in for foreign consultancy particularly in the drawing up of the conceptual drawings of the hotel is not based on factual data. In the written reply from Air India and in the evidence given both by the General Manager and by the Director General of Tourism, it has been stated that India does not possess enough

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expertise nor they have capable and talented architects to produce conceptual drawings of hotels to meet the needs of international tourist traffic. In support of their contention they gave the example that the conceptual drawings of Ashoka Hotel and Oberoi Intercontinental at Delhi were furnished by foreign architects and by the foreign collaborators at Oberoi Intercontinental. The Committee took the following evidence on their point :—

1. The President of the Indian Institute of Architects.
2. The Managing Director of Oberoi Intercontinental Hotel, namely Shri M. S. Oberoi, M.P.
3. Shri Pilo Mody, M.P. who was the architect of Oberoi Intercontinental.

The Committee have found that Ashoka Hotel was designed by an Indian Architect. They have found that the conceptual drawings of Oberoi Intercontinental was also done by Indian Architects and the shell of the building of Oberoi Intercontinental, according to the conceptual drawings of the Indian Architects, was completed long before Intercontinental entered into a foreign collaboration. Mr. Oberoi has also stated in his evidence that he has put up hotels not only in India but abroad at Tehran, Ceylon & Nepal whose conceptual drawings were given by Indian architects. He has further stated that their hotel Oberoi Sherton at Bombay is also being put up on the conceptual drawings given by the Indian Architects. Mr. Oberoi has stated that they take the help of the foreign consultants in certain limited areas where their advice would be of use and assistance to them in order to improve the working and the quality of the hotel but in every case the primary architect consultant is an Indian.

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The Committee has noted the evidence of the President, Indian Institute of Architects in which he has said that there is enough architectural talent available to design hotel in India of any requirement and dimension. This has been further corroborated by the evidence of Shri Pilo Mody.

The Committee has also been informed that the Government policy is to use Indian consultancy as far as possible in every field of activity. The Secretary of the Ministry while giving evidence before the Committee has stated as follows :—

“I entirely agree that any work which can be done by Indian architects or technicians or talent must be done by them. I fully support this view, apart from the foreign exchange aspect of it, that until we encourage our own talent, we are not going to get anywhere. If a hotel can be designed by an Indian architect or a group of Indian architects, certainly it should be done by them. But this is a question for consideration and will have to be gone into in great detail. But anything which can be done in India should be done in India.”

The Committee is, therefore, convinced that as far as construction of hotels are concerned and also as far as giving the conceptual drawings and designs for the construction of hotels there are adequate talent available in India which should be made use of instead of commissioning and engaging foreign consultancy for this type of work. Engagement of foreign consultancy service in areas where adequate such facilities are available in India not only causes avoidable drain of our scarce foreign exchange but also disheartens and hurts national pride and hinders to provide employment opportunities to our qualified

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		Indian architects who are in no way inferior to International architects.
25	5.11	The Committee feel that the Corporation should suitably modify their overhaul workshop at Bombay as early as possible to take up the overhaul and repair works of Jumbo Jets when they arrive, so that sending of Jumbo Jet engines abroad for repairs and overhauls could be avoided. That would save the expenditure in foreign exchange.
25	5.12	The Committee find that Air India has been approached by certain foreign Airlines (e.g. Saudi Arabian Airlines) to undertake their repair jobs in the Air India's Overhaul and Repair Workshop in Bombay. The Committee recommend that Air India should give top priority to the acceptance of such work. Since foreign exchange would be earned by undertaking the work from foreign Airlines, special attention deserves to be attached to their jobs. Should the Air India find that after accepting the work of foreign Airlines their spare capacity is exhausted they may consider transferring such work (e.g. I.A.F., I.A.C., work) to the Hindustan Aeronautics Ltd. Workshop which is adequately experienced and is having spare capacity at present.
26	6.12	The Committee are unhappy to note that out of a surplus stock of Rs. 22.52 lakhs of aircraft spares and stores so far the corporation have been able to realise Rs. 1.20 lakhs by way of sales. The Corporation have not been able to dispose of spares and store of a heavy amount. These stores and spares pertaining to Boeing 707 aircrafts that would become difficult to sell after some time. The Committee would like Air India to make earnest efforts to dispose off their stocks as early as practicable and would like to watch the follow up action taken.
		The Committee feel that the inventory of spare parts and stores of the Corporation had been on the

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27	7.9	<p>high side. They recommend that the Corporation should do better inventory control of these spare parts and stores taking into account the average life of an aircraft and the obsolescent rate.</p>
28	8.4	<p>The Committee have noted that the fuel consumption of Air India is slightly better than the other operators and appreciate the performance of Air India in the matter of fuel consumption. The Committee hope that it would be maintained in future also.</p>
29	8.8	<p>The Committee are glad to note that the Corporation have made steady progress in its profit during the last few years, and they hope the progress will be maintained in future years. The Committee are happy to note that Air India is one of the very few public sector organisations which is running at a profit and that too inspite of heavy competition.</p>
		<p>The Committee find that the operating cost of the Corporation have gone up during the last two years and feel that this has lowered the profits in 1968. The Committee recommend that the Corporation should try to keep down the operating expenses as much as possible in future.</p>

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