

**COMMITTEE ON PUBLIC  
UNDERTAKINGS  
(1980-81)**

(SEVENTH LOK SABHA)

**TWELFTH REPORT**

Action taken by Government on the recommendations contained in the Forty-Eighth Report of the Committee on Public Undertakings (Sixth Lok Sabha)

On

**INTERNATIONAL AIRPORTS AUTHORITY OF  
INDIA—IMBALANCES IN THE UTILISATION  
OF AIRPORTS AND IN THE OPERATIONS  
OF FOREIGN AIRLINES *Vis-A-Vis*  
NATIONAL CARRIERS**

(MINISTRY OF TOURISM & CIVIL AVIATION)

*Presented to Lok Sabha on. 12.3 APR 1981*

*Laid in Rajya Sabha on. 2.3 APR 1981*



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TO

The Twelfth Report on Action Taken by Government on the recommendations contained in the Forty-Eighth report of the Committee on Public Undertakings (Sixth Lok Sabha) on International Airports Authority of India - Imbalances in the Utilisation of Airports and in the Operations of foreign Airlines vis-a-vis national carriers.

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
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"Comments of the Committee

(please see Paras 38-41 of Chapter I of Report)".

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(1980-81)**

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22. Shri Sunder Singh Bhandari

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Shri H. G. Paranjpe—*Joint Secretary.*

Shri T. R. Krishnamachari—*Chief Financial Committee Officer.*

Shri S. P. Chanana—*Senior Financial Committee Officer.*

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\*Elected w.e.f. 28-11-1980 in the vacancy caused by appointment of Shri P A. Sangma as Deputy Minister.

**ACTION TAKEN SUB-COMMITTEE OF THE COMMITTEE  
ON PUBLIC UNDERTAKINGS  
(1980-81)**

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6. Smt. Geeta Mukherjee
7. Shri B. K. Nair

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 12th Report on Action Taken by Government on the recommendations contained in the 48th Report of the Committee on Public Undertakings (Sixth Lok Sabha) on International Airports Authority of India—Imbalances in the Utilisation of Airports and in the Operations of Foreign Airlines *Vis-a-vis* National carriers.

2. The 48th Report of the Committee on Public Undertakings was presented to Lok Sabha on 25 April, 1979. Replies of Government to all the recommendations were received on 6 January, 1981. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 13 March, 1981. The Report was finally adopted by the Committee on Public Undertakings on 19 March, 1981.

3. Analysis of Action Taken by Government on recommendations contained in the 48th Report of the Committee is given at Appendix I.

NEW DELHI;  
April 16, 1981  

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Chaitra 26, 1903 (Saka).

BANSI LAL,  
Chairman,  
Committee on Public Undertakings.

## CHAPTER I

### REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the Forty-Eighth Report (Sixth Lok Sabha) of the Committee on Public Undertakings on International Airports Authority of India—Imbalances in the utilisation of Airports and in the operations of Foreign Airlines *vis-a-vis* national carriers, which was presented to Lok Sabha on 25 April, 1979.

2. Action Taken notes have been received from Government in respect of all the 23 recommendations contained in the Report.

The recommendations have been categorised as follows:—

(i) *Recommendations/Observations that have been accepted by Government.*

Serial Nos. 1, 3—5, 7, 8, 11—13, 15—17 and 20.

(ii) *Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies.*

Serial Nos. 9 and 18.

(iii) *Recommendations in respect of which replies of Government have not been accepted by the Committee.*

Serial Nos. 2, 6, 10, 14, 19, 21—23.

The Committee will now deal with action taken by Government on some of their recommendations.

#### *A. Imbalance in the utilisation of International Airports*

##### **Recommendation No. 1 (Paragraphs 2.62 to 2.66)**

3. The Committee had found that during the period 1969-70 to 1977-78, the international passenger traffic increased by 277 per cent at Bombay, 198 per cent at Delhi and only 90 per cent at Madras. In the case of Calcutta, the traffic declined from 2.38 lakh passengers in 1969-70 to 1.68 lakh passengers in 1976-77 but showed a marginal increase of 9 per cent in 1977-78.



Out of Air India's 45 weekly flights to West, 43 operate from Bombay and 2 from Delhi. Its 10 East bound flights operate only from Bombay. Only a few of its transitting flights touch Calcutta and Madras.

Owing to low volume of traffic, particularly international, Calcutta and Madras airports had been continuously sustaining heavy losses of nearly Rs. 1 crore a year. On the other hand, Bombay and Delhi airports are affected by acute congestion causing avoidable hardship, harassment and expense to the passengers. The Committee expressed surprise over this serious imbalance in the utilisation of international airports and desired to know why Government had not issued any direction to Air India for diversification of its flights.

4. While agreeing with the Committee, Calcutta and Madras airports have not been fully exploited as compared to Bombay and Delhi where infrastructural facilities had been stretched to the maximum, Government have, in their reply, pointed out that it is not uncommon in any country that one or two of its international airports are chosen by international airlines for operations. For example, in Australia 70% of the international aircrafts movements are at Sydney, Toronto accounts for 68% of such traffic in Canada. De Gaulle airports in Paris get 78% of the share of international air-traffic. British Airways operate 65.5% of its services through London.

5. It has also been pointed out by Government that for historical reasons, Air India's base is located at Bombay and if Calcutta and Madras have to be made terminating/originating points of Air India's flights, maintenance bases will have to be created at these stations at considerable expenses. It was in this context that Government had not issued any directive to Air India to diversify its operations. It has, however, been stated that Air India has started making efforts in this direction within the existing financial constraints.

6. While the Committee note with some satisfaction that the Air India has started making efforts to diversify its operations within its financial constraints, they are unable to appreciate the reason advanced by the government for not giving a directive to the Air India in the matter. The diversification is needed in the interests of the users and in order to obviate the heavy losses sustained by the International Airport Authority of India in maintaining the Calcutta and Madras airports. It would, therefore, be not correct to take a view merely on the basis of the commercial interests of the Air India

which may not allow of creation of maintenance bases at Calcutta and Mádras. Taking a total view of the commercial interests of the Air India and the International Airports Authority of India, government could issue an appropriate directive in the matter of diversification of international air flights from Bombay and Delhi to Calcutta and Madras. The IAAI should not be called upon unnecessarily to augment the facilities in Bombay and Delhi airports when the facilities already available in Madras and Calcutta remain grossly under-utilised.

*B. Traffic Potential Survey.*

**Recommendation No. 2 (Paragraph 2.67)**

7. The Committee had observed that it was indeed very unfortunate that though Bombay and Delhi airports were bursting at the seams, none of the authorities—the Ministry of Civil Aviation and Tourism, D.G.C.A., I.A.A.I. or Air India had conducted any survey to find out the traffic potential in other regions at least to ascertain the origin and destination of air passengers who were embarking and disembarking international flights at Bombay/Delhi. The Committee had felt that if this had been done, it would have clearly indicated the need for diversifying the flights.

8. In their reply, Government have intimated that an origin/destination survey of international passengers at Bombay and Delhi airports has been conducted by the International Airports Authority of India in May and September, 1979 respectively. The results of the Survey at Bombay have indicated that while 47.28% of the embarking and 55.5% of disembarking passengers preferred Bombay, the survey at Delhi has revealed that 68% of both embarking and disembarking passengers preferred Delhi. According to Government, the results of this survey *prima facie* do not support the conclusion reached by the Committee.

9. The Committee are somewhat surprised at the statement made by the government that the survey of international passengers at Bombay and Delhi airports undertaken after the presentation of the Committee's Report did not support the conclusion reached by the Committee that there was a need for diversification of international flights to Calcutta and Madras. This statement of the government was based on the proportion of the embarking and disembarking passengers preferring various airports. However, in order to determine the need for diversification of flights to other airports,

it is necessary to also take into account the transit passengers touching Bombay and Delhi airports which has been dealt with by the Committee in paragraph 2.68 of the 48th Report. If this is taken into account the need for diversification would be clearly indicated

*C. Diversification of flights*

**Recommendations Nos. 6—8 (Paras 2.73 to 2.75)**

10. The Committee were convinced that foreign airlines had been allowed places of their choice freely to enable them to reap rich dividends no matter where the country's interest lay. The Committee had observed that with the concentration of flights at Bombay and Delhi airports and consequent enormous rush, one is pained at the hardship suffered by the passengers women, children and aged persons alike. The Committee had, therefore, required that Air India's operations should be decentralised so as to have a fair measure of diversification of its both East and West Bound flights and instructions should be issued for diversification of flights of foreign airlines to Airports other than Bombay and Calcutta.

11. With a view to achieve the objective of diversification of flights the Committee had also recommended that Government should forthwith consider grant of suitable incentives in the form of discriminatory landing and parking charges levied by the Airports Authority and equalisation of fares from all the Airports to/from different destinations abroad. The Committee felt that there should be positive disincentives for undue concentration in Bombay and Delhi such as severe traffic and landing restrictions.

12 In their replies to the aforesaid recommendations, Government have stated as under:—

- (a) It would not be correct to say that Government can deny traffic rights to foreign airlines at Bombay and Delhi and compel them to operate to Calcutta. The repercussions would do a good deal of commercial harm to Air India. As a retaliatory measure, France could ask Air India to land at Nice instead of Paris, Italy could direct Air India to go to Milan instead of Rome and so on. Considering what Air India requires in foreign countries for commercially viable operations, reciprocal benefits had to be given to foreign airlines and they chose Bombay or Delhi.
- (b) Air India has started making efforts in the direction of diversification of its flights within the given financial constraints. However, the sizeable investment required

in creating maintenance based at places like Calcutta and Madras will have to be taken into account before speeding up this process of diversification. While Government cannot compel foreign airlines to shift their operations to Calcutta/Madras, instructions will be issued to them urging upon them the need to lighten the constraints on Bombay and Delhi and to divert some of their flights through Calcutta/Madras.

- (c) The I.A.A.I. are being advised by the Government to charge lower landing|parking|housing charges at Calcutta and Madras as an incentive to diversify operations. As regards equalisation of fares, at present Delhi and Bombay are co-rated and so are Madras and Calcutta. Considering the distance involved, it is not possible to have one single fare for all destinations in India. In addition, such equalisation may affect the commercial interests of Indian Airlines.

13. The Committee do not agree with the government that they are helpless in the matter of compelling the foreign airlines to diversify their operations in India. Indirect compulsion could be brought about by showing positive incentives for using Madras and Calcutta airports and certain disincentives against concentrating in Bombay and Delhi. It is, therefore, not enough to merely issue instructions to the foreign airlines urging upon them the need to lighten the constraints on Bombay and Delhi and to divert some of their flights through Calcutta and Madras. The Committee, however, note that the International Airports Authority are being advised to charge lower landing/parking/housing charges at Calcutta and Madras as an incentive to diversify operations. The Committee desire that a system of disincentives against undue concentration in Bombay and Delhi airports should also be devised and enforced.

#### *D. Bilateral Agreements*

##### **Recommendation Nos. 10, 11 and 12 (Paras 3.93—3.95)**

14. The Committee observed that the Bilateral Air Services Agreements entered into by Government with foreign countries and the interline/commercial arrangements settled by Air India with foreign airlines were replete with serious deficiencies and irregularities. These were heavily weighted against the national interest granting undue concessions to the foreign airlines especially those belonging to countries other than Socialist countries.

15. In their reply the Government have stated that the bilateral agreements are arrived at Government level only after a study is made of the commercial feasibility based on the traffic potential the total level of frequencies that is required to cater to the need is arrived at and equally divided between the national airlines. In doing so, the type of aircraft to be used, the point of call in India and other related factors are taken into account. These guidelines are uniformly observed without any discrimination between country and country. Interline/commercial arrangements between Air India foreign airlines are concluded by Air India and are subject to approval of the D.G.C.A. who ensures that the arrangements are not unfavourable to Air India and then only accord approval.

16. The Committee also pointed out that of the total international passengers carried from/to India, the share of the national carriers was only 42.8 per cent and the remaining 57.2 per cent was carried by foreign airlines. It was admitted by the Managing Director, Air India that they should either operate the same number of services as the foreign airlines do or 'ask the Government to cut their services'. He also admitted that if the frequency operations of foreign airlines were brought down to their level, their traffic share would go upto 50 per cent. The Committee felt that if this could not be ensured the foreign airlines should be made to pay for whatever imbalance was there in the light of this report.

17. In reply it has been stated that Government while conceding traffic rights to foreign airlines, pay particular attention to see whether Air India could utilise the rights it is bargaining for, though there are instances where the rights secured for Air India have not been utilised fully due to reasons of shortage of capacity, crew and other requirements that go with a commercially successful operation. But this by itself does not mean that the affluent foreign airlines who exploit their rights fully are better off commercially. As they are mostly long haul operators transiting India their discharge/uplift in India are not very substantial as any airline would concentrate more on long haul passengers. The performance of the national carriers with its limitations on financial resources, in getting 42.8% of the international traffic in India appears to be satisfactory, considering that the remaining 35 or so foreign airlines operating in India carry the balance.

18. It has been further stated that once the level of frequencies has been conceded to the airlines, if Air India had not been able to utilise the rights due to paucity of equipment, etc., it is no fault

of the foreign airlines, and on that score the foreign airlines would not pay any compensation as they are within the rights granted to them under the bilateral air services agreements. However, every agreement, the Committee have been assured would be reviewed and revision/termination examined.

19. The Committee had pointed out that the Bilateral Air Services Agreements entered into with foreign airlines were weighted against our national interest. In this context it is amazing that the government have derived a satisfaction that the Air India could get 42.8 per cent of the international traffic in India as against the 35 foreign airlines operating in India getting the balance. If some such comparison is made on the basis of the total world air traffic it would have been logically sound. The agreements with foreign countries and foreign airlines are based on the principle of reciprocity and ideally the international traffic in India should be equally shared between the national carriers and foreign airlines. In fact, this position was admitted by the Managing Director, Air India, in his evidence before the Committee. The Committee note the commitment of the Government that every agreement would be reviewed and revision/termination examined. They trust that the present imbalance would be corrected before long.

#### *E. Commercial/Pooling Arrangements*

##### **Recommendation (Sl. No. 13, Paragraphs 3.96-3.97)**

20. The Committee pointed out that it was only in the case of USSR, Czechoslovakia and Poland that the bilateral agreements provided for commercially pooling arrangements by airlines. In certain other cases also Air India had concluded commercial arrangements as 'incidental to operations'. Curiously enough in a number of cases there were no such arrangements at all, e.g. Air France, Alitalia, Lufthansa, etc. Thus whilst for excess carriage Air India was paying huge amounts to British Airways and to a number of other airlines, it had not been receiving its due compensation under similar circumstances of excess carriage by Air France, Lufthansa, etc. Even from the traffic uplift point of view, it was noted that though Air India had been carrying more passengers to Australia, Japan and Italy than their airlines it had been losing heavily on India-Australia, India-Japan and India-Continent routes, which in 1977-78 alone amounted to Rs. 300 lakhs.

21. The Government in their reply have stated that the rules and regulations in Czechoslovakia, Poland and Russia are understood to

have prevented free sales and restricted activities of foreign carriers. At the same time, the traffic originating in those countries were severely controlled and was directed to various carriers. In order to ensure that Air India obtains its due share of the market, existence of a commercial arrangement had been made a pre-condition to operating services. This is not so in the case with other countries where opportunities to exploit the market were fair and equal for Air India and the national airlines. The need therefore, for making commercial/pooling arrangements as pre-requisite, in the Bilateral Agreements of such countries is not felt by Government.

22. Despite the Committee's observations that while for excess carriage, Air India is paying huge amounts to British Airways and to a number of other airlines, it has not been receiving its due compensation under similar circumstances of excess carriage by Air France, Lufthansa, etc., the Committee is surprised that the Government do not appreciate or realise the need for making commercial/pooling arrangements as prerequisite in the bilateral agreements with countries other than Czechoslovakia, Poland and Russia. The Committee, therefore, reiterate that this possibility should be explored wherever necessary on the basis of the review of agreements promised to be undertaken by Government.

*F. Need for review of Bilateral agreements*

**Recommendation Sl. No. 14 (Para 3.98)**

23. The Committee were convinced that the so-called reciprocal arrangements were nothing but a 'myth' which had now been exploded. Not only did the Ministry and the D.G.C.A. not try to strike a good bargain during bilateral talks but permitted the foreign airlines to operate more services in India than what the national carriers were able to operate in those countries. All this reflected very badly on the Ministry, D.G.C.A. and Air India. Undoubtedly, the foreign airlines earned rich dividends at the country's cost. The Committee strongly suspected that this was not allowed for nothing.

24. In their reply the Government have stated that Bilateral air services agreements are concluded with specific guidelines with regard to frequency of operations, capacity to be provided by the airlines and *fair and equal opportunities* for both the parties. Such agreements are concluded keeping in view Air India's requirements in their future plans. It is another matter such plans do not materialise due to difficult aircraft position and other factors associated with operation of services. It has also happened in some cases that Air

India have pulled out of certain places due to commercial/operational reasons, e.g., Brussels, Prague, Jakarta, etc. having once got the rights. It has been stated that there is no instance in support of the Committee's apprehension that some of the bilateral agreements were not above board.

25. Admittedly there is imbalance in the operations of Air India in other countries vis-a-vis the foreign airlines operating in India. Although this has been explained as due to the inability of the Air India to fully utilise the rights obtained for various reasons it is necessary to see how far the agreements and modifications thereto from time to time have been realistic and sound. An objective and independent review of the agreements in operation is, therefore, necessary before coming to any conclusion.

#### G. Enforcement of Numerical Restrictions

##### Reommendations Sl. No. 16, (Para 3.100-3.101)

26. It was admitted before the Committee by the spokesman of the D.G.C.A. as well as by the former D.G.C.A. that they had no enforcement machinery to check that the numerical restrictions were adhered to by foreign airlines or the figures supplied by them were correct, and that these restrictions had no effect on the diversification of flights or removing congestion in Bombay and Delhi.

27. The Government, in their reply, have admitted that in cases where an upper ceiling of number of passengers that could be carried per year is specified, beyond which the airline could not carry traffic to|from India, there is no machinery to check whether the ceilings are complied with or not. As regards cases where the airline could carry beyond the ceiling subject to payment of compensation to Air India, Government have agreed that it should be in the interest of Air India to watch out to see whether the foreign airline had exceeded the ceiling prescribed so that they could ensure compensation payment. Government have however, pointed out that statistics, etc. furnished by the foreign airlines relate normally to the past periods and it is only after the carriage of excess has taken place, the D.G.C.A. comes to know about it.

28. Though the government have accepted the position that there is no enforcement machinery to check whether the ceilings on the number of passengers that could be carried per year by a foreign airline are complied with or not, there is no indication as to how



they propose to bring into existence such a machinery. This should be looked into by Government without delay and intimated to the Committee in due course.

#### H. Cases of apparent Favouritism

##### Recommendation Sl. Nos. 19 and 21 (Para 3.106 and 3.108)

29. The Committee observed that the officials of Air India had been going out of their way to help the foreign airlines and cited some concrete instances in this regard e.g. (i) D.G.C.A.'s approval to the arrangements with Singapore Airlines at the instance of the Commercial Director of Air India, (ii) giving extra rights to Kuwait Airways, (iii) Gulf Air operations under interline Agreement of April, 1977 without a proper inter-governmental agreement etc. In this connection, the Committee pointed out that the Regional Director (Middle East) of Air India joined the Kuwait Airways after his retirement in February, 1978 and that the Planning Officer of Air India who headed the Air India team for interline agreement of April, 1977 joining the Gulf Air after retirement in July, 1977.

The Committee had desired that:—

- (a) there should be an immediate probe into all the cases cited by the Committee to bring the delinquent officials to book and to remedy the situation.
- (b) Suitable instructions should immediately be issued by Government regarding the officials of Public Undertakings taking up jobs in foreign companies or organisations after retirement so that there is no corrupt practice possible.

30. In their reply, the Government have, *inter alia*, stated that there is no tangible evidence on record to show that Air India or DGCA had been helping the foreign airlines in increasing their business to the detriment of the interest of Air India and of the country at large. There are, it has been claimed, inbuilt checks as are available in the machinery of the Government to ensure that no negligence or malpractices take place. It has also been stated that all bilateral agreements are subjected to periodic review in order to ascertain the benefits that accrue to the foreign airlines *vis-a-vis* the national carrier.

31. As regards officials of Public Undertakings taking up jobs in foreign countries, Government have pointed out that unlike in

the Government where retired Government servants cannot accept commercial employment without Government's permission during the first two years of his retirement, there are no such rules, in regard to persons who retire from public undertakings. In Air India, persons who retire do not get any pension and once their terminal benefits are given to them there is no control over their taking employment elsewhere.

32. The Committee had called for a probe into the cases of certain officials of Air India whose conduct did not seem to be quite above-board. All that the government have intimated is that there is no "tangible evidence on record" to show that there had been any malpractice. It is hardly necessary for the Committee to point out that only a vigilance probe, and not a mere examination of records, could establish whether there was any malafide role played by the officials concerned. They would, therefore, reiterate that the probe, as suggested, should be made and such action as may be warranted taken thereafter.

33. It is indeed disappointing that the government have remained content by stating that they have no control over the retiring officials of Air India taking employment elsewhere in reply to the Committee's recommendation that suitable instructions should be issued in this regard so that there is no corrupt practice possible. In this connection the Committee would invite attention to the reply of the Ministry of Commerce to a similar recommendation made in their 35th Report (1978-79). On the basis of that Report, the STC has since incorporated the following clause in their offer of appointment in the case of managers:

"On the contract of service coming to an end, for any reason whatsoever, he shall not thereafter engage himself in any manner whatsoever in any activity prejudicial or detrimental to the interests of the Corporation. Further he shall not, for a period of two years from the date of the contract of service coming to an end, due to any reason whatsoever, without the prior written permission of the Corporation engage/associate himself either directly or indirectly in any business like that of the Corporation on his own account or as a partner or in service under another employer in any like business."

34. The Committee desire that similar action should be taken in all the other public enterprises, including Air India. Instructions in this regard should be issued forthwith through the Bureau of Public Enterprises.

**Recommendations S. No. 20 (Para 30.107)\***

35. The Committee came across a case where Dy. DGCA (Shri G. R. Kathpalia) had authorised operation of cargo charters of Gulf countries by a private foreign company with which his brother was associated suppressing this fact from higher authorities. The Committee felt that it was not desirable to keep such an officer in any position where malpractice was possible.

36. In their reply the Government have stated that:—

“The case cited by the Committee was investigated by a Joint Secretary of this Ministry and it was found that the case was processed at a very fast pace. It was the opinion of the Joint Secretary who inquired into the case that Shri Kathpalia, knowing fully well that his brother was involved in this case, should have as a responsible senior officer of the Government, brought the facts of the case to the notice of his superior officers and sought their approval before clearing the case. The procedure to be adopted in such cases has since been streamlined in order to ensure that no malpractice would be possible and necessary instructions have been issued vide this Ministry’s letter No. AV. 14014/22/75-A, dated 16-9-1975.”

37. The reply of the government is nothing but largely a restatement of the position taken note of by the Committee in their 48th Report. The reply is silent about the observation of the Committee that “it is not desirable to keep such an officer in any position where malpractice is possible”. The Committee, however, trust that the government have taken note of this observation.

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\*At the time of factual verification the Ministry stated that a further communication would follow.

## I. Setting up of a High Powered Standing Council

### Recommendation Sl. No. 22 & 23 (Paras 3.109 and 3.110)

38. The Committee concluded that there was no clear cut policy of Government and detailed guidelines to govern inter-governmental bilateral agreements and interline commercial/pooling arrangements. Whatever imbalance was there had been accentuated further from time to time. Neither the commercial interest of Air India nor the interest of I.A.A.I. nor the interest of users had been served. There was no coordinated examination and periodic review of agreements. No competent machinery was there to watch the actual operations with reference to the restriction imposed on foreign airlines. All these loopholes could not be attributed to mere mismanagement but had deeper causes underlying which had to be rooted out. This was an area which had never drawn any serious attention of the top authorities in the country as well as of Parliament.

39. The Committee was, therefore, constrained to recommend that a high powered standing council, consisting of adequate number of Members of Parliament and representatives of the State Governments besides officials presided over by the Minister of Civil Aviation should immediately be set up to go into all these matters and constantly oversee and monitor the functioning of the Ministry, D.G.C.A., Air India, I.A.C. and I.A.A.I. and above all to bring about harmony in the working of these bodies and a coordinated approach to all the problems in the interest of the country and the users.

40. In their reply, Government have intimated that they follow policy of 'pre-determination' in the matter of bilateral agreements with other countries. The capacity and the frequency of services to be operated by foreign airlines to and through India and by Air India to/through foreign countries are determined before hand on the basis of estimated traffic on the route and a fair and equal opportunity is provided both to Air India and to the foreign airlines concerned. In regard to interline commercial/pooling arrangements it has been stated that these arrangements are agreed to between the airlines and subject to approval of the D.G.C.A. It has been claimed that D.G.C.A. while giving approval to these arrangements does ensure that the benefits from these arrangements are more or less equal to both the airlines. The bilateral agreements are subjected to periodic review. In view of this, Government feel that there appears to be no need for effecting any change in the existing set up.

41. The Committee are unable to agree that all is well with the formulation and operation of the agreements relating to the foreign airlines operations in India as is sought to be made out by the government. The Committee's conclusions were reached on the basis of the evidence tendered before them by the former Director General of Civil Aviation, who could depose with practical experience and a degree of detachment that was needed. Unfortunately the government have tended to defend the existing position. In this context the Committee reiterate the suggestion to have a high-powered, standing council to go into the system and to have a coordinated approach by the Ministry of Tourism and Civil Aviation, DGCA, Air India, IAC and IAAI. In fact, the Air Corporation Act, 1953, under which the IAC and Air India are established, provides for constitution of an Air Transport Council to consider and advise the government on certain matters referred to it. This provision could be invoked and such amendments as are necessary made to the Act to have the kind of set up that the Committee have in view.

## CHAPTER II

### RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

#### Recommendation (S. No. 1 Paragraphs 2.62—66)

The Committee are distressed to observe that there is serious imbalance in the utilisation of the four international airports of Bombay, Calcutta, Delhi and Madras. The imbalance has been allowed to be accentuated over the years. Owing to low volume of traffic, particularly international, Calcutta and Madras airports have been continuously sustaining heavy losses of nearly Rs. 1 crore a year. On the other hand Bombay and Delhi especially Bombay, airports are afflicted by acute congestion causing avoidable hardship, harrassment and expense to the passengers.

During the last eight years, while at Bombay the international passenger traffic consistently increased from 5,89,642 passengers in 1969-70 to 22,77,066 in 1977-78, (rise of 277 per cent); and at Delhi from 4,22,484 to 12,59,646 (rise of 198 per cent); at Madras the rise has been relatively small from 71,412 passengers in 1969-70 to 1,36,342 in 1976-77 (rise of 90 per cent) but in 1977-78 the traffic has shown a declining trend. In the case of Calcutta, rather than registering any increase, the traffic declined from 2,38,634 passengers in 1969-70 to 1,68,248 in 1976-77 and has shown a marginal increase of 9 per cent in 177-78. Similarly, the aircraft movement has substantially declined at Calcutta over the above period.

The imbalance is more pronounced when viewed from the angle of landlings/take off of aircrafts. Out of a total of 102 West bound flights of foreign airlines and Air India per week, as many as 92 originate from Bombay, to from Delhi and none from Calcutta and Madras. Likewise out of a total of 17 east bound flights, 10 originate from Bombay 2 from Delhi, 4 from Madras and 1 from Calcutta. The position of terminating flights is more or less similar. Out of a total of 106 transiting flights to West, 49 touch Bombay, 42 Delhi, 12 Calcutta and 3 Madras and out of 113 transitting flights to East, 47 touch Bombay, 51 Delhi, 11 Calcutta and 4 Madras.

The disparity is even more glaring in respect of the operations of Air India or great national carrier. Out of its 45 weekly flights to West, 42 operate from Bombay and 2 from Delhi. Its 10 East bound flights operate only from Bombay. Only a few of its transiting flights touch Calcutta and Madras.

The then D.G.C.A. stated during evidence that though Air India could diversify and spread out to other regions because of its headquarters at Bombay, it has been concentrating more at Bombay. Surprisingly, Air India have not produced any data, regarding traffic potential in other regions so far. Although according to Air India there was no directive to diversify its operation the Ministry of Civil Aviation and Tourism while agreeing that Air India should diversify its operations pointed out that there was no directive to concentrate at Bombay. Government owe it to the Committee to explain why no direction was issued for diversification of the operations of Air India so far.

### Reply of the Government

While agreeing with the Committee that Calcutta and Madras airports have not been fully exploited as compared to Bombay and Delhi where infrastructural facilities have been stretched to the maximum, it has to be pointed out that it is not uncommon in any country that one or two of its international airports are chosen by international airlines for operations. For example, in Australia, 70 per cent of the international aircraft movements are at Sydney and the other international airports-Brisbane, Adelaide, Melbourne and Perth-account for the remaining 30 per cent only. In Canada, Toronto accounts for 68% of the international aircraft movements though Montreal and Vancouver are also international airports. Similarly, in France, only De Gaulle airports in Paris get 78% of the share of international air traffic, while Nice, Lyon, Bordeaux limp behind. In Germany, Frankfurt accounts for 54 per cent of the international aircraft movements, Dusseldorf 19 per cent, Munich 17 per cent and Hamburg the rest. The position is the same in United States and the U.K. It is therefore not unusual that in India Bombay accounts for 60.6 per cent and Delhi 30.5 per cent of the international aircraft movements in the country.

2. It is mainly for historical reason that Air India has its base in Bombay. As the base is located at Bombay and because of the size of the fleet and the need for maximum operational flexibility, the services largely originate/terminate at Bombay. This is by and large the case of British Airways also which operates 65.5 per cent of its services through London.

3. The Air Corporations Act, 1953, enjoins upon Air India that it should work on sound commercial principles. If Calcutta and Madras have to be made terminating/originating points of Air India's flights, maintenance bases will have to be created at these

stations at considerable expenditure. It is in this context, Government have not issued any directive to Air India to diversify its operations. However, Air India has started making efforts in this direction within the given financial constraints.

[Ministry of Tourism and Civil Aviation O.M. No. H. 11021|4|80-A dated 6 January, 1981.]

### **Comments of the Committee**

(Please see Paras 3—6 of Chapter I of Report).

### **Recommendation (S. No. 3, Paragraphs 2.68-69)**

From the data furnished to the Committee by Indian Airlines and Tamil Nadu Government in this behalf and the growth of international mail at Calcutta and having regard to the passengers travelling by train from various regions to catch the international flights it appears that about 70% of international passengers from Southern, Eastern and N.E. Regions are forced to come to Bombay or Delhi. The position obviously is the same for the return journey. Further, the proportion of transit passengers, being 39 per cent at Bombay and 43% at Delhi as against 20 per cent at Madras and 9 per cent at Calcutta in 1976-77 the local traffic potential of Bombay and Delhi is not at all as high as is sought to be made out.

It is common knowledge that most of the Gulf passengers are from the South but due to inadequacy of flight at nearby airports they are made to flock to Bombay which is one of the most expensive cities within the country. Thus bulk of the international passengers fall a prey to exploitation and enormous hardships not to speak of needless transshipment of cargo and the attendant problems. Even this sudden spurt in Gulf Traffic in recent years did not open the eyes of the authorities to the realities of the situation and to quickly remedy it.

### **Reply of the Government**

The results of the origin/destination survey conducted at Bombay and Delhi airports have been mentioned in reply to the recommendation at S. No. 2 (para number 2.67). An origin destination survey will now be undertaken on a regular basis and at all the four international airports. As for passengers bound for Gulf countries, Air India has already commenced international flights to the Gulf points from Trivandrum.

[Ministry of Tourism and Civil Aviation O.M. No. H. 11021|4|80-A dated 6 January, 1981.]



### Recommendation (S. No. 4, Paragraph 2.70)

The authorities did not remain content with only Air India's concentration at Bombay. A number of foreign airlines which were operating at Calcutta were allowed to gradually shift to Bombay/Delhi. Since 1967, as many as ten foreign airlines thus discontinued their Calcutta services. Five of them (Air-France, Lufthansa, Swiss-air, Japan Airlines and KLM) discontinued as they could easily secure rights at Bombay/Delhi in lieu of Calcutta during inter-governmental talks for the mere asking. This was stated to have been granted on the recommendations of Air India having regard to their needs. As admitted during evidence the rights or benefits secured for Air India in exchange thereof have mostly not been availed of by it and they remain merely 'paper rights' at the heavy cost to the country's overall economic interest.

### Reply of the Government

Calcutta was no doubt once being served by many international airlines. In the late sixties and in early seventies as many as nine airlines (Air France, Swiss Air, Lufthansa, KLM, CPA, PAN Am, Qantas, JAL and Aeroflot) shifted their operations from Calcutta. The position in regard to the airlines cited by the COPU in paragraph 13 is as follows:—

*Air France.*—Air France were permitted to shift its once weekly service from Calcutta to Bombay. In return for this Air India was given a frequency advantage in the sense that they got the right to operate 5 services per week through Paris as against Air France right to operate only four services through India, three through Delhi and one through Bombay. Also, rights for Air India to operate from Moscow to Paris and from Paris both to Canada and to the U.S.A. were obtained. Air India have availed of these rights but have not so far commenced operations to Canada.

*Lufthansa.*—As a result of the talks held in 1969, Lufthansa were given the right to operate *via* Calcutta or New Delhi. Subsequently, as a result of the talks held in 1970, Lufthansa were permitted to operate *via* Bombay or New Delhi. This was agreed to having regard to the imperative need of Air India to have flexibility for its B 747 operations through Frankfurt and especially removal of restrictions on the frequency of services to be operated with B 747 aircraft. Rights for a daily service *via* Frankfurt were also obtained as well as rights to operate to two points in U.S.A. The rights got for Air India were fully utilised except that Air India had not commenced operations to the second point in U.S.A.

*Swiss Air.*—In May, 1968, as a result of an exchange of letters the Swiss air were given the right to operate to Bombay and Calcutta. Subsequently, as a result of the inter-governmental talks held in October, 1970 and consequent exchange of letters of May, 1971, the Swiss air were given the right to operate to Bombay and Delhi. Swiss air however never operated to Calcutta and the question of their shifting from Calcutta did not arise. In return for this, within the entitlement of six services a week *via* Switzerland, Air India secured the rights for operating two B 747 services from 1971 and four B 747 services from 1972 and five B 747 services from 1973. From 1976, Air India could introduce a daily B 747 service through Switzerland. Swiss-air was however, not given the right to operate B 747 services before April 1974. Also the route schedules were liberalised giving Air India traffic rights between Switzerland on the one hand and Moscow, Sweden, Norway, Denmark, Abu Dhabi, Dubai and other points in Gulf on the other. The rights secured for operation of B 747 services were utilised as well as traffic rights secured for Air India between Gulf and Switzerland. However, traffic rights between Switzerland on the one hand and Moscow, Sweden, Norway and Denmark on the other were not utilised.

*JAL.*—In terms of India-Japan agreement of November, 1955, JAL had the right to operate to Calcutta/Delhi and as a result of inter-governmental talks held in July, 1970 JAL were permitted to operate to Bombay in lieu of Calcutta. This was done as Air India had plans to operate seven services a week to Japan as against their entitlement of 4 services prevailing at that time. As JAL were not keen to increase their level of operations through India, in order to obtain the level of daily frequency required by Air India, some incentives to JAL had to be given. Air India also got the rights to operate to Osaka in addition to Tokyo. Whereas we do not permit any foreign airline to operate to two points in India on the same service, rights for Air India were secured to operate to Osaka and Tokyo on the same service. Japan also agreed to Air India operation to Tokyo through some new points such as Singapore and Kuala Lumpur (these rights have not been utilised so far).

*KLM.*—Under the India-Netherlands agreement of 1951, KLM had the right to operate through/to Delhi and Calcutta. Till April, 1971, KLM had been operating two services, one through Delhi and one through Calcutta. KLM filed its summer schedule effective 1-4-1971 for two services a week, through Delhi. It was not possible to reject KLM's claim to operate these services, through Delhi since it had the right to operate either to Delhi or to Calcutta.

Thus, KLM was not allowed Delhi in lieu of Calcutta but the airline on its own, chose to discontinue their services *via* Calcutta.

2. It will thus be seen that the above airlines did not secure these rights for the mere asking. We had obtained some benefits for Air India which were utilised to the extent possible as indicated above.

[Ministry of Tourism and Civil Aviation O.M. No. H. 11021|4|80-  
A dated 6 January, 1981.]

### **Recommendation (S. No. 5, Paragraphs 2.71-2.72)**

Of the airlines still holding rights at Calcutta, it is only in the case of LOT Polish that there is a definite provision for operation at Calcutta. In the case of others it is only optional and there is no compulsion on them to operate at Calcutta. In fact most of them (Panam, Iraqi Airways, Quantas, etc.) have already shifted their operations to Bombay and Delhi.

In this connection it is worth mentioning that the International Federation of Airline Pilots Association (IFAIPA) has graded Calcutta airport as Orange Star Class I, Bombay as Orange Star, Madras and Delhi Red Star from the facilities point of view. Thus Calcutta airport which is the best equipped and maintained in the country is allowed to languish for want of traffic. The former D.G.C.A. stated in evidence that during the bilateral talks they had 'generally told' the airlines in an informal way that if they were going to operate through Calcutta/Madras they might be offered 'flexible terms'. He, however, admitted that in case an airline wanted to operate at Bombay, Government could easily say 'no' and ask it to land at Calcutta or any other point to disperse the traffic. He also undertook to carry out a detailed study as to how to make foreign airlines to call at Calcutta/Madras but this too has not been undertaken to date, which is not difficult to understand. It is unfortunate that as stated by the Ministry of Tourism and Civil Aviation no specific instructions were issued to foreign airlines to make more use of Calcutta and Madras airports. In the case of Calcutta the least that was needed was to restore the earlier level of operations.

### **Reply of the Government**

In addition to LOT (Polish airline) who are yet to exercise their rights at Calcutta, Aeroflot has the right to operate to Calcutta. In the case of Scandinavian Airlines System (SAS), their operations to Delhi have been made dependent upon their continued operations *via* Calcutta, thus ensuring that they do not pull out of Calcutta.

2. In regard to PAN AM shifting their operations from Calcutta it is seen from the application made by the PAN AM to the Civil Aeronautics Board, Washington the following:

“The purpose of this application is to PAN American to suspend its operations at Calcutta, but continue to serve India through Delhi. It is requested that the suspension of Calcutta services be authorised for a period of two years.

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In support of the application PAN American states as follows:

“Calcutta is proving to be far from an attractive traffic generating point and the traffic response to PAN American's present services to Calcutta has been smaller. The contribution of Calcutta to PAN American's round the world service has averaged only approximately 7 passengers per day in each direction. Further, the suspension of services for Calcutta will not greatly inconvenience PAN American traffic to India in view of the multi-daily connecting services between Delhi and Calcutta.

The above explains the reasons why Panam pulled out of Calcutta.”

3. Iraqi Airways did not operate to Calcutta at any time. The question of their withdrawal therefore did not arise. Qantas had simultaneous rights at Delhi and Calcutta. They gave up Calcutta in September, 1971 and in April 1974 shifted their operations from Delhi to Bombay. They are operating now only through Bombay.

[Ministry of Tourism & Civil Aviation O.M. No. H-11021/4/80-A, dated 6 January, 1981]

#### **Recommendation (S. No. 7, Paragraph 2.74)**

With the concentration of flights at Bombay and Delhi airports and consequent enormous rush, one is pained at the hardships suffered by the passengers-women, children and aged persons alike. Neither Government nor Parliament can acquiesce in this position any longer. The Committee, therefore, require that:

- (a) Air India's operations should be decentralised so as to have a fair measure of diversification of its both East and West bound flights.
- (b) Instructions should immediately be issued at the highest level for the diversification of flights of foreign airlines to

airport other than Bombay and Delhi to the maximum extent within a specified time so as not only to relieve traffic congestion at these airports but also to alleviate the needless distress caused to the international passengers of the Eastern N.E. and Southern regions, not to speak of genuine encouragement to tourist traffic to these regions, which will go to augment foreign exchange earnings for the country. This would also ensure proper utilisation of other airports and reduce unnecessary travel within the country.

### **Reply of the Government**

Air India has started making efforts in the direction of diversification of its flights within the given financial constraints. However, the sizeable investment required in creating maintenance bases at places like Calcutta and Madras will have to be taken into account before speeding up this process of diversification. While Government cannot compell foreign airlines to shift their operations to Calcutta|Madras, instructions will be issued to them urging upon them the need to lighten the constraints on Bombay and Delhi and to divert some of their flights through Calcutta/Madras.

[Ministry of Tourism & Civil Aviation O.M. No. H. 11021/4/80-A,  
dated 6 January, 1981]

### **Comments of the Committee**

(Please see Paras 10—13 Chapter I of Report)

### **Recommendation Sl. No. 8, (Paragraph 2.75)**

In order to achieve the desirable objective mentioned above Government should forth with consider grant of suitable incentives in the form of discrimination landing and parking charges levied by the Airports Authority and equalisation of fares from all the airports to|from different destinations abroad. There should also be positive disincentives for undue concentration in Bombay and Delhi such as severe traffic and landing restrictions.

### **Reply of the Government**

The I.A.A.I. are being advised by the Government to charge lower landing/parking/housing charges at Calcutta and Madras as an incentive to diversify operations. As regards equalisation of fares, at present Delhi and Bombay are co-rated and so are Madras and Calcutta. Considering the distance involved, it is not possible to

have one single fare for all destinations in India. In addition, such equalisation may affect the commercial interests of Indian Airlines.

[Ministry of Tourism & Civil Aviation O.M. No. H. 11021/4/80-A,  
dated 6 January, 1981]

### Comments of the Committee

(Please see Paras 10—13 of Chapter I of Report)

#### Recommendation (Sl. No. 11 & 12, Paragraphs 3.94-3.95)

The former D.G.C.A. at first made an effort in vain to suggest that the flight of foreign airlines in India were strictly governed by 'reciprocity' of arrangements under Bilateral Air Services Agreements entered into with other countries. In actual practice, the position is that as against 217 services operated by foreign airlines in India, Air India and Indian Airlines are operating only 170 services in other countries. Whereas foreign airlines have made almost full use of their rights in India, there is persistent underutilisation of Air India's rights in other countries and the 'so called reciprocal rights' remain only as 'paper rights' at a considerable cost to the country. For instance, Swiss Air operates 7 flights in India as against 3 flights by Air India in Switzerland, though it has equal rights. Similar is the case in regard to several other airlines (Quantas, Alitalia, KLM, Lufthansa, etc.). The result has been that of the total international passengers carried from/to India, the share of the national carriers is only 42.3 per cent and the remaining 57.2 per cent is carried by foreign airlines. It was admitted by the Managing Director, Air India that they should either operate the same number of services as the foreign airlines do or ask the Government to cut their services. He also admitted that if the frequency operations of foreign airlines were brought down to their level, their traffic share would go up to 50 per cent. The Committee feel that if this cannot be ensured the foreign airlines should be made to pay for whatever imbalance is there in the light of this report. It should be borne in mind that these airlines have already derived substantial advantage at our cost.

From the point of view of commercial arrangements that have been entered into by Air India with foreign airlines ostensibly to have compensation for the latter's exceed deployment of capacity and/or excess carriage of traffic, hence the extra revenue earned which were cited by the former D.G.C.A. as factors to be reckoned with in considering the reciprocity of arrangements, the picture is dismal.

### Reply of the Government

Government while conceding traffic rights to foreign airlines, pay particular attention to see whether Air India could utilise the rights it is bargaining for, though there are instances where the rights secured for Air India have not been utilised fully due to reasons of shortage of capacity, crew and other requirements that go with a commercially successful operation. But this by itself does not mean that the affluent foreign airlines who exploit their rights fully are better off commercially. As they are mostly long haul operators transiting India their discharge/uplift in India are not very substantial as any airline would concentrate more on long haul passengers. The performance of the national carriers with its limitations on financial resources, is getting 42.8 per cent of the international traffic in India appears to be satisfactory, considering that the remaining 35 or so foreign airlines carry the balance.

2. Once the level of frequencies has been conceded to the airlines, if Air India had not been able to utilise the rights due to paucity of equipment, etc., it is no fault of the foreign airlines, and on that score the foreign airlines would not pay any compensation as they are within the rights granted to them under the bilateral air services agreements. Such compensation arrangements are arrived at between Air India with only such airlines who operate unilaterally (without Air India operating to their country, e.g., LOT, CSA, Sabena, SAS, etc.). On the other hand, pooling arrangements are entered into when both Air India and the foreign airlines are operating to each other's country in order to maximise revenues by avoiding unhealthy competition. However, every agreement will be reviewed and revision/termination examined.

[Ministry of Tourism & Civil Aviation O.M. No. H 11021/4/80-A,  
dated 6 January, 1981]

### Comments of the Committee

(Please see Paras 14—19 of Chapter I of Report)

### Recommendation (Sl. No. 13, Paragraphs 3.96-3.97)

It is only in the case of USSR, Czechoslovakia and Poland that the bilateral agreement provide for commercially pooling arrangements by airlines. In certain other cases also Air India has concluded commercial arrangements as 'incidental to operations.' Curiously enough in a number of cases there are no such arrangements at all, e.g., Air France, Alitalia, Lufthansa, etc. Thus whilst for excess carriage, Air India is paying huge amounts to British Air-

ways and to a number of other airlines, it has not been receiving its due compensation under similar circumstances of excess carriage by Air France, Lufthansa, etc. Even from the traffic uplift point of view, it is noted that though Air India has been carrying more passengers to Australia, Japan and Italy than their airlines it has been loosing heavily on India-Australia, India-Japan and India-Continent routes, which in 1977-78 alone amounted to Rs. 300 lakhs.

Under the pooling arrangement with British Airways the payment made by Air India in 1977-78 alone was stated to have been of the order of Rs. 170 lakhs. In fact the 1977 package deal with U.K. was entered into by the former Civil Aviation Secretary (Shri R. P. Naik), in undue haste and India had to pay 'one time' payment of £6.25 lakhs (about Rs. 100 lakhs) and allow Cathay Pacific Airways to 'by-pass' Calcutta. This smacks of malpractice and requires investigation for necessary action.

#### Reply of the Government

It is understood that the rules and regulations in Czechoslovakia, Poland and Russia prevent free sales and restricts activities of foreign carriers. At the same time, the traffic originating in those countries are severally controlled and is directed to various carriers. In order to ensure that Air India obtains its due share of the market, existence of a commercial arrangement has been made a pre-condition to operating services. This is not so in the case with other countries where opportunities to exploit the market are fair and equal for Air India and the national airlines. The need therefore for making commercial/pooling arrangements as pre-requisite, in the bilateral agreements of such countries, is not felt.

The payment of £625,000 agreed to under the May, 1977 agreement related to the compensation arrangements that were applicable to Air India's North Atlantic operations between 1971/72 to 1977/78. In the bilateral negotiations the British authorities expressed dissatisfaction with the 1971 Air India/British Airways compensation arrangements, whereby British Airways had not received benefits as contemplated when the 1971 agreement was entered into. Though shown as a 'one shot payment', it, in fact, is related to payment for the period 1971/72 to 1977/78. The necessity to make this payment arose out of the need to retain Air India's right to operate a daily B 747 service to New York through London at a time when British authorities had begun curtailing the frequencies of other fifth freedom operators across the Atlantic. This question was examined from all points and legal opinion was obtained in regard to demand made by the British authorities.



3. In the bilateral negotiations with the British authorities in 1977, the latter asked for a viable route to Cathay Pacific Airways (CPA) as according to them the route through Calcutta did not even pay its way. On the other hand Air India were keen to secure for themselves the right to operate B 747 services through Hong Kong to Japan. We had such rights in India-Japan bilateral but unless the British gave such rights for operations *via* Hong Kong the operations could not be viable. Right to fly *via* Bombay/Delhi was therefore given to CPA in return for B 747 rights for Air India *via* Hong Kong. Air India have commenced operations with B 747 *via* Hong Kong but CPA are yet to commence services to Bombay/Delhi.

[Ministry of Tourism & Civil Aviation O.M. No. H. 11021/4/80-A,  
dated 6 January, 1981]

### Comments of the Committee

(Please see Paras 20—22 of Chapter I of Report)

### Recommendations (S. No. 15, 16 & 17, Paragraphs 3.99—3.102)

The former D.G.C.A. clarified that numerical restrictions were imposed and foreign airlines in Delhi and Bombay to narrow down the imbalance in the frequency of operations and persuade them to operate to Madras and Calcutta. Such restrictions have been imposed on five airlines, *viz.*, SAS, Sabena, KLM, Iraqi Airways and Gulf air. The Committee are not at all surprised in view of what has been stated by them earlier that all of them have violated the restrictions with impunity and most of them got away with it. Some compensation on account of excess carriage has been received by Air India from two airlines only, *i.e.* KLM and Sabena. Rather than enforcing the restrictions, free quota of certain airlines, (SAS, Sabena) was increased subsequently without getting compensation for their past excessive uplift or any additional benefit for Air India. In the cases of Gulf Air the D.G.C.A. stated that the numerical restrictions was 'difficult of supervision,' whereas Air India felt it was 'perfectly possible to check it'. Whatever may be the position the fact remains that no check of this kind has been carried out for reasons not difficult to understand. In the case of Iraqi Airways the position was stated to be unique in that whilst there was traffic restriction for carriage between India and Baghdad, they could carry unlimited traffic between India and intermediate points and no action has been taken against the airline for excess carriage.

It was admitted by the spokesman of the D.G.C.A. as well as by the former D.G.C.A. that they had no enforcement machinery to

check that the restrictions were adhered to by foreign airlines or the figures supplied by them were correct, and that these restrictions had no effect on the diversification of flights or removing congestion in Bombay and Delhi. There was no other alternative left to them but to admit this.

\*What is still worse is that there is utter lack of coordination between DGCA and Air India in regard to this and other matters. This seems deliberate. Air India in its commercial arrangements with foreign airlines permitted them to carry traffic in excess of the free quota fixed by Government which was totally irregular. Air India's reply was that this had been done at either the express direction of or full knowledge of the Government authorities'. This situation is intolerable and responsibility should be fixed for suitable action.

The Committee further require that the whole matter of numerical restrictions should be examined immediately with a not only to taking appropriate action against the foreign airlines which indulged in violations and getting due compensation from them for past excess carriage but also to have necessary machinery and arrangements for digidly overseeing their operations in the country and ensuring compliance with restrictions in future.

### **Reply of the Government**

The concept of numerical restrictions is not new in air transport. Such restrictions are imposed when a foreign airline operates to India without Air India operating to the country of the foreign airline. In the concept of numerical restrictions, there are two categories:

- (a) An upper ceiling of number of passengers that could be carried per year is specified, beyond which the airline could not carry traffic to/from India.
- (b) The airline could carry beyond the ceiling subject to payment of compensation to Air India.

In the latter case, it should be in the interest of Air India to watch out to see whether the foreign airline had exceeded the ceiling prescribed so that they could ensure compensation payment. In the former case, however, as has been stated by the Committee, there is no enforcement machinery to check whether the ceilings are

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† At the time of factual verification the Ministry pointed out that Government have not accepted this part. As can be seen from Chapter I, this part has not been pursued by the Committee.

complied with or not. Statistics, etc., furnished by the foreign airlines relate normally to the past periods and it is only after the carriage of excess has taken place, the D.G.C.A. comes to know about it. However in almost all cases of this type, the airline has to pay (and pays) compensation if the carriage exceeds the ceilings or the airline is asked to adjust the excess in future carriages.

2. In regard to Air India permitting foreign airlines to carry traffic in excess of the free quota fixed by the Government, there is one instance where KLM was permitted to carry, 13,000 passengers per annum as against a free quota of 12,705. The difference is not very significant here and the increase was presumably permitted with the intention of keeping the figure to the nearest thousand.

[Ministry of Tourism & Civil Aviation O.M. No. H. 11021/4/80-A, dated 6 January, 1981]

### **Comments of the Committee**

(Please see Paras 26—28 of Chapter I of Report).

#### **Recommendation (S. No. 20 Paragraph 3.107)**

In this connection the Committee have also come across a case where a Dy. DGCA (Shri G. R. Kathpalia) had authorised operation of cargo charters to Gulf countries by a private foreign company with which his brother was associated suppressing this fact from higher authorities. It is not desirable to keep such an officer in any position where malpractice is possible.

#### **Reply of the Government**

The case cited by the Committee was investigated by a Joint Secretary of this Ministry and it was found that the case was processed at a very fast pace. It was the opinion of the Joint Secretary who inquired into the case that Shri Kathpalia, knowing fully well that his brother was involved in this case, should have as a responsible senior officer of the Government, brought the facts of the case to the notice of his superior officers and sought their approval before clearing the case. The procedure to be adopted in such cases has since been streamlined in order to ensure that no malpractice would be possible and necessary instructions have been issued *vide* this Ministry's letter No. AV. 14014/22/75-A, dated 16-9-1975.

[Ministry of Tourism & Civil Aviation O.M. No. H.11021/4/80-A dated 6 January, 1981]

### **Comments of the Committee**

(Please see Paras 35—37 of Chapter I of Report).

### Chapter III

## RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

### Recommendation (S. No. 9 Paragraph 2.76)

Government have been carrying on the farce of managing congestion in Airports by means of a Standing Central Scheduling Committee at D.G.C.A's headquarters and four Utilisation Committees each at Bombay, Calcutta, Delhi and Madras. The Utilisation Committees at Calcutta and Madras which was a misnomer for these were not concerned with improving utilisation, were set up much later than those at Bombay and Delhi. It was admitted by the representatives of D.G.C.A. and I.A.A.I. that the Central Scheduling Committee as well as the Utilisation Committees have not been useful even in removing peak hour congestion as the real problem was the imbalance created by the ill planned bilateral agreements and commercial arrangements which the Committee have dealt with elsewhere in this Report. The Committee feel that there is no point in continuing these Committees.

### Reply of the Government

The Central Scheduling Committee meets under the chairmanship of the D.G.C.A. twice a year before the summer/winter schedules of foreign airlines and Air India are approved. I.A.A.I. and all the airlines are associated. It is a fact that much has not been achieved by the Committee by way of phasing out international flights through the day in order to avoid congestion at peak hours during the night but the latter is due to the fact that here is a curfew on night landing in Japan, U.K., France, Germany, Switzerland, Hong Kong and Sydney. Consequently, foreign airlines, by and large, arrive and depart from our airports during night time so as to avoid the curfew hours in the main European and other airports.

2. The Central Scheduling Committee, subject to the above compulsions, do succeed in persuading the foreign airlines to make changes in their schedules to avoid 'peaking' to the extent possible. It would not therefore be advisable to wind up the Committees. Government however propose to monitor the progress

and results achieved by the Central Scheduling Committee and the Airport Utilisation Committees in order to achieve the desired results.

[Ministry of Tourism & Civil Aviation O.M. No. H.11021/4/80-A  
dated 6 January, 1981]

### **Recommendation (S. No. 18 Paragraphs 3.103-3.104)**

Another disquieting feature of the so called reciprocity of arrangements is that as many as 8 foreign airlines (*viz.*, Czechoslovak Airlines, Garuda Indonesian Airways, LOT Polish Airlines, Sabena, Syrian Arab Airlines SAS, Burma Airways and Trans Mediterranean Airways) are unilaterally operating in India. Air India/Indian Airlines have either discontinued their operations to these countries or have not commenced operations to these countries due in most cases to not being 'economically viable'. No compensation is being received from Burma Airways and Trans Mediterranean Airways for their unilateral operations while with others Air India is stated to have commercial arrangements for receiving some compensation.

In this connection the Committee note that requests for bilateral air services arrangements from seven countries (*viz.* Bulgaria, Korea, Rumania, Yugoslavia, GDR, Jordan and Spain) have been turned down time and again because of Air India's recommendations that there was inadequate traffic potential' and the DGCA has no means of disputing their figures. The Committee found that in many cases no traffic surveys have been conducted by Air India recently. In other cases there were either conducted long back or conducted perfunctorily. Further more, when Air India did not maintain figures even for internal traffic, they cannot be relied upon for external statistics. There is need for D.G.C.A. strengthening its machinery in this behalf. A uniform policy must be followed in the matter of unilateral operation of foreign airlines rather than leaving it to the discretion of Air India.

### **Reply of the Government**

There are commercial arrangements with Czechoslovakia Airlines, LOT Polish Airlines Sabena and Syrian Arab Airline. There are numerical restrictions on Garuda/Indonesian Airways. The unilateral nature of the operations to India are due to different factors. In the case of Burma and Syria, who are no parties to the International Air Services Transit Agreement, Air India does not have the automatic right to overfly these countries. If Air

India is to avoid overflying these countries, the penalty on Air India would be severe. Therefore, in order to secure overflights of Air India across Burma and Syria we entered into negotiations with these countries who in turn demanded and we had to concede rights for them to land and exercise traffic rights to and from India. It is not possible in such cases to demand any compensation from them. In the case of Trans-Mediterranean Airways, their operations are presently unilateral because of the political situation in Lebanon. Air India had been operating 4 services through Beirut and they may as well again begin these flights when the situation stabilises itself. The unilateral nature of TMA's operations should be regarded as a temporary phase.

2. It is a fact that requests for bilateral agreements from Bulgaria, Korea, Rumania, Yugoslavia, GDR, Jordan and Spain have not been agreed to. It is on the basis of the facts, (i) there is no traffic potential between these countries and India for operation of commercially viable services and (2) Air India have no plans to operate to these countries in the near future.

3. It has been the considered view of this Ministry that unless Air India is in a position to operate to a country, thus ensuring balance of benefits, it would not be worthwhile to enter into bilateral air services agreement with any country. Incidentally, it may be mentioned that in regard to Korea we were agreeable to enter into an agreement if the Korean Airlines agreed to operate to Calcutta, a condition that the Koreans did not agree.

[Ministry of Tourism & Civil Aviation O.M. No. H.11021/4/80-A  
dated 6 January, 1981]

## CHAPTER IV

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

#### **Recommendation (S. No. 2, Paragraph 2.67)**

It is indeed very unfortunate that though Bombay and Delhi airports were bursting at the seams, none of the authorities—the Ministry of Civil Aviation & Tourism, D.G.C.A., I.A.A.I. or Air India—conducted any survey to find out the traffic potential in other regions or at least to ascertain the origin and destination of air passengers who were embarking and disembarking international flights at Bombay/Delhi. Had this been done it would have clearly indicated the need for diversifying the flights to Calcutta and Madras and possibly to other airports in the country for variety of reasons. The incredible lack of will on the part of authorities to undertake this exercise all these years, as the concentration in Bombay is deplorable.

#### **Reply of the Government**

An origin/destination survey of international passengers at Bombay and Delhi airports was conducted by the International Airports Authority of India in May and September, 1979 respectively. The results of the survey are summarised below:

#### *Bombay*

- (a) 47.28 per cent of the embarking and 55.5 per cent of the disembarking passengers preferred Bombay.
- (b) 25.11 per cent of the embarking and 13.80 per cent of the disembarking passengers indicated preference for Trivandrum/Cochin.
- (c) Madras was preferred by about 5 per cent of the embarking and disembarking passengers. 1.82 per cent of the embarking and 2.39 per cent of the disembarking passengers chose Calcutta.

- (d) Percentages for Delhi, Ahmedabad, Bangalore, Hyderabad and Amritsar were about 7 per cent, 5 per cent, 4.7 per cent and 1 per cent respectively.

#### *Delhi*

- (a) 68 per cent of both embarking and disembarking passengers preferred Delhi.
- (b) 14 per cent of the embarking and 12 per cent of the disembarking passengers preferred Amritsar.
- (c) Bombay was the third choice after Delhi and Amritsar.
- (d) The percentages of passengers preferring Calcutta, Srinagar, and Jaipur ranged between 2.5 per cent and 3.7 per cent. Percentage for Lucknow and Madras ranged between 1.4 per cent and 1.9 per cent.

The results of the survey *prima facie* do not support the conclusion reached by the Committee.

[Ministry of Tourism & Civil Aviation O.M. No. H.11021/4/80-A  
dated 6 January, 1981]

#### **Comments of the Committee**

(Please see Paras 7—9 of Chapter I of Report).

#### **Recommendation S. No. 6, Paragraph 2.73)**

The Committee are more than convinced that foreign airlines have been allowed places of their choice freely to enable them to reap rich dividends no matter where the country's interest lay. Even the serious adverse consequences on gross underutilisation of Calcutta/Madras airports on which crores of rupees had been invested were nobody's concern. This is most unfortunate.

#### **Reply of the Government**

It would not be correct to say that Government can deny traffic rights to foreign airlines at Bombay and Delhi and compel them to operate to Calcutta. The repercussions would do a good deal of commercial harm to Air India. As a retaliatory measure, France could ask Air India to land at Nice instead of Paris, Italy could direct Air India to go to Milan instead of Rome and so on. Considering what Air India requires in foreign countries for commercially viable operations, reciprocal benefits had to be given to foreign airlines and they chose Bombay or Delhi.

[Ministry of Tourism & Civil Aviation O.M. No. H.11021/4/80-A  
dated 6 January, 1981]

#### **Comments of the Committee**

(Please see Paras 10—13 of Chapter I of Report).



### Recommendation (S. No. 10, Paragraph 3.93)

The Committee are shocked to observe that the Bilateral Air Services Agreements entered into by Government with foreign countries and the interline/commercial arrangements settled by Air India with foreign airlines are replete with serious deficiencies and irregularities. These are heavily weighed against the national interest granting undue concessions to the foreign airlines especially those belonging to countries other than Socialist countries.

### Reply of the Government

Bilateral agreements are arrived at Government level only after a study is made of the commercial feasibility based on the traffic potential the total level of frequencies that is required to cater to the need is arrived at and equally divided between the national airlines. In doing so, the type of aircraft to be used, the point of call in India and other related factors are taken into account. These guidelines are uniformly observed without any discrimination between country and country. Interline/commercial arrangements between Air India foreign airlines are concluded by Air India and are subject to approval of the D.G.C.A. who ensure that the arrangements are not unfavourable to Air India and then only accord approval.

[Ministry of Tourism & Civil Aviation O.M. No. H. 11021/4/80-A.  
dated 6 January, 1981]

### Comments of the Committee

(Please see Paras 14—19 of Chapter I of Report).

### Recommendation (S. No. 14, Paragraph 3.98)

The Committee are convinced that the so called reciprocal arrangements are nothing but a 'myth' which has now been exploded. Not only did the Ministry and the D.G.C.A. not try to strike a good bargain during bilateral talks but permitted the foreign airlines to operate more services in India than what the national carriers were able to operate in those countries. All this reflects very badly on the Ministry, D.G.C.A. and Air India. Undoubtedly, the foreign airlines earned rich dividends at the country's cost. The Committee strongly suspect that this was not allowed for nothing.

### Reply of the Government

Bilateral air services agreements are concluded with specific guidelines with regard to frequency of operations, capacity to be provided by the airlines and *fair and equal opportunities* for both the parties. Such agreements are concluded keeping in view Air

India's requirements in their future plans. It is another matter such plans do not materialise due to difficult aircraft position and other factors associated with operation of services. It has also happened in some cases that Air India have pulled out of certain places due to commercial/operational reasons, e.g., Brussels, Pre-gue, Jakarta, etc., having once got the rights. There is no instance in support of the Committee's apprehension that some of the bilateral agreements were not above board.

[Ministry of Tourism & Civil Aviation O.M. No. H.11021/4/80-A dated 6 January, 1981]

### Comments of the Committee

(Please see Paras 23—25 of Chapter I of Report).

### Recommendation (S. No. 19, Paragraphs 3.105—3.106)

The Committee are horrified to note that during the last 3 years Air India in its interline agreements and commercial arrangements with foreign airlines flouted with impunity the provisions of bilateral agreements in several cases involving substantial modifications of the bilateral agreements. These included agreeing to revision of numerical restrictions on fifth freedom carriage and to points not specified in the bilateral agreements (Singapore Airlines); carriage of traffic in excess of permitted free quota (Sabena and KLM); enhancement of frequencies (Alitalia and Lufthansa and allowing extra services without any restrictions (Kuwait Airways), etc. These frequencies were enhanced despite the fact that Air India was not even utilising its earlier frequency entitlements in those countries. The above arrangements with Singapore Airlines, Lufthansa and Kuwait airways are yet to be finally approved by Government. Two airlines (i.e. Gulf Air and Iran Air) have been operating solely under interline arrangements without any bilateral agreements.

What is most disgraceful is that the officials of Air India have been going out of way to help the foreign airlines. In this connection the following cases are noteworthy:—

- (a) In the case of Singapore Airlines, DGCA was not agreeing to accord approval as it was detrimental to the interests of Air India. The Commercial Director of Air India (Shri I. D. Sethi) was putting pressure on DGCA in this regard. As admitted during evidence, he telephoned the DGCA (Shri Gidwani) followed by a letter dated 7-4-1978 through special messenger and got provisional approval of DGCA on 10-4-1978 (8th & 9th being closed holidays). The DGCA also followed an

unusual course, and gave approval to the arrangements while approving the summer time schedule of Singapore Airlines, without any noting on the file. All this shows undue haste and is open to serious suspicion.

- (b) In regard to giving extra rights to Kuwait Airways, Air-India first wrote to DGCA on 18-5-1978 that they were totally opposed to granting any extra rights. But soon after they recommended on 22-6-1978 that the same should be granted. In this context a suspicion is lurking in the mind of the Committee, that Shri K. K. Menon, Regional Director of Air India (Middle East) who had joined Kuwait Airways after retirement in February, 1978, had perhaps been operating behind the scene.
- (c) Gulf Air has been allowed to operate for last two years under interline agreement of April 1977 and without a proper bilateral authority. In this context the Committee noticed that Shri R. Venkataraman, Planning officer of Air India who headed the Air India team for interline agreement of April, 1977 has joined Gulf Air after retirement in July, 1977. The role played by him during negotiations with Gulf Air is too obvious to warrant any further comment by the Committee.
- (d) As admitted during evidence, the Ministry and the DGCA are at present solely guided by the Commercial judgement of Air India and have 'nothing' of their own 'to go by'. In a number of cases (Singapore Airlines, Lufthansa, etc.) they accorded provisional approval to interline arrangements while approving the time schedule of foreign airlines rather than after subjecting the arrangements to proper scrutiny.

### **Reply of the Government**

As regards Singapore Airlines, the position indicated in the Committee's report is partially correct. The DGCA had given approval to traffic rights on two sectors for the summer schedule of Singapore Airlines. The question of approving interline arrangements were to be looked into later. These were provisionally approved in August, 1978 about a few months after Shri I. D. Sethi had written the letter to the DGCA. Since DGCA was not fully satisfied with the commercial arrangements entered into by Air India, the approval was given on a provisions basis upto March 31,

1979 only. Since then, the arrangement with Singapore Airlines have been reviewed at DGCA's level and satisfactory arrangements arrived at. Rights given to Kuwait Airways were balanced by getting equal rights to Air India. There are no grounds to suppose that Shri K. K. Menon had anything to do in the matter.

2. As regards (c), it is a fact that Gulf Air and Air India were operating under an interline agreement and there was no bilateral air services agreement at present between the Gulf States and India. Government have since entered into an agreement with the Gulf States. There is nothing on record to show that Shri Venkataraman as an employee of Gulf Air had got more benefits for Gulf Air than for Air India.

3. As for provisional approval to interline arrangements given while giving the clearance for time tables, a distinction between the two should be made. The time Table can be cleared without necessarily giving a provisional approval. The provisional approval itself would suggest approval on a more permanent basis after the matter has been looked into/discussed in greater depth.

[Ministry of Tourism & Civil Aviation O.M. No. H.11021/4/80-A dated 6 January, 1981]

#### **Comments of the Committee**

(Please see Paras 29—34 of Chapter I of Report)

#### **Recommendation (S. No. 21, Paragraph 3.108)**

The Committee are unable to resist the feeling that high officials of Air India and to some extent of D.G.C.A. have been helping the foreign airlines in increasing their business serve their own interests and to the detriment of interests of Air India and of the country at large. The Committee require that there should be an immediate probe into all the cases cited by the Committee to bring the delinquent officials to look and to remedy the situation. The Committee also require that:—

- (a) The procedure and practices adopted by the Ministry of Civil Aviation and Tourism and the D.G.C.A. should be thoroughly overhauled to ensure that there are in-built checks against any kind of negligence or malpractice either in their organisation or in Air India as is evident from the maladies pointed out by the Committee. An efficient system of monitoring and review of the foreign airlines operation in our country *vis-a-vis* of national carriers operators abroad to apply time correctives in national interest is also necessary.

- (b) Suitable instructions should immediately be issued by Government regarding the officials of public undertakings taking up jobs in foreign companies or organisations after retirement so that there is no corrupt practice possible.

### **Reply of the Government**

There is no tangible evidence on record to show that Air India or D.G.C.A. had been helping the foreign airlines in increasing their business to the detrimental interest of Air India and of the country at large. There are inbuilt checks as are available in the machinery of the Government to ensure that no negligence or malpractices take place. All bilateral agreements are subjected to periodic review in order to ascertain the benefits that accrue to the foreign airlines *vis-a-vis* the national carrier.

2. Unlike in the Government where retired Government servants cannot accept commercial employment without Government's permission during the first two years of his retirement, there are no such rules in regard to persons who retire from public undertakings. In Air India, persons who retire do not get any pension and once their terminal benefits are given to them there is no control over their taking employment elsewhere.

[Ministry of Tourism & Civil Aviation O.M. No. H.11021/4/80-A  
dated 6 January, 1981]

### **Recommendation (S. No. 22 Paragraph 3.109)**

The Committee are led to the inescapable conclusion that there is no clear cut policy of Government and detailed guidelines to govern inter-governmental bilateral agreement and interline commercial/pooling arrangements. Whatever imbalance was there has been accentuated further from time to time due to motivated policy pursued by the Ministry, the D.G.C.A. air Air India. Neither the commercial interest of Air India nor the interest of I.A.A.I. nor the interest of users has been served. There is no coordinated examination and periodic review of agreements. No competent machinery is there to watch the actual operations with reference to the restrictions imposed on foreign airlines. All these loopholes cannot be attributed to mere mismanagement but have deeper causes underlying which have to be rooted out. This is an area which has never drawn any serious attention of the top authorities in the country as well as of Parliament.

### Reply of the Government

Government follows policy of 'pre-determination' in the matter of bilateral agreements with other countries. The capacity and the frequency of services to be operated by foreign airlines to and through India and by Air India to/through foreign-countries are determined before hand on the basis of estimated traffic on the route and a fair and equal opportunity is provided both to Air India and to the foreign airlines concerned. In regard to interline commercial/pooling arrangements, these arrangements are agreed to between the airlines and subject to approval of the D.G.C.A. while giving approval to these arrangements does ensure that the benefits from these arrangements are more or less equal to both the airlines. The bilateral agreements are subjected to periodic review.

[Ministry of Tourism & Civil Aviation O.M. No. H.11021/4/80-A  
dated 6 January, 1981]

### Comments of the Committee

(Please see Paras 38—41 of Chapter I of Report).

### Recommendation (S. No. 23, Paragraph 3.110)

The Committee are therefore constrained to recommend that a high powered standing council, consisting adequate number of Members of Parliament and representatives of the State Governments besides officials presided over by the Minister of Civil Aviation should immediately be set up to go into all these matters and constantly oversee and monitor the functioning of the Ministry, D.G.C.A., Air India, I.A.C. and I.A.A.I. and above all to bring about harmony in the working of these bodies and a coordinated approach to all the problems in the interest of the country and the users, which the Ministry has miserably failed to do.

### Reply of the Government

There appears to be no need for effecting any change in the existing set up.

[Ministry of Tourism & Civil Aviation O.M. No. H.11021/4/80-A  
dated 6 January, 1981]

**CHAPTER V**

**RECOMMENDATIONS IN RESPECT OF WHICH FINAL  
REPLIES OF GOVERNMENT ARE STILL AWAITED**

—NIL—

NEW DELHI;  
April 16, 1981  

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Chaitra 26, 1903 (Saka).

**BANSI LAL,**  
*Chairman,*  
*Committee on Public Undertakings.*

## APPENDIX—I

(*Vide* para 3 of the Introduction)

**Analysis of the action taken by Government on the recommendations contained in the 48th Report of the Committee on Public Undertakings (Sixth Lok Sabha) on International Airports Authority of India—Imbalances in the Utilisation of Airports and in the Operations of Foreign Airlines vis-a-vis National Calliers.**

I.	Total number of recommendations . . . . .	23
II.	Recommendations that have been accepted by the Government ( <i>Vide</i> recommendations at S. Nos. 1, 3-5, 7, 8, 11-13, 15-17 & 20) . . . . .	19
	Percentage to total . . . . .	56·5%
III.	Recommendations which the Committee do not desire to pursue in view of Government's reply ( <i>Vide</i> Recommendations at S. Nos. 9 & 18) . . . . .	2
	Percentage to total . . . . .	8·5%
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee ( <i>Vide</i> recommendations at S. Nos. 2, 6, 10, 14, 19, 21-23) . . . . .	8
	Percentage to total . . . . .	31%