

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

**(SEVENTH LOK SABHA)**

**FIFTEENTH REPORT**

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

**ON**

**AIR INDIA—COMMERCIAL & STAFF MATTERS  
MINISTRY OF TOURISM & CIVIL AVIATION**

*Presented to Lok Sabha on  
Laid in Rajya Sabha on*



**LOK SABHA SECRETARIAT  
NEW DELHI**

*March 1981/Chaitra 1903 (Saka)*

*Price : Rs. 1.20*

CORRIGENDA TO THE 15TH REPORT ON ACTION TAKEN  
BY GOVERNMENT ON 53RD REPORT OF C.P.U. ON  
AIR INDIA - COMMERCIAL AND STAFF MATTERS

<u>Page</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
2	18	USA	GSA
4	11	19	20
4	20	1.89 crores	18.92 lakhs
5	1	R.K.	H.K.
7	24	Dinners	Diners
8	25	Appendices	Appendices*
8	At the end of this page, <u>add</u> the following Foot Note:		

\* Appendices not included in the Report. According to the information contained in these Appendices, the position in respect of Officers of the Corporation (drawing Rs.2000/- and above) who hold membership of various clubs alongwith the amounts paid for the last three years is as under:-

(Rs. in lakhs)

1976-77 1977-78 1978-79

(i)	Amount paid as membership fee for clubs	2.39	2.89	2.93
(ii)	Amounts paid as club bills (i.e. those covering consumption of food and beverages etc.)	2.14	2.72	2.57
TOTAL:		<u>4.53</u>	<u>5.61</u>	<u>5.50</u>

72 Officers were members of 3 to 11 clubs at a time.

16	29	U.K. USA	USA-GSA
17	14	extent	extant
19	13	1.89 crores	18.92 lakhs
20	9	16	15
	10	70	65%
	16	6	7
	16	19	19 and 23
	17	25	31%

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

*Chairman*

Shri Bansi Lal

*Members*

2. Shri Gulam Nabi Azad
3. Shri Niren Ghosh
4. Shri Harikesh Bahadur
5. Shri Arif Mohammad Khan
6. Shri S. M. Krishna
7. Shrimati Geeta Mukherjee
8. Shri B. K. Nair
9. Shri Rameshwar Neekhra
- \*10. Shri Hiralal R. Parmar
11. Shri Darur Pullaiah
12. Shri Nagina Rai
13. Shri K. Ramamurthy
14. Shri Ravindra Varma
15. Shri Chandradeo Prasad Verma
16. Shri R. Ramakrishnan
17. Shri R. R. Morarka
18. Shri Shrikant Verma
19. Shri Ramanand Yadav
20. Shri Harisinh Bhagubava Mahida
21. Shri Swami Dinesh Chandra
22. Shri Sunder Singh Bhandari

*Secretariat*

1. Shri H. G. Paranjpe—*Joint Secretary.*
2. Shri T. R. Krishnamachari—*Chief Financial, Committee Officer.*
3. Shri S. C. Gupta—*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.

**SUB-COMMITTEE ON ACTION TAKEN OF THE COMMITTEE ON  
PUBLIC UNDERTAKINGS**

**(1980-81)**

1. Shri Bansi Lal—*Chairman*
2. Shri R. R. Morarka—*Convener*
3. Shri Gulam Nabi Azad
4. Shri Swami Dinesh Chandra
5. Shri S. M. Krishna
6. Smt. Geeta Mukherjee
7. Shri B. K. Nair.

## INTRODUCTION

1. The Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 15th Report on Action Taken by Government on the recommendations contained in the 53rd Report of the Committee on Public Undertakings (Sixth Lok Sabha) on Air India—Commercial and Staff Matters.

2. The 53rd Report of the Committee on Public Undertakings was presented to Lok Sabha on 30 April, 1979. Replies of Government to all the recommendations contained in the Report were received on 19th February, 1981. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 13th March, 1981. The Report was finally adopted by the Committee on Public Undertakings on 17 March, 1981.

3. An analysis of the Action Taken by Government on the recommendations contained in the 53rd Report (1978-79) of the Committee is given in Appendix.

NEW DELHI ;  
March 28, 1981

BANSI LAL,  
Chairman,  
Committee on Public Undertakings.

Chaitra 7, 1903 (S)

## CHAPTER I

### REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the Fifty Third Report (Sixth Lok Sabha) of the Committee on Public Undertakings on Air India—Commercial and Staff Matters, which was presented to Lok Sabha on 30 April, 1979.

2. Action Taken notes have been received from Government in respect of all the 23 recommendations contained in the Report. These have been categorised as follows :—

- (i) Recommendations/observations that have been accepted by Government :  
Serial Nos. 1—6, 12—18, 21 and 22.
- (ii) Recommendations/observations which the Committee do not desire to pursue in view of Government's replies :  
Serial No. Nil.
- (iii) Recommendations/observations in respect of which Government's replies have not been accepted by the Committee :  
Serial Nos. 7—11 and 19, 23.
- (iv) Recommendations/observations in respect of which final replies of Government are still awaited.  
Serial No. 20.

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

#### A. *Appointment of General Sales Agents*

##### **Recommendation Nos. 7, 8, 9, 10 and 11 (Paragraphs 1.40—1.45)**

4. The Committee had observed that though Indian Airlines had initially represented Air India as General Sales Agents for the whole of India with the exception of the metropolitan cities of Delhi, Bombay, Calcutta and Madras; a number of other foreign carriers had in course of time appointed their own GSAs in Northern India who were carrying away a large portion of the ethnic traffic on their services by indulging in unethical practices with impunity since the Government had no preventive enforcement machinery. Consequently, "Air India was left with no option" but to appoint a General Sales Agent for Northern India comprising the territories of Punjab, Haryana, Himachal Pradesh and Chandigarh. What had concerned the Committee most was the fact that large sums of money being paid as commission to the GSA should have rightfully gone to the Indian Airlines had the airlines as well as their principal viz. Air India been vigilant and acted on business lines with an honest will. The Committee did not therefore approve the action of the Air India.

Referring to the giving of monopoly business to Hindustan Travel & Tours Pvt. Ltd. and subsequently to the Janta Travels as GSA for Northern India, the Committee had pointed out that as in the case of the former, the Janta Travels also was controlled by a non-resident (Shri J. Sanger) who was a partner in Hindustan Travel Service-Air India's GSA in U.K. The Committee did not accept the Air India's contention that appointment of Janta Travels as GSA for Northern India was necessary. The Air India's GSA for U. K. was also controlled by the same person who controlled the Janta Travels. The Committee had recommended that a thorough probe should be instituted by an investigation agency unconnected with the Airline or the Ministry.

5. In their reply, Government have explained that the appointment of a private party as GSA for Northern India was in order to remain competitive in the market in which several foreign carriers were indulging in undercutting and other similar practices. Air India, it has been stated, had appointed their U. K. GSA as the GSA for Northern India also for the following reasons :—

- (a) The UK-USA (Hindustan Travel Services) had proved their ability to generate business and were financially sound.
- (b) There was considerable traffic originating in Northern India, payment for which was being made by sponsors in UK to M/s. Hindustan Travel Services, London who were sending prepaid ticket advices to the Northern India offices. It was felt that any other party, if appointed, would resent having to handle and service such passengers and would bring pressure on them to pay in Indian rupees.
- (c) M/s. Hindustan Travel Services, London were booking considerable traffic of a round trip nature which require servicing in India for the return journey. Here again, it was felt that another party would be reluctant to provide the services.

6. Government have pointed out that as Indian Airlines was not in a position to match the sales promotion activities of the GSAs of the foreign carriers and as there are inherent limitations in the system of domestic airline acting as GSA for another international airline, it may be difficult to arrive at a conclusion that the commission being paid by Air-India to the GSA would have gone to Indian Airlines. In fact a private airline would have acted as Air India did in the situation in its own commercial interests.

7. In view of these facts Government feel there does not appear to be any reason for a special investigation in regard to the appointment of GSA for Northern India by Air-India.

8. The Committee are constrained to observe that they are unable to agree with the government's view that "there does not appear to be any reason for a special investigation in regard to appointment of GSA for Northern India by Air-India". They still feel that it is not desirable to allow one person to control the Air India's business in U.K. as well as in



Northern India. They are also not convinced that the appointment of Janta Travels as the GSA in 1978, after terminating the agency of Hindustan Travels and Tours (P) Ltd., did not involve any act of favouritism. There have been complaints involving allegations against this appointment and against the person who controlled the business in U.K. and Northern India, especially in regard to re-issue of tickets. Therefore, the Committee would reiterate that there should be an independent probe into the appointment as well as the performance of the GSAs.

9. The Committee do not see any reason why Indian Airlines Corporation should be excluded from the General Sales Agency for Northern India merely because for certain reasons Air India was compelled to appoint another GSA. After all the IAC and Air India are under the overall management of the same government and are set up under the same act, namely, Air Corporations Act, 1953 and as the sister concern the former should be able to function as the agents of the latter notwithstanding any general regulations of the IATA. In any case the spirit of the IATA regulations would not preclude such an arrangement. The Committee, therefore, desire that wherever the IAC operates, it should be able to function on behalf of Air India for the sale of tickets and for this purpose if it is necessary to take up the matter with the IATA, it should be done forthwith in order to settle the matter once and for all.

#### *B. Daily Outstation Allowance*

##### **Recommendation No. 19**

**(Paragraph 2.48)**

10. The structure of daily outstation allowance rates applicable to Corporation employees in foreign stations consists of (i) a split rate under which hotel accommodation is provided by Corporation at its cost and staff is paid a cash allowance at the applicable rate to cover the cost of meals and (ii) an all inclusive rate with no liability to the Corporation for providing hotel accommodation. Although Air India had given an impression that they were following Central Government rates, in actual practice, under the cover of split rate, huge amounts were being paid to officers of the Corporation for their visits to foreign stations on duty tours. Hotel charges had no fixed proportion to the cash allowance and the same vary from station to station.

The Committee had, therefore, required that Air India should adopt the all inclusive rate as in the case of other Central Government officials instead of allowing huge sums to be spent on accommodation which in certain cases had been found to be three times the actual entitlement of an officer.

11. Government have, in their reply, intimated that the Committee's observation that hotel accommodation taken by Air India's officials abroad should be simple and economical has been noted and that Air India is being advised to ensure that officers do not stay in rooms beyond their entitlements. Government, however, feel that it may not be correct to ask Air India to follow only payment of all inclusive rates. This, it has been stated, is not done by Government either.

12. The Committee note the contention of the government that it may not be correct to ask Air India to adopt an all inclusive daily outstation allowance rate on the ground that it is not done by government for their employees. However, the Committee wish to point out that the Central Government have fixed accommodation rate ceilings admissible to various grades of employees. They would, therefore, urge that similar ceilings should be prescribed in the case of Air India officials under the split rate system and the ceilings should apply to the net payment made for the accommodation after taking into account Airlines discount, if any.

### *C. Lay-Over Allowance*

#### **Recommendation No. 19**

(Paragraphs 2.62—2.64)

13. Although lay-over allowance is fixed in the local currency of the station of lay-over, there are a few stations abroad where the flight crew and the cabin crew are allowed to draw whole or part of their lay-over allowance outside the stations of lay-over largely in convertible currency. The Committee observed that it was difficult to understand how they maintained themselves at these stations without drawing the allowance. The crew do not generally accept payment in Indian currency as that is liable to be taxed. The Committee had found out of a total of Rs. 3.93 crores paid as lay-over allowance in 1977-78, a sum of Rs. 1.89 crores only was paid in Rupees. According to Air India, "Since the lay-over allowance is earned by the crew in respect of lay-over at a particular station, no contravention of Foreign Exchange Rules is involved."

14. The Committee, however, had felt that the matter called for clearance from the Ministry of Finance to make sure that no violation of law is involved. The Committee had urged the Ministry of Tourism and Civil Aviation to obtain the views of the Central Board of Direct Taxes/Enforcement Directorate and make necessary arrangements.

15. Government have, in their reply (February 1981) intimated that the matter has been taken up with the Ministry of Finance, Department of Revenue and Economic Affairs, and that their final reply is awaited.

16. The Committee regret that the views of the Ministry of Finance (Department of Revenue & Economic Affairs) have not yet been taken for the Air India to assure itself that no violation of law is involved in the present system of payment of lay-over allowance to the crew, as suggested by the Committee. It should be noted that the Report of the Committee was presented in April, 1979 and the matter has already been delayed for more than 21 months. The administrative ministry should explain this long delay indicating also what steps are being taken to expedite it.

### *D. Misuse of Authority*

#### **Recommendations (S. No. 23—Paragraphs 3.26 and 3.27)**

17. Dealing with cases of acceptance of lavish hospitality from parties having business connections with Air India and unauthorised issue of complimentary Passes, the Committee had observed that the conduct of the officers

(S/Shri I. D. Sethi and R. K. Malik) had been reprehensible. In the case of Shri Sethi a C.B.I. enquiry was reported to have been made but it was a prefatory affair. The Committee were surprised that the matter was not properly investigated. In this connection the Committee had referred to their earlier Report wherein a mention was made of Shri Sethi's pressurising the DGCA to grant extra rights to a foreign airline. The Committee had heard from Shri Sethi who is a Commercial Director that it had been the practice not only within India but also overseas for Air India Executives to avail of hospitality from hotels and claim full out station allowance as he did. The Committee had required that this should stop forthwith. The Committee considered that it would be unwise on the part of Air India to allow such people to hold responsible positions.

18. Government have furnished the following reply to the aforesaid recommendation :—

“Air India have issued clarifications to its officers in September, 1978 on claiming full outstation allowance when availing of hospitality and this practice has since been stopped.”

19. It is obvious from the reply of the government that the cases of misuse of authority by the officials of Air India referred to by the Committee have not been investigated properly for taking suitable action against them. The reply is also silent about the observation of the Committee that it would be unwise on the part of Air India to allow such people to hold responsible position. The Committee are, therefore, constrained to reiterate that suitable action should be taken against the officials concerned after a proper enquiry.

## CHAPTER II

### RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

#### Recommendations (S. Nos. 1 and 2)

The Committee observe that one sixth of the staff belonging to the Commercial Department and posted abroad account for nearly 50 per cent of the total wage bill of such staff both in India and abroad and the average wage in rupces per employee at foreign stations works out to nearly five times that paid to an employee in India. Over 69 per cent of the total Air India staff based abroad are those belonging to the Commercial Department.

(Paragraph 1.9)

The above factors notwithstanding, the Committee are not fully convinced why Air India should spend as much as 50 per cent of its budget on the Commercial Department staff alone. This compares very unfavourably with other world Airlines, some of which such as Quantas and Panam are spending only 5 to 7 per cent of their budget on commercial staff.

(Paragraph 1.10)

The Committee further find that the expenditure on ticketing and sales promotion is as high as 25 per cent of the total operating expenses. This has been attributed to the difference in accounting practices followed by Air India and other countries.

(Paragraph 1.11)

#### Reply of the Government

The percentage of the total Air India staff posted abroad is 16.8 per cent while they account for nearly 50 per cent of the total wage bill. This should really amount to five times the salary which Air India Staff get in India. In this regard, it is also pointed out that 75 per cent of the traffic revenues of Air India are earned abroad. In the light of this consideration, 37 per cent of the Sales department staff being posted abroad is not considered abnormal.

Inter-airline comparison is vitiated by the fact that different airlines interpret the term "ticketing, sales and promotional personnel" in different manner. In the case of Air India, personnel for airport activity are included in the Commercial Department whereas airlines like Quantas and PANAM do not do so. If such personnel are excluded in the case of Air India also, the percentage of Air India's Commercial staff posted abroad will come down to 31 per cent which compares favourably with the following carriers.—

(i) Lufthansa	31.3
(ii) Alitalia	36.3

**(Recommendations S. No. 3, 4, 5 and 6)**

As later sections of this Report will show the high executives of Air India have been spending lavishly on entertainment and on their tours abroad. The Committee apprehend that the scale of such expenditure is **totally unrelated** to Air India's commercial interest which such activities are intended to subserve. The Committee were assured during evidence that an exercise was already on to find out avenues for effecting economy under this head. The Committee would urge that an intensive drive should be undertaken to evaluate every activity in commercial terms so as to cut down all expenditure which has strictly no commercial justification. The Committee would be interested to know the results of such an exercise as early as possible.

(Paragraph 1.12)

The Committee observe that an expenditure of Rs. 2.74 lakhs, Rs. 3.59 lakhs and Rs. 3.27 lakhs was incurred by Air India during the years 1976-77, 1977-78 and 1978-79 respectively towards reimbursement of the membership fees of clubs and bills covering consumption of food and beverages etc. for its executives drawing Rs. 2000 and above. The Committee apprehend that this does not represent the true picture and require that fullest details should be furnished to them at the soonest.

(Paragraph 1.16)

It is seen from the available information that some of the Air India executives have been allowed club membership expenditure in as many as 5 to 10 clubs such as Foot-ball Club, Dinners Club, Yacht Club, Polo Club, Cricket Club, Golf Club and Playboy Club etc. The expenditure incurred by some of the executives is on the high side. For example, Manager, Osaka (Shri O. V. Gidwaney) incurred a total expenditure of Rs. 1.06 lakhs during the three years period. Seven others spent between Rs. 22000/- and over Rs. 41,000/- during this period. How much of it is actually in furtherance of the Commercial interests of Air India and how much on private entertainment is not known.

(Paragraph 1.17)

The Committee desire that a record of the entertainment expenditure should be maintained by each officer and got approved by the next higher authority.

(Paragraph 1.18)

In their 42nd Report the Committee have recommended that a special audit of the expenditure incurred on entertainment by Air India Executives should be carried out to determine the necessity and justification of such expenditure. The Committee would like to know the findings of such audit in due course

(Paragraph 1.19)

The Committee would, however, like to emphasise that the Air India management should lay down certain reasonable limits to such expenditure and also provide guidelines to the on-line and off-line stations to ensure that the expenditure is commensurate with the business procured by them.

Needless to say that all expenditure which has no commercial justification would be discouraged so that economies are effected under this head.

(Paragraph 1.20)

### **Reply of the Government**

Air India has initiated considerable tightening up both in regard to procedure for regulating tours abroad and in regard to economising expenditure. The details of the tours undertaken by the officials of the Corporation are regularly reported to the Board of Directors. As part of the economy measures adopted by Air-India, very careful attention is being paid in sanctioning journeys abroad.

In so far as question of record of entertainment expenditure is concerned, a procedure is already in existence whereby such record is maintained and approvals from higher authorities obtained. The records of Air India have been examined on a test check basis and it has been found that a fairly detailed control on entertainment expenditure is in existence. Such expenditure is continuously internally audited and is also subject to statutory audit by the Comptroller & Auditor General of India. As far as the club membership by Air India officers is concerned, it is felt that it is necessary for some senior Air India officers to be members of some leading clubs. This would help to further the commercial interests of the Corporation. Air India have issued instructions in April, 1979, effected April, 1980, that club membership will be permitted to the entitled officers for not more than two clubs at the Corporation's expenses. This ceiling on club membership appears to be reasonable. Full details of expenditure on club membership for the years 1976-77, 1977-78 and 1978-79 are given in Appendices 1A and 1B (Appendix 1A on Club Membership fees and Appendix 1B on Expenditure incurred on Food and Beverages in the Clubs).

The recommendation that Air India should lay down certain reasonable limits to such expenditure and also provide guidelines to the on-line and off-line stations to ensure that the expenditure is commensurate with the business procured by them is accepted. Suitable instructions are being issued to the Corporation.

### **Recommendation (S. No. 12)**

The Committee are constrained to find that out of total of 5,927 persons recruited by Air India during the years 1974-78, as many as 5,119 were recruited from Maharashtra. The number of persons recruited from some of the other States is—Delhi 544, Tamil Nadu 107, West Bengal 97, Kerala 22, Uttar Pradesh 9, Punjab 8, Karnataka and Andhra Pradesh 7 each, Gujarat 5 and Bihar and Rajasthan—one each. States like Orissa, Madhya Pradesh, Jammu and Kashmir and the Union Territories (Excepting Delhi) have secured no representation at all in the Air India during the five years ending 1978.

(Paragraph 2.5)

On account of admitted undue concentration of Air India in Bombay as pointed out by the Committee in their 48th Report (Sixth Lok Sabha) it would appear other States do not either come into the picture of recruitment or have a nominal representation. The Committee see no reason why

two or three contiguous States cannot be combined and recruitment made on a regional basis. In any case this does not explain convincingly why jobs in Air India to the extent of 86 per cent had to be confined to one State alone. The Committee hope that with decentralization of the operations of the Air India as already suggested by them the position will be remedied.

(Paragraph 2.6)

The Committee cannot but conclude that even after nationalisation, Air India have continued to follow the recruitment procedure obtaining during the time when they were in private hands and the close preserve of a chosen few. This is highly regrettable. The Committee require that in the larger national interest, Air India management should review and overhaul the recruitment procedure in its entirety with a view to ensuring that young aspirants all over the country get an even chance to secure jobs in the national carrier. They would like to be informed of the precise action taken in the matter within six months.

(Paragraph 2.7)

### **Reply of the Government**

As pointed out by the Committee themselves, the abnormal high recruitment of staff from Maharashtra is largely due to Bombay being the Headquarters of Air India. Air India have pointed out that the recruitment of staff in posts carrying salary grades Rs. 640-1170 and above and specific categories like Assistant Flight Purser, Air Hostesses etc. is done on All India basis. The Corporation is following both the statutory provisions as well as Government of India instructions issued from time to time and all the vacancies are notified to Employment Exchanges as statutorily required. Air India, however, are being advised to intensify their efforts for more dispersal in recruitment.

### **Recommendation (S. No. 13)**

The Committee note that according to an understanding reached in December 1977 between the Air India Management and the Officers' Association, the tenure of all postings overseas would be for a period of 3 to 4 years but could be increased to 6 years in case of Officers of Commercial Department at the discretion of Management. The Committee have also observed that some of the Officers of the Corporation have stayed abroad for the major portion of their total length of service with the Corporation. For example, the Regional Manager, USA & Canada (Shri P. F. Mahata) has stayed abroad for as many as 27 years out of his total service of 30 years. Regional Manager, Australia and South East Asia (Shri M. Barreto) spent about 23 years abroad out of his 34 years' total service. Manager, Germany (Shri S. J. Fernandes) also remained abroad for 17 years out of a total of 20 years' service. A number of other officers remained abroad for 7 to 14 years.

(Paragraph 2.17)

The Committee strongly deprecate the practice of granting extensions to the Officers staying abroad beyond the expiry of their term as a matter of course. The Committee recommend that the understanding reached between the management and the Air India Officers' Association with regard

to tenure of foreign posting of officers should be followed strictly in letter and spirit and extension should be given as a matter of exception not as a rule. The Committee expect that all those officers who have completed three years service abroad would be called back to India within the next 6 months. They would like to be apprised of the action taken in the matter within 3 months.

(Paragraph 2.18)

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

According to an agreement reached by the Management of Air India with the Officer's Association, the normal tenure abroad for officers who belong to Commercial Department is six years and 3 to 4 years in other cases. Air India are being advised to adhere to these ceilings strictly.

#### **Recommendation (S. No. 14)**

The Committee note with surprise that in a sensitive area like crew scheduling, there is no system of rotation and officers have been continuing for as many as 15 years, for no reason whatsoever and allowed to develop vested interests under the very nose of the management. Although during the last few years only two complaints of partiality in crew scheduling are officially admitted to have come to notice and investigated, the Committee have no doubt that there is scope for malpractice. It was, therefore, all the more necessary for the management to have devised a system of rotation so that chances of corruption and favouritism could be effectively reduced. Now that crew scheduling is to be developed as one of the applications on the new computer (Univac 1100/22) presently under installation, the Committee trust that the scope for indulging in favouritism in this sphere would be altogether eliminated.

(Paragraph 2.29)

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

The observations of the Committee are unexceptionable. Air India are being asked to report the results of the computerisation of crew scheduling.

#### **Recommendations (S. Nos. 15 to 18)**

The structure of daily outstation allowance rates applicable to Corporation employees in foreign stations consists of (i) a split rate under which hotel accommodation is provided by Corporation at its cost and staff is paid a cash allowance at the applicable rate to cover the cost of meals and (ii) An all inclusive rate with no liability to the Corporation for providing hotel accommodation. Although Air India gave an impression that they were following Central Government rates, in actual practice, under the cover of split rate, huge amounts are being paid to officers of the Corporation for their visits to foreign stations on duty tours. Hotel charges have no fixed proportion to the cash allowance and the same vary from station to station.

(Paragraph 2.44)



The Committee note that an expenditure of Rs. 1.41 lakhs, Rs. 2.02 lakhs and Rs. 2.15 lakhs was incurred during the years 1975-76, 1976-77 and 1977-78 respectively on payment of daily allowance and hotel charges for the tours performed abroad by as few as six of Air India's executives. The number of days spent abroad by these officers ranges between as few as 5 days and as many as 145 days in a year. The maximum expenditure incurred during this period was Rs. 64,000/- by Manager, Tariffs during his stay abroad for as many as 135 days in 1976-77. It was stated in evidence that no ceilings were prescribed for the expenditure on hotel accommodation since the staff were given an Airline discount of 25 to 50 per cent at most of the stations. The Committee thus find that the figures given above, do not tell the whole story.

(Paragraph 2.45)

The Committee also find that separate figures of expenditure incurred on hotel accommodation and daily allowance claimed are not available in cases where the employees have chosen to avail of the hotel accommodation at Corporation's cost as no separate accounts are maintained for the purpose. This is a strange practice indeed for a commercial concern to follow. The Committee require that henceforth such data should be separately maintained so that the expenditure on hotel accommodation could be checked with reference to the entitlement of an officer.

(Paragraph 2.46)

The Committee do not approve of the practice on the part of several officers to undertake frequent trips abroad and linger on at certain stations for days together when it is not necessary. The matter should therefore be reviewed by the Air India Board and suitable guidelines laid down.

(Paragraph 2.47)

### Reply of the Government

In so far as frequency of tours is concerned, Air India have by and large adopted the guidelines issued by the BPE in September, 1979. Even otherwise, as one of the measures for effecting economy, tours abroad by officials of Air India have been kept to the minimum. The Committee's observation that hotel accommodation taken by Air India's officials abroad should be simple and economical, is noted. Air India is being advised to ensure that officers do not stay in rooms beyond their entitlements. However, it may not be correct to ask Air India to follow only payment of all inclusive rates. This is not done by Government either.

Air India have reported that they are now maintaining separate accounts in respect of hotel accommodation and daily allowances.

### Recommendations (S. No. 21)

The Committee note that the Air India have their own Printing Press which handles the printing of various manuals, annual reports, budget and other special reports and also the House Magazine of the Corporation (Magic Carpet) but major items like time-tables, calendars and posters are

given to outside presses as their own press is not fully equipped to undertake the printing of such items.

(Paragraph 3.7)

The Committee also note that the value of work given to private presses during 1975-76, 1976-77 and 1977-78 was of the order of 19.59 Lakhs, Rs. 20.58 Lakhs and Rs. 37 Lakhs respectively.

(Paragraph 3.8)

The Committee are not happy over the huge amounts being paid by Air India to outside parties for the printing of time-tables, calendars, posters etc. The Committee would like Air India to examine the economics of off loading a considerable part of their printing work to private parties and in the light of such examination to expand the capacity of their press, if necessary, so that it would get all its printing jobs done departmentally. At present no costing system or proforma accounts have been introduced to see whether the Press is giving the optimum output at reasonable cost. The Committee doubt whether the Press is being fully utilised.

(Paragraph 3.9)

### Reply of the Government

Air India have been asked to consider the proposal and see whether they can expand their press to meet all their needs, provided such expansion is economically viable. As regards costing system and proforma accounts, Air India have already initiated necessary action in this regard.

### Recommendations (S. No. 22)

The Committee note that the Air India publish a house magazine called 'Magic Carpet', copies of which are distributed free to every member of Air India staff, Travel Agents, Press, Indian Airlines etc. The approximate cost of publishing this Magazine is stated to be about Rs. 23,142 per issue of 20,000 copies. During 1977-78, 11 issues were brought out at a total cost of Rs. 2,54,565/-. This did not include editorial expenses.

(Paragraph 3.19)

The purpose of this magazine is stated by Corporation "to keep Air India Employees acquainted with happening within the Organisation." The Committee were informed that it was not the Management's policy to accept advertisement for publication in the Magazine.

(Paragraph 3.20)

The Committee are concerned over the unnecessary waste of public money in publishing 'Magic Carpet' which serves no purpose other than glorification of the elite of Air India. There is therefore an urgent need to make it more informative and educative rather than allowing funds to be wasted on bringing out a mere piece of decoration.

(Paragraph 3.21)

The Committee do not understand the rationale of the policy followed by the Management not to accept advertisements which could cover the cost of its publication. The Committee consider that given a little amount of

imagination this magazine could easily become a good vehicle for tourist promotion and could also become self supporting if the ITDC Hotels and other Public Undertakings were encouraged to give advertisements for publication in it.

(Paragraph 3.22)

### **Reply of the Government**

Air India have indicated that they will endeavour to make the magazine more educative and informative. The Corporation has accepted the suggestion to review its policy and see whether advertisements from the ITDC and other Public Sector Undertakings could be accepted.

**CHAPTER III**

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

—NIL—

## CHAPTER IV

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

#### **Recommendations (S. Nos. 7, 8, 9, 10 and 11)**

The Committee observe that the Indian Airlines initially represented Air India as General Sales Agents for the whole of India with the exception of the metropolitan cities of Delhi, Bombay, Calcutta and Madras. However in course of time it was observed that a number of other foreign carriers had appointed their own GSAs in Northern India who were carrying away a large portion of the ethnic traffic on their services by indulging in unethical practices with impunity since the Government had no preventive enforcement machinery. Consequently, "Air India was left with no option" but to appoint a General Sales Agent for Northern India comprising the territories of Punjab, Haryana, Himachal Pradesh and Chandigarh. This situation remains unchanged.

(Paragraph 1.40)

The Committee are extremely distressed to find that Air India failed to meet the competition from foreign carriers on the home ground which should normally have been their close preserve. Serious imbalances in the bilateral and reciprocal agreements coupled with down to earth low fares offered by certain foreign airlines are responsible for this situation.

(Paragraph 1.41)

What concerns the Committee most is the fact that large sums of money being paid as commission to the GSA should have rightfully gone to the Indian Airlines had the airline as well as their principal viz. Air India been vigilant and acted on business lines with an honest will.

The Committee cannot approve the action on the part of Air India which amounts to throwing up their hands in the face of competition from foreign airlines. This would have been inconceivable had Air-India continued as a private airline.

(Paragraph 1.42)

Another aspect of the sorry episode is the giving of monopoly business to Hindustan Travel & Tours Pvt. Ltd. and subsequently to the Janta Travels as GSA for Northern India. As in the case of the former, the Janta Travels also is controlled by a non-resident (Shri J. Sangar) who is a partner in Hindustan Travel Service—Air India's GSA in U.K. The Committee find that special permission was given by the Reserve Bank of India to Shri Sangar to acquire 80 per cent non-resident holding in Janta Travel by relaxing the normal regulations which do not allow more than 40 per cent shares to a non-resident, on the condition that within five years, he

will either bring down his share to a maximum of 51 per cent or will become resident in India. It is thus obvious that Shri Sangar to all intents and purposes will continue to have a controlling interest in Air India's GSA in Northern India. The Governor, Reserve Bank of India should personally look into the matter and send his findings within 30 days as to why special concession was shown to Mr. Sangar.

(Paragraph 1.43)

The Committee are indeed very suspicious and would like to understand why Air India should have allowed a single party to continue its strangle-hold on the ethnic traffic both from India to U.K. and U.K. to India—which in any case would have come to Air India had the airline been sufficiently vigilant about its own interests as well as those of the country at large.

(Paragraph 1.44)

The Committee do not accept Air India's contention that appointment of this party as GSA for Northern India was necessary. In any case it is abundantly clear to the Committee that Shri Sangar and his associates have access to the highest levels of authority and are quite resourceful. The Committee, therefore, recommend that a thorough probe should be instituted by an investigation agency unconnected with the Airline or the Ministry.

(Paragraph 1.45)

### Reply to the Government

It is a fact that Air-India had to appoint a private party as GSA for Northern India in order to remain competitive in the market in which several foreign carriers were indulging in undercutting and other similar practices. Air India had appointed their U.K. GSA as the GSA for Northern India also for the following reasons :—

- (a) The UK-USA (Hindustan Travel Services) had proved their ability to generate business and were financially sound.
- (b) There was considerable traffic originating in Northern India, payment for which was being made by sponsors in UK to M/s. Hindustan Travel Services, London who were sending pre-paid ticket advices to the Northern India offices. It was felt that any other party, if appointed, would resent having to handle and service such passengers and would bring pressure on them to pay in Indian rupees.
- (c) M/s. Hindustan Travel Services, London were booking considerable traffic of a round trip nature which require servicing in India for the return journey. Here again, it was felt that another party would be reluctant to provide the services.

In view of the circumstances mentioned above, Air-India's action in taking prompt steps to appoint a GSA to stay competitive in a fiercely competitive market would seem unexceptionable. It is a fact that Indian Airlines was not in a position to match the sales promotion activities of the GSAs of the foreign carriers. There are inherent limitations in the

system of domestic airline acting as GSA for another international airline and Indian Airlines cannot be faulted for these limitations. Therefore, it may be difficult to arrive at conclusion that the commission being paid by Air India to the GSA would have gone to Indian Airlines. In fact a private airline would have acted as Air India did in the situation in its own commercial interests. Considering the fact that Air India is carrying 43 per cent of the traffic originating from India and the remaining 38 and odd foreign airlines carry the balance, the performance of Air India has to be considered satisfactory.

Ministry of Finance were requested to obtain the comments of RBI on the Committee's observation about permitting Shri J. Sangar to acquire 80 per cent non-resident holding in Janta Travels. The RBI have stated that the permission given to Shri Sangar to acquire 80 per cent non-resident holding in the Travel Agency was done as per extant rules and no special concession was shown to him.

In view of the facts stated above, there does not appear to be any reason for a special investigation in regard to the appointment of GSA for Northern India by Air-India.

#### **Recommendations (S. No. 19)**

The Committee require that Air India should adopt that all inclusive rate as in the case of other Central Government officials instead of allowing huge sums to be spent on accommodation which in certain cases has been found to be three times the actual entitlement of an officer.

(Paragraph 2.48)

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

In so far as frequency of tours is concerned, Air India have by and large adopted the guidelines issued by the BPE in September, 1979. Even otherwise, as one of the measures for effecting economy, tours abroad by officials of Air India have been kept to the minimum. The Committee's observation that hotel accommodation taken by Air India's officials abroad should be simple and economical, is noted. Air India is being advised to ensure that officers do not stay in rooms beyond their entitlements. However, it may not be correct to ask Air India to follow only payment of all inclusive rates. This is not done by Government either.

Air India have reported that they are now maintaining separate accounts in respect of hotel accommodation and daily allowances.

#### **Recommendations (S. No. 23)**

Both Shri I. D. Sethi and Shri H. K. Malik are occupying senior positions. The conduct of these officers has been reprehensible. In the case of Shri Sethi a CBI enquiry is reported to have been made but it was a perfunctory affairs. The Committee are surprised that the matter was not properly investigated. In this connection they would refer to their earlier Report wherein a mention was made of Shri Sethi's pressuring the DGCA to grant extra rights to a foreign airline.

(Paragraph 3.26)

The Committee are horrified to hear from Shri Sethi who is a Commercial Director that it has been the practice not only within India but also overseas for Air India Executives to avail of hospitality from hotels and claim full outstation allowance. The Committee require that this should stop forthwith.

The Committee consider that it will be unwise on the part of Air India to allow such people to hold responsible position.

(Paragraph 3.27)

### **Reply of the Government**

Air India have issued clarifications to its officers in September, 1978 on claiming full outstation allowance when availing of hospitality and this practice has since been stopped.



## CHAPTER V

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

#### Recommendation (S. No. 20)

Although lay-over allowance is fixed in the local currency of the station of lay-over, there are a few stations abroad where the flight crew and the cabin crew are allowed to draw whole or part of their lay-over allowance outside the stations of lay-over largely in convertible currency. It is difficult to understand how they maintain themselves at these stations without drawing the allowance. The crew do not generally accept payment in Indian currency as that is liable to be taxed. The committee find that out of a total of Rs. 3.93 crores paid as lay-over allowance in 1977-78, a sum of Rs. 1.89 crores only was paid in Rupees.

(Paragraph 2.62)

The Committee further observe that although the Air India Rules do not specifically provide for the payment of lay-over allowance outside the stations of layover, such payments have been allowed as a result of demands made by the crew. According to Air India, "since the lay-over allowance is earned by the crew in respect of lay-over at a particular station, no contravention of Foreign Exchange Rules is involved."

(Paragraph 2.63)

While the Committee are not in favour of curtailing the legitimate entitlement of the crew, liberal as they might appear to be, it is their duty to point out that the matter calls for clearance from the Ministry of Finance to make sure that no violation of law is involved. The Committee would, therefore, like the Ministry of Tourism and Civil Aviation to obtain the views of the Central Board of Direct Taxes/Enforcement Directorate and make necessary arrangements. The Committee would like to be apprised of the position at the earliest.

(Paragraph 2.64)

#### Reply of the Government

The matter has been taken up with the Ministry of Finance, Department of Revenue and Economic Affairs. Their final reply is awaited. The findings of the Ministry of Finance will be submitted separately.

NEW DELHI :

March 28, 1981

Chaitra 7, 1903 (Saka)

**BANSI LAL,**  
*Chairman,*

*Committee on Public Undertakings.*

## APPENDIX

(Vide Para 3 of Introduction)

Analysis of action taken by Government on the recommendations contained in the 53rd Report of the Committee on Public Undertakings (6th Lok Sabha).

I	Total number of recommendations made	23
II	Recommendations that have been accepted by Government (vide recommendations at S. No. 1-6, 12-18, 21 and 22	16
III	Percentage to total	70
IV	Recommendations which the Committee do not desire to pursue in view of Government's reply. Nil	
V	Recommendations in respect of which replies of Government have not been accepted by the Committee at Sl No. 7-11 and 19. Percentage to total	6 26
VI	Recommendations in respect of which final replies of Govern- ment are still awaited (vide recommendation at S. No. 20). Percentage to total	1 4